MARKETBEAT

CANADA NATIONAL

INDUSTRIAL Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.5% Vacancy Rate	▲	▲
-3.7M YTD Net Absorption, SF	▲	▲
$15.27 Asking Rent, PSF *(Overall, Net Asking Rent)*	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
20.7M Total Nonfarm Employment	▲	–
2.9M Industrial Employment	▼	–
7.0% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

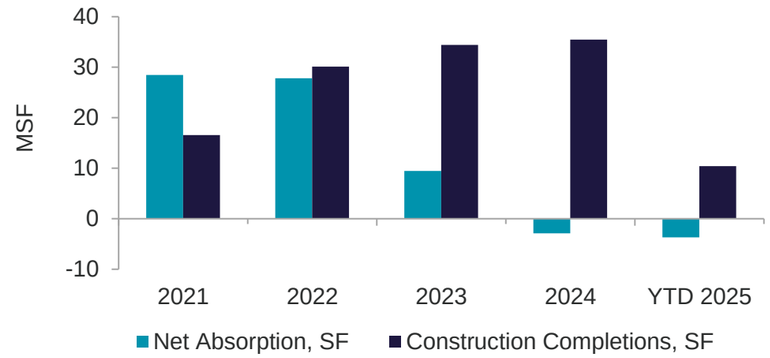
A CONTINUED UPWARD TREND IN INDUSTRIAL VACANCY IN Q2 2025

In its May 2025 Labour Force Survey, Statistics Canada reported that Canadian employment levels remained essentially flat for a second consecutive month. However, the unemployment rate rose 10 basis points (bps) from April to reach 7.0%. Employment in manufacturing fell for the fourth straight quarter and this sector has now shed 30,000 jobs in comparison to employment levels from one year ago. While employment in transportation and warehousing has witnessed gains and losses on a month-to-month basis so far in 2025, overall, there has been a contraction of close to 14,000 jobs in comparison to May 2024.

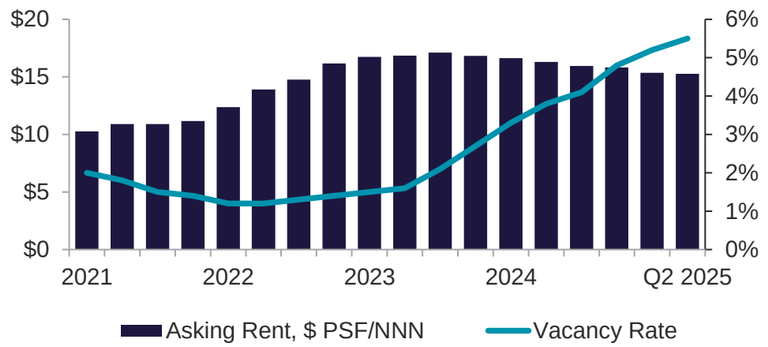
While the overall Canadian industrial vacancy rate did bump up from last quarter to reach 5.5%, this vacancy rate is indictive of more balanced market conditions. There were varied results for the major markets this quarter, with some witnessing small increases in vacancy, others flat, with a few markets posting declines in comparison to last quarter. Although the overall Canadian vacancy trajectory has been on a steady incline since mid-2023, the pace of the quarter-over-quarter (QOQ) increases has slowed in recent quarters. Vacancy is forecasted to continue to climb, although likely in small increments QOQ, through the remainder of the year and into early 2026 before stabilizing.

Absorption remained firmly entrenched in negative territory this quarter totaling 1.9 million square feet (msf). While Vancouver and Toronto witnessed minimal absorption this quarter, there were a few outliers. From a positive absorption perspective Calgary had a notable rebound from last quarter to reach just over 1.0 msf. This was significantly boosted by the delivery of 1.0 msf of new supply this quarter that was fully preleased upon completion. On the opposite end of the spectrum was Montreal with negative 3.1 msf of absorption this quarter. This market continues to struggle with the continued arrival of large blocks of space on the market (i.e. over 50k square feet (sf), sluggish demand for large bay spaces, and little recent new construction deliveries are all factors behind the continued negative absorption this market has been posting.

SPACE DEMAND / DELIVERIES

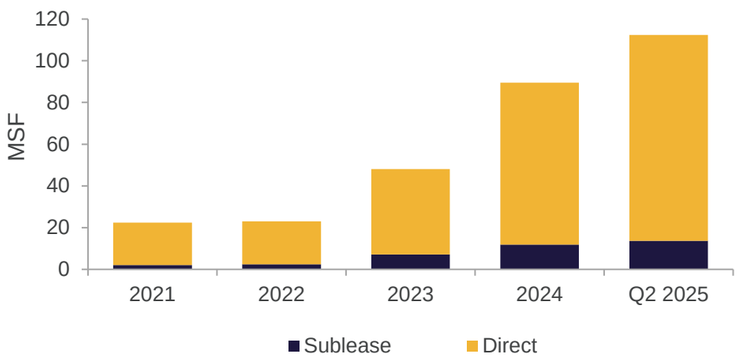


OVERALL VACANCY & ASKING RENT

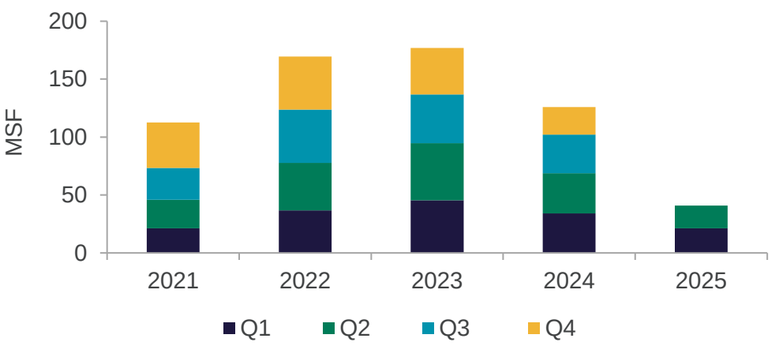


CANADA
INDUSTRIAL Q2 2025

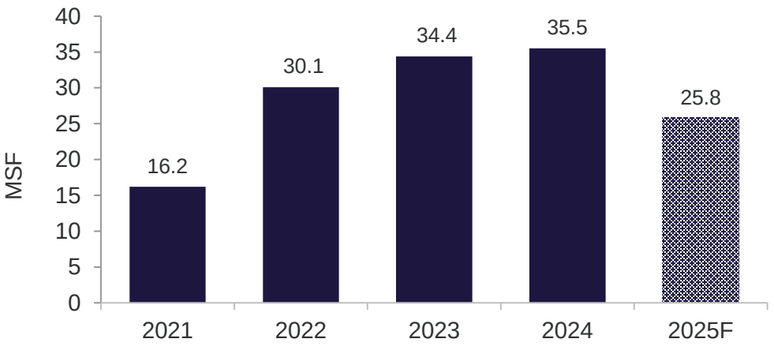
SUBLEASE VS. DIRECT VACANCY



SPACE UNDER CONSTRUCTION



NEW SUPPLY



The amount of industrial vacant space on the market has now reached 112.4 msf. While an increase in direct vacancy did contribute towards the majority of the overall increase in vacant space this quarter, sublet vacancy – after a one quarter pause – resumed its upward trajectory, with sublet vacancy as a percentage of overall vacancy now at 12.2%. While this is higher than last quarter, it does remain lower than what had been posted in the quarters immediately following the cool down in market conditions that began in mid-2023. As of the end of the second quarter there was an additional 1.85 msf of sublet vacancy that could potentially arrive on the market over the course of the next six months.

Overall new leasing activity did contract slightly from last quarter to reach 11.8 msf. While the number of transactions in the major Canadian markets remained close to the total recorded in the first quarter of 2025, the average square footage size of the space leased was down slightly to 18,500 sf. There are two trends however that remain from the previous quarter. One is the average size of the space leased in buildings built after 2020, or that are currently under construction, continue to average around 50k sf. The other is that demand continues to be focused in small to mid bay product with the number of new transactions of spaces under 20k sf accounting for 78% of all transactions this quarter.

The overall asking average net asking rental rate posted a small decline from last quarter to reach $15.27 psf, with most of the major markets witnessing minor increases or decreases in net rates in comparison to last quarter. While some additional softening is expected through the last half of the year, like vacancy rates, the overall rental rate is forecasted to stabilize into early 2026.

New supply arrivals reached 4.6 msf this quarter, largely located within Vancouver, Calgary and the GTA market. Speculative builds made up the overwhelming majority of deliveries this quarter, accounting for 94.2% of all new supply. Although these buildings were approximately 57.0% preleased upon completion, given the size of the Canadian industrial market the remaining vacancy did not have a notable impact on the overall vacancy rate. Similar to what was completed last quarter, almost all buildings that were completed in the second quarter of 2025 were under 300k sf. There remains an additional 19.6 msf that is currently under construction, with 15.4 msf of this total set to arrive by the end of 2025, largely located within speculative projects. That under construction figure tapers off in 2026 with close to 3.4 msf of new supply forecasted to be delivered, almost entirely within the first half of the year.

OUTLOOK

- Both new supply deliveries and industrial space under construction will continue to slow through the remainder of 2025 and into early 2026, easing future oversupply risks.
- Vacancy rates should peak by the end of 2025 and into early 2026 before stabilizing as vacant space arriving to the market from new supply is absorbed into the market.
- Rental rate growth has been easing in recent quarters and may be reaching a point where rates will not be reduced further and instead landlords/developers will focus on tenant inducements to entice occupiers. Once the market witnesses sustained demand and vacancy begins to decline there is the likelihood rental rate growth will resume.

MARKET STATISTICS Q2 2025

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Vancouver	249,039,055	9,671,132	3.9%	-66,133	258,576	5,131,581	1,813,113	$19.94	$5.71	$25.65
Edmonton	163,248,169	9,570,135	5.9%	814,147	825,614	1,921,478	571,406	$11.55	$4.78	$16.33
Calgary	159,256,189	9,549,261	6.0%	1,025,281	766,125	1,396,058	1,348,490	$10.55	$4.48	$15.03
Saskatoon	24,778,383	699,079	2.8%	271,035	251,330	97,100	150,928	$13.62	$5.15	$18.77
Winnipeg	77,120,822	2,400,334	3.1%	-340,984	135,849	49,000	0	$8.56	$4.13	$12.69
Waterloo Region	97,198,009	5,747,201	5.9%	-295,548	-623,228	1,623,129	444,186	$13.72	$3.91	$17.63
London	43,037,369	1,960,436	4.6%	-420,060	-4,912	647,984	621,714	$9.88	$3.65	$13.53
Toronto	840,835,763	42,005,333	5.0%	58,847	647,854	7,464,023	4,894,314	$17.00	$4.06	$21.06
Ottawa	28,462,345	1,261,366	4.4%	189,355	183,280	201,963	0	$16.75	$6.03	$22.78
Montreal	351,562,207	27,239,461	7.7%	-3,120,067	-6,128,380	595,680	408,466	$14.56	$4.38	$18.94
Fredericton	523,015	0	0.0%	1,982	982	11,250	0	$8.10	$4.95	$13.05
Saint John	522,603	19,739	3.8%	13,800	481	0	0	$8.53	$4.27	$12.79
Moncton	4,916,105	488,197	9.9%	-64,057	-66,247	349,960	109,895	$7.32	$3.63	$10.94
Halifax	9,858,409	1,165,504	11.8%	-120,780	-69,754	159,900	44,516	$9.78	$6.44	$16.22
Charlottetown	396,139	15,399	3.9%	0	0	0	0	$10.67	$5.52	$16.19
St. John’s	4,447,003	590,758	13.3%	107,957	116,413	0	0	$13.11	$3.68	$16.79
NATIONAL TOTALS	**2,055,201,585**	**112,383,335**	**5.5%**	**-1,945,225**	**-3,706,017**	**19,649,106**	**10,407,028**	**$15.27**	**$4.61**	**$19.88**

METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of industrial properties deemed to be competitive in the local industrial markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

EXPLANATION OF TERMS

Total Inventory: The total amount of industrial space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord, excludes sublease space.

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Overall Weighted Asking Rents: NNN average asking rents weighted by the amount of available direct space in industrial properties.

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