

## MARKETBEAT

# Montreal, QC

Office Q3 2019



### MONTREAL OFFICE

#### 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%	▲

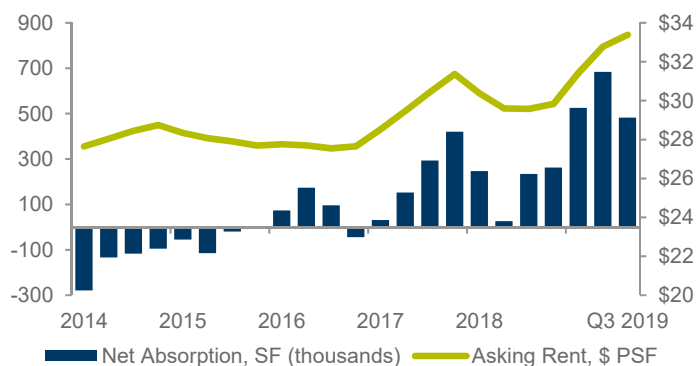
#### Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-month Forecast
Vacancy	12.5%	10.3%	■
Net Absorption (sf)	1,275,991	469,984	▼
Under Construction (sf)	3,512,066	3,413,252	▲
Average Asking Rent*	\$31.23	\$33.66	▲

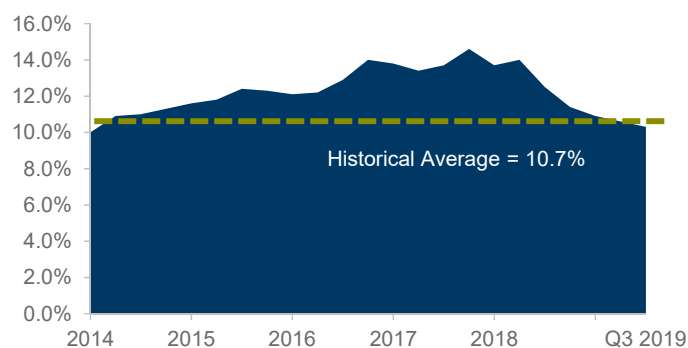
\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-Quarter Trailing Average



#### Overall Vacancy



### Economy

The unemployment rate in the Greater Montreal Area (GMA) declined to 5.6% in the third quarter of 2019, a decrease of 40 basis points (bps) over 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 has now seen six consecutive quarters of positive absorption, with 469,984 square feet (sf) of space absorbed in the third quarter of 2019. This marks the first quarter in the past year where there was overall positive absorption in all classes for both the Central and Suburban areas. The vacancy rate in the GMA now sits at 10.3%, its lowest point since the first quarter of 2014. Market activity in the Central area has remained positive, with 209,535 sf of absorption this quarter; however, momentum has been slowly declining since the record-breaking third quarter of 2018. This is in contrast to what we've seen in the Midtown and Suburban Markets, which have started to gain some traction this quarter with 179,455 sf and 80,994 sf absorbed respectively. Tenants are showing a continued interest in new product, with approximately 3.4 million square feet (msf) of office product under construction. Occupancy costs have remained relatively stable in the last nine months, with very minor quarter-over-quarter increases.

### Outlook

Demographic and economic trends indicate a strong GMA market that is expected to maintain its momentum over the last three months of 2019. Of the 3.4 msf of new product set to be completed, only 885,000 sf remains vacant, showing a strong appetite for new modern workspaces. This trend is putting pressure on landlords to invest in upgrades to their assets if they expect to remain competitive. With the expected delivery of the Réseau express métropolitain (REM) only 39-45 months away, we expect a revitalization of the suburban markets served by the rail system and a dynamic change in transport dynamics within the GMA.

## MARKETBEAT

## Montreal, QC

Office Q3 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	67,425	1,785,333	8.5%	78,780	276,683	N/A	\$41.55	\$44.81
Downtown West	4,212,580	0	393,192	9.3%	-291	44,554	N/A	\$35.24	\$42.04
Downtown East	9,495,152	17,623	487,088	5.3%	112,406	242,171	463,341	\$35.87	\$49.38
Downtown South	11,914,800	156,017	592,253	6.3%	31,499	51,930	1,430,000	\$42.23	\$44.69
Downtown Southwest	2,100,971	8,336	118,030	6.0%	2,862	48,125	188,618	\$24.04	N/A
Old Montreal	4,569,297	13,679	246,426	5.7%	3,300	92,629	147,000	\$30.58	N/A
Westmount	2,328,306	0	144,420	6.2%	-19,021	3,005	N/A	\$32.92	\$36.72
<b>Central Area</b>	<b>56,503,965</b>	<b>263,080</b>	<b>3,766,742</b>	<b>7.1%</b>	<b>209,535</b>	<b>759,097</b>	<b>2,228,959</b>	<b>\$38.64</b>	<b>\$44.81</b>
Midtown East	2,620,068	11,164	150,141	6.2%	61,326	88,514	418,000	\$25.69	N/A
Midtown Central	5,016,529	41,223	176,747	4.3%	-4,408	167,671	380,332	\$24.52	N/A
Midtown North	5,620,131	0	1,072,895	19.1%	76,977	104,255	N/A	\$23.02	\$29.25
Décarie CDN	2,550,767	10,509	454,009	18.2%	3,665	21,717	N/A	\$28.76	\$32.67
Midtown West	760,064	0	162,117	21.3%	0	-1,905	N/A	\$24.34	N/A
Midtown South	981,082	116,767	15,917	13.5%	7,015	3,515	N/A	\$25.10	N/A
Île-des-Sœurs	1,735,401	7,430	228,895	13.6%	19,502	24,011	N/A	N/A	N/A
Saint-Laurent	7,091,374	442,549	1,034,221	20.8%	15,378	-8,985	35,961	\$28.18	\$31.21
<b>Midtown</b>	<b>26,375,416</b>	<b>629,642</b>	<b>3,294,942</b>	<b>14.9%</b>	<b>179,455</b>	<b>398,793</b>	<b>834,293</b>	<b>\$25.82</b>	<b>\$31.06</b>
West Island	2,842,129	29,740	437,748	16.4%	11,943	-13,561	N/A	\$30.03	\$31.28
East End	3,310,114	0	498,891	15.1%	-40,337	174,551	N/A	\$24.29	\$29.13
Laval	4,350,250	21,813	573,324	13.7%	32,273	87,439	N/A	\$32.40	\$34.80
South Shore	5,069,085	55,366	551,945	12.0%	77,115	290,443	350,000	\$28.53	\$32.29
<b>Suburbs</b>	<b>15,571,578</b>	<b>106,919</b>	<b>2,061,908</b>	<b>13.9%</b>	<b>80,994</b>	<b>538,872</b>	<b>350,000</b>	<b>\$28.99</b>	<b>\$32.48</b>
<b>GREATER MONTREAL AREA TOTALS</b>	<b>98,450,959</b>	<b>999,641</b>	<b>9,123,592</b>	<b>10.3%</b>	<b>469,984</b>	<b>1,696,762</b>	<b>3,413,252</b>	<b>\$33.66</b>	<b>\$40.34</b>

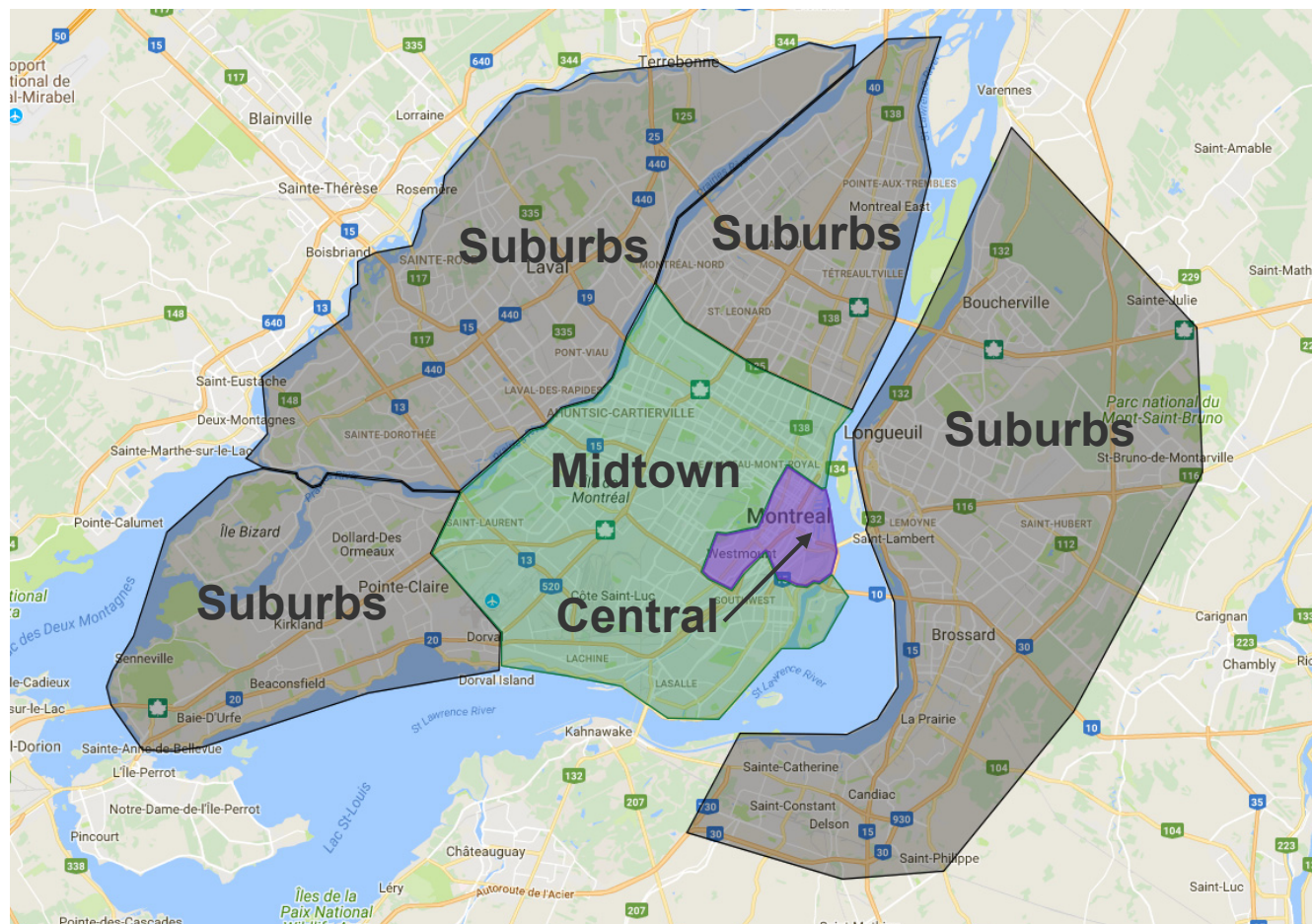
\*Rental rates represent \$ per square foot per year

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	41,111,774	653,782	3,211,000	9.4%	296,479	515,205	2,661,341	\$40.34
Class B	44,078,104	321,300	4,615,534	11.2%	70,028	1,068,901	711,911	\$30.95
Class C	13,261,081	24,559	1,297,058	10.0%	103,477	112,656	40,000	\$23.74

## MARKETBEAT

# Montreal, QC

Office Q3 2019



### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1050 Beaver Hall Hill	59,615	Desjardins	New Lease	Downtown South
5100 Sherbrooke Street East	38,765	Tetra Tech Quebec Inc	Expansion	East End
3500-3510 Saint-Laurent Boulevard	21,452	Avid Technology	Expansion	Downtown East
395 de Maisonneuve Boulevard West	21,144	Desjardins	New Tenant	Downtown East

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
700 de la Gauchetière Street West	935,866	Dream / Allied REIT	\$322,500,000 / \$345	Downtown South
600 de la Gauchetière Street West	762,890	L'Immobilier Banque Nationale Inc / Kevric JV PSP Investments	\$187,000,000 / \$245	Downtown South
6650-6666 Saint-Urbain Street (O Mile-Ex)	372,577	TGTA / Spear Street Capital	\$153,000,000 / \$411	Midtown Central
RCA Building	343,579	Gestion Georges Coulombe, Corporation immobilière Olier JV Pasvier JV Bridge Equity Capital JV Minnecci JV Miromont Management / Allied REIT	\$80,000,000 / \$163	Midtown West

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)

#### About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.