

Controlled supply shifts the focus to occupier demand for industrial space

▼ 6.1%

Availability Rate

► OK

SF New Supply

▲ 302K

SF Under Construction

▼ \$10.61

PSF Avg. Asking Lease Rate

▲ \$181.21

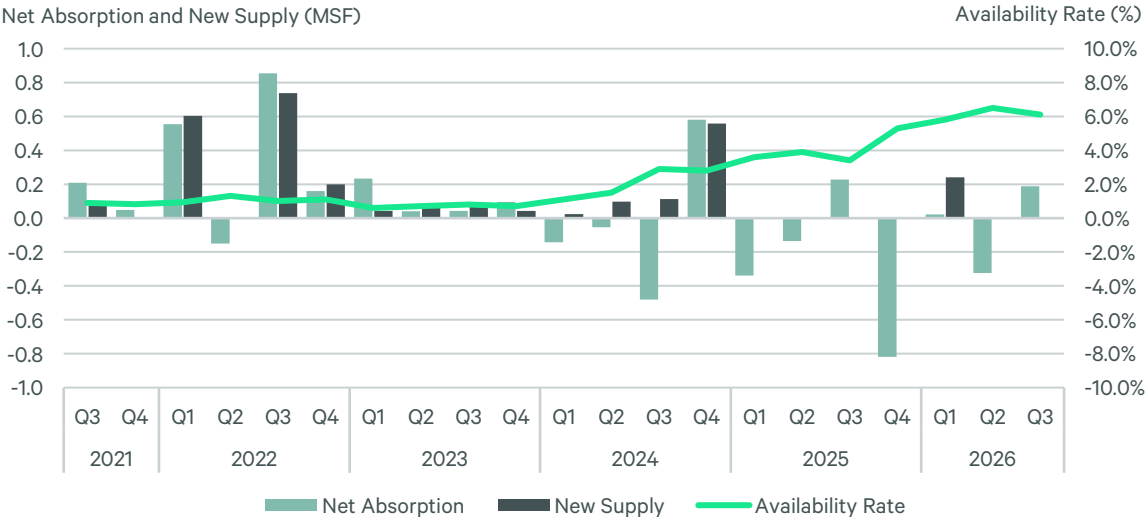
PSF Avg. Asking Sale Price

Note: Arrows indicate change from previous quarter.

Executive Summary

- London's industrial market showed greater balance in Q3 as positive net absorption returned and availability declined to 6.1%. However, negative year-to-date net absorption and a weakening employment backdrop indicate that the improvement in occupier demand remains tentative.
- Supply-side pressure remains limited following a second consecutive quarter without new deliveries. Although construction increased with a project breaking ground on Innovation Drive, 84.8% of the overall pipeline is pre-leased, leaving demand rather than excess development as the main near-term market risk.
- Investment conditions remained mixed as asking sale prices increased for the first time in five quarters, while rising cap rates and elevated financing costs continued to constrain industrial property values.

FIGURE 1: London Fundamentals – Historical Analysis



Source: CBRE Research, Q3 2026.

Industrial fundamentals move toward stabilization

London’s industrial market recorded 188,442 sq. ft. of positive net absorption in Q3, its strongest quarterly result since Q3 2025, while availability declined 40 basis points (bps) to 6.1%. However, year-to-date net absorption remained negative, indicating that demand has improved but remains uncertain. Supply conditions remain constructive, with no new space delivered for a second consecutive quarter. The construction pipeline increased to 302,444 sq. ft. after a new project broke ground on Innovation Drive, but with 84.8% of all space under construction in London already pre-leased, little competitive availability is expected to be added. Near-term risk therefore remains concentrated on occupier demand rather than excess new supply.

Asset pricing finds support amid financing pressure

Average asking sale prices jumped to \$181.21 per sq. ft., the first quarterly increase since Q2 2025. The moderate increase reflects the Northwest’s first industrial sale listing in four years, which raised the small submarket’s average asking price by 35.3% to \$240.95 per sq. ft. Some Class A industrial cap rates that were below 6.0% in Q2 have begun moving upward. From the end of Q2 to its Q3 peak, the five-year Government of Canada bond yield increased by a further 72 basis points to 3.73%, before partially retreating. With borrowing costs remaining elevated amid renewed Bank of Canada rate-hike risk, further cap-rate expansion could increase downward pressure on industrial property values unless financing conditions improve.

Economic uncertainty limits the recovery

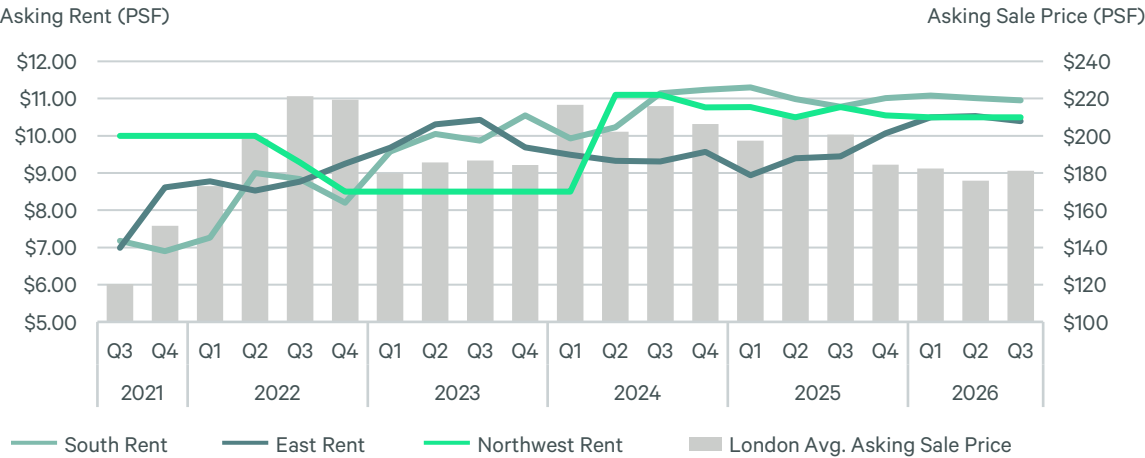
Average net asking rent declined to \$10.61 per sq. ft., driven partly by competitively priced large-format listings. The decrease reflects greater tenant choice and caution among occupiers facing trade uncertainty and slower economic growth. Although Q3 leasing activity improved, the market has not yet established a sustained demand recovery. London’s unemployment rate has fallen 190 basis points from its Q1 peak of 9.1%, but the labour force and total employment have contracted to a larger degree, indicating that the decline overstates the improvement in local conditions.¹ Alongside Canada’s unexpected job losses in August and September, this weakening employment backdrop may further limit business expansion and industrial space requirements. With supply pressures contained, the outlook increasingly depends on stronger occupier demand, improved trade visibility and lower borrowing costs.

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



Source: CBRE Research, Q3 2026.

FIGURE 3: Submarket Asking Rents and London Average Asking Sale Price



Source: CBRE Research, Q3 2026.

FIGURE 4: Q3 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	5.2%	3.1%	209,274	-38,112	191,444	\$10.95	\$181.94
East	21,915,841	7.1%	5.9%	-7,344	-61,456	111,000	\$10.39	\$178.22
Northwest	1,394,647	1.5%	0.0%	-13,488	-13,488	0	\$10.50	\$240.95
London Total	42,868,116	6.1%	4.4%	188,442	-113,056	302,444	\$10.61	\$181.21

Source: CBRE Research, Q3 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.
Average Asking Sale Price: Submarket asking prices weighted by space for sale, including South, East and Northwest.

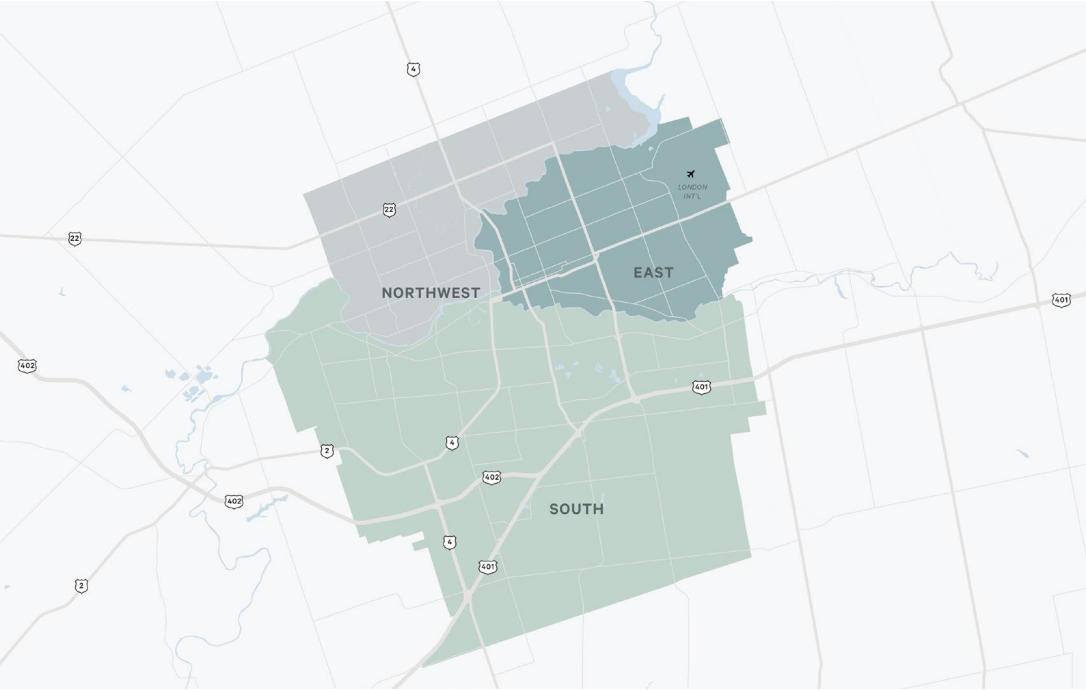
Survey Criteria

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. Forecasts are consistent with Oxford Economics’ national outlook published on September 21, 2026

Market Area Overview



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