

MARKETBEAT

Montreal, QC

Industrial Q3 2019



MONTREAL INDUSTRIAL

Economic Indicators

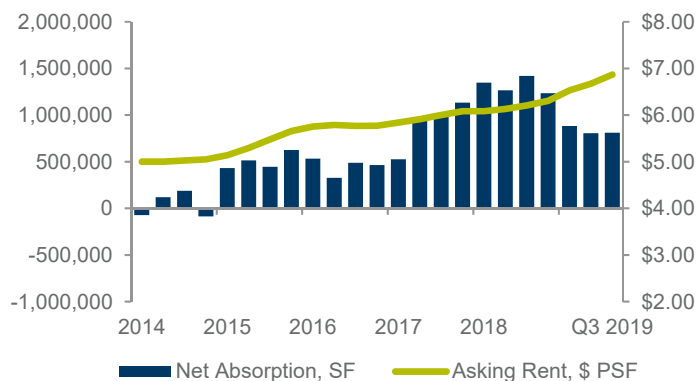
	Q3 18	Q3 19	12-Month Forecast
Montreal Employment	2.2 mil	2.2 mil	▲
Montreal Unemployment	6.1%	5.6%	▼
Canada Unemployment	6.0%	5.7%	▲

Market Indicators (Overall, All Property Types)

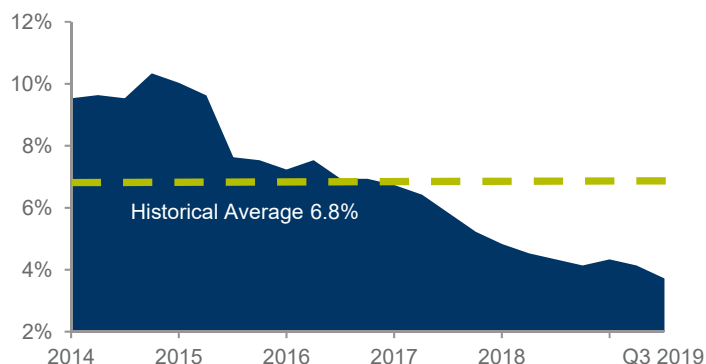
	Q3 18	Q3 19	12-Month Forecast
Vacancy	4.3%	3.7%	▼
Net Absorption (sf)	1,710,119	1,729,618	▲
Under Construction (sf)	1,428,159	1,695,388	▲
Average Asking Rent*	\$6.41	\$7.19	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

In the third quarter of 2019, the unemployment rate in the Greater Montreal Area (GMA) declined to 5.6%, a decrease of 40 basis points (bps) in the last 12 months; highlighting the optimistic outlook for the GMA economy.

(Source: Statistics Canada)

In September 2019, the Bank of Canada left its benchmark interest rate unchanged at 1.75%, a rate set back in October 2018. This quarter saw positive economic indexes, including an augmentation of the Ivy Purchasing Manager Index (a Canadian economy development indicator), employment and GDP growth, and a continued strengthening of the Canadian dollar. As a result of these factors, business confidence in Quebec is the highest in the country. However, Canada remains vulnerable to various economic threats such as the eventual Brexit non-agreement with E.U. and the U.S.-China trade war.

Market Overview

The GMA industrial market had a very strong third quarter in 2019 with more than 1.7 million square feet (msf) of positive absorption and finished the quarter with an overall vacancy rate of 3.7%, down 40 bps from last quarter. This continued strength in the GMA market has resulted in upward pressure on asking rents. In fact, over the last twelve months, the rental rates climbed by 15% to an average of \$7.19 per square foot in Q3 2019.

New industrial construction currently underway in the GMA is unlikely to provide any relief as 92% of the 2.8 msf forecasted new supply, set to be delivered throughout the remainder of 2019 and into 2021, has been fully pre-leased or is under contract. One building totaling 581,663 square feet, the second major construction completion of 2019, was delivered this quarter in Laval; fully occupied by the new headquarters of the furniture and décor retailer Structube.

Outlook

The GMA Suburban market has now established itself as a practical and logical option for companies to locate in, given the pressure on asking rents and low availability in more Central areas. This location trend may become even more prevalent over the next few years (2021 to 2023) with the arrival of the Réseau Express Métropolitain (REM), a transit system that will broadly serve the suburban area. Based on the current strong market conditions amid the decline of both available space and workforce, coupled with the increase of land prices and construction costs, it will be interesting to see when and where in the GMA developers will continue building.

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SUBMARKET	AVAILABLE FOR SALE (SF)	AVAILABLE FOR SALE/LEASE (SF)	AVAILABLE FOR LEASE (SF)	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	AVG. NET RENT	AVG. ADDITIONAL RENT	AVG. GROSS RENT
Midtown South	99,370	134,474	1,069,907	1,303,751	4.7%	0	0	\$8.99	\$3.47	\$12.46
Midtown North	297,962	85,895	1,975,500	2,359,357	5.0%	196,283	0	\$7.10	\$3.16	\$10.25
Montreal East	121,846	16,062	1,666,568	1,804,476	2.6%	98,909	0	\$7.51	\$3.04	\$10.55
Saint-Laurent	22,091	101,725	1,754,313	1,878,129	2.8%	25,900	0	\$6.52	\$4.30	\$10.83
Lachine	32,879	11,521	1,084,228	1,128,628	5.4%	0	0	\$7.01	\$3.07	\$10.08
West-Island	106,629	137,600	946,974	1,191,203	2.7%	295,610	0	\$7.12	\$3.74	\$10.85
West-Shore	23,483	35,656	687,103	746,242	32.7%	13,250	60,000	\$7.50	\$3.62	\$11.12
Laval	91,870	231,772	740,774	1,064,416	4.8%	90,000	581,663	\$7.81	\$4.04	\$11.85
North Shore Laurentides	118,853	0	138,755	257,608	4.6%	0	0	\$8.66	\$5.10	\$13.76
North Shore Lanaudiere	12,600	0	86,034	98,634	2.5%	137,950	0	\$9.33	\$2.23	\$11.56
South Shore	10,159	367,133	342,967	720,259	2.6%	837,531	55,000	\$6.46	\$4.19	\$10.65
GREATER MONTREAL TOTALS	937,742	1,121,838	10,493,123	12,552,703	3.7%	1,695,388	696,663	\$7.34	\$3.73	\$11.07

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TYPE OF TRANSACTION	SUBMARKET
1900-2000 Halpern Street	527,000	ILSCi	Renewal	Saint-Laurent
6767 Léger Boulevard	282,263	Pelican International Inc	Renewal	Montreal East
1000 Saint-Charles Avenue	218,103	C3.Farm	New Tenant	West-Shore
2200 Saint-Francois Road	191,640	Vitesse Transport Corporation	New Tenant	West Island
900-950 Saint-Martin Boulevard West	93,553	Ampak Inc.	New Tenant	Laval

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE \$/PSF	SUBMARKET
4587-4767 des Grandes-Prairie Blvd.	242,712	Robkat Investment Corporation / Olymbec Development Inc.	\$10,125,000 / \$42	Montreal East
6000 Transcanada Highway	218,338	Struc-Tube Realities Ltd./ Alliaca Properties Limited Partnership	\$25,500,000 / \$117	Saint-Laurent
544 de l'Inspecteur Street	212,362	Summit Industrial Income REIT / AIMCO Real Investors	\$106,000,000 / \$499	Downtown
19701 Clark-Graham Avenue	173,460	Cominar Real Estate Investment Trust / Root Data Center Inc	\$14,000,000 / \$81	West Island
1 Van Horne Avenue	128,646	Groupe immobilier Perspective / 9400-7150 Québec Inc	\$12,000,000 / \$93	Midtown North

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