

Q2 2022

Waterloo

Industrial Market Report

Net Absorption

This Quarter

-96K SF

12-Month Absorption

788K SF

Previous Quarter

240K SF

5-Year Quarterly Avg.

211K SF

Vacancy

This Quarter

0.6%

Year-over-Year

↓ 90 bps

Asking Net Rent

This Quarter*

\$11.00 PSF

Year-over-Year

↑ 38%

Development / Sales

Under Construction

1.9M SF

New Supply

0 SF

Sale Price Avg.

\$243 PSF

Year-over-Year

↑ 66%

**Weighted Average
Colliers Macaulay Nicolls Inc.*

Market Outlook

Demand remains high in the Waterloo region Industrial market, despite the slightly negative absorption seen this quarter. The average asking lease rates and average sale price for the region continue to see record highs.

The overall vacancy in the region remains low only increasing by 10 basis points (bps) since the previous quarter. This was due mostly to space in the Kitchener and Waterloo areas coming to market. With only the Guelph submarket showing positive absorption of 67,554 square feet, the region saw 95,880 square feet of negative absorption. Even with the negative absorption the Waterloo Region industrial market remains one of the tightest-markets in Canada, continuously among the lowest in vacancy.

This quarter saw average asking lease rates reach \$11.00 per square foot, increasing by \$0.85 since the previous quarter and a 38% year over year (YoY) increase. The most significant increase in the average asking lease rate YoY was in the city of Waterloo and the city of Brantford, which saw increases of 55% and 46% respectively.

The average sale price for industrial properties also reached \$243 per square foot, an increase of 66% YoY.

There is currently just under 2 million square feet currently under construction in the region with the majority being found in the Kitchener submarket for the Homer Watson Business Park. One of its properties, 60 Pearson Street, which is currently under construction, was pre-leased by Sleep Country Canada Inc. Other planned projects such as the Cambridge IP Park on 105 Allendale Road and the Brantford Business park on 375 Hardy Road will bring just under 500,000 square feet and 1.7 million square feet to the region's inventory, respectively.

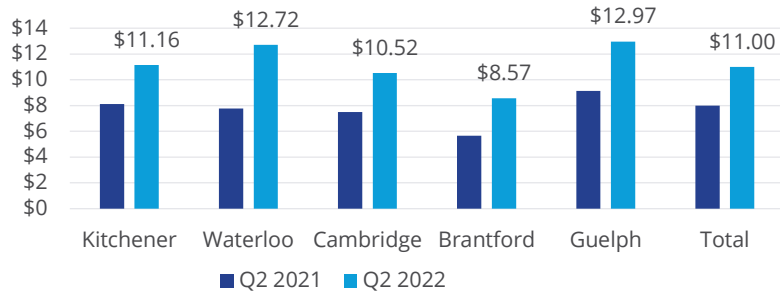
The value of industrial commercial land has also seen a dramatic increase YoY as the average cost for an acre has increased to \$993,750 from \$503,015 in Q2 of 2021, a 97% increase in the value of vacant industrial land.

Accelerating success.

Market Overview

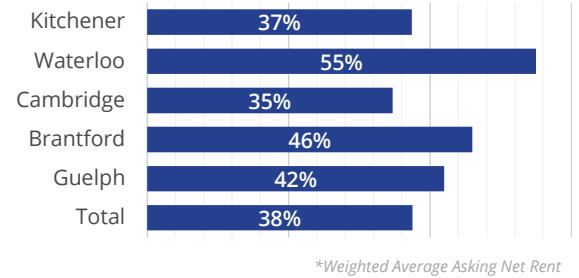
01 Rental Rates by Market

Weighted Average Asking Net Rent (PSF)



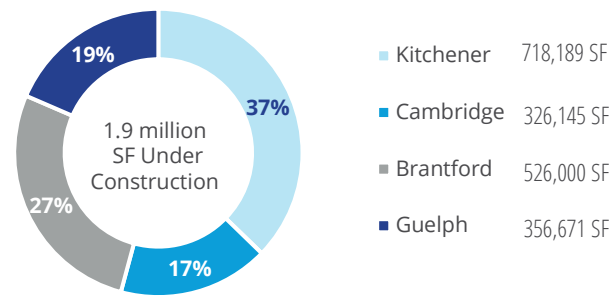
02 Rental Rate Growth*

By Market | Q2 2021 – Q2 2022



03 Under Construction by Market

By Building Area (SF)



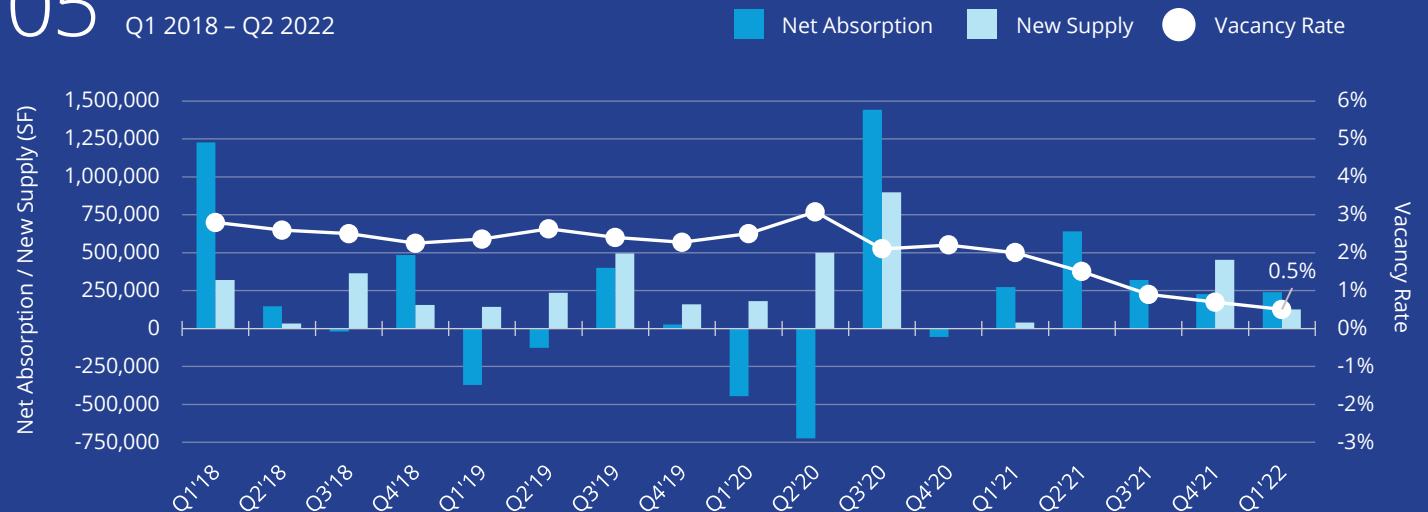
04 Availability Rate by Market

Q1 2021 – Q1 2022

| | | | |
|----------------|-------------|---|-----------------|
| Kitchener | 1.7% | ↓ | from 3.0% Q2'21 |
| Waterloo | 1.0% | ↓ | from 2.3% Q2'21 |
| Cambridge | 0.3% | ↓ | from 2.7% Q2'21 |
| Brantford | 1.9% | ↓ | From 3.5% Q2'21 |
| Guelph | 0.4% | ↓ | From 1.9% Q2'21 |
| Overall | 1.1% | ↓ | from 2.8% Q1'22 |

05 Historical Overview

Q1 2018 – Q2 2022



Market Statistics & Transaction Highlights

| | Kitchener | Waterloo | Cambridge | Brantford | Guelph | Total |
|--|------------|-----------|------------|------------|------------|--------------------|
| Total Inventory (SF) | 18,794,837 | 8,746,709 | 31,917,506 | 20,783,755 | 21,603,627 | 101,846,434 |
| Direct Vacancy (SF) | 72,883 | 83,593 | 103,591 | 54,795 | 13,154 | 328,016 |
| Sublease Vacancy (SF) | 179,559 | - | - | - | - | 179,559 |
| Vacant Space for Sale (SF) | 13,766 | 5,664 | 0 | 80,940 | - | 100,370 |
| Total Vacancy (SF) | 266,208 | 89,257 | 103,591 | 135,735 | 13,154 | 607,945 |
| Availability Rate (Current Q) | 1.7% | 1.0% | 0.3% | 1.9% | 0.4% | 1.1% |
| Availability Rate (Previous Q) | 1.6% | 0.9% | 0.3% | 1.9% | 0.6% | 0.9% |
| Net Absorption (SF) | -75,931 | -32,503 | -5,385 | -49,615 | 67,554 | -95,880 |
| New Supply (SF) | - | - | - | - | - | - |
| Under Construction (SF) | 718,189 | - | 326,145 | 526,000 | 356,671 | 1,927,005 |
| Weighted Average Asking Net Rent (PSF) | \$11.16 | \$12.72 | \$10.52 | \$8.57 | \$12.97 | \$11.00 |
| Weighted Average Additional Rent (PSF) | \$3.80 | \$4.65 | \$3.88 | \$3.50 | \$4.60 | \$4.05 |

Notable Lease Transactions

| Tenant | Building Name / Address | Market | Lease Type | Size (SF) |
|---------------------------|---------------------------|-----------|------------|-----------|
| Sleep Country Canada Inc. | 10 Pearson Street | Kitchener | Head lease | 60,000 |
| Undisclosed | 42 Arrow Road | Guelph | Head Lease | 8,476 |
| 28631476 Ontario Inc. | 830 Trillium Drive | Kitchener | Head Lease | 7,685 |
| Undisclosed | 842 Victoria Street North | Kitchener | Head Lease | 7,050 |
| KLE Canada Inc. | 115 Saltsman Drive | Cambridge | Head Lease | 4,880 |

Notable Sales Transactions

| Building Name / Address | Market | Size (SF) | Sale Price | Purchaser | Purchaser Profile |
|-------------------------|-----------|-----------|--------------|---|-------------------|
| 470 Hardy Road | Brantford | 159,259 | \$53,400,000 | Fiera Real Estate | Investor |
| 1367 Industrial Road | Cambridge | 79,451 | \$33,000,000 | Argyle Capital Partners | Investor |
| 125 Maple Grove Road | Cambridge | 136,780 | \$31,800,000 | Dream Industrial | Investor |
| 80 Lodge Street | Waterloo | 32,800 | \$12,500,000 | Lexington Park Real Estate Capital Inc. | Investor |
| 17 Woodyatt Drive | Brantford | 72,527 | \$10,910,000 | Performance Auto Group | User |

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