

Q1 2021

Waterloo

Industrial Market Report

Net Absorption

This Quarter	Previous Quarter
118K SF	-98.6K SF
12-Month Absorption	5-Year Quarterly Avg.
369K SF	86.5K SF

Vacancy

This Quarter	Year-over-Year
2.3%	▼ 90 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$6.79 PSF	▲ 4.0%

Development

Under Construction	New Supply
275K SF	0 SF

Sales

Sale Price Avg.	Year-over-Year
\$175 PSF	▲ 25.3%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

Although we are entering into another lockdown as we head into the start of Q2 2021, the market outlook is a stark contrast compared to the same period just a year ago as we entered the first emergency lockdown in response to pandemic. The Region's industrial market remains characterized by tight supply and high demand, fueled by both local and GTA based users and showing no signs of easing. The supply to demand imbalance is further stressed by the quality of available supply, with over 60% of the available space being C-class, functionally challenged and ill-suited to fill current market requirements. A-class space is limited to a few, smaller options and tend to typically lease up quickly.

The slower growth in weighted average asking lease rates, sitting at \$6.79 per square foot, is a function of supply quality with much of the available space generally seen as un-leasable. In reality we continue to see strong lease rate growth in higher quality buildings with rates moving into the mid \$8 to low \$9 per square foot range. As the year progresses and planned spec developments move into the construction phase weighted average asking lease rates will see strong upward pressure and achieved rates will continue to set record levels.

As with lease rates, sale prices continue to achieve record levels, eclipsing the \$200 per square foot mark in some cases. Demand for purchase opportunities is consistently strong throughout all size ranges, with new listings commanding strong interest from buyers, in most cases resulting in multiple offer scenarios. Transaction volume of sales will remain slow through the next quarter as supply remains very limited, while strong demand will continue to drive prices to unprecedented levels.

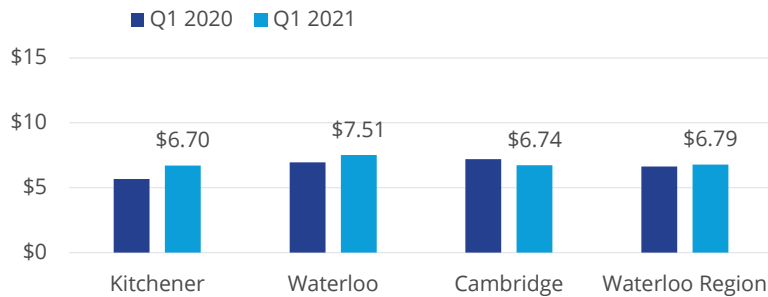
Land availability remains very limited with most supply controlled by developers intent on building for their own portfolios; the few available sites are hitting record per acre prices, a trend we anticipate will continue over the next two quarters. Even though current construction activity is limited we will see very strong growth over the next 24 months as anticipated developments by Broccolini, iPort, BentallGreenOak and Crestpoint will bring over 2 million square feet of new development. Most of the growth and demand will continue to center around the Cambridge market with its quick access to Highway 401. Kitchener will remain stable with some potential growth later in 2021 or early 2022 and lease rates will continue to see upward pressure.

Accelerating success.

Market Overview

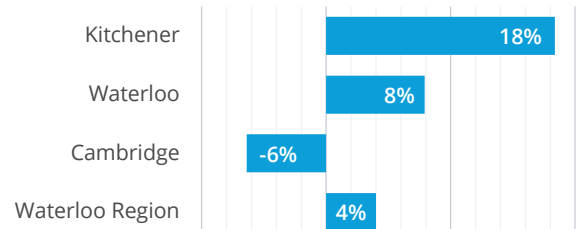
01 Rental Rates by Market

Weighted Average Asking Net Rent (PSF)



02 Rental Rate Growth*

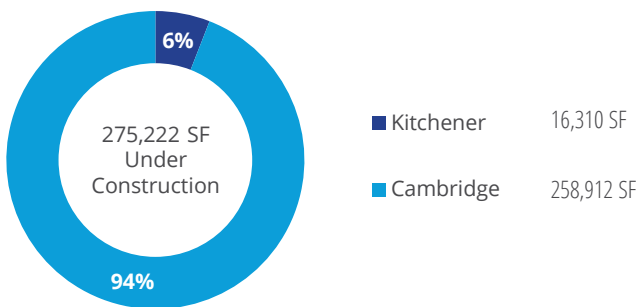
By Market | Q1 2020 – Q1 2021



*Weighted Average Asking Net Rent, Class A, B

03 Under Construction by Market

By Building Area (SF)



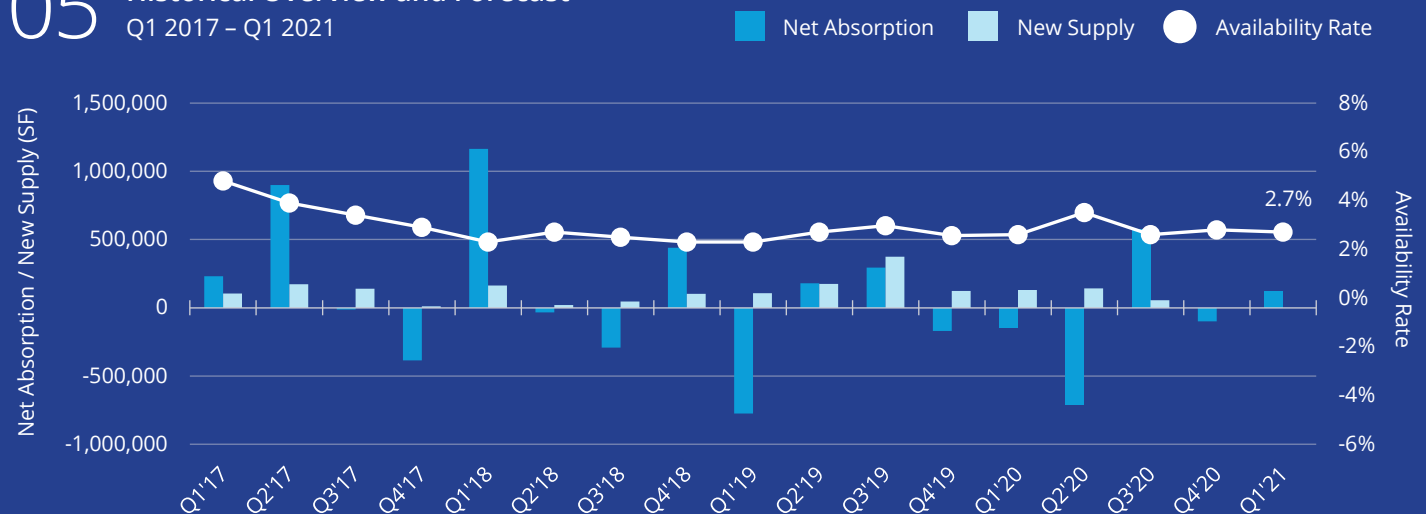
04 Availability Rate by Market

Q1 2019 – Q1 2020

Kitchener	3.0%	▲	from 2.3% Q1'20
Waterloo	2.3%	▼	from 5.8% Q1'20
Cambridge	2.7%	▲	from 2.4% Q1'20
Waterloo Region	2.7%	▼	from 2.8% Q1'20

05 Historical Overview and Forecast

Q1 2017 – Q1 2021



Market Statistics & Transaction Highlights

	Kitchener	Waterloo	Cambridge	Waterloo Region
Total Inventory	18,794,837 SF	8,746,709 SF	31,790,589 SF	59,332,135 SF
Direct Vacancy	246,092 SF	172,093 SF	682,743 SF	1,100,928 SF
Sublease Vacancy	175,559 SF	9,476 SF	26,654 SF	211,689 SF
Vacant Space for Sale	34,840 SF	19,546 SF	28,800 SF	83,186 SF
Total Vacancy	456,491 SF	201,115 SF	738,197 SF	1,395,803 SF
Availability Rate (Current Q)	3.0%	2.3%	2.7%	2.7%
Availability Rate (Previous Q)	2.7%	2.7%	2.9%	2.8%
Net Absorption	24,188 SF	46,251 SF	47,706 SF	118,145 SF
New Supply	-	-	-	-
Under Construction	16,310 SF	-	258,912 SF	275,222 SF
Weighted Average Asking Net Rent (PSF)	\$6.70	\$7.51	\$6.74	\$6.79
Weighted Average Additional Rent (PSF)	\$3.55	\$4.19	\$3.03	\$3.25

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Dexterra Group	950 Industrial Road	Cambridge	Head Lease	128,775
Undisclosed	1574 Eagle Street North	Cambridge	Head Lease	59,395
Home Hardware Stores Ltd.	440 Phillip Street	Waterloo	Head Lease	51,836
Undisclosed	505 Conestoga Boulevard	Cambridge	Head Lease	30,726
Undisclosed	61 McBrine Place	Kitchener	Head Lease	18,074
Undisclosed	2085 Shirley Drive	Cambridge	Head Lease	15,955

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
55 Thompson Drive	Cambridge	31,500	\$5,000,000	Eclipse Automation Inc.	Owner-Occupier
415 Dobbie Drive	Cambridge	26,281	\$3,950,000	Taylor Made Holdings Ltd.	Owner-Occupier
150 Pinebush Road	Cambridge	25,220	\$3,600,125	AGS Leasing Inc.	Private Investor
470-472 Franklin Boulevard	Cambridge	24,374	\$3,470,000	SCS Metals Ltd.	Owner-Occupier

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