

## WATERLOO REGION OFFICE

## Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Waterloo Region Employment	298k	299k	▲
Waterloo Region Unemployment	7.4%	5.9%	■
City of Guelph Employment	89k	94k	■
City of Guelph Unemployment	4.1%	5.3%	■
Canada Unemployment	6.0%	5.7%	▲

## Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	13.4%	11.3%	■
Net Absorption (sf)	232,148	118,561	▼
Under Construction (sf)	110,000	550,000	▲
Average Asking Rent*	\$25.38	\$23.31	▲

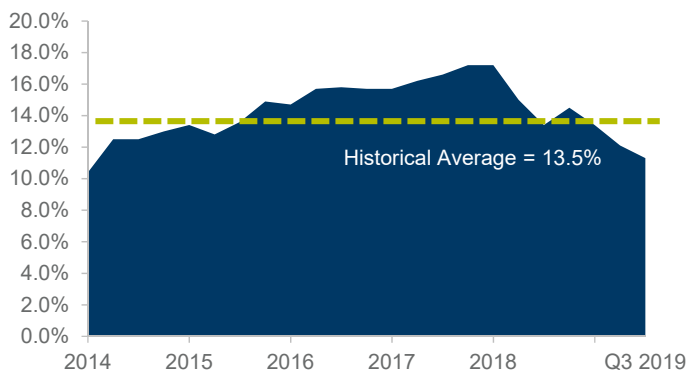
\*Rental rates reflect gross asking \$psf/year

## Overall Net Absorption/Overall Asking Rent

## 4-QTR TRAILING AVERAGE



## Overall Vacancy



## Economy

As Canada heads toward the October 2019 federal election, the country is currently experiencing a growing, but contentious economy in the wake of international dynamics. With uncertainty over trade negotiations, Brexit, and cuts in automotive production, Canadian exports and the overall trade balance remain highly susceptible to foreign considerations. Despite this uncertainty, the Bank of Canada has decided to stay resilient and hold interest rates steady as the global outlook worsens.

Notwithstanding the recent impacts on the world's supply of crude oil, the Canadian dollar continues to perform well, and as some have predicted, may experience upward pressures following the recent conflict in the Middle Eastern oil producing countries.

In August 2019, Canada saw strong job growth with the addition of 81,000 jobs. The unemployment rate remained at 5.7%, largely due to an increase in the labour market. Ontario's employment growth, led by the manufacturing and retail trade sectors, added 58,000 jobs.

## Market Overview

With technology and e-commerce at the forefront of office demand, the third quarter of 2019 saw roughly 118,000 square feet (sf) of positive absorption. Much of this absorption was concentrated in the Kitchener and Waterloo office cores. However, the City of Guelph and Cambridge experienced negative absorption, as more space arrived to the market than was leased. The overall vacancy rate – currently sitting at 11.3% – continues to experience downward pressure. In terms of new inventory, there were no office construction completions during the third quarter of 2019, however there is approximately 550,000 sf of Class A office space under construction. Average overall asking rents continued to decline due to low availability of Class A office space, and rising availability in less-desirable Class C office space.

Since the LRT was introduced, more than 50 projects have been proposed along this transportation corridor, 15 of these new office buildings. Real estate experts expect an increase in office developments outside of Waterloo Region's urban cores.

## Outlook

Waterloo Region and Guelph continue to see a spill-over effect from Toronto, and as a result the local tech and service sector continues to expand. The demand for Class A office space continues to grow, influencing developers building on speculation. Under such circumstances, buildings are fully leased prior to completion. There is currently 1.7 million square feet of Class A office space proposed to be built in the near future, and it is not expected that this will decrease. These trends in office leasing are expected to continue, so long as the provincial economy remains stable.

MARKETBEAT

# Waterloo Region & Guelph

Office Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Waterloo Core	20	1,686,273	0	61,941	3.7%	1,439	54,592	0	\$29.56	\$33.25
Waterloo Suburb	96	5,694,795	61,464	589,176	10.3%	80,586	349,056	100,000	\$22.83	\$24.09
<b>Waterloo Total</b>	<b>116</b>	<b>7,381,068</b>	<b>61,464</b>	<b>651,117</b>	<b>8.8%</b>	<b>82,025</b>	<b>403,648</b>	<b>100,000</b>	<b>\$23.25</b>	<b>\$24.30</b>
Kitchener Core	34	2,625,465	2,399	343,468	13.1%	98,768	198,358	250,000	\$26.67	\$30.12
Kitchener Suburb	55	2,198,047	30,540	286,630	13.0%	-15,428	-71,329	200,000	\$22.06	\$22.67
<b>Kitchener Total</b>	<b>89</b>	<b>4,823,512</b>	<b>32,939</b>	<b>630,098</b>	<b>13.1%</b>	<b>83,340</b>	<b>127,029</b>	<b>450,000</b>	<b>\$24.54</b>	<b>\$23.72</b>
Cambridge Core	8	342,150	0	74,070	21.6%	0	-36,195	-	\$18.52	N/A
Cambridge Suburb	26	1,031,197	61,452	120,413	11.7%	-22,405	-16,266	-	\$20.87	\$22.63
<b>Cambridge Total</b>	<b>34</b>	<b>1,373,347</b>	<b>61,452</b>	<b>194,483</b>	<b>14.2%</b>	<b>-22,405</b>	<b>-52,451</b>	<b>-</b>	<b>\$20.15</b>	<b>\$22.63</b>
Guelph Core	14	551,094	0	16,996	3.1%	1,998	937	0	\$25.56	\$26.97
Guelph Suburb	38	1,180,805	2,240	78,685	6.7%	-26,397	-1,323	0	\$23.80	\$26.89
<b>Guelph Total</b>	<b>52</b>	<b>1,731,899</b>	<b>2,240</b>	<b>95,681</b>	<b>5.5%</b>	<b>-24,399</b>	<b>-386</b>	<b>0</b>	<b>\$24.15</b>	<b>\$26.91</b>
<b>Waterloo Region Totals</b>	<b>291</b>	<b>15,309,826</b>	<b>158,095</b>	<b>1,571,379</b>	<b>11.3%</b>	<b>118,561</b>	<b>477,830</b>	<b>550,000</b>	<b>\$23.31</b>	<b>\$24.07</b>

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT NET	YTD CNSTR COMPLETIONS
Class A	97	7,754,304	112,770	538,162	8.4%	41,096	464,127	550,000	\$24.07	\$14.96	102,000
Class B	119	5,340,131	35,382	712,167	14.0%	30,941	16,209	0	\$23.55	\$12.82	0
Class C	75	2,215,391	9,943	321,050	14.9%	46,524	-2,505	0	\$21.35	\$12.65	0

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

## Key Lease Transactions Q3 2019

PROPERTY	SF	TENANTs	TRANSACTION TYPE	SUBMARKET
25-49 Frederick Street (Market Square)	82,775	Conestoga College	Lease	Kitchener Core
435 King Street North	32,000	TBC	Lease	Waterloo Suburb
101 Frederick	21,382	TBC	Lease	Kitchener Core

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