

Q3 2023

Waterloo

Industrial Market Report

Net Absorption

This Quarter
-72K SF

Previous Quarter
-257K SF

12-Month Absorption
-98K SF

5-Year Quarterly Avg.
119K SF

Vacancy

This Quarter
0.9%

Year-over-Year
▲ 70 bps

Asking Net Rent

This Quarter*
\$12.61 PSF

Year-over-Year
▲ 8.4%

Development / Sales

Under Construction
6.2M SF

New Supply
351K SF

Sale Price Avg.
\$284 PSF

Year-over-Year
▲ 16.4%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

Vacancy rates in the Waterloo Region industrial market in Q3 2023 experienced a minor increase, although they remain under 1.0%. Therefore, despite the increase, finding suitable space for potential occupiers is still proving to be difficult.

Scarcity is a bigger issue in the land market. Small parcels of development-ready land are in short supply. Hence, even though land prices have stabilized, they continue to stay out of reach for owner-occupiers. This further intensifies the challenge for business that are looking for compact spaces.

Construction projects are in full swing and with 1.7 million square feet of the 6.2 million square feet under construction scheduled to be completed over the next three to four months, this will lead to a dramatic increase in inventory as well as available space in the market. These new developments are all 100,000 square feet and up which would not address the challenges faced by potential occupiers currently. Therefore, an increasing number of developers are demolishing their spaces to address that issue and provides hope for continued balance in the demand-supply equation in the market.

Interest rates have yet to impact owner/occupier prices and demand, but the time required for mortgage approval and associated hurdles are adding challenges in consistently getting deals across the finish line. However, investment activities are gaining momentum with the average price per square foot increasing to \$284 which is almost 10% higher compared to Q2. Furthermore, total volume has gone up 37.6% this quarter (from \$88.2 million last quarter to \$121.4 million this quarter). Even so, there continues to be a disparity between the expectations of buyers and sellers.

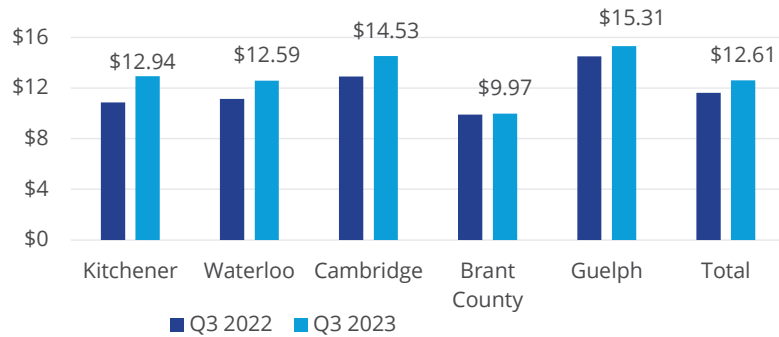
In summary, the real estate market is characterized by a delicate balance between supply and demand. While construction projects are providing hope for increased inventory, challenges in land development, mortgage approval processes, and differing expectations between buyers and sellers present hurdles. Waterloo Region's industrial Market is in a state of transition, where careful navigation and strategic decision-making are essential for all stakeholders involved.

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Market Overview

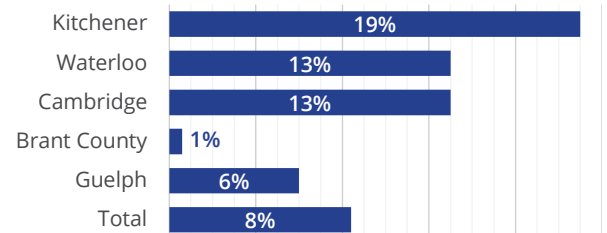
01 Rental Rates by Market

Weighted Average Asking Net Rent (PSF)



02 Rental Rate Growth*

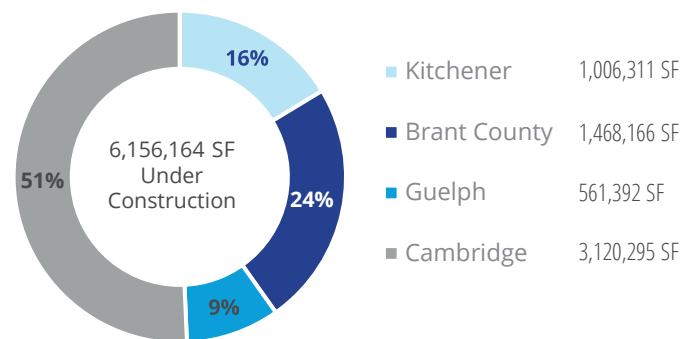
By Market | Q3 2022 – Q3 2023



*Weighted Average Asking Net Rent

03 Under Construction by Market

By Building Area (SF)



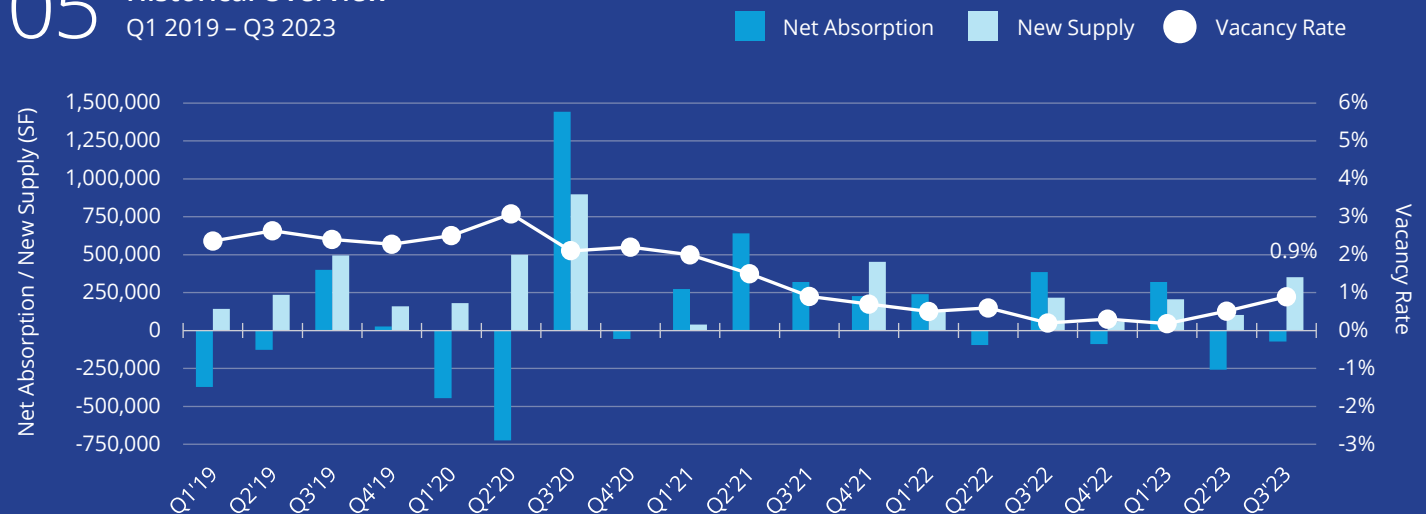
04 Availability Rate by Market

Q3 2022 – Q3 2023

Kitchener	2.6%	▲ from 0.8% Q3'22
Waterloo	4.7%	▲ from 2.0% Q3'22
Cambridge	0.8%	▲ from 0.5% Q3'22
Brant County	1.2%	▲ from 0.3% Q3'22
Guelph	0.3%	▲ From 0.1% Q3'22
Overall	1.4%	▲ from 0.5% Q3'22

05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics & Transaction Highlights

	Kitchener	Waterloo	Cambridge	Brant County	Guelph	Total
Total Inventory (SF)	19,044,807	9,041,281	32,784,990	24,523,535	25,222,555	110,617,168
Direct Vacancy (SF)	212,830	352,003	199,669	179,773	36,200	980,475
Sublease Vacancy (SF)	-	-	-	-	-	-
Vacant Space for Sale (SF)	-	16,000	17,318	79,800	20,480	133,598
Total Vacancy (SF)	212,830	368,003	216,987	259,573	56,680	1,114,073
Availability Rate (Current Q)	2.56%	4.73%	0.82%	1.23%	0.25%	1.42%
Availability Rate (Previous Q)	1.52%	2.55%	0.35%	0.88%	0.50%	0.88%
Net Absorption (SF)	21,461	(154,746)	44,417	(9,792)	26,300	-72,360
New Supply (SF)	148,886	-	202,220	-	-	351,106
Under Construction (SF)	1,006,311	-	3,120,295	1,468,166	561,392	6,156,164
Weighted Average Asking Net Rent (PSF)	\$12.94	\$12.59	\$14.53	\$9.97	\$15.31	\$12.61
Weighted Average Additional Rent (PSF)	\$3.89	\$4.13	\$3.73	\$3.50	\$5.29	\$4.00

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Undisclosed	743 Powerline Road	Brantford	Head Lease	201,485
Undisclosed	501 Manitou Drive Unit #B	Kitchener	Head Lease	95,000
Undisclosed	348 Woodlawn Road West	Guelph	Head Lease	61,000

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Vendor
361 Speedvale Avenue West	Guelph	160,000	\$27,000,000	Symban Lighting	Hi-Tech Gears
451 Elgin Street	Brantford	74,409	\$15,500,000	Aecon Group Inc.	Tigercat Industries
80 Goddard Crescent	Cambridge	54,817	\$14,135,000	Westco Cambridge Inc.	Trade-Mark Industrial Inc.
65 Struck Court	Cambridge	36,527	\$10,235,000	Vinyl Trends Inc.	Miltera Machine Research Corp.

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