



WATERLOO WEST SIDE EMPLOYMENT LANDS

Market Analysis

Waterloo, Ontario

Prepared for **The City of Waterloo**

August 2, 2018



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August 2, 2018

RE: Waterloo West Side Employment Lands – Market Analysis (Waterloo, Ontario)

urbanMetrics inc. is pleased to submit our Market Analysis for the Waterloo West Side Employment Lands (WSEL). Based on a review of current development trends, forecasted market conditions and interviews with business and economic development leaders from Waterloo Region, we have identified the types of businesses and employment that the City should reasonably plan to accommodate on the WSEL. As part of this study, we have also made recommendations regarding built-form, building type, phasing and densities that could realistically be accommodated on the WSEL.

We appreciate the opportunity to conduct this assignment on your behalf and look forward to discussing the result with you.

Yours truly,

A handwritten signature in blue ink that reads "Rowan Faludi".

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1.0 Background

1.1 Purpose of Study

In February 2017, the City of Waterloo retained Stantec Consulting Ltd., together with urbanMetrics inc. to carry out land use planning and engineering for its West Side Employment Lands (“WSEL”), also known as Pt. lot 41 German Company Tract, Being Pts. 1, 22, 23 ON 58R-18321, Save & Except Pt. 1 on 58R-18807; Together with an easement over Pt. 5 on 58R-6857 AS IN 1060942; City of Waterloo. urbanMetrics role in this assignment is to recommend the uses, densities, and general building types that should be considered in the preparation of a plan of subdivision for these lands.

1.2 Background

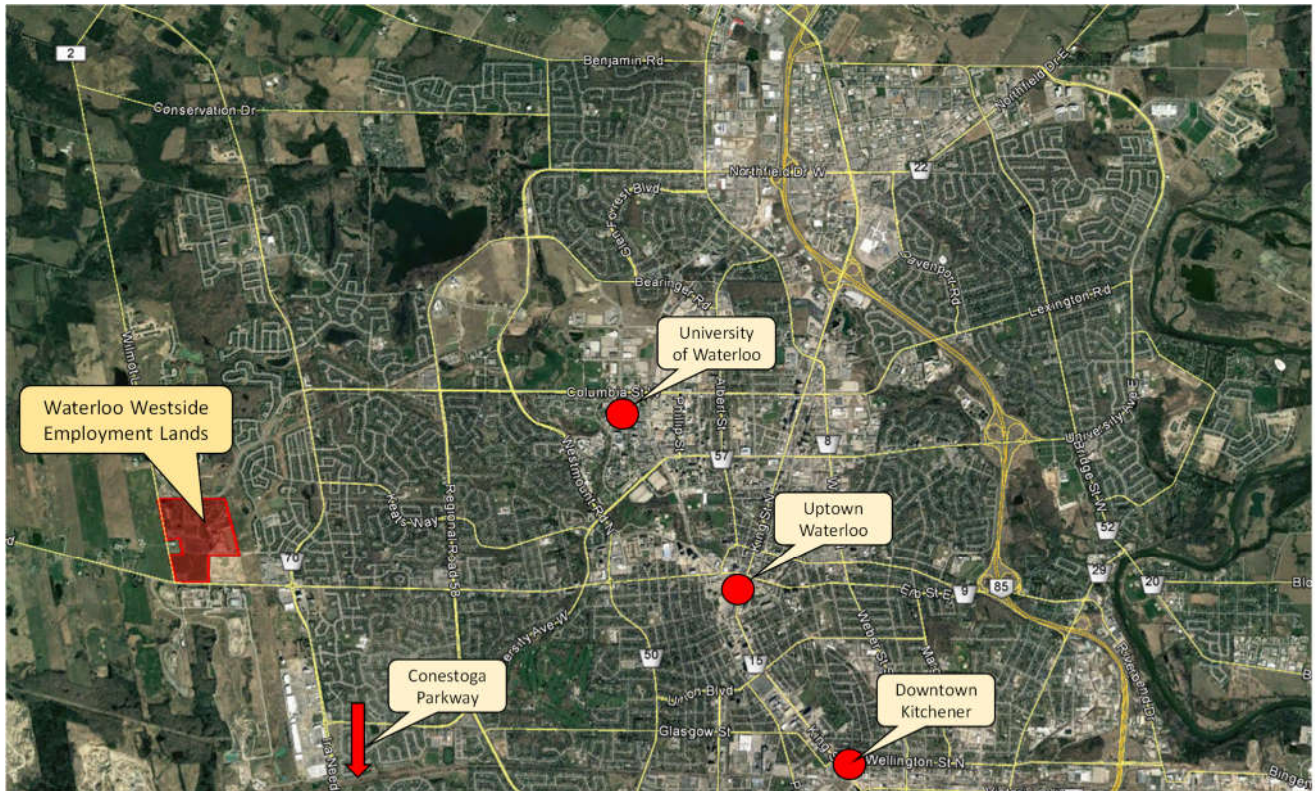
As identified in Figure 1-1, the WSEL are located at the western boundary of the City of Waterloo and have been designated to accommodate employment uses since the 1990s. The City of Waterloo Official Plan designates the WSEL as Business Employment, a category in which office uses are anticipated to be the predominant land use. The Business Employment designation is intended to cater to businesses operating in the industries of advanced industrial technologies, prestige offices, scientific businesses and a restricted range of service uses.

The types of employment uses that could potentially be accommodated on these lands was last studied in 2009, when Coldwell Banker Peter Benninger Realty was retained by the City of Waterloo to identify the best practices in higher density employment lands. This study also identified an implementation plan for the City-owned WSEL as well as City-owned lands in northeast Waterloo.

These two documents were intended to provide a transferable theme that could be used by the City to guide the development of the City-owned lands and be used as a marketing tool for investment attraction. The reports included a market assessment, implementation factors and recommendations for implementation.

Recently the City has identified the need to prepare and advance various development applications, including a Draft Plan of subdivision and Zone Change application for the WSEL. The intent is that this market study will be used as input into the plan of subdivision being prepared by Stantec Consulting. The development of the plan of subdivision will be an important first step in attracting non-residential investment to this area of Waterloo.

Figure 1-1: WSEL Location



Source: urbanMetrics inc. based on Google Earth

1.3 Approach

The following describes the major work tasks that have been undertaken in preparing this market study for the WSEL:

- **Review of Site Conditions**

We have examined the WSEL in terms of their condition and locational characteristics, particularly as they relate to other employment, academic and technology clusters in Waterloo. We have also commented on surrounding land uses, amenities in the immediate vicinity of the WSEL and access to transportation.

- **Review Market Data**

We have reviewed recent business development activity in Waterloo and surrounding municipalities based on data from Statistics Canada. We have also examined various other data sources to identify employment statistics, construction activity and vacancy rates to

identify the industries that are expanding in Waterloo and could be accommodated on the WSEL.

- **Interviews with Key Business and Economic Development Leaders**

The assignment involved a considerable consultation component. This included interviews with real estate brokers, non-residential developers, managers of business and technology parks, planning, transportation, and economic development staff from the City, as well as other potential stakeholders. The comments received through these interviews are reflected in our findings and recommendations.

- **Best Practices**

We have reviewed the Best Practices Report prepared by Coldwell Banker Peter Benninger Realty and added to the findings of this report to take into consideration recent employment and business growth trends in Waterloo. These best practices are important in identifying the location, amenities, built-form, building types and densities that have been most successful in Waterloo in recent years.

- **Planning for the West Side Employment Lands**

Based on the findings of these work steps, we have prepared recommendations for the WSEL in terms of the built-form, building types and density that could likely be accommodated on these lands based on recent trends and forecast growth.

2.0 Site Context

2.1 Site Location and Condition

The location of the WSEL is illustrated in Figure 2-1. The lands are located at the northeast corner of Wilmot Line and Erb Street West, at the western boundary of the City of Waterloo. The total land area of the site is approximately 43 hectares. The WSEL remains largely undeveloped.

Figure 2-1: Location of the Waterloo West Side Employment Lands



Source: urbanMetrics inc. based on Google Earth

2.2 Surrounding Land Uses

Land uses surrounding the WSEL include:

To the South: The lands to the southeast of the site, on the north side of Erb Street West, are owned by Rice Commercial Group. A portion of the site is now occupied by a Costco Wholesale store. There are still approximately 2.4 hectares of vacant land fronting on the north side of Erb Street West. These vacant lands are designated as Commercial in the City of Waterloo Official Plan Land Use Plan Schedule A and zoned (H)C3-12 in the City of Waterloo Zoning by-law 1418. The lands south of Erb Street West are occupied by the Waterloo Landfill Operations. The Waterloo Landfill first opened in

1972 and covers 125 hectares, of which 71 hectares are dedicated to landfilling. Based on information from Waterloo Region, landfilling operations will continue on the site until at least 2030, with the active portion of the landfill moving from north to south away from the site.

To the East: The land to the east of the site is occupied by a hydro corridor that extends the length of the WSEL. Further to the east of the hydro corridor are lands currently being developed with residential uses.

To the West: The WSEL is located at the western boundary of the City of Waterloo. Lands to the west of the WSEL are located in the Township of Wilmot and are currently being used for agricultural purposes.

To the North: The lands on the north side of Columbia Street West are designated as Low Density Residential in the City of Waterloo Official Plan Land Use Plan Schedule A and are in the process of being developed. On the south side of Columbia Street West, bordering the WSEL, there are also vacant lands designated for Commercial and Employment uses.

A review of the land uses surrounding the WSEL indicates that land uses that may be sensitive to noise and odor are generally located to the north and east of the WSEL. The Waterloo Landfill, located to the south of the WSEL could impact the types of tenants who would locate at the south end of the WSEL.

2.3 Amenities and Access to Transit

In comparison to other employment areas located in the City of Waterloo, the WSEL has very few amenities within a close proximity. Retail uses that are within a potential walking distance of the WSEL includes the Costco Wholesale located southeast of the WSEL and the Westside Marketplace, which includes a limited number of food and personal service tenants, as well as, a variety of retailers including, Canadian Tire and Shoppers Drug Mart.

The WSEL is not currently well served by Grand River Transit. Route 31, which runs along Columbia Street, borders the north end of the site. There are three Grand River Transit bus routes at the intersection of Ira Needles Blvd. and Erb Street West. These include the Route 13, Route 29 and the 202 iXpress between the Boardwalk and Conestoga Mall. However, it is important to note that the intersection of Ira Needles Blvd. and Erb Street West is a 10-minute walk from the WSEL. There are currently no Grand River Transit routes that run along Erb Street, west of Ira Needles Blvd.

Limited access to public transit could limit the types of uses or companies that would consider locating on the WSEL. For example, occupations or companies where employees rely heavily on public transit to reach work may be deterred by the limited access to public transit at the WSEL.

It is possible that amenities could be built into the site. Also, depending on the amount of employment that is ultimately accommodated on the site, there may be an opportunity for Grand River Transit bus service at the WSEL in future years.

2.4 Road Network

The WSEL is bordered by Erb Street West at the south, which is a Regional Road. Columbia Street West, which borders the north end of the WSEL is a City Arterial Road and Wilmot Line, which borders the west part of the WSEL is a Minor Collector Road. As part of the land use planning and engineering for the WSEL, Platinum Drive will also be extended through the lands to connect Erb Street West to Columbia Street West.

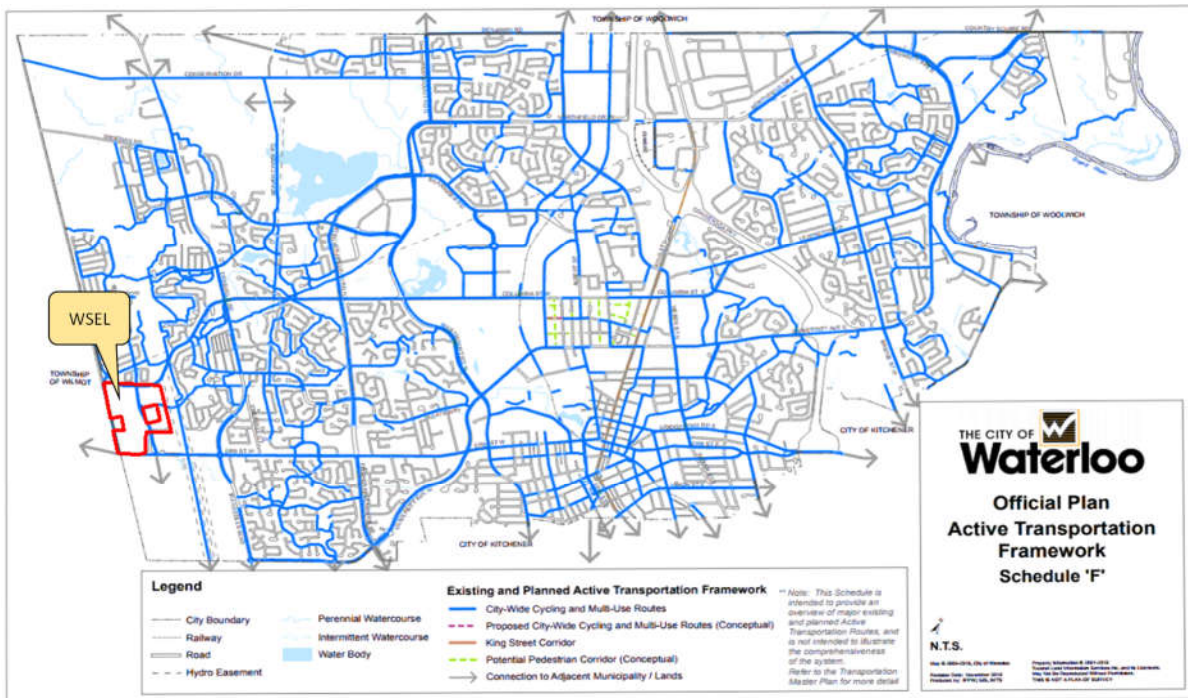
Based on the City of Waterloo Transportation Master Plan, prepared by IBI Group in April 2011, the roundabout located at the intersection of Ira Needles Blvd and Erb Street West was operating at a Volume to Capacity Ratio of 0.70 to 0.79 during weekday PM. Further study would be required to assess the transportation impacts of any proposed development scheme on the WSEL.

It is important to note that the WSEL will not have access to Wilmot Line. Also, individual lots within the WSEL will only have access to Columbia Street West and Erb Street West along Platinum Drive.

The WSEL does have access to the City of Waterloo Active Transportation Network. It takes approximately 20-minutes to cycle between the WSEL and the intersection of King Street and Erb Street in Uptown Waterloo.

As shown in Figure 2-2, Columbia Street West is identified as a Major Active Transportation Route and has a separated paved bike lane in the boulevard. There are also bike lanes proposed along the extension of Platinum Drive, which will bisect the WSEL.

Figure 2-2: City of Waterloo Active Transportation Network



2.5 Summary

- With a land area of 43 hectares, the WSEL is one of the largest contiguous undeveloped employment land parcels remaining in Waterloo Region. As such, it would have limited competition in the City for medium to large-scale businesses, which require large-contiguous sites. While there currently appears to be sufficient space available for pure technology firms, the site may be attractive to manufacturing and related uses with ties to the technology sector. Depending on the evolution of the technology sector in Waterloo, there may also be a longer term need for space to accommodate this important cluster.
- The Region of Waterloo Landfill Operations could limit the types of tenants that would locate at the south end of the WSEL. The south end of the WSEL is more appropriate for flex industrial buildings. Whereby flex industrial buildings typically refer to buildings that can be reconfigured to accommodate space for offices, labs, assembly and on-site storage. Many of these types of uses would benefit from exposure along Erb Street and proximity to the Costco Wholesale located to the east of the WSEL.
- There are very few amenities, such as retail, restaurants, fitness facilities, etc. within walking distance of the WSEL. The limited amenities within walking distance differentiate the WSEL from other employment areas in Waterloo, such as Uptown Waterloo. It is likely that

employees located on the WSEL would be required to drive to amenities. This could limit the types of employers who would consider a location at the WSEL. For example, based on interviews with key leaders in the technology sector, technology firms desire locations that are walkable and close to amenities such as cafes, restaurants and fitness facilities. Alternatively, to attract this workforce, there would have to be an effort to develop these types of services on site.

- The most significant concern identified through stakeholder interviews with developers, real estate brokers and economic development professionals was access to transportation. The WSEL is located a 10-minute drive from the Conestoga Parkway and a 20-minute drive to Highway 401. Distance from Highway 401 could limit the number of transportation or warehousing employers that would consider the WSEL. Also, the traffic circle located at the intersection of Erb Street West and Ira Needles Blvd. was identified by stakeholders as a potential concern in accommodating heavy truck traffic.
- The limited access to public transit could also limit the number of employers who would consider the WSEL if their employees arrive to work by public transit.

The WSEL currently face a number of challenges in attracting tenants in the office and technology sector over the short-term. However, it is important to note that many of these challenges can be overcome. For example, there is potential to incorporate amenities such as commercial uses, restaurants and fitness facilities into the site. It is also possible to make improvements to Erb Street West to improve traffic flow and extend public transit through the site.

3.0 Existing Conditions

3.1 Market Overview

Employment Growth

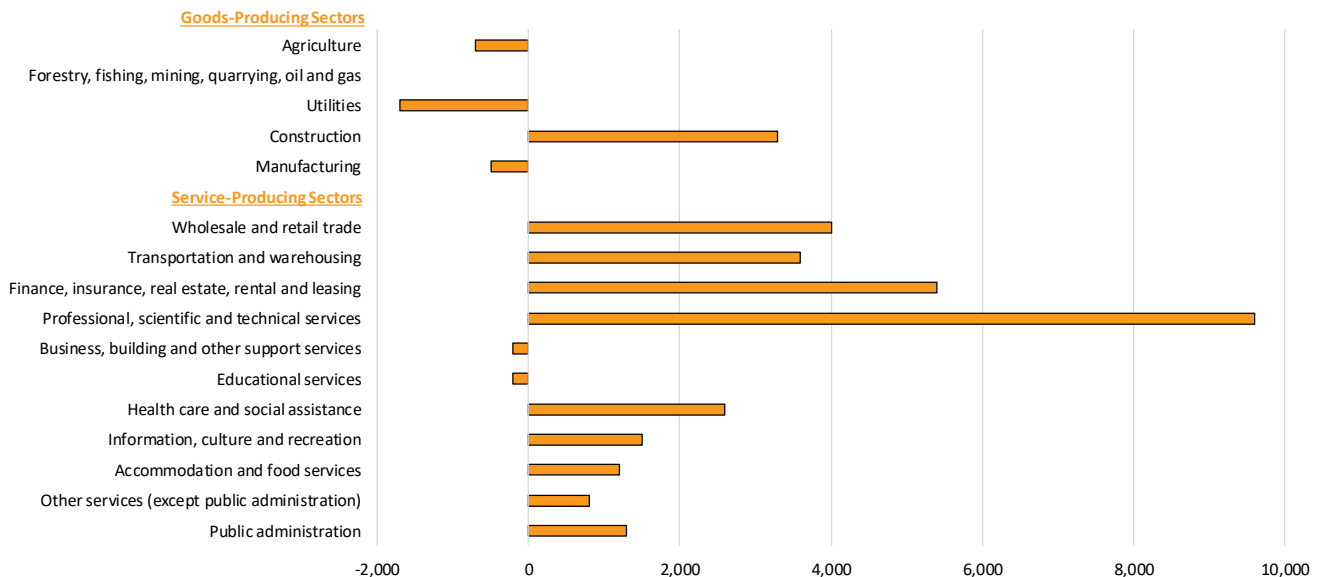
Since the recession of 2008/2009, the Kitchener-Cambridge-Waterloo Census Metropolitan Area (CMA) has created nearly 31,000 jobs, an average of approximately 4,400 net new jobs per year.

Figure 3-1 illustrates employment growth by sector for the Kitchener-Cambridge-Waterloo CMA since the 2008/2009 recession. As shown, employment growth has been concentrated in:

- Professional, Scientific and Technical services,
- Finance, Insurance, Real Estate, Rental and Leasing
- Wholesale and Retail Trade; and,
- Transportation and Warehousing.

These four sectors combined, accounted for 73% of the nearly 31,000 net new jobs added in the CMA over the seven-year period. The employment growth across these various sectors reflects the diversity of the Kitchener-Cambridge-Waterloo CMA economy.

Figure 3-1: Employment Growth, 2009-2016, Kitchener-Cambridge-Waterloo CMA



Source: urbanMetrics inc. based on Statistics Canada Labour Force Survey.

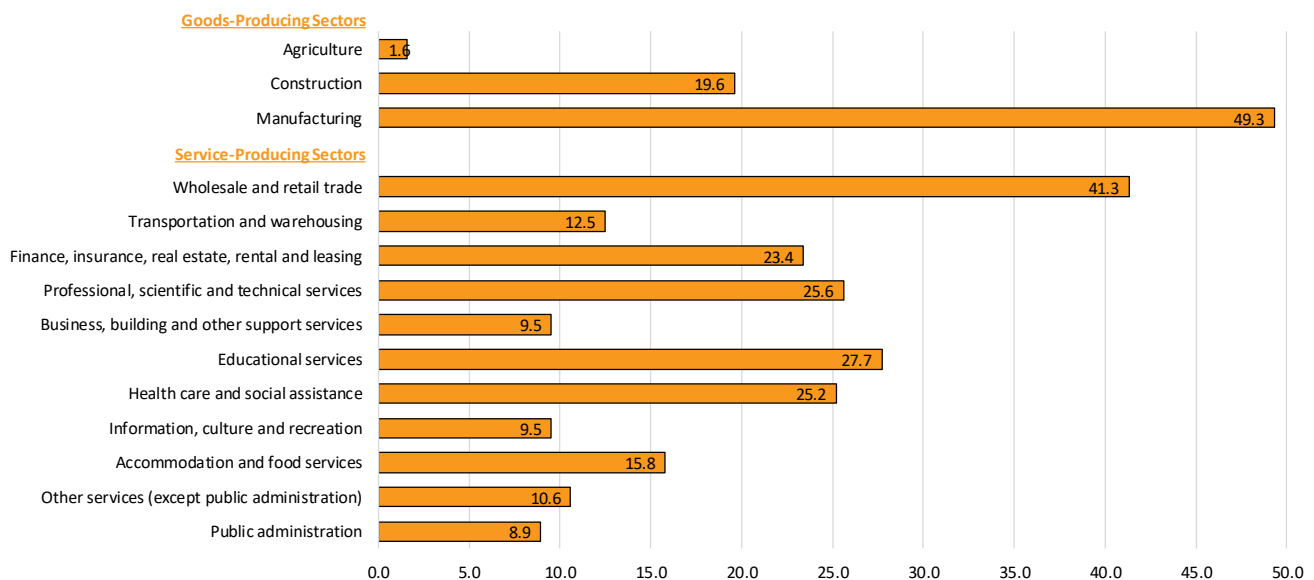
While the number of people employed in the manufacturing sector declined slightly since the recession in 2008/2009, this sector still remains an integral part of the Waterloo economy. As

illustrated in Figure 3-2, there were nearly 50,000 people employed in the manufacturing sector in 2016, which represents approximately 1 in every 6 employed persons in the CMA. While employment in manufacturing has declined slightly, manufacturing output has been on the rise, as increased automation has resulted in manufacturers producing more with less labour.

It is also important to note that many of these manufacturing employees are working at technology firms. For example, in recent years there has been growth in the number of start-ups conducting research, and manufacturing products in robotics and nanotechnology. Even Blackberry is categorized as a manufacturing firm based on the North American Industry Classification System (NAICS). There is a “grey” line between technology firms and manufacturing firms, particularly in the CMA. Based on interviews with individuals from technology incubators and research parks, many technology firms are engaged in the “assembling and manufacturing” of products in office spaces.

It is expected that the manufacturing industry will continue to be an important part of the Waterloo economy and it will be important to ensure that there is land in the right places to accommodate these types of businesses.

Figure 3-2: Employment (x1,000) by Industry, Kitchener-Cambridge-Waterloo CMA, 2016



Source: urbanMetrics inc. based on Statistics Canada Labour Force Survey.

The Kitchener-Cambridge-Waterloo CMA is a diverse economic region. Geography, access to transportation and proximity to post-secondary institutions have resulted in each municipality experiencing a “cluster” of various industries. To illustrate how these factors have impacted the locational decisions of companies we have calculated the location quotients (LQs) for each of the

three municipalities. LQ's are commonly used to identify the concentration of employment activities and the relative strength in comparison to a regional economy. LQ's are typically calculated based on the number of employees in a regional economy.

In this analysis, we have calculated LQ's by dividing the number of businesses in a specific sector in a municipality by total number of businesses as a ratio of provincial classifications in that sector. Based on how LQ's are derived, an LQ greater than 100 indicates that there is a concentration or "cluster" in a particular sector in comparison to the provincial average.

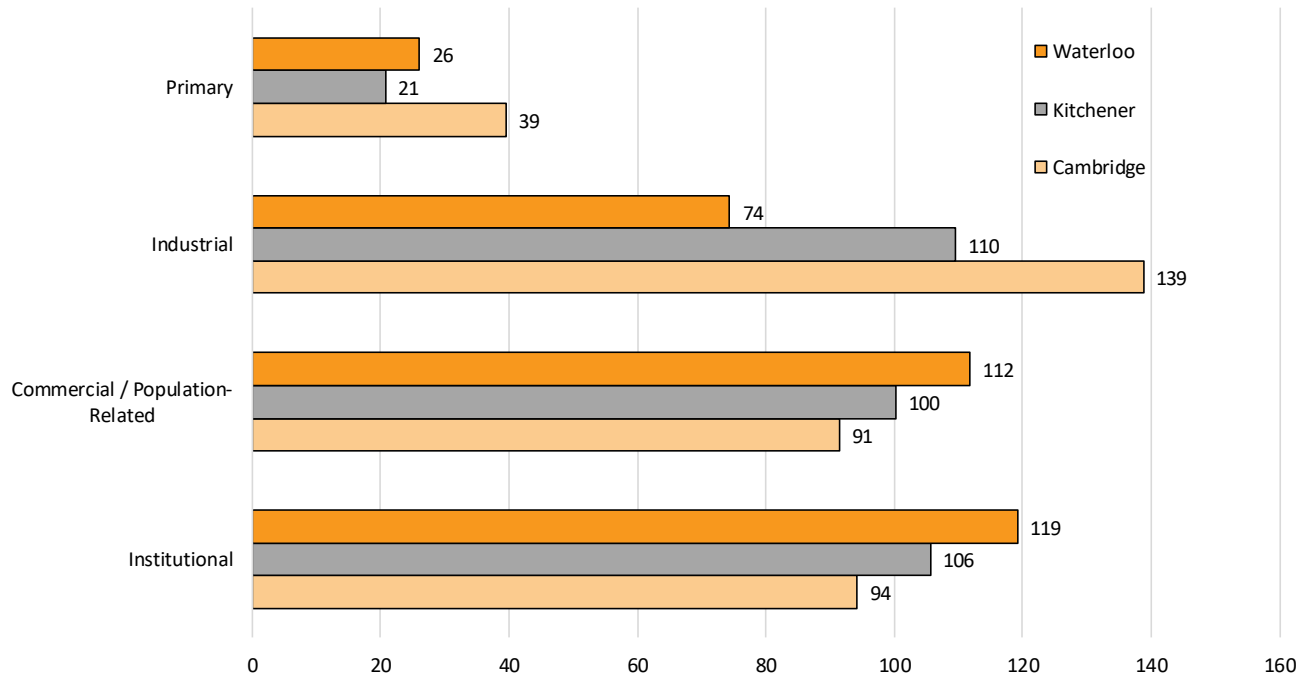
An LQ equal to 100 indicates that the share of employment in a sector is the same as exists at the provincial level. An LQ less than 100 indicates a concentration of employment in a particular sector that is below the provincial average.

In Figure 3-3 we have reviewed the LQ's for major industry categories, including:

- **Primary** – This generally includes employment in the rural areas of municipalities, primarily the agriculture and mining sectors.
- **Industrial** - Employment primarily accommodated in low-rise industrial type buildings generally within the manufacturing, wholesale trade, transportation, and construction sectors and typically located in business parks and industrial areas (i.e. Employment Area lands).
- **Commercial / Population Related** - Employment that primarily serves the resident population, such as retail employment, as well as employment that typically occurs in office space such as finance, insurance and real estate (FIRE), information and cultural services, professional, scientific and technical services, and other business services.
- **Institutional** – Institutional employment also serves the resident population and includes jobs in industries such as education, healthcare, and local government.

As shown in Figure 3-3, the relative location quotients of each municipality vary considerably. Cambridge has a notable concentration of industrial businesses that generally require zoned industrial land, including manufacturing, wholesale trade and transportation and warehousing. By comparison, Waterloo has a high LQ in the commercial / population-related and institutional sectors. Based on our findings, the City of Kitchener has a more balanced range of businesses across all sectors.

Figure 3-3: Selected Location Quotients by Municipality

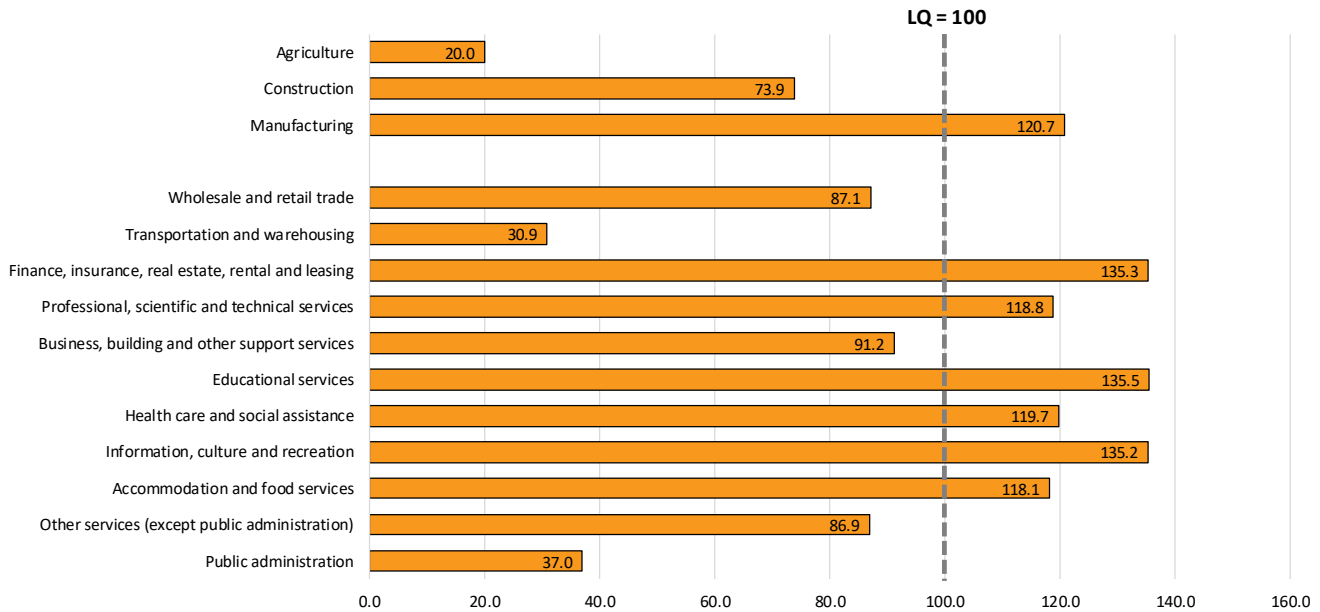


Source: urbanMetrics inc. based on 2016 Canadian Business Patterns Survey.

In Figure 3-4 we have prepared an LQ analysis for businesses located in the City of Waterloo to more accurately identify sectors that have “clustered” in the City. As shown, the City of Waterloo has a clustering of businesses in a variety of industries. This includes:

- Manufacturing
- Finance, Insurance, Real Estate and Leasing
- Professional, Scientific and Technical Services
- Educational Services
- Healthcare and Social Assistance
- Information, Culture and Recreation
- Accommodation and Food Services

While growth in any of these industries will require land and non-residential floor space, not all of these industries are ideally suited for the WSEL. For example, educational services and healthcare and social assistance are likely to locate on institutional lands. Similarly, businesses engaged in retail trade, accommodation and food services are likely to locate on commercial lands. The types of sectors that are likely to locate at the WSEL include businesses engaged in manufacturing, professional, scientific and technical services and finance, insurance, real estate and leasing.

Figure 3-4: City of Waterloo Location Quotients

Waterloo and Kitchener Office Market

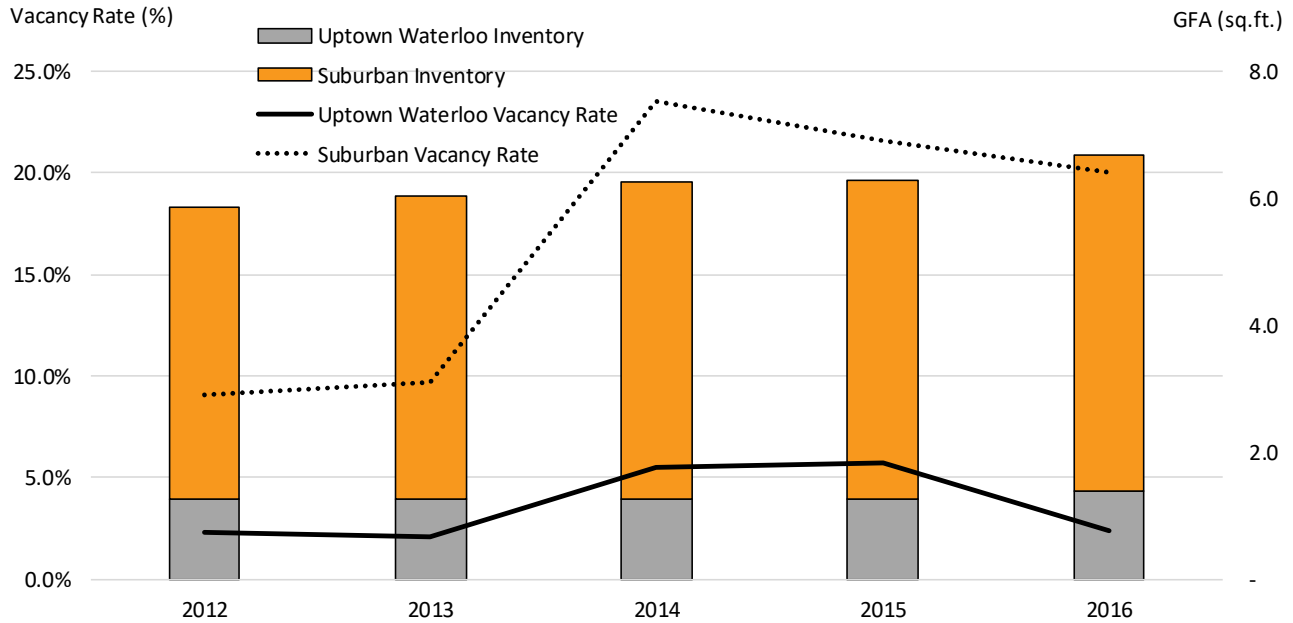
The office market in Waterloo is a tale of two markets. As shown in Figure 3-5, while the overall vacancy rate in Waterloo was approximately 19% in the first quarter of 2017, this statistic hides the divergence between the office market in Uptown Waterloo versus the suburban office market.

In Uptown Waterloo, the office market vacancy rate was 5.3%, in comparison to the suburban office market, where the vacancy rate was nearly four times higher at 22.9%. Based on the Cushman & Wakefield office market report, there was over 1.2 million square feet of vacant office space in suburban Waterloo, compared to only 53,000 square feet in Uptown Waterloo. The divergence between the office vacancy rates in Uptown Waterloo and the suburban market could continue to widen with the opening of the LRT line along King Street. The Cushman & Wakefield office market report notes a growing divide between office locations that are served by the new LRT system and those that do not have LRT access.

The high vacancy rate in suburban Waterloo creates a challenge in accommodating office space on the WSEL, at least over the short and medium-term. It will likely take a number of years to absorb the 1.2 million square feet of vacant office space in suburban Waterloo, much of which is located in the Idea Quarter, along Philip Street, near the University of Waterloo Campus. As these locations will be

served by or be in close proximity to the LRT, their overall competitiveness will be enhanced in the near future.

Figure 3-5: Waterloo Office Market



Source: urbanMetrics inc. based on Cushman & Wakefield Waterloo Region Office Market Report (various years)

Industrial Market Statistics

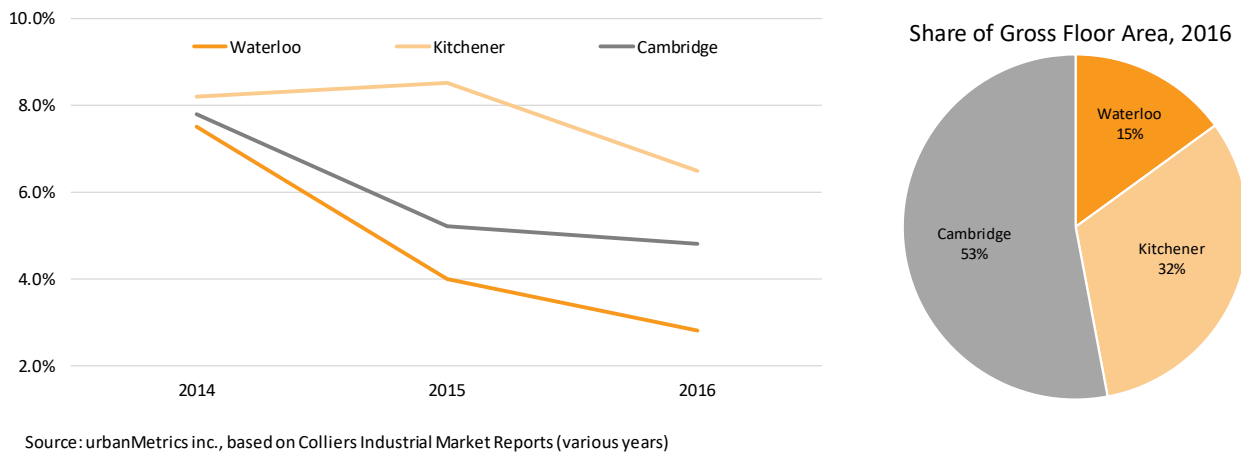
The market for industrial space remains healthy in Kitchener and Cambridge. The industrial vacancy rate in these municipalities has generally hovered between 3% and 6%, which is consistent with the long-term industrial vacancy rate in GTA municipalities. However, in Waterloo, the industrial market is now “tight” as vacancy rates have been trending lower.

The City of Cambridge, with its proximity to Highway 401 accounts for the largest share of industrial floor space amongst the three municipalities. The City of Waterloo has, by far, the lowest share of industrial floor space, at approximately 9.0 million square feet.

The industrial vacancy rate in the City of Waterloo has been trending lower in recent years, in part due to the lack of sites available for new construction. In 2016, the vacancy rate in the City was under 3.0%. Based on interviews with real estate brokers in Waterloo, it is becoming increasingly difficult for technology firms to find suitable industrial spaces in Waterloo. The technology firms engaged in manufacturing have specialized space needs. These firms require high quality industrial spaces with air conditioning and bright lighting, as well as space to accommodate office, research,

assembly and storage all within the same building. This has resulted in a growing need for “flex” industrial space in Waterloo. Many of the existing industrial buildings in Waterloo would require retrofits to accommodate these technology firms. This has created a market opportunity for a business park that specializes in high quality new flex industrial space targeted at these types of firms.

Figure 3-6: Industrial Vacancy Rates and Overall Inventory by Municipality



3.2 Economic Development Framework

In December 2014, an Economic Development Strategy was prepared for Waterloo Region by Malone Given Parsons Ltd. The Economic Development Strategy identified four strategic goals. These included:

1. To be the premier location for innovation and entrepreneurship
2. To be the most competitive location for new and expanding companies and institutions
3. To be a resilient, engaged, and dynamic economic ecosystem
4. To be a community of choice for talented people

It is evident based on recent employment growth in the areas of Professional, Scientific and Technical Services, as well as the continued strength of the manufacturing sector, that Waterloo Region and the City of Waterloo are achieving their strategic goals.

The Economic Development Strategy also identified priority actions to achieve the strategic goals. Accommodating employment uses on the WSEL would also go towards supporting the priorities of “Land and Location” and “Business Retention and Expansion”.

Land and Location

The priority of land and location places an emphasis on ensuring an appropriate and available mix of land and locations to attract investment to the region. By putting into place appropriate official plan policy, zoning regulations and a well-designed plan of subdivision for the WSEL, it will help the region in achieving the land and location priority. Based on discussions with Waterloo Region Economic Development staff, the WSEL are currently not being identified as an option for businesses looking to enter the Waterloo market, as the timeline for these lands is too uncertain and most firms are looking to make a decision in 6 months to a year.

It is also important to note that Waterloo Region is quickly absorbing the supply of large, vacant employment land parcels. By completing a plan of subdivision for the WSEL it will bring some certainty to the development timelines for the lands and go towards achieving this priority.

Business Retention and Expansion

The Economic Development Strategy also places an emphasis on retaining existing businesses in Waterloo. This is of significant importance in Waterloo, where a dynamic ecosystem focused on start-ups in the technology sector results in some firms quickly growing out of their current locations.

Based on interviews conducted with key business leaders in Waterloo Region, there has been significant growth in recent years in firms that are engaged in advanced manufacturing processes such as robotics, biotechnology, nanotechnology and the internet of things (IoT). These types of firms have specific needs when it comes to finding spaces. It will be important for the City to ensure there is land available to build these specialized spaces so these firms don't have to relocate to other jurisdictions.

3.3 Summary

- The Kitchener-Cambridge-Waterloo CMA is a diverse economy, where traditional strengths in manufacturing, warehousing and logistics are complimented by growth in areas such as finance and real estate, as well as professional, scientific and technical services. This diversity of employment will mean the need for various types of spaces to accommodate this job growth, including office, industrial and retail space.
- In the past decade, the office market in the City of Waterloo has experienced a fundamental shift. With BlackBerry now a shadow of its former self, there is a glut of vacant office space available in suburban Waterloo. At the same time, the LRT along King Street and growth in start-up technology firms wanting a walkable location with a range of amenities has resulted in the office vacancy rate trending lower. The divergence between the Uptown Waterloo and

suburban office vacancy rates is expected to persist, which could create challenges for the development and leasing of office space on the WSEL over the short-term.

- The growth in start-up technology firms engaged in manufacturing activities has increased demand for high-quality flex industrial space in Waterloo. The growth in these types of firms, combined with a tight industrial vacancy rate and high costs to retrofit older industrial buildings has created demand for new flex industrial buildings that can accommodate office, research, assembly and storage all under one roof. The WSEL, which is one of the last large industrial parcels in Waterloo, could capitalize on this market opportunity by creating a high tech industrial campus environment targeted at technology firms engaged in manufacturing activities in areas such as robotics, drone technology, autonomous vehicles, the internet of things and nanotechnology.
- In response to the growth in start-up technology firms engaged in manufacturing, developments such as Catalyst 137, the Open Sky Incubator and the Hardware Innovation Lab have all been marketed in recent years to accommodate this burgeoning industry.

4.0 Future Conditions

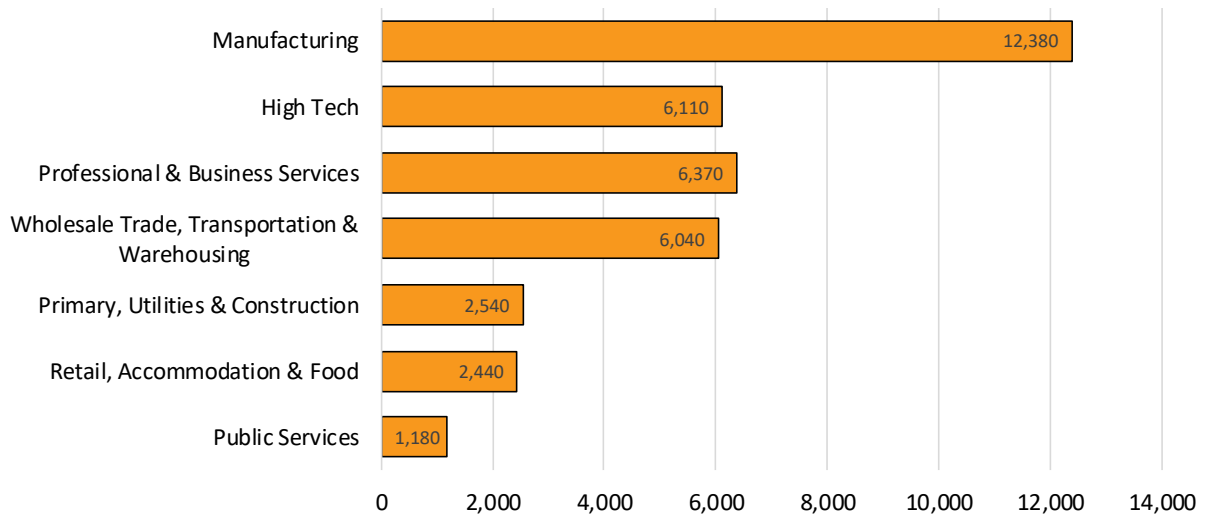
4.1 Employment Growth

Canada's Technology Triangle

In January 2011, Hemson Consulting Ltd. prepared “Go To Market” Strategy for Employment Land Final Report on behalf of Canada’s Technology Triangle, hereafter referred to as the Go To Market report. The purpose of this report was to prepare a “go to market” strategy for employment lands in Waterloo Region, where “employment lands” were defined as primarily low-rise, industrial-type buildings. It is important to note that the Go To Market report did not assess the demand for, and supply of office space that would accommodate growth in the tech sector.

The intent of the study was to address the limited supply of “shovel ready” sites in the Region. Based on employment forecasts in Schedule 3 of the Growth Plan for the Greater Golden Horseshoe (“the Growth Plan”), Waterloo Region is expected to grow by 91,000 jobs between 2010 and 2031, of which 40%, or 37,000 jobs will be accommodated on employment lands. Employment growth on employment lands is anticipated to occur across a broad range of industries, including manufacturing, high tech and professional services. The distribution of job growth on employment lands in the Go To Market report is summarized in Figure 4-1.

Figure 4-1: Employment Growth on Employment Lands, Waterloo Region, 2010 to 2031

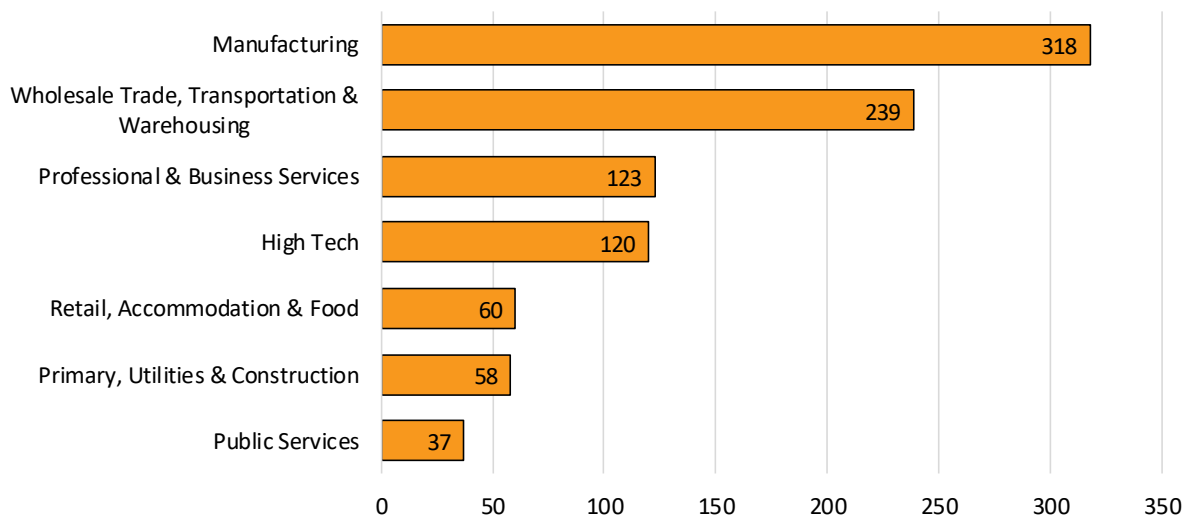


Source: urbanMetrics inc. based on "Go To Market" Strategy for Employment Land Final Report, prepared by Hemson Consulting Ltd., January 2011

Hemson then applied employment densities to these employment growth forecasts to determine demand for employment lands in Waterloo Region over the 2010 to 2031. Based on assumed employment densities of jobs per net hectare, Hemson determined that there will be demand for a total of approximately 950 net hectares of employment lands over the 2010 to 2031 period.

Based on the low employment densities inherent in the manufacturing and transportation and warehousing industries, these two sectors are anticipated to account for the majority of employment land demand in Waterloo Region, as illustrated in Figure 4-2.

Figure 4-2: Employment Land Demand, 2010 to 2031, Waterloo Region



Source: urbanMetrics inc. based on "Go To Market" Strategy for Employment Land Final Report, prepared by Hemson Consulting Ltd., January 2011

The land supply data provided to Hemson by the Region indicates a total of 1,700 net hectares of employment area lands available in the Waterloo Region. While this amount of land is sufficient to accommodate the 950 net hectares of demand for employment lands to 2031, Hemson identifies that many of the available employment land parcels, such as those suited for high tech jobs in Technology Parks and Prestige Industrial Parks are constrained. Based on the Hemson analysis, there is anticipated to be a shortfall of 85 net hectares of Technology Park lands and a shortfall of 95 net hectares of Prestige Industrial lands by 2031. However, based on recent interviews with business park managers in Waterloo, the David Johnston Research and Technology Park has a sufficient number of opportunities to accommodate future employment growth.

The Go To Market report also identifies the lack of large "signature" business parks with a wide range of employment sites. The report goes on to identify the WSEL as having the potential to meet the

demand for a signature business park and also address the shortfall of Technology Park lands in Waterloo Region.

Growth Plan Employment Forecasts

Since Hemson completed the Go To Market report, employment forecasts to 2041 have been released for Schedule 3 of the Growth Plan. Therefore, in addition to the employment land demand identified to 2031 in the Go To Market study, there will be a need for employment lands in Waterloo Region to accommodate employment growth between 2031 and 2041.

Figure 4-3 summarized employment forecasts by type of employment in Waterloo Region over the 2011 to 2041 period. As shown, Employment Land Employment will continue to account for a large share of employment growth during the 2031 to 2041 period.

Figure 4-3: Employment Growth by Type of Employment, Waterloo Region, 2011 to 2041

	Major Office	Population Related	Employment Land	Other Rural Based	Total
2001	35,230	74,710	113,900	6,590	230,430
2011	43,280	91,970	125,770	7,760	268,780
2021	53,130	115,480	143,540	9,290	321,440
2031	61,730	135,160	158,050	10,660	365,600
2041	68,910	152,320	171,930	11,050	404,210
Growth 2011-2031	18,450	43,190	32,280	2,900	96,820
Growth 2031-2041	7,180	17,160	13,880	390	38,610

Source: urbanMetrics inc. based on Greater Golden Horseshoe Growth Forecasts to 2041, Technical Report, November 2012, prepared by Hemson Consulting Ltd.

Growth Industries in Waterloo Region

A number of growth industries were identified through interviews conducted by urbanMetrics with key business and industry leaders in Waterloo and Kitchener. One reoccurring theme was growth in the number of technology firms that are engaged in manufacturing activities.

Growth industries that were identified through interviews include:

- Robotics
- Internet of Things (IoT)
- Nanotechnology
- Biotechnology

- Life Sciences
- Quantum Computing
- Autonomous Vehicles

Each of these growth industries represent the “new” industrial space users in Waterloo and Kitchener. These firms require “flex” industrial buildings that include space for offices, labs, assembly and also on-site storage. The space required by these firms make a location in the Uptown or Innovation District difficult. While some of these firms will chose to remain in downtown Kitchener with the opening of projects such as Catalyst 137, other firms will be forced to move to industrial areas that offer larger site and building opportunities, either due to lack of acceptable space, or due to high occupancy costs. This is starting to occur, with the relocation of Clearpath Robotics to an industrial building in the Huron Business Park

With a limited supply of vacant industrial lands remaining in Waterloo and Kitchener, the WSEL provide an opportunity to develop a business park with flex space that can suit the needs of these “new” industrial firms engaged in advanced manufacturing.

4.2 Employment Land Supply

Within the cities of Waterloo and Kitchener, there is a significant amount of vacant, as well as proposed, office space that is available to accommodate short-term and medium-term growth in technology firms. At present, the technology industry in Waterloo is less constrained by a shortage of office space than it is by a limited supply of talented employees. It is the tight supply of talented workers that has driven technology firms to Uptown Waterloo and the Innovation District.

Based on interviews conducted by urbanMetrics, tech workers desire a walkable urban location that is close to amenities such as restaurants, cafes, fitness facilities, “maker” spaces and higher order transit. The desire for a broad array of amenities has driven technology firms to Uptown Waterloo and the Innovation District in Kitchener, where these amenities are available as the competition for talented employees intensifies. This is evident in the vacancy rate for office space in Uptown Waterloo, which is very tight at 5.3%, and downtown Kitchener, where the vacancy rate was 9.2%, in comparison to a suburban office vacancy rate of 22.9% in the City of Waterloo.

Also, there is the potential to accommodate significant growth in office space on underutilized sites within the Uptown and Innovation District through the redevelopment of buildings or surface parking lots. Overall, while there will continue to be a growing demand for office space in Waterloo from the tech sector, much of this demand will be accommodated in the Uptown and Innovation District.

In addition to the substantial office space that could potentially be accommodated in the Uptown and Innovation District, there are suburban office locations that have a large amount of existing vacant space, as well as development sites to accommodate additional space. For example, the David

Johnson Research and Technology Park still has the potential to accommodate up to four additional office buildings with at least 200,000 square feet. This is in addition to 27.5 hectares in Phase II lands in the David Johnson Research and Technology Park, which could accommodate as much as 480,000 square feet, based on stakeholder interviews. Also, the Idea Quarter has approximately 400,000 square feet of vacant space available for lease. Over the short-term, new office space on the WSEL would be competing against the David Johnson Research and Technology Park and Ideal Quarter to attract tenants in the office and technology sectors. The rents that would be required to attract tech firms to office space at the WSEL would have to be extremely competitive, which could impact the economic viability of constructing new office space on these lands. It is also important to note that some of these suburban locations will be connected via the LRT, which will enhance their competitiveness against non-LRT sites. Despite the potential challenges in attracting office tenants to the WSEL in the short-term, it will be important that high-quality office sites are available to accommodate demand, should it materialize.

One type of development that could be accommodated on the WSEL over the short to medium-term is flex industrial space targeted at advanced manufacturing firms. Waterloo Region, and in particular, the City of Waterloo has nearly exhausted its supply of vacant industrial land. While the Region is in the planning process for the East Side Employment lands, these lands do not suit many of the start-up tech firms that are engaged in advanced manufacturing.

In recent years, tech firms engaged in advanced manufacturing have moved to traditional industrial parks. This has been driven, in part, by a lack of available space in Uptown Waterloo and downtown Kitchener that can accommodate firms engaged in manufacturing. The WSEL provides an opportunity for small and medium-sized technology companies engaged in advanced manufacturing to locate in close proximity to one another in a modern space that is suited to meet their needs.

4.3 Summary

- Employment forecasts in the Go To Market Strategy and updated Growth Plan suggest that there will continue to be strong demand for industrial lands in Waterloo Region, particularly lands suited for manufacturing activities.
- By 2031, there could be demand for as much as 11 million square feet of additional manufacturing space in Waterloo Region. By comparison, high tech and business and professional services, which can be accommodated in high-density office environments are expected to require about 2.5 million square feet of additional space by 2031.
- There is a large supply of vacant and proposed office space to absorb in Waterloo and Kitchener in areas such as Uptown Waterloo, the Innovation District, the R+T Park and Idea Quarter.

- The technology industry in Waterloo is not currently constrained by office space. It is constrained by a limited supply of talented employees. These employees want to work in a vibrant urban setting. This has driven technology firms to seek office locations in Uptown Waterloo and the Innovation District to attract the top talent. Over the short-term, the WSEL will face challenges in attracting firms in the technology and office sectors due to the limited range of amenities and glut of office space available. Despite the potential challenges in attracting office tenants to the WSEL in the short-term, it will be important that high-quality office sites are available to accommodate demand, should it materialize. Over the medium and long-term, there is potential to attract these types of users to the WSEL as existing vacant space in Waterloo and Kitchener is absorbed and an appropriate range of amenities are provided within the area.
- There has been a growing number of start-up firms engaged in manufacturing activities such as robotics, nanotechnology and the internet of things. Many of these firms have very specific space requirements that are difficult to accommodate in Uptown Waterloo and downtown Kitchener. These businesses require flex industrial space that can accommodate office, labs, assembly and on-site storage all in the same building. The WSEL offers an opportunity to build space suited to these types of tenants.
- Attracting advanced manufacturing firms to the WSEL is consistent with the Go To Market strategy, which identifies the WSEL as a potential location for a signature business park.

5.0 Best Practices

5.1 Best Practices in Business and Technology Parks

As noted earlier, in July 2009, Coldwell Banker Peter Benninger Realty prepared a Best Practices report for Higher Density Employment Lands on behalf of the City of Waterloo. This report identified best practices in campus style office environments. These case studies featured certain design, land use, density, amenities, ownership and/or implementation elements that could be accommodated on the WSEL. Best practice case studies identified in the Coldwell Banker study included examples across North America, Australia and Europe, including:

- Chiswick Park, Borough of Ealing, London, UK
- Savoie-Technolac, Le Bourget du Lac Cedex, France
- Biogen Idec Campus, San Diego County, USA
- SouthWest 1 Enterprise Park, Berrinba, AU
- Discovery Place, Burnaby, BC
- Commerce Valley Business Park, Markham, ON
- David Johnston Research and Technology Park, Waterloo, ON
- Lancaster Corporate Centre, Kitchener, ON

The best practices identified in the Coldwell Banker report remain a template for campus style office environments. These best practices provide flexible space to accommodate a range of businesses of different sizes that operate in a variety of industries.

Eindhoven High Tech Campus

In addition to these best practices, examples such as the High Tech Campus in Eindhoven, Netherlands provide a good example of how technology firms can be accommodated in a campus style environment.

The campus is home to over 10,000 persons working for 125 companies. The High Tech Campus is prime example of what a collaborative campus style ecosystem can accomplish. It is estimated that approximately half of all Dutch patents originate from the High Tech Campus.¹

The campus was originally established by Philips as a location for their R&D activities. The campus has since been sold to a consortium of investors and is operated by HTCE Site Management B.V. The facility has approximately 2.5 million square feet of office and laboratory space that is flexible enough

¹ *The Case for the Top Technology Region / Eindhoven-Leuven-Aschen Triangle*, prepared by the OECD, p. 19

to accommodate firms of various sizes. Some buildings in the campus provide offices as small as 250 square feet with short lease terms that are accommodative for start-up firms.



Source: urbanMetrics inc. based on Google Earth and Google Street View.

The High Tech Campus has been recognized as one of the best locations in the world for high-tech start-ups. In addition to tech start-ups, the campus also counts many high-profile tech firms as tenants, including Hewlett-Packard, Intel, IBM and Texas Instruments. The campus is approximately 5 kilometres from the centre of Eindhoven, which is a distance similar to the WSEL from Uptown Waterloo.

The High Tech Campus also has a number of attributes that are similar to the David Johnston Research and Technology Park (R+T Park), where larger firms such as SAP and OpenText operate alongside start-ups in the Accelerator Centre. With as much as 680,000 square feet of office space remaining to be developed in the R+T Park, there remains significant opportunities in Waterloo to continue to support this type of collaborative ecosystem located in close proximity to the University of Waterloo and LRT line.

5.2 Office Development Opportunities

In addition to best practices in high-density campus environments, we have also reviewed high-density office, industrial and retail development trends in Waterloo and Kitchener that are well suited for the WSEL. The projects in each category accommodate a variety of tenants, some of which are in the high tech industry. Reviewing these projects is fundamental in informing the types of employment, densities and amenities that can ultimately be accommodated on the WSEL.

This section of the report identifies select recent and proposed office developments in Kitchener and Waterloo in terms of location, amenities, building types and densities. Two notable office projects that are being targeted at the high tech sector include Evolv1 by the Cora Group and Factory Square by Spear Street Capital, both of which are located in the R+T Park and Idea Quarter.

Evolv1

The R+T Park is home to the proposed Evolv1 project being developed by the Cora Group. This 3-storey, 105,000 square foot Class A office building is located within walking distance of the LRT line and the University of Waterloo. The project is scheduled to open in 2018 and is currently 82% leased. There are two spaces remaining in the building ranging in size from 4,000 to 15,000 square feet.

To appeal to workers in the technology sector, the building has incorporated a variety of amenities to overcome the dearth of amenities available in the R+T Park. Onsite amenities include a coffee shop, fitness centre and networking space.

Factory Square

The Idea Quarter, which consists of six former BlackBerry buildings located along Philip Street, has started to take shape with the leasing of Factory Square. This 215,000-square foot single storey building is located at 451 Philip Street, adjacent to the R+T Park. Factory Square is the repurpose of a former manufacturing building that is proposed to include an internal courtyard, three restaurants, free parking and direct access to the LRT.

The Idea Quarter has had trouble attracting tenants in the technology industry, as many view the site as being too far away from Uptown Waterloo and downtown Kitchener. Also, as the Idea Quarter is still in its infancy, it has yet to develop a full range of amenities that are desired by employees in the tech industry, such as coffee shops, restaurants, transit, and fitness facilities.

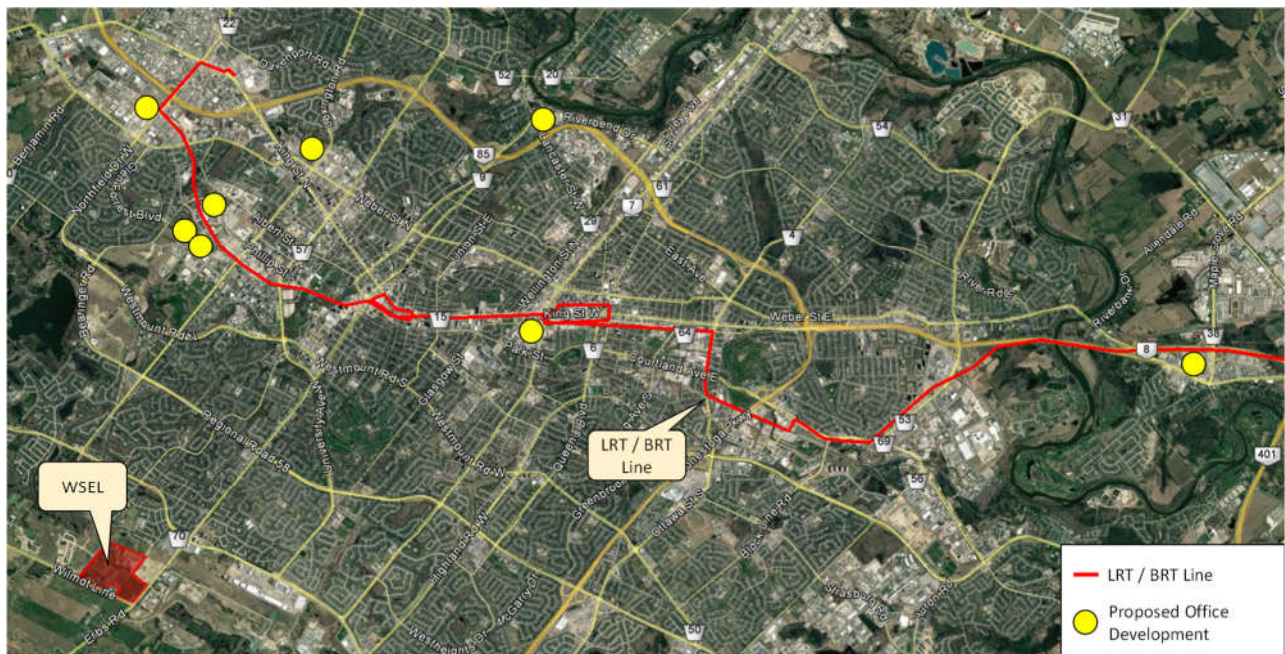
Location

The market for office space has shifted dramatically in Waterloo over the past decade. Location has become an increasingly important factor in the leasing decisions of tech firms. To attract the top

talent, tech firms need to be located in an urban, walkable environment such as Uptown Waterloo and the Innovation District.

Figure 5-1 identifies the location of eight recent and proposed office developments in Kitchener and Waterloo. As illustrated, nearly all of these proposed projects are within 500 metres of the LRT line or a highway. This highlights the importance of access to the LRT and highway in Waterloo Region for new office development.

Figure 5-1: Recent and Proposed Office Developments, Waterloo and Kitchener



Source: urbanMetrics inc. based on Google Earth.

The location of the WSEL, approximately 5 kilometres from the LRT line and Conestoga Parkway (Highway 7), could create challenges in attracting certain types of office users over the short-term. However, there may be some office users who prefer a location outside of the “core”. Therefore, it will be important for the plan of subdivision for the WSEL to ensure there are high-quality office locations available for when this demand materializes.

Amenities

Incorporating amenities into an office development has also become an important feature in attracting tenants in the tech industry, particularly in projects that are not located in Uptown Waterloo or the Idea Quarter. Many of the projects profiled include amenities such as outdoor space, co-working and networking space, fitness facilities, restaurants and cafés.

For office projects that are not targeted at the tech sector, building amenities are less important. Many of the buildings being proposed or recently developed that have targeted traditional office development do not have amenities located in the building. Instead, these buildings are located in close proximity to amenities in the local area, such as coffee shops and restaurants. Examples include the medical building in the Boardwalk, the proposed office building in the Deer Ridge Centre located at 4273 King Street East, or the Waterloo Corporate Campus.

Building Type and Density

Figure 5-2 summarizes the building type and density for projects identified in Figure 5-1. As shown, most of the new and proposed office buildings are three storeys. The exception is the Waterloo Corporate Campus, which proposes a combination of 1-storey loft style offices in the first phase and 5 to 6-storey office buildings in subsequent phases.

Many of the projects not located in mixed-use developments have been developed on 2 to 4 acre lots with an average density of approximately 20,000 square feet per acre. The average net rent for many of these projects is approximately \$18 per square foot. However, as noted earlier, many of these projects are located in close proximity to the LRT line. Therefore, to attract tenants to an office development on the WSEL, average net rent would have to be significantly lower than \$18 per square foot.

Figure 5-2: Office Development Building Type and Density

Address (Project)	Site Area (Acres)	Storeys	GFA (sq.ft.)	Density (sq.ft. / acre)	Net Rent
526 Lancaster St. W.	1	3	30,000	30,000	\$16.50
75 Columbia Street East	6.3	3	110,000	18,000	\$19.00
580 Weber Street North (Waterloo Corporate Campus)	n.a.	1 to 6	690,000	n.a.	n.a.
195 Joseph Street (Hide House)	1.8	2	26,000	14,000	\$16.00
4273 King Street East	n.a.	3	29,106	n.a.	\$18.00
420 Wes Graham Way (Evolv1)	4.3	3	105,000	24,000	\$18.00
415 Wes Graham Way (Evolv2)	4.3	3	130,000	30,000	\$18.00
451 Phillip Street (Factory Square)	18	1	215,000	12,000	n.a.

Source: urbanMetrics based on data from CoStar.

5.3 Industrial Development Opportunities

Unlike recent office development in Waterloo and Kitchener, which is generally located along the LRT line, industrial development is less homogeneous in terms of location. While some buildings are

located along the LRT Line, there are also projects that have direct access to a highway interchange, or are located in an existing industrial park.

The majority of the industrial buildings in Waterloo, Kitchener and Cambridge are targeted at traditional industrial uses such as manufacturing, transportation and logistics. However, with the recent growth in the number of start-ups in advanced manufacturing such as robotics and biotechnology, there have been new industrial projects targeted at these high tech companies.

Two examples of industrial projects targeted at the high tech sector include Catalyst 137 and 44 Gaukel.

Catalyst 137

Catalyst 137 is described as Waterloo Region’s Hub for the Internet of Things (IoT) and bridges the gap between advanced manufacturing and big data. The project is located at 137 Glasgow Street in Kitchener between Uptown Waterloo and the Innovation District in Kitchener. Therefore, the project provides an opportunity for “maker” firms to locate in an urban setting that is desired by tech workers.

Miovision has spearheaded the project and will occupy approximately 146,400 square feet of the 475,000 square foot building. The building has targeted firms that blend technology, industrial and office requirements under one roof. Catalyst 137 is not an incubator space. Tenants in the project sign leases ranging from 5 to 8 years and the project is nearly 70% leased.

The ultimate vision is that 2,000 people will be working in Catalyst 137, an employment density of approximately 240 square feet per employee. It is notable that this employment density is consistent with densities at other high tech manufacturing firms such as Clearpath Robotics. However, these densities are much lower than traditional industrial employment densities in other municipalities, which are typically 900 square feet per employee.

The project will also provide a range of onsite amenities including a gym, bike storage, a restaurant, coffee roaster and barber. In total, approximately 8% of the building will be dedicated to amenities.

44 Gaukel - Hardware Innovation Lab

The Accelerator Centre recently launched the Hardware Innovation Lab located at 44 Gaukel Street in Kitchener. The project consists of 10,000 square feet of space for prototyping and labs. It also provides start-ups with access to tools such as 3D printing, freight elevators and a loading dock.

The Hardware Innovation Lab was developed to support the hardware and IoT companies that have been expanding in the Kitchener and Waterloo area. The central location of the Hardware Innovation Lab also provides an opportunity for start-ups in the hardware industry to locate in an urban environment.

Amenities

Many of the recent multi-tenant industrial developments in Waterloo, Kitchener and Cambridge do not provide amenities such as cafes, restaurants and fitness facilities within the building. These traditional industrial developments leverage amenities in the local area. For example, employees located on the WSEL would likely drive to amenities such as coffee shops and restaurants at the Boardwalk development or walk to the Costco. Incorporating additional amenities into the WSEL could help attract tenants to this area of Waterloo.

Built Form and Density

Most of the industrial developments summarized in Figure 5-3 are one-storey buildings located on 2 acre lots in close proximity to a highway interchange. These developments are constructed at a density of approximately 12,000 square feet per acre and charge rents ranging between \$6.50 to \$15.00 depending on finish and location.

It will be important that the lot sizes for industrial lands in the WSEL remain flexible. Based on interviews with Waterloo Region Economic Development, there are companies interested in moving to Waterloo Region that require lot sizes as large as 20 acres. However, based on interviews with industrial real estate brokers, there are a number of manufacturing firms in Waterloo Region that require industrial parcels that are 1 to 2 acres to accommodate their growing businesses. Therefore, the plan of subdivision for the WSEL must remain flexible enough to accommodate larger companies, but also provide smaller lots to accommodate traditional manufacturing and industrial users.

Figure 5-3: Industrial Development Building Type and Density

Address (Project)	Municipality	Site Area (Acres)	GFA (sq.ft.)	Density (sq.ft. / acre)	Net Rent
137 Glasgow Street (Catalyst 137)	Kitchener	24.0	475,000	20,000	\$14.00
129 Pinebush Road	Cambridge	2.5	32,800	13,000	\$6.75
375 Boxwood Drive	Cambridge	2.6	30,000	12,000	\$6.50
1182 Victoria Street North	Kitchener	1.0	20,200	20,000	\$11.00
216 Bathurst Drive	Waterloo	2.8	25,000	9,000	\$15.00
180 Northfield Drive	Waterloo	n.a.	57,000	n.a.	n.a.
44 Gaukel Street (Harware Innovation Lab)	Kitchener	1.6	10,000	6,000	n.a.

Source: urbanMetrics based on data from CoStar.

5.4 Flex Industrial Development Opportunities

The limited amenities available within walking distance of the WSEL could limit the ability to attract tenants to this area of Waterloo. There are examples of flex industrial developments, also referred to as industrial malls, in Waterloo that are appropriate for the WSEL. One project example is located at 283-291 Northfield Drive East.

This type of building appeals to tenants in a variety of industries such as wholesale trade, small-scale manufacturing (Innocente Brewing Company) and office uses. The project includes approximately 60,000 square feet of space located on a 6-acre site, for a density of approximately 10,000 square feet per acre. Units in the development range in size from about 3,300 square feet to 5,900 square feet with average rent of about \$12 per square foot. The project is currently 85% leased with only two vacant units.

6.0 Conclusions

6.1 Employment, Zoning and Density

Based on the findings of the Highest and Best Use Study, we have prepared recommendations related to the types of employment activities that are likely to be accommodated on the site. These employment type recommendations have then informed potential parcel sizes for the WSEL, as well as potential built-form and densities that could be accommodated on the lands.

Employment Type

Consistent with recent employment growth trends and the Go To Market Strategy, employment growth in the manufacturing sector will continue to be an important part of the Waterloo economy. Between 2010 and 2031, Waterloo Region is expected to add over 12,000 manufacturing jobs. Assuming an average manufacturing job density of 900 square feet per employee², this would require over 11 million square feet of additional manufacturing space in Waterloo Region by 2031.

By comparison, both the High Tech industries and Professional and Business Services industries combined are expected to add about 12,000 jobs. However, with a much higher employment density of about 200 square feet per employee, these two industries will require about 2.5 million square feet of space by 2031. As noted earlier, the R+T Park and Idea Quarter have almost 2 million square feet of vacant and proposed space to absorb a large portion of this growth. This is in addition to the significant redevelopment potential in Uptown Waterloo and the Innovation District.

While some High Tech and Professional and Business Service firms could choose to locate on the WSEL, the majority of demand for space will likely be related to high value-added advanced manufacturing firms in the early stages.

Parcel Sizes

Higher-density manufacturing and office uses should be the focus of the WSEL. Waterloo has very few vacant industrial parcels that are available to accommodate future employment growth. There remains strong demand in Waterloo for 1 and 2-acre industrial parcels, similar to the format in the Boxwood Business Campus, which has attracted firms in a variety of industries, such as the manufacturing of aerospace components and automotive manufacturing systems. Providing additional opportunities in Waterloo to retain and grow local businesses is consistent with the priorities in the Waterloo Economic Development Strategy.

Waterloo Region is also seeing interest from international firms engaged in automotive and parts manufacturing. Some of these firms are looking for Greenfield industrial parcels upwards of 20 acres

² Traditional Industrial Employment Density based on City of Waterloo Development Charges Background Study, prepared by Hemson Consulting Ltd., November 16, 2012.

in size. During the interviews, one area that was identified as a potential growth area for the WSEL is autonomous vehicles that leverage the cyber security expertise in Waterloo. Therefore, when identifying a road network for the WSEL, it will be important to ensure there is the ability to accommodate larger industrial parcels desired by international firms.

Building Form and Density

The following built form and densities are intended as a guideline for what is likely to be achieved based on market trends and interviews with key industry leaders.

One thing heard in the interviews is that there has been growth in the number of mid-sized firms engaged in manufacturing. These firms cannot be accommodated in traditional office space and require flex industrial space where it is possible to accommodate office uses along side assembly and warehouse space. Industrial users will likely be accommodated in single-storey industrial buildings with a floor space index (FSI) ranging from 0.25 to 0.45. Based on a traditional employment density of 900 square feet per employee, these industrial uses would accommodate between 12 and 20 jobs per net acre. However, this industrial employment density includes a mix of manufacturing, warehousing and logistics companies. As noted earlier, many of the advanced manufacturing firms engaged in robotics and biotechnology are operating at employment densities of approximately 250 square feet per employee. If the WSEL is successful in attracting these types of employment users, industrial lands in the WSEL could achieve employment densities between 40 and 80 jobs per acre.

In the medium to long-term, there may be potential to accommodate small-scale office development on the WSEL. The most appropriate location for office type uses is the north end of the WSEL that borders the residential uses that are currently being developed. These office buildings will likely range between one and three-storeys. Densities for these types of office properties will likely range between 0.30 and 0.60 FSI.

6.2 Potential Build-Out Scenario

The following categorizations are intended as a guideline. All recommended land uses and development phasing are estimates by urbanMetrics and have considered information on development trends, market characteristics and our market experience. It is also important to note that these recommendations are based on our review of the market characteristics for office and industrial space in Waterloo Region and may be altered based on servicing and transportation considerations.

Flex Industrial Potential

There is potential to accommodate flex industrial, or industrial mall space, on the portion of the WSEL that are identified in Figure 6-1. These lands are approximately 11 acres in size and front on Erb Street and the Waterloo Region Landfill.

Flex industrial type uses could be accommodated in a development similar to the project located at 283-291 Northfield Drive East. This building accommodates a mix of office, wholesalers and small-scale manufacturing firms. For these types of businesses, the location across from the landfill would likely not be a significant deterrent, as these firms be drawn to the frontage along Erb Street and proximity to the Costco Wholesale Store.

Figure 6-1: Flex Industrial Potential



Source: urbanMetrics inc. based on Google Earth.

Industrial Potential

To the north of the potential flex industrial lands, fronting along Erb Street, there may be an opportunity to accommodate industrial users on one and two acre lots that are currently in short supply in Waterloo.

The lands with industrial potential are identified in Figure 6-2. These lands are approximately 65 acres in size. Therefore, they have the potential to accommodate large international corporations that have recently shown interest in locating in Waterloo.

There is unlikely to be standalone office use on these lands, as the large supply of vacant and proposed office space in areas such as Uptown Waterloo, the Innovation District, the R+T Park and the Idea Quarter absorb most of the demand for office space, particularly for firms in the high tech sector.

There will however, be an opportunity to attract technology firms engaged in advanced manufacturing. This industry is still in its infancy and projects such as Catalyst 137 have likely absorbed some of this short-term demand for industrial flex space that can incorporate office, labs, assembly and storage on site. However, as this industry expands, it will likely create demand for high-quality industrial flex space, which can be provided on the WSEL.

These industrial lands also provide an opportunity to accommodate traditional manufacturing that require limited outdoor storage. The lands are the most appropriate place for these types of uses, as they do not border on sensitive land uses.

Figure 6-2: Industrial Potential



Source: urbanMetrics inc. based on Google Earth.

Campus-Style Office and Commercial Potential

The north end of the WSEL, which borders Columbia Street West, is the most appropriate location for campus-style office development and commercial uses to serve the growing residential and employment base. These lands are approximately 27 acres and will likely be developed over the long-term. These lands are the most appropriate location on the WSEL for office and commercial uses, as they border sensitive land uses to the north. There may also be an opportunity to accommodate industrial uses on the long-term lands depending on the rate of market absorption.

Figure 6-3: Office Potential



Source: urbanMetrics inc. based on Google Earth.

Development Phasing

It is anticipated that the proposed extension of Platinum Drive between Erb Street West in the south and Columbia Street West in the north, will inform the phasing of development for the WSEL. The initial phases of development are likely to front on Platinum Drive and then radiate out in future phases. It is anticipated that businesses locating in the WSEL in the early phases will prefer visibility along Platinum Drive. This is also beneficial from a water/wastewater servicing perspective, as these services will extend along Platinum Drive.