

Waterloo Region & Guelph

Industrial Q2 2019



WATERLOO REGION INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Waterloo Region Employment	282k	305k	▲
Waterloo Region Unemployment	5.7%	4.9%	■
City of Guelph Employment	88k	96k	■
City of Guelph Unemployment	4.3%	4.8%	■
Canada Unemployment	5.9%	5.4%	■

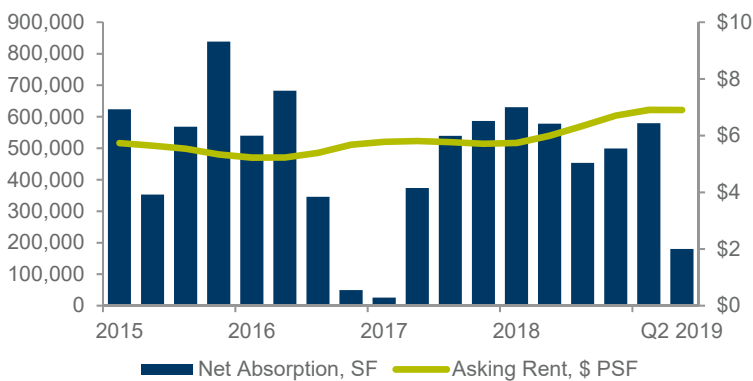
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy*	2.5%	2.0%	■
Net Absorption (sf)	1,563,871	-34,127	▲
Under Construction (sf)	204,206	743,014	■
Average Asking Rent	\$6.62	\$6.61	▲

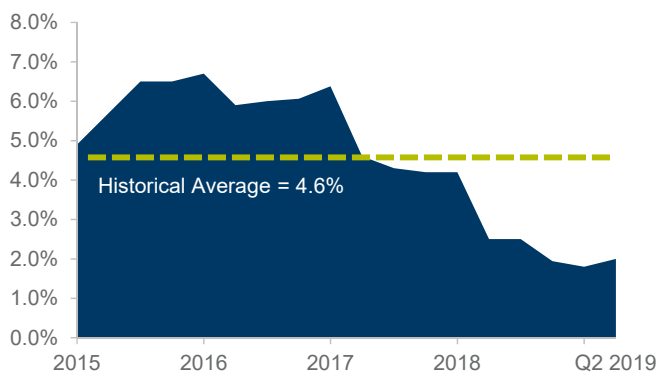
*Numbers adjusted to include properties for sale

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Despite ongoing threats of trade restrictions, manufacturing and other industrial related practices have continued to experience growth throughout 2019. While concerns over trade have been closely tied to Canadian steel, aluminum and softwood lumber, market statistics suggest that these industries have been relatively stable despite rising tensions. For the province of Ontario, manufacturing accounts for 18% of the province's GDP, employing over 12% of Ontario's total workforce. Despite efforts made by Ontario's governing conservatives to preserve the province's industries, the continued threat of trade barriers, in addition to the introduction of a federal carbon tax, may result in many industrial practices suffering under certain conditions.

Market Overview

With vacancy rates across industrial assets reaching all time lows in the first quarter of 2019, the Region experienced marginal relief during the second quarter as overall vacancy rests at 2.0%. Due to this low availability, the historical average vacancy rate has also decreased from 4.7% to 4.6%. Despite the lack of available space, there has been little change to rental rates within the Region's industrial market. While markets such as Toronto and Vancouver have experienced increases in industrial rents, Waterloo Region and Guelph have yet to experience similar rental rate pressures. However, with the City of Cambridge recently announcing that it is officially sold out of serviced industrial land, and with developable land already scarce, future development will be limited by the lack of suitable land to build.

Outlook

As available industrial space remains scarce, prospective tenants and investors will continue to face extreme difficulties securing sufficient space to occupy and/or own. While rental rates in Toronto remain increasingly unaffordable, it is highly likely that the Region will continue to experience an influx in interest from those who require more affordable options. However, with the Region's record low unemployment rates and inflated wages, locating suitable space is not the only challenge facing business owners. With much uncertainty in the country's economic stability, property owners and developers have become increasingly hesitant to construct new inventory without securing an anchor tenant, or pre-leasing the space entirely. As demand for space continues to strongly outpace supply, it is highly uncertain whether an economic recession will lessen demand for space or potentially increase availability rates.

MARKETBEAT

Waterloo Region & Guelph

Industrial Q2 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	73	10,340,489	155,188	1.5%	-79,798	-71,098	190,000	72,990	\$7.88	\$4.22	\$12.10
Eagle	72	3,810,053	158,896	4.2%	38,025	-18,226	0	0	\$6.63	\$3.23	\$9.86
Eastern	71	5,006,226	231,237	4.6%	0	259,640	143,695	0	\$3.78	\$1.75	\$5.53
L.G. Lovell	251	11,547,107	301,369	2.6%	10,712	122,556	0	31,595	\$6.60	\$2.27	\$8.87
Misc.	33	2,245,835	18,500	0.8%	17,200	18,711	0	0	\$7.00	\$4.03	\$11.03
CAMBRIDGE SUBTOTAL	500	32,949,710	865,190	2.6%	-13,861	311,583	333,695	104,585	\$5.94	\$2.66	\$8.60
Bridgeport	92	3,121,820	204,683	6.6%	37,392	-59,743	0	0	\$5.27	\$2.03	\$7.30
Hanson/Ardelt	0	1,820,276	23,738	1.3%	0	-850	0	0	n/a	n/a	n/a
Huron	130	4,756,491	7,735	0.2%	12,080	24,885	0	0	\$6.74	\$4.22	\$10.95
Lancaster	28	1,640,783	0	0.0%	0	0	0	0	n/a	n/a	n/a
Manitou	37	2,010,691	10,136	0.5%	10,578	12,070	0	0	\$6.50	\$4.50	\$11.00
Wilson	37	2,677,855	30,190	1.1%	-5,943	-30,190	0	0	\$7.68	\$4.94	\$12.62
Misc.	63	3,168,409	72,737	2.3%	3,970	-31,767	0	0	\$9.07	\$3.63	\$12.71
KITCHENER SUBTOTAL	387	19,196,325	349,219	1.8%	58,077	-85,595	0	0	\$6.52	\$2.85	\$9.37
Conestoga	112	4,208,637	97,862	2.3%	-79,629	-52,695	0	0	\$5.90	\$2.97	\$8.86
Dearborn	20	637,799	78,588	12.3%	-65,000	-65,000	0	0	\$7.00	\$2.50	\$9.50
Northland	83	3,065,871	45,211	1.5%	24,709	28,098	0	0	\$6.74	\$3.50	\$10.24
Misc.	24	1,038,300	0	0.0%	2,400	2,400	0	0	n/a	n/a	n/a
WATERLOO SUBTOTAL	239	8,950,607	221,661	2.5%	-117,520	-87,197	0	0	\$6.42	\$2.93	\$9.35
Hanlon	74	6,036,522	213,095	3.5%	-87,528	-77,765	386,919	0	\$7.60	\$3.62	\$11.22
Northwest	198	13,779,247	40,062	0.3%	124,305	149,053	0	0	\$7.95	\$3.50	\$11.45
Puslinch	25	2,013,437	0	0.0%	0	30,000	0	0	n/a	n/a	n/a
York Watson	25	1,274,969	5,850	0.5%	2,400	-1,800	22,400	0	\$8.00	\$3.50	\$11.50
Misc.	42	2,524,911	33,142	1.3%	0	-4,500	0	0	\$5.25	\$3.00	\$8.25
GUELPH TOTAL	364	25,629,086	292,149	1.1%	39,177	94,988	409,319	0	\$7.58	\$3.60	\$11.17
WATERLOO REGION TOTALS	1,490	86,725,728	1,728,219	2.0%	-34,127	233,779	743,014	104,585	\$6.61	\$3.01	\$9.62

*Rental rates reflect asking \$psf/year

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
60 Struck Court	31,929	Gallant Custom Laboratories Inc / Kassme Inc	\$5,050,000 / \$158	Lovell
510 Weber Street N	30,000	Motion Industries (Canada), Inc / MAG (20/20) Holdings Ltd	\$2,460,000 / \$82	Conestoga
731 Wilson Avenue	22,917	JDS Holdings Inc / 2441221 Ontario Ltd	\$3,140,000 / \$137	Wilson
145 Hollinger Crescent	20,000	Cliffden Holdings Ltd / 2675475 Ontario Inc	\$1,900,000 / \$95	Bridgeport
373 Pinebush Road	15,472	John's Tire Ltd / 2695361 Ontario Inc.	\$1,780,000 / \$115	Lovell

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