

Waterloo Region

Office Q3 2020

YoY Chg 12-Mo. Forecast

12.0%
Vacancy Rate ▲ ▲

-130,400K
Net Absorption, SF ▼ ▼

\$25.65
Gross Asking Rent, PSF ▲ ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

274.7K
Waterloo Region Employment ▼ ▲

12.2%
Waterloo Region Unemployment Rate ▲ ▼

89.1K
Guelph Employment ▼ ▲

9.6%
Guelph Unemployment Rate ▲ ▼

9.0%
Canada Unemployment Rate ▲ ▼

COVID-19 & ECONOMY:

Upon the arrival of COVID-19 in Canada., the economy entered a recession in March 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#)

SUPPLY AND DEMAND:

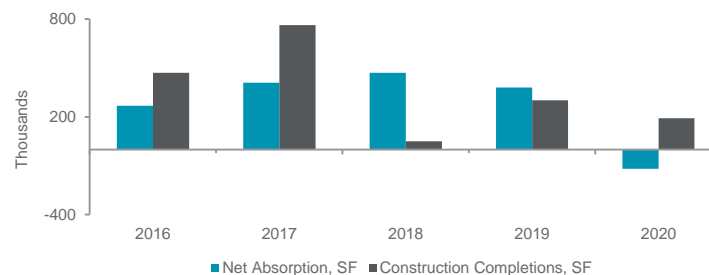
The pandemic has created a wait and see approach in the office leasing sector in Waterloo Region. The overall third quarter vacancy rate of 12.0% dipped slightly from last quarter, but is consistent with vacancy rates that have been seen since the second quarter of 2019. The quantity of lease transactions in the third quarter was limited, with most of the transactions occurring in spaces less than 3,000 square feet (sf). Sublease space declined by 34% compared to last quarter as over 40,000 sf of sublease listings expired in the quarter and were not renewed.

Construction levels across Waterloo Region and Guelph have remained steady through 2020, with activity mainly taking place on projects that commenced pre-Covid-19. There is 658,608 sf of Class A office space under construction, with an additional 1.4 million square feet proposed. The majority of Waterloo Region's office development remains concentrated in Kitchener's urban core.

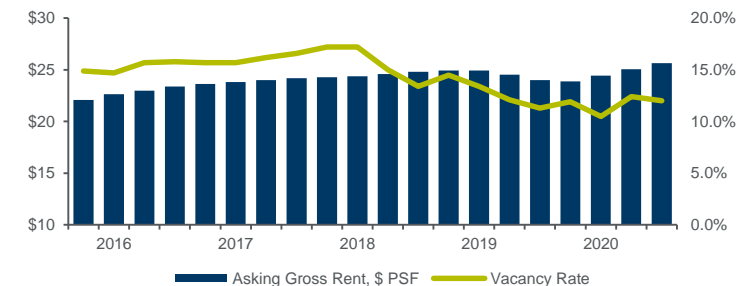
PRICING:

Asking lease rates for office space in Waterloo Region and Guelph continue to experience stable growth. For available office space across the Region, the average gross asking rent is \$25.65 per square foot (psf) with increases in asking rents driven by Class A rates. When looking at space in the highly sought-after downtown Class A market in Kitchener and Waterloo, current average gross asking rental rates are sitting at \$30.58 psf and \$37.29 psf respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



Waterloo Region

Office Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Waterloo Core	1,686,273	0	109,862	6.5%	-38,264	-36,584	12,120	0	\$33.82	\$37.29
Waterloo Suburb	5,674,795	131,674	549,930	9.7%	-32,959	-39,459	164,186	29,558	\$23.41	\$25.49
Waterloo Total	7,361,068	131,674	659,792	9.0%	-71,223	-76,043	176,306	29,558	\$25.05	\$27.87
Kitchener Core	2,625,465	0	549,810	20.9%	-29,151	-213,245	87,384	586,600	\$27.82	\$30.58
Kitchener Suburb	2,346,047	0	256,431	10.9%	-65,656	85,374	152,167	0	\$24.72	\$24.86
Kitchener Total	4,971,512	0	806,241	16.2%	-94,807	-127,871	239,551	586,600	\$26.83	\$27.79
Cambridge Core	398,150	7,153	66,631	16.7%	1,714	49,385	20,401	0	\$19.59	N/A
Cambridge Suburb	1,066,197	32,612	61,048	5.7%	53,838	56,857	41,145	0	\$24.51	\$26.17
Cambridge Total	1,464,347	39,765	127,679	8.7%	55,552	106,242	61,546	0	\$22.34	\$25.98
Guelph Core	581,200	2,857	20,759	3.6%	-2,857	-12,433	0	0	\$26.02	\$29.00
Guelph Suburb	1,210,805	0	74,252	6.1%	-17,065	-7,495	18,862	43,009	\$25.60	\$27.00
Guelph Total	1,792,005	2,857	95,011	5.3%	-19,922	-19,928	18,862	43,009	\$25.71	\$27.26
WATERLOO REGION TOTALS	15,588,932	174,296	1,688,723	12.0%	-130,400	-117,600	496,265	659,167	\$25.65	\$27.70

* Rental Rates Reflect Gross Asking

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
700 Jamieson Pkwy	Cambridge Suburb	Allianz	36,334	Direct
137 Glasgow St #430	Kitchener Suburb	N/A	8,345	Direct
100 Regina St S #350	Waterloo Core	Shad Canada	3,076	Direct
1165 Franklin Blvd #K	Cambridge Suburb	Logistics Plus	2,400	Direct

*Renewals not included in leasing statistics

OFFICE DEVELOPMENTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Breithaupt Block Phase 3	Kitchener Core	Google	292,000	Perimeter
345 King West	Kitchener Core	Gowling	120,000	Perimeter
120 Victoria Street South	Kitchener Core	N/A	130,000	Momentum
1 Young Street	Kitchener Core	N/A	50,000	Ridgewood Developments
2415 University Ave East	Waterloo Suburb	N/A	29,000	Red Rock

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