

MARKETBEAT

Montreal, QC

Industrial Q4 2018



MONTREAL INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Montreal Employment	2.2 mil	2.2 mil	▲
Montreal Unemployment	6,1%	5,9%	▼
Canada Unemployment	5,7%	5,6%	■

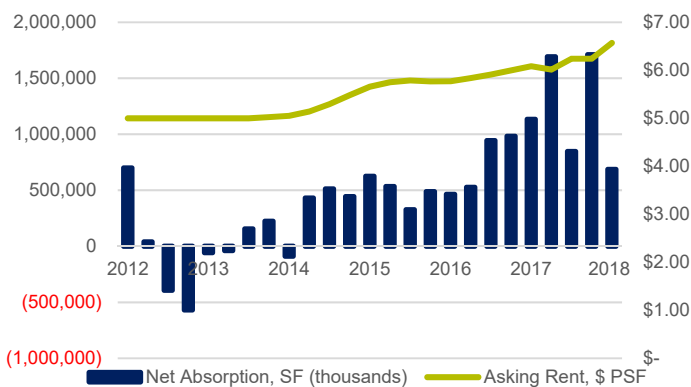
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	5,2%	4,1%	▼
Net Absorption (sf)	1,428,601	686,881	▲
Under Construction (sf)	1,704,881	1,212,159	▼
Average Asking Rent*	\$6.17	\$6.57	▲

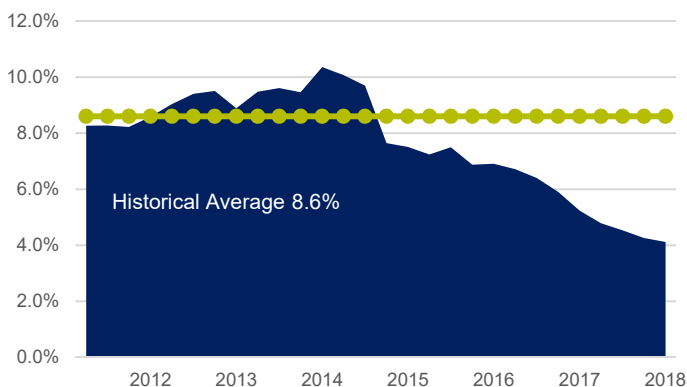
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the Greater Montreal Area (GMA) declined to 5.9% in the fourth quarter of 2018, representing a decrease of 20 basis points in the last 12 months. Although the decline is relatively modest, the metric still reinforces the positive economic outlook for the region.

In December 2018, the Bank of Canada left its benchmark interest rate unchanged at 1.75%, partially due to the softening of the Canadian energy sector. Although potential rate hikes remain a concern for borrowers, the stability of the monetary policy can be deemed a positive sign for the overall economy. According to Stéfane Marion, Chief Economist and Strategist for National Bank of Canada, the peak stage of the economic cycle in Canada can last from 22 to 72 months, therefore it can be extrapolated that the imminence of the recession remains questionable.

Market Overview

In the fourth quarter of 2018, the GMA industrial market experienced another solid performance with close to 686,000 square feet (sf) of absorption, bringing the annual absorption total to 4.9 million square feet (msf). The vacancy rate currently sits at a meager 4.1%, putting additional upward pressure on rents. The increased demand for industrial space has been primarily driven by the growth in e-commerce and electricity-intensive industries. The rise in rents has manifested itself more profoundly in the Suburban areas of Montreal such as the South Shore, North Shore, Lanaudière and the West Shore (including Vaudreuil). In the fourth quarter of 2018 the average rents in these areas increased by an average of 6.5%, rising from \$6.17 per square foot (psf) to \$6.57 psf. Currently 19.6% of all vacant space is in blocks smaller than 15,000 sf and 26% are over 100,000 sf. Furthermore, most of the vacant space is located on the Island of Montreal (Saint-Laurent 20.2%, Montreal Central North 16.2%, Montreal East 14.2% and Montreal West 11.1%), totaling 61.7% of all vacant product in the GMA.

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 of the 1.2 msf to be delivered in 2019 is already pre-leased or under contract. As a result, the industrial market is expected to tighten further over the course of 2019.

MARKETBEAT

Montreal, QC

Industrial Q4 2018



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	-	-	1,297,097	1,297,097	4.3%	-	-	\$5.29	\$2.80	\$8.09
Midtown North	218,850	71,395	1,940,393	2,230,638	4.5%	-	-	\$7.01	\$2.88	\$9.89
Montreal East	314,789	101,788	1,538,084	1,954,661	2.8%	99,909	364,600	\$6.78	\$3.58	\$10.36
Saint-Laurent	181,858	344,708	2,258,177	2,784,743	4.2%	-	216,000	\$5.95	\$3.92	\$9.87
Lachine	155,857	36,000	1,091,193	1,283,050	5.6%	-	-	\$6.24	\$3.24	\$9.48
West-Island	106,629	123,151	1,302,783	1,532,563	3.4%	-	-	\$6.97	\$3.47	\$10.44
West-Shore	61,283	28,000	357,554	446,837	29.0%	13,250	-	\$7.25	\$3.13	\$10.38
Laval	117,386	34,239	703,898	855,523	4.4%	-	-	\$6.35	\$3.93	\$10.28
North Shore Laurentides	142,350	-	191,739	334,089	5.9%	-	-	\$7.82	\$3.33	\$11.15
North Shore Lanaudiere	15,867	4,050	24,750	44,667	1.1%	-	-	\$7.44	\$3.25	\$10.69
South Shore	3,600	197,933	807,485	1,009,018	5.3%	1,100,000	298,235	\$7.04	\$3.56	\$10.60
GREATER MONTREAL TOTALS	1,318,469	941,264	11,513,153	13,772,886	4.1%	1,212,159	878,835	\$6.57	\$3.48	\$ 10.05

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
180 Normandie Street	174,295	Idéal Centre Logistique Montreal Inc.	New Lease	South Shore
3695 des Laurentides Highway	132,665	Unknown Tenant	New Lease	North Shore Laurentides
400 Marie-Curie Street	121,660	Shopper Plus	New Lease	West Shore
2315 Cohen Street	110,751	Paris Glove of Canada	New Lease	Saint-Laurent
2519-2555 Dollard Avenue	102,380	Cirque du Soleil	Renewal	Midtown South

Key Sales Transactions Q4 2018

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
8200 des Bâtisseurs Street	68,897	Noran / BPREP Mercury	\$ 2,825,000 / \$41	Montreal East
5350 Armand-Frappier Street	51,286	Toromont / Gestion Immobilière Lafond	\$ 5,534,000 / \$108	South Shore
3654-3660 De la Côte-Bissonnette	46,772	Sandoz Canada / Avara Pharmaceutical Service	\$ 3,181,000 / \$68	South Shore
3460-3464 Des Entreprises Boulevard	42,000	Expédition D.M. Inc / Fiducie les Immeubles Solumet	\$ 2,940,000 / \$70	North Shore Lanaudiere
3142-3166 Delaunay Street	34,810	Becimsal Capital Inc. / CIRION BioPharma	\$ 3,655,050 / \$105	Laval

Cushman & Wakefield
6505 Trans-Canada Highway,
Suite 600
Montréal, QC H4T 1S3
www.cushmanwakefield.com
Twitter: @CushWakeMTL

For more information, contact:
Eric Lemieux, Research Analyst
Tel: +1 514 841 3878
eric.lemieux@cushwake.com

Oleg Volgarev, Research Analyst
Tel: +1 514 841 3804
oleg.volgarev@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, advisory and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.