

# MARKET REPORT

Industrial

Southwestern Ontario Metro Area

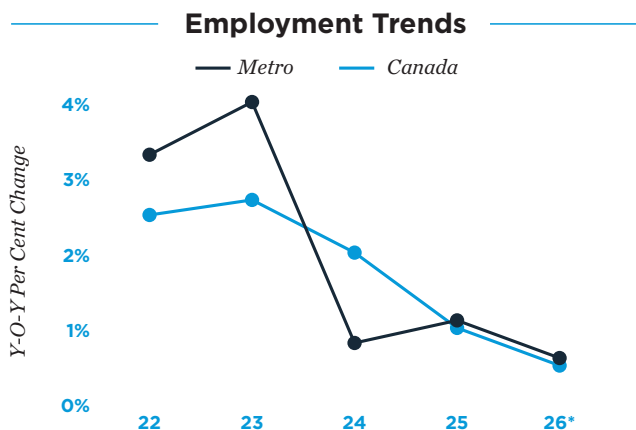
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2Q/26

## Trade Pressures Challenge but Do Not Break Industrial Performance

**Fundamentals resilient despite trade volatility.** Southwestern Ontario's concentration of auto and steel manufacturing leaves the region exposed to U.S. tariff policy, which introduced a layer of uncertainty last year. This weighed on tenant sentiment and delayed leasing decisions, with vacancy rising nearly 60 basis points to 4.6 per cent by midyear as supply chain visibility weakened and some tenants paused expansion plans. Conditions began to improve in the latter part of the year, however, as trade tensions eased modestly and businesses regained confidence in near-term planning. Leasing activity picked up in the fourth quarter and carried into early 2026, supported by more stable trade expectations and improving economic clarity. Vacancy ultimately edged down 20 basis points on an annual basis, outperforming initial expectations, despite elevated trade-related risks.

**Electric vehicles support long-term demand.** A key trend across Southwestern Ontario is the evolution of advanced manufacturing tied to Canada's electric vehicle supply chain. While trade tensions and slower EV adoption have tempered near-term momentum — highlighted by Stellantis backing out of its battery plant in Windsor and shifting some production to the U.S. — other firms continue to advance projects in the region. LG Energy Solution's battery facility in Windsor is now operational, while Volkswagen's plant in St. Thomas is on track for a 2027 opening. These investments are expected to generate meaningful industrial demand for both existing space and build-to-suit opportunities across nearby markets in the longer term.



\* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

## Industrial 2026 Outlook



**10,000  
JOBS**

*will be created*

### EMPLOYMENT

Employment has softened in recent quarters, driven by manufacturing-related weakness tied to trade uncertainty. However, stabilization in trade conditions and diversified employment bases across the region are expected to support some job creation this year.



**1.5 MILLION  
SQ. FT.**

*will be completed*

### CONSTRUCTION

Deliveries are set to decline for a second consecutive year, reaching their lowest level since 2021. At roughly 15 per cent below the trailing 10-year average, the reduced pipeline is expected to support a gradual improvement in industrial fundamentals this year.



**40  
BASIS POINT**

*decrease in vacancy*

### VACANCY

Vacancy is forecast to stabilize, edging down to around 4 per cent, as a dwindling construction pipeline aligns with growing leasing momentum from advanced manufacturing, logistics, and food-related users amid gradually improving trade conditions.



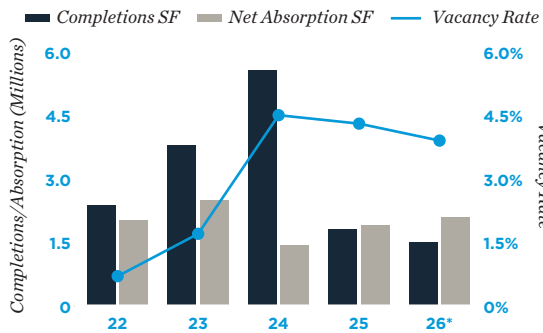
**0.8%  
INCREASE**

*in asking rent*

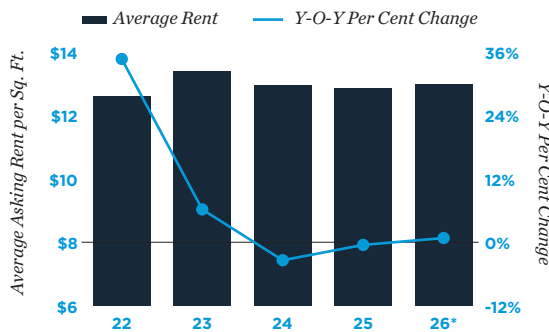
### RENT

Rents are projected to rise 0.8 per cent in 2026, building on modest growth in 2025, as easing supply pressures and steady demand from food processing, manufacturing, logistics, and EV spillover support stabilization.

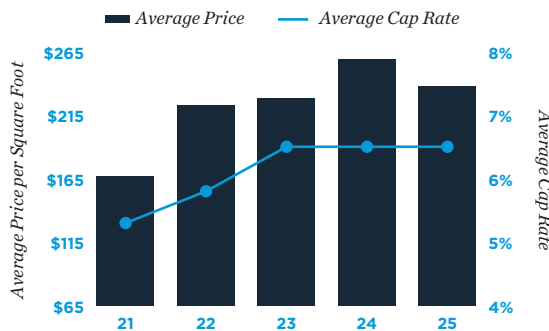
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

### Toronto Office:

**Rob Walkowiak** Managing Director, Market Leader | Toronto & Ottawa

200 King Street West, Suite 1210

Toronto, Ontario M5H 3T4

Tel: (416) 585-4650 | rob.walkowiak@marcusmillichap.com

### Prepared and edited by:

**Frank Zhao**

Research Analyst, Canada | Research Services

For information on national industrial trends, contact:

**John Chang**

Chief Intelligence & Analytics Officer

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

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## 1Q 2026: Trailing 12-Month Period



### CONSTRUCTION

**1,894,000 sq. ft. completed**

- Deliveries declined sharply over the past year, falling roughly 60 per cent, as developers pulled back amid moderating fundamentals and heightened exposure to U.S. trade uncertainty.
- Openings remained concentrated in more established nodes, with 65 per cent of completions occurring in Hamilton and London.



### VACANCY

**0 basis point change in vacancy Y-O-Y**

- Vacancy dropped in the first quarter of 2025 before rising amid supply growth and a leasing slowdown driven by tariff uncertainty. That said, leasing has since picked up, and vacancy is largely stabilizing at 4 per cent.
- Vacancy fell in established nodes such as Hamilton, London, and Kitchener, where deeper tenant demand continues to support leasing.



### RENT

**0.1% decrease in the average asking rent Y-O-Y**

- After declining roughly 5 per cent from the 2024 peak, the average asking rent has stabilized over the past year at just below \$13 per square foot.
- Trade headwinds and supply growth have been concentrated in Hamilton, Kitchener, and Brantford, weighing on rents, while tighter pipelines in London and St. Catharines have supported continued rent growth.

## Investment Highlights

- Despite elevated trade uncertainty, Southwestern Ontario's industrial investment market remained liquid in 2025, with transaction activity rising 3.4 per cent. Momentum was driven by deals valued at over \$10 million, lifting total dollar volume 36 per cent and highlighting strong demand for high-quality, well-located assets.
- Investment activity last year was concentrated in Cambridge, Guelph, and Hamilton. That area's strong, diverse industrial base, excellent connectivity to major transportation routes, and proximity to the GTA, along with a greater supply of institutional-quality, scalable assets, continued to attract core and core-plus capital seeking stable, long-term income.
- While investor interest remains, tariff-related headwinds weighed on property values, with the average sale price dropping nearly 10 per cent in 2025. This follows a prolonged period of price growth over the past decade, including during the higher-rate environment emerging from the pandemic. Even so, improved lending stability has kept cap rates mostly steady at around 6.5 per cent over the past three years.