



12.8%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-1.1M

Net Absorption, SF



\$33.15

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q1 2021

2.2M

Montreal
EmploymentYoY
Chg12-Mo.
Forecast

8.3%

Montreal
Unemployment Rate

7.5%

Canada
Unemployment Rate

Source: Statistics Canada

ECONOMY: Resilient recovery

January and preliminary February 2021 GDP figures suggested the Canadian economy remained resilient in the face of stringent new containment measures imposed by provinces at the end of 2020. In January, the economy grew by 0.7%, a better performance than Statistics Canada's advance estimate of 0.5% for that month. Canada's GDP closed the month of January at 2.6% below the level observed in February 2020. Of course, the recovery has been very unequal across sectors, with major losses in the arts, entertainment and recreation (-51.8%) and accommodation and food services (-41.8%).

After several delays, vaccination efforts were well underway throughout Canada by the end of the first quarter. Yet, the spread of COVID-19 variants remained a significant concern, especially among younger Canadians. As a result, provinces were getting ready to impose stricter containment measures. Access the most recent research on CRE and the state of the economy [here](#).

SUPPLY AND DEMAND: Continued rise in availabilities

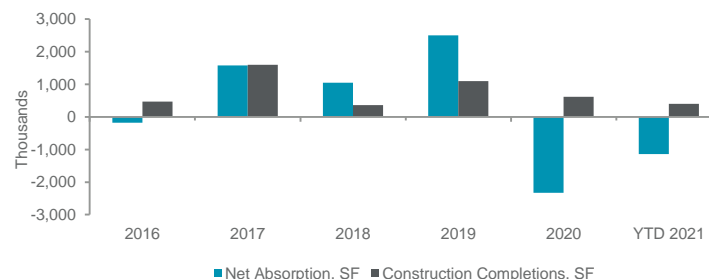
In the first quarter of 2021, total sublease vacant space increased by 368,000 square feet (sf) in the Greater Montreal Area (GMA). This represented a relatively mild increase compared to the 584,000 sf that was available for sublease in the fourth quarter of 2020. Direct vacancy however increased sharply in the first quarter as there was an additional 1.2 million square feet (msf) available compared to the end of 2020, or the equivalent of 1% of the office inventory. Although still below the peak observed at the end of 2017, the overall vacancy rate closed the quarter 200 basis points above the ten-year average.

For a third consecutive quarter, over one msf of negative absorption was recorded in the GMA. The most impacted market was the Central Area with a net negative absorption of 773,000 sf. Leasing activity was at its lowest level since the third quarter of 2020, suggesting that businesses were still waiting before committing to their post-pandemic office plans.

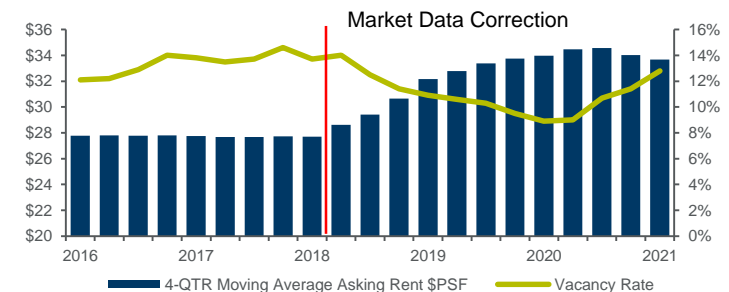
PRICING: Stable rental rates

Asking rates have remained below the peak observed in early 2020. To remain competitive in an uncertain macroeconomic environment, most landlords have been offering more incentives while keeping rates steady. Some, however, have shown greater flexibility on rents in the last quarter. The average gross asking rate in the GMA closed the quarter at \$33.15 per square foot.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MONTREAL, QC

Office Q1 2021



CUSHMAN & WAKEFIELD

ONE YEAR LATER

Sublease vacant space has soared since the end of March 2020 in Montreal's Central Area. So far, 950,000 sf of sublease space has been added to the market for immediate occupancy. This represented about 1.7% of the office inventory, a value similar to what was observed in 2014. Large contiguous spaces continued to be scarce. At the end of the first quarter there were only three Class A and seven Class B sublease spaces greater than 20,000 sf available in the Central Area. Of those subleases, 60% will expire before the end of 2025.

More than 25% of new sublease spaces in the GMA were in the Financial Core (+405,000 sf). Sublease space accounted for more than 17% of all vacant space in the Financial Core, a sharp increase compared to 5% one year ago.

At the end of the third quarter of 2020, the Midtown and Suburban markets were a silver lining in unprecedented market conditions. Unfortunately, over the past 6 months, vacancy has increased rapidly in these markets. Overall, sublease availability in the Midtown and Suburbs has increased by 573,000 sf over the past year, the equivalent of 1.2% of the office inventory. Midtown Central, a major hub for the tech industry, and the East End are the two most affected submarkets outside of the Central Area.

LOOKING FORWARD

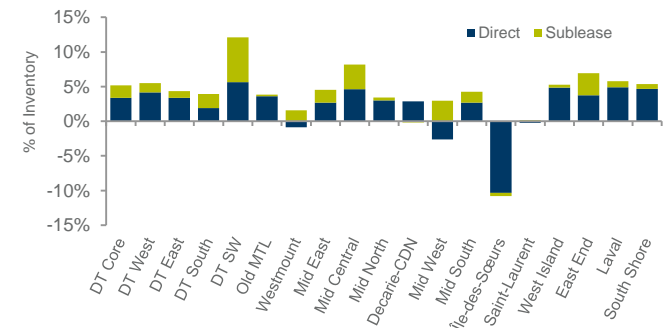
In 2014, the Central Area had over 800,000 sf of sublease space on the market throughout the year. As tech and creative industries boomed in the later 2010s, that trend rapidly reverted. Montreal has become a favourite among foreign tech companies for their North American expansion, and the region has been able to continue to attract major investment projects in fields related to artificial intelligence, life sciences, video games, and film and television postproduction despite the global economic downturn.

It is still too early to know when the tipping point will occur in the current crisis, but surveys continue to show that businesses and employees are looking forward to a return to the office.

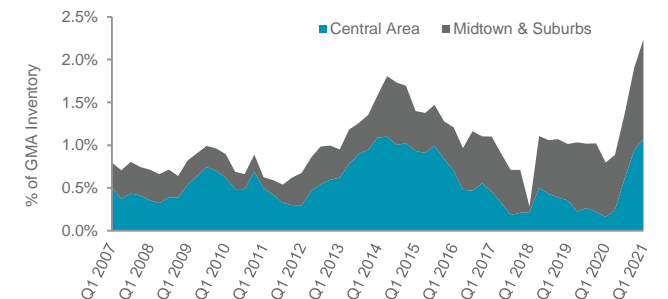
Outlook

- Upward pressure on vacancy rates is expected to persist in the coming quarter as the GMA office market continues to feel the effects of the pandemic.
- Prospective tenants looking for large contiguous spaces may face more challenges than the statistics would lead one to believe.
- Factors that made Montreal successful in recent years, such as the concentration of creative, tech and life sciences workers as well as low operating costs, will also support its recovery.

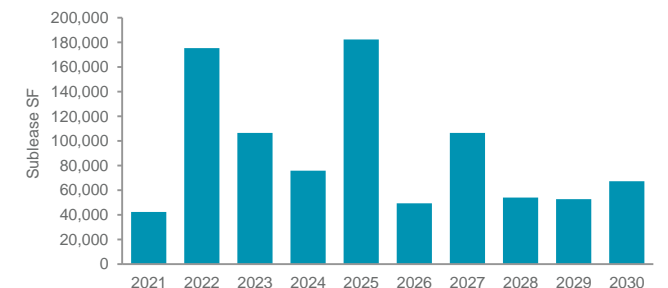
YEAR-OVER-YEAR CHANGE IN AVAILABILITY



SUBLEASE HISTORICAL VOLUME



CENTRAL AREA SUBLEASE EXPIRATION BREAKDOWN





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	489,799	2,435,982	13.3%	-318,858	-318,858	77,388	0	\$42.57	\$46.44
Downtown West	4,260,110	57,093	543,106	14.1%	-136,645	-136,645	22,856	0	\$36.34	\$43.58
Downtown East	9,882,708	110,967	624,205	7.4%	-60,199	-60,199	36,552	0	\$35.86	\$50.76
Downtown South	11,831,262	278,259	666,168	8.0%	-156,889	-156,889	54,925	1,478,515	\$45.39	\$53.25
Downtown Southwest	1,651,546	111,435	169,450	17.0%	-75,083	-75,083	11,978	148,618	\$26.69	NA
Old Montreal	4,474,879	29,574	398,882	9.6%	-43,129	-43,129	33,806	144,361	\$29.14	NA
Westmount	2,158,078	34,266	132,299	7.7%	17,704	17,704	37,285	0	\$31.43	NA
Central Area	56,320,153	1,111,393	4,970,092	10.8%	-773,099	-773,099	274,790	1,771,494	\$40.68	\$48.15
Midtown East	2,928,754	55,897	185,989	8.3%	-25,085	-25,085	27,935	98,067	\$25.67	NA
Midtown Central	6,329,762	253,227	455,826	11.2%	63,195	63,195	29,652	174,939	\$35.01	NA
Midtown North	6,653,501	30,170	1,167,648	18.0%	2,923	2,923	30,226	0	\$19.54	\$32.00
Décarie CDN	2,988,013	5,057	496,868	16.8%	-11,448	-11,448	17,329	0	\$26.96	\$32.20
Midtown West	1,479,022	43,845	178,758	15.1%	-50,993	-50,993	30,629	0	\$21.62	NA
Midtown South	1,244,479	136,011	49,532	14.9%	-17,897	-17,897	1,956	0	\$26.07	NA
Île-des-Soeurs	1,570,792	6,202	51,676	3.7%	-21,719	-21,719	1,088	0	NA	NA
Saint-Laurent	7,312,334	409,911	1,187,934	21.9%	-36,055	-36,055	18,842	637,641	\$28.23	\$30.57
Midtown	30,506,657	940,320	3,774,231	15.5%	-97,079	-97,079	157,657	910,647	\$25.03	\$30.79
West Island	3,023,741	47,647	427,910	15.7%	-16,572	-16,572	18,650	0	\$27.18	\$31.44
East End	3,606,290	116,156	436,323	15.3%	-85,801	-85,801	32,545	0	\$22.70	\$24.62
Laval	4,387,816	39,609	586,464	14.3%	-109,690	-109,690	51,854	333,938	\$29.37	\$32.95
South Shore	5,689,184	58,637	760,679	14.4%	-760,679	-760,679	24,863	230,000	\$26.81	\$31.38
Suburbs	16,707,031	262,049	2,211,376	14.8%	-271,071	-271,071	127,912	563,938	\$26.87	\$31.26
Greater Montreal Area	103,533,841	2,313,762	10,955,699	12.8%	-1,141,249	-1,141,249	560,359	3,246,079	\$33.15	\$41.57

*Rental Rates reflect full service asking (Gross rent)

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Place Victoria / 800 rue du Square Victoria	Downtown South	Société québécoise des infrastructures	38,400	Renewal
Humaniti / 385 av. Viger Ouest	Downtown East	Zendesk	16,000	New Tenant
407 rue McGill	Old Montreal	Undisclosed	12,285	New Tenant

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1405 boul. Henri-Bourassa Ouest	Midtown North	9052232 Canada Inc / 9420-2207 Quebec Inc	28,800	\$3,415,000 / \$119
3669-3681 boul. des Sources	West Island	Cominar REIT / 12636476 Canada Inc	25,000	\$3,000,000 / \$120

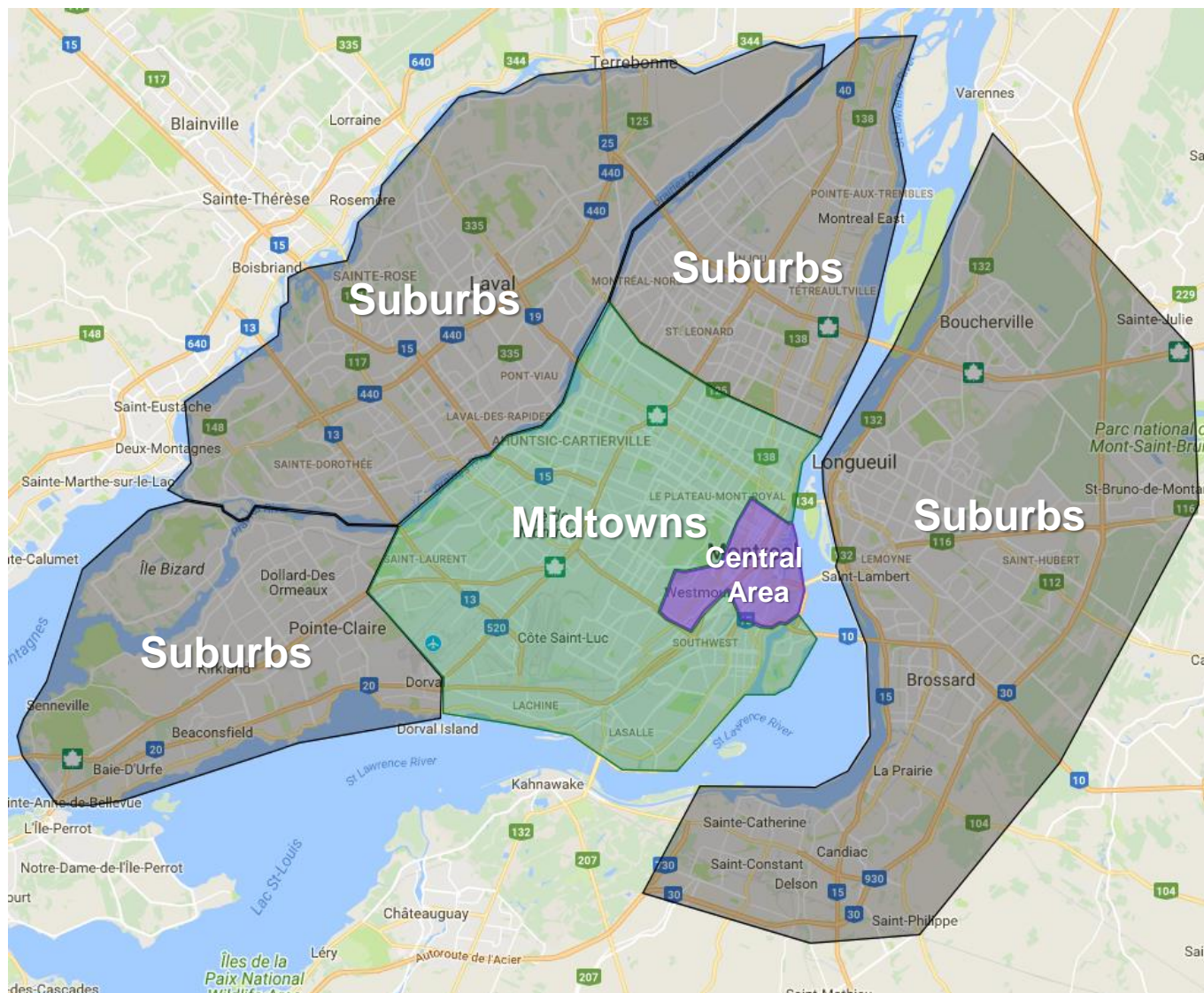
MONTREAL, QC

Office Q1 2021



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