Canada's Industrial Market Recovery Expected to Translate Into Positive Rent Growth by Late 2027

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New forecast finds improving absorption and slowing construction will set the stage for renewed rent growth

ARLINGTON, Va.--(BUSINESS WIRE)--Sep. 21, 2026-- Canada's industrial vacancy rate is expected to decline steadily through 2028, setting the stage for a return to positive rent growth by late 2027, according to a new forecast from CoStar Group, the leading global provider of online real estate marketplaces, information and analytics in the property markets.

The national industrial vacancy rate, which climbed from 1.5% in 2022 to 4.75% in 2025 amid a wave of new construction and slowing absorption, has already begun to ease, falling to 4.5% as of this analysis. CoStar's updated forecast calls for vacancy to decline to less than 4% by the end of 2027 and to 3.25% by the end of 2028 – slightly lower than the previous forecast, which had projected a decline to 3.5% by the end of 2028.

Net absorption, which turned negative in the first half of 2025, has rebounded to average about 5 million square feet per quarter since the start of 2026. CoStar forecasts absorption will average 7.5 million square feet per quarter from the third quarter of 2026 through the end of 2027, supported by continued growth in consumer spending and a resurgence in export activity, before settling at about 5 million square feet per quarter starting in 2028.

“Absorption has really bounced back since late 2025, and with a sharp pullback in new construction, that combination is pushing vacancy steadily lower across the country,” said **Mario Lefebvre, chief economist for Canada at CoStar Group**. “Given the improvement in the balance between supply and demand, we expect rent growth to we expect rent growth to remain roughly flat for most of 2027 before beginning to trend upward late in the year and continuing into 2028.”

“The balance of risks in this forecast remains tilted to the downside,” **Lefebvre** said. “Trade and tariff uncertainty, elevated operating costs including higher fuel costs, and a declining population could weigh on expansion plans for industrial tenants and delay the recovery in demand. Over the longer term, however, we expect demand for industrial space in Canada to grow along with consumer spending especially while the development pipeline remains modest.”

The full forecast can be found here.

About CoStar Group
CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, online marketplaces, and 3D digital twin technology. Founded in 1986, CoStar Group is dedicated to digitizing the world’s real estate, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group’s major brands include CoStar, a leading global provider of commercial real estate data, analytics, and news; LoopNet, the most trafficked commercial real estate marketplace; Apartments.com, the leading platform for apartment rentals; Homes.com, the fastest-growing residential real estate marketplace; and Domain, one of Australia’s leading property marketplaces. CoStar Group’s industry-leading brands also include Matterport, a leading spatial data company whose platform turns buildings into data to make every space more valuable and accessible; STR, a global leader in hospitality data and benchmarking; Zonda, a leading provider of data, analytics, software, and marketplace solutions for the residential construction industry; Ten-X, an online platform for commercial real estate auctions and negotiated bids; and OnTheMarket, a leading residential property portal in the United Kingdom.

CoStar Group’s websites attracted over 118 million average monthly unique visitors in the second quarter of 2026, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit CoStarGroup.com.

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