

Industrial Q4 2019

YoY Chg 12-Mo. Forecast

3.7%
Vacancy Rate

37K
Net Absorption, SF

\$7.54
Asking Rent, PSF

Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2019

YoY Chg 12-Mo. Forecast

2.2M
Montreal Employment

5.8%
Montreal Unemployment Rate

5.9%
Canadian Unemployment Rate

Source: Statistics Canada

Economy : Stable and Sustainable Growth

In 2019 the Quebec economy had a positive year despite the challenges facing the global economy such as the USA-China trade war and the EU / Brexit situation. In fact, for the second consecutive year GDP growth in The Greater Montreal Area (GMA) outpaced Canadian GDP growth. As a result, the GMA has now become a major alternative to Toronto for large international companies expanding into North America. The provincial government's goal in dropping Quebec's gross debt to 45% of GDP will be attained in 2019-2020, six years ahead of schedule. Although more than 80,000 jobs have been created in 2019 some businesses continued to experience challenges in meeting supply demands due to the labour shortage. In fact, one of the major concerns in 2020 related to labour shortages is the planned government decision to reduce the number of immigrants to 40,000 from 50,000 year-over-year.

Market Overview: The Montreal Success Story Recipe

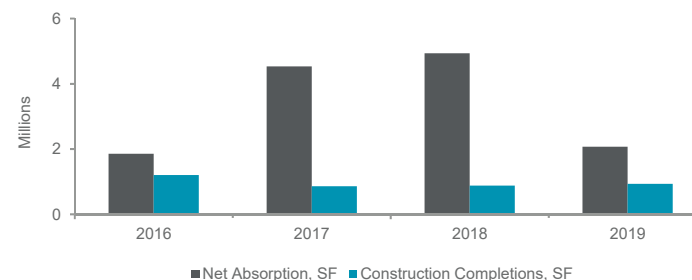
The industrial market in the GMA remained strong in the last quarter of 2019. Despite lower absorption totals compared to the previous quarter, vacancy remained unchanged at an historic low of 3.7%. The strong appetite for industrial sites, coupled with low availability, remain predominant concerns for both GMA-based and foreign companies. The upward pressure on asking rents in the region resulted in a 15% increase year-over year and a 25% increase compared to the first quarter of 2018. On the renewal side, this rental rate pressure is impacting the market and is acting as a constraint on many companies who are looking to relocate in order to remain lucrative.

The arrival of influential e-commerce and distribution centres are bringing new standards to the industry and are forcing older buildings to be repositioned to remain competitive with mixed-use purposes. Two significant customer fulfillment centres will be delivered in 2020 and 2021 for Amazon and Sobey's respectively. The innovative model "Voila by Sobey's" in Quebec will compete directly with store pick-up models by proposing a faster, more reliable and convenient expansive product selection.

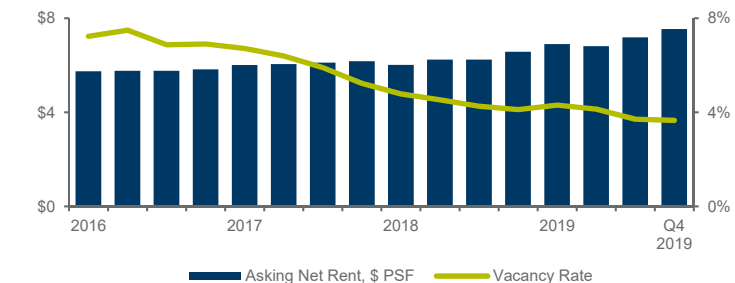
Outlook: Equilibrium or Formal Step?

One may claim that the tight market conditions have reached a certain equilibrium point in the current landlord's market, due to the low absorption levels seen in the fourth quarter of 2019. Although many options are still available to continue strengthening Montreal's industrial market, the scarcity of available space in existing inventory and up-coming construction is constraining absorption. Therefore, it will be interesting to see in 2020 if the market will simply continue to readjust itself with major increases in renewals, or if developers will initiate speculative builds either on the island or in different municipalities in the suburbs that are embracing change.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING NET RENT



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTR. (SF)	CONSTRUCTION COMPLETIONS QUARTER (SF)	YTD COMPLETION	OVERALL WEIGHTED AVG NET RENT	OVERALL WEIGHTED AVG NET TAXES
Midtown South	27,960,830	1,593,668	5.7%	n/a	n/a	0	0	0	\$8.88	\$3.66
Midtown North	47,299,239	2,214,698	4.7%	n/a	n/a	196,283	0	0	\$7.48	\$2.91
Montreal East	70,003,644	1,849,341	2.6%	n/a	n/a	0	98,909	98,909	\$7.90	\$3.01
Saint-Laurent	66,477,248	1,714,987	2.6%	n/a	n/a	0	25,900	25,900	\$8.01	\$4.27
Lachine	21,020,095	957,350	4.6%	n/a	n/a	0	0	0	\$7.09	\$3.14
West-Island	44,858,033	1,130,781	2.5%	n/a	n/a	295,610	0	0	\$7.00	\$3.06
West-Shore	2,284,820	702,075	30.7%	n/a	n/a	13,250	0	60,000	\$7.15	\$3.51
Laval	22,312,313	1,089,344	4.9%	n/a	n/a	0	90,000	671,663	\$7.36	\$3.24
North Shore Laurentides	5,628,979	217,891	3.9%	n/a	n/a	0	0	0	\$9.16	\$5.37
North Shore Lanaudiere	3,917,647	121,194	3.1%	n/a	n/a	137,950	0	0	\$8.34	\$2.50
South Shore	26,886,253	803,717	3.0%	n/a	n/a	837,531	0	55,000	\$6.50	\$3.79
MONTREAL TOTALS	338,649,101	12,395,046	3.7%	37,631	2,071,999	1,271,091	214,809	931,472	\$7.54	\$3.41

*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5650 Trans-Canada	West-Island	CAC Transport	225,000	New Lease
3000 Louis-A.Amos	Lachine	Amazon	181,441	New Lease
401 Marie Curie	West-Shore	Parmalat & DLS Logistics	160,000 & 145,000	New Lease
20701 Ste-Marie	West-Island	CP Camionage Inc.	140,560	New Lease
8600 St-Patrick	Lasalle	Rolls-Royce Canada Ltd	99,730	New Lease

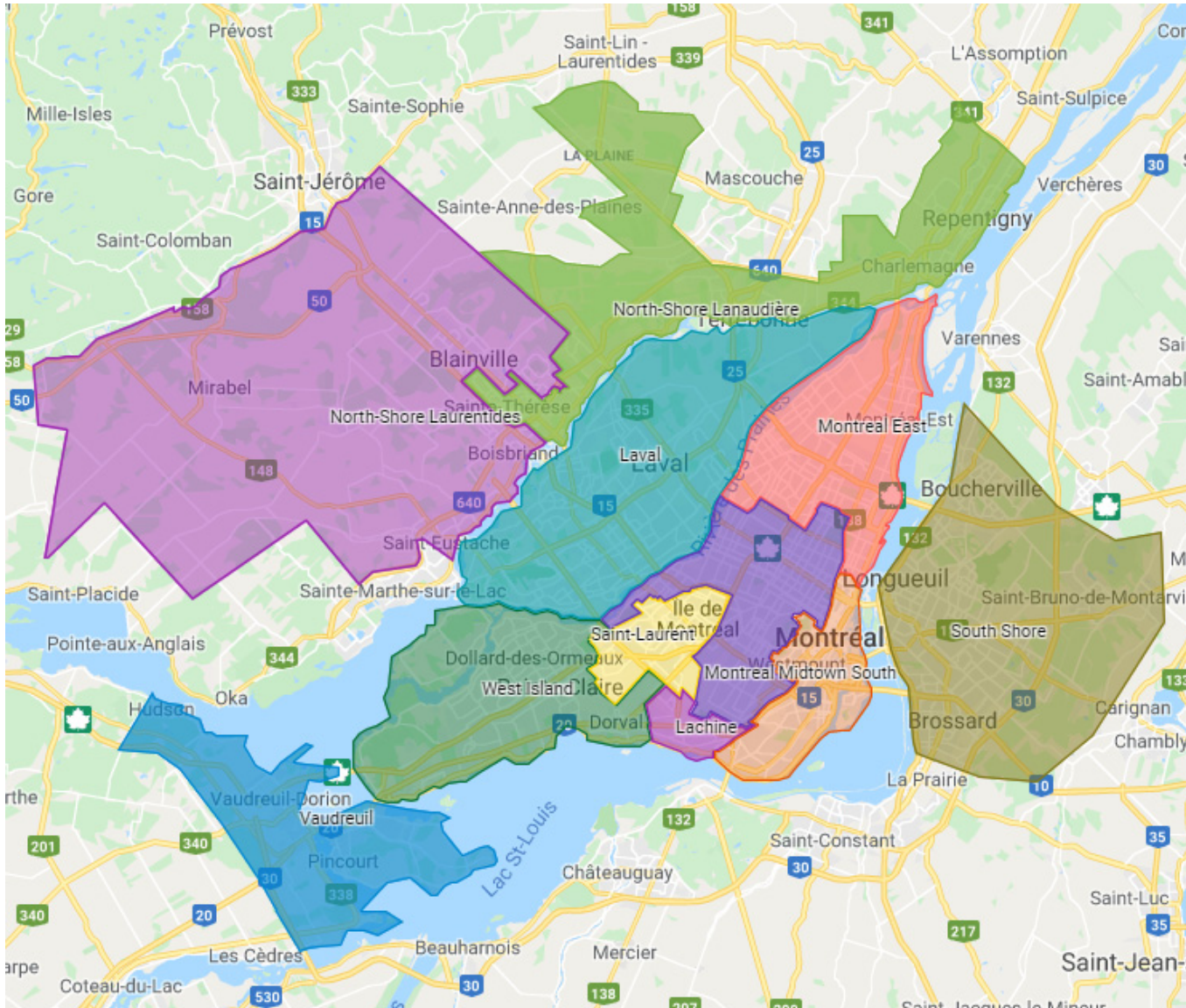
KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8501 Jarry Street East	Montreal East	E Majeau / Desjardins - Institution	199,752	\$15.7M / \$79
3400 Raymond Lasnier Street	Saint-Laurent	Greystone M.I. / Parkgreen Ltd. Partnership	474,000	\$15.587M / \$135
8600 Saint-Patrick Street	Montreal Midtown South	Weir Canada Inc. / Wartsila Canada, Incorporated	99,370	\$13.25M / \$133
1299 Marie-Victorin Street	South Shore	Équipement Boni / Desjardins - Institution	185,000	\$13M / \$70
5540-5610 Paré Street	Montreal Midtown North	3903001 Canada Inc. / 2988631 Canada Inc.	71,000	\$12.85M / \$109

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
3300 Chomedey Highway	Laval	Structube	581,663	Structube / Montoni
5505-5559 Royalmount (expansion)	Montreal Midtown North	Dollarama S.E.C.	196,283	Dollarama S.E.C.
3055 Viau Street (expansion)	Montreal East	Boutique la Vie en Rose	98,909	Boutique la Vie en Rose

INDUSTRIAL SUBMARKETS



George Meletakos,
Market Research Senior Analyst
Tel: +1 514 841 3808
George.Meletakos@cushwake.com

Christophe Besset,
Market Research Analyst
Tel: +1 514 841 3820
Christophe.Besset@cushwake.com

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