

MARKETBEAT

Montreal, QC

Industrial Q1 2019



MONTREAL INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Montreal Employment	2.2 mil	2.2 mil	▲
Montreal Unemployment	6,1%	5,9%	▼
Canada Unemployment	5,8%	5,8%	■

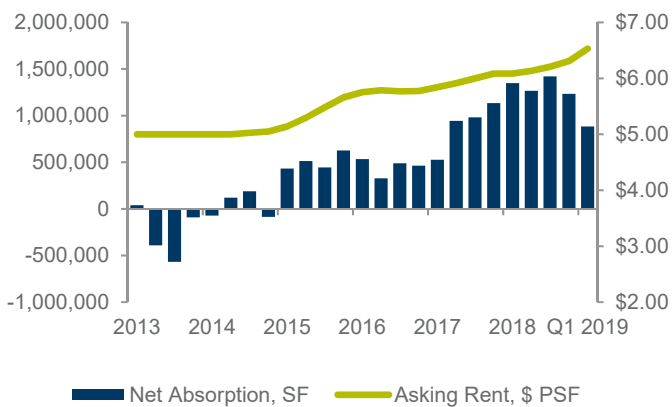
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	4,8%	4,3%	▼
Net Absorption (sf)	1,691,972	286,675	▲
Under Construction (sf)	1,704,881	1,213,159	▼
Average Asking Rent*	\$6.01	\$6.90	▲

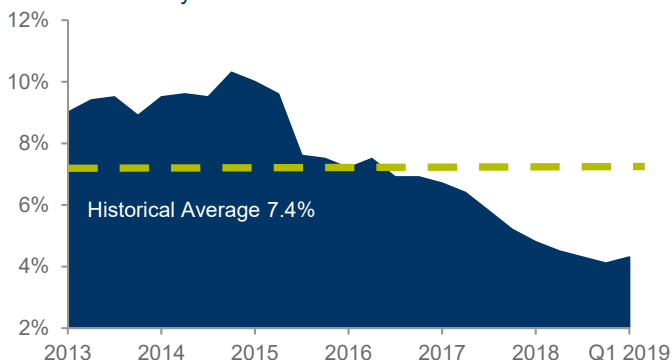
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the Greater Montreal Area (GMA) remained unchanged at 5.9% for a second consecutive quarter. Although there has been no movement, this rate continues to highlight the positive economic outlook for the GMA.

(Source: Statistics Canada)

In March 2019, the Bank of Canada left its benchmark interest rate unchanged at 1.75% for a third consecutive announcement. This decision was announced following disappointing results from key economic indicators during the last 3 months; in fact, economic growth during this period was the lowest it has been in the last three years. Although the potential rise in interest rates towards the end of 2019 remains a concern for borrowers, the stability of the policy monetary can be considered a positive sign for the general economy.

Market Overview

The GMA industrial market performed well in the first quarter of 2019 with close to 287,000 square feet (sf) of absorption. Absorption would have been even stronger if it were not for the arrival of close to 590,000 sf of sublet space onto the market. The vacancy rate currently sits at a tight 4.3%, putting additional upward pressure on asking rents, which have already climbed year-over-year by close to 15%. This pressure has manifested itself more profoundly in the Suburban areas of Montreal such as the South Shore and North Shore and Lanaudière.

The increased demand for industrial space has been primarily driven by the growth in e-commerce, particularly industries affiliated with e-commerce requiring high ceilings, as well as electricity-intensive industries.

Outlook

Montreal's Suburban areas are becoming increasingly popular with tenants given the upward pressure on rents on the Island, the scarcity of available space, and the major infrastructure work currently underway. Furthermore, current industrial construction in the GMA is unlikely to reduce the demand, as 1 million square feet (msf) of the 1.2 msf set to be delivered throughout the remainder of 2019 is either already pre-leased or under contract. As a result, the industrial market is expected to tighten further over the course of 2019. Based on these projected market conditions it will be interesting to see if the developers will start making speculative investment on the future needs of Montreal industrial space users.

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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 CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	AVG. NET RENT	AVG. ADDITIONAL RENT	AVG. GROSS RENT
Midtown South	-	0	1,305,597	1,305,597	4.4%	-	-	\$7.85	\$3.12	\$10.96
Midtown North	98,436	71,395	2,064,276	2,234,107	4.5%	-	-	\$7.28	\$2.67	\$9.95
Montreal East	235,708	101,788	1,733,267	2,070,763	2.9%	99,909	-	\$7.75	\$3.59	\$11.35
Saint-Laurent	62,309	304,888	2,531,679	2,898,876	4.3%	-	-	\$6.04	\$3.80	\$9.85
Lachine	144,723	15,521	919,411	1,079,655	4.7%	-	-	\$6.23	\$3.21	\$9.44
West-Island	91,841	72,000	1,487,754	1,651,595	3.7%	-	-	\$6.89	\$3.22	\$10.11
West-Shore	61,283	30,087	940,959	1,032,329	45.9%	13,250	60,000	\$7.36	\$2.76	\$10.11
Laval	88,756	34,239	656,391	779,386	3.9%	-	-	\$6.50	\$3.62	\$10.13
North Shore Laurentides	110,423	23813	146,389	280,625	5.2%	-	-	\$8.27	\$3.68	\$11.95
North Shore Lanaudiere	10,804	63,500	30,306	104,610	2.7%	-	-	\$ 7.10	\$2.83	\$9.93
South Shore	6,600	336,007	694,944	1,037,551	5.2%	1,100,000	-	\$6.91	\$3.60	\$10.50
GREATER MONTREAL TOTALS	910,883	941,264	11,513,153	14,475,094	4.3%	1,213,159	60,000	\$6.90	\$3.38	\$ 10.29

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
19600 Clark-Graham Avenue	123,173	Kuehne and Nagel	New Tenant	West Island
3700 Francis-Hugues Avenue	117,330	Eska	New Tenant	Laval
2519 – 2555 Dollard Avenue	121,320	Recochem	New Tenant	Lasalle
2200-2210 52 ^e Avenue	55,747	C.A.C. 3000 Inc.	New Tenant	Lachine
2205-2291 46 ^e Avenue	43,839	Dsquare	New Tenant	Lachine

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE \$/PSF	SUBMARKET
Vista Propertier - Summit REIT GMA Industrial Portfolio	1,196,581	Vista Properties / Summit Industrial Income REIT	\$140,000,000 / \$117	GMA
1101 Parent Street	160,000	Bombardier / Société Galion	\$44,000,000 / \$275	South Shore
2050 Bombardier Street	203,641	Congebec / Skyline Commercial REIT	\$32,250,000 / \$146	South Shore
401 Marie-Curie Street	533,978	Kraft Heinz / I Quint	\$25,850,000 / \$34	Vaudreuil
130 J.-A. Bombardier Street	129,043	Congebec / Skyline Commercial REIT	\$24,130,000 / \$146	South Shore
9190 – 9252 Pie-IX	284,248	Axwood / Le Marché Pie-IX SEC	\$21,500,000 / \$76	North-Shore Lanaudière

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