

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.3% Vacancy Rate	▲	▬
-426K YTD Net Absorption, SF	▼	▼
\$29.83 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
385K Waterloo Region Employment	▲	▼
7.8% Waterloo Region Unemployment Rate	▲	▲
6.5% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMY

Canada’s economic environment stabilized through Q4 2025 as the national labour market demonstrated unexpected resilience. The Canadian unemployment rate improved to 6.5% in November, a 16-month low driven by 54,000 new jobs—the third consecutive monthly increase. The Bank of Canada held its policy rate at 2.25% in December, signaling a shift from earlier cutting cycles. Despite these national gains, the Waterloo Region’s unemployment climbed to 7.8% in November. However, the Region’s technology sector remained robust, maintaining its position as North America’s top small tech talent market for the fourth consecutive year. Strong tech workforce growth of 58.2% over three years, combined with federal AI investment and University of Waterloo’s engineering programs, supports continued employment resilience.

SUPPLY & DEMAND

Demand in the Region’s office market remained subdued through Q4 2025, constrained by hybrid work adoption and economic caution. The Region experienced negative net absorption of 78,466 square feet (sf) during the quarter, bringing full-year 2025 absorption to negative 426,181 sf. Waterloo Core’s vacancy climbed to 5.4%, while Kitchener Core vacancy reached 39.1%, with the Cambridge and Guelph suburban markets demonstrating greater stability. With no new construction completions, supply remained stable throughout the year. Full-year leasing activity totaled 273,970 sf as organizations exercise caution on long-term space commitments. Major Canadian employers implemented four-day in-office mandates in Q4 2025, with plans to transition to five-day schedules in early 2026. The Region may capture renewed leasing activity as these mandates formalize, and organizations seek modern office space to accommodate returning workforces.

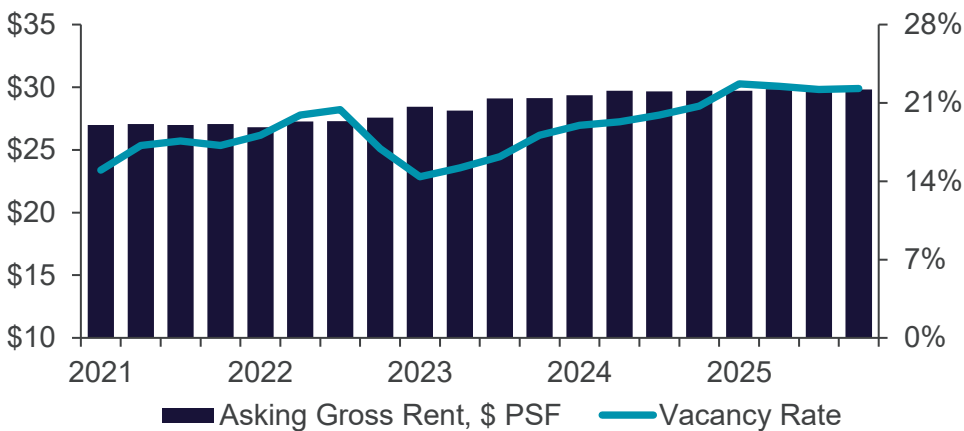
PRICING

The Region’s average asking gross rent declined to \$29.83 per square foot (psf) in Q4 2025, the first quarterly decrease following steady increases. Competitive pressure among landlords managing elevated vacancy at 22.3% regionally drove this softening. To remain competitive, landlords deployed inducement packages—including free rent periods, tenant improvement allowances, and flexible lease terms—particularly for larger spaces in high-vacancy submarkets like Kitchener Core, effectively reducing total occupancy costs for tenants seeking favorable terms. Across the region, Cambridge maintains the lowest rents at \$24.54 psf, with Kitchener at \$31.36 psf and Waterloo at \$29.62 psf.

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	87,158	5.4%	-39,995	-38,607	4,508	0	\$30.73	\$28.41
Waterloo Suburb	5,625,924	0	1,383,903	24.6%	-657	-219,881	135,573	0	\$29.53	\$30.95
WATERLOO TOTAL	7,225,788	29,677	1,471,061	20.4%	-40,652	-258,488	140,081	0	\$29.62	\$30.76
Kitchener Core	2,996,461	89,921	1,171,069	39.1%	-17,923	-131,824	19,358	0	\$32.10	\$34.07
Kitchener Suburb	2,392,047	9,464	332,537	13.9%	-3,474	-95,187	35,663	0	\$28.42	\$29.12
KITCHENER TOTAL	5,388,508	99,385	1,503,606	27.9%	-21,397	-227,011	55,021	0	\$31.36	\$33.06
Cambridge Core	406,006	15,346	17,763	4.4%	0	0	2,437	0	\$23.65	\$28.10
Cambridge Suburb	1,190,941	0	230,961	19.4%	1,347	66,468	56,309	0	\$24.67	\$30.49
CAMBRIDGE TOTAL	1,596,947	15,346	248,724	15.6%	1,347	66,468	58,746	0	\$24.54	\$30.06
Guelph Core	592,476	0	80,497	13.6%	0	9,424	0	0	\$27.03	\$30.74
Guelph Suburb	1,563,777	10,155	197,256	12.2%	-17,764	-16,574	20,122	0	\$26.75	\$30.61
GUELPH TOTAL	2,156,253	10,155	277,753	12.9%	-17,764	-7,150	20,122	14,000	\$26.84	\$30.63
Waterloo Regional Total	16,367,496	154,563	3,501,144	22.3%	-78,466	-426,181	273,970	14,000	\$29.83	\$31.76

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
410 Conestogo Road #210	Waterloo Suburban	N/A	4,094	Direct

\*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
85 Norfolk Street	Guelph Core	Vangar Properties Inc. / Sahris Inc.	30,106	\$6,350,000 / \$210.92
18 Fischer Hallman Road North	Waterloo Suburban	1885327 Ontario Inc. / ARG Capital Ventures Inc.	8,733	\$3,800,000 / \$435.13

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	DESCRIPTION	SQUARE FOOTAGE
N/A			

OFFICE SUBMARKETS



**ZACH DOUGHTY**  
*Head of Research*  
Tel: +1 519 804 4350  
[zach.doughty@cushwakewr.com](mailto:zach.doughty@cushwakewr.com)

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