

WATERLOO REGION OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Waterloo Region Employment	295k	298k	▲
Waterloo Region Unemployment	4.4%	7.4%	▲
City of Guelph Employment	92k	89k	▲
City of Guelph Unemployment	4.7%	4.1%	▲
Canada Unemployment	6.2%	6.0%	▲

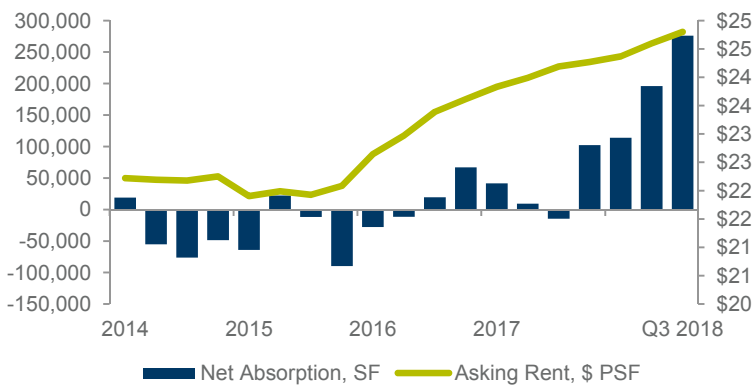
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	16.6%	13.4%	▲
Net Absorption (sf)	-87,325	232,148	▲
Under Construction (sf)	742,459	110,000	▲
Average Asking Rent*	\$24.57	\$25.38	▲

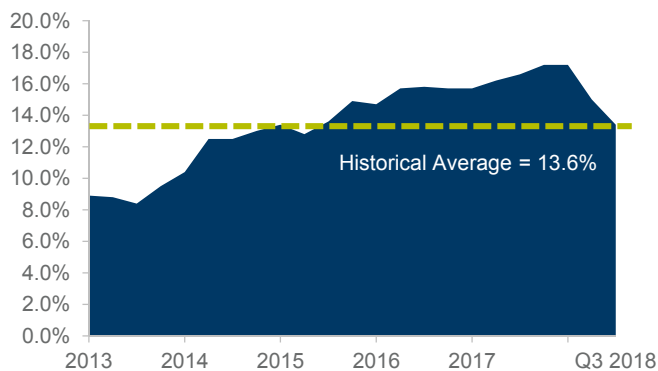
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

There have been some significant changes to the political-economic landscape with the election of a new provincial government. They have initiated changes that include removing green initiatives and putting a halt on the minimum wage increase. This past quarter Ontario saw a decrease in employment in both scientific and technical services, as well as the public sector. Contrary to the general Ontario job sector statistics, Waterloo Region and Guelph both experienced employment growth over the second quarter of 2018, markets where the science and technology sectors are strong. Following a few months of Canadian employment increases, the most recent Canadian labour force statistics show employment declined by 52,000 in August 2018, with the unemployment rate increasing by 20 basis points to 6.0%.

Market Overview

The overall market had a strong quarter as vacancy declined to 13.4% from 15.0% in the second quarter of 2018. This was largely driven by increased demand in the Suburban markets. Waterloo city council has recently approved plans for a multi-storey STEAM (Science, Tech, Engineering, Arts, and Math) centre, located below a new condominium development. This new centre is aiming to increase interest in STEAM for younger students. Jim Wilson, the new Minister of Economic Development, Job Creation and Trade, made a visit to Kitchener-Waterloo where he noted there should be more programs that support students who transition from science and tech education into tech-related employment in the area. Wilson also commented that Ontario needs more tech-fueled growth and innovation, a fact evident in the August 2018 labour force statistics.

Outlook

The City of Toronto has recently allowed for new zoning changes which has led to an increase in residentially-zoned land. This has resulted in a decrease of available commercial property, forcing companies seeking space near Toronto to look outside of the GTA, where office and industrial space is readily available and at a comparatively lower cost. In an effort to further solidify the Toronto-Kitchener transit corridor, there was a renewed commitment to increase GO Transit service between Kitchener and Toronto from Metrolinx. While logistics are being finalized for all-day service, Metrolinx has added cars to the current trains that will allow for additional passengers. Waterloo Region has begun to receive additional Light Rail Transit (LRT) cars for testing, with predicted full-time service commencing in December 2018. Increasing transit options into and around Waterloo Region will certainly boost its competitive edge against GTA commercial properties.

MARKETBEAT

Waterloo Region & Guelph

Office Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Waterloo Core	20	1,686,273	0	116,500	6.9%	4,942	29,422	0	\$29.65	\$34.90
Waterloo Suburb	95	5,591,795	201,699	876,168	19.3%	106,205	221,407	110,000	\$26.17	\$28.13
Waterloo Total	115	7,278,068	201,699	992,668	16.4%	111,147	250,829	110,000	\$26.44	\$28.64
Kitchener Core	31	2,568,745	16,857	325,956	13.3%	59,780	127,628	0	\$26.01	\$27.26
Kitchener Suburb	55	2,198,047	0	232,008	10.6%	3,335	123,115	0	\$22.42	\$22.70
Kitchener Total	86	4,766,792	16,857	557,964	12.1%	63,115	250,743	0	\$24.62	\$23.84
Cambridge Core	7	325,880	0	46,750	14.3%	-	-5,645	0	\$19.84	N/A
Cambridge Suburb	24	899,197	33,713	94,039	14.2%	12,801	27,589	0	\$21.47	\$22.68
Cambridge Total	31	1,225,077	33,713	140,789	14.2%	12,801	21,944	0	\$21.03	\$22.68
Guelph Core	14	551,094	0	16,099	2.9%	-512	-6,384	0	\$36.63	\$26.97
Guelph Suburb	38	1,186,852	9,100	40,409	4.2%	45,597	119,283	0	\$25.93	\$28.32
Guelph Total	52	1,737,946	9,100	56,508	3.8%	45,085	112,899	0	\$24.76	\$28.92
Waterloo Region Totals	284	15,007,883	261,369	1,747,929	13.4%	232,148	636,415	0	\$25.38	\$26.85

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT *
Class A	91	7,473,631	80,484	815,281	12.0%	61,175	343,060	110,000	50,350	\$26.85
Class B	119	5,335,131	165,102	632,306	14.9%	54,248	155,279	0	0	\$24.87
Class C	74	2,199,121	15,783	300,342	14.4%	116,725	138,076	0	0	\$22.69

*Rental rates reflect gross asking \$psf/year

Key Sale/Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4169 King Street	13,410	2630778 ONTARIO INC	Sale	Kitchener Suburb
370 Speedvale	12,840	N / A	Lease	Guelph Suburb
451 Phillip St	10,825	N / A	Lease	Waterloo Suburb

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