

Supply pipeline tightens while demand rebounds across key markets

▲ 7.5%

Availability Rate

▲ 826K

SF New Supply

▼ 1.4M

SF Under Construction

▼ \$12.56

PSF Avg. Asking Lease Rate

▲ \$262.63

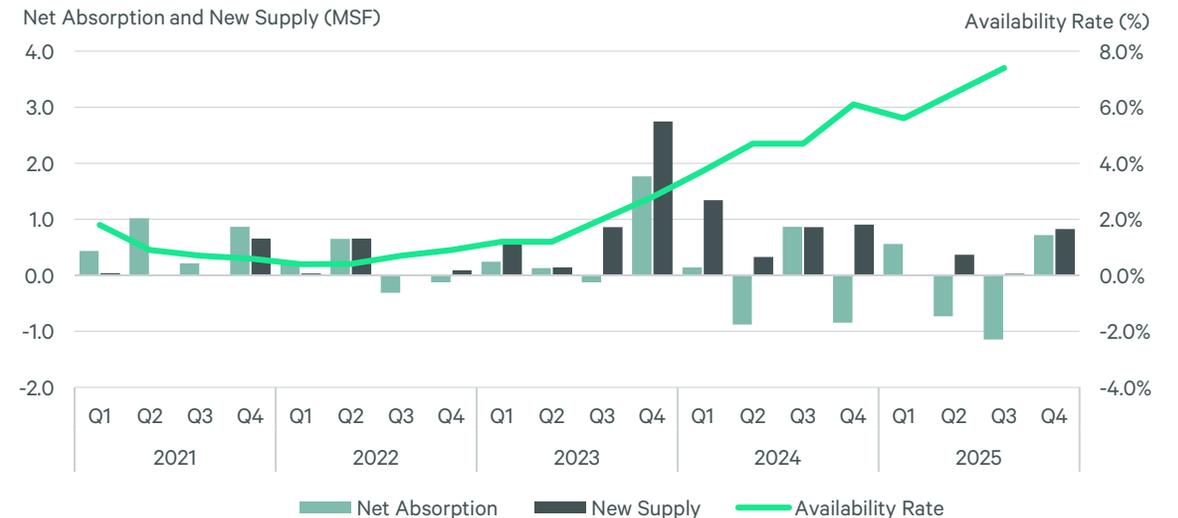
PSF Avg. Asking Sale Price

Note: Arrows indicate change from previous quarter.

Overview

- Under construction space has declined to just above 1.4 million sq. ft., marking the lowest level since Q4 2021. This represents a significant drop of 865,000 sq. ft. compared to Q4 2024, highlighting a notable slowdown in development activity.
- The year began with no new supply delivered to the market; however, by year-end, new supply reached approximately 1.2 million sq. ft., with the majority of this space delivered in the final quarter.
- After recording the lowest net absorption in over two decades, the year closes with 718,000 sq. ft. of positive absorption, driven largely by the Waterloo Region at 682,000 sq. ft. Most markets posted gains, while Guelph and Stratford ended with negative absorption of 219,000 sq. ft. and 16,000 sq. ft., respectively.
- Net asking rents remain competitive, averaging approximately \$12.56 per sq. ft., which positions the market as an affordable alternative to higher-cost regions.

FIGURE 1: Midwestern Ontario Industrial Supply & Demand Fundamentals



Source: CBRE Research, Q4 2025.

Net absorption and new supply

The industrial market experienced significant shifts in both supply and demand dynamics throughout the year, marking a period of transition for the sector. On the supply side, the year began with no new deliveries; however, completions accelerated in the latter half, adding 1.2 million sq. ft. of new inventory by year-end. Cambridge stood out as the only market to see new supply this quarter, with 826,000 sq. ft. of construction completed led by 315 Allendale Road, which accounted for over 244,000 sq. ft. These completions contributed to overall inventory growth, even as the development pipeline tightened considerably.

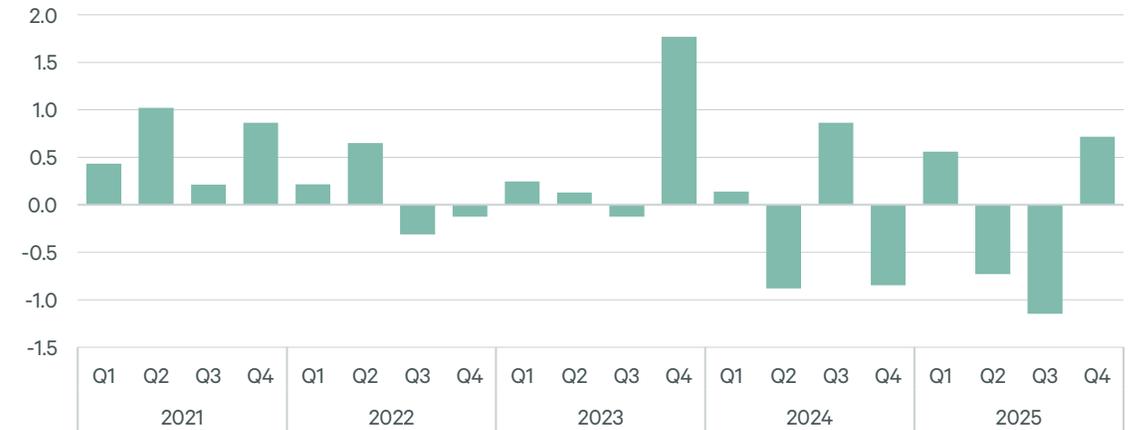
After recording the lowest net absorption in over two decades earlier in the year, the market rebounded to close with 718,000 sq. ft. of positive absorption. This recovery was driven largely by Waterloo Region’s strong performance, which accounted for 682,000 sq. ft. of the total. Most markets posted gains, underscoring tenant activity, though Guelph and Stratford ended with negative absorption of 219,000 sq. ft. and 16,000 sq. ft., respectively. These mixed results highlight the uneven nature of demand across the region, with Waterloo emerging as a key growth driver while other markets continue to face challenges.

Under construction decline while net rental rates trend downwards

Under construction space declined sharply to just 1.4 million sq. ft., marking the lowest level since Q4 2021 and a drop of 865,000 sq. ft. compared to Q4 2024. This reduction signals a notable slowdown in development activity, likely driven by cautious developer sentiment amid shifting demand patterns.

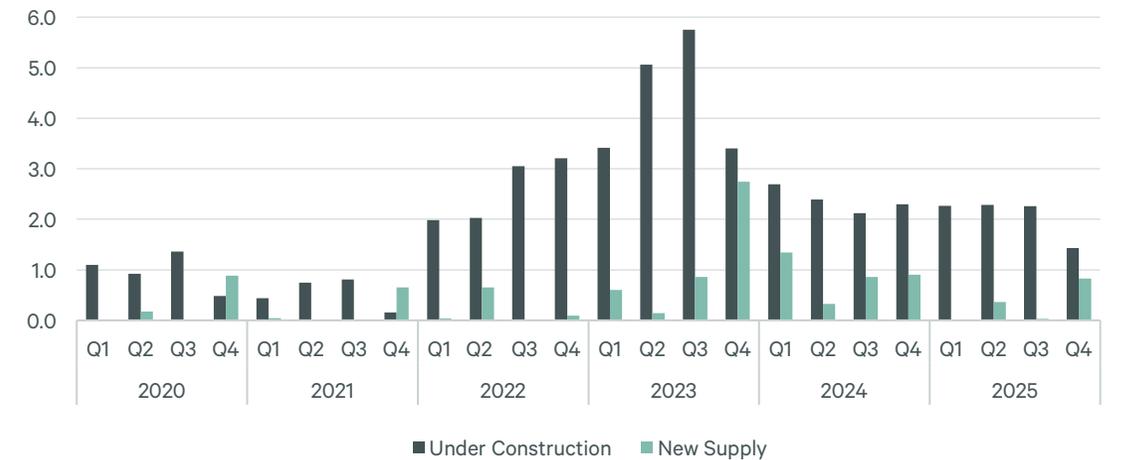
Net asking rents in the market remain competitive, averaging approximately \$12.56 per sq. ft. The range spans from \$10.40 to \$13.31 per sq. ft., a difference of about \$1.46 per sq. ft., reflecting stable pricing with slight variation based on location and building quality. Premium assets command rents near \$14.00 per sq. ft., while older or less strategically located properties trend closer to \$12.50 per sq. ft.

FIGURE 2: Historical Net Absorption (MSF)



Source: CBRE Research, Q4 2025.

FIGURE 3: Under Construction and New Supply (MSF)



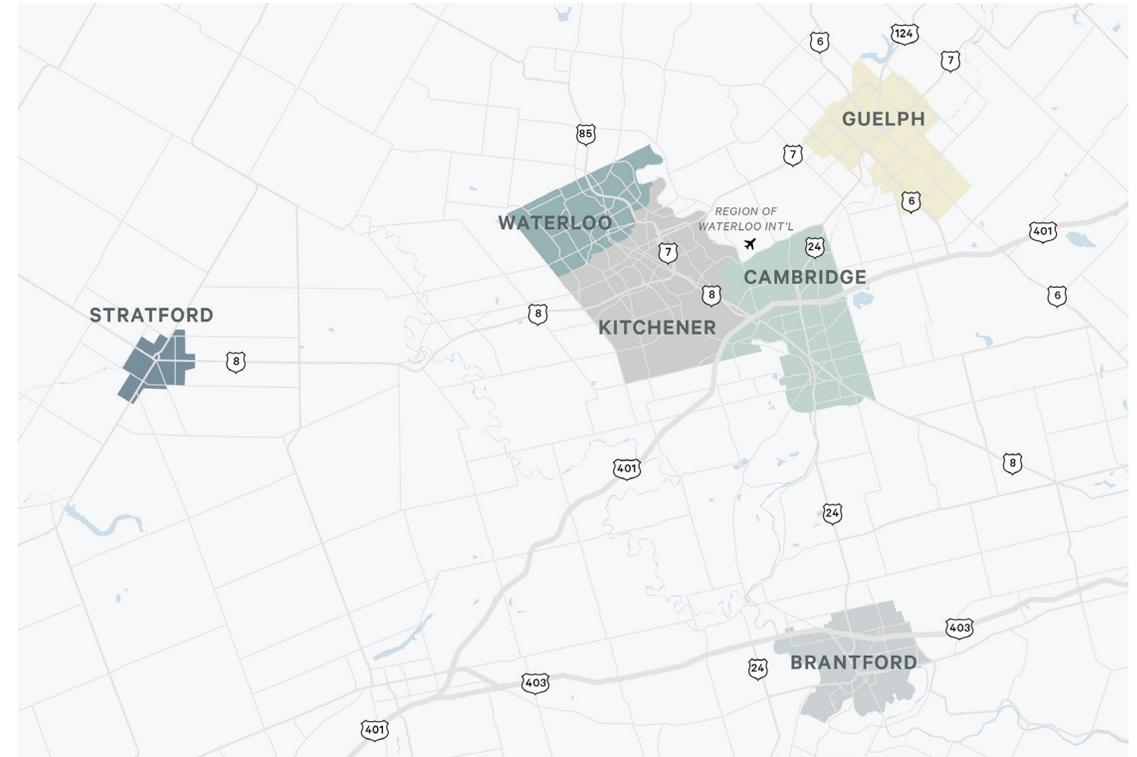
Source: CBRE Research, Q4 2025.

FIGURE 4: Industrial Market Statistics Summary

Submarket	Inventory (SF)	Availability Rate (%)	Vacancy Rate (%)	Quarterly Net Absorption (SF)	Yearly Net Absorption YTD (SF)	Under Construction (SF)	Net Asking Rent (PSF)	Avg. Asking Sale Price (PSF)
Kitchener	24,243,559	8.7%	4.6%	28,080	-509,285	240,000	\$12.69	\$338.61
Waterloo	8,711,405	8.7%	2.2%	92,530	48,168	0	\$11.96	\$222.60
Cambridge	37,231,153	9.2%	6.6%	560,943	-317,137	179,349	\$12.61	\$317.14
Waterloo Region Total	70,186,117	8.9%	5.4%	681,553	-778,254	419,349	\$12.57	\$312.82
Guelph	22,392,020	6.4%	4.0%	-219,427	-181,796	0	\$13.31	\$274.36
Brantford	24,744,854	5.5%	1.9%	271,226	573,568	1,011,986	\$11.77	\$145.40
Stratford	7,104,191	3.0%	1.4%	-15,613	-213,575	0	\$10.41	\$138.17
Overall Total	124,427,182	7.5%	4.2%	717,739	-600,057	1,431,335	\$12.56	\$262.63

Source: CBRE Research, Q4 2025.

Market Area Overview



Contacts

Megan Solomon

Research Analyst
 +1 519 340 0733
 megan.solomon@cbre.com

CBRE Office

Kitchener

72 Victoria Street South,
 Suite 200
 Kitchener, ON N2G 4Y9