

Waterloo Region

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
1.7% Vacancy Rate	▼	▼
-100,172 Net Absorption, SF	▼	▲
\$11.38 Gross Asking Rent, PSF	▲	—
(Overall)		

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
318.5K Waterloo Region Employment	▲	—
6.5% Waterloo Region Unemployment Rate	▼	—
89.8K Guelph Employment	▲	▲
9.4% Guelph Unemployment Rate	▼	▼
7.8% Canada Unemployment Rate	▼	▼

Source: Statistics Canada
July 2021

COVID-19 & ECONOMY:

While Ontario's COVID-19 regulations and reopening are considered cautious, Waterloo Region is subject to a relatively slow reopening regime which is going to further hinder economic recovery. The slow pace of projected economic recovery will persist until the Waterloo Region is able to fully open without substantial restrictions. Businesses have restricted occupancy and distancing measures in effect, and it is uncertain as to when the provincial government will announce the easing of these restrictions.

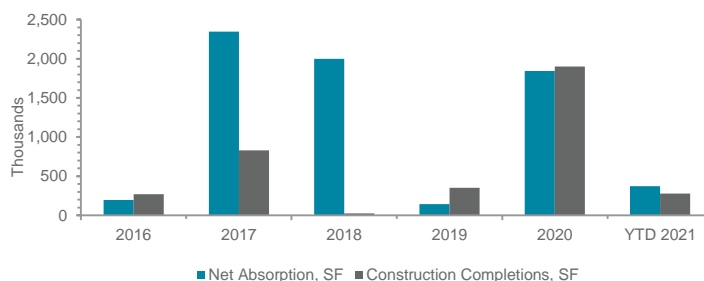
SUPPLY & DEMAND:

Despite the unprecedented demand for industrial space in Waterloo Region, Guelph and the surrounding areas, there was a marginal increase in the vacancy rate to 1.7%, 10 basis points higher than last quarter. However, the slight uptick should not be considered an indication of overall market activity, as businesses continue to struggle in sourcing sufficient space to operate from. As a result, Waterloo Region and Guelph surprisingly saw negative overall absorption this quarter of just over 100k square feet (sf). This is a stark difference from last quarter, where the Region had positive absorption of over 470,000 sf. Despite the decline, demand remains high, and it is likely year-to-date absorption will reveal trends similar to what was seen last quarter.

PRICING:

Despite overwhelming demand, overall supply of industrial space lags dramatically due to a lack of developable land, record high construction costs, employment issues, and increased development charges, amongst other factors. With low interest rates and inflated rental rates, the lack of industrial projects under development comes to a surprise to some. Vacancy has leveled out as most available industrial spaces are occupied, driving the price up for remaining properties. Pricing will likely remain high until more industrial space can be developed. Unless there is a dramatic decrease in demand, experts suggest it may take several years before the market for industrial space reaches an equilibrium.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Waterloo Region

Industrial Q2 2021

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	YTD CNSTR COMPLETION S	DIRECT WEIGHTED AVG. NET RENT	DIRECT WEIGHTED AVG. ADD. RENT	DIRECT WEIGHTED AVG. GROSS. RENT
Cambridge	86	11,088,465	88,785	0.8%	-23,785	116,369	105,058	136,000	\$8.95	\$3.75	\$12.70
Eagle	75	3,956,859	289,744	7.3%	20,247	42,963	0	0	\$7.26	\$2.49	\$9.75
Eastern	67	4,810,595	12,845	0.3%	48,822	48,822	0	0	\$6.75	\$3.00	\$9.75
L.G. Lovell	256	11,850,411	146,653	1.2%	-11,092	82,920	127,000	80,657	\$8.97	\$4.44	\$13.42
Misc.	36	2,290,365	10,657	0.5%	0	-10,657	0	0	\$8.50	\$4.65	\$13.15
Cambridge Total	520	33,996,695	548,684	1.6%	34,192	280,417	232,058	216,657	\$7.75	\$3.03	\$10.78
Bridgeport	94	3,301,037	157,165	4.8%	4,200	29,855	0	12,000	\$8.53	\$2.89	\$11.42
Hanson/Ardelt	37	1,871,440	54,891	2.9%	3,802	3,802	0	11,562	\$8.41	\$5.18	\$13.59
Huron	130	4,848,044	120,362	2.5%	4,826	13,696	24,283	8,500	\$6.41	\$2.34	\$8.75
Lancaster	28	1,640,783	68,946	4.2%	-35,640	-35,986	0	0	\$7.64	\$3.49	\$11.13
Manitou	42	2,162,139	36,255	1.7%	-35,255	-33,955	0	0	\$20.00	\$5.20	\$25.20
Wilson	37	2,898,929	92,200	3.2%	0	34,760	0	0	\$10.00	\$5.75	\$15.75
Misc.	66	3,268,487	39,911	1.2%	-13,070	-8,270	0	0	\$10.98	\$2.00	\$12.98
Kitchener Total	434	19,990,859	569,730	2.8%	-71,137	3,902	24,283	32,062	\$8.17	\$3.08	\$11.24
Conestoga	113	4,258,891	25,824	0.6%	0	71,570	0	0	\$4.98	\$2.97	\$7.96
Dearborn	20	637,125	26,500	4.2%	0	0	0	0	\$8.25	\$3.75	\$12.00
Northland	84	3,096,230	40,741	1.3%	-1,457	2,663	7,321	0	\$9.41	\$4.57	\$13.97
Misc.	23	979,138	1,630	0.2%	-1,630	-1,630	0	0	\$9.95	\$5.00	\$14.95
Waterloo Total	240	8,971,384	94,695	1.1%	-3,087	72,603	7,321	0	\$7.89	\$3.91	\$11.80
Hanlon	82	7,149,428	82,688	1.2%	18,329	24,392	491,604	27,762	\$10.65	\$3.56	\$14.22
Northwest	199	13,839,547	108,257	0.8%	-96,781	-57,038	0	0	\$10.88	\$4.95	\$15.83
Puslinch	25	2,013,437	0	0.0%	0	0	0	0	N/A	N/A	N/A
York Watson	31	1,443,690	0	0.0%	18,312	48,312	0	0	N/A	N/A	N/A
Misc.	39	2,414,547	140,000	5.8%	0	0	0	0	\$6.00	\$3.00	\$9.00
Guelph Total	376	26,860,649	330,945	1.2%	-60,140	15,666	491,604	27,762	\$8.21	\$3.47	\$11.68
Waterloo Region Totals	1,570	89,819,587	1,544,054	1.7%	-100,172	372,588	755,266	276,481	\$8.00	\$3.37	\$11.38

*Rental rates reflect weighted net asking \$psf/year

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER/ BUYER	SF	PRICE	PRICE/ \$ PSF
50 Frobisher Drive	Waterloo	CanAm Self Storage Inc./Avenue Living Asset Mgmt	46,609	\$4,010,000	\$86.03
55 Franklin St S	Kitchener/ Wilson	Cheng's Group Corp/ 55 Franklin GP Inc	22,293	\$3,600,000	\$161.49
130 Imperial Dr	Kitchener/ Hanson-Ardelt	Conax Properties Canada Ltd/ unknown	23,738	\$3,475,000	\$146.39

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