

## ECONOMIC INDICATORS

National	2016	2017	12-Month Forecast
GDP Growth	1.6%	2.1%	▲
CPI Growth	1.4%	0.8%	▲
Consumer Spending Growth	2.8%	4.2%	■
Retail Sales Growth	6.9%	5.7%	▼

  

Regional	2016	2017	12-Month Forecast
Personal Disposable Income (Montreal)	\$29,285	n/a	▲
Population Growth	0.8%	1.1%	▲
Unemployment	7.9%	6.4%	■

Sources: Statistics Canada, RBC, The Chamber of Commerce of Metropolitan Montreal

## Economy

Despite a recent slowdown in the housing market, the Canadian economy is currently posting its strongest performance in three years. Real GDP is expected to grow by 2.1% in 2017, improving upon its performance of 1.7% in 2016. With the uncertainty surrounding the recovery of the export sector and the renegotiation of the NAFTA treaty looming in the coming months, the Bank of Canada is not expected to tighten monetary policy any further from its recent hike in the overnight rate from 0.25% to 0.5%.

## Overview

In recent months the news has been dominated by sensationalist headlines concerning a “retail apocalypse”, involving well-known brand stores closures and the explosive growth of online retail sales. This is not to deny that many retailers are facing significant hurdles; as Sears Canada is currently in the process of liquidating 45 of its department stores and Sears Home Stores. Combined with these challenges of a global nature, the Downtown Montreal market must also contend with the adversarial effects of road construction and car traffic. Traveling by car from Montreal’s peripheral neighborhoods and suburbs to the downtown area is becoming increasingly difficult, as is finding parking once you have arrived. That being said, many factors are working together to maintain the areas’ status as Quebec’s prime high street. First, some of the road work behind the traffic woes is actually a refurbishing operation for Sainte-Catherine Street, downtown Montreal’s main shopping artery. Additionally, the neighborhood is currently seeing a population densification with the construction of numerous luxury condominiums and rental apartment towers, ensuring the continued strengthening of the local market base.

The opening of brand new office towers such as Maison Manuvie and Ilot Balmoral, which are connected to the RESO underground network, will contribute in maintaining a solid daytime customer base.

Emerging trends observed with the growth of online sales indicate that shopping in a physical location has not been entirely replaced by internet transactions, and still plays a role in most consumer’s shopping strategies and habits. Brick-and-mortar stores are a key part of most brand integrated sales strategies and are used with online shopping for cross-selling purposes. Furthermore, customers are increasingly on the lookout for a shopping experience when they do venture out to buy goods and services. The lifestyle centers that have emerged in Montreal’s periphery during the past decade have been designed and built around the need to provide an all-encompassing experience by featuring retail, services (such as banks and health services) and entertainment (restaurants, cinemas, spas, skate parks, etc.). Dix30, the most important Lifestyle center in the Greater Montreal Area, also features office space and residential units, creating a “live-work-play” neighbourhood in the heart of the South Shore market. Carbonleo, the property developer behind Dix30, is looking to build another lifestyle center located right in the middle of Montreal; the \$1.2 billion Quinze40 project in the former industrial part of Town of Mount Royal.

A similar story is unfolding in Laval, where the Montmorency subway station acts as a magnet for high-density residential, office and retail projects. Currently under construction is Espace Montmorency, a multi-use project adjacent to the subway station that will feature more than 1.36 million square feet (msf) of lodging, office and retail space. However, where Dix30 created a brand-new neighbourhood in an area previously devoid of commercial activity, Espace Montmorency is being built within the core of Laval’s shopping district. Quebec’s most successful (and expansive) regional shopping center, Carrefour Laval, is located 3 kilometers away from Espace Montmorency, and the 3 kilometers between them are entirely filled with retail space. Carrefour Laval’s rents are on par with the most expensive leases available in Downtown Montreal, and international brands will often choose this location for their entry into the Quebec market.

In the near future, uncertainty regarding Canadian and U.S. trade relations and the domestic housing market could negatively impact consumer spending. While the relative importance of online sales will continue to increase, brick-and-mortar will still feature prominently in the retail landscape. The 346-year-old Hudson Bay Company opened a Saks OFF 5TH store at the Galleries d’Anjou regional shopping center this summer, as well as other Saks OFF 5TH locations within its existing The Bay stores. They are betting that it can survive the rise of online retail sales in the 21st century, just as it survived the decline of the Canadian fur trade in the past.

## Key Areas

### SAINTE-CATHERINE STREET WEST

Montreal's high-fashion street is home to some of the city's largest and most popular stores, including; the Bay, Simons, Apple, Forever 21, H&M amongst others, Sainte-Catherine Street West is a favorite shopping destination for both Montrealers and tourists alike. It is also made up of some of the city's largest shopping malls such as the Eaton Center, Place Montreal Trust and Les Ailes de la Mode.

### UNDERGROUND CITY

Started in 1962, Montreal's Underground City, stretches over 32 km, and is one of the largest underground districts in the world. A popular tourist attraction, the underground city is made up of stores, malls, hotels, offices, museums, 7 subway stations and the Bell Center which is home to the city's beloved hockey club, the Montreal Canadian's.

### OLD MONTREAL

Despite being somewhat of a seasonal shopping destination, Old Montreal remains one of the city's top retail destinations for tourists. It is a destination that attracts a very specific type of retailer. Due to city bylaws, as well as space restrictions, there are no big name retailers. Instead, the narrow streets are dotted with small shops and specialty boutiques. Many Quebec clothing and jewelry designers chose to open up in Old Montreal because of the foot traffic and volume of tourists present in the summer months.

### CARREFOUR LAVAL

Carrefour Laval, located just off the island of Montreal, is the largest one-story mall in Quebec with a gross leasing area of over 1.2 million square feet. With over 300 stores, Carrefour Laval has become one of the most important retail destinations in Quebec. Because of this, large American retailers such as Victoria's Secret and Crate & Barrel are choosing to open their flagship stores at Carrefour.

### QUARTIER DIX/30

Located in the suburb of Brossard and with an area of just over 2.7 million square feet, the Quartier DIX30 is considered Canada's first and largest commercial lifestyle center. It is comprised of many well-known retailers such as Zara, BCBG Maxazria, H&M and Aldo. In addition to the extensive shopping section of the complex, the Quartier Dix30 comprises a medical clinic, bars, restaurants, two performance venues, a movie theatre, a hotel (the Alt Hotel), gyms, a spa, a sports center, food outlets, as well as offices.

## Market Overview

Key Areas/Streets/Shopping Centres	Consumer Profile	Major Retailers Present	New Entrants	Typical Net Rent for Unit of 2,000 sf	Range of Unit Sizes
Sainte-Catherine Street West	Tourists, local shoppers, local business density	The Bay, Simons, Apple Store, Forever 21, Zara, H&M, Sephora	Woolrich, Sandro and Maje, Saks Fifth Avenue	\$120-\$250 PSF	1,500-50,000
Underground City	Local business density, Tourists	Simons, Old Navy, Zara	Suits Supply	\$70-\$125 PSF	300-50,000
Carrefour Laval	Regional shoppers	Simons, H&M, Old Navy, Victoria's Secret, Crate & Barrel	-	\$125-\$250 PSF	300-100,000
South Shore - Quartier Dix/30	Regional shoppers	Cineplex Odeon, Best Buy, H&M, Marché Adonis, Canadian Tire	-	\$35-\$60 PSF	2,000-200,000
West-Island	Local shoppers	Apple Store, Lululemon, Victoria Secret, H&M, Zara, The Bay	iSaute, Dollarama	\$120-\$245 PSF	2,000-120,000
Golden Square Mile	Local shoppers, tourists	Holt Renfrew, Ogilvy, Tiffany & Co.	-	\$40-\$80 PSF	800-20,000

### About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.