

# Waterloo Region

## Industrial Q2 2024

**3.1%**  
Vacancy Rate



**-234,978**  
Net Absorption, SF



**\$18.55**  
Gross Asking Rent, PSF



(Overall)

### ECONOMIC INDICATORS Q2 2024

**365.4K**  
Waterloo Region  
Employment



**6.2%**  
Waterloo Region  
Unemployment Rate



**103K**  
Guelph Employment



**3.7%**  
Guelph  
Unemployment Rate



**6.4%**  
Canada  
Unemployment Rate



Source: Statistics Canada  
June 2024

### ECONOMY

Although Canadian retail sales have rebounded this past quarter in comparison to sales from Q1 2024, the majority of spending was in more essential categories, with a downturn in spending on clothing, accessories and sporting goods on a year-over-year (YOY) basis. This trend is likely a result of a higher interest rate environment in combination with increased inflation the market has recently been witnessing, compelling consumers to spend more critically. While this may be impacting e-commerce purchases, e-commerce sales have crept up from Q1 2024 to \$3.8B as of April 2024. Although this is a stronger e-commerce market than what has occurred during the past couple of months, the market will likely have to wait and see how this will impact warehousing/distribution which remains relatively slow.

### SUPPLY & DEMAND

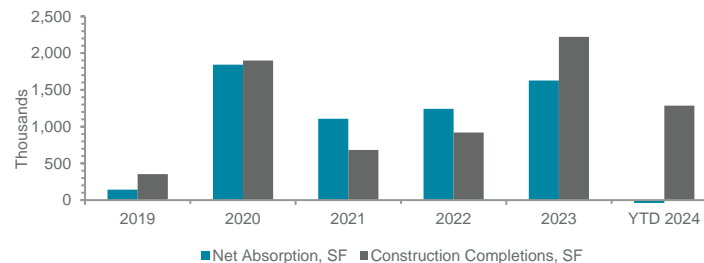
Similar to multiple markets throughout North America, industrial vacancy has climbed with the Waterloo Region, continuing to inch closer towards the vacancy rates that would be seen in a balanced market (5 – 9%). Demand has slowed with fewer transactions this quarter compared to past quarters, coupled with a decrease in size within this quarter’s leases and sales. The Region is still behind its rate of construction with more and more inventory coming to market vacant. This quarter had close to 595k square feet (sf) of construction completions in Cambridge alone, with three additional recent new additions to the Cambridge inventory located in Cambridges IP park totalling 376k sf and iPort Franklin’s second building of 218k sf. All came to the market fully vacant.

These pre-leasing challenges are not just felt in the Waterloo Region, but appear to be occurring nation-wide, as multiple markets have been experiencing this change of pace, resulting in vacancy rates climbing higher than they have been in over four years. With a surplus of new warehousing/distribution space that is coming to market vacant in Kitchener/Waterloo/Cambridge (KWC), it begs the question of whether there has been a decline in e-commerce, demand for distribution space, or if new inventory is simply not being priced competitively enough.

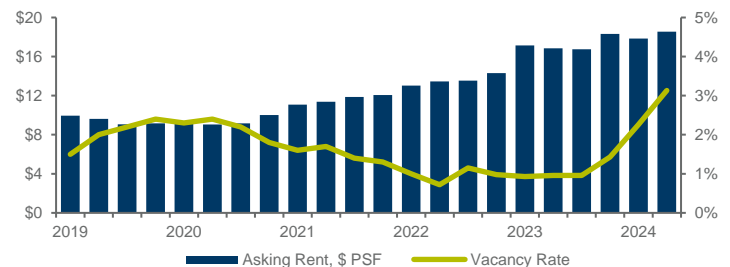
### PRICING

Gross asking rents are up \$0.71 from last quarter to \$18.55 per square foot (psf) in Q2 2024. Pricing has remained high, despite the deceleration of demand the Region has been experiencing. With abundant new additions to the inventory of Class A space that remains vacant, it may be time for landlords to evaluate the current environment of asking rates in KWC. Landlords may begin discounting their asking rates in order to combat issues with rising vacancy, giving more leverage to tenants in the landscape of industrial leasing. Notably 180 Boychuk’s lease for 102k sf closed \$3.20 psf below its listing price, which is one of the few new additions of large Class A warehouse/distribution space that has closed in the past two quarters. Currently it is unclear if other landlords will adopt this strategy.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING GROSS RENT



# Waterloo Region

## Industrial Q2 2024

### 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	99	12,244,665	663,303	5.4%	139,510	207,469	975,339	921,633	\$14.17	\$3.87	\$18.03
Eagle	76	3,999,491	174,387	4.4%	-149,539	-164,633	0	0	\$13.29	\$4.02	\$17.31
Eastern	67	4,810,595	82,842	1.7%	-80,490	-80,490	0	0	\$10.50	\$0.66	\$11.16
L.G. Lovell	259	12,512,344	550,909	4.4%	-326,100	-180,878	0	0	\$14.28	\$3.82	\$18.10
Misc.	39	3,333,465	10,222	0.3%	23,164	16,006	0	0	\$15.17	\$4.96	\$20.13
<b>Cambridge Total</b>	<b>540</b>	<b>36,900,560</b>	<b>1,481,663</b>	<b>4.0%</b>	<b>-393,455</b>	<b>-202,526</b>	<b>975,339</b>	<b>921,633</b>	<b>\$13.94</b>	<b>\$3.73</b>	<b>\$17.67</b>
Bridgeport	95	3,664,145	410,043	11.2%	-19,975	-36,392	415,000	363,108	\$15.76	\$3.71	\$19.46
Hanson/Ardelt	37	1,871,440	75,000	4.0%	2,844	7,944	0	0	\$15.00	\$5.00	\$20.00
Huron	133	5,599,516	271,329	4.8%	-4,206	-20,250	0	0	\$17.06	\$0.94	\$18.00
Lancaster	28	1,640,783	18,792	1.1%	0	0	0	0	\$8.50	\$3.50	\$12.00
Manitou	43	2,172,139	9,350	0.4%	-9,350	-9,350	0	0	\$11.95	\$4.20	\$16.15
Wilson	37	2,898,929	0	0.0%	0	0	0	0	n/a	n/a	n/a
Misc.	67	3,309,270	191,697	5.8%	700	-32,898	0	0	\$12.62	\$4.09	\$16.71
<b>Kitchener Total</b>	<b>440</b>	<b>21,156,222</b>	<b>976,211</b>	<b>4.6%</b>	<b>-29,987</b>	<b>-90,946</b>	<b>415,000</b>	<b>363,108</b>	<b>\$15.37</b>	<b>\$3.06</b>	<b>\$18.43</b>
Conestoga	113	4,258,891	71,664	1.7%	100,464	90,397	0	0	\$15.72	\$4.03	\$19.75
Dearborn	20	637,125	75,670	11.9%	0	0	0	0	\$15.00	\$5.00	\$20.00
Northland	84	3,096,230	78,515	2.5%	37,110	-17,387	0	0	\$12.75	\$3.89	\$16.64
Misc.	23	979,138	0	0.0%	0	0	0	0	n/a	n/a	n/a
<b>Waterloo Total</b>	<b>240</b>	<b>8,971,384</b>	<b>225,849</b>	<b>2.5%</b>	<b>137,574</b>	<b>73,010</b>	<b>0</b>	<b>0</b>	<b>\$14.45</b>	<b>\$4.31</b>	<b>\$18.75</b>
Hanlon	87	7,938,537	41,973	0.5%	38,675	-26,973	216,505	0	\$16.63	\$4.14	\$20.77
Northwest	199	13,839,547	166,095	1.2%	25,250	-40,105	0	0	\$16.22	\$2.57	\$18.79
Puslinch	24	1,983,437	28,472	1.4%	0	-28,472	838,500	0	\$15.00	\$5.00	\$20.00
York Watson	31	1,443,690	34,035	2.4%	-13,035	-24,035	0	0	\$13.88	\$3.27	\$17.14
Misc.	38	2,251,562	0	0.0%	0	0	0	0	n/a	n/a	n/a
<b>Guelph Total</b>	<b>379</b>	<b>27,456,773</b>	<b>270,575</b>	<b>1.0%</b>	<b>50,890</b>	<b>-119,585</b>	<b>1,055,005</b>	<b>0</b>	<b>\$15.94</b>	<b>\$3.41</b>	<b>\$19.35</b>
<b>Waterloo Region Totals</b>	<b>1,599</b>	<b>94,484,939</b>	<b>2,954,298</b>	<b>3.1%</b>	<b>-234,978</b>	<b>-340,047</b>	<b>2,445,344</b>	<b>1,284,741</b>	<b>\$14.92</b>	<b>\$3.63</b>	<b>\$18.55</b>

### KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER/ BUYER	SF	PRICE	PRICE \$ PSF
400 Jamieson Pkwy	Cambridge	400 JAMIESON PARKWAY INC/DREAM SUMMIT INDUSTRIAL	51,612	\$15,190,000	\$294.31
1720 Bishop St	Cambridge	SM BISHOP LTD/1720 BISHOP GP INC	57,611	\$10,255,000	\$177.48
250 Shirley Ave	Kitchener	1863376 Ontario Ltd/Hadayath Holdings Inc	28,011	\$8,700,000	\$310.59

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