



YoY
Chg

12-Mo.
Forecast

20.4%

Vacancy Rate


-138,804

Net Absorption, SF


\$27.29

Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

YoY
Chg

12-Mo.
Forecast

334.7K
Waterloo Region
Employment
5.7%
Waterloo Region
Unemployment Rate
95.3K

Guelph Employment


3.9%
Guelph
Unemployment Rate
5.2%
Canada
Unemployment Rate

Source: Statistics Canada
September 2022

ECONOMY

Persistent inflation and the rising interest rate environment are casting doubt onto the Canadian economy in general. Despite strong job numbers and marginally positive GDP growth, there is still some pessimism surrounding the next 12 months. Although previous predictions have suggested a post-Covid-19 rebound in the office market, the economic uncertainty that has emerged since rate hikes began may be contributing to hesitancy in the office market.

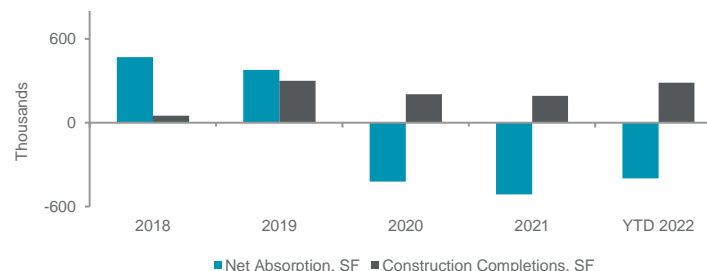
SUPPLY & DEMAND

New supply remains scarce as multiple proposed projects have yet to commence construction. Only approximately 314k square feet (sf) is currently under construction despite over 1.6 million square feet of proposed new space. It is unlikely that the market will see a substantial change in the amount of new supply until current space, especially Class A, can be absorbed. Demand for office space is primarily for Class A space which had 74k sf of leasing activity this quarter, substantially more than the 41k sf combined figure for the Class B and C segment. The market has in general shown a resurgence of leasing activity this quarter with approximately 115k sf for the region, yet a substantial amount of space came to market as well.

PRICING

Office pricing has remained relatively stagnant for two years. Current gross pricing per square foot (psf) is \$27.29 psf, up from \$27.26 psf last quarter. Given the market's high vacancy rate it is likely that office pricing will remain stagnant for the foreseeable future. It should be noted that given recent inflationary figures, real rental rates are decreasing, which may provide some incentive to lease office space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Waterloo Region

Office Q3 2022



**CUSHMAN &
WAKEFIELD**
Waterloo Region

MARKET STATISTICS

SUBMARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Waterloo Core	1,709,937	62,851	174,025	10.2%	32,762	-10,728	64,739	0	\$34.35	\$37.31
Waterloo Suburb	5,649,293	328,838	691,920	12.2%	2,618	-74,777	16,180	0	\$24.81	\$27.16
Waterloo Total	7,359,230	391,689	865,945	11.8%	35,380	-85,505	80,919	0	\$26.65	\$28.89
Kitchener Core	2,920,120	99,435	1,068,651	36.6%	-97,918	-91,647	5,686	292,000	\$29.70	\$33.75
Kitchener Suburb	2,357,047	19,943	301,382	12.8%	-5,114	-60,680	15,340	-	\$25.54	\$25.17
Kitchener Total	5,277,167	119,378	1,370,033	26.0%	-103,032	-152,327	21,026	292,000	\$28.85	\$31.60
Cambridge Core	398,150	0	80,037	20.1%	5,842	4,471	21,542	22,480	\$19.65	N/A
Cambridge Suburb	1,066,197	15,094	146,593	13.7%	-44,798	-105,675	1,324	-	\$24.68	\$27.05
Cambridge Total	1,464,347	15,094	226,630	15.5%	-38,956	-101,204	22,866	22,480	\$23.01	\$26.95
Guelph Core	592,476	0	56,298	9.5%	-18,946	-37,892	-	-	\$26.22	\$26.00
Guelph Suburb	1,337,777	1,425	222,797	16.7%	-13,250	-20,000	7,415	-	\$25.25	\$26.77
Guelph Total	1,930,253	1,425	279,095	14.5%	-32,196	-57,892	7,415	-	\$25.46	\$26.69
Waterloo Region Totals	16,030,997	527,586	2,741,703	20.4%	-138,804	-396,928	132,226	314,480	\$27.29	\$29.70

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
57 Erb Street W	Waterloo	N/A	39,173	Direct
115 King Street S #301	Kitchener	N/A	23,325	Direct
150 Water Street S #204	Cambridge	N/A	12,877	Direct
753 Tower Street S	Fergus	N/A	7,040	Direct

*Renewals not included in leasing statistics

KEY OFFICE DEVELOPMENTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Breithaupt Block Phase 3	Kitchener Core	Google	292,000	Perimeter
39 Glebe Street	Cambridge Core	N/A	22,480	HIP

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