

INVESTMENT FORECAST

Retail
Southwestern Ontario

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Trade Risks, Demographic Shifts to Extend Near-Term Strain on Fundamentals

Vacancy rate to remain on upward trajectory. Southwestern Ontario's retail market came under pressure in 2025 from both trade disruptions and the exit of Hudson's Bay. The sharp rise in U.S. tariffs rippled through the region's auto supply chain, curbing production in cities such as Windsor and London. These disruptions dampened job growth, eroded consumer sentiment and weakened demand for retail space across the metro. The closure of nine local Hudson's Bay stores added to the strain by removing a major department-store anchor and forcing landlords to backfill larger spaces in a challenging leasing environment. Looking ahead to 2026, ongoing uncertainty surrounding Canada-U.S. trade relations is expected to remain the region's primary headwind. Meanwhile, Canada's plan to cut international student admissions by half will slow population growth in college and university towns in the near term, weighing on foot traffic and tenant expansion. With both economic and demographic drivers losing momentum, space demand is likely to remain subdued and vacancy rates could edge higher before stabilizing later in the year.

INVESTMENT TRENDS

- Primaris REIT's \$416 million acquisition of Lime Ridge Mall from Cadillac Fairview was the largest deal last year, highlighting the resilience of buyer confidence despite trade risks.
- While short-term trade and population challenges persist, steady domestic in-migration and affordability advantages will continue to attract investors seeking long-term gains.

2026 Retail Trends



**700,000
SQUARE FEET**
will be completed

CONSTRUCTION:

The expected delivery of two large spaces along Henry Street in Brantford, totaling 240,000 square feet, will lead to a modest rise in completions. Most other additions are in London and Kitchener.



**30
BASIS POINT**
increase in vacancy

VACANCY:

Vacancy is expected to inch up as space demand remains sluggish amid economic and demographic challenges. The rate is projected to hover around 2.5 per cent by year-end, doubling its 2024 level.

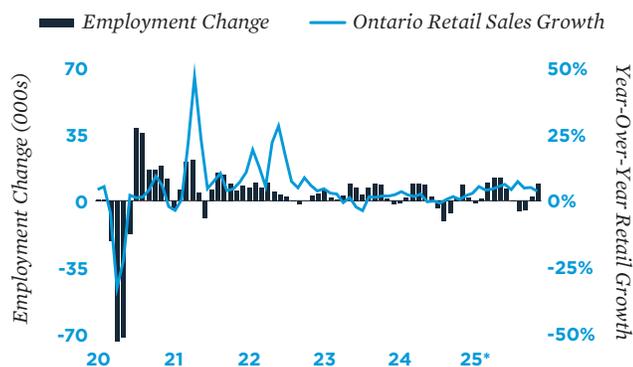


**2.3%
DECREASE**
in asking rent

RENT:

Year-over-year growth in asking rents slowed last year and turned negative through the second quarter. This downward trend is likely to persist in 2026 as the vacancy rate climbs further.

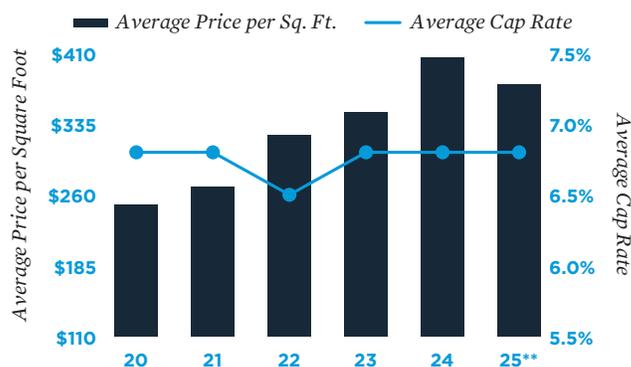
Employment vs. Retail Sales Trends



* Employment through November, retail sales through September; ** Trailing 12 months through 3Q
Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Price and Cap Rate Trends



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