

Waterloo Region

Office Q2 2024

	YoY Chg	12-Mo. Forecast
19.3% Vacancy Rate	▲	■
-12,995 Net Absorption, SF	▼	▲
\$29.71 Gross Asking Rent, PSF	▲	■

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
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

Employment statistics in the Kitchener, Waterloo, Cambridge (KWC) Region have remained relatively consistent over the past few quarters. As the country's working age population continues to increase, KWC and Guelph's unemployment rates have fluctuated quarter-over-quarter (QOQ) but have overall been trending upwards. The Region has experienced a more positive change in employment by the end of the second quarter, despite the Canadian unemployment rate increasing by 30 basis points (bps) from March 2024 to 6.4% in June, with employment up 1,050 bps in KWC Area. As Canada looks to welcome more immigrants seeking residency, it is likely there will continue to be some fluctuation in the employment statistics.

SUPPLY & DEMAND

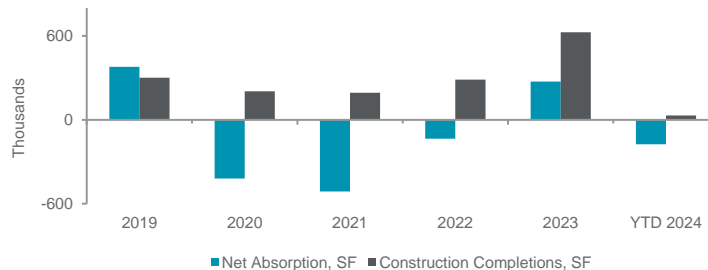
Demand over Q2 2024 was similar to that of the past few quarters. There was an increase in vacancy of 30 bps QOQ for the Region overall, while certain submarkets experienced a bit more of an uptick from Q1 2024. Suburban markets continued seeing much more activity in comparison to the Central Business Districts (CBD). Although vacancy climbed by 170 bps from Q1 2024, Suburban Kitchener still surpassed other submarkets with its leasing activity, specifically within the Class B and C asset classes. Which tenants may find, in comparison to CBD pricing, much more competitive.

While Homer Watson Business Park has been a long-anticipated industrial project, 15 Pearson has been announced as an exciting addition to the inventory, with 35k square feet (sf) of brand-new Class A office space set to be completed in the coming quarters. As the trend of office-to-residential conversions continues to ramp up in many Canadian markets, 30 Duke Street in Kitchener will be undergoing redevelopment which will remove 150k sf from the Downtown office inventory.

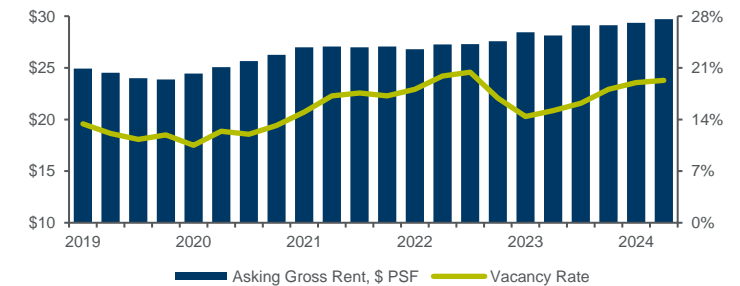
PRICING

The marginal decrease in the key interest rate of 25 bps in May has not decreased any tension on landlords, as interest rates remain too high to see a discount on net asking rents and continued to climb QOQ to \$16.94 per square foot. As inflation has a very similar affect to the taxes, maintenance and insurance (TMI) rates, these rates will likely continue to climb as well. As the market has not experienced much relief to any of these economic pressures, there will likely be little softening to the Region's rental rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Waterloo Region

Office Q2 2024

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	1,599,864	29,677	59,735	3.7%	0	-7,222			\$35.60	\$36.97
Waterloo Suburb	5,625,924	352,869	726,552	12.9%	32,099	-43,246	19,223		\$29.07	\$31.62
Waterloo Total	7,225,788	382,546	786,287	10.9%	32,099	-50,468	23,241		\$29.57	\$31.93
Kitchener Core	2,996,461	258,128	876,936	29.3%	29,720	-8,850	1,007		\$32.30	\$34.83
Kitchener Suburb	2,357,047	11,448	291,917	12.4%	-40,898	-54,728	32,128	35,000	\$28.23	\$28.63
Kitchener Total	5,353,508	269,576	1,168,853	21.8%	-11,178	-63,578	33,135	35,000	\$31.46	\$33.59
Cambridge Core	420,630	0	25,252	6.0%	1,267	1,267	1,967		\$20.16	N/A
Cambridge Suburb	1,190,941	25,451	276,276	23.2%	-16,730	-45,350	13,763		\$24.55	\$30.16
Cambridge Total	1,611,571	25,451	301,528	18.7%	-15,463	-44,083	15,730		\$24.21	\$30.16
Guelph Core	592,476	8,650	54,551	9.2%	-14,512	-12,900	0		\$28.09	\$26.00
Guelph Suburb	1,563,777	9,925	148,155	9.5%	-3,941	-3,600	3,315		\$25.68	\$28.37
Guelph Total	2,156,253	18,575	202,706	9.4%	-18,453	-16,500	3,315		\$26.52	\$27.95
Waterloo Region Totals	16,347,120	696,148	2,459,374	19.3%	-12,995	-174,629	75,421	35,000	\$29.71	\$32.36

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
222 MCINTYRE Drive	Kitchener	N/A	7,700	Direct
165 KING Street W #202	Kitchener	N/A	4,108	Direct
51 BREITHAAPT Street	Kitchener	N/A	3,355	Direct
283 DUKE Street W #340	Kitchener	N/A	3,025	Direct
1165 FRANKLIN Boulevard #1	Cambridge	N/A	2,842	Direct

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	PURCHASER	SF	PRICE
725 BRIDGE Street	Waterloo Suburb	Manju Gupta Investments Inc	40,710	\$6,625,000
124 SYDNEY Street	Kitchener Suburb	N & A Postma Holdings Inc	25,264	\$1,375,000
55 OVERLAND Drive	Kitchener Suburb	1000724448 Ontario Inc	10,890	\$868,000

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