

MONTREAL OFFICE

Economic Indicators

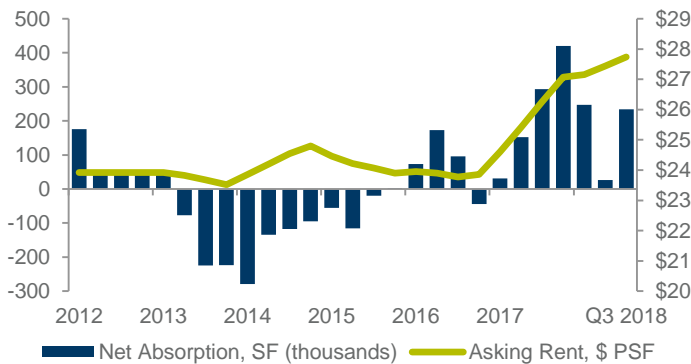
	Q3 17	Q3 18	12-month Forecast
Montreal Employment	2.1 mil	2.2 mil	▲
Montreal Unemployment	6.8%	6.1%	▼
Canada Unemployment	6.2%	6.0%	■

Market Indicators (Overall, All Property Types)

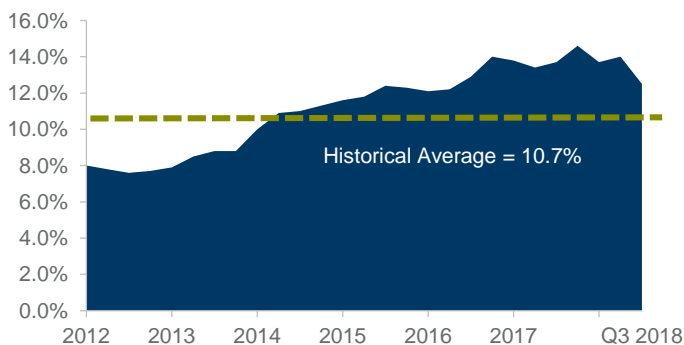
	Q3 17	Q3 18	12-month Forecast
Vacancy	13.7%	12.5%	■
Net Absorption (sf)	444,153	1,275,991	▼
Under Construction (sf)	2,425,752	3,512,066	▲
Average Asking Rent*	\$31.43	\$31.23	▲

\*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent  
4-Quarter Trailing Average



Overall Vacancy



Economy

In the third quarter of 2018, the unemployment rate in the Greater Montreal Area stood at 6.1%, its lowest level since 1987 when Statistics Canada began publishing this market indicator. It should be noted, however, that filling job vacancies with qualified labour could become more challenging in the future as the number of retirees is currently growing at a faster rate than the number of individuals entering the labour force.

Throughout 2018 the Bank of Canada has steadily bumped its key interest rate upwards, with a possible further hike in December 2018. Although it remains uncertain whether the Canadian economy has reached its peak, these moderate rate increases point to the fact that the federal government deems the possibility of an imminent recession as unlikely.

Market Overview

Demand for office space in the Greater Montreal area was exceptionally strong in the third quarter of 2018, resulting in a record 1.3 million square feet (msf) of positive absorption. The Central area submarkets (Financial Core, Downtown South, and Downtown West) drove market activity, accounting for 67% of the overall absorption. As a result of this strong demand, the vacancy rate in the Central area declined by almost 200 basis points from last quarter to reach 9.6%.

Outlook

Despite significant downward pressure on vacancy rates this quarter, it is expected the market will begin to stabilize in 2019. While demand will likely continue to outpace new available space, the projected new supply of 1.3 msf of office space in the next 15 months is expected to partially offset absorption, and the number of large contiguous available options in the market will increase. Upward pressure on asking rates is anticipated as new Class AAA office space is delivered.

# MARKETBEAT

## Montreal, QC

Office Q3 2018

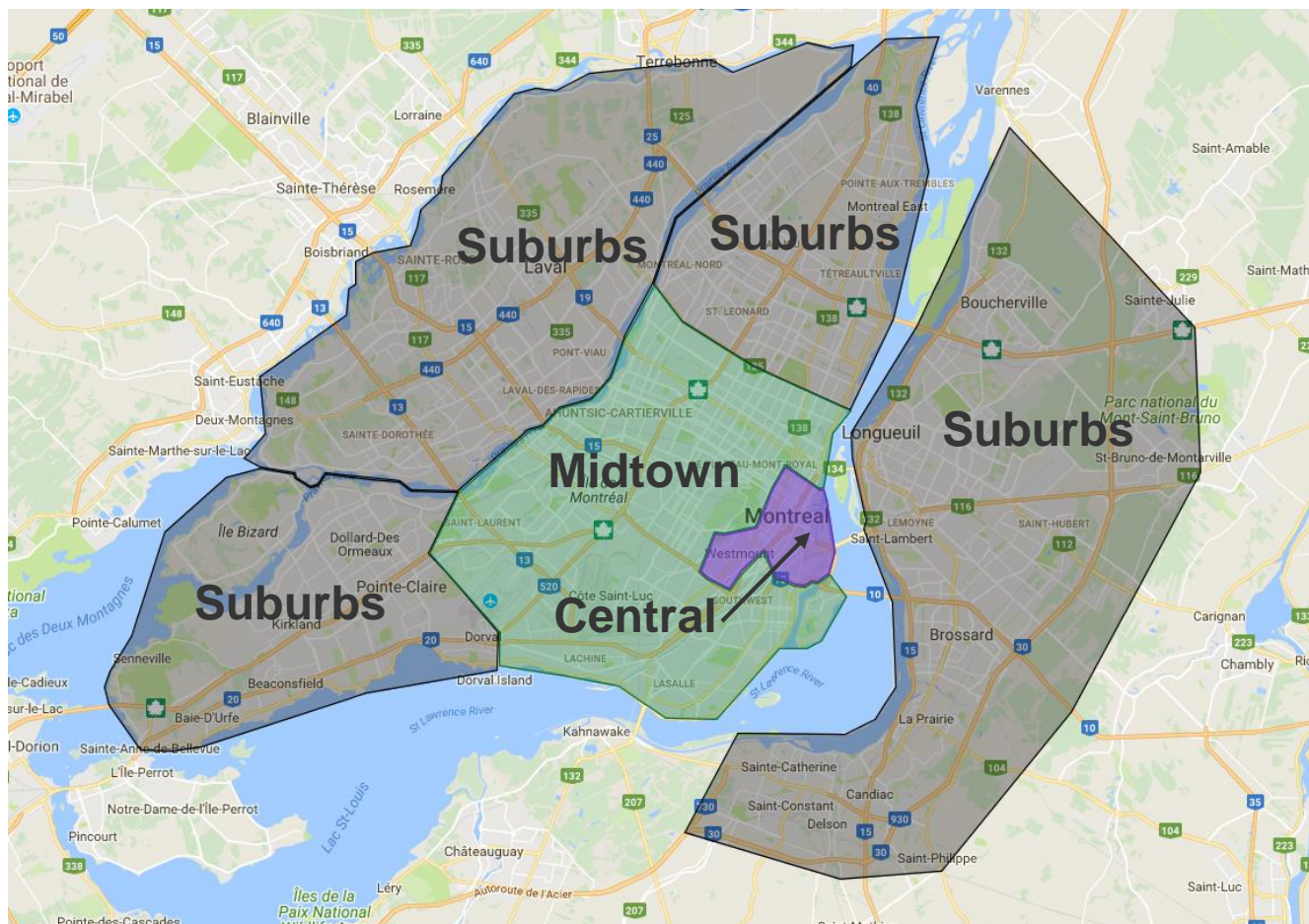


SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	21,882,859	83,478	2,632,089	12.4%	389,933	504,306	0	\$38.74	\$43.71
Downtown West	4,026,273	3,576	252,893	6.4%	222,520	228,016	173,699	\$31.96	\$37.65
Downtown East	8,988,592	23,438	454,870	5.3%	-7,007	-22,841	610,976	\$32.59	\$48.00
Downtown South	12,059,760	244,182	855,412	9.1%	210,156	19,099	1,000,000	\$40.60	\$43.89
Downtown Southwest	2,100,971	14,731	252,809	12.7%	-390	-33,942	148,618	\$24.04	N/A
Old Montreal	4,583,552	31,565	363,405	8.6%	38,865	7,578	193,300	\$29.91	N/A
Westmount	2,162,487	7,214	132,921	6.5%	4,013	29,421	0	\$28.25	\$36.72
<b>Central Area</b>	<b>55,804,494</b>	<b>408,184</b>	<b>4,944,399</b>	<b>9.6%</b>	<b>858,090</b>	<b>731,637</b>	<b>2,126,593</b>	<b>\$35.37</b>	<b>\$43.65</b>
Midtown East	2,352,122	41,923	211,814	10.8%	11,623	-25,556	418,000	\$23.13	N/A
Midtown Central	5,033,983	70,208	359,437	8.5%	42,966	-7,805	176,434	\$24.50	N/A
Midtown North	5,404,680	0	1,142,764	21.1%	31,742	-11,830	0	\$23.43	\$27.05
Décarie CDN	1,915,395	10,398	428,195	22.9%	-13,211	45,521	0	\$28.27	\$31.50
Midtown West	565,181	0	18,828	3.3%	-660	-7,810	0	\$24.34	N/A
Midtown South	981,082	116,767	19,432	13.9%	3,467	-84,686	0	\$25.10	N/A
Île-des-Sœurs	1,735,627	9,552	251,453	15.0%	6,587	20,001	0	\$30.76	N/A
Saint-Laurent	6,795,193	249,432	1,214,290	21.5%	153,969	126,307	21,970	\$22.94	\$30.21
<b>Midtown</b>	<b>24,783,037</b>	<b>498,280</b>	<b>3,646,213</b>	<b>16.7%</b>	<b>236,483</b>	<b>54,142</b>	<b>616,404</b>	<b>\$24.28</b>	<b>\$30.86</b>
West Island	2,884,439	29,765	501,242	18.4%	126,441	98,759	0	\$24.72	\$24.00
East End	2,595,644	15,661	386,901	15.5%	12,102	-28,806	155,000	\$24.33	\$27.63
Laval	4,228,987	40,722	660,209	16.6%	-16,211	-53,660	0	\$26.95	\$27.80
South Shore	4,911,342	13,713	716,369	14.9%	59,086	15,865	614,069	\$26.34	\$29.34
<b>Suburbs</b>	<b>14,620,412</b>	<b>99,861</b>	<b>2,264,721</b>	<b>16.2%</b>	<b>181,418</b>	<b>32,152</b>	<b>769,069</b>	<b>\$25.84</b>	<b>\$27.54</b>
<b>GREATER MONTREAL AREA TOTALS</b>	<b>95,207,943</b>	<b>1,006,325</b>	<b>10,855,333</b>	<b>12.5%</b>	<b>1,275,991</b>	<b>817,937</b>	<b>3,512,066</b>	<b>\$31.23</b>	<b>\$38.74</b>

\*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 CONSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL MARKETS)*
Class A	40,329,306	530,797	3,943,827	11.1%	568,146	769,696	2,931,478	\$38.74
Class B	41,963,391	407,734	5,617,644	14.4%	401,734	-73,138	580,588	\$28.86
Class C	12,915,472	67,794	1,293,862	10.5%	306,111	121,379	0	\$23.86

**MARKETBEAT**  
**Montreal, QC**  
 Office Q3 2018



**Key Lease Transactions Q3 2018**

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1981 McGill College	123,000	Médavie/Blue Cross	New Lease	Financial Core
2155 Guy	113,071	Concordia University	New Lease	Downtown West
90 Beaubien West	78,540	Pro de la Photo	Renewal	Midtown Central
85 Sainte-Catherine West	69,582	Aecom Consultants	Renewal	Downtown East
5905 Kieran	49,722	Majestic Industries Canada Inc	Renewal	Saint-Laurent

**Key Sales Transactions Q3 2018**

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
6505 Transcanada Highway & 555 Dr. Frederik-Philips Boulevard	188,375	GWL Realty Advisors / Joint Venture: Pava Corp & Olymbec (Les Tours 40 Ouest Inc.)	\$18,800,000 / \$100	Saint-Laurent
300 du Saint-Sacrement (Board of Trade Building)	130,933	Les Placements St-Paul inc. / Prime Properties	\$21,300,000 / \$163	Old Montreal
101 Roland-Therrien (Place Agropur)	128,362	Manulife / Groupe Mach	\$12,500,000 / \$86	South Shore
1405-1411 Crescent Street	33,322	Lotus Realities / BTB REIT	\$25,200,000 / \$756	Downtown West

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