

Office Market Remains Polarized as Demand Concentrates

▶ 17.4%

Vacancy Rate

▲ \$16.49

PSF Avg. Asking Lease Rate

▼ 0K

SF Under Construction

▼ 9.9K

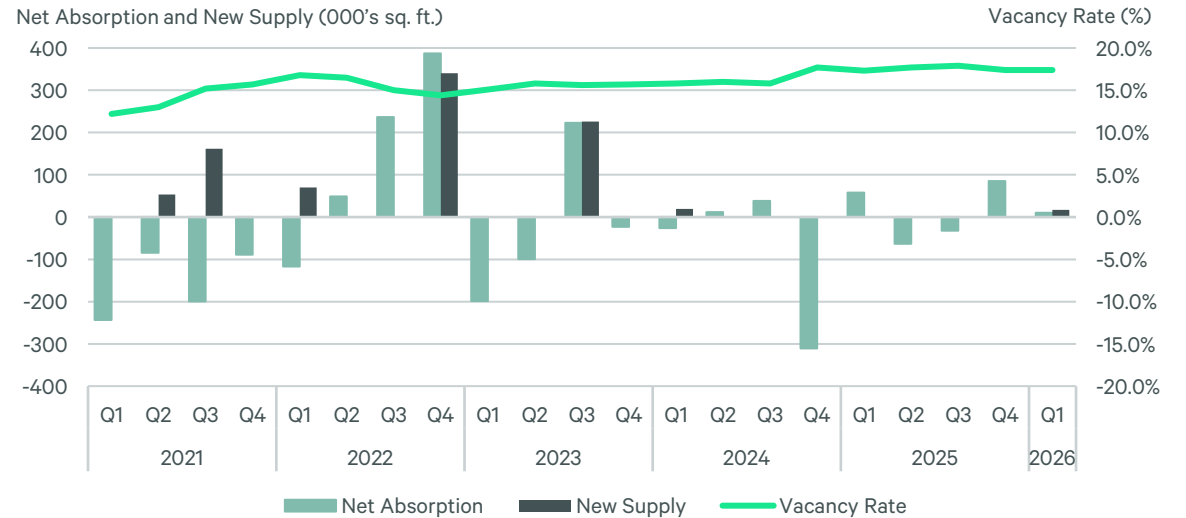
SF Net Absorption

Note: Arrows indicate change from previous quarter.

Overview

- Vacancy rates of downtown office space remains high at 30.5%, second only to London nationwide, but gradually continues its decline from its multi-year high of 31.3%, seen in Q3 of last year.
- Overall suburban vacancy rates rose 30 basis points (bps) quarter-over-quarter to 12.1%. In contrast, the Innovation District market tightened significantly, with Class C vacancy more than halving.
- Overall net asking rents remain stable, ticking up slightly to \$16.49 per sq. ft. Downtown Class C net asking rent jumped 10% this quarter to \$15.61 per sq. ft.
- Although Class A office space experienced relatively muted demand this quarter, the remainder of 2026 could pave the way for continued recovery, driven by a lack of upcoming new construction and a broader return-to-office trend.

FIGURE 1: Waterloo Region Fundamentals – Historical Analysis



Source: CBRE Research, Q1 2026.

FIGURE 2: 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	42.7%	0	29,496	29,496	\$17.17
Suburban	2,831,626	6.3%	0	-36,088	-36,088	\$15.20
Kitchener Total	5,988,010	25.5%	0	-6,592	-6,592	\$16.94
Core	671,903	6.7%	0	-33	-33	\$17.07
Suburban	5,612,230	19.2%	0	5,843	5,843	\$16.06
Waterloo Total	6,284,133	17.8%	0	5,810	5,810	\$16.08
Core	350,557	6.3%	0	0	0	\$10.00
Suburban	1,411,489	4.1%	0	5,701	5,701	\$12.27
Cambridge Total	1,762,046	4.5%	0	5,701	5,701	\$11.59
Core	538,520	4.0%	0	0	0	\$15.63
Suburban	1,764,833	5.5%	0	4,966	4,966	\$17.23
Guelph Total	2,303,353	5.1%	0	4,966	4,966	\$16.94
Overall Total	16,337,542	17.4%	0	9,885	9,885	\$16.49

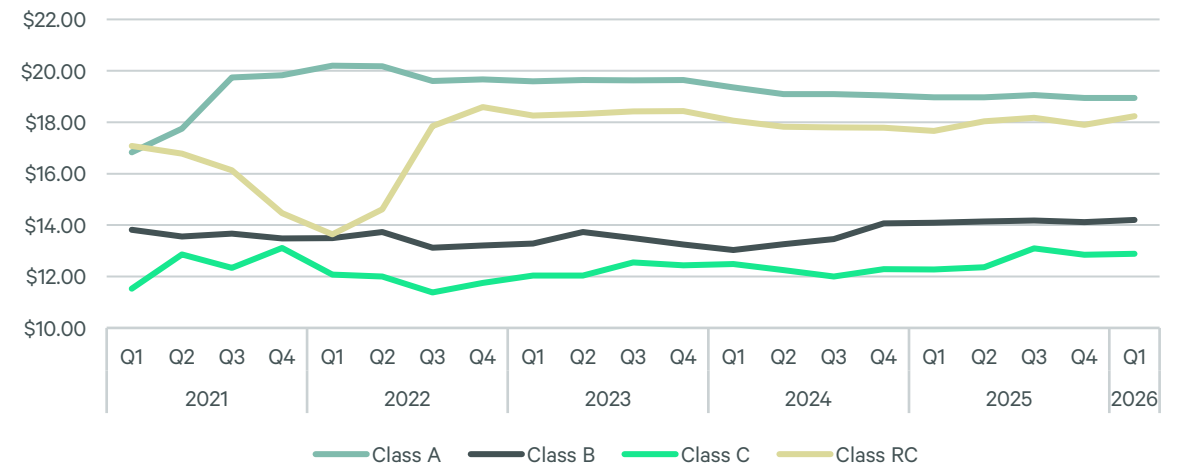
Source: CBRE Research, Q1 2026.

FIGURE 3: Notable Lease Transactions

Tenant	Size (SF)	Address	Building Class	Submarket	Deal Type
YMCA & KidsAbility	25,000	4273 King St	B	Waterloo Suburban	New Lease
MEDUCOM Health	16,615	130 Research Lane	B	Waterloo Suburban	New Lease
Lakes Software	13,553	445 Wes Graham	A	Waterloo Downtown	New Lease

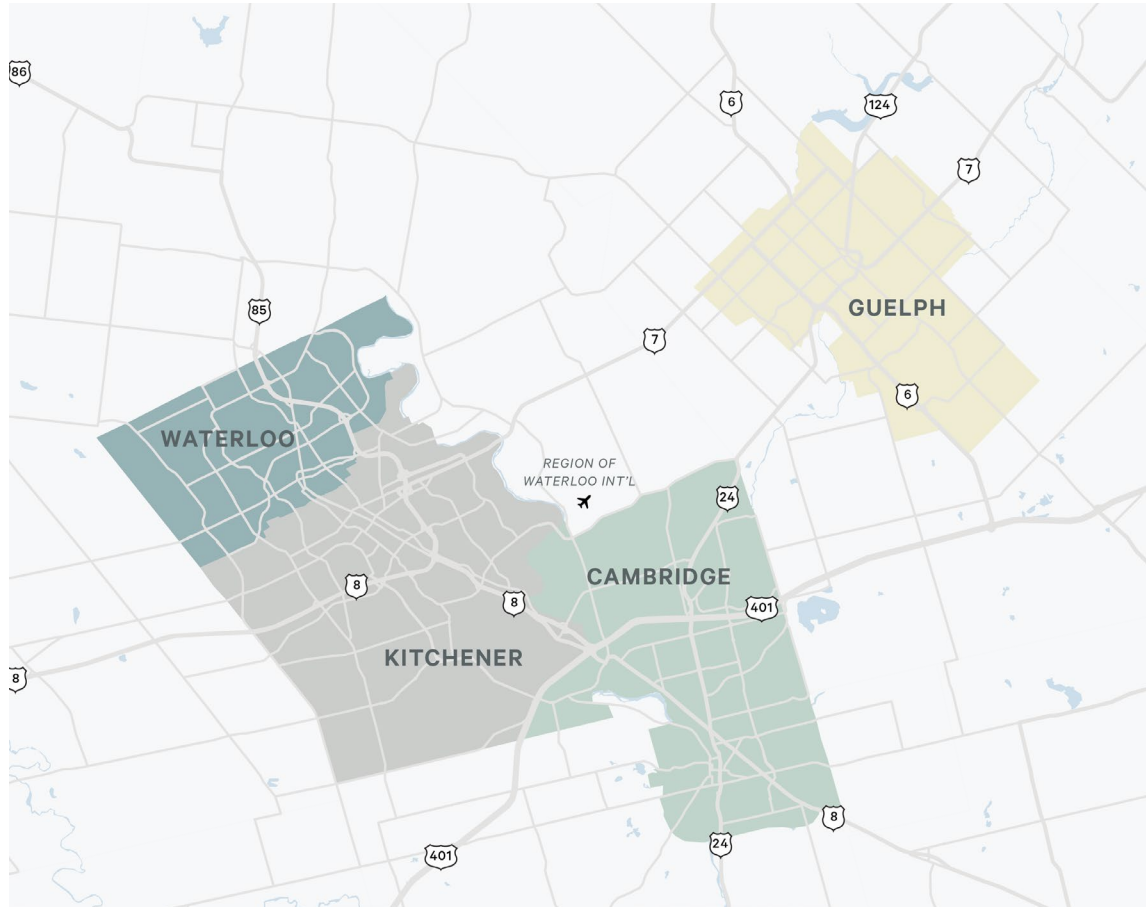
Source: CBRE Research, Q1 2026.

FIGURE 4: Historical Rental Rates (PSF)



Source: CBRE Research, Q1 2026.

Market Area Overview



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