

MARKETBEAT

Montreal, QC

Industrial Q4 2017



MONTREAL INDUSTRIAL

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%	■

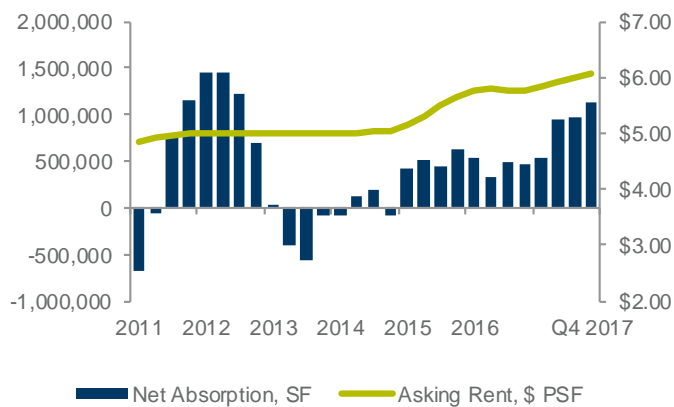
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	6.9%	5.2%	▼
Net Absorption (sf)	821,184	1,428,601	▲
Under Construction (sf)	1,228,250	1,704,881	▼
Average Asking Rent*	\$5.83	\$6.17	▲

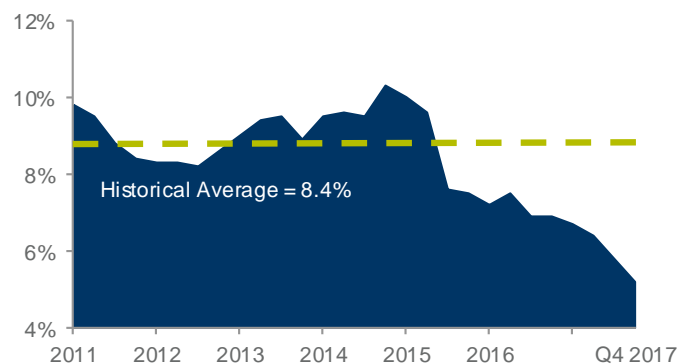
*Rental rates reflect net asking \$psf/year

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

Montreal's industrial market performed exceptionally well in 2017. As the vacancy rate continues to drop (it now stands at 5.2%), the market is now witnessing a shortage of available product such as land, facilities with external storage, and buildings with multiple loading docks. The lack of product that is available for sale is driving potential owners into a nearly saturated leasing market, creating very favourable conditions for landlords. It is anticipated that developers will introduce new projects in response to increasing demand. That being said, vacant land is becoming scarce and not all jurisdictions are open to manufacturing activity and heavy transportation. In the medium term, it is expected that Montreal's industrial market will remain tight.

Outlook

As the values of cryptocurrencies rise, crypto-mining is becoming a very profitable activity. Much like server farms in data centers used by cloud computing companies, mining computers consume a lot of electricity and need to be cooled, which is quite expensive. Following in the footsteps of tech giant Amazon, many cloud computing companies are setting up in Montreal to take advantage of Quebec's cheap electricity and cold climate, and crypto-miners are no exception. Foreign investors are petitioning for grants and favourable hydro rates, and it seems foreign crypto miners are currently shopping for industrial space to meet their demand in the Greater Montreal area.

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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	108,939	0	564,651	673,590	N/A	0	369,677	\$9.33	\$2.36	\$11.96
Montreal Midtown North	168,948	0	710,102	879,050	N/A	0	0	\$6.34	\$2.59	\$8.93
Montreal East	455,090	110,665	2,243,877	2,809,632	N/A	42,000	47,790	\$6.32	\$2.82	\$9.13
Saint-Laurent	887,555	209,272	2,276,222	3,373,049	N/A	1,220,482	0	\$5.91	\$3.37	\$9.28
Lachine	115,204	430,115	1,068,443	1,613,762	N/A	195,000	0	\$6.10	\$3.68	\$9.78
West-Island	207,008	511,639	1,964,499	2,683,146	N/A	235,000	130,482	\$5.64	\$3.62	\$9.26
Laval	301,129	196,832	665,687	1,163,648	N/A	12,399	165,000	\$7.40	\$3.93	\$11.33
North Shore Laurentides	30,714	0	95,410	126,124	N/A	0	67,260	\$7.06	\$1.75	\$8.82
North Shore Lanaudiere	55,038	184,973	176,045	416,056	N/A	0	0	\$7.17	\$2.14	\$9.31
South Shore	16,297	320,345	588,843	925,485	N/A	0	123,972	\$3.54	\$3.12	\$6.67
GREATER MONTREAL TOTALS	2,345,922	1,963,841	10,353,779	14,663,542	5.2 %	1,704,881	872,394	\$6.17	\$3.23	\$9.41

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TYPE OF TRANSACTION	SUBMARKET
551 Bériault Street	129,194	Chep Canada Inc.	New Tenant	South Shore
1101-1111 46th Avenue	106,800	Corporation Transport Vitesse	New Tenant	Lachine

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE \$/PSF	SUBMARKET
3500 F.-X.-Tessier	215,000	Ericsson Canada / Gi Re Acquisitions LLC	\$121,900,000 / \$567	West-Shore
1375 Newton	209,424	Jagg Asset Management Ltd. / Gpm (13) Gp Inc.	\$13,000,000 / \$62	South Shore
2355 32e Avenue	120,017	Tfi Transport 2 L.P. / Piret Holdings Inc. (Kevan S. Gorrie)	\$18,600,000 / \$155	Lachine
555 à 581, 605 à 655 Lépine	115,581	Guardian Capital Real Estate Fund LP / CGI Lépine LP	\$6,750,000 / \$58	Saint-Laurent
10501 Sherbrooke Street East (Land)	8,000,000	Shell Canada Limited / Groupe Laganière	\$22,700,000 / \$2.84	Montreal East

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