

Waterloo Region & Guelph

Industrial Q1 2019



WATERLOO REGION INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Waterloo Region Employment	279k	297k	▲
Waterloo Region Unemployment	5.3%	4.7%	▼
City of Guelph Employment	89k	95k	■
City of Guelph Unemployment	5.3%	1.7%	■
Canada Unemployment	5.8%	5.8%	■

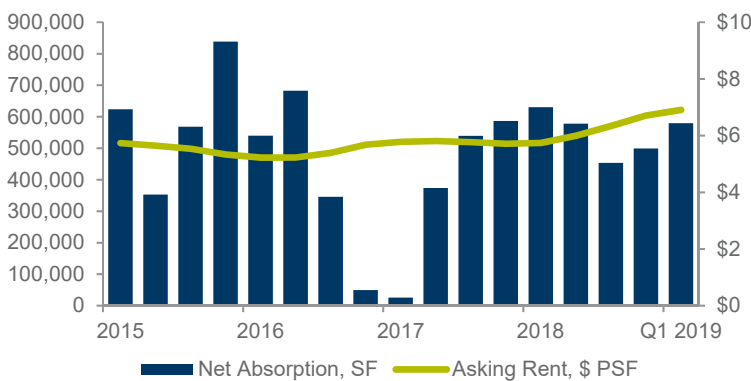
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy*	4.2%	1.8%	■
Net Absorption (sf)	-53,006	267,906	▼
Under Construction (sf)	154,206	436,280	▲
Average Asking Rent	\$5.95	\$6.75	▲

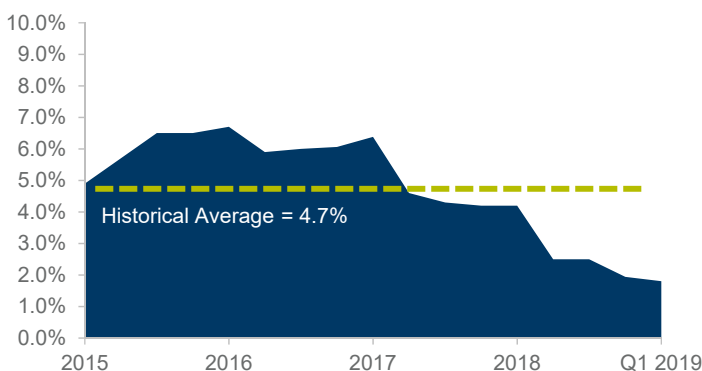
*Numbers adjusted to include properties for sale

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Heading into 2019, international demand for primary exports has caused many Canadian provinces to fall behind the nation's average GDP per capita. Canada's economy has managed to sustain a period of aggregate growth for roughly over a decade, and Ontario has been a large contributor to this growth. However, there has been much uncertainty surrounding Ontario's economic stability, and whether this will have implications for the nation as a whole. Despite these forecasts, in terms of output and employment growth, Ontario's manufacturing/industrial sector has continued to expand. With Ontario's geographic location, economic diversity and international significance, identifying which factors may attribute to recession has been a challenge for experts. With geopolitical tensions high and little collaboration amongst federal and provincial governments in forming a contingency plan, the implication of economic retrenchment could be severe without sufficient consideration.

Market Overview

As vacancy rates across the GTA reached record lows in the first quarter of 2019, Waterloo Region and Guelph continue to experience a dramatic spillover affect with demand outpacing available inventory. While this demand may have helped increase occupancy rates across Waterloo Region overall, it is still reasonable to argue this shortage in industrial space signifies a loss of economic surplus as the province has maximized its current infrastructure. Since early 2018, vacancy rates have fallen over two percent across industrial assets, causing the region to face record high scarcities. Like trends across other asset classes, such as office, the demand for industrial space continues to reveal the obsolescence of dated inventory, as firms move quickly to secure new product, with reasonable expectations of completion. In response to inflated demand, listed rates across Waterloo Region, particularly for new builds and turnkey space, are well above historical averages. Despite some construction underway, the excess demand and scarce supply reflects an overall loss of economic utility for the Region and the province at large.

Outlook

The current state of the Region's economy remains parallel to that of the rest of Southern Ontario, as growth hinders on the limited supply of current inventory and ambiguous expectations of decision makers. For the Region, and in general, real estate across the province, has been subject to foreign interests, both large and small, and has certainly contributed to the glut in demand. As new inventory is quickly absorbed, the Region's industrial market faces a dilemma where both zoning restrictions and little action towards repositioning existing inventory have resulted in the lack of sufficient industrial space. While there are many factors that attribute to market activity, some may emphasize that the current economic stagnation reflects an inability for municipal and provincial governments to respond to growth with sufficient policy design and implementation.

MARKETBEAT

Waterloo Region & Guelph

Industrial Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	YTD CNSTR COMPLETIONS	DIRECT WEIGHTED AVG. NET RENT	DIRECT WEIGHTED AVG. ADD. RENT	DIRECT WEIGHTED AVG. GROSS RENT
Cambridge	71	10,267,499	2,400	0.0%	8,700	8,700	260,990	0	\$13.00	\$5.00	\$18.00
Eagle	72	3,810,053	196,921	5.2%	-56,251	-56,251	0	0	\$6.56	\$2.54	\$9.10
Eastern	71	5,006,226	231,237	4.6%	259,640	259,640	143,695	0	\$3.78	\$1.75	\$5.53
L.G. Lovell	250	11,515,512	280,486	2.4%	111,844	111,844	31,595	0	\$6.02	\$1.82	\$7.84
Misc.	33	2,245,835	35,700	1.6%	1,511	1,511	0	0	\$6.98	\$3.77	\$10.75
CAMBRIDGE SUBTOTAL	497	32,845,125	746,744	2.3%	325,444	325,444	436,280	0	\$5.40	\$2.09	\$7.49
Bridgeport	92	3,121,820	242,075	7.8%	-97,135	-97,135	0	0	\$3.97	\$2.87	\$6.84
Hanson/Ardelt	0	1,820,276	23,738	1.3%	-850	-850	0	0	N/A	N/A	N/A
Huron	130	4,756,491	19,815	0.4%	12,805	12,805	0	0	\$6.88	\$3.57	\$10.45
Lancaster	28	1,640,783	0	0.0%	0	0	0	0	N/A	N/A	N/A
Manitou	37	2,010,691	20,714	1.0%	1,492	1,492	0	0	N/A	N/A	N/A
Wilson	37	2,677,855	24,247	0.9%	-24,247	-24,247	0	0	N/A	N/A	N/A
Misc.	63	3,168,409	76,707	2.4%	-35,737	-35,737	0	0	\$9.12	\$3.64	\$12.76
KITCHENER SUBTOTAL	387	19,196,325	407,296	2.1%	-143,672	-143,672	0	0	\$7.56	\$3.45	\$11.00
Conestoga	112	4,208,637	18,233	0.4%	26,934	26,934	0	0	\$7.56	\$4.50	\$12.06
Dearborn	20	637,799	13,588	2.1%	0	0	0	0	N/A	N/A	N/A
Northland	83	3,065,871	69,920	2.3%	3,389	3,389	0	0	\$6.48	\$3.36	\$9.85
Misc.	24	1,038,300	2,400	0.2%	0	0	0	0	\$8.00	\$5.00	\$13.00
WATERLOO SUBTOTAL	239	8,950,607	104,141	1.2%	30,323	30,323	0	0	\$6.60	\$3.48	\$10.08
Hanlon	74	6,036,522	125,567	2.1%	9,763	9,763	0	0	\$8.01	\$3.83	\$11.85
Northwest	198	13,779,247	164,367	1.2%	24,748	24,748	0	0	\$5.59	\$3.50	\$9.09
Puslinch	25	2,013,437	0	0.0%	30,000	30,000	0	0	N/A	N/A	N/A
York Watson	25	1,274,969	8,250	0.6%	-4,200	-4,200	0	0	\$8.50	\$3.50	\$12.00
Misc.	42	2,524,911	33,142	1.3%	-4,500	-4,500	0	0	\$5.25	\$3.00	\$8.25
GUELPH TOTAL	364	25,629,086	331,326	1.3%	55,811	55,811	0	0	\$7.46	\$3.73	\$11.19
WATERLOO REGION TOTALS	1,487	86,621,143	1,589,507	1.8%	267,906	267,906	436,280	0	\$6.75	\$3.19	\$9.94

*Rental rates reflect asking \$psf/year

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
111 Savage Drive	204,203	Savage Holdings Inc. / Canam Self Storage Inc.	\$5,000,000 / \$24	Eastern
450 Dobbie Drive	237,821	Genterra Capital Inc. / West Wind Properties Inc.	\$5,800,000 / \$24	Eastern
329 Stirling Avenue South	140,000	French River Holdings Inc. / Canam Self Storage Inc.	\$5,950,000 / \$42	Kitchener- Misc.
240 Ardelt Avenue	15,128	Accurate Fasteners Ltd. / Form & Build Supply Inc.	\$2,850,000 / \$188	Hanson
218 Frobisher Drive	11,925	Kenko Inc. / 2632416 Ontario Inc.	\$1,806,250 / \$151	Northland
41 Lewis Road	25,000	Contract Express Ltd. / Stone Selex Inc.	\$2,100,000 / \$84	Hanlon

Cushman & Wakefield WR
4295 King Street East, Suite 401
Kitchener, ON N2P 0C6
cushwakewr.com

For more information, contact:
Connor Ward, Research Analyst
Tel: +1 519 804 4394
connor.ward@cushwakewr.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.