

Waterloo Region

Office Q4 2021

	YoY Chg	12-Mo. Forecast
17.2% Vacancy Rate	▲	▼
68,251 Net Absorption, SF	▲	▲
\$27.07 Gross Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
331.2K Waterloo Region Employment	▲	▼
5.5% Waterloo Region Unemployment Rate	▼	—
96.1K Guelph Employment	▲	▲
3.9% Guelph Unemployment Rate	▼	—
5.9% Canada Unemployment Rate	▼	▼

Source: Statistics Canada
December 2021

COVID-19 & ECONOMY

The negative impact of COVID-19 on the Waterloo Region's economy is primarily centered around office and retail space; however, the office market managed to see a slight recovery this quarter. The 17.2% vacancy rate in the fourth quarter of 2021 matches the vacancy posted in the second quarter of 2021, suggesting that the office vacancy rate has plateaued. Of course, the emergence of new COVID variants continues to threaten the Region's economic recovery and it is difficult to project how tenants/landlords will approach the office market until the pandemic eases.

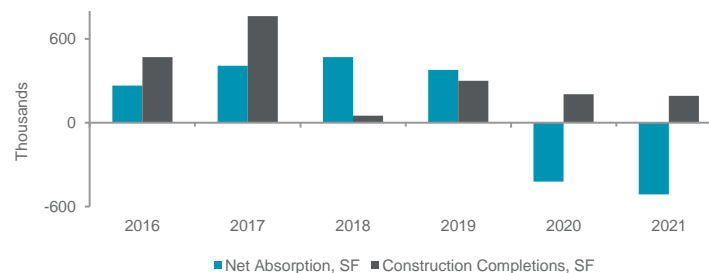
SUPPLY & DEMAND

Waterloo's core Uptown market posted a marginal change in absorption, releasing just over 19k square feet (sf) back onto the market this quarter, leading to a 2021 absorption total of negative 315k sf. Compared to the approximately 79k sf of overall 2021 leasing activity, Waterloo's office market is struggling in the wake of COVID. Kitchener's core market saw over 123k sf in space taken off the market this quarter, bringing the 2021 absorption total to negative 121k sf; signifying confidence in Kitchener's office market. Overall, Waterloo Region's office market seems to have reached an equilibrium, yet it will likely take a few quarters to determine whether the market has stabilized and how the preference for Kitchener office space will factor into the Region's figures.

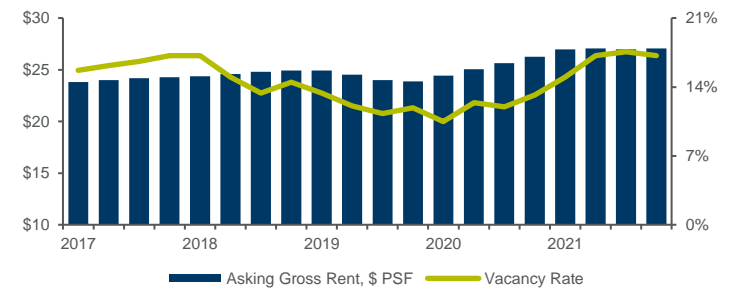
PRICING

Although pricing continues to increase at a marginal rate, the high inflation that Canada is facing suggests that real prices are falling relative to the dollar. The pricing of office space will likely continue to underperform relative to inflation until pre-pandemic levels of demand are able to return to the market. As well, the sentiment amongst tenants is that quality space is superior to quantity, leading to a preference for Class A space which will contribute to increased prices.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Waterloo Region

Office Q4 2021

MARKET STATISTICS

SUBMARKET	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Waterloo Core	1,709,937	62,851	163,297	9.5%	-12,387	-47,854	21,805	0	\$34.56	\$37.83
Waterloo Suburb	5,722,352	328,838	622,862	10.9%	-7,017	-267,504	56,976	0	\$24.64	\$26.98
Waterloo Total	7,432,289	391,689	786,159	10.6%	-19,404	-315,358	78,781	0	\$26.59	\$28.80
Kitchener Core	2,800,120	92,872	863,567	30.8%	81,522	-152,960	66,284	422,000	\$29.12	\$32.36
Kitchener Suburb	2,357,047	19,943	240,702	10.2%	42,443	32,003	49,297	-	\$25.35	\$24.95
Kitchener Total	5,157,167	112,815	1,104,269	21.4%	123,965	-120,957	115,581	422,000	\$28.35	\$30.17
Cambridge Core	398,150	0	84,508	21.2%	0	-12,370	1,220	-	\$19.75	N/A
Cambridge Suburb	1,066,197	15,094	87,040	8.2%	-19,857	-4,733	19,941	-	\$24.30	\$25.59
Cambridge Total	1,464,347	15,094	171,548	11.7%	-19,857	-17,103	21,161	-	\$22.24	\$25.54
Guelph Core	592,476	0	37,352	6.3%	972	445	10,168	-	\$24.93	\$26.00
Guelph Suburb	1,253,814	1,425	109,416	8.7%	-17,425	-60,010	17,609	66,000	\$26.48	\$29.14
Guelph Total	1,846,290	1,425	146,768	7.9%	-16,453	-59,565	27,777	66,000	\$26.08	\$28.56
Waterloo Region Totals	15,900,093	521,023	2,208,744	17.2%	68,251	-512,983	243,300	488,000	\$27.07	\$29.22

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
8 Queen Street N #2 & 3	Kitchener	N/A	21,970	Direct
515 Riverbend Drive #200	Kitchener	N/A	17,081	Direct
137 Glasgow Street #320	Kitchener	N/A	14,737	Direct
180 Columbia Street W #3	Waterloo	N/A	10,989	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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