

MONTREAL OFFICE

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%	■

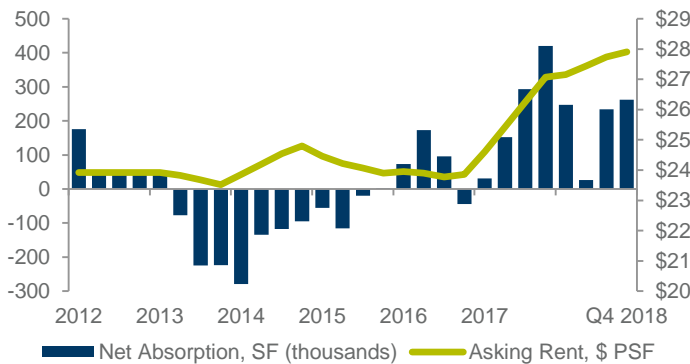
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-month Forecast
Vacancy	14.6%	11.4%	■
Net Absorption (sf)	118,221	230,211	▼
Under Construction (sf)	1,238,500	3,512,066	▲
Average Asking Rent*	\$31.66	\$32.58	▲

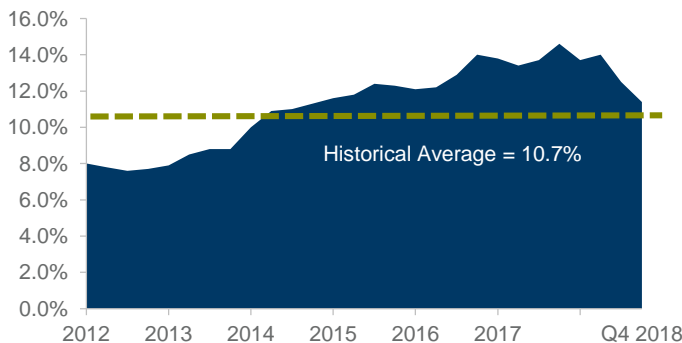
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-Quarter 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 Stéphane 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

Following an exceptional third quarter, the GMA saw positive absorption of 230,211 square feet (sf) in the fourth quarter of 2018, with all three of the major markets seeing positive absorption. The Central area submarkets drove market activity, accounting for 84% of overall absorption, up from 67% last quarter. The significant absorption that took place in the second half of 2018 drove the overall vacancy rate in the GMA downwards to 11.4% in the fourth quarter of 2018; a 230 basis point decline from the beginning of the year. Leasing activity far surpassed absorption this quarter, with 826,057 sf transacted in the GMA.

Outlook

Over the course of 2018, 62% of all absorption in the GMA took place in the Financial Core submarket, with the majority occurring in Class A office buildings. This suggests a general optimism in the state of the market and a continuing “flight-to-quality” trend as experienced over the last five quarters. Of the 3.5 million square feet (msf) of office space that will be delivered in the next 48 months, 2.8 msf has already been pre-leased, indicating an appetite for new buildings. While not as robust as 2018, the market is expected to maintain its momentum over the course of 2019.

MARKETBEAT

Montreal, QC

Office Q4 2018

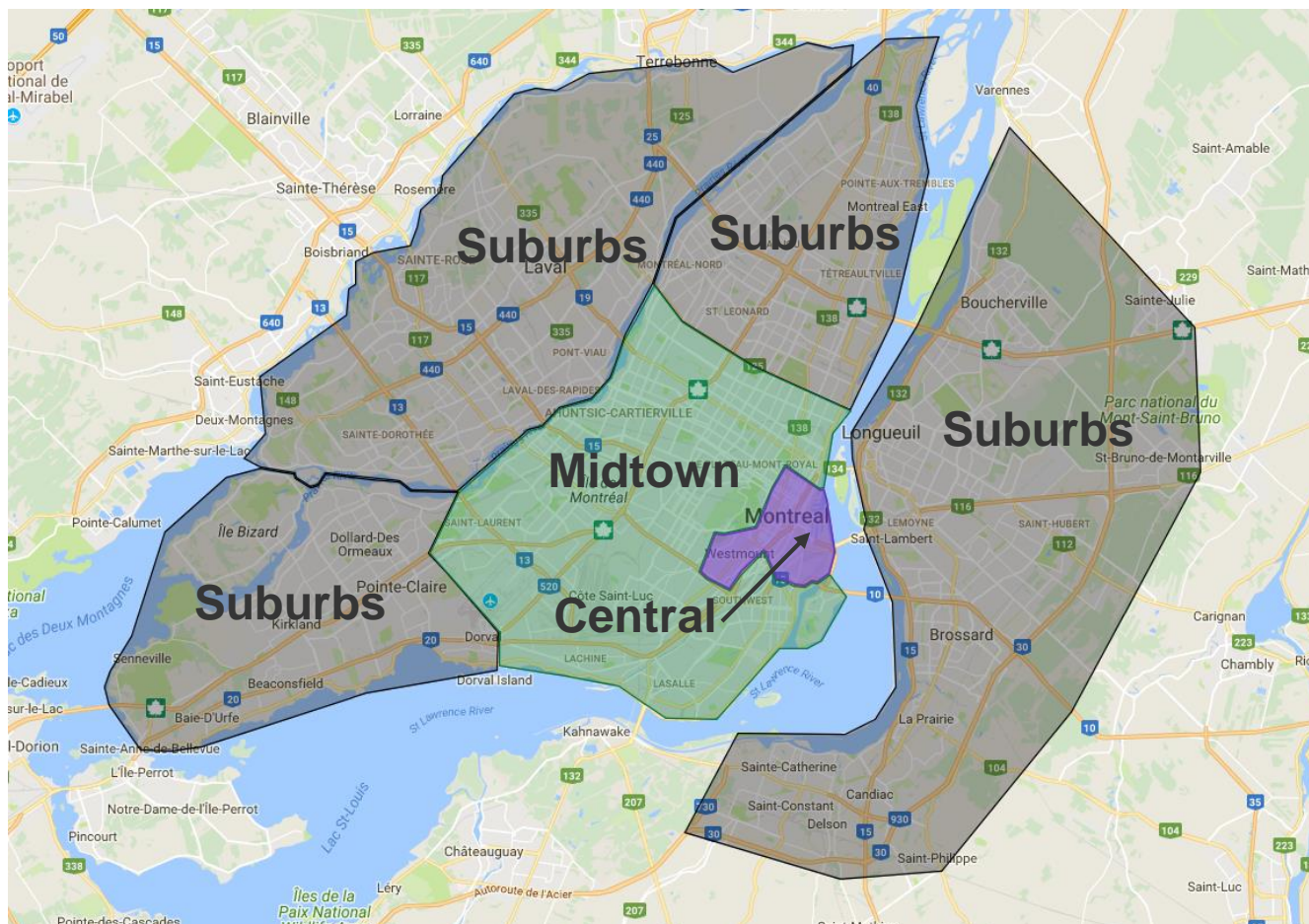


SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	21,882,859	83,478	2,194,301	10.4%	146,397	650,703	0	\$41.20	\$44.81
Downtown West	4,026,273	3,576	252,774	6.5%	-59,881	168,135	173,699	\$35.00	\$42.04
Downtown East	8,988,592	0	492,022	5.5%	-13,714	-36,555	610,976	\$35.66	\$49.38
Downtown South	12,004,760	229,782	660,378	7.4%	48,181	67,280	1,000,000	\$40.34	\$43.89
Downtown Southwest	2,100,971	14,731	159,760	8.3%	93,049	59,107	148,618	\$24.04	N/A
Old Montreal	4,583,552	32,416	348,828	8.3%	-25,605	-18,027	193,300	\$27.15	N/A
Westmount	2,162,487	3,988	131,437	6.3%	4,710	34,131	0	\$29.96	\$36.72
Central Area	55,689,494	367,971	4,239,500	8.3%	193,137	924,774	2,126,593	\$37.70	\$44.69
Midtown East	2,352,122	34,844	195,859	9.8%	23,034	-2,522	418,000	\$19.05	N/A
Midtown Central	5,033,983	70,208	350,341	8.4%	9,096	1,291	176,434	\$24.51	N/A
Midtown North	5,404,680	0	1,109,900	20.5%	20,424	8,594	0	\$22.27	\$27.05
Décarie CDN	1,860,965	10,398	388,003	21.4%	-44,310	1,211	0	\$27.57	\$31.50
Midtown West	565,181	0	18,828	3.3%	0	-7,810	0	\$24.34	N/A
Midtown South	981,082	116,767	19,432	13.9%	0	-84,686	0	\$25.10	N/A
Île-des-Sœurs	1,735,401	9,552	250,784	15.0%	669	20,670	0	N/A	N/A
Saint-Laurent	6,795,193	260,690	1,144,646	20.7%	14,046	140,353	21,970	\$27.52	\$31.21
Midtown	24,728,607	502,459	3,477,793	16.1%	22,959	77,101	616,404	\$24.58	\$30.57
West Island	2,884,439	29,765	485,301	17.9%	8,441	107,200	0	\$29.65	\$30.65
East End	2,595,644	15,661	323,551	13.1%	3,995	-24,811	155,000	\$23.58	\$27.63
Laval	4,228,987	40,722	631,553	15.9%	28,656	-25,004	0	\$26.83	\$27.80
South Shore	4,911,342	58,458	681,555	15.1%	-26,977	-11,112	614,069	\$26.30	\$30.50
Suburbs	14,620,412	144,604	2,121,960	15.5%	14,115	46,273	769,069	\$26.63	\$29.17
GREATER MONTREAL AREA TOTALS	95,038,513	1,015,034	9,839,253	11.4%	230,211	1,048,148	3,512,066	\$32.58	\$39.56

*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	535,530	3,467,278	9.9%	115,630	885,326	2,931,478	\$39.56
Class B	41,908,961	421,504	5,166,000	13.3%	131,900	58,762	580,588	\$29.30
Class C	12,800,472	58,000	1,205,975	9.9%	-17,319	104,060	0	\$23.20

MARKETBEAT
Montreal, QC
 Office Q4 2018



Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1751 Richardson Street	119,540	Gsoft	New Tenant	Downtown Southwest
3155 de l'Assomption Boulevard	75,187	Undisclosed	New Tenant	East End
550 Sherbrooke West	66,404	Société Québécoise des Infrastructures	New Tenant	Financial Core
1751 Richardson Street	55,793	ReelFX	Sublet	Downtown Southwest
1100 des Canadiens-de-Montréal Avenue	54,208	Undisclosed	New Tenant	Downtown South

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Place Crémazie 3 (140 Blvd. Crémazie O.)	224,084	Hydro-Québec / Groupe Petra JV Groupe Mach	\$28,000,000 / \$126	Midtown North
Les Lofts Cadbury	171,033	9049-9302 Québec Inc. / B Posner (Les Lofts Cadbury Inc)	\$10,467,000 / \$61	Midtown East
305 De Bellechasse Street	82,444	Les Investissements Belroyal Inc / Les Investissements 650 Wellington Ltée	\$7,000,000 / \$85	Midtown Central
6300 De La Côte-De-Liesse Road	47,410	Helix Enterprise Collaboration Systems Inc / The David And Stella Gelerman Real Estate Trust	\$5,875,000 / \$124	Saint-Laurent

Cushman & Wakefield
 999, boul. de Maisonneuve Ouest
 bureau 1500
 Montréal, QC H3A 3L4
www.cushmanwakefield.com
 Twitter: @CushWakeMTL

For more information, contact:
 George Meletakos, Research Analyst
 Tel: +1 514 841 3808
George.Meletakos@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.