



10.7%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-1.3M

Net Absorption, SF



\$34.02

Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2020

2.2M

Montreal
EmploymentYoY
Chg12-Mo.
Forecast

10.7%

Montreal
Unemployment Rate

9.0%

Canada
Unemployment Rate

Source: Statistics Canada

ECONOMY: Moving forward in uncertain times

In September, the provincial government introduced Bill 66, which, if passed, would accelerate numerous infrastructure projects in the Greater Montreal Area (GMA). This bill is a major pillar in Quebec's economic recovery efforts. Furthermore, the federal government reiterated throughout the last speech from the throne its commitment towards supporting Canadian households and businesses through this unprecedented economic downturn and exposed its vision for a sustainable and equitable recovery.

Mounting evidence indicates that the recovery began in May or June with third quarter data likely reflecting that. So far, of all jobs lost in the GMA through the worst of the pandemic last winter, 92.2% of them have been recovered. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

SUPPLY AND DEMAND: Rapid rise in availabilities

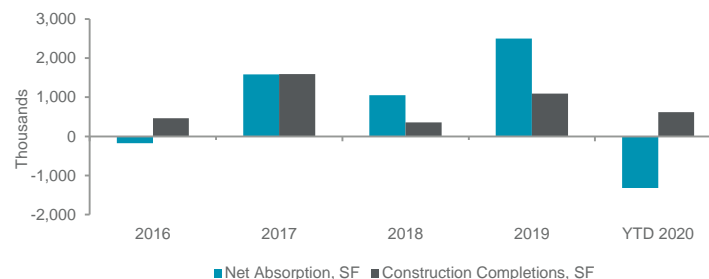
The vacancy rate in the Greater Montreal Area (GMA) increased for the second consecutive quarter. Whereas the change in the second quarter of 2020 was a modest 10 basis points (bps), the 170-bps increase in the third quarter is the largest shift in vacancy rate observed since the beginning of 2016. Over 1.3 million square feet of direct office space and almost 500,000 square feet (sf) of sublease were put on the market this quarter, and pushed net absorption into negative territory for the first time since 2017. This newly added space included large contiguous spaces in some of the GMA's most sought-after submarkets, such as 80,000 sf at 7450 Mile-End Street in the Midtown Central submarket and 27,000 sf at 400 de Maisonneuve Boulevard West in the Central Area. However thanks to a vigorous economy and positive net absorption in recent years, the vacancy rate remained well below the historical average.

Despite the current economic context, a number of foreign companies announced plans for major investments in the GMA in artificial intelligence and life sciences, such as SwiftCTRL Inc and Sebia. These projects demonstrate that Montreal remains an attractive destination for foreign investment in research and development.

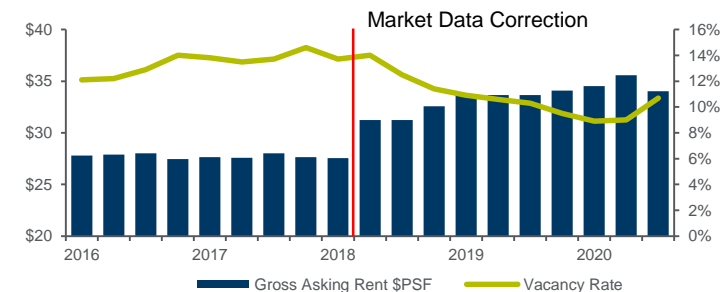
PRICING: A softening market

After a record-breaking increase in occupancy costs in the second quarter, asking rental rates softened, reverting to prices listed at the beginning of 2020. To remain competitive while keeping rates steady, landlords offered more incentives such as free rent and improvement allowances. The average gross asking rate in the GMA closed the third quarter at \$34.02 per square foot.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT





CENTRAL AREA: The Centre of the Storm

The rapid increase in sublease space available in Montreal's Central Area has made headlines in recent weeks. To date, 445,000 sf has been added to the market for immediate occupancy since the beginning of April 2020, or 0.8% of the total office inventory. By the end of the third quarter, sublease space accounted for 12.1% of all vacant space in the CBD. In comparison, it represented 4.7% of vacant space at the end of March.

Although this is an unprecedented time for Montreal, sublease availabilities remained well below the numbers observed in the mid-2010s. These values dropped rapidly in recent years as Montreal's economy boomed. Large leasing options in Class A buildings in the Financial Core have remained scarce and relatively expensive despite the surge in sublease and direct office listings. Prospective tenants hoping for a bargain may have to reconsider as price levels have shown resiliency and should hold steady in the coming quarters.

So far, the overall vacancy rate in the Central Area has remained under the historical average. Currently, the main concern is how long the pandemic will hold back the economy. Until there is a proven solution, more sublease space will be put on the market and leasing activity will remain anemic.

MIDTOWN AND THE SUBURBS: The Silver Lining

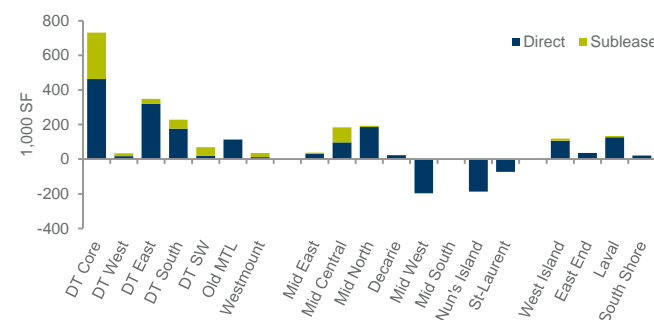
Office submarkets outside of the CBD have fared better through the economic crisis than the Central Area. In some cases, the vacancy rate has even declined. Greater parking availabilities have made it easier for workers to commute during the pandemic, making them less dependent on public transit. Lower office densities also made social distancing simpler at work.

The hub-and-spokes model will become more popular as the pandemic demonstrated that workers do not need to be located in one central office for a business to operate. Greater proximity to suburban commuters and lower rent prices will benefit submarkets outside of the CBD well after social distancing measures are phased out.

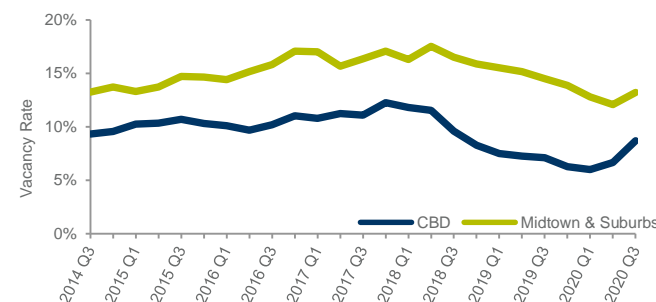
Outlook

- Many surveys suggest that workers want to go back to the office after the pandemic but want more flexibility than before. Reasons mentioned include difficulty to unplug after work, loneliness, difficulty to collaborate and communicate, distractions at home and staying motivated. Employers also want to see their employees return to the office to foster a corporate culture and sense of belonging in their staff.
- Despite rapidly increasing housing costs, Montreal remains an affordable tech hub compared to other major North American markets. A mass exodus to smaller cities is not expected.
- The factors that made Montreal so successful in recent years, such as the concentration of tech workers and low operating costs, will also support its recovery.

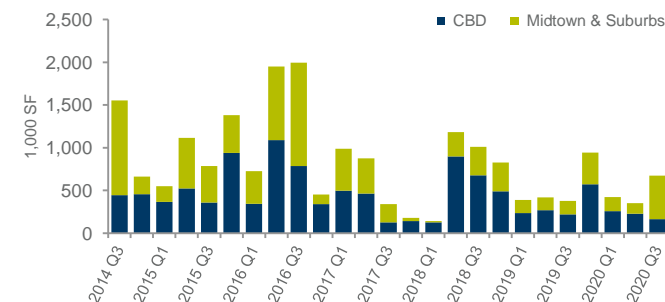
CHANGE IN VACANT SPACE (Since Q1 2020)



SUBMARKET OVERALL VACANCY RATE



SUBMARKET LEASING ACTIVITY





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial Core	22,061,570	352,987	2,157,649	11.4%	-487,266	-658,527	175,087	0	\$43.36	\$45.98
Downtown West	4,212,580	17,650	382,568	9.5%	-5,935	-7,148	102,569	0	\$36.02	N/A
Downtown East	9,913,908	46,460	608,976	6.6%	-232,257	-198,381	204,524	0	\$37.36	\$49.26
Downtown South	11,901,757	86,066	620,300	5.9%	-234,310	-257,259	58,395	1,420,000	\$41.74	\$41.72
Downtown Southwest	2,113,205	54,870	95,465	7.1%	-85,201	-51,865	3,539	188,618	\$29.24	N/A
Old Montreal	4,570,710	21,529	350,539	8.1%	-101,071	-150,697	22,688	147,000	\$30.92	N/A
Westmount	2,214,306	25,470	162,889	8.5%	-42,320	-39,794	1,532	0	\$33.67	N/A
Central Area	56,988,036	605,032	4,378,386	8.7%	-1,188,360	-1,363,671	568,334	1,755,618	\$39.87	\$45.60
Midtown East	3,038,068	8,873	138,635	4.9%	378,350	406,833	434,180	136,091	\$27.65	N/A
Midtown Central	5,119,574	115,393	259,150	7.3%	-143,592	-144,644	146,206	369,130	\$26.13	N/A
Midtown North	6,354,501	8,270	1,154,106	18.3%	-242,006	-192,708	835	0	\$23.24	\$28.90
Décarie CDN	2,550,767	10,509	434,107	17.4%	3,004	3,830	29,197	340,000	\$29.23	\$31.70
Midtown West	565,181	0	20,654	3.7%	0	-4,830	0	0	\$25.21	N/A
Midtown South	981,082	116,767	13,157	13.2%	0	2,760	7,570	0	N/A	N/A
Île-des-Soeurs	1,570,792	13,602	25,860	2.5%	30	7,061	0	0	\$25.36	N/A
Saint-Laurent	7,133,674	402,878	1,130,181	21.5%	60,940	124,032	84,963	673,602	\$28.30	\$28.93
Midtown	27,313,639	676,292	3,175,850	14.1%	56,726	202,334	702,951	1,518,823	\$26.16	\$29.02
West Island	2,871,562	49,528	386,284	15.2%	5,656	-15,326	24,660	0	\$29.55	\$30.84
East End	3,310,114	0	337,233	10.2%	-12,126	-17,546	2,162	0	\$26.67	\$30.68
Laval	4,350,250	9,275	497,019	11.6%	-88,774	-156,034	9,163	333,938	\$30.93	\$32.63
South Shore	5,171,311	21,600	515,688	10.4%	-25,858	33,317	17,156	397,300	\$29.69	\$32.28
Suburbs	15,703,237	80,403	1,736,224	11.6%	-121,102	-155,589	53,141	731,238	\$29.15	\$31.70
Greater Montreal Area	100,004,912	1,361,727	9,290,460	10.7%	-1,252,736	-1,316,926	1,324,426	4,005,679	\$34.02	\$40.14

*Rental Rates reflect full service asking (Gross rent)

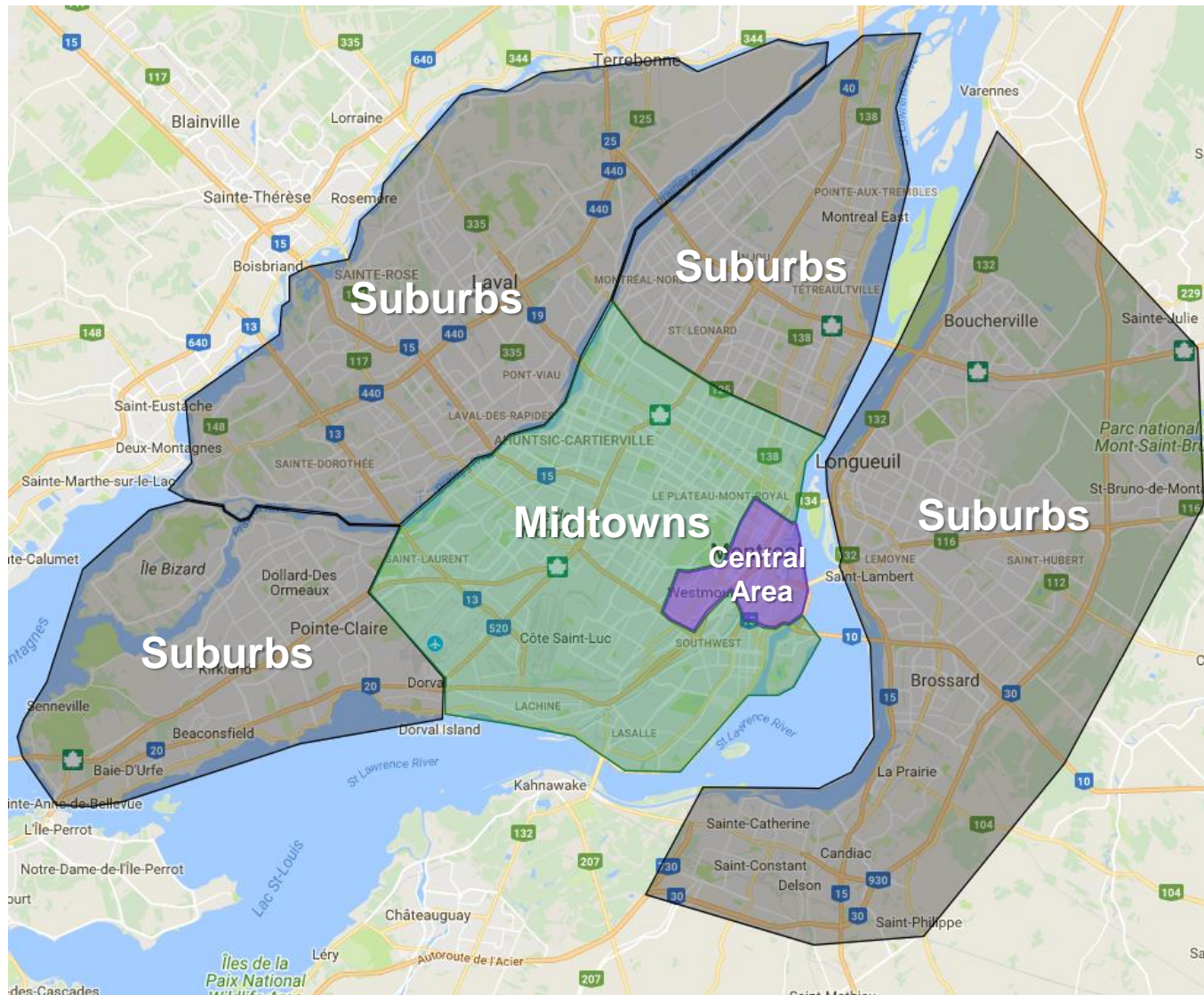
KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1 Place Ville Marie	Financial Core	Mercer (Canada) Limited	50,947	New Tenant
1100 avenue Atwater	Downtown West	Maya HTT	31,329	New Tenant
2400 boulevard des Sources	West Island	CIUSSS	22,085	New Tenant

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Le 1001	Downtown East	Place Fleurimont/Collège Canada Inc	128,318	\$21,625,000 / \$164
4800-4900 rue Dobrin	Saint-Laurent	Forgestone JV Canderel et al./9420-7164 Quebec Inc	81,534	\$9,500,000/\$119
334 rue Avro	West Island	Greystone Real Estate Fund Inc/Avro & Sources Inc	77,000	\$7,000,000 / \$91

OFFICE SUBMARKETS



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