

# Waterloo Wellington

Population  
620,000

Office inventory  
5.88 million sq ft

Industrial inventory  
82.8 million sq ft

Office vacancy  
8.9%

Industrial vacancy  
4.8%



John Whitney

## Market overview

The economy remains strong in the regions of Waterloo and Wellington. With the technology and financial services sectors driving the growth, the outlook is expected to remain very positive over the next 12 months.

One significant reason for the encouraging outlook is that the region is home to the head offices of Research In Motion (RIM), makers of the world renowned BlackBerry. RIM is now the largest company by market capitalization listed on the Toronto Stock Exchange (TSX) and currently employs over 5,500 people in Waterloo.

## Office market

Office vacancy dropped slightly to 8.9% during 2007 and is expected to fall in the 7%-8% range for 2008. As a result, office absorption was positive and is expected to hold steady through 2008. New supply has been added which is attracting significant interest from the market. RBC, PricewaterhouseCoopers and KPMG have recently relocated into downtown Waterloo. In addition, BMO has moved a regional Ontario office from Toronto. Rental rates are increasing due to higher demand and this trend will continue in 2008.

New office supply is being added through new development as well as conversion. The former Waterloo Bedding building was converted into 40,000 square feet of office space. In addition, the former Lay-Z-Boy manufacturing facility, totaling 250,000 square feet, is being converted into office/commercial space. GPM Managed Investments recently purchased Sportsworld with plans to redevelop the site into a retail, hotel and office complex. Development activity is strong in the Research and Technology Park at the University of Waterloo with two new buildings added in 2007 and more are planned for 2008. The first will be the 100,000 square foot innoTECH Building by The Cora Group. Google has just moved into the Park and plans to expand their facilities. RIM continues to build new offices in suburban Waterloo.

## Industrial market

Industrial vacancy was 4.8% at the end of 2007 and is expected to hover around 5% for 2008. Absorption for 2007 was 1.4 million square feet and will increase in 2008 with continued reduction in vacant space. Demand is being driven primarily by the expanding advanced manufacturing and auto sector, mainly from Toyota's Cambridge and new Woodstock plants and to a lesser extent Honda in Alliston.

Rental rates have increased slightly, but are a reflection of new building stock. Build to suit and speculative developments will continue through 2008. The new developments are well located and lease up quickly. Hopewell and Belmont Equities are two developers from the Greater Toronto Area building "flex" space along the 401. Auto suppliers are driving new construction in the smaller centres such as Stratford, Elmira and Puslinch. As Toyota Woodstock comes into production in 2008, demand for space from parts suppliers will continue to grow.

There are a number of large, older, manufacturing plants that are closing down and coming back to the market as redevelopment opportunities. The former BFGoodrich Tire site in Kitchener is one such example. The site was recently purchased by Trammel Crow and will be redeveloped into 1.6 million square feet of prestige industrial and office space.

## Investment market

The investment climate is extremely healthy. The level of activity increased in 2007 and will continue to thrive in 2008. Available properties are scarce and typically receive multiple bids. There is a lot of interest from local investors on small to medium sized deals while public companies, REITs, Transglobe and other seasoned real estate entrepreneurs are looking at the larger deals. Retail plazas, sale/leasebacks, multi-residential investment product and redevelopment sites are in high demand.

Cap rates continued to compress in 2007 but at a much slower pace. Expect cap rates to remain stable in 2008. Finding product will continue to be the greatest challenge in this market.

## Retail market

The retail market is quite robust with many redevelopment/infill projects in the area. Leasing remains strong and will continue to be brisk in 2008. Rents are staying strong and will move up slightly as retail land values increase. SmartCentres is building in north Waterloo. Sunrise Centre/Voisin Developments, a local group, is developing a 40-acre site in Waterloo in 2008. Loblaws is looking to rezone a 12-acre site in the centre of the city for a new Real Canadian Superstore and will be taking its fight to the Ontario Municipal Board (OMB).

