

# Southwestern Ontario Industrial Insight

Q1 2024

New completions drive vacancy rates and direct asking rents up in Q1





# Southwestern Ontario

- Substantial completion of 2.1M sf of new construction resulted in a 60 bps increase to vacancy across Southwestern Ontario, and 160 bps increase in Cambridge.
- Average asking rents reached another record high of \$14.55 psf, a change of 4.7% quarter over quarter, however A-Class rents remain flat and instead see a rise in incentives.
- New construction offerings have begun to offer demised sizes (<100,000 sf) to meet the needs of the local market.

2024 kicked off with the delivery of 2.1M sf of new construction to the market which has had a significant impact on vacancy. Cambridge added 2M sf with the completion of Amazon’s newest 1,080,000 sf facility at 140 Old Mill Rd, and a total of four buildings by HOOPP at iPort Franklin (Franklin Blvd & Highway 401) and iPort Cambridge (Allendale Rd & Intermarket Rd). The vacancy rate increased 60 basis points to 2.6% across Southwestern Ontario, and a notable increase of 160 basis points in Cambridge to 3.7%. There is 4.27M sf of space currently under construction, primarily in the Cambridge, Brantford and Guelph submarkets, which is expected to drive vacancy rates higher through the end of 2024.

Average direct asking rental rates continued to reach record highs, landing at \$14.55 psf in Q1, up \$0.65 psf quarter over quarter, which reflects the quality of the space currently available on the market. The largest lease deals completed this quarter were in second generation spaces at 50 Goodrich Dr, Kitchener (250,440 sf) and 470 Hardy Rd, Brantford (142,622 sf), which offered good value in strategic locations.

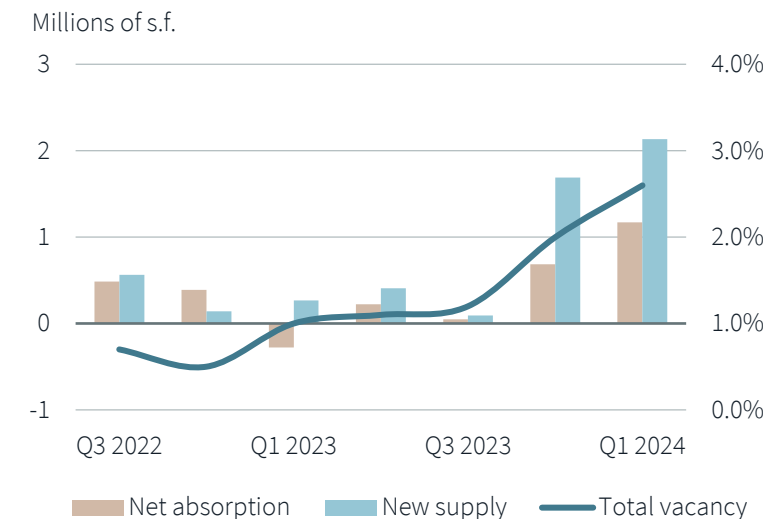
Leasing volumes remain historically strong across most size ranges, however there is little tenant activity for 200,000+ sf requirements. Many new construction offerings have recently revised the smallest divisible unit size to capture tenants in the 50,000 – 100,000 sf range, which has historically been an active segment of the local market. There is growing sublease availability in A-class spaces with asking prices below market, provided that the head lease was negotiated prior to the significant rent increases in 2022-2023.

## Outlook

Vacancy rates are expected to continue to rise through to the end of 2024, with the delivery of more new construction throughout 2024 and very little set to be completed in 2025. Given the increase in competition, rents are expected to be flat while concessions and incentives increase. More sublease offerings may hit the market as tenants, particularly in the distribution business and transport industry, look to right size their operations in the current economic environment.

Fundamentals		Forecast
YTD net absorption	<b>1,173,241 s.f.</b>	▼
Under construction	<b>4,267,537 s.f.</b>	▼
YTD deliveries	<b>2,135,182 s.f.</b>	▲
Total vacancy	<b>2.6%</b>	▲
Total availability	<b>3.7%</b>	▲
Average asking rent	<b>\$14.55 p.s.f.</b>	▶
Concessions	<b>Rising</b>	▲

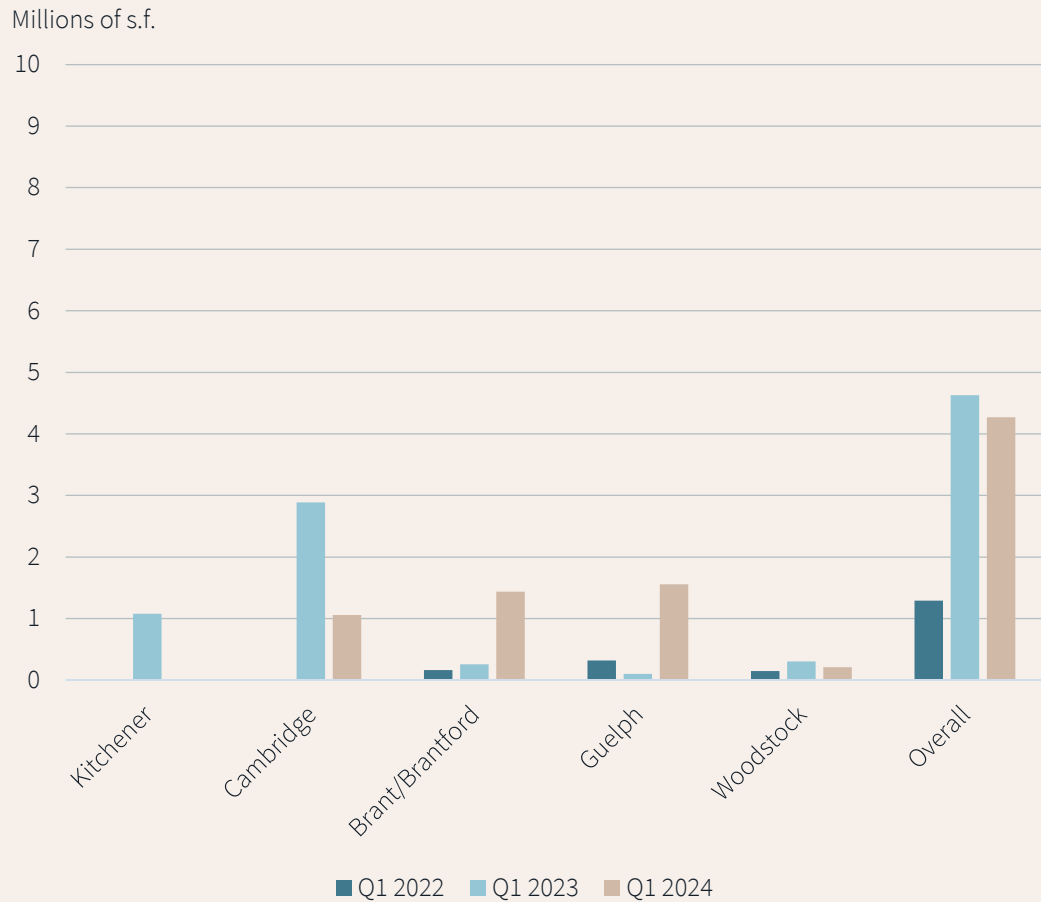
## Historical supply and demand



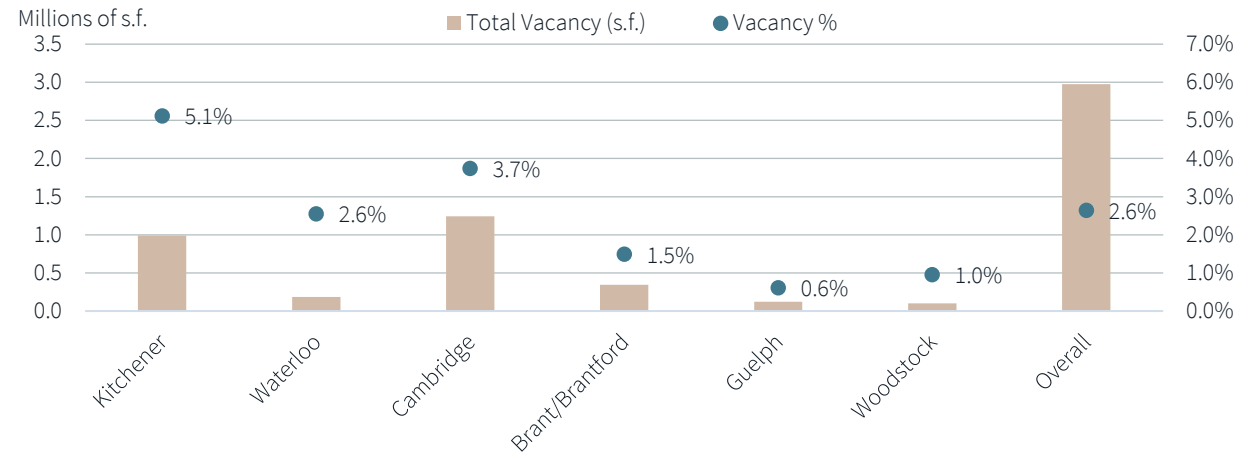




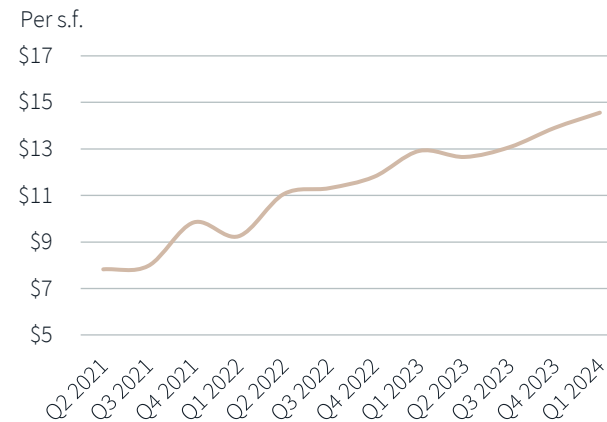
### Under construction by submarket



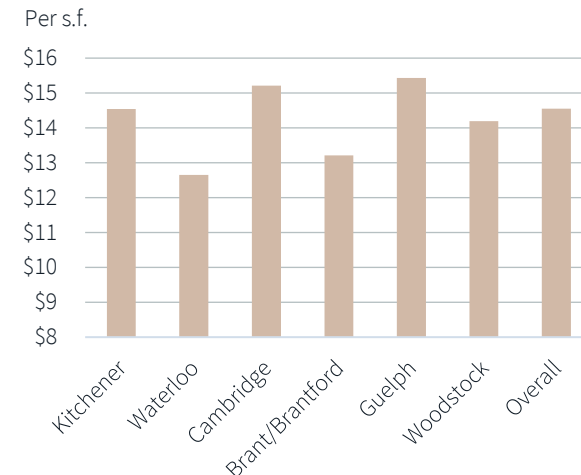
### Vacancy by submarket



### Average net asking rents



### Average asking net rent by submarket





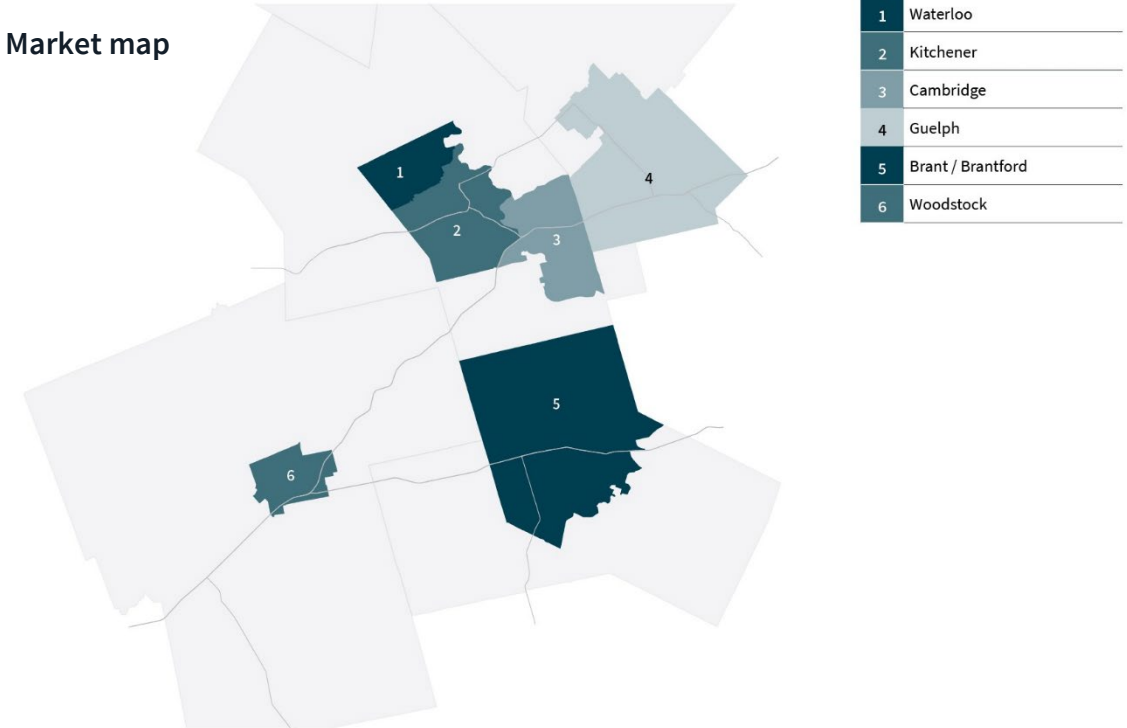
**Notable lease transactions**

Address	Submarket	Class	Size (s.f.)	Type
50 Goodrich Dr.	Kitchener	B	250,440	New Lease
470 Hardy Rd.	Brantford	A	142,622	New Lease
180 Boychuk Dr.	Cambridge	A	102,997	Sublease
101 Wayne Gretsky Pkwy	Brantford	B	70,000	New Lease
33 Sinclair Blvd	Brantford	B	36,287	New Lease
27 Woodyatt Dr	Brantford	B	23,000	New Lease

**Notable vacant sale transactions**

Address	Price (\$M)	RBA (s.f.)	Price PSF	Buyer(s)	Seller(s)
385 Griffin Way, Woodstock	\$8.3	32,657	\$255	Rearz Inc.	2287588 Ontario Inc.
250 Shirley Ave., Kitchener	\$8.7	28,011	\$311	Hadayath Holdings Inc.	1863376 Ontario Ltd.
7 Cochran Dr., Ayr	\$20.5	28,000	\$732	Brandt Properties Ltd.	CPS Warehousing Inc.
13 Centennial Rd., Kitchener	\$4.8	18,500	\$262	Greenlawn, Ltd.	1604908 Ontario Ltd.
620 Colby Dr., Waterloo	\$3.1	16,885	\$185	Decks by Premier Ltd.	Peel Sausage Inc.

**Market map**



**Key metrics and forecast**





# Market statistics

	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average direct net asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Kitchener	19,322,734	110,133	110,133	0.6%	5.1%	5.9%	\$14.54	0	0	0
Waterloo	7,166,550	-157,994	-157,994	-2.2%	2.6%	5.7%	\$12.65	0	0	0
Cambridge	33,137,285	1,099,978	1,099,978	3.3%	3.7%	4.3%	\$15.21	2,026,981	2,026,981	1,060,006
<b>Waterloo Region</b>	<b>59,626,569</b>	<b>1,052,117</b>	<b>1,052,117</b>	<b>1.8%</b>	<b>4.0%</b>	<b>5.0%</b>	<b>\$14.64</b>	<b>2,026,981</b>	<b>2,026,981</b>	<b>1,060,006</b>
Brantford / Brant	22,925,998	56,195	56,195	0.2%	1.5%	3.1%	\$13.21	0	0	1,438,080
Guelph	19,774,146	55,549	55,549	0.3%	0.6%	1.8%	\$15.43	75,544	75,544	1,556,648
Woodstock	10,307,831	9,380	9,380	0.1%	1.0%	1.0%	\$14.19	32,657	32,657	212,803
<b>Southwest Ontario</b>	<b>112,634,544</b>	<b>1,173,241</b>	<b>1,173,241</b>	<b>1.0%</b>	<b>2.6%</b>	<b>3.7%</b>	<b>\$14.55</b>	<b>2,135,182</b>	<b>2,135,182</b>	<b>4,267,537</b>