MARKETBEAT

Waterloo Region

Industrial Q1 2024

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate	▲	▬
-105,069 Net Absorption, SF	▼	▼
$17.84 Gross Asking Rent, PSF	▲	▬

(Overall)

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
353.4K Waterloo Region Employment	▲	▲
6.6% Waterloo Region Unemployment Rate	▲	▲
105.2K Guelph Employment	▲	▲
3.8% Guelph Unemployment Rate	▬	▲
6.1% Canada Unemployment Rate	▲	▲

Source: Statistics Canada
March 2024

ECONOMY

Retail sales were down this quarter in comparison to the past few quarters, likely a result of high interest rates as well as inflation which combined limit consumer spending. Due to the increased cost of capital for financeable purchases, consumers may be focusing their expenses on more imperative goods for the time being. As this may not only limit the former strong demand for warehousing and distribution space but may also reduce the demand for industrial leasing.

SUPPLY & DEMAND

The overall industrial vacancy rate continued to slowly climb in the Region, and vacancy has now risen above 2% for the first time since the third quarter of 2020. Although this is still well below rates that would be seen in a more balanced market (5% - 9%), with the combination of demand for space beginning to slow, as well as the addition of new inventory, the Region is beginning to trend closer towards a balanced market. The market had 690k sf (square feet) of construction completions spread throughout Cambridge and Kitchener this quarter. While some of the projects still under construction are seeing some preleasing activity, there is a still a ways to go in terms of leasing activity matching these projected completions.

As seen through the net absorption this quarter, demand is not yet matching the rate of completions. For example, the newly finished project at 355 Shirley Avenue is responsible for the large shift in the vacancy rate this quarter with 361k sf sitting vacant post completion. There is currently 3 million square feet in the pipeline, with the majority projected to be completed in the coming quarters. If leasing activity does increase, these completions could potentially shift the Region into a balanced market.

PRICING

While the overall gross asking rates fell $0.47 (psf) from the fourth quarter of 2023, taxes, maintenance and insurance (TMI's) are still increasing with inflation, goods/services and overall input costs with a $0.22 increase in the TMI from last quarter. Therefore, the fluctuation the market had in the gross rent since last quarter can be attributed to reduced average net asking rents. This decrease could be due to a variety of factors such as offsetting the costs of increasing TMI, out-positioning competition or a decrease in demand. As new supply continues to arrive to the market, generally the net rents will decrease. However, that could be dependent on the amount of vacancy that arrives in construction completions and will also provide a clearer picture of current demand.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & ASKING GROSS RENT

MARKETBEAT

Waterloo Region

Industrial Q1 2024

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	97	11,868,605	208,091	1.8%	67,959	67,959	1,585,814	117,680	$16.04	$4.38	$20.42
Eagle	76	3,999,491	24,848	0.6%	-15,094	-15,094	0	0	$12.74	$4.39	$17.13
Eastern	67	4,810,595	2,352	0.0%	0	0	0	0	$14.95	$5.20	$20.15
L.G. Lovell	259	12,293,682	224,809	1.8%	145,222	145,222	0	209,271	$14.00	$4.79	$18.80
Misc.	39	3,333,465	33,386	1.0%	-7,158	-7,158	0	0	$16.00	$4.67	$20.67
Cambridge Total	**538**	**36,305,838**	**493,486**	**1.4%**	**190,929**	**190,929**	**1,585,814**	**326,951**	**$14.63**	**$4.68**	**$19.31**
Bridgeport	95	3,664,145	390,068	10.6%	-16,417	-16,417	415,000	363,108	$15.96	$3.62	$19.58
Hanson/Ardelt	37	1,871,440	77,844	4.2%	5,100	5,100	0	0	$14.73	$4.95	$19.67
Huron	133	5,599,516	267,123	4.8%	-16,044	-16,044	0	0	$17.14	$0.83	$17.96
Lancaster	28	1,640,783	18,792	1.1%	0	0	0	0	$8.50	$3.50	$12.00
Manitou	43	2,172,139	0	0.0%	0	0	0	0	n/a	n/a	n/a
Wilson	37	2,898,929	0	0.0%	0	0	0	0	n/a	n/a	n/a
Misc.	67	3,309,270	192,397	5.8%	-33,598	-33,598	0	0	$12.68	$4.10	$16.78
Kitchener Total	**440**	**21,156,222**	**946,224**	**4.5%**	**-60,959**	**-60,959**	**415,000**	**363,108**	**$15.47**	**$2.99**	**$18.46**
Conestoga	113	4,258,891	172,128	4.0%	-10,067	-10,067	0	0	$13.43	$2.39	$15.83
Dearborn	20	637,125	75,670	11.9%	0	0	0	0	$15.00	$5.00	$20.00
Northland	84	3,096,230	115,625	3.7%	-54,497	-54,497	0	0	$12.21	$3.79	$16.00
Misc.	23	979,138	0	0.0%	0	0	0	0	n/a	n/a	n/a
Waterloo Total	**240**	**8,971,384**	**363,423**	**4.1%**	**-64,564**	**-64,564**	**0**	**0**	**$13.37**	**$3.38**	**$16.75**
Hanlon	87	7,938,537	80,648	1.0%	-65,648	-65,648	216,505	0	$10.26	$3.42	$13.68
Northwest	199	13,839,547	191,345	1.4%	-65,355	-65,355	0	0	$16.34	$2.44	$18.78
Puslinch	25	2,013,437	28,472	1.4%	-28,472	-28,472	838,500	0	$15.00	$5.00	$20.00
York Watson	31	1,443,690	21,000	1.5%	-11,000	-11,000	0	0	n/a	n/a	n/a
Misc.	38	2,251,562	0	0.0%	0	0	0	0	n/a	n/a	n/a
Guelph Total	**380**	**27,486,773**	**321,465**	**1.2%**	**-170,475**	**-170,475**	**1,055,005**	**0**	**$13.63**	**$3.22**	**$16.85**
Waterloo Region Totals	**1,598**	**93,920,217**	**2,124,598**	**2.3%**	**-105,069**	**-105,069**	**3,055,819**	**690,059**	**$14.28**	**$3.57**	**$17.84**

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER/ BUYER	SF	PRICE	PRICE $ PSF
135 Otonabee Dr	Kitchener	Interbake Canada Inc/1000522782 Ontario Inc	187,110	$26,100,000	$139.49
500 Pinebush Rd	Cambridge	Gateway Business Campus GP Inc/Dream Summit	122,571	$27,175,000	$221.71
52 Royal Rd	Guelph	52 Royal Road Ltd/1000688020 Ontario Inc	49,988	$7,000,000	$140.03

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About Cushman & Wakefield

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