



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.8% Vacancy Rate	▲	▲
-138K YTD Net Absorption, SF	▲	▼
\$13.74 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▬	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
390K Waterloo Region Employment	▲	▼
8.6% Waterloo Region Unemployment Rate	▲	▲
6.7% Canadian Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMY

The Waterloo Region industrial market entered 2026 under mounting economic pressure as Canada's real GDP contracted 0.6% annualized in the fourth quarter of 2025, capping the weakest year of growth since 2020 at just 1.7%. National employment fell sharply to start the year, with 84,000 jobs lost in February alone and the unemployment rate rising to 6.7%. Locally, the Kitchener-Cambridge-Waterloo unemployment rate climbed to 8.6%, well above the national average, as manufacturing and construction shed positions amid intensifying U.S.-Canada tariff pressures. The Region's diversified economic base—spanning advanced manufacturing, technology, logistics and food processing—continues to anchor long-term industrial demand despite these near-term headwinds.

SUPPLY & DEMAND

Market fundamentals continued to soften in the first quarter of 2026 as overall vacancy edged up to 6.8%, from 6.7% in the fourth quarter of 2025, and quarterly net absorption registered negative 138,094 square feet (sf). The negative absorption was concentrated in Guelph (negative 273,829 sf), where large blocks were returned in the Northwest and Hanlon submarkets, while Cambridge posted modest positive absorption of 3,950 sf. No new supply was delivered this quarter, though 1.28 million square feet (msf) remains under construction, concentrated in Cambridge and the Kitchener Bridgeport/Northland corridors. Leasing activity totaled 161,727 sf, down from 271,140 sf the previous quarter, with deal flow weighted toward smaller bay and mid-bay transactions across the Region.

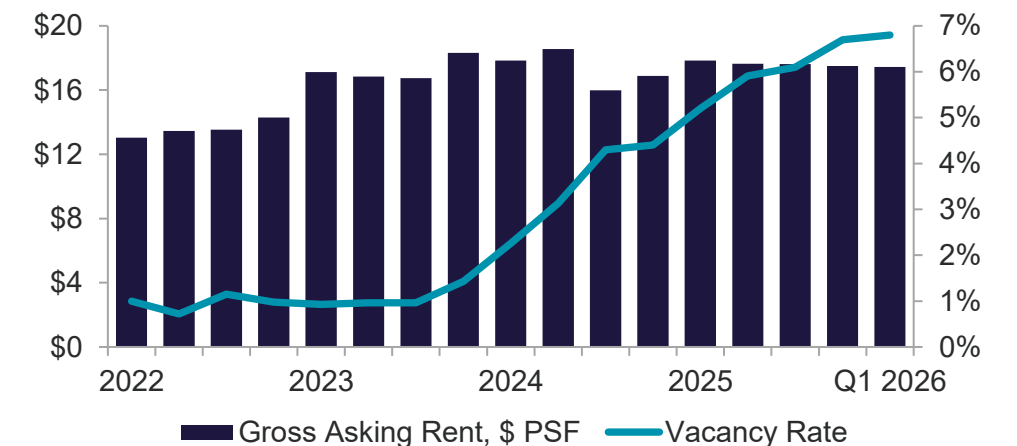
PRICING

Average net asking rents held steady at \$13.74 per square foot (psf) in the first quarter of 2026, while average additional rents (tax and operating costs) declined from \$3.76 psf to \$3.71 psf. The total average gross rent moved from \$17.51 psf to \$17.44 psf quarter-over-quarter, reflecting a modest softening as landlords begin to offer marginal concessions amid rising vacancy. Tenants continue to prioritize newer, well-located product, supporting premium rents for Class A space in core submarkets even as concessions and flexibility increase on older, second-generation buildings. With 1.28 msf still under construction, the Region's rent outlook will hinge on the pace of lease-up for new supply and the broader stabilization of macro conditions and trade dynamics.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG NET RENT	DIRECT WEIGHTED AVG ADD. RENT	DIRECT WEIGHTED AVG GROSS RENT
Cambridge	13,835,133	1,546,480	11.2%	4,320	4,320	623,375	0	\$15.21	\$3.88	\$19.09
Eagle	4,158,233	316,819	7.6%	11,800	11,800	0	0	\$12.95	\$3.66	\$16.61
Eastern	4,810,595	149,267	3.1%	0	0	0	0	\$10.90	\$3.94	\$14.84
L.G. Lovell	12,512,344	748,252	6.0%	-7,192	-260,950	0	0	\$13.28	\$3.60	\$16.88
Misc.	3,333,465	16,833	0.5%	0	0	0	0	\$8.47	\$3.80	\$12.27
CAMBRIDGE TOTAL	38,649,770	2,777,651	7.2%	3,950	3,950	623,375	0	\$14.00	\$3.72	\$17.72
Bridgeport	3,664,145	313,229	8.5%	-3,685	-3,685	415,000	0	\$14.51	\$3.83	\$18.34
Hanson/Ardelt	1,871,440	53,872	2.9%	54,505	54,505	0	0	\$13.34	\$3.67	\$17.00
Huron	5,599,516	411,180	7.3%	2,445	2,445	0	0	\$16.16	\$2.13	\$18.29
Lancaster	1,640,783	14,479	0.9%	10,876	10,876	0	0	\$14.84	\$3.74	\$18.58
Manitou	2,172,139	442,330	20.4%	0	0	0	0	\$11.82	\$2.30	\$14.12
Wilson	2,900,315	18,600	0.6%	100,000	100,000	0	0	\$11.70	\$4.10	\$15.80
Misc.	3,309,270	117,188	3.5%	36,600	36,600	0	0	\$9.23	\$3.41	\$12.64
KITCHENER TOTAL	21,157,608	1,370,878	6.5%	200,741	200,741	415,000	0	\$13.74	\$2.77	\$16.51
Conestoga	4,258,891	139,448	3.3%	-41,874	-41,874	0	0	\$12.99	\$4.48	\$17.47
Dearborn	637,125	105,670	16.6%	-30,000	-30,000	0	0	\$13.78	\$4.65	\$18.43
Northland	3,096,230	160,743	5.2%	2,918	2,918	240,692	0	\$11.33	\$4.71	\$16.04
Misc.	979,138	23,627	2.4%	0	0	0	0	\$15.00	\$5.00	\$20.00
WATERLOO TOTAL	8,971,384	429,488	4.8%	-68,956	-68,956	240,692	0	\$12.64	\$4.65	\$17.29
Hanlon	8,599,228	656,551	7.6%	-45,139	-45,139	0	0	\$14.79	\$3.86	\$18.65
Northwest	13,839,547	617,722	4.5%	-243,614	-243,614	0	0	\$13.63	\$3.34	\$16.97
Puslinch	2,821,937	846,975	30.0%	0	0	0	0	\$14.97	\$3.76	\$18.73
York Watson	1,443,690	2,000	0.1%	0	0	0	0	\$16.00	\$2.00	\$18.00
Misc.	2,251,562	0	0.0%	14,924	14,924	0	0	N/A	N/A	N/A
GUELPH TOTAL	28,955,964	2,123,248	7.3%	-273,829	-273,829	0	0	\$14.57	\$3.68	\$18.25
Waterloo Region Totals	97,734,726	6,674,765	6.8%	-138,094	-138,094	1,279,067	0	\$13.74	\$3.71	\$17.44

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
945A Southgate Drive	Guelph	N/A	29,973	Headlease
1030 Fountain Street N	Cambridge	N/A	22,280	Headlease
5 Washburn Drive	Kitchener	N/A	21,036	Headlease

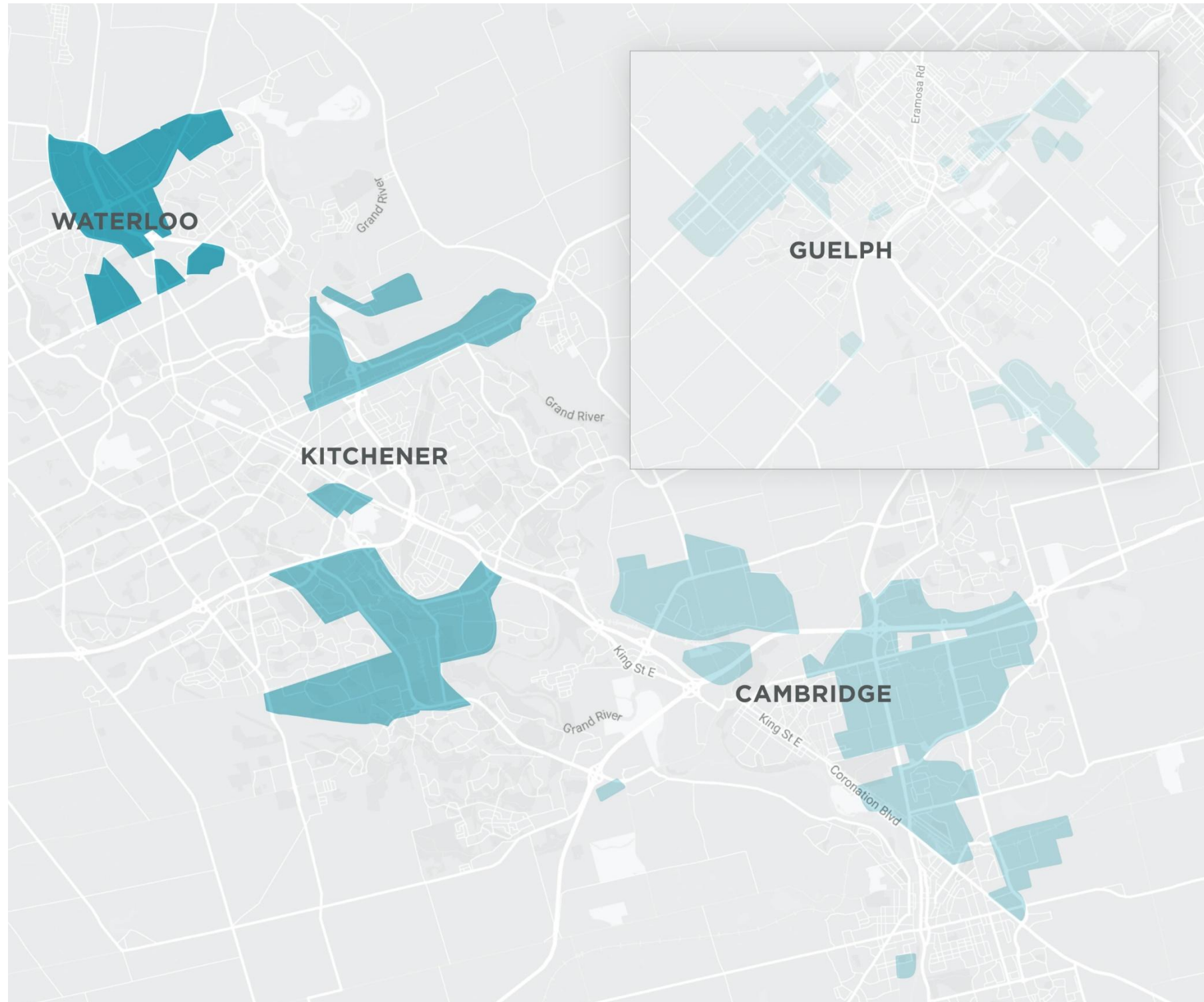
KEY SALE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
935-945 Southgate Dr	Guelph	Montez Corporation / CanFirst Capital Management	576,346	\$219.05
5075 Whitelaw Rd	Guelph	TNS Landco Inc / Trans 99 Logistic	29,000	\$596.55
350 Shirley Ave	Kitchener	Tri-Shan Inc / 1001448042 Ontario Inc	32,735	\$209.26

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF
N/A			

INDUSTRIAL SUBMARKETS



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