

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.3% Vacancy Rate	▼	▬
6K YTD Net Absorption, SF	▲	▼
\$29.70 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
390K Waterloo Region Employment	▲	▼
8.6% Waterloo Region Unemployment Rate	▲	▲
6.7% Canadian Unemployment Rate <i>Source: Statistics Canada</i>	▲	▲

ECONOMY

The Canadian economic environment weakened through the first quarter of 2026 as the national labour market softened amid heightened trade uncertainty. The Canadian unemployment rate increased to 6.7% in February, reversing the improvement recorded in January. The economy shed 84,000 jobs in February, the largest monthly decline in more than four years, driven by a 108,000 contraction in full-time employment. The Bank of Canada held its policy rate steady at 2.25% through both its January and March meetings, noting weaker near-term growth and elevated uncertainty from U.S. tariffs. Locally, the Waterloo Region unemployment rate rose to 8.6% in February, as tech sector restructuring and manufacturing headwinds continued to weigh on employment.

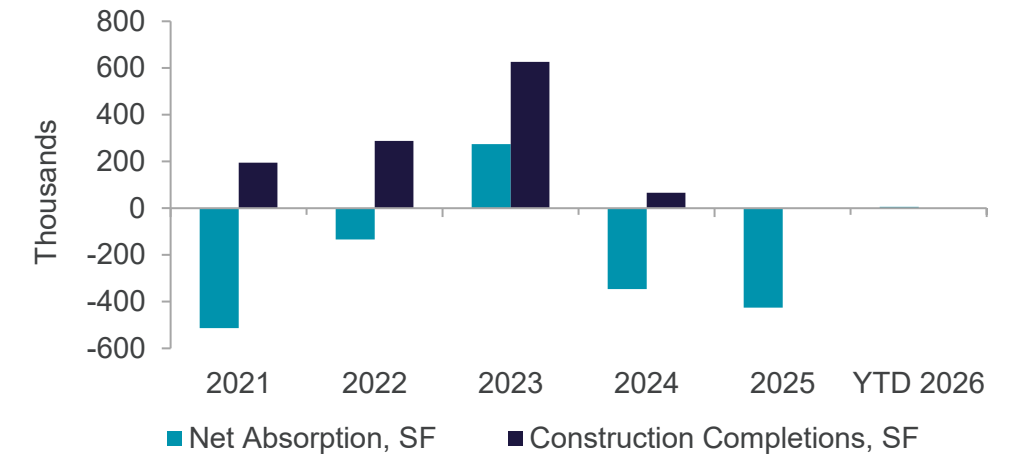
SUPPLY & DEMAND

The Region recorded positive net absorption of 5,794 square feet (sf) in the first quarter of 2026, a notable improvement from negative 78,466 sf in the fourth quarter of 2025. Kitchener led the recovery with 33,247 sf of positive absorption, driven by the suburban market and leasing activity across the downtown core. However, Waterloo posted negative absorption of 20,362 sf and Guelph recorded negative 10,886 sf. No new construction completions occurred during the quarter, while 14,000 sf remained under construction in Guelph. Overall vacancy held steady at 22.3%, essentially unchanged from the fourth quarter of 2025, reflecting the modest positive absorption. First quarter 2026 leasing activity totaled 91,230 sf across the Region, with Waterloo contributing 38,887 sf, Kitchener 32,519 sf, Cambridge 17,841 sf and Guelph 1,983 sf.

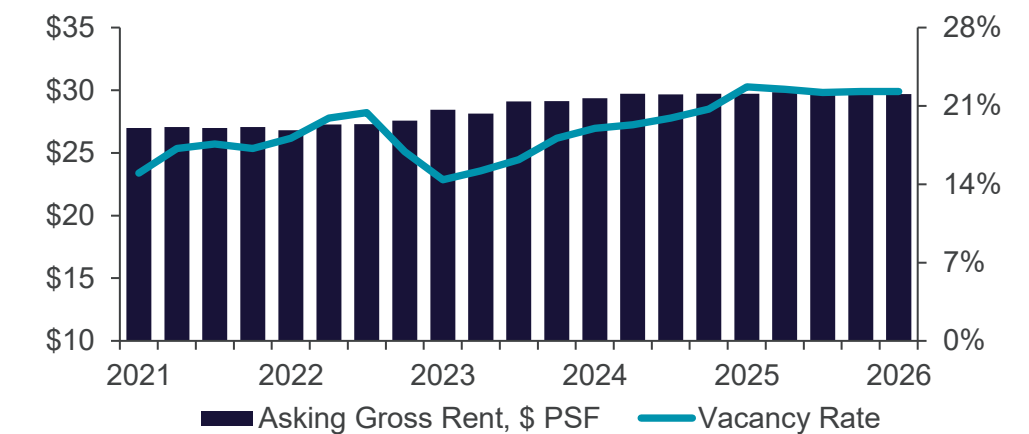
PRICING

The Region's average asking gross rent decreased marginally to \$29.70 per square foot (psf) in the first quarter of 2026 from \$29.83 psf last quarter. Competitive pressure among landlords managing elevated vacancy continued to drive this softening. Kitchener commands the highest rents in the Region at \$31.33 psf, followed by Waterloo at \$29.39 psf, Guelph at \$26.85 psf and finally Cambridge at \$24.45 psf. Landlords continued to deploy inducement packages—including free rent periods, tenant improvement allowances and flexible lease terms—particularly for larger spaces in high-vacancy submarkets. Class A space averaged \$31.69 psf, compared with \$27.22 psf for Class B and \$25.68 psf for Class C.

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	90,108	5.6%	-2,950	-2,950	4,745	0	\$30.84	\$28.41
Waterloo Suburb	5,625,924	0	1,401,315	24.9%	-17,412	-17,412	34,142	0	\$29.27	\$30.82
WATERLOO TOTAL	7,225,788	29,677	1,491,423	20.6%	-20,362	-20,362	38,887	0	\$29.39	\$30.64
Kitchener Core	2,996,461	89,921	1,159,436	38.7%	11,633	11,633	16,241	0	\$32.23	\$34.28
Kitchener Suburb	2,392,047	9,464	310,923	13.0%	21,614	21,614	16,278	0	\$27.51	\$28.37
KITCHENER TOTAL	5,388,508	99,385	1,470,359	27.3%	33,247	33,247	32,519	0	\$31.33	\$33.21
Cambridge Core	406,006	15,346	17,763	4.4%	0	0	0	0	\$23.65	\$28.10
Cambridge Suburb	1,190,941	0	227,166	19.1%	3,795	3,795	17,841	0	\$24.57	\$29.25
CAMBRIDGE TOTAL	1,596,947	15,346	244,929	15.3%	3,795	3,795	17,841	0	\$24.45	\$29.04
Guelph Core	592,476	0	80,497	13.6%	0	0	0	0	\$27.03	\$30.74
Guelph Suburb	1,563,777	10,155	208,142	13.3%	-10,886	-10,886	1,983	14,000	\$26.77	\$30.25
GUELPH TOTAL	2,156,253	10,155	288,639	13.4%	-10,886	-10,886	1,983	14,000	\$26.85	\$30.34
WATERLOO REGION TOTALS	16,367,496	154,563	3,495,350	22.3%	5,794	5,794	91,230	14,000	\$29.70	\$31.69

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
445 Wes Graham Way #1A	Waterloo Suburban	N/A	13,553	Direct
445 Wes Graham Way #203	Waterloo Suburban	N/A	10,925	Direct

*Renewals not included in leasing statistics

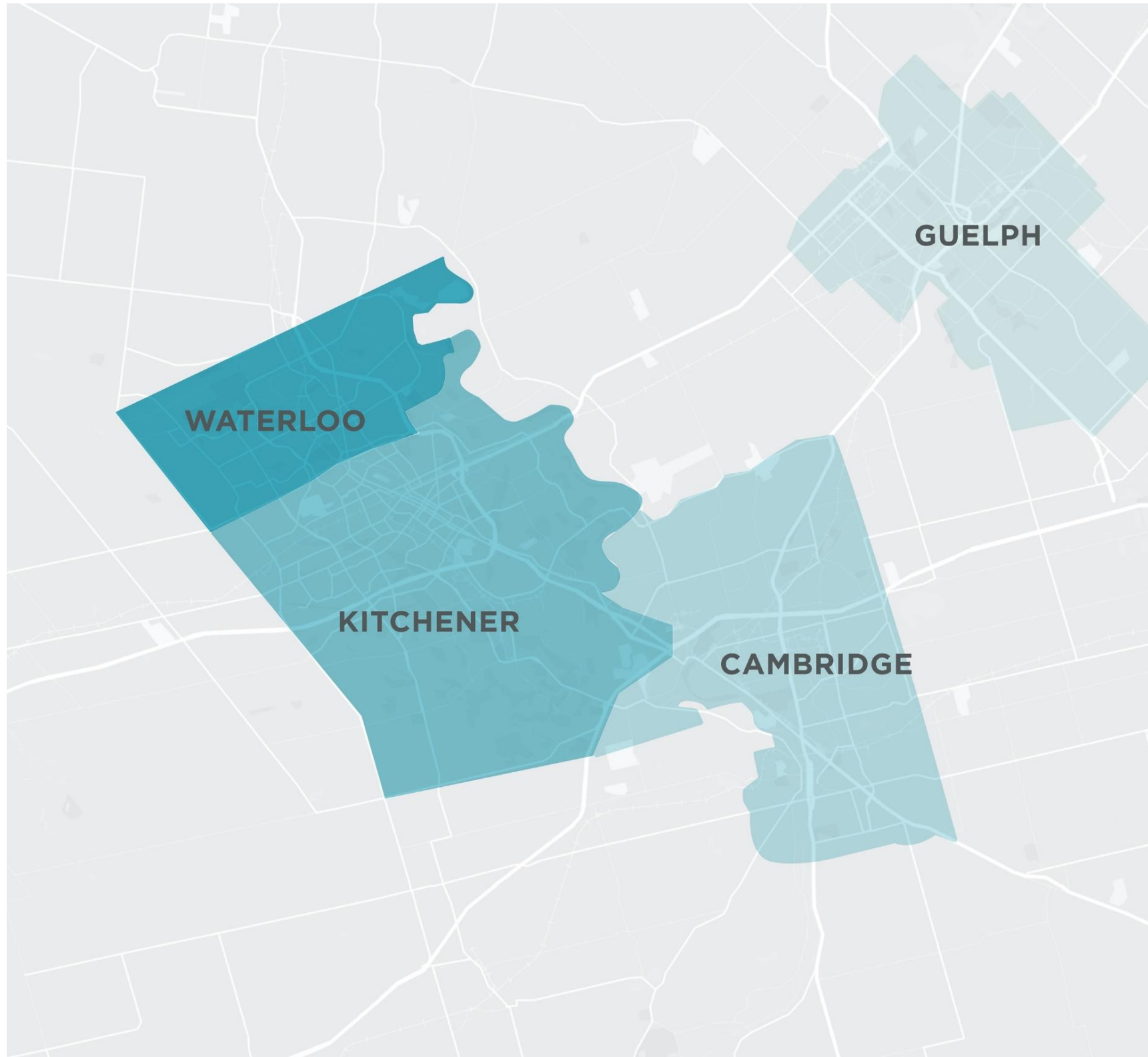
KEY SALE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
85 Norfolk Street	Guelph Central	Vangar Properties Inc. / Sahrns Inc.	30,106	\$6,350,000 / \$210.92
200 Bathurst Drive	Waterloo Suburban	Fibernetics Ventures Inc. / Alder Concrete Group	22,230	\$5,750,000 / \$258.66

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	DESCRIPTION	SQUARE FOOTAGE
N/A			

OFFICE SUBMARKETS



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