MARKETBEAT

Waterloo Region

Industrial Q4 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
0.98% Vacancy Rate	▼	—
368K Net Absorption, SF	▼	—
$14.30 Gross Asking Rent, PSF	▲	▲

(Overall)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
333.2K Waterloo Region Employment	▲	▲
5.9% Waterloo Region Unemployment Rate	▲	▼
95.8K Guelph Employment	▼	▲
4.3% Guelph Unemployment Rate	▲	—
5.0% Canada Unemployment Rate	▼	▲

Source: Statistics Canada
December 2022

ECONOMY

Despite rising interest rates Waterloo Region's industrial sector continued to see record pricing for both lease and sale transactions. While it is likely that these transactions are a laggard indicator of overall market health, the high demand for industrial space should help off set the impact of a high-rate environment. Unemployment in the region has increased year-over-year (YOY) however overall employment continues to climb as Waterloo Region's population continues to increase.

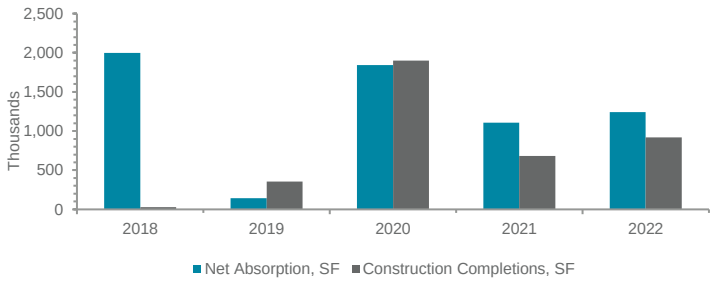
SUPPLY & DEMAND

Vacancy in the Waterloo Region and Guelph continued to hover near record lows, with most of the vacancy attributable to assets that come to market near quarter-end and do not have adequate time to transact. Demand continues to outstrip supply, with 368k square feet (sf) of absorption and 215k sf of construction completions. Over 2.6 million square feet (msf) of space is currently under construction, with a large portion being marketed as spec builds. Investment in new construction will continue given the high demand for Class A space. Work is continuing on two major industrial parks that when complete will total approximately 6 msf, however the timeline for development will see this supply trickle into the market over the next five to six years based on the projected phases of the Cambridge IP park.

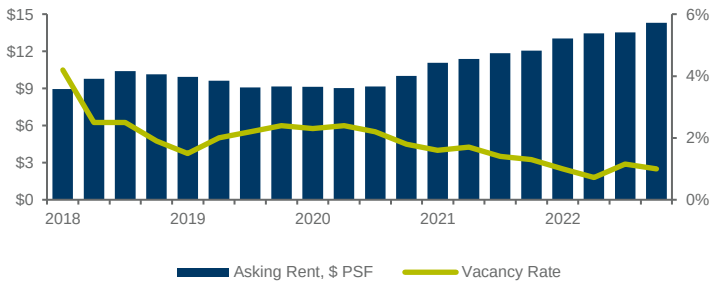
PRICING

Pricing for both sales and leases of industrial space in the region increased substantially YOY. Lease rates have increased by 19% from $12.06 per square foot (psf) to $14.30 psf, while sale prices have increased by 23% from $201.87 psf to $247.93 psf. Sale prices are a trailing indicator and could reflect transactions that began in a low-rate environment. It is difficult to ascertain which direction sale prices will go, as the impact of higher interest rates has not been fully priced into the industrial sector in the Region. Overall demand in the industrial sector should prevent a substantial decrease in sale prices, however lease rates may need to continue to increase in order to compensate for cap-rate expansion.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING GROSS RENT



MARKETBEAT

Waterloo Region

Industrial Q4 2022

CUSHMAN & WAKEFIELD

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	91	11,549,454	97,958	0.8%	-4,298	392,686	677,150	443,671	$13.75	$4.95	$18.70
Eagle	75	3,956,859	115,215	2.9%	-113,077	76,440	0	0	$11.58	$3.08	$14.66
Eastern	67	4,810,595	53,000	1.1%	0	-53,000	0	0	$10.50	$3.90	$14.40
L.G. Lovell	258	12,084,411	28,106	0.2%	-5,664	248,583	0	234,000	$13.26	$6.00	$19.26
Misc.	36	2,290,365	52,959	2.3%	0	-45,864	635,000	0	$14.50	$2.75	$17.25
Cambridge Total	**527**	**34,691,684**	**347,238**	**1.0%**	**-123,039**	**618,845**	**1,312,150**	**677,671**	**$12.17**	**$3.50**	**$15.67**
Bridgeport	94	3,301,037	15,495	0.5%	142,324	79,078	415,000	0	$11.01	$5.64	$16.65
Hanson/Ardelt	37	1,871,440	36,121	1.9%	-21,216	-5,812	0	0	$12.81	$5.24	$18.05
Huron	132	4,881,327	3,800	0.1%	110,074	186,137	718,189	0	$13.95	$4.55	$18.50
Lancaster	28	1,640,783	18,792	1.1%	0	37,512	0	0	$8.50	$3.50	$12.00
Manitou	43	2,172,139	0	0.0%	0	41,755	0	0	N/A	N/A	N/A
Wilson	37	2,898,929	0	0.0%	0	92,200	0	0	N/A	N/A	N/A
Misc.	67	3,309,270	15,000	0.5%	86,891	81,391	23,855	40,783	$12.00	$4.00	$16.00
Kitchener Total	**438**	**20,074,925**	**89,208**	**0.4%**	**318,073**	**512,261**	**1,157,044**	**40,783**	**$11.50**	**$4.70**	**$16.21**
Conestoga	113	4,258,891	14,966	0.4%	225	-7,142	0	0	$12.17	$5.25	$17.42
Dearborn	20	637,125	77,000	12.1%	0	-50,500	0	0	$9.65	$4.40	$14.05
Northland	84	3,096,230	60,532	2.0%	10,668	-56,089	0	0	$14.05	$4.02	$18.07
Misc.	23	979,138	27,077	2.8%	0	-27,077	0	0	$10.00	$1.82	$11.82
Waterloo Total	**240**	**8,971,384**	**179,575**	**2.0%**	**10,893**	**-140,808**	**0**	**0**	**$11.40**	**$3.95**	**$15.35**
Hanlon	86	7,731,695	40,561	0.5%	81,493	171,174	206,842	200,535	N/A	N/A	N/A
Northwest	199	13,839,547	77,325	0.6%	80,756	92,774	0	0	N/A	N/A	N/A
Puslinch	25	2,013,437	0	0.0%	0	0	0	0	N/A	N/A	N/A
York Watson	31	1,443,690	0	0.0%	0	6,807	0	0	N/A	N/A	N/A
Misc.	39	2,414,547	160,000	6.6%	0	-20,000	0	0	$9.00	$3.50	$12.50
Guelph Total	**380**	**27,442,916**	**277,886**	**1.0%**	**162,249**	**250,755**	**206,842**	**200,535**	**$7.18**	**$2.79**	**$9.97**
Waterloo Region Totals	**1,585**	**91,180,909**	**893,907**	**0.98%**	**368,176**	**1,241,053**	**2,676,036**	**918,989**	**$10.56**	**$3.74**	**$14.30**

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER/ BUYER	SF	PRICE	PRICE $ PSF
100 Hollinger Crescent	Kitchener	1787377 Ontario Inc/1604938 Ontario Inc	115,561	$25,423,420	$220.00
333-353 Manitou Drive	Kitchener	966021 Ontario Ltd/401 Real Estate Trust Inc	84,964	$28,000,000	$329.55
55 Shoemaker	Kitchener	2094935 Ontario Inc/Bellair Inc	31,000	$6,000,000	$193.55

Graham Trusler
Research Analyst
graham.trusler@cushwakewr.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com