

Q1 2021

Waterloo

Office Market Report

Net Absorption

This Quarter	Previous Quarter
-65.4K SF	-46.6K SF
12-Month Absorption	5-Year Quarterly Avg.
-84.9K SF	64.2K SF

Availability

This Quarter	Year-over-Year
16.3%	▲ 340 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$14.91 PSF	▲ 0.9%

Development

Under Construction	New Supply
528K SF	0 SF

Sales

Sale Price Avg.	Year-over-Year
\$216 PSF	▲ 4.9%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

Availability continues to rise in the Waterloo market, with this being the third quarter of consecutive negative absorption, leading to one of the largest consecutive decreases in absorption since 2017. With availability increasing by 3.16% quarter over quarter (QoQ) and increasing by 26.1% year over year (YoY), showing similar trends of increasing availability in office markets across the province. The Downtown Kitchener sub-market showed the lowest levels of absorption for the quarter with availability increasing by 3.0% QoQ. The only market to show positive absorption this quarter was Cambridge with a decrease in vacancy of 12.8% QoQ while availability continues to increase.

Even with the increasing availability in the market, net asking rental rates have held strongly throughout the year and have managed to see a 0.9% YoY increase despite the conditions forced on the market due to the pandemic. With Cambridge seeing a 2% and Kitchener seeing a 1% increase in their overall asking rents and Waterloo rents holding stable. This could be due to landlords offering concessions or inducements on other portions of the leases to protect their face rates including shorter lease terms and free rent inclusions.

There is a historically high percentage of available space in the market being made up of sublet space, with 19.5% of all available space in the region being sublet. Since Q1 2020 the region has seen the amount of available sublet space more than double, with Q3 and Q4 of 2020 showing a 32.5% and 21.9% increase in the total amount of available sublet space respectively. In the current quarter we have seen this increase in availability slow down, as the sublet space only saw an increase of 4.4%.

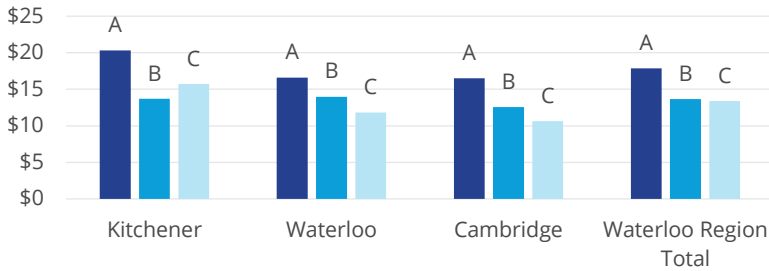
This increase in overall sublet space over the past year has led many to speculate if current tenants will look to decrease their overall footprint and move to a “work from home” heavy workforce, or if there will be a strong return to the office later in the year or in the start of 2022. The current “slow-down” of sublet space availability could in turn be seen as a confidence in a move towards returning to the office. With new developments like the Breithaupt Block coming into the market completely pre-leased causing little change to the overall availability, while any other new builds coming into to this market may have difficulty leasing with such a high-level availability currently existing.

Accelerating success.

Market Overview

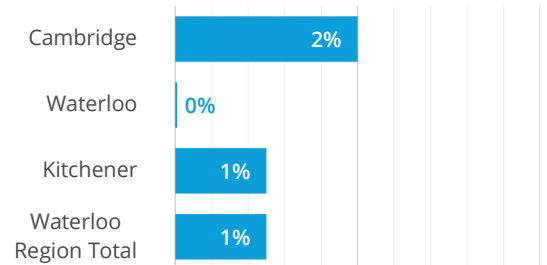
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



02 Rental Rate Growth*

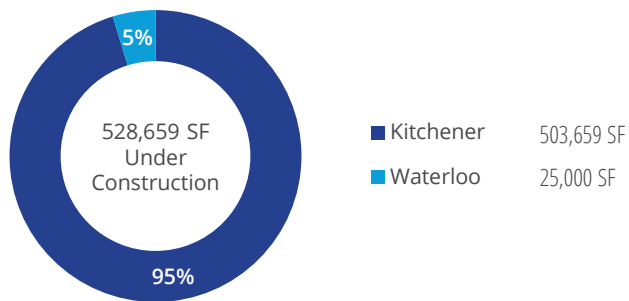
By Market | Q1 2020 – Q1 2021



* Weighted Average Asking Net Rent

03 Under Construction by Market

Total Square Feet (SF)



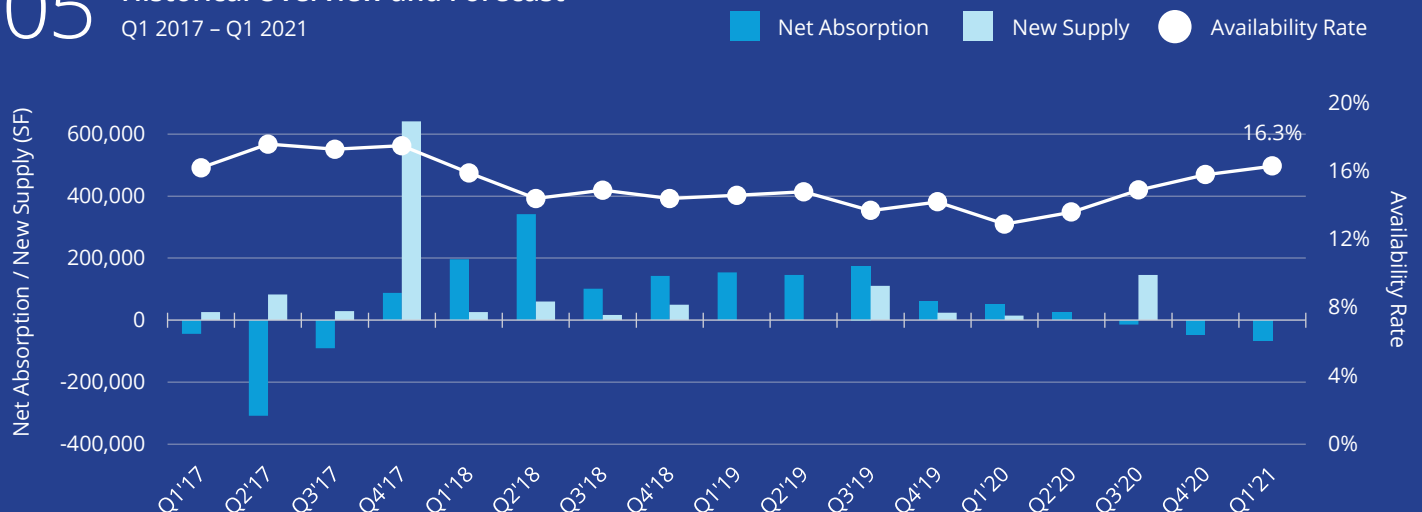
04 Availability Rate

Q1 2020 – Q1 2021

Kitchener	22.4%	▲	from 18.0% Q1'20
Waterloo	11.9%	▲	from 9.4% Q1'20
Cambridge	14.8%	▲	from 12.2% Q1'20
Waterloo Region Total	16.3%	▲	from 12.9% Q1'20

05 Historical Overview and Forecast

Q1 2017 – Q1 2021



Market Statistics

	Class	# of Bldgs	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (PSF)	
Cambridge	Downtown	A	1	49,691	4,566	9.2%	4,566	0	4,566	9.2%	0	0	0	\$18.00
		B	5	185,780	46,505	25.0%	50,691	0	50,691	27.3%	2,939	0	0	\$9.64
		C	2	38,264	25,237	66.0%	25,237	0	25,237	66.0%	0	0	0	\$10.73
		All	8	273,735	80,494	29.5%	80,804	0	80,494	29.4%	2,939	0	0	\$10.46
Suburban	A	11	572,623	98,083	17.1%	47,443	15,446	62,889	11.0%	36,344	0	0	\$16.38	
	B	14	388,231	46,798	12.1%	46,798	0	46,798	12.1%	-4,656	0	0	\$15.72	
	C	2	69,976	15,577	22.3%	3,398	0	3,398	4.9%	0	0	0	\$9.95	
	All	27	1,030,830	160,413	15.6%	97,639	15,446	113,085	11.0%	31,688	0	0	\$15.84	
Total		34	1,292,272	192,346	18.1%	244,936	15,446	193,579	14.8%	34,627	0	0	\$13.49	

Kitchener	Downtown	A	8	835,559	191,395	22.9%	119,610	53,210	172,820	20.7%	-33,778	0	476,994	\$22.97
		B	22	1,821,186	555,478	30.5%	583,511	35,457	618,968	34.0%	-13,069	0	19,665	\$13.39
		C	10	269,513	48,655	18.1%	43,965	0	43,965	15.8%	-4,700	0	0	\$15.48
		All	40	2,926,258	795,538	24.3%	745,625	88,667	834,292	28.5%	-51,547	0	496,659	\$15.05
Suburban	A	12	448,198	49,397	9.3%	54,402	0	54,402	11.0%	0	0	7,000	\$14.50	
	B	35	1,552,213	231,440	15.4%	175,957	61,932	237,889	14.9%	-4,781	0	0	\$14.72	
	C	7	149,359	8,349	1.9%	11,187	0	11,187	5.6%	-418	0	0	\$16.53	
	All	54	2,149,770	287,059	13.4%	241,546	61,392	303,478	13.5%	-5,199	0	7,000	\$14.75	
Total		94	5,075,432	1,020,113	21.3%	909,154	150,059	1,137,770	22.4%	-56,746	0	503,659	\$15.16	

Waterloo	Downtown	A	6	996,691	20,985	2.1%	49,856	43,404	93,260	9.4%	-15,247	0	0	\$23.00
		B	12	480,453	49,296	10.3%	47,077	0	47,077	9.8%	1,402	0	0	\$15.87
		C	1	19,600	4,880	24.9%	4,880	0	4,880	24.9%	0	0	0	\$17.95
		All	19	1,496,744	141,577	5.0%	101,813	43,404	145,217	9.7%	-13,845	0	0	\$19.46
Suburban	A	38	3,365,693	397,000	11.8%	236,038	179,765	415,803	12.4%	-31,855	0	25,000	\$15.25	
	B	35	1,729,294	247,513	14.3%	194,428	29,035	223,463	12.9%	5,645	0	0	\$13.59	
	C	5	190,261	13,544	7.1%	24,847	0	24,847	13.1%	-3,243	0	0	\$10.62	
	All	78	5,285,248	658,057	12.5%	472,154	208,800	664,113	12.6%	-29,453	0	25,000	\$14.26	
Total		97	6,779,992	750,727	10.8%	514,512	252,204	809,330	11.9%	-43,298	0	25,000	\$15.13	

Waterloo Region Total

Total		225	13,162,585	2,052,536	15.6%	1,668,602	417,709	2,140,679	16.3%	-65,411	0	528,659	\$14.91
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Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Crawford & Company Inc.	2300 University Avenue East	Waterloo - Suburban	Lease	31,418
Intact Financial Corporation	278 Pinebush Road	Cambridge - Suburban	Lease	23,215
Undisclosed	435 King Street North	Waterloo - Suburban	Lease	11,392

Notable Developments

Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
1 Young Street	A	Kitchener-Downtown	Under Construction	52,994	Q3 2021	Ridgewood Holdings Inc.
20 Breithaupt Street	A	Kitchener-Downtown	Under Construction	294,000	Q4 2021	Perimeter Development Corporation
120 Victoria Street South	A	Kitchener-Downtown	Under Construction	144,272	Q1 2022	Momentum Developments and Zehr Group



Leased
2300 University Avenue East
New Lease 31,418 SF

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