

Waterloo Region

Industrial Q2 2022

	YoY Chg	12-Mo. Forecast
0.7% Vacancy Rate	▼	—
232,754 Net Absorption, SF	▲	—
\$13.46 Gross Asking Rent, PSF	▲	▲
(Overall)		

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
331.7K Waterloo Region Employment	▲	▲
5.1% Waterloo Region Unemployment Rate	▼	▼
98.3K Guelph Employment	▲	▲
4.5% Guelph Unemployment Rate	▼	—
4.9% Canada Unemployment Rate	▼	—

Source: Statistics Canada
June 2022

ECONOMY

Waterloo Region's 5.1% unemployment rate is a significant decrease from the previous quarter's 5.4%, showing signs of a robust local economy. In June 2022 national employment in retail trade has decreased, while employment in manufacturing has risen, leveling out the Canadian unemployment rate. June saw a decline in employment in the labour force's core age group compared to last month, as men aged 25-50 dropped by 0.2%. Women aged 25-50 however, was stable. It is worth noting that the decline in the Canadian unemployment rate in June is closely related to the decline in employment in those over 55 (-1.2%) and those self employed (-2.2%). This quarter also saw the Bank of Canada raise their interest rates to 2.5%, which may create an environment where investors struggle to refinance.

SUPPLY & DEMAND

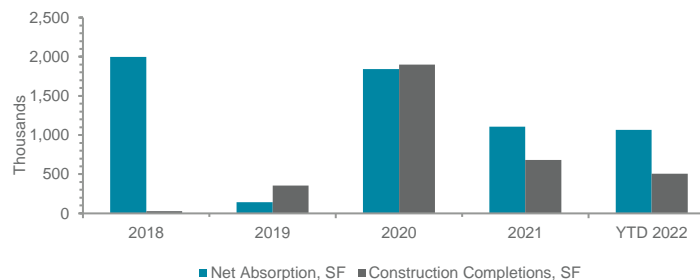
The Waterloo Region industrial market set another record low vacancy rate in the second quarter of 2022, declining to 0.7%. This quarter experienced an intensifying tightness in the market as vacancy rates are steadily declining while asking rental rates steadily increase. As a result, it will become increasingly difficult for companies to expand as asking rents continue to rise with such little availability.

Absorption totals remained well above new construction arrivals, which is the same complication as previous quarters. Without the alleviation that would occur with more available space, the market will continue to see demand heavily outpace new supply. One of the obstructions to increased overall availability has been pre-leasing activity both before and during the construction process, which feeds directly into absorption. That is why the quickest remedy for this issue remains an expansion of proposals for development land.

PRICING

In a 12 month span the gross asking rent has risen \$2.08 per square foot (psf), from \$11.38 psf to \$13.46 psf - a fairly steep increase. These numbers represent the scarcity of available space on the market during these past quarters, hence the expeditious climb in rental rates. Unless more availability comes to market it is unlikely these rates will drop in the short term as the value will only rise with such limited supply. As much of the construction in the KW Region is not projected to be completed by next quarter it is likely that the gross asking rent will continue to increase.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

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	88	11,467,971	4,880	0.0%	6,791	421,599	107,834	379,506	\$13.50	\$5.36	\$18.86
Eagle	75	3,956,859	8,922	0.2%	204,832	182,733	0	0	\$9.52	\$4.77	\$14.28
Eastern	67	4,810,595	0	0.0%	0	0	0	0	-	-	-
L.G. Lovell	257	11,977,411	9,900	0.1%	10,165	159,789	107,000	127,000	\$11.64	\$5.81	\$17.45
Misc.	36	2,290,365	0	0.0%	7,095	7,095	0	0	-	-	-
CAMBRIDGE SUBTOTAL	523	34,503,201	23,702	0.1%	228,883	771,216	214,834	506,506	\$11.22	\$5.33	\$16.55
Bridgeport	94	3,301,037	83,627	2.5%	38,282	10,946	0	0	\$10.12	\$4.04	\$14.16
Hanson/Ardelt	37	1,871,440	3,233	0.2%	0	27,076	0	0	\$15.00	\$5.00	\$20.00
Huron	132	4,881,327	173,324	3.6%	6,817	16,613	718,189	0	\$9.30	\$2.88	\$12.18
Lancaster	28	1,640,783	25,358	1.5%	2,434	30,946	0	0	\$8.76	\$3.82	\$12.58
Manitou	42	2,162,139	0	0.0%	0	41,755	0	0	-	-	-
Wilson	37	2,898,929	0	0.0%	0	92,200	0	0	-	-	-
Misc.	66	3,268,487	61,108	1.9%	-61,108	-5,500	0	0	\$10.00	\$3.00	\$13.00
KITCHENER SUBTOTAL	436	20,024,142	346,650	1.7%	-13,575	214,036	718,189	0	\$9.60	\$3.23	\$12.83
Conestoga	113	4,258,891	5,158	0.1%	6,310	2,666	0	0	\$11.00	\$5.58	\$16.58
Dearborn	20	637,125	37,000	5.8%	-37,000	-10,500	0	0	\$8.25	\$3.75	\$12.00
Northland	84	3,096,230	7,287	0.2%	-3,475	-2,844	0	0	\$10.57	\$4.86	\$15.43
Misc.	23	979,138	0	0.0%	0	0	0	0	-	-	-
WATERLOO SUBTOTAL	240	8,971,384	49,445	0.6%	-34,165	-10,678	0	0	\$8.88	\$4.10	\$12.98
Hanlon	84	7,531,160	6,000	0.1%	-4,000	5,200	200,535	0	\$10.75	\$5.50	\$16.25
Northwest	199	13,839,547	91,567	0.7%	55,611	78,532	0	0	\$12.92	\$3.82	\$16.74
Puslinch	25	2,013,437	0	0.0%	0	0	0	0	-	-	-
York Watson	31	1,443,690	0	0.0%	0	6,807	0	0	-	-	-
Misc.	39	2,414,547	140,000	5.8%	0	0	0	0	\$6.00	\$3.00	\$9.00
GUELPH TOTAL	378	27,242,381	237,567	0.9%	51,611	90,539	200,535	0	\$8.20	\$3.28	\$11.48
WATERLOO REGION TOTALS	1,577	90,741,108	657,364	0.7%	232,754	1,065,113	1,133,558	506,506	\$9.48	\$3.98	\$13.46

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE	PRICE \$ PSF
125 Maple Grove Rd	Cambridge	Piret Holdings/Dream Industrial	136,780	\$31,800,000	\$232.49
274 Shirley Ave	Kitchener	21552389 Ontario Inc/Highlight Motor Group	40,782	\$7,750,000	\$190.03
551 Imperial Rd	Guelph	Hematite Industrial Products/Premium Auto Collision	40,666	\$5,750,000	\$141.40

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