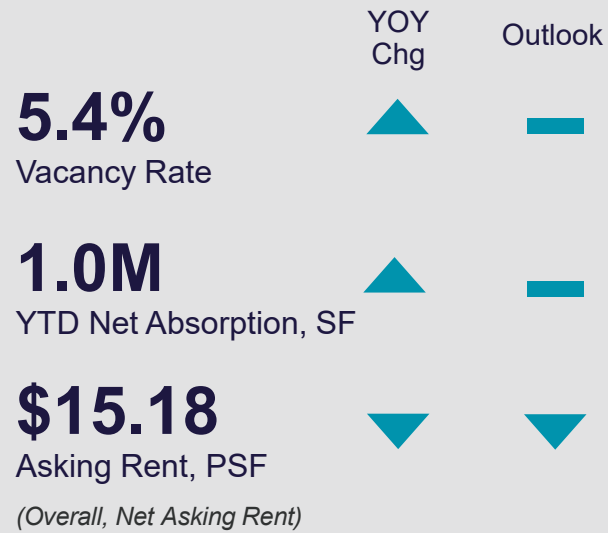
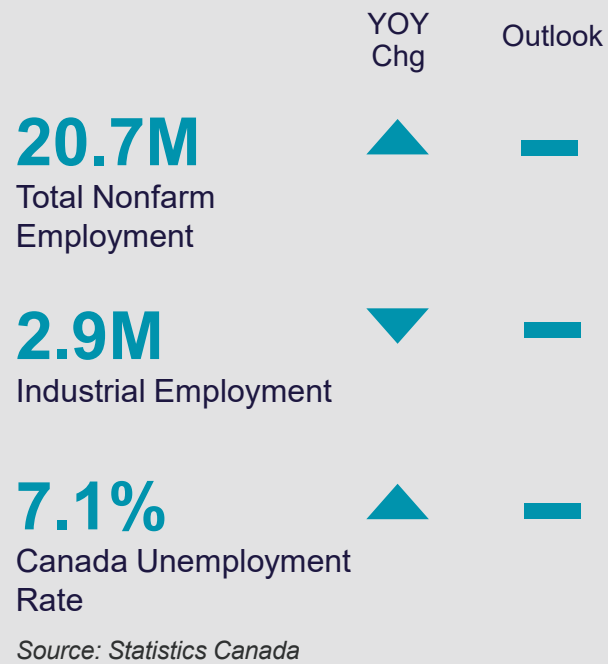




**MARKET FUNDAMENTALS**



**ECONOMIC INDICATORS**



**IMPROVEMENT IN MARKET CONDITIONS IN Q3 2025**

In its August 2025 Labour Force Survey, Statistics Canada reported that Canadian employment levels declined for the second consecutive month, with a decrease of 66,000 jobs, extending the decline witnessed in July of 41,000. With this decrease the unemployment rate climbed to 7.1%; its highest level since May 2016 (excluding 2020 & 2021). Employment fell by 23,000 in the transportation and warehousing sector in August, which offset a similar increase in July. On a year-over-year basis employment in this sector remains stable. Employment also decreased in manufacturing, falling by 19,000, and has declined by 58,000 since January 2025.

The overall Canadian industrial vacancy rate stabilized at 5.4% in Q3 2025, ending the streak of 12 consecutive quarters of vacancy increases. The majority of the Canadian markets followed suit, with either unchanged vacancy or just minor 10-20 basis point (bps) fluctuations from the prior quarter.

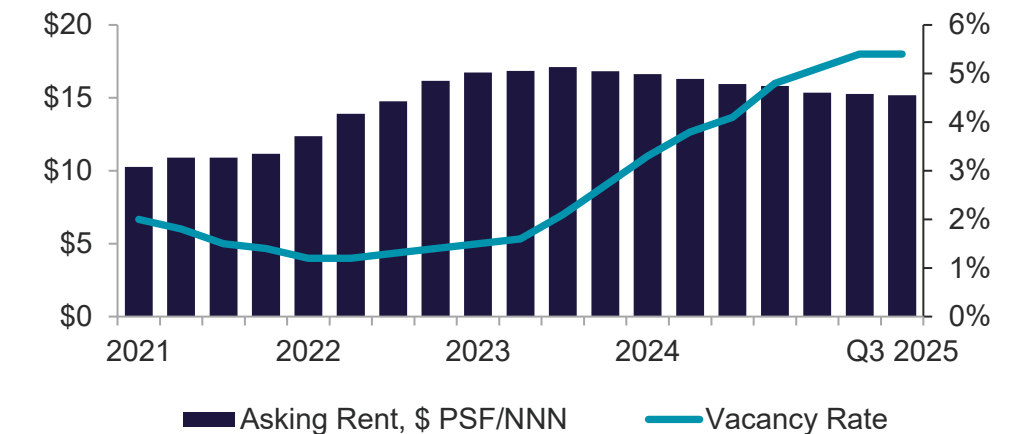
Absorption surged back into positive territory in Q3 2025, hitting just over 2.9 million square feet (msf) nationally—marking the strongest quarterly performance since Q3 2023 and playing a pivotal role in halting the climb in industrial vacancy that has been ongoing since Q3 2022. While several major markets posted negative absorption this quarter, including Vancouver and Montreal, which together combined for nearly 1.6 msf of negative absorption, Toronto single-handedly offset this, recording a notable 3.6 msf of positive absorption—its highest quarterly tally since Q4 2022—highlighting its significant influence on national fundamentals.

The national average net asking rent edged down again in Q3 2025, settling at \$15.18 per square foot, with all major markets reporting similar softening from the prior quarter. While rates remain firm for high-demand footprints—particularly sub-20k square foot spaces—landlords are having to be competitive on larger blocks, especially those over 50k square feet (sf), where leasing velocity has lagged. With concessions and competitive pricing strategies for these larger blocks, further downward pressure on overall asking rents is expected to persist through the balance of 2025 and into early 2026.

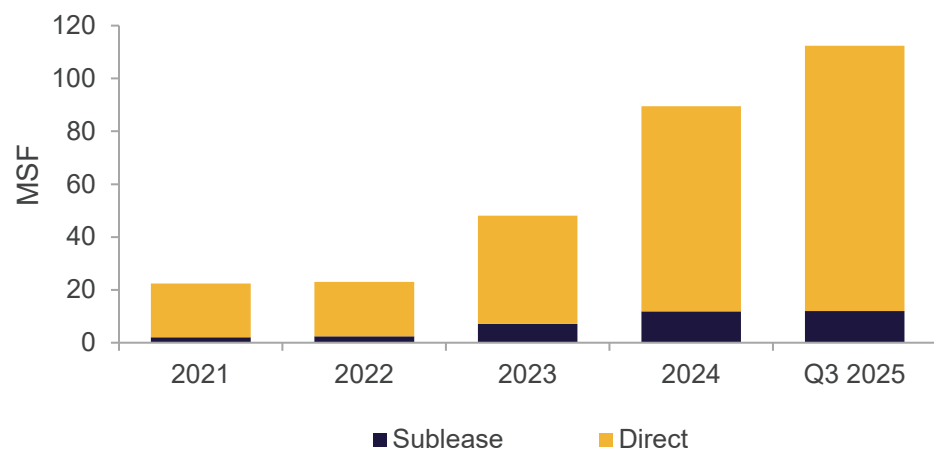
**SPACE DEMAND / DELIVERIES**



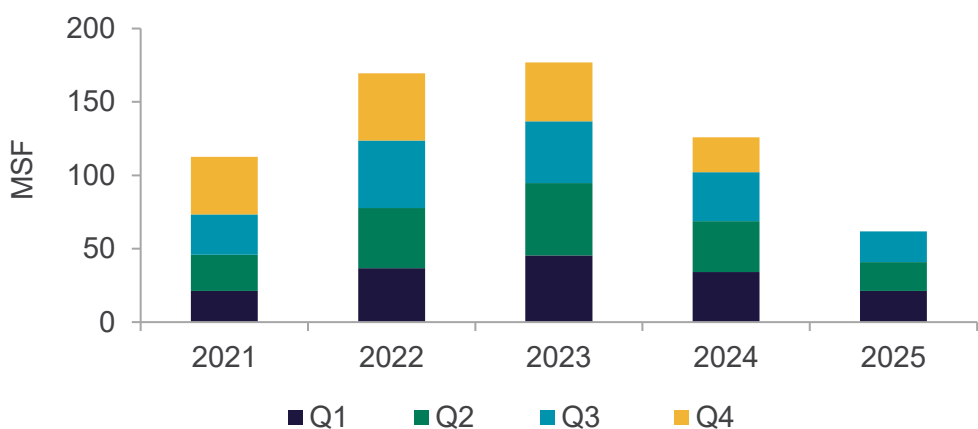
**OVERALL VACANCY & ASKING RENT**



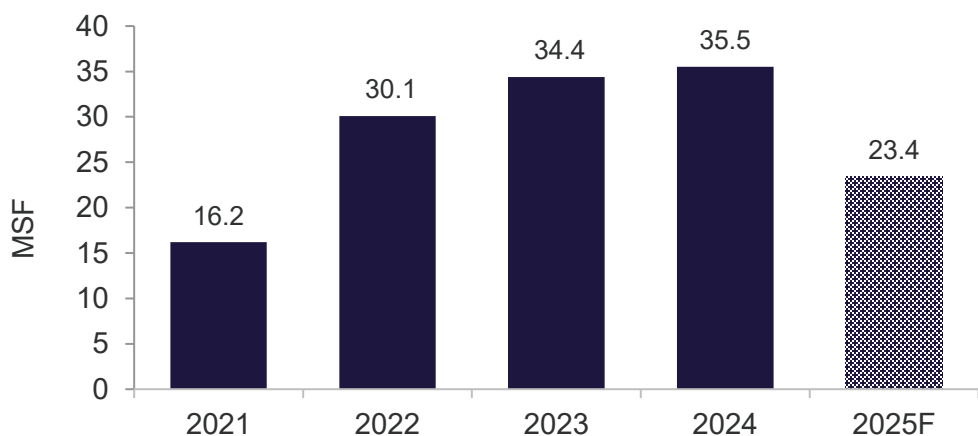
**SUBLEASE VS. DIRECT VACANCY**



**SPACE UNDER CONSTRUCTION**



**NEW SUPPLY**



Industrial vacant space held fairly steady this quarter at 112.4 msf. The modest uptick in overall vacant space from last quarter was driven by a rise in direct vacancy, while sublet availability—after spiking last quarter—contracted to just over 12.0 msf. Toronto led the pullback, posting a quarter-over-quarter (QOQ) decline of roughly 1.7 msf. As of quarter-end, approximately half of all sublet listings remain in blocks exceeding 20k sf, a ratio that has held firm since early 2025. Notably, 48% of current sublet spaces are tied to leases set to expire by the end of Q1 2028, suggesting a steady pipeline of potential turnover to direct vacancy in the medium term, if of course the space is not leased prior to lease expiration.

Sublease leasing activity played a meaningful role in the national decline in sublet vacancy this quarter, with approximately 2.6 msf leased in Q3 2025—well ahead of last quarter’s total. Overall new leasing surged to 15.3 msf, marking the strongest quarterly volume in over four years. Interestingly, while the total number of transactions across major Canadian markets dipped QOQ, the volume was buoyed by a sharp rise in large-format deals: leases over 125k sf doubled compared to Q2 2025. This shift helped push the average deal size from roughly 19k sf last quarter to just over 25k sf in Q3 2025. Despite the uptick in large bay leasing, demand remains concentrated in the small to mid-size segment (under 25k sf), which accounted for nearly 78% of all new activity.

New supply edged up in Q3 2025 to approximately 5.1 msf, with Toronto accounting for nearly two-thirds of the total. Speculative construction continues to dominate the development pipeline, representing 78% of deliveries this quarter. Despite a modest prelease rate of just 34%, strong tenant demand in existing inventory helped to prevent any upward pressure on the national vacancy rate. All buildings delivered this quarter were sub-500k sf, reinforcing the trend toward mid-size industrial formats.

National construction activity remains elevated, with 20.8 msf currently underway. Of that, an additional 12.1 msf is slated for delivery next quarter, the bulk of which stems from speculative builds. The development pipeline is expected to gradually taper off through most of 2026—except for one major outlier: Amazon’s 3.1-msf distribution centre in Ottawa, scheduled for completion in Q4 2026. Once delivered, it will stand as the largest Amazon facility in Canada, underscoring the scale and strategic importance of Ottawa within its national logistics network.

**OUTLOOK**

- While this quarter’s new construction deliveries didn’t push the national vacancy rate higher, the risk of future increases remains. With preleasing in speculative projects hovering around just 30%, the pipeline through late 2025 and into 2026 could introduce significant unabsorbed space if tenant demand softens.
- Absorption is expected to remain volatile in the near term. This quarter’s strong leasing activity signals healthy future occupancy, in addition to the roughly 6.4 msf of fully leased build-to-suit projects slated for delivery over the next 12 months. However, in Canada’s four largest markets, approximately 3.7 msf of space in existing inventory is being actively marketed for availability within the same timeframe—posing a potential headwind to net absorption totals.

**MARKET STATISTICS Q3 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	249,635,337	10,614,383	4.3%	-585,742	-271,251	5,361,819	2,251,051	\$19.68	\$5.80	\$25.48
Edmonton	163,565,469	9,308,849	5.7%	578,586	1,404,200	1,566,034	888,706	\$11.55	\$4.80	\$16.36
Calgary	160,074,843	8,994,495	5.6%	469,951	1,932,913	1,433,470	1,966,630	\$10.32	\$4.51	\$14.83
Saskatoon	24,838,937	739,845	3.0%	19,788	271,118	30,000	211,482	\$14.11	\$5.15	\$19.26
Winnipeg	77,120,822	2,341,760	3.0%	203,613	339,462	49,000	0	\$8.62	\$4.21	\$12.83
Waterloo Region	97,356,751	5,938,845	6.1%	-32,902	-656,130	1,501,891	602,928	\$13.83	\$3.80	\$17.62
London	43,068,911	1,645,906	3.8%	115,290	110,378	610,607	688,939	\$10.91	\$3.95	\$14.86
Toronto	844,950,381	41,610,472	4.9%	3,568,688	4,231,226	5,348,897	8,086,316	\$16.85	\$4.02	\$20.87
Ottawa	28,398,759	1,652,619	5.8%	-490,392	-242,709	3,350,881	0	\$16.67	\$6.34	\$23.01
Montreal	353,039,892	27,301,344	7.7%	-989,413	-6,145,707	1,011,084	408,466	\$14.46	\$4.57	\$19.03
Fredericton	523,015	0	0.0%	0	982	11,250	0	\$8.10	\$4.95	\$13.05
Saint John	522,603	7,680	1.5%	12,059	12,540	0	0	\$8.60	\$4.27	\$12.86
Moncton	4,916,105	467,168	9.5%	21,029	-45,218	349,960	109,895	\$7.39	\$3.63	\$11.02
Halifax	9,858,409	1,223,098	12.4%	-38,734	-108,488	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	4,448,268	526,432	11.8%	64,326	180,739	0	0	\$13.20	\$3.71	\$16.91
<b>NATIONAL TOTALS</b>	<b>2,062,714,641</b>	<b>112,388,295</b>	<b>5.4%</b>	<b>2,916,147</b>	<b>1,014,055</b>	<b>20,784,793</b>	<b>15,258,929</b>	<b>\$15.18</b>	<b>\$4.65</b>	<b>\$19.82</b>

## 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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