

Office market demand remains uneven

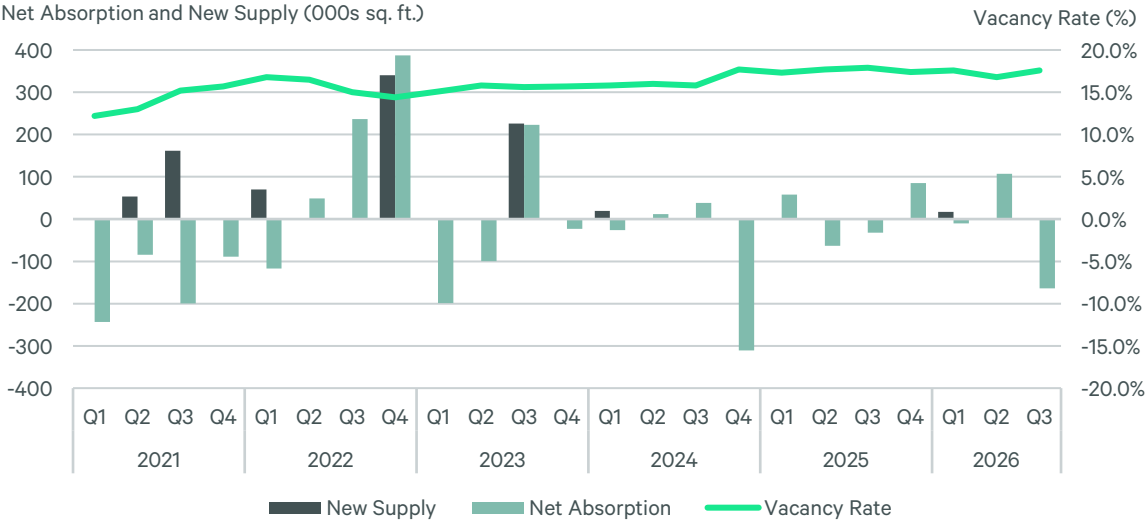


Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- Waterloo Region’s office vacancy rate increased to 17.6% in Q3, up 80 basis points (bps) from last quarter but remaining 30 bps below this same time last year. The region continues to experience an uneven recovery across asset classes and geography.
- Downtown vacancy held at 30.0%, displaying a widening quality divide. Tenants continued to prioritize higher-quality space, pushing Core Class A vacancy down 240 bps to 18.0%, while weaker demand for older buildings lifted Class B/C vacancy to 36.5%.
- Waterloo Region recorded 164,000 sq. ft. of negative net absorption this quarter, with the majority of the decline occurring in the suburban market. Downtown recorded 900 sq. ft. of positive net absorption, highlighting the varied leasing conditions across the region.
- Waterloo Region ranks 10th for tech talent; its 41,900-person workforce grew 37.4% from 2022 to 2025.

FIGURE 1: Waterloo Region Fundamentals – Historical Analysis
Net Absorption and New Supply (000s sq. ft.)



Source: CBRE Research, Q3 2026.

Vacancy rises as the recovery remains uneven

Waterloo Region’s office vacancy rate increased 80 bps to 17.6% in Q3 2026, reverting the improvement recorded last quarter. Even with the quarterly increase, vacancy remained 30 bps below Q3 2025, indicating that the market is still modestly improved from a year ago but has not established a consistent recovery.

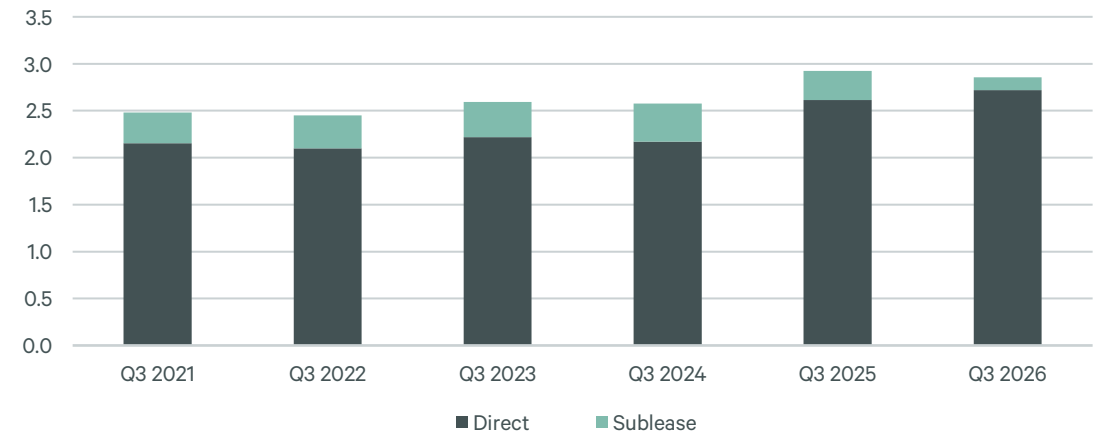
Performance continues to diverge by asset quality. In the Central submarket, Class A vacancy declined 240 bps to 18.0%, while Class B/C vacancy rose to 36.5%, reinforcing demand for well-located, higher-quality space. Overall, across all classes in the Waterloo Region, sublease vacancy increased slightly but remained 56.0% below Q3 2025 and represented only a small share of total vacancy, making direct space the primary source of availability.

Demand softens while the supply pipeline stays limited

The market recorded approximately 164,000 sq. ft. of negative net absorption in Q3, reversing the positive momentum from the previous quarter and amounting to approximately 67,000 sq. ft. of negative net absorption year-to-date. Most of the decline occurred in suburban properties, while the downtown submarket recorded approximately 900 sq. ft. of positive net absorption, highlighting an uneven demand environment.

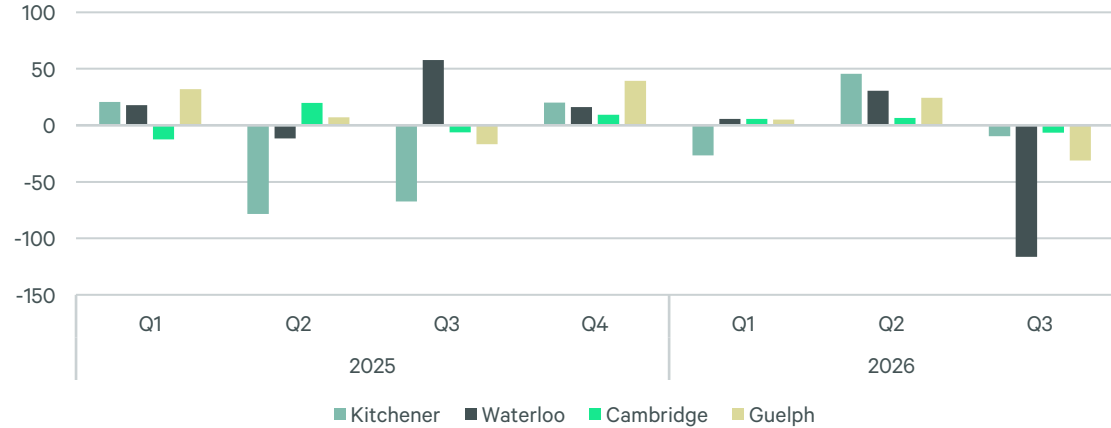
Despite these near-term leasing headwinds, the [2026 CBRE Scoring Tech Talent report](#) shows that Waterloo Region’s tech sector remains a clear strength for the office market. The region ranks 10th among North American tech talent markets and has 41,900 tech workers, up 37.4% since 2022. Tech jobs also make up 12.2% of local employment, showing the depth of the talent pool. This mix of talent and lower costs should support Waterloo’s long-term appeal, even while near-term leasing remains selective.

FIGURE 2: Direct Versus Sublease Historical Vacancy (MSF)



Source: CBRE Research, Q3 2026.

FIGURE 3: 2026 Quarter-Over-Quarter Net Absorption by Submarket (000's SF)



Source: CBRE Research, Q3 2026.

Market rent trends

The regional average net asking rent edged down to \$16.34 per sq. ft. in Q3 2026 from \$16.32 per sq. ft. last quarter, remaining broadly stable despite higher vacancy and negative absorption. The most notable movement occurred within higher-quality assets. Across the Waterloo Region, net asking rent for Class A properties declined to \$18.77 per sq. ft., while Class RC rents rose to \$18.65 per sq. ft., nearly eliminating the gap between the two segments. This convergence suggests pricing is increasingly shaped by building quality, condition and positioning rather than broad market momentum. More broadly, rents moved only marginally, reinforcing an overall picture of pricing stability. With leasing conditions softening, landlords appear to be defending face rents selectively rather than making broad market-wide adjustments. Overall, Q3 results point to resilient asking rents, with meaningful movement concentrated in a limited part of the market.

FIGURE 4: Historical Net Rental Rates (PSF)



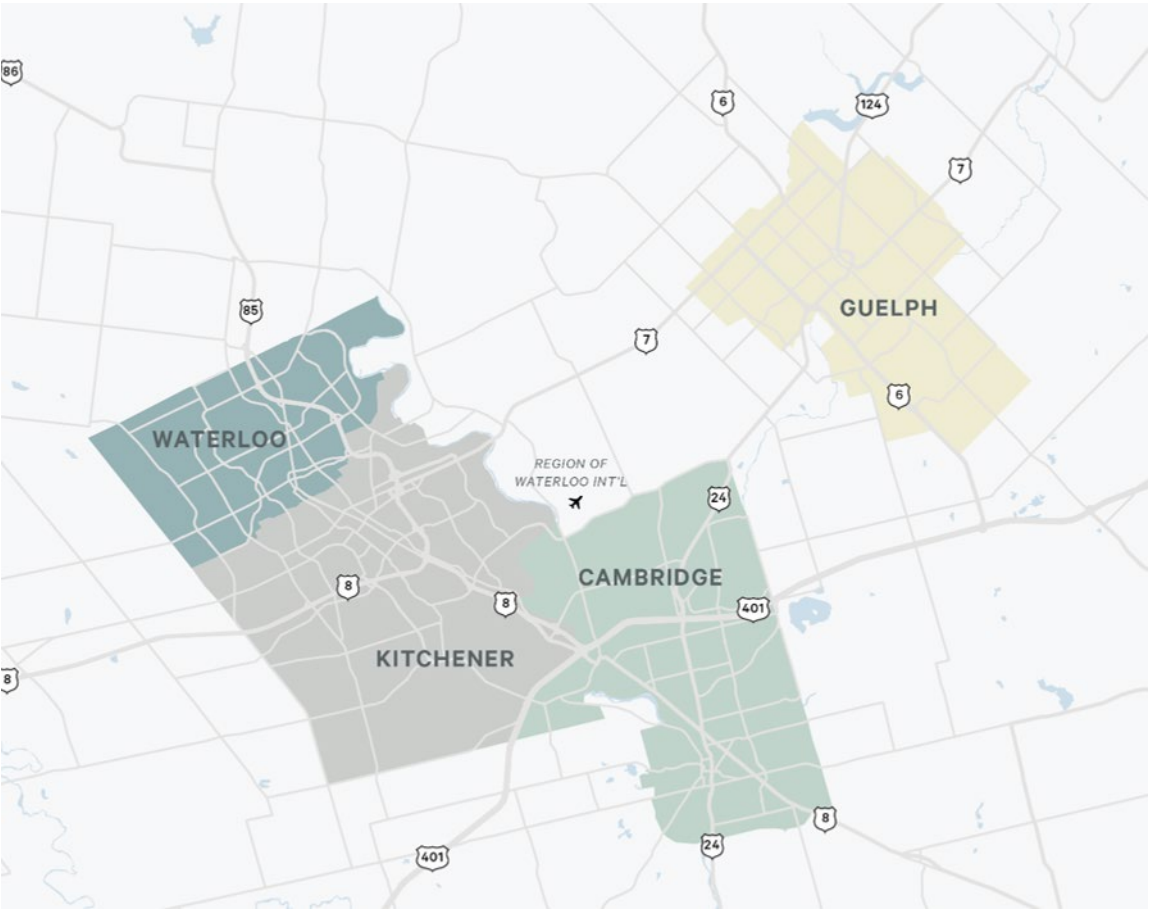
Source: CBRE Research, Q3 2026.

FIGURE 5: Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Under Construction (SF)	Quarterly Net Absorption (SF)	Net Absorption YTD (SF)	Avg. Net Asking Lease Rate (\$PSF)
Core	3,156,384	41.3%	0	25,368	76,075	\$17.00
Suburban	2,799,660	6.4%	0	-35,028	-66,759	\$15.45
Kitchener Total	5,956,044	24.9%	0	-9,660	9,316	\$16.82
Core	671,903	6.6%	0	-3,602	716	\$15.95
Suburban	5,549,506	20.3%	0	-112,684	-80,589	\$15.98
Waterloo Total	6,221,409	18.8%	0	-116,286	-79,873	\$15.98
Core	350,557	7.9%	0	-1,900	-5,504	\$10.62
Suburban	1,411,489	3.7%	0	-4,737	11,145	\$13.94
Cambridge Total	1,762,046	4.5%	0	-6,637	5,641	\$12.71
Core	538,520	7.7%	0	-18,930	-20,164	\$14.90
Suburban	1,764,833	4.7%	46,000	-12,111	18,451	\$16.84
Guelph Total	2,303,353	5.4%	46,000	-31,041	-1,713	\$16.19
Overall Total	16,242,852	17.6%	46,000	-163,624	-66,629	\$16.34

Source: CBRE Research, Q3 2026.

Market Area Overview



CBRE Kitchener Office

72 Victoria Street South,
Suite 200
Kitchener, ON N2G 4Y9

Contact

Ivana Svorinic
Research Analyst
+1 226 505 3406
Ivana.Svorinic@cbre.com