MARKETBEAT

WATERLOO REGION

OFFICE Q3 2025

CUSHMAN & WAKEFIELD
Waterloo Region

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.2% Vacancy Rate	▲	▬
-368K YTD Net Absorption, SF	▼	▼
$29.91 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
388K Waterloo Region Employment	▲	▼
7.1% Waterloo Region Unemployment Rate	▲	▲
7.1% Canadian Unemployment Rate	▲	▬

Source: Statistics Canada

ECONOMY

Canada continues to navigate a challenging economic environment, with the national labour market experiencing a softening through Q3 2025. The Canadian unemployment rate climbed to 7.1% in August 2025, up from 6.9% in July. The Bank of Canada responded by cutting the policy rate to 2.5% in September. Despite these national headwinds, the Waterloo Region has demonstrated relative resilience, with continued activity in the tech sector providing employment support. However, the Region has not been immune to broader economic softening, with businesses becoming cautious about expansion amid trade uncertainty and elevated borrowing costs.

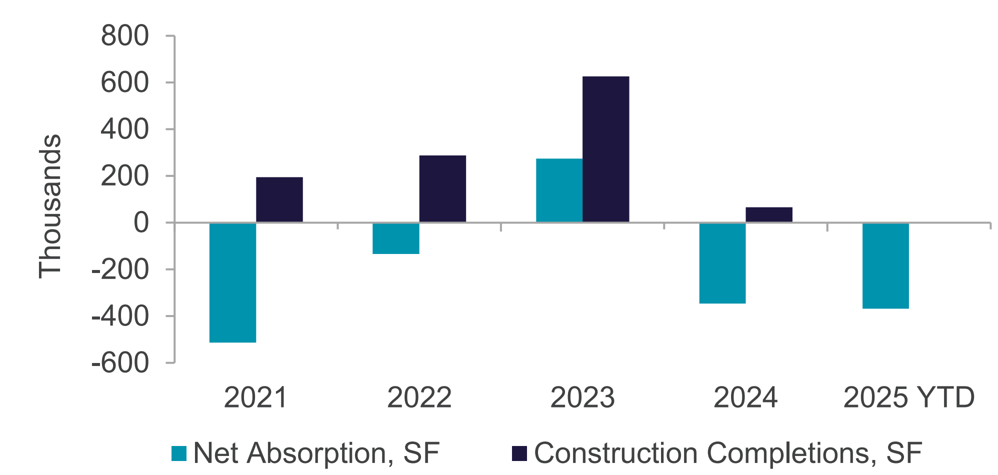
SUPPLY & DEMAND

Demand in the Region's office market over Q3 2025 remained mixed amid economic uncertainties and national trade disruptions. The market experienced varied absorption patterns across submarkets, with Cambridge and Guelph's Suburban markets demonstrating notable resilience while Waterloo and Kitchener Suburban areas faced challenges. Waterloo Core also experienced challenges, with its vacancy rate increasing to 5.2%, reflecting ongoing space rationalization by tenants. Supply conditions were relatively stable during the quarter, with no major new deliveries impacting market dynamics. However, the Region continues to grapple with the lingering effects of previous quarters' vacancy increases. Leasing activity during Q3 2025 showed selective momentum, with the quarter's most significant transaction being the 11,368-square foot lease at 168 Hespeler Road in Cambridge. Overall leasing volume increased moderately as organizations continue assessing long-term space requirements amid hybrid work models.

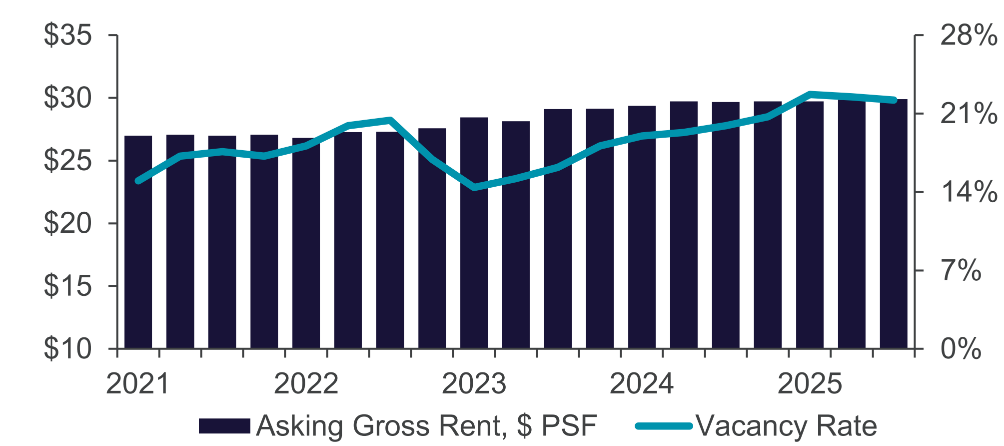
PRICING

The Region's asking gross rent continued to see modest upward pressure, reaching $29.91 per square foot by Q3 2025. Inflationary pressures have moderated, with national inflation rising to 1.9% in August, remaining below the Bank of Canada's 2.0% target. The Bank's September rate cut to 2.5% has provided some relief to financing conditions. Landlords have generally maintained disciplined pricing strategies while managing increased operational costs. Tenant inducement packages have become more common, particularly for larger spaces, as landlords seek to maintain occupancy levels amid economic uncertainty.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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	1,599,864	29,677	53,315	5.2%	-3,199	1,388	4,508	0	$35.74	$36.77
Waterloo Suburb	5,625,924	4,512	1,409,918	25.1%	-148,381	-239,372	119,942	0	$29.36	$30.97
WATERLOO TOTAL	7,225,788	34,189	1,463,233	20.7%	-151,580	-237,984	124,450	0	$29.71	$31.24
Kitchener Core	2,996,461	89,921	1,153,146	41.5%	6,300	-113,901	19,358	0	$32.25	$34.30
Kitchener Suburb	2,392,047	9,464	332,619	14.3%	-21,819	-91,713	26,045	0	$28.45	$29.11
KITCHENER TOTAL	5,388,508	99,385	1,485,765	29.4%	-15,519	-205,614	45,503	0	$31.47	$33.24
Cambridge Core	406,006	15,346	17,763	8.2%	0	0	2,437	0	$23.65	$28.10
Cambridge Suburb	1,190,941	0	238,458	20.0%	55,482	65,121	46,300	0	$24.75	$30.52
CAMBRIDGE TOTAL	1,596,947	15,346	256,221	17.0%	55,482	65,121	48,737	0	$24.61	$30.09
Guelph Core	592,476	0	80,497	13.6%	9,797	9,424	0	0	$27.03	$30.74
Guelph Suburb	1,563,777	10,155	181,118	12.2%	20,162	1,190	11,464	0	$26.70	$30.61
GUELPH TOTAL	2,156,253	10,155	261,615	12.6%	29,959	10,614	11,464	14,000	$26.81	$30.63
Waterloo Regional Total	**16,367,496**	**159,075**	**3,466,834**	**22.2%**	**-81,658**	**-367,863**	**230,054**	**14,000**	**$29.91**	**$32.07**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
168 Hespeler Road	Cambridge Suburban	N/A	11,368	Headlease

**Renewals not included in leasing statistics*

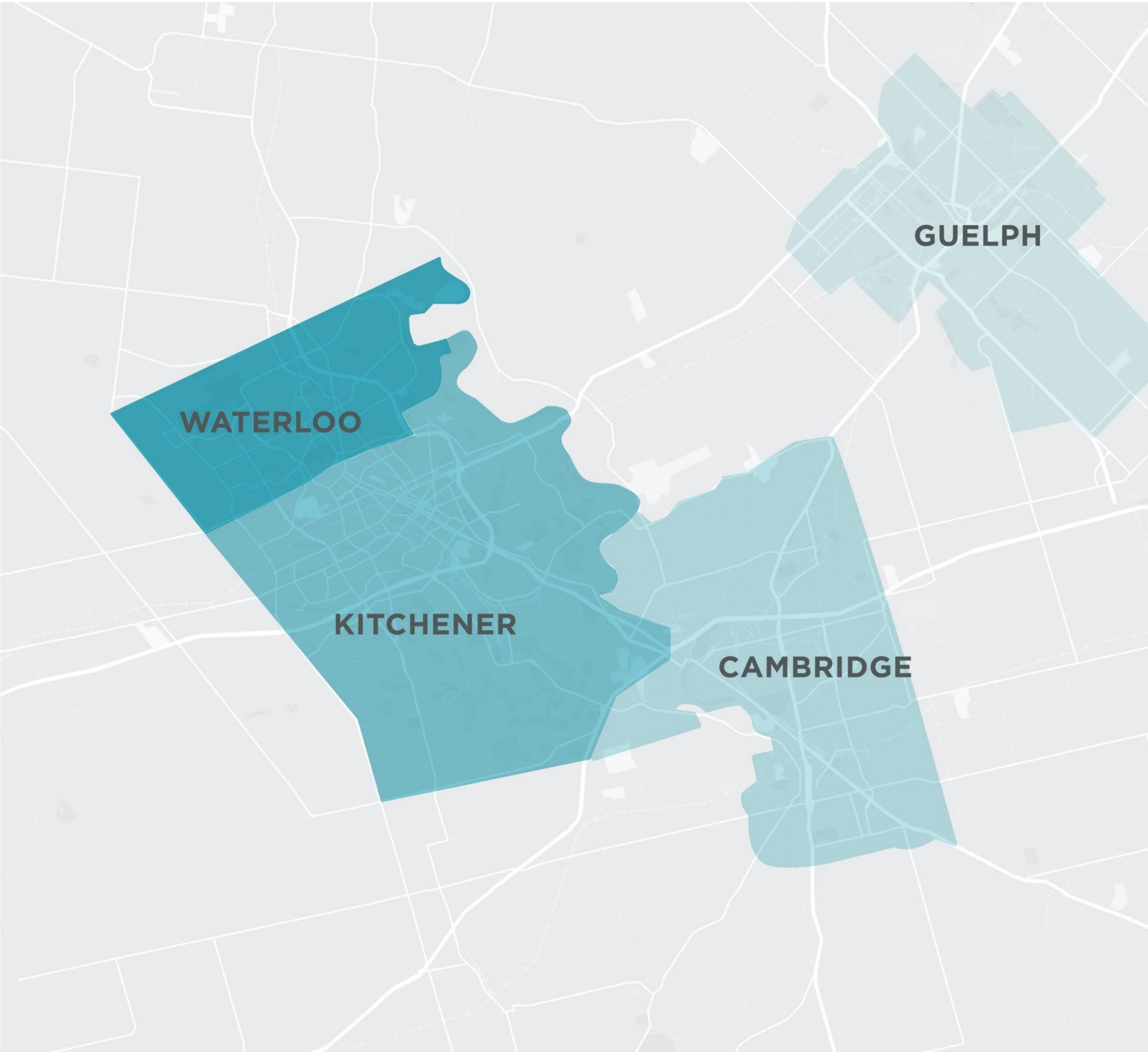
KEY SALE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
695-715 Coronation Blvd	Cambridge Suburban	Vangar Properties Inc. / Sahris inc.	36,299	$9,050,850 / $249
91-93 Westmount Road	Guelph Suburban	Ontario School Boards' Insurance Excange / 2771507 Ontario Corp	9,647	$2,375,000 / $246

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	DESCRIPTION	SQUARE FOOTAGE
N/A			

OFFICE SUBMARKETS



ZACH DOUGHTY
Head of Research
Tel: +1 226 507 5115
zach.doughty@cushwakewr.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.