

## MONTREAL OFFICE

## Economic Indicators

	Q2 18	Q2 19	12-month Forecast
Montreal Employment	2.3 mil	2.2 mil	▲
Montreal Unemployment	6.0%	5.4%	▼
Canada Unemployment	5.9%	5.4%	■

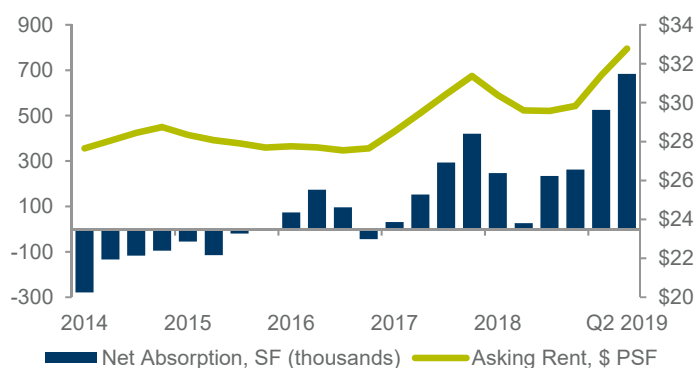
## Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-month Forecast
Vacancy	14.0%	10.6%	■
Net Absorption (sf)	-201,271	431,128	▼
Under Construction (sf)	2,682,703	3,460,887	▲
Average Asking Rent*	\$31.23	\$33.64	▲

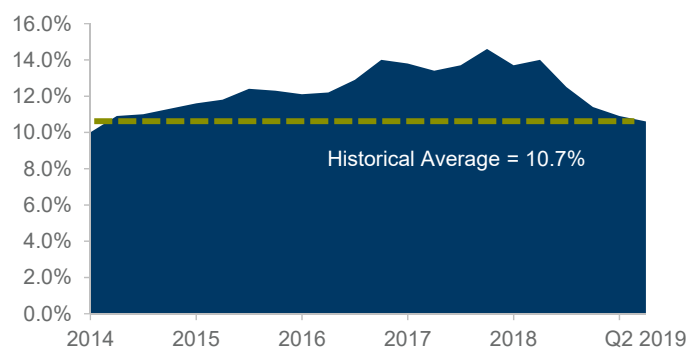
\*Rental rates reflect gross asking \$psf/year

## Overall Net Absorption/Overall Asking Rent

## 4-Quarter Trailing Average



## Overall Vacancy



## Economy

In the second quarter of 2019 the unemployment rate in the Greater Montreal Area (GMA) declined to 5.4%, while the number of employed people continued its modest rise to reach 2.2 million. Even though no major economic changes have occurred, the unemployment rate suggests that the economy perceives the weakness of the last two quarters as temporary.

(Source: Statistics Canada)

The slight pickup in consumer spending, the improving oil sector, and the strong housing market might be signals of a more stable national market economy. In June 2019, the Bank of Canada left its benchmark interest rate unchanged, remaining at 1.75% for a fourth consecutive announcement. Nonetheless, even if the degree of monetary policy accommodation has not been changed, potential rate hikes remain a major ongoing concern for borrowers. The inversion of the yield curve, uncertainty of the energy sector, impacts of trade conflicts, and the federal election will remain the main focuses through the end of 2019.

## Market Overview

The GMA has now seen four consecutive quarters of positive absorption, with 481,128 square feet (sf) of space absorbed in the second quarter of 2019. All three major markets (Central, Midtown, Suburban) saw positive absorption, resulting in continued downward pressure on vacancy rates. The vacancy rate in the GMA now sits at a record low 10.6%. Market activity was concentrated once again in the Central area, while the Midtown and Suburban markets maintained marginal, but consistent, downward pressure on vacancy rates. Despite this declining vacancy, landlords have only moderately increased rent expectations, at approximately 2% annually.

## Outlook

Demographic and economic trends indicate a strong GMA market that is expected to maintain its momentum through to the end of 2019. A slight year-over-year increase in average net asking rates is anticipated as a result of Class A deliveries, however, the range of rental rates is not expected to change. Of the 1.06 million sf of new product set to be delivered over the next 12 months, only 326,374 sf remains available, signifying both a strong appetite for office space and substantial pre-leasing activity.

MARKETBEAT

# Montreal, QC

Office Q2 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	21,882,859	46,969	1,884,569	8.8%	57,938	197,903	0	\$41.55	\$44.81
Downtown West	4,212,580	1,985	390,916	9.3%	19,140	44,845	0	\$34.95	\$42.04
Downtown East	9,345,152	0	467,117	5.0%	73,286	129,765	610,976	\$35.70	\$49.38
Downtown South	11,914,800	156,017	623,752	6.5%	143,128	20,431	1,330,000	\$42.23	\$44.69
Downtown Southwest	2,100,971	2,327	126,901	6.2%	17,142	45,263	188,618	\$24.04	N/A
Old Montreal	4,569,297	11,704	251,701	5.8%	44,222	89,329	147,000	\$30.58	N/A
Westmount	2,328,306	1,240	124,159	5.4%	3,561	22,026	0	\$32.92	\$36.72
<b>Central Area</b>	<b>56,535,965</b>	<b>220,242</b>	<b>3,869,115</b>	<b>7.3%</b>	<b>358,417</b>	<b>549,562</b>	<b>2,276,594</b>	<b>\$38.61</b>	<b>\$44.81</b>
Midtown East	2,620,068	20,420	202,211	8.5%	-933	27,188	418,000	\$25.69	N/A
Midtown Central	5,016,529	60,136	153,426	4.3%	86,818	172,079	380,332	\$24.52	N/A
Midtown North	5,620,131	0	1,149,872	20.5%	-6,431	27,278	0	\$23.02	\$29.25
Décarie CDN	2,550,767	14,930	453,253	18.4%	10,799	18,052	0	\$28.76	\$32.67
Midtown West	760,064	0	162,117	21.3%	1,007	-1,905	0	\$24.34	N/A
Midtown South	981,082	116,767	22,932	14.2%	0	-3,500	0	\$25.10	N/A
Île-des-Sœurs	1,735,401	8,600	247,227	14.7%	2,715	4,509	0	N/A	N/A
Saint-Laurent	7,091,374	453,728	1,038,420	21.0%	-84,189	-24,363	35,961	\$28.18	\$31.21
<b>Midtown</b>	<b>26,375,416</b>	<b>674,581</b>	<b>3,429,458</b>	<b>15.6%</b>	<b>9,786</b>	<b>219,338</b>	<b>834,293</b>	<b>\$25.82</b>	<b>\$31.06</b>
West Island	2,842,129	34,710	444,721	16.9%	-49,734	-25,504	0	\$30.03	\$31.28
East End	3,310,114	3,680	454,874	13.9%	53,064	214,888	0	\$24.29	\$29.13
Laval	4,350,250	24,869	602,541	14.4%	27,969	55,166	0	\$32.40	\$34.80
South Shore	5,069,085	54,781	629,645	13.5%	31,626	213,328	350,000	\$28.53	\$32.29
<b>Suburbs</b>	<b>15,571,578</b>	<b>118,040</b>	<b>2,131,781</b>	<b>14.4%</b>	<b>62,925</b>	<b>457,878</b>	<b>350,000</b>	<b>\$28.99</b>	<b>\$32.48</b>
<b>GREATER MONTREAL AREA TOTALS</b>	<b>98,300,959</b>	<b>1,012,863</b>	<b>9,430,354</b>	<b>10.6%</b>	<b>431,128</b>	<b>1,226,778</b>	<b>3,460,887</b>	<b>\$33.64</b>	<b>\$40.31</b>

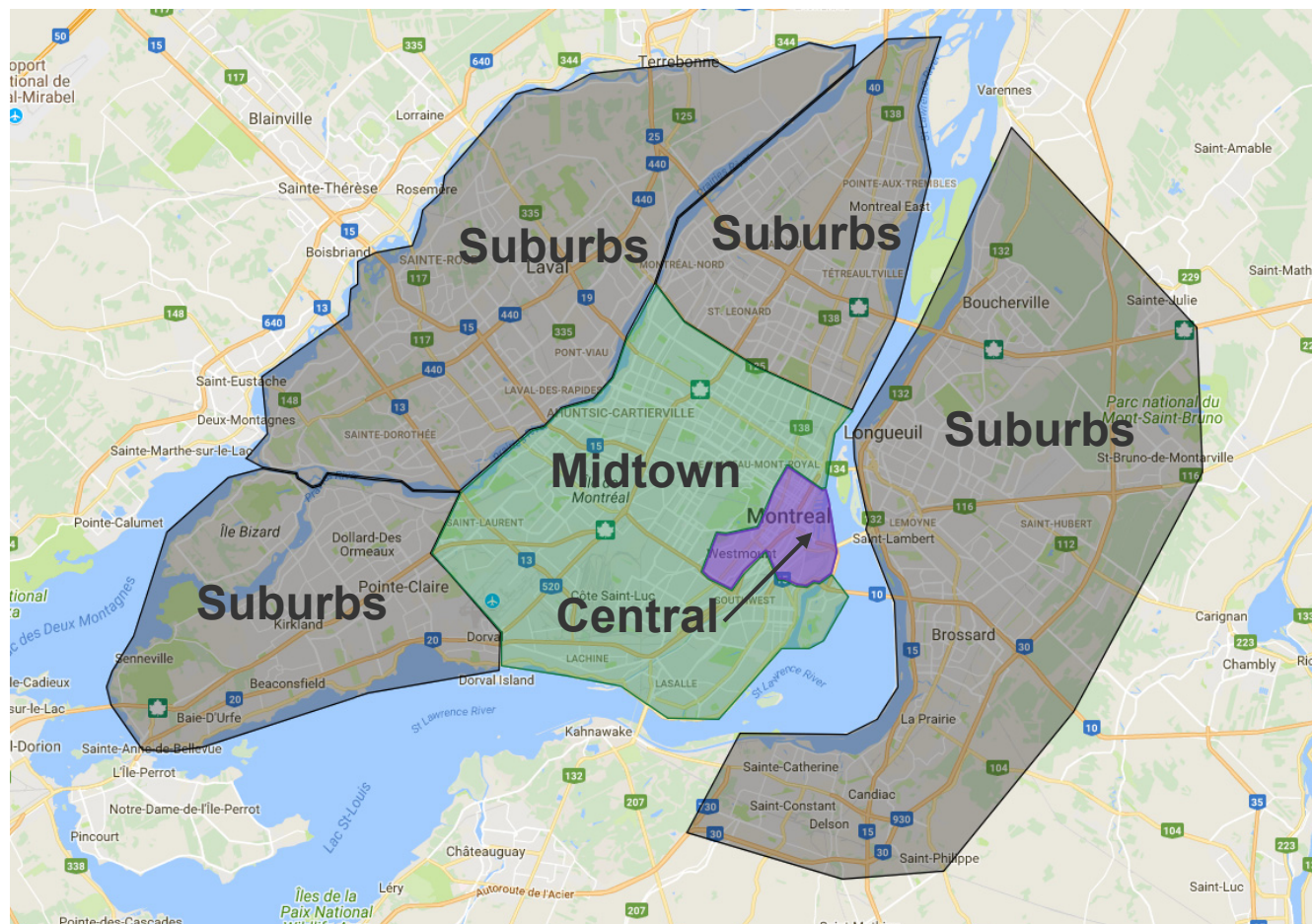
\*Rental rates represent \$ per square foot per year

Building Class	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL MARKETS)*
Class A	40,961,774	654,544	3,356,717	9.8%	-97,999	218,726	2,708,976	\$40.31
Class B	44,078,104	322,831	4,684,031	11.4%	458,271	998,873	711,911	\$30.95
Class C	13,261,081	35,488	1,389,606	10.7%	70,856	9,179	40,000	\$23.74

## MARKETBEAT

# Montreal, QC

Office Q2 2019



### Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
385 Viger Avenue West	64,500	WeWork	New Lease	Downtown East
7275 Sherbrooke Street East	48,528	Tetra Tech Quebec Inc.	New Lease	East End
2001 McGill College Avenue	42,200	The Royal Institute for the Advancement of Learning	New Lease	Financial Core
1190 des Canadiens de Montreal Avenue	25,612	Squarepoint Technologies	New Lease	Downtown South

### Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1250 René-Lévesque Boulevard West	1,061,820	Oxford Properties Group Inc., PSP Investments, OMERS / Sun Life Assurance Company of Canada, Bentall Kennedy	\$605,000,000 / \$570	Financial Core
6750 de l'Esplanade Avenue	98,182	Raphael & Steinberg Construction inc., Jack Dym Investments Ltd. JV Connemore Industries inc., Eastlet Investments Ltd. JV Willowdale Realities inc. JV Sheldonus Holdings inc. / Spear Street Capital	\$23,000,000 / \$234	Midtown Central
2425 Pitfield Boulevard	65,625	SC360 (9229949 Canada inc.) / BTB REIT	\$11,850,000 / \$181	Saint-Laurent
1455 Drummond Street	25,851	Le Groupe Alfid / Prime Properties	\$9,000,000 / \$180	Financial Core

Cushman & Wakefield  
999, boul. de Maisonneuve Ouest  
bureau 1500  
Montréal, QC H3A 3L4  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)  
Twitter: @CushWakeMTL

For more information, contact:  
George Meletakos  
Senior Research Analyst  
Tel: +1 514 841 3808  
[George.Meletakos@cushwake.com](mailto:George.Meletakos@cushwake.com)

Christophe Besset  
Research Analyst  
Tel: +1 514 841 3820  
[Christophe.besset@cushwake.com](mailto:Christophe.besset@cushwake.com)

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