

MARKET NEWS WATERLOO REGION

Nick's Notes

NAFTA 2.0 will have a positive impact on the Canadian economy

The new United States–Mexico–Canada Agreement (USMCA) should support Canada's economic growth, lifting consumer and business confidence and encouraging investment.

The Canadian dollar jumped by 1% the day after the Canada-U.S. trade announcement (see this month's feature article for details of what's in the USMCA). The reduction of trade uncertainties provides support for the loonie at its current level of around 77 U.S.

cents in addition to the prospect of higher interest rates south of the border, among other factors.

GDP growth is on track to hit 2% this year. With inflation trending close to the Bank of Canada's target of 2%—it reached 2.2% in August after removing volatile elements such as gasoline.

October | 2018

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Job market is strong and salaries are increasing

Demand for workers remained strong as we headed into autumn. The Bank of Canada estimated that there were 462,000 job vacancies in Canada in September. Growth in vacancies has increased the most in manufacturing as well as in transportation and warehousing (+14,000 in both cases) over the last two years. Demand for digital workers is also hot as openings in the computer system design sector jumped by 8,000 during the same period.

Total employment increased by 222,000 (or 1.2%) from September 2017 to September 2018, entirely the result of gains in full-time work (+224,000).

The tight labour market led to salary increases. From July 2017 to July 2018, average weekly earnings grew by 3%.



Canadian entrepreneurs remain confident despite trade turbulence

Despite all the turbulence, business owners remain in a confident state of mind.

Close to 80% of owners of small and medium-sized businesses saw stable or increasing sales over the past 12 months. The majority expect sales to improve further over the next 12 months.

This positive outlook led many of the entrepreneurs to say this is a good time to invest in their business. The most compelling reason for believing that now is the right time are the opportunities that entrepreneurs see for growing their business. BDC research shows that by growing their business, entrepreneurs achieve economies of scale and productivity gains that help them

generate greater profits margins, which they can reinvest, creating a virtuous cycle of improvement and increased competitiveness. Business investment for the first half of 2018 has been solid, up 7.6% compared to the same period in 2017.

Impacts from trade tensions are modest so far

The U.S. has already imposed steel and aluminum tariffs on many trading partners, as well as a raft of other tariffs on Chinese imports. Tariffs on China now total US\$50 billion with the imposition of a second tranche on US\$16 billion worth of goods that came into effect in August. Many trading partners have countered with retaliatory tariffs against the U.S., but the overall impact to date has been modest.

Inflation has risen in both Canada and the U.S., but it does not yet appear to

Source: BDC

The Canadian economy is operating at capacity

The Canadian economy is operating at capacity as labour is scarce and salaries are increasing. The new trade agreement among North American partners bodes well for the Canadian economy. The housing market remains strong in most parts of the country but the retail sector shows some signs of slowing down. While the economy is not overheating—as inflation is still on target at around 2%—most analysts expect a 25 basis point increase in the Bank of Canada’s policy rate later this month.



Local News

Intermarket to build major Waterloo Region industrial site

IP Park Industrial Campus will be located behind Maple Grove Road between Highway 8 and Fountain Street near Highway 401. It represents the most significant parcel of industrial development-ready land to become available within the last 10 years in Waterloo Region, where the vacancy rate for class-A industrial space is less than two per cent.

IP Park Industrial Campus is also attracting interest from potential tenants in markets including Milton and Mississauga who are looking to become more technology-driven.



IP Park Industrial Campus is expected to incorporate approximately five million square feet of space when it’s fully completed. It will include: small, mid-sized and large bay uses; prestige industrial space with robotics and advanced manufacturing facilities; cross-dock opportunities; data centres connected to a new fibre-optic network; and large-scale industrial space for e-commerce and logistics.

Kitchener-Waterloo-Cambridge best in Canada for starting tech companies -Techy Tri-Cities Lead the Way

The Ontarian tri-cities, a metropolitan area made up of the three cities Waterloo, Kitchener and Cambridge, top the charts as the number one location in Canada to start a tech business. The cities rank in the top ten for every factor, with particularly strong scores in terms of the cost of living, the availability of venture capital funding and tech talent. In fact, the tri-cities are the third most affordable area in the study.



Allow demolition of Kitchener’s distinctive Sears store, heritage planners say

Heritage planners are recommending that Kitchener allow the demolition of the distinctive Sears building at Fairview Park mall, even though it has heritage significance.

Cadillac Fairview, which owns the mall and the vacant Sears store, had filed a notice of intention to demolish the facade of the building as part of ambitious redevelopment plans that will transform the mall and add at least two new office buildings, along with additional retail space and a multi-level parking garage.

The 140,000-square-foot Sears building is a major feature of the mall but it became vacant early in 2018 after the store closed.

Source: The Record

WATERLOO REGION

QUICK FACTS

- One Day Access to 150+ Million Consumers
- More than 70% of the GDP runs on software created by companies located in Waterloo's R & T Park
- Know as "Quantum Valley", Waterloo's Quantum cluster has received more than \$1.5 Billion in funding in the last 20 years
- The University of Waterloo has the largest concentration of STEM talent in the world
- Waterloo Region's Gross Domestic Product (GDP) consistently achieves annual growth greater than two per cent and growth is projected to be within the Top 5 metropolitan areas in Canada.

Marketbeat

Market Overview

The overall asking rent in Waterloo Region continued to increase in the third quarter of 2018, while the vacancy rate remained unchanged at 2.5%. There were quite a few changes in Cambridge this quarter, which played a significant role in the decline of absorption from over 1.5 million square feet in Waterloo Region in the second quarter, to just below 31,000 square feet in the third quarter. Specifically, the Eagle and L.G. Lovell areas of Cambridge experienced the most significant change in absorption within Waterloo Region. There appears to be a cyclical pattern of absorption and although the third quarter of 2018 had low absorption, that is not uncommon in the three-year historical trend. There are a few industrial developments that are set to begin construction imminently, with occupancy beginning as early as late 2019. The City of Cambridge has given final approval to begin construction on 40 acres of combination industrial and office space. The large project will be developed and managed by Intermarket Properties (IP) and will be called the IP Park

Outlook

The amount of available land to develop industrial space within the GTA is becoming limited, while the amount of companies looking for distribution centres is increasing. Once completed the IP Park will provide employment opportunities within Waterloo Region, while maintaining close proximity to Highway 401. The IP Park and Industrial Campus in combination with the potential mix-use Huron Park expansion, will result in easy commerce between Waterloo Region and Toronto. For large tech companies already located within Waterloo Region, the addition of distribution facilities and close proximity to Toronto will lead to anticipated continued growth for both office and industrial space.

WATERLOO REGION INDUSTRIAL

Economic Indicators

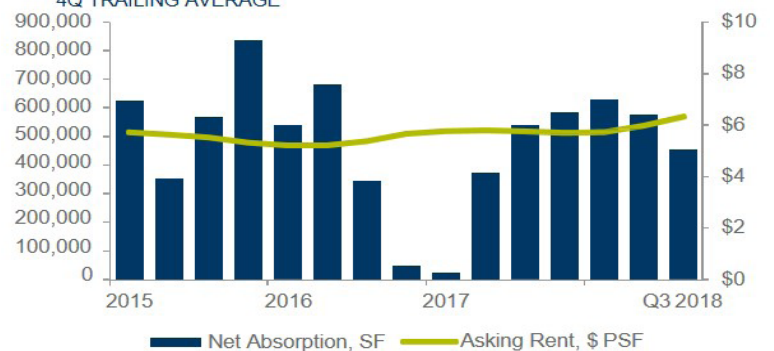
	Q3 17	Q3 18	12-Month Forecast
Waterloo Region Employment	295k	298k	▲
Waterloo Region Unemployment	4.4%	7.4%	▲
City of Guelph Employment	92k	89k	▲
City of Guelph Unemployment	4.7%	4.1%	▲
Canada Unemployment	6.2%	6.0%	▲

Market Indicators (Overall, All Classes)

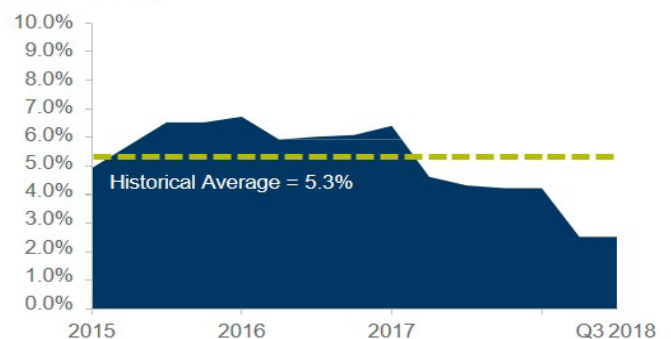
	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy*	4.3%	2.5%	▲
Net Absorption (sf)	529,472	30,845	▲
Under Construction (sf)	316,358	204,206	▲
Average Asking Rent	\$5.71	\$7.07	▲

*Numbers adjusted to include properties for sale

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



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Nick has over 40 years of experience as a real estate professional and has been involved in some of the most prominent real estate transactions in Southwestern Ontario.

Our team of professionals provide custom tailored industrial, commercial and investment Real Estate solutions.

If you are in the market to BUY, SELL, LEASE OR INVEST, contact Nick and his team.

The new trade deal with the U.S. and Mexico: Good for business

For entrepreneurs, the new North American free trade deal represents stability, lifting a cloud of uncertainty that has hung over the Canadian economy for the past year.

The agreement in principle maintains largely tariff-free access to a market of 450 million people. Less uncertainty should lead to greater confidence and encourage entrepreneurs to invest in their businesses.

New deal is largely about stability

One important aspect of the agreement is the duration of the pact and its review by the three countries. Originally, the U.S. had pushed for it to be terminated after just five years, opening the door to continuous uncertainty. In the proposed deal, the agreement terminates in 16 years with a review every six years. That's much more positive for business investment decisions because 16 years is sufficient time for many investments to be fully paid back.

Auto sector is protected

The deal also lifts the threat of the U.S. imposing tariffs on the auto sector, a potentially devastating blow, especially to the Ontario economy, which represents about 40% of national GDP.

Consumer benefits are minimal

The increased competition from U.S. and Mexican exports in the dairy, egg and poultry sectors may lower prices for Canadian consumers. While supply



management will continue in Canada, roughly 10% of the market is being opened to imports under the combined effects of recent trade agreements. The new North America pact provides 3.6% access to U.S. producers and agreements with the European Union and the Pacific Rim countries provided similar amounts. Consumers will also be able to purchase up to \$150 worth of goods from U.S. e-retailers before facing duty charges. However, it is only for items that are shipped by express couriers—not by post. According to C.D. Howe Institute, nearly 80% of e-commerce purchases from the U.S. are shipped by mail. This means that U.S. competition is unlikely to hurt Canadian retailers as originally feared.

Where do we go from here?

The countries are expected to sign the agreement on November 30. Canada's and Mexico's legislatures are then

expected to ratify it.

Overall, eliminating trade uncertainty is a huge plus for entrepreneurs who already are benefitting from a strong economy. However, the Bank of Canada is now more likely to raise rates at the end of October to cool the economy, increasing borrowing costs and crimping household buying power.

Renewed stability on the trade front and the prospect of higher interest rates are two good reasons for business owners not to delay in moving ahead with investment projects.

ABOUT US...



WHO WE ARE

Our team provides custom tailored Real Estate solutions. We invest the time to understand our clients' short- and long-term business goals and then deliver highly customized real estate solutions. Our brokerage has the resources of a global leader and has the proven experience and success as a market leader in Waterloo Region.

WHAT WE BELIEVE

- Deep local knowledge creates significant value for our clients
- We pursue every opportunity to deliver an exceptional experience for clients
- Diverse backgrounds and expertise inspire breakthrough innovation
- Alone we are good; together we are great



WHAT YOU CAN EXPECT FROM US

- A strong bias for action
- A rigorous focus on results
- Value created through insight
- The right people powered by the right platform

CORE SERVICES

Industrial Investor, Landlord and Tenant Representation

Property Analysis

Location Analysis

Market Analysis

Target Market Analysis

Property Positioning

Marketing & Leasing Strategy

Marketing & Sale Disposition Strategy

Marketing Program Execution

Negotiations

QUESTIONS?

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