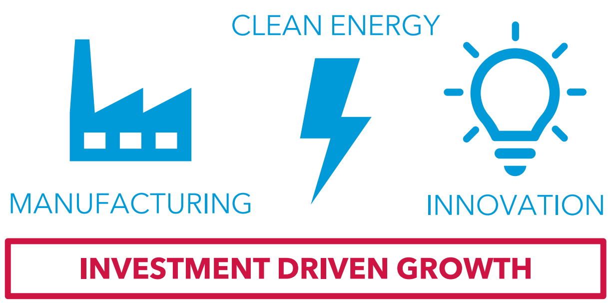
CANADA FEDERAL BUDGET 2025

UNLOCKING OPPORTUNITY IN INDUSTRIAL REAL ESTATE

A BUDGET BUILT ON INVESTMENT

Canada's 2025 Federal Budget sends a clear message: growth through investment. With a $78 billion deficit and no new tax increases, the government is placing its confidence in private enterprise to drive the next phase of economic expansion, **focusing on manufacturing, clean energy, and innovation**.

For landlords, developers, and investors, this is a strategic moment to position portfolios, plan new projects, and capitalize on incentive driven demand across the industrial market.



IMMEDIATE EXPENSING DRIVES FACILITY EXPANSION

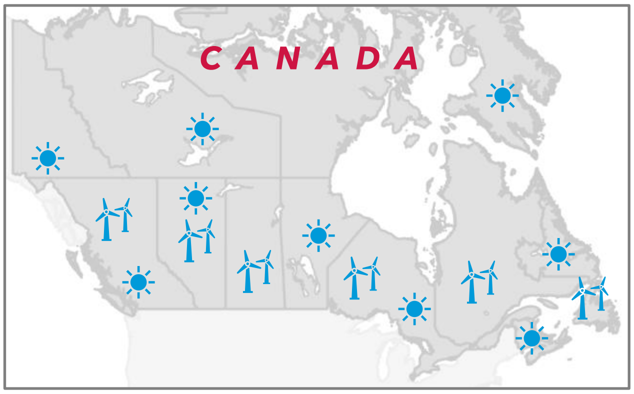
A key feature of the 2025 Budget is the introduction of **100% first year expensing for new buildings used in manufacturing and processing**. This allows companies to deduct construction costs immediately, improving cash flow and returns on investment while reducing long term tax exposure.

The measure is expected to accelerate demand for purpose built industrial facilities and build-to-suit projects, creating opportunities across Canada's industrial markets. Developers and investors can capture accelerated construction demand and stronger build to suit activity driven by immediate expensing.

CLEAN ECONOMY INCENTIVES STRENGTHEN GREEN REAL ESTATE

Expanded clean energy tax credits now support investments in hydrogen, carbon capture, clean power, and green manufacturing.

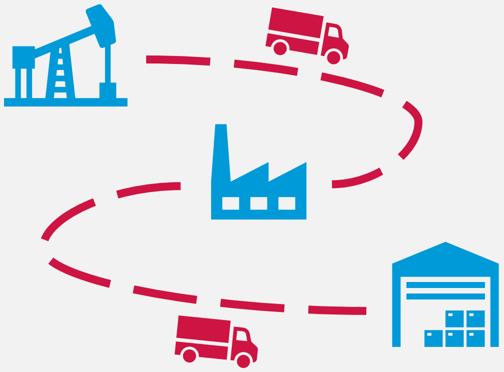
These incentives will shape where companies invest and how capital is allocated, **rewarding properties with access to renewable energy, hydrogen infrastructure, and grid connections**. As clean industries expand, industrial parks, brownfield properties, and logistics hubs with clean energy advantages will gain strategic value. Owners with clean energy ready assets will see stronger tenant demand and higher valuations as incentives guide site selection.



CRITICAL MINERALS AND ADVANCED MANUFACTURING CREATE NEW GROWTH CLUSTERS

Canada has broadened its list of critical minerals, adding materials used in batteries, electric vehicles, and advanced electronics. This expansion will drive new investment in mining, processing, and manufacturing, forming connected industrial corridors from resource regions to production hubs.

Growth will be strongest in **Ontario, Québec, and Western Canada**, where proximity to both raw materials and infrastructure supports efficient supply chains.Developers should track regional supply chain investments to position new projects in these emerging growth corridors.



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TRANSFER PRICING AND TAX INTEGRITY

The 2025 Budget strengthens transfer pricing and compliance rules for multinational companies, requiring greater transparency and market-based documentation. Organizations with real estate across subsidiaries should **review lease structures and ensure rents reflect fair market value to minimize audit exposure**.

Properly structured leases are now an essential part of risk management and valuation governance. For owners leasing between related entities, documented market lease rates will strengthen both compliance and property valuation integrity.

INFRASTRUCTURE AND INDUSTRIAL GROWTH MOMENTUM

The government's direction is clear: **build capacity through infrastructure**. Significant investments in transportation, power grids, and regional economic development will open new industrial corridors and support productivity.

Developers should prioritize entitlements and land assembly along funded transport and grid projects to accelerate time to market.

POSITION YOUR PORTFOLIO FOR THE NEXT CYCLE

Budget incentives will **taper after 2030**, creating a short window for strategic action.

Investors who align assets with clean energy, advanced manufacturing, and infrastructure linked locations will be positioned to capture the next cycle of capital growth.

LET'S TALK STRATEGY

At **Lee and Associates Toronto**, we help investors turn government policy into real estate opportunity. From site selection and build to suit development to sale leaseback and repositioning strategies, our advisors identify high impact opportunities aligned with new federal priorities. For investors and developers, we can pinpoint opportunity sites and repositioning strategies that align with Budget 2025 incentives.

Connect with our team to explore how the 2025 Federal Budget can support your growth and investment strategy.

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