

MARKETBEAT

Montreal, QC

Industrial Q3 2017



CELEBRATING
100
YEARS

MONTREAL INDUSTRIAL

Economic Indicators

	Q3 2016	Q3 2017	12-Month Forecast
Montréal Employment	2.05 mil	2.12 mil	▲
Montréal Unemployment	7.8%	6.8%	▼
Canada Unemployment	7.0%	6.2%	▼

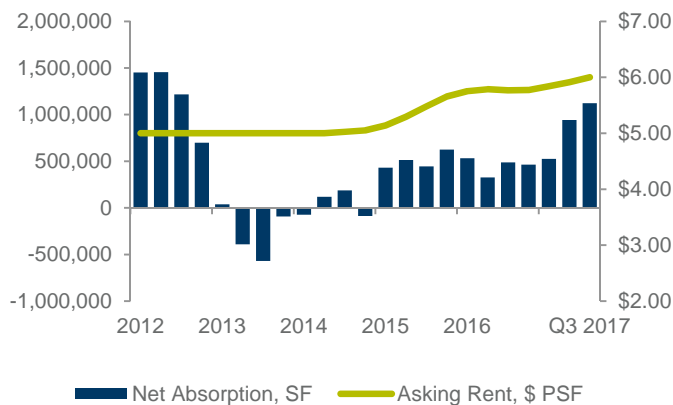
Market Indicators (Overall, All Property Types)

	Q3 2016	Q3 2017	12-Month Forecast
Vacancy	6.9%	5.8%	▼
Net Absorption (sf)	938,962	1,655,127	▲
Under Construction (sf)	1,542,499	2,562,980	▼
Average Asking Rent*	\$5.76	\$6.11	▲

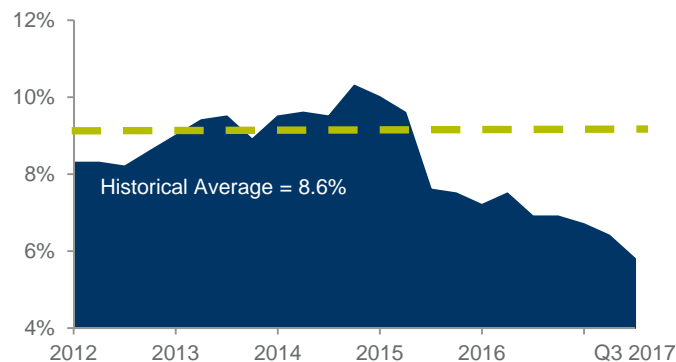
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-Quarter Moving Average



Overall Vacancy



Economy

This year has been nerve-racking for Montreal's aerospace sector. The Quebec government was criticized for investing in Bombardier's struggling C-Series aircraft while the company's market capitalization melted under sub-par financial results and a thin order book. Many analysts feared the worst when the U.S. imposed 220% duties on the new aircraft, but then, in an unexpected turn of events, Bombardier entered into a joint-venture agreement with European aerospace giant Airbus to sustain the C-series program. The merits and flaws of the agreement will generate much debate, but in the short run, Montreal's aerospace industry received a much-needed breather.

Market Overview

The Greater Montreal Area (GMA) industrial vacancy rate dropped under 6% for the first time, to 5.8%. Rents have become relatively stable, but a lack of rental options is bound to exert upward pressure on leasing costs in the short run. For would-be owner-occupiers, finding an existing industrial space for sale is increasingly difficult in the GMA. As a result, many potential buyers resort to renting, which has become a significant driver behind the strong absorption numbers posted in the past quarter.

Outlook

Major industrial projects are currently underway in the GMA: Ikea is building a 1,000,000 square feet (sf) distribution center in Beauharnois, while Cosco has chosen Varenne for its 500,000 sf facilities. Molson will invest \$600 million for a new plant in Longueuil and move most of its activities out of its current Notre Dame street location, which the brewer has occupied since 1786. All these projects have one thing in common: their location along Highway 30 on the South Shore. Traffic, road work, an aging industrial park and rising housing costs on Montreal Island are increasingly pushing industrial operations toward peripheral markets.

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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 CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	AVG. NET RENT*	AVG. ADDITIONAL RENT	AVG. GROSS RENT
Montreal Midtown South	69,133	0	798,651	867,784	N/A	0	0	9.19 \$	2.21 \$	11.40 \$
Montreal Midtown North	20,000	242,141	931,185	1,193,326	N/A	0	0	6.25 \$	2.20 \$	8.45 \$
Montreal East	270,818	206,487	2,911,607	3,288,912	N/A	0	23,280	6.23 \$	1.99 \$	8.23 \$
Saint-Laurent	130,116	108,408	3,142,698	3,381,222	N/A	815,000	0	5.82 \$	2.58 \$	8.40 \$
Lachine	71,856	42,473	1,136,386	1,250,715	N/A	195,000	0	6.01 \$	2.60 \$	8.61 \$
West-Island	287,589	639,553	2,459,740	3,386,882	N/A	0	130,482	5.56 \$	2.55 \$	8.10 \$
West-Shore	0	28,000	77,165	105,165	N/A	0	0	7.59 \$	1.13 \$	8.72 \$
Laval	75,592	202,274	868,007	1,145,873	N/A	9,000	165,000	7.29 \$	2.70 \$	9.99 \$
North Shore Laurentides	0	22,250	141,980	164,230	N/A	43,980	0	6.96 \$	2.41 \$	9.37 \$
North Shore Lanaudiere	237,098	242,973	62,901	542,972	N/A	0	0	7.06 \$	1.82 \$	8.88 \$
South Shore	88,839	113,872	720,865	923,576	N/A	1,500,000	0	3.49 \$	2.34 \$	5.83 \$
GREATER MONTREAL TOTALS	1,251,041	1,848,431	13,251,185	16,350,657	5.8 %	2,562,980	318,762	6.50 \$	2.23 \$	8.73 \$

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2305 52nd Ave	100,653	Auto-Kool	New Tenant	Dorval
3440 Francis-Hugues	96,014	Pneus Stux	New Tenant	Laval
3815 F.X. Tessier	67,000	Logoplaste	New Tenant	West Shore
3055 Anderson	136,982	Unknown	New Tenant	North Shore

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER / BUYER	PRICE \$/PSF	SUBMARKET
5500 Trans-Canada Hwy	470,000	Avon Canada / Summit Ltd	\$41.3m / \$89.10	Saint-Laurent
20 Guthrie	68,236	Societe Immobiliere TTL / Bariatrix Nutrition	\$9m/\$121.73	Dorval
11120 Colbert	63,671	2715759 Canada / 10239445 Canada	\$8.25m/\$118.92	West Island

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