CBRE

Negative absorption and rising vacancy signal slower industrial market activity

▲ 6.5%
Availability Rate

▼ 0K
SF New Supply

▲ 207K
SF Under Construction

▶ $10.74
PSF Avg. Asking Lease Rate

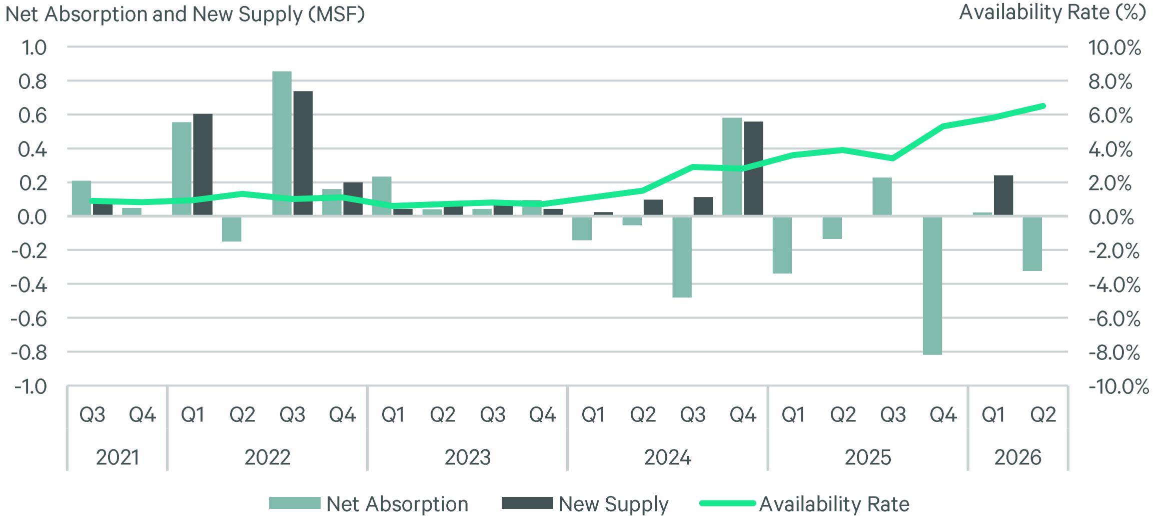
▼ $175.88
PSF Avg. Asking Sale Price

Note: Arrows indicate change from previous quarter.

Executive Summary

- London's industrial market recorded 324,000 sq. ft. of negative net absorption in Q2 2026, with vacancy increasing for a third consecutive quarter as availability expanded across most submarkets.
- Industrial availability rose to 6.5%, driven in part by 66,000 sq. ft. at 4350 Castleton Road being returned to the market as some occupiers look to economize. Net asking rents remained unchanged at $10.74 per sq. ft., supported by a high proportion of availabilities comprising of Class A space.
- Activity was muted as industrial businesses and investors weigh several headwinds including revised interest rate expectations, uncertainty surrounding trade with the U.S., and a rebalancing of capital towards higher returns. London held up relatively well overall, with manufacturing employment and GDP both growing in Q2.

FIGURE 1: London Fundamentals – Historical Analysis



Source: CBRE Research, Q2 2026.

Availability rises as industrial activity slows

The vacancy and availability rates of industrial space in London ticked up modestly to 4.3% and 6.5%, respectively. Class A space comprises most of the previously available space, as well as most of the increase in available space this quarter. 65,000 sq. ft. of space came to market at 4350 Castleton Road as two tenants in the home improvement industry announced intentions to vacate the space later this year, coinciding with softer residential markers, including lower housing starts and a third consecutive quarterly population decline, forecast to continue until Q4 of next year.[1]

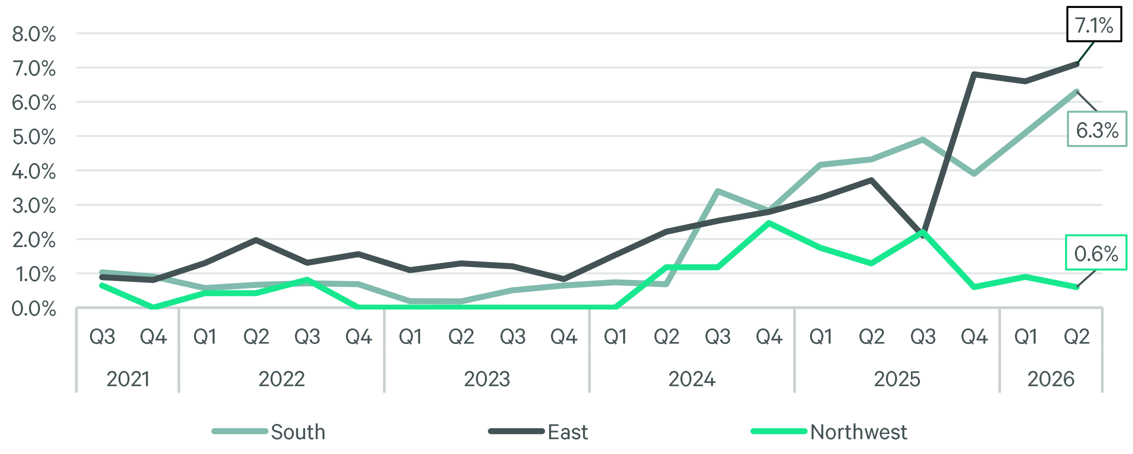
Rental rates hold firm despite market softening

Despite the slight loosening in supply dynamics, landlords continue to hold firm on rental rates. Net asking rent movements were mixed by region and building type, but remained unchanged overall at $10.74 per sq. ft. across London. Conversely, price discovery continues in the sales market following the volatile rise and fall of industrial property values over recent years. Changing business models, rising interest rates and, more recently, uncertainty surrounding exports have continued to weigh on pricing, with average asking sale prices falling 3.6% since the previous quarter to $175.88 per sq. ft. Q2 has also been marked by the Iran conflict and its impact on borrowing costs; oil shocks have historically had significant impact on supply-push inflation, and bond yields have risen to nearly two-year highs in expectation of higher costs for consumers. As a result, the chance of further rate cuts by the Bank of Canada occurring this year are now diminished significantly by most forecasts, and this will likely put more pressure on real estate investment in the coming months.

Industrial uncertainty tempers London's economic resilience

Despite recent headwinds, some of London’s economic measures showed strength this quarter. Namely, GDP grew at a rate of 10.0% annualized, and the local unemployment rate dropped from an elevated level of 9.2% to 7.5% in Q2, albeit alongside a falling labour force participation rate and total employment level. Employment in manufacturing specifically increased by 1.8%, showing relative strength of the sector in London.[1] However, the broader industry remains under significant pressure with 42.0% of Canadian manufacturers shifting some or all production to the U.S. due to recent trade uncertainty and a longer-term trend of low capital investment as per a recent KPMG survey.[2]

FIGURE 2: Historical Industrial Availability Rate By Submarket (%)



Source: CBRE Research, Q2 2026.

FIGURE 3: Historical Rental Rates by Submarket (PSF)

Source: CBRE Research, Q2 2026.

FIGURE 4: Q2 2026 Industrial Market Statistics

Submarket	Inventory (SF)	Availability Rate (%)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Net Asking Rent (PSF)	Avg. Asking Sale Price (PSF)
South	19,557,628	6.3%	3.2%	-226,762	-247,386	14,000	$11.01	$178.70
East	21,915,841	7.1%	5.4%	-101,940	-54,112	192,686	$10.53	$169.03
Northwest	1,394,647	0.6%	0.6%	5,000	0	0	$10.50	$177.27
London Total	**42,868,116**	**6.5%**	**4.3%**	**-323,702**	**-301,498**	**206,686**	**$10.74**	**$175.88**

Source: CBRE Research, Q2 2026.

Definitions

Vacant sq. ft.: Space that can be occupied within 30 days.
Vacancy Rate: Total vacant sq. ft. divided by the total building area.
Available sq. ft.: Existing space in a building, ready for occupancy within three months; can be occupied or vacant.
Availability Rate: Total available sq. ft. divided by the total building area.
Average Net Asking Lease Rate: A calculated average of the net lease rate weighted by its corresponding available square footage; building must be existing, not under construction or planned.
Gross Lease Rate: Average asking lease rate in addition to real property taxes, building insurance, and maintenance.
Net Absorption: The change in occupied sq. ft. from one period to the next.
Occupied sq. ft.: Inventory subtracted by total available sq. ft.

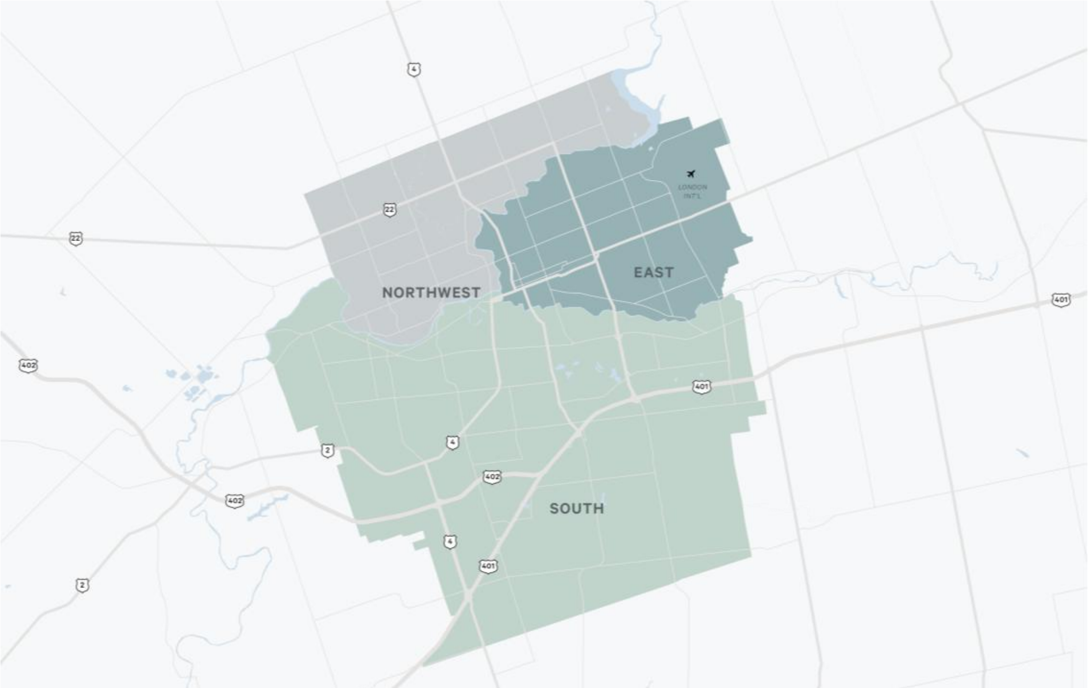
Survey Criteria

Includes all existing industrial availabilities 5,000 sq. ft. and greater in size in London.
Under construction is defined by buildings which have begun foundation work or otherwise has foundations in place.

Notes

1. Statistics Canada, Oxford Economics; June 2026 forecast update. Forecasts are consistent with Oxford Economics' national outlook published on 19 June 2026
2. KPMG Canada Manufacturing Survey, conducted May 11–29, 2026, using the Angus Reid Group business research panel; survey of 275 Canadian manufacturing companies

Market Area Overview



Contact

Harris Choudhry
Research Analyst
+1 226 700 9523
harris.choudhry@cbre.com

CBRE Office

London
275 Dundas Street, Suite 1600
London, ON N6A 3L1