MARKETBEAT
# WATERLOO REGION
## OFFICE Q2 2026

CUSHMAN & WAKEFIELD
Waterloo Region

### MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **22.1%** Vacancy Rate | ▼ | — |
| **39,332** YTD Net Absorption, SF | ▲ | ▼ |
| **$29.63** Asking Rent, PSF | ▼ | — |

*(Overall, All Property Classes)*

### ECONOMIC INDICATORS

| | YOY Chg | Outlook |
|---|---|---|
| **384K** Waterloo Region Employment | ▼ | ▼ |
| **8.7%** Waterloo Region Unemployment Rate | ▲ | ▲ |
| **6.6%** Canadian Unemployment Rate | ▼ | ▲ |

*Source: Statistics Canada*

### ECONOMY

The Canadian labour market regained momentum through the second quarter of 2026 following a soft start to the year. The national unemployment rate eased to 6.6% in May, down from 6.9% in April and the lowest reading since January, as employment surged by 87,800—the strongest monthly gain since December 2024. The Bank of Canada held its policy rate steady at 2.25% through both its April and June meetings, citing still-elevated uncertainty around U.S. trade policy alongside emerging signs of firming activity. In Ontario, the unemployment rate stood at 7.4% in May. Locally, however, conditions remained challenging as the Waterloo Region unemployment rate edged up to 8.7%, with continued tech sector restructuring and manufacturing headwinds weighing on employment.

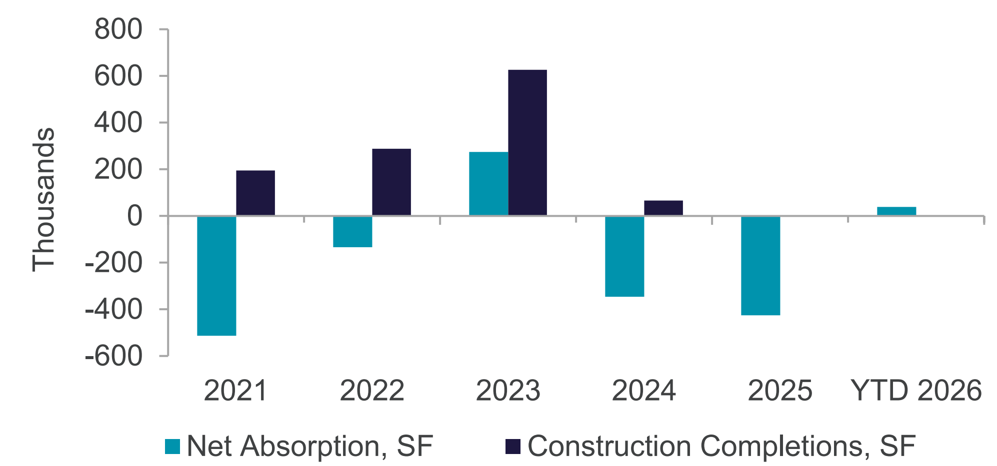
### SUPPLY & DEMAND

The Region recorded positive net absorption of 33,538 square feet (sf) in the second quarter of 2026, a marked improvement from 5,794 sf in the first quarter of 2026. Kitchener again led the Region with 33,058 sf of positive absorption, while Cambridge contributed 15,664 sf. Waterloo posted modestly negative absorption of 3,010 sf and Guelph recorded negative 12,174 sf. The pipeline stayed thin—Guelph's 14,000 sf remained the only space under construction, with no deliveries in the quarter. Overall vacancy edged down to 22.1% from 22.3% in the first quarter of 2026, reflecting the quarter's positive absorption. Second quarter 2026 leasing activity totaled 47,664 sf across the Region, with Kitchener contributing 24,677 sf, Waterloo at 13,166 sf, Guelph with 5,972 sf and Cambridge at 3,849 sf.

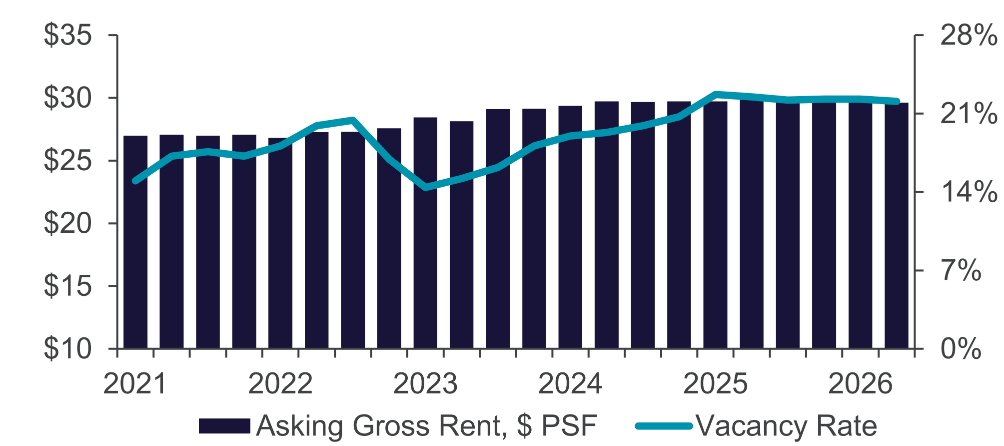
### PRICING

The Region's average asking gross rent decreased marginally to $29.63 per square foot (psf) in the second quarter of 2026 from $29.70 psf last quarter. Competitive pressure among landlords managing elevated vacancy continued to drive this softening. Asking gross rents ranged from a Region-high $31.35 psf in Kitchener to $25.19 psf in Cambridge, with Waterloo at $29.20 psf and Guelph at $26.27 psf in between. 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. Region wide Class A space averaged $31.60 psf, compared with $27.01 psf for Class B and $26.04 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 | 95,810 | 6.0% | -5,702 | -8,652 | 7,534 | 0 | $30.78 | $28.38 |
| Waterloo Suburb | 5,625,924 | 0 | 1,398,623 | 24.9% | 2,692 | -14,720 | 44,519 | 0 | $29.07 | $30.59 |
| WATERLOO TOTAL | 7,225,788 | 29,677 | 1,494,433 | 20.7% | -3,010 | -23,372 | 52,053 | 0 | $29.20 | $30.42 |
| Kitchener Core | 2,996,461 | 89,921 | 1,144,250 | 38.2% | 15,186 | 26,819 | 32,545 | 0 | $32.26 | $34.33 |
| Kitchener Suburb | 2,392,047 | 9,464 | 293,051 | 12.3% | 17,872 | 39,486 | 24,651 | 0 | $27.28 | $28.05 |
| KITCHENER TOTAL | 5,388,508 | 99,385 | 1,437,301 | 26.7% | 33,058 | 66,305 | 57,196 | 0 | $31.35 | $33.26 |
| Cambridge Core | 406,006 | 15,346 | 20,111 | 5.0% | -2,348 | -2,348 | 0 | 0 | $23.94 | $28.10 |
| Cambridge Suburb | 1,190,941 | 0 | 209,154 | 17.6% | 18,012 | 21,807 | 21,690 | 0 | $25.40 | $29.27 |
| CAMBRIDGE TOTAL | 1,596,947 | 15,346 | 229,265 | 14.4% | 15,664 | 19,459 | 21,690 | 0 | $25.19 | $29.06 |
| Guelph Core | 592,476 | 0 | 81,543 | 13.8% | -1,046 | -1,046 | 0 | 0 | $26.87 | $30.74 |
| Guelph Suburb | 1,563,777 | 10,155 | 219,270 | 14.0% | -11,128 | -22,014 | 7,955 | 14,000 | $26.01 | $30.25 |
| GUELPH TOTAL | 2,156,253 | 10,155 | 300,813 | 14.0% | -12,174 | -23,060 | 7,955 | 14,000 | $26.27 | $30.34 |
| **WATERLOO REGION TOTALS** | **16,367,496** | **154,563** | **3,461,812** | **22.1%** | **33,538** | **39,332** | **138,894** | **14,000** | **$29.63** | **$31.60** |

## KEY LEASE TRANSACTIONS Q2 2026

| PROPERTY | SUBMARKET | TENANT | SF | LEASE TYPE* |
|---|---|---|---|---|
| 48 Ontario Street N | Kitchener Central | N/A | 4,829 | Direct |
| 1615 Highland Road W | Kitchener Suburban | N/A | 5,002 | Direct |

*Renewals not included in leasing statistics*

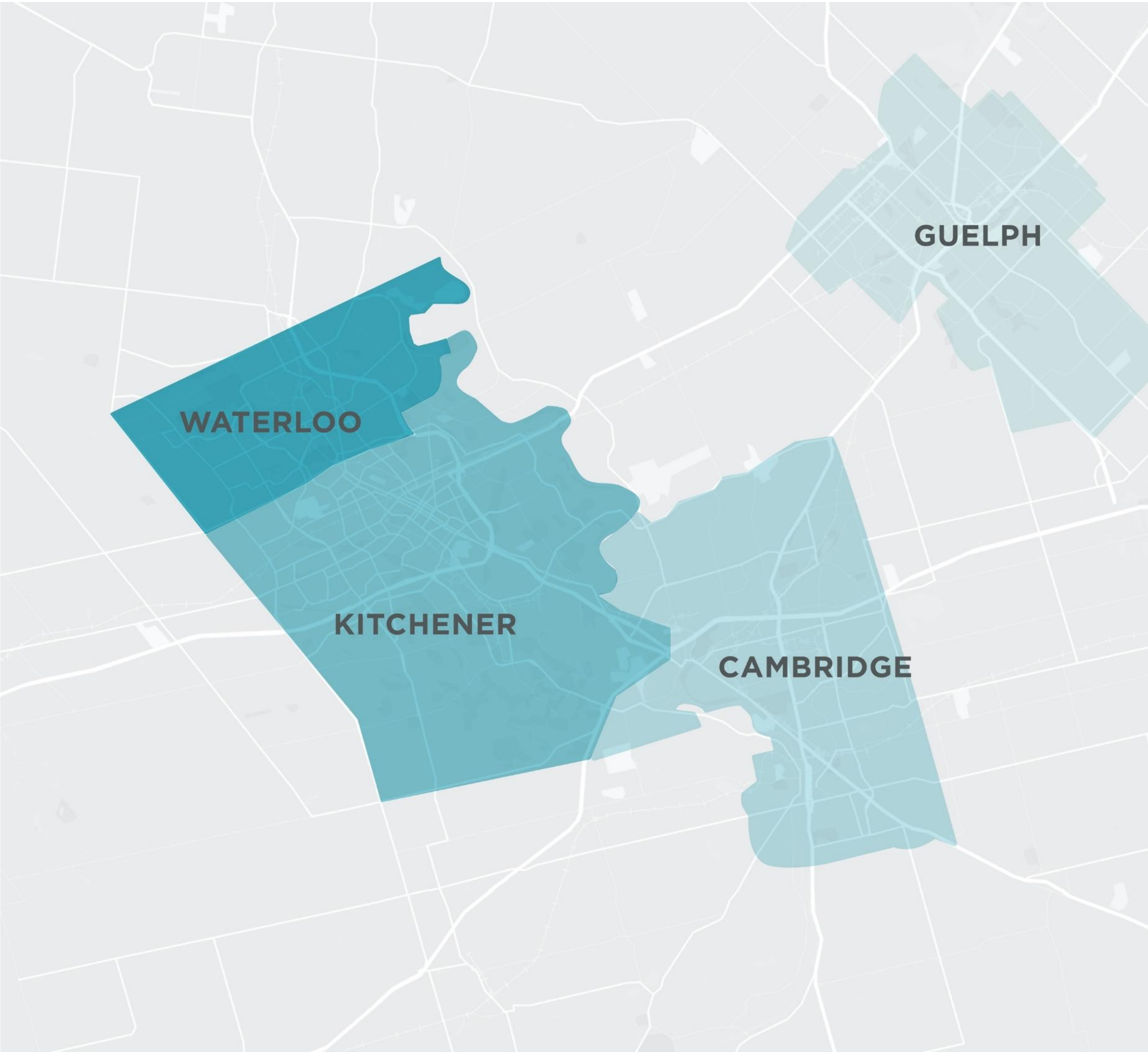
## KEY SALE TRANSACTIONS Q2 2026

| PROPERTY | SUBMARKET | SELLER/BUYER | SF | PRICE / $ PSF |
|---|---|---|---|---|
| 295 Hagey Boulevard | Waterloo Suburban | Europro GP Inc. / Open Text Coud Service Company ULC | 92,862 | $17,900,000 / $192.76 |
| 1150 Franklin Boulevard | Cambridge Suburban | AZP Properties Inc / Hoshiarpuria Inc. | 21,000 | $7,550,000 / $359.52 |

## KEY CONSTRUCTION COMPLETIONS YTD 2026

| PROPERTY | SUBMARKET | DESCRIPTION | SQUARE FOOTAGE |
|---|---|---|---|
| N/A | | | |

## OFFICE SUBMARKETS

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