

MARKETBEAT

Montreal, QC

Office Q4 2017



MONTREAL OFFICE

Economic Indicators

	Q4 16	Q4 17	12-month Forecast
Montreal Employment	2.1 mil	2.2 mil	▲
Montreal Unemployment	6.7%	6.1 %	▼
Canada Unemployment	6.9%	5.7 %	■

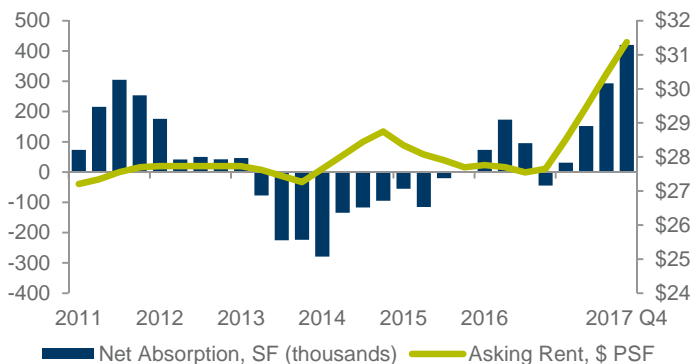
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-month Forecast
Vacancy	14.0%	14.6%	■
Net Absorption (sf)	-390,603	118,221	■
Under Construction (sf)	689,351	1,238,500	▼
Average Asking Rent*	\$27.83	\$31.66	▲

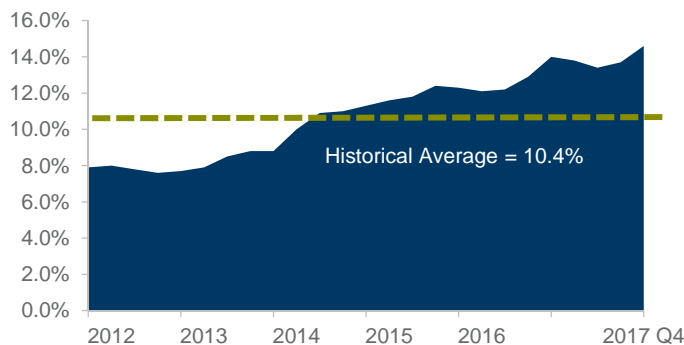
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-Quarter Trailing Average



Overall Vacancy



Economy

The Canadian economy had an outstanding year in 2017 as GDP growth increased by 3.0%, leading the G7 countries. This growth led to the creation of 423,000 jobs, accounting for a 2.3% increase in employment and the lowest unemployment rates in recorded history. In Quebec, strong employment performance is rapidly turning into a growing labour shortage problem. This issue is less acute in Montreal, where the presence of four major universities and affiliated schools ensure a minimum supply of qualified graduates looking for employment opportunities.

Market Overview

2017 was an exceptional year for the Montreal office market. The Saint-Laurent and West-End submarkets were especially active, with surging popularity from users in the high-tech and creative sectors which are significant drivers of Montreal's growth. In the Mile-End/Mile-Ex area, the popularity of former industrial facilities converted into office space is such that the asking rental rates for those Class B buildings is now higher than the rates advertised for Class A space in adjacent neighbourhoods.

Outlook

The strong economic performance in 2017 is anticipated to continue through 2018 and will most likely prompt the Bank of Canada to continue gradually raising interest rates. Higher rates are not expected to have significant detrimental effects as the rates are still considered very low by historical standards. These record-low rates play a key role in Montreal's commercial real estate investments, even more so than organic demand for office space. That being said, once some key players begin to showcase brand-new, modern facilities, their competitors will feel the pressure to offer similar amenities. The flight to quality is not over yet in Montreal.

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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	27,243,351	110,582	3,049,230	11.6%	251,528	312,147		\$41.57	\$43.08
Downtown West	7,390,335	18,539	1,259,946	17.3%	-37,614	83,310		\$39.37	\$38.85
Downtown East	7,146,697	28,171	574,096	8.4%	-66,201	405,257	500,000	\$31.81	N/A
Old Montreal	5,958,804	38,462	765,699	13.5%	-39,320	-120,888		\$32.34	\$47.51
CBD	47,739,804	195,754	5,648,971	12.2%	108,393	679,826	500,000	\$39.17	\$42.50
West End	9,719,538	49,947	1,589,878	16.9%	55,906	361,308		\$25.08	\$21.89
Saint-Laurent	5,973,995	209,907	1,358,649	26.3%	-51,560	447,466		\$25.17	\$28.36
Laval	4,619,650	20,558	571,192	12.8%	115,025	186,271		\$28.07	\$28.77
East End (East)	3,688,026	0	755,993	20.5%	-19,113	-62,756	155,000	\$26.86	\$28.17
East End (West)	11,427,781	53,063	1,371,910	12.5%	-34,724	126,700		\$25.41	\$27.86
Verdun-Lasalle	3,101,550	2,500	624,257	20.2%	-1,400	-108,958		\$29.21	N/A
West Island	2,739,773	113,598	477,542	21.6%	-64,801	-83,436		\$25.17	\$24.16
South Shore	4,247,501	16,082	551,928	13.4%	10,495	33,823	583,500	\$29.43	\$31.45
GREATER MONTREAL AREA TOTALS	93,257,001	661,409	12,950,320	14.6%	118,221	1,580,244	1,238,500	\$31.66	\$33.80

*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 CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*
Class A	46,009,688	445,175	5,792,495	13.6%	270,594	1,435,532	1,083,500	\$33.70
Class B	31,933,641	210,058	5,049,938	16.5%	30,343	182,438	155,000	\$33.18
Class C	15,313,672	6,176	2,107,887	13.8%	-182,716	-37,726	0	\$25.80

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1350 René-Lévesque Boulevard West	115,584	The Great-West Life Assurance Company	New Tenant	Downtown West
1981 McGill College	109,000	Fiera Capital	New Tenant	Financial Core
100 Peel Street	60,361	Autodesk Canada Co.	New Tenant	Downtown West
1751 Richardson Street	31,412	RAY-MONT LOGISTIQUES INTERNATIONALE	Expansion	West End
1751 Richardson Street	50,000	Unity 3D	New Tenant	West End

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
680 Sherbrooke O	181,927	INDUSTRIELLE ALLIANCE ASSURANCE / McGill University	\$32,500,000 / \$179	Financial Core
4126 à 4160 Ste Catherine O	155,590	Daniel REVAH / REDBOURNE	\$37,600,000 / \$242	Downtown West
2055 Drummond	35,583	WEBRIDGE / 2055 DRUMMOND L P	\$12,935,000 / \$364	Downtown West

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