

Q3 2023

Waterloo

Office Market Report

Net Absorption

This Quarter	Previous Quarter
-27K SF	63K SF
12-Month Absorption	5-Year Quarterly Avg.
-129K SF	42K SF

Availability

This Quarter	Year-over-Year
13.9%	↓ 120 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$16.43 PSF	↑ 4.6%

Development / Sales

Under Construction	New Supply
0 SF	0 SF
Sale Price Avg.	
\$279 PSF	

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

Conestoga College continues to dramatically expand its footprint in markets across Waterloo Region, Guelph and Brantford with over \$92 million in investment spread across 10 properties. These range from office, industrial, apartment, and retail buildings. Breaking this down by municipality there's over \$14 million in four buildings in Brantford, recent potential expansion into Guelph with the acquisition of the former Co-operators Company office building at 130 Macdonell Street for almost \$27 million and just under \$51 million invested in the Waterloo Region in four buildings and 0.4-acres of commercial land. This combined with the space leased at the Market Square in Downtown Kitchener and further expansion on the horizon has the potential to revitalize some of the Region's stagnant Downtown areas.

The challenges faced by landlords in Downtown Kitchener due to the persistent vacancy of large office spaces require innovative solutions and strategic planning. To entice potential tenants, landlords must consider offering increasingly attractive incentives. Instead of immediately dropping rental rates, which can have

long-term financial implications, landlords can focus on enhancing the overall package they offer to businesses. One approach is to extend the duration of rent-free periods. Additionally, landlord could expand the range of amenities provided within these office spaces. Which we are seeing have impact have impact in other markets. Finally, collaborating with non-traditional tenants like Conestoga College to lease office spaces for classrooms, workshops, or research activities can ensure a steady stream of occupancy. These institutions often require flexible spaces, making them ideal tenants for large office buildings. Moreover, considering building conversions can open new avenues for occupancy. Converting office spaces into residential units, co-living spaces, or mixed-use developments can cater to the evolving needs of the community and attract a diverse range of tenants.

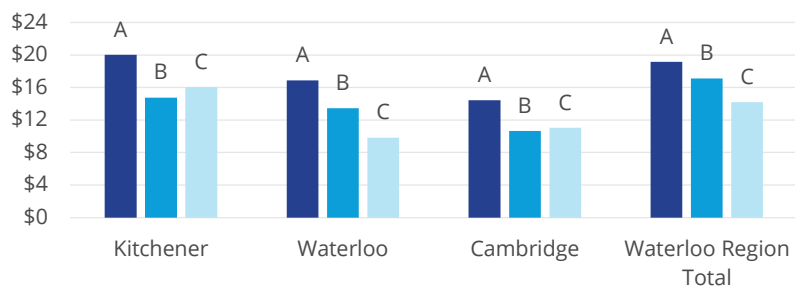
Investment activity within the Region's office market is picking up with more sale transactions in Q3 than all Q1 and Q2 combined particularly in the months of August and September as interest rates remain steady since the previous hike in July.

Accelerating success.

Market Overview

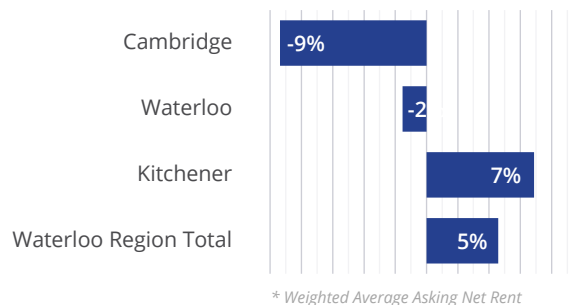
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



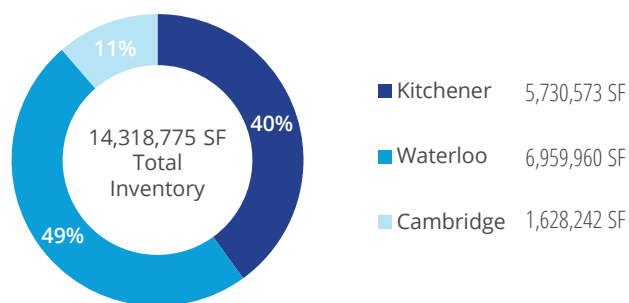
02 Rental Rate Growth*

By Market | Q3 2022 - Q3 2023



03 Inventory Breakdown by Market

Total Square Feet (SF)



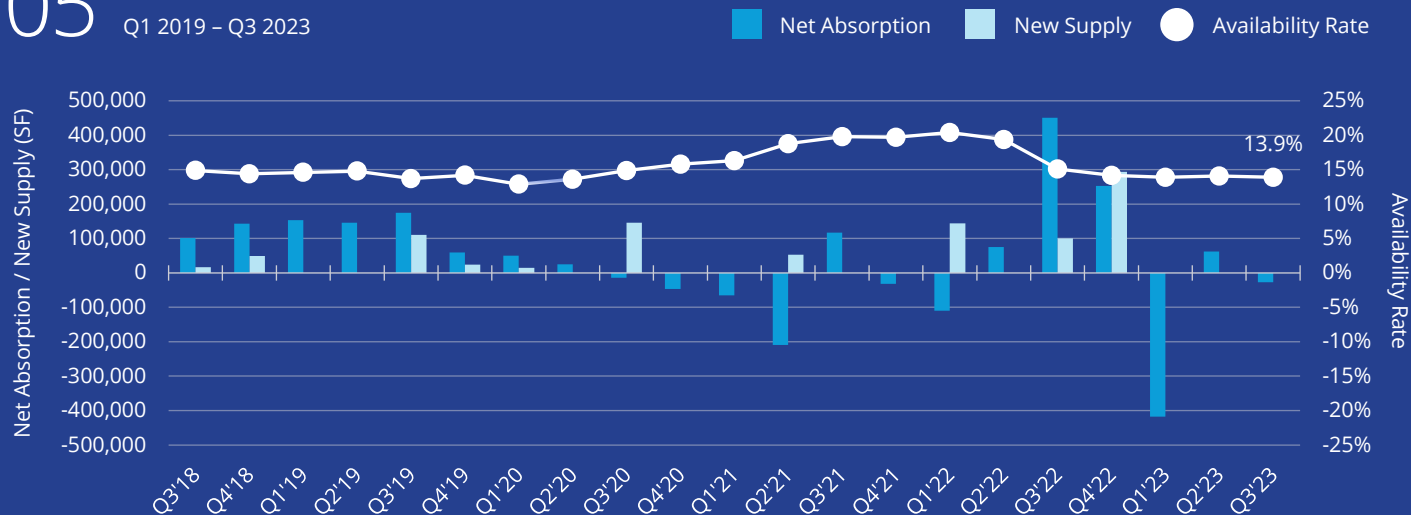
04 Availability Rate

Q3 2022 - Q3 2023

Kitchener	19.5%	↓	from 19.7% Q3'22
Waterloo	11.1%	↓	from 12.7% Q3'22
Cambridge	5.8%	↓	from 9.8% Q3'22
Waterloo Region Total	13.9%	↓	from 19.4% Q3'22

05 Historical Overview and Forecast

Q1 2019 - Q3 2023



Market Statistics

	Class	# of Bldgs	Total Inventory	Total Vacant Space	Vacancy Rate	Direct Available Space	Sublease Available Space	Total Available Space	Availability Rate	Net Absorption	New Supply	Under Construction	Wgt. Avg. Asking Net Rent	
			(SF)	(SF)		(SF)	(SF)	(SF)		(SF)	(SF)	(SF)	(PSF)	
Cambridge	Downtown	A	1	49,691	0	0.0%	0	0	0	0.0%	0	0	0	-
		B	5	185,780	7,964	4.3%	10,983	0	10,983	5.9%	0	0	0	\$9.00
		C	2	38,264	0	0.0%	0	0	0	0.0%	0	0	0	-
		All	8	273,735	7,964	2.9%	10,983	0	10,983	4.0%	0	0	0	\$9.00
	Suburban	A	13	617,633	39,836	6.4%	16,445	30,422	46,867	7.6%	-7,846	0	0	\$14.71
		B	18	537,314	22,880	4.3%	20,507	2373	22,880	4.3%	-3,127	0	0	\$12.53
		C	3	199,560	13,554	6.8%	13,554	0	13,554	6.8%	-13,554	0	0	\$12.00
		All	34	1,354,507	76,270	5.6%	50,506	32,795	83,301	6.1%	-24,527	0	0	\$13.10
	Total		42	1,628,242	84,234	5.2%	61,489	32,795	94,284	5.8%	-24,527	0	0	\$12.37

Kitchener	Downtown	A	12	1,309,551	349,891	26.7%	395,056	4,829	399,885	30.5%	0	0	0	\$20.69
		B	19	1,681,081	543,484	32.3%	533,517	29,669	563,186	33.5%	-7,907	0	0	\$15.24
		C	12	489,365	59,259	12.1%	59,259	0	59,259	12.1%	-33,943	0	0	\$10.89
		All	43	3,479,997	952,634	27.4%	987,832	34,498	1,022,330	29.4%	-41,850	0	0	\$17.16
	Suburban	A	14	504,498	30,511	6.0%	30,511	0	30,511	6.0%	-2,783	0	0	\$17.28
		B	39	1,639,048	41,320	2.5%	60,659	0	60,659	3.7%	42,498	0	0	\$15.86
		C	6	107,030	4,535	4.2%	3,563	972	4,535	4.2%	0	0	0	\$18.00
		All	59	2,250,576	76,366	3.4%	94,733	972	95,705	4.3%	39,715	0	0	\$16.40
	Total		102	5,730,573	1,029,000	18.0%	1,082,565	35,470	1,118,035	19.5%	-2,135	0	0	\$17.09

Waterloo	Downtown	A	6	1,064,406	29,677	2.8%	29,677	0	29,677	2.8%	4,379	0	0	\$16.50
		B	12	490,196	8,649	1.8%	17,211	0	17,211	3.5%	-615	0	0	\$16.04
		C	1	19,600	0	0.0%	0	0	0	0.0%	0	0	0	-
		All	19	1,574,202	38,326	2.4%	46,888	0	46,888	3.0%	3,764	0	0	\$16.33
	Suburban	A	42	3,630,507	364,191	10.0%	251,560	147,760	399,320	11.0%	-5,441	0	0	\$16.41
		B	34	1,564,990	311,388	19.9%	115,094	199,380	314,474	20.1%	2,594	0	0	\$13.23
		C	5	190,261	11,635	6.1%	14,533	0	14,533	7.6%	-1,338	0	0	\$9.77
		All	81	5,385,758	687,214	12.8%	381,187	347,140	728,327	13.5%	-4,185	0	0	\$15.20
	Total		100	6,959,960	725,540	10.4%	428,075	347,140	775,215	11.1%	-421	0	0	\$15.32

Waterloo Region Total

Total	244	14,318,775	1,838,774	12.8%	1,572,129	415,405	1,987,534	13.9%	-27,083	0	0	\$16.43
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Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Undisclosed	1 Young Street	Kitchener – Downtown	Head Lease	35,062
Undisclosed	50 Sportsworld Crossing Road #280	Kitchener – Suburban	Head Lease	13,600
Undisclosed	4275 King Street East #300	Kitchener – Suburban	Head Lease	8,648

Notable Sale Transactions

Building Name / Address	Market	Price	Size (SF)	Purchaser
150 Caroline Street	Waterloo – Downtown	\$37,549,987	~40,000	RBJ Schlegel Holdings
139 Washburn Drive	Kitchener - Suburban	\$4,250,888	17,945	139 Washburn Dr Holdngs Ltd.

Sold

150 Caroline Street,
Waterloo – ~40,000 SF



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