

# Waterloo Region

Office Q1 2021



**CUSHMAN &  
WAKEFIELD**  
Waterloo Region

YoY  
Chg

12-Mo.  
Forecast

**15.0%**

Vacancy Rate

**-98,407**

Net Absorption, SF

**\$26.99**

Gross Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2021

YoY  
Chg

12-Mo.  
Forecast

**314K**Waterloo Region  
Employment**7.0%**Waterloo Region  
Unemployment Rate**88K**

Guelph Employment

**9.0%**Guelph Unemployment  
Rate**7.5%**Canada  
Unemployment Rate

## COVID-19 & ECONOMY:

After 12 months of combatting the spread of COVID-19, Waterloo Region and Guelph, along with the rest of Ontario, continues to experience mandatory lockdown measures. Not only are business owners facing tremendous financial stress, but the current dilemma has also created operational challenges for many forced to adapt. As the Province of Ontario prepares to lockdown for a third time, many businesses now realize that change is necessary to continue operating. Despite failing to meet sufficient ends, policy makers insist that restrictions on businesses and social interaction must continue in order to achieve desired results. For further interest, please click [here](#) to access the most recent research on CRE and the state of economy.

## SUPPLY AND DEMAND:

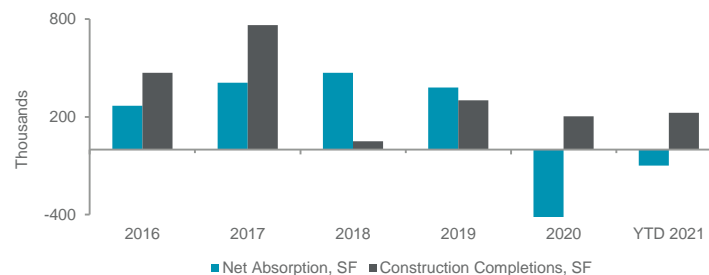
Following social health protocols, many companies continue to encourage employees to work from home. Since the start of the pandemic, the overall demand for office space in Waterloo Region and Guelph has decreased significantly. Despite a shift to working from home, many companies continue to lease office space in anticipation of returning. While some report being out of the office for 12-straight months, many employers are hesitant to announce when they plan to have staff return. That said, throughout 2020 there has been an increase in available sublease space, which suggests some office users plan to continue operating from home or having a portion of staff work from home for the foreseeable future. However, towards the end of the first quarter of 2021 there has been a reported increase in office users showing preliminary interest in leasable space.

As Ontario struggles to flatten the curve, the ambiguity towards a potential recovery has placed a hold on proposed office developments. As seen with the recent completion of office buildings in Downtown Kitchener, Waterloo and Guelph, the current demand for office space is unable to absorb the supply of new construction, causing increases in availability rates. Apart from what was preleased prior to the start of the pandemic, recently constructed office buildings have had little success attracting tenants.

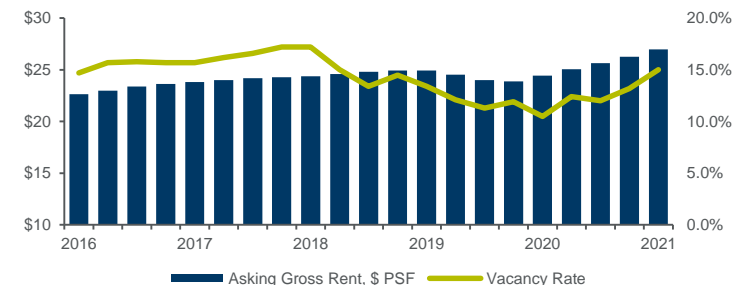
## PRICING:

Despite increases in vacancies, average asking lease rates for office space in Waterloo Region and Guelph continue to trend upward. Research suggests that increases in office rental rates is in part due to an increase in Class A space for lease, in addition to vacancy found in recently completed office developments.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & GROSS ASKING RENT



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## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Waterloo Core	1,686,273	62,851	120,248	7.1%	-4,805	-4,805	10,689	0	\$35.31	\$37.83
Waterloo Suburb	5,722,352	141,902	590,333	10.3%	-48,039	-48,039	6,328	0	\$23.69	\$25.60
<b>Waterloo Total</b>	<b>7,408,625</b>	<b>204,753</b>	<b>710,581</b>	<b>9.6%</b>	<b>-52,844</b>	<b>-52,844</b>	<b>17,017</b>	<b>0</b>	<b>\$26.10</b>	<b>\$28.68</b>
Kitchener Core	2,800,443	94,244	675,611	24.1%	33,624	33,624	-	422,000	\$29.49	\$32.03
Kitchener Suburb	2,357,047	19,943	292,648	12.4%	-19,943	-19,943	-	-	\$24.58	\$24.53
<b>Kitchener Total</b>	<b>5,157,490</b>	<b>114,187</b>	<b>968,259</b>	<b>18.8%</b>	<b>13,681</b>	<b>13,681</b>	<b>-</b>	<b>422,000</b>	<b>\$28.13</b>	<b>\$29.45</b>
Cambridge Core	398,150	0	72,138	18.1%	0	0	-	-	\$20.92	N/A
Cambridge Suburb	1,066,197	32,612	64,789	6.1%	0	0	810	-	\$24.67	\$24.51
<b>Cambridge Total</b>	<b>1,464,347</b>	<b>32,612</b>	<b>136,927</b>	<b>9.4%</b>	<b>0</b>	<b>0</b>	<b>810</b>	<b>-</b>	<b>\$23.07</b>	<b>\$24.55</b>
Guelph Core	581,200	2,857	38,324	6.6%	-3,384	-3,384	-	-	\$25.75	\$26.00
Guelph Suburb	1,253,814	1,425	166,671	13.3%	-55,860	-55,860	-	66,000	\$28.26	\$31.10
<b>Guelph Total</b>	<b>1,835,014</b>	<b>4,282</b>	<b>204,995</b>	<b>11.2%</b>	<b>-59,244</b>	<b>-59,244</b>	<b>-</b>	<b>66,000</b>	<b>\$27.74</b>	<b>\$30.46</b>
<b>WATERLOO REGION TOTALS</b>	<b>15,865,476</b>	<b>355,834</b>	<b>2,020,762</b>	<b>15.0%</b>	<b>-98,407</b>	<b>-98,407</b>	<b>17,827</b>	<b>488,000</b>	<b>\$26.99</b>	<b>\$29.15</b>

\* Rental Rates Reflect Gross Asking

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
20 Erb St W #702	Waterloo Core	N/A	3,830	Direct
60 Bathurst Dr #1-2	Waterloo Suburb	N/A	3,902	Direct
550 Parkside Dr #B3-4	Waterloo Suburb	N/A	3,425	Direct
100 Regina St S #130	Kitchener Suburb	N/A	2,545	Direct

\*Renewals not included in leasing statistics

## KEY OFFICE DEVELOPMENTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Breithaupt Block Phase 3	Kitchener Core	Google	292,000	Perimeter
120 Victoria Street South	Kitchener Core	N/A	130,000	Momentum
245 Hanlon Creek Blvd	Guelph Suburb	BDO	66,000	N/A

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