

# Waterloo Region & Guelph

Office Q4 2018



## WATERLOO REGION OFFICE

### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Waterloo Region Employment	286k	298k	▲
Waterloo Region Unemployment	4.9%	5.1%	▲
City of Guelph Employment	92k	89k	▲
City of Guelph Unemployment	6.1%	3.0%	▼
Canada Unemployment	5.7%	5.6%	▲

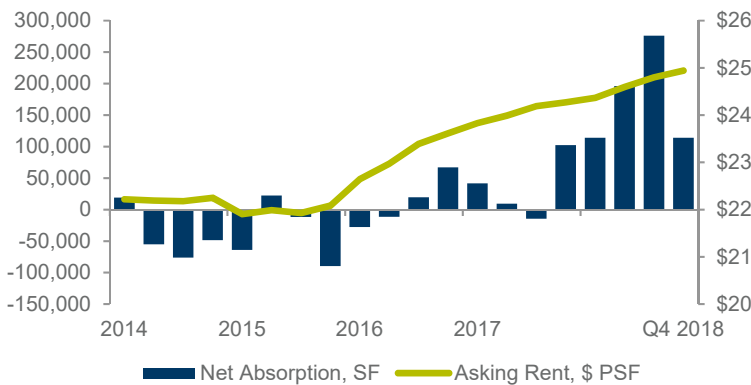
### Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	17.2%	14.5%	▲
Net Absorption (sf)	481,769	-166,511	▲
Under Construction (sf)	337,575	315,550	▲
Average Asking Rent*	\$24.19	\$24.76	▲

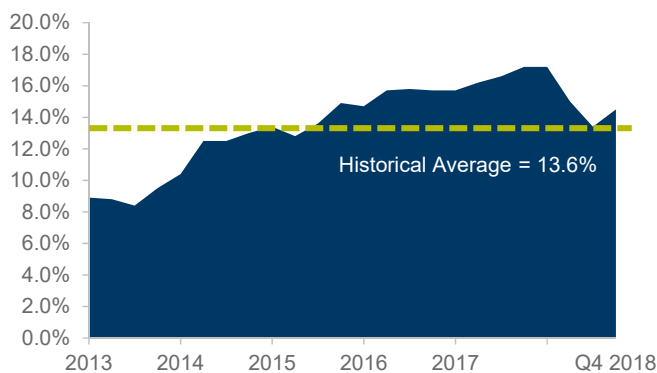
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Canadian economy saw an increase in full-time employment in November 2018, helping push the national unemployment rate downwards to 5.6%. Differing from the public sector employment gains seen in the third quarter of 2018, the majority of employment gains in the fourth quarter were driven by growth in the private sector. There was a significant increase in jobs within the agriculture and non-medicinal cannabis sectors in the fourth quarter as non-medicinal cannabis was recently made legal nationwide. Waterloo Region and Guelph employment continues to remain strong as the scientific and professional services sector experienced slight employment increases.

## Market Overview

Throughout 2018 office vacancy rates in Waterloo Region have seen a steady decline. Suburban Class A vacancy rates have experienced slower growth and as a result there has been a slight decrease in the asking rents. Core neighbourhoods are experiencing greater changes in vacancy rates and higher asking rents. There are several Suburban office construction projects slated to begin in 2019 which will likely impact asking rents and may result in increased vacancy.

Technology startups are continuing to expand within the Region contributing to the need for additional office space. A large supporter of startup growth is the Waterloo Accelerator Centre which was recently named one of the top business incubators in Canada. The centre works with approximately 100 new startups every year focusing on artificial intelligence and financial technology such as Magnet Forensics and Kik Interactive, and has supported the creation of nearly 3,000 jobs. Local companies such as North (formerly Thalmic labs) have recently received a large amount of government funding, leading to an estimated 230 additional jobs.

## Outlook

For the first time in 30 years, Waterloo Region has elected a new Regional Chair, Karen Redman. She has been a strong supporter of improved transit within the Region as well as improved connection to the GTA. Metrolinx has also renewed its commitment to two-way all-day GO train service between Kitchener and Toronto. The commitment came shortly after additional trips were added to the morning and evening routes. The final shipment of Ion LRT trains will soon be delivered and are anticipated to be operational in the late winter/early spring 2019 bringing additional mobility to the Region. Currently, the City of Kitchener's intensification level within the past year has remained close to 37%. With numerous residential and office building construction projects due to begin in 2019, it is unlikely the intensification within the city will continue to climb, with city officials predicting a move from the core to greenfield development.

MARKETBEAT

# Waterloo Region & Guelph

Office Q4 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	116,533	6.9%	(33)	29,389	0	\$29.48	\$34.21
Waterloo Suburb	95	5,591,795	191,147	853,198	15.3%	33,522	254,929	110,000	\$24.80	\$24.72
<b>Waterloo Total</b>	<b>115</b>	<b>7,278,068</b>	<b>191,147</b>	<b>969,731</b>	<b>13.3%</b>	<b>33,489</b>	<b>284,318</b>	<b>110,000</b>	<b>\$25.12</b>	<b>\$25.35</b>
Kitchener Core	31	2,568,745	2,399	485,106	18.9%	(144,692)	(17,064)	94,550	\$26.59	\$27.71
Kitchener Suburb	55	2,198,047	0	245,841	11.2%	(13,833)	109,282	0	\$22.16	\$22.67
<b>Kitchener Total</b>	<b>86</b>	<b>4,766,792</b>	<b>2,399</b>	<b>730,947</b>	<b>15.3%</b>	<b>(158,525)</b>	<b>92,218</b>	<b>94,550</b>	<b>\$25.34</b>	<b>\$24.42</b>
Cambridge Core	7	325,880	0	45,028	13.8%	1,722	(3,923)	0	\$19.63	N/A
Cambridge Suburb	24	899,197	37,747	115,340	12.8%	(25,335)	2,254	111,000	\$22.46	\$22.88
<b>Cambridge Total</b>	<b>31</b>	<b>1,225,077</b>	<b>37,747</b>	<b>160,368</b>	<b>13.1%</b>	<b>(23,613)</b>	<b>(1,669)</b>	<b>111,000</b>	<b>\$21.82</b>	<b>\$22.88</b>
Guelph Core	14	551,094	0	17,933	3.3%	(1,834)	(8,218)	0	\$36.63	\$26.97
Guelph Suburb	38	1,186,852	11,029	54,508	4.6%	(16,020)	103,255	0	\$22.72	\$25.03
<b>Guelph Total</b>	<b>52</b>	<b>1,737,946</b>	<b>11,029</b>	<b>72,441</b>	<b>4.2%</b>	<b>(17,862)</b>	<b>95,037</b>	<b>0</b>	<b>\$21.42</b>	<b>\$24.29</b>
<b>Waterloo Region Totals</b>	<b>284</b>	<b>15,007,883</b>	<b>242,322</b>	<b>1,933,487</b>	<b>14.5%</b>	<b>(166,511)</b>	<b>469,904</b>	<b>315,550</b>	<b>\$24.76</b>	<b>\$24.82</b>

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 *	YTD CNSTR COMPLETION
Class A	91	7,473,631	67,443	857,831	11.5%	(29,509)	313,551	315,550	\$24.82	\$15.37	102,000
Class B	119	5,335,131	159,096	755,799	14.2%	(117,487)	37,792	0	\$25.22	\$13.95	0
Class C	74	2,199,121	15,783	319,857	14.5%	(19,515)	118,561	0	\$23.30	\$12.96	0

\*Rental rates reflect gross asking \$psf/year

## Key Sale/Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
540 Bingham Centre Drive	25,946	N/A	Lease	Kitchener Suburb
4210 King Street East	16,242	N/A	Lease	Kitchener Suburb
554 Weber Street North	12,885	N/A	Lease	Waterloo Suburb

Cushman & Wakefield WR  
4295 King Street East, Suite 401  
Kitchener, ON N2P 0C6  
[cushwakewr.com](http://cushwakewr.com)

For more information, contact:  
Courtney Jones, Research Analyst  
Tel: +1 519 804 4386  
[courtney.jones@cushwakewr.com](mailto:courtney.jones@cushwakewr.com)

### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.