

**AVISON
YOUNG**

**SPRING
2018**

**OFFICE
MARKET REPORT
GREATER MONTREAL**

 **CANADA
BEST
MANAGED
COMPANIES**

Platinum member

SPRING 2018

OFFICE MARKET REPORT GREATER MONTREAL

Office market conditions have been very stable in the Greater Montreal Area (GMA) over the past year, but recent news lead to believe this could change drastically over the years to come as major projects were announced and the construction of Montreal's Réseau Express Métropolitain (REM) began. New projects and future developments are expected to shake up Montreal's real estate markets and put a dent in the stability observed over the past quarters.

Even with a positive absorption of nearly 954,000 square feet (sf) of space over the last 12 months, the total office availability in the GMA remained relatively unchanged year-over-year with the delivery of new inventory, reaching 14.6% at the end of the first quarter of 2018 from 14.5% the previous year.

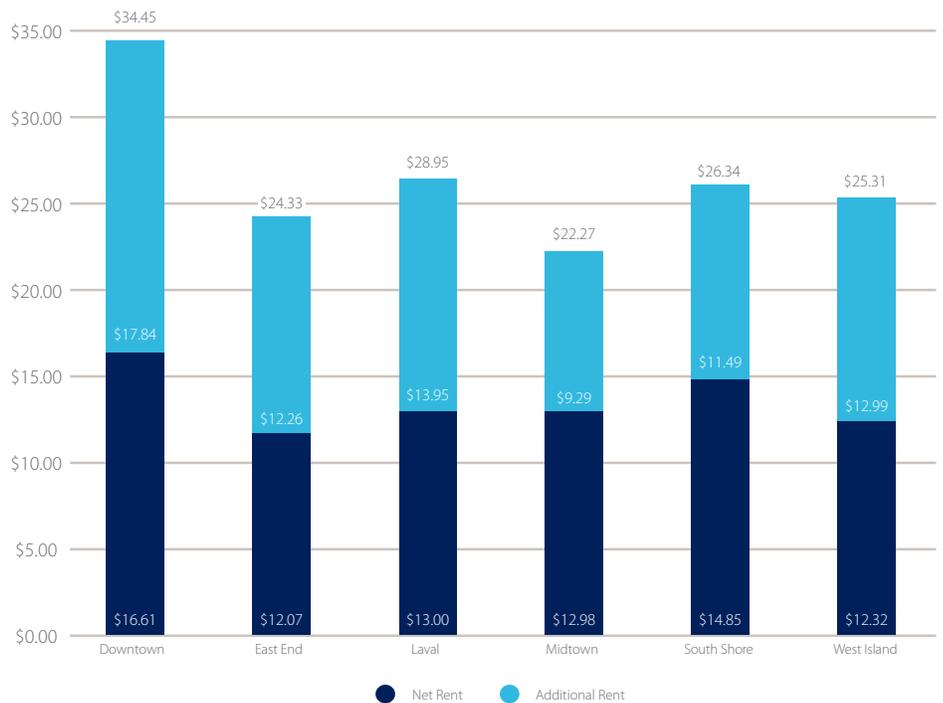
Downtown Montreal, the total availability reached 12.2% at the end of March 2018, from 12.1% at the end of the first quarter of 2017. In the Downtown core, availability remained unchanged year-over-year at 15.3%, as several buildings struggle with high vacancy along McGill College Avenue, De Maisonneuve Boulevard and René-Lévesque Boulevard.

Class-A availability Downtown Montreal reached 11.7% at the end of the first quarter, which represents an increase of only 20 basis points year-over-year.

Landlords who invested in their properties and repositioned their assets in Downtown Montreal over the past years are benefiting from their investments as their portfolios show more stability and success than most.

It is the case at Place Ville Marie, where Ivanhoé Cambridge is attracting new tenants who are typically not interested in traditional office space Downtown Montreal, such as Sid Lee, who will be occupying the former banking halls previously occupied by the Royal Bank of Canada. Vacancy and availability in the iconic complex are constantly decreasing as the landlord invests significant capital in the repositioning of its five buildings and common areas, increasing and diversifying onsite services and reaffirming the asset as a contemporary landmark of the Downtown Montreal office market.

OCCUPANCY COSTS
OFFICE SPACE
GREATER MONTREAL AREA
BY SUBMARKET

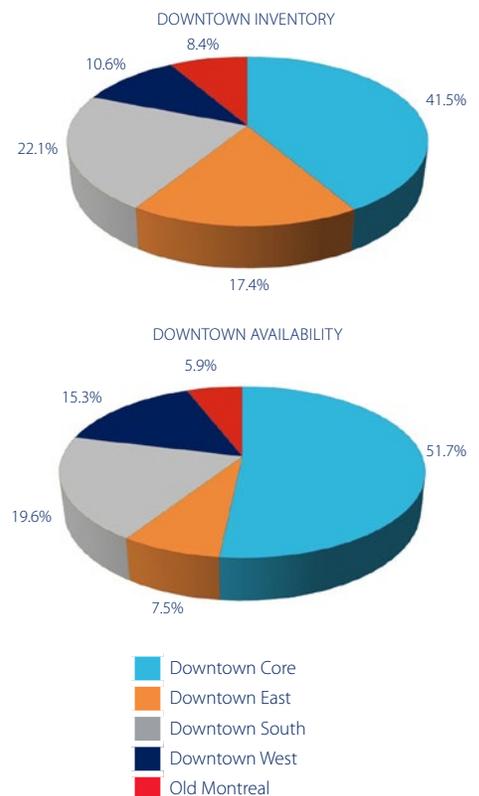


Source: Altus InSite, Altus Group Limited

Reaching \$27.43 per square foot (psf) at the end of the first quarter of 2018, average gross rental rates remained very stable year-over-year, as average net asking rates reached \$14.16 psf and additional rent reached \$13.27 psf. Downtown Montreal, average gross rental rates for all office classes reached \$34.46 psf at the end of March 2018, from \$32.79 in the spring of 2017. A similar increase has been observed for Downtown Class-A buildings, where average gross rental rates increased to \$42.98 psf from \$41.16 psf year over year.

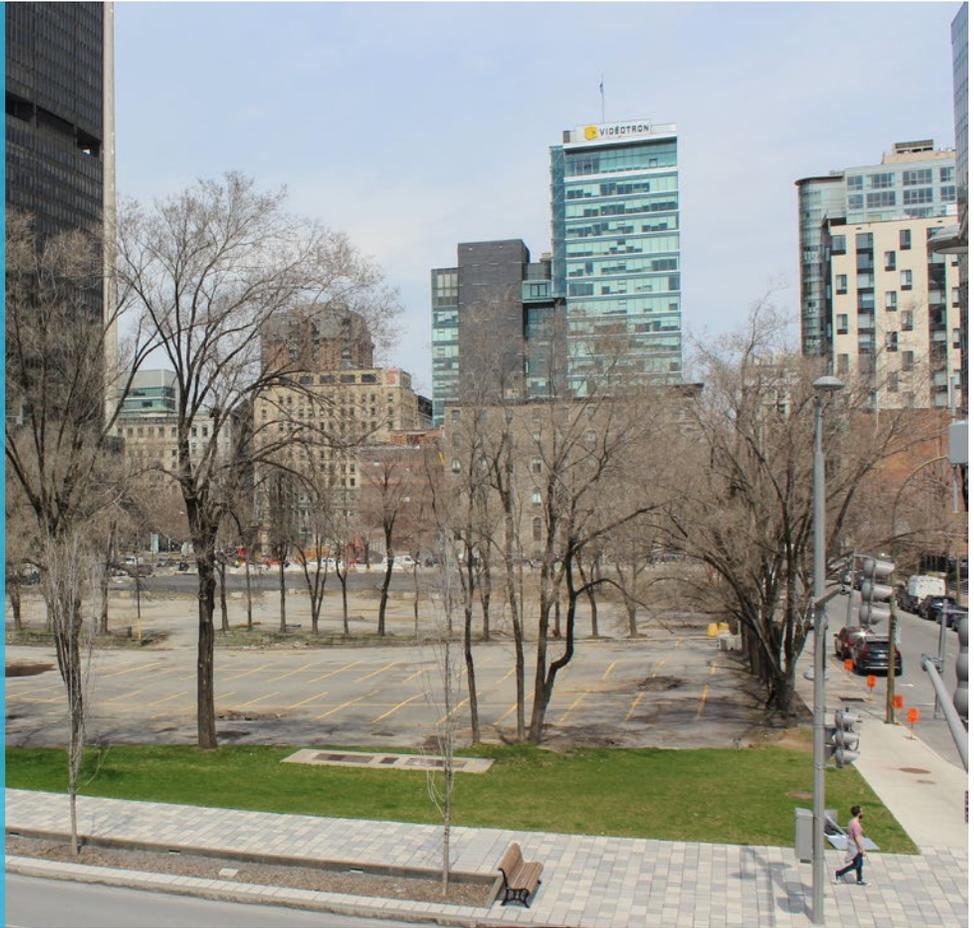
Occupancy costs remain more affordable in the areas surrounding Downtown: gross rental rates average \$26.95 psf in Laval, \$26.34 psf on the South Shore and \$22.27 in Midtown neighbourhoods, making the latter a very competitive option for SMBs, start-ups and creative firms.

With the delivery of Maison Manuvie at the end of 2017, office construction activity has slowed down in Downtown Montreal. Several small projects are currently under construction, including Carré Saint-Laurent and Îlot Balmoral in the eastern portion of Downtown, both of which total approximately 460,000 sf of space. Other smaller projects include the complete renovation of Kevric's 1100 Atwater, a former data centre that is being converted to 154,000 sf of Class-A office space, as well as the 34,000-sf extension of 425 Viger Avenue and 620 Saint-Paul Street West. Adjacent to 425 Viger, mixed-use project Humaniti is also expected to include 57,000 sf of office space upon delivery in 2020.



NATIONAL BANK OF CANADA

The National Bank of Canada announced the construction of its new head office at the corner of St-Jacques Street and Robert-Bourassa Boulevard.



Construction activity Downtown Montreal will drastically increase once the construction of the new **National Bank of Canada** headquarters begins. As everyone was expecting a major announcement from Cadillac Fairview regarding the development of a new office tower as part of the Quad Windsor project, the National Bank announced the construction of its new head office at the corner of St-Jacques Street and Robert-Bourassa Boulevard in January of 2018. The new tower should be ready for occupancy in 2022.

Several office projects had been planned for the site over the past decade, such as 701 University and Place University-Saint-Jacques, but none of them seemed to generate sufficient interest to break ground. National Bank's new headquarters is expected to become the **largest office tower built in the Downtown core in 25 years**. National Bank partnered with **Broccolini** for the

construction of the new tower, which will include a minimum of 36 floors and approximately 1 million square feet (msf) of brand-new office space. On the same site, Broccolini plans on building a 56-storey, mixed-use tower. Both buildings will be connected to the City's underground pedestrian network.

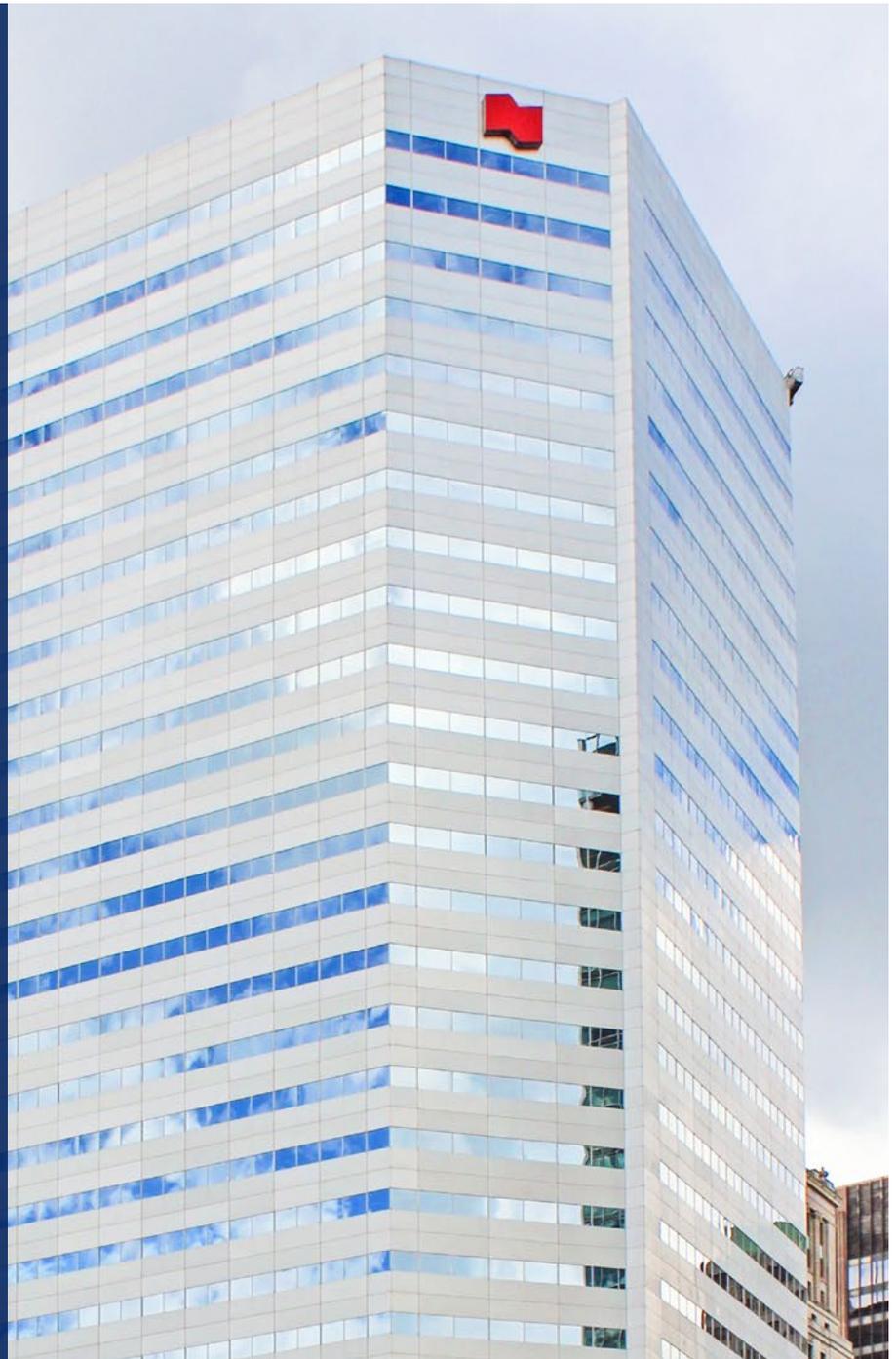
Among the largest lease transactions of the first quarter of 2018, **L'Oréal Canada** renewed its lease and expanded its premises at **Ivanhoé Cambridge's** 1500 Robert-Bourassa Boulevard, where the French cosmetics company will now occupy 116,591 sf of space. Stock transfer company **Computershare** also renewed its lease at 1500 Robert-Bourassa Boulevard for 67,159 sf of office space. The building still has 84,531 sf of office space available, while its two first floors are being completely refurbished as part of Ivanhoé Cambridge's exhaustive renovation plan for the Montreal Eaton Centre.

Once completed, the building's first floors, formerly known as Complexe Les Ailes, will be merged with the Eaton Centre, offering shoppers and tenants a new, modern shopping and epicurean experience.

Reinforcing Montreal's role as a hub for artificial intelligence, the **Montreal Institute for Learning Algorithms** (MILA) recently secured a lease for 63,583 sf of office space in **TGTA's O Mile Ex** project at 6666 Saint-Urbain Street in Little Italy (Midtown North). Montreal-based AI specialist **Element AI** is also one of the main tenants of the complex. **Avison Young** proudly acted as Project Manager for the renovation of the O Mile Ex complex, consisting of 6650 and 6666 Saint-Urbain Street, in addition to representing Element AI in the lease negotiation and expansion of its premises.

In terms of significant sales, Sun Life invested \$155.5 million in Montreal's Mile End district (Midtown North) in March of 2018, purchasing two office buildings from Kevric, located at 7250 and 7450 Mile End Street. With this acquisition, Sun Life Financial adds almost 400,000 sf of office space to its portfolio in the Province of Quebec. Other major transactions include the sale of ABB's Montreal campus located at 800 Hymus Boulevard in Ville Saint-Laurent. Delivered in 2017, the building was sold to Crestpoint Real Estate Investments in March of 2018 for \$82.3 million (\$275.00 psf).

With the announcement of the construction of a new head office on Saint-Jacques Street West, the National Bank is expected to put its current headquarters up for sale in the near future. Located at 600 De La Gauchetière Street West, the Class-A, 730,000-sf building is also home to Raymond Chabot Grant Thornton, Investissement Québec and FM Global. The property is expected to generate significant interest from several local, national and global investors as it will represent a rare opportunity to purchase a top-tier asset Downtown Montreal.



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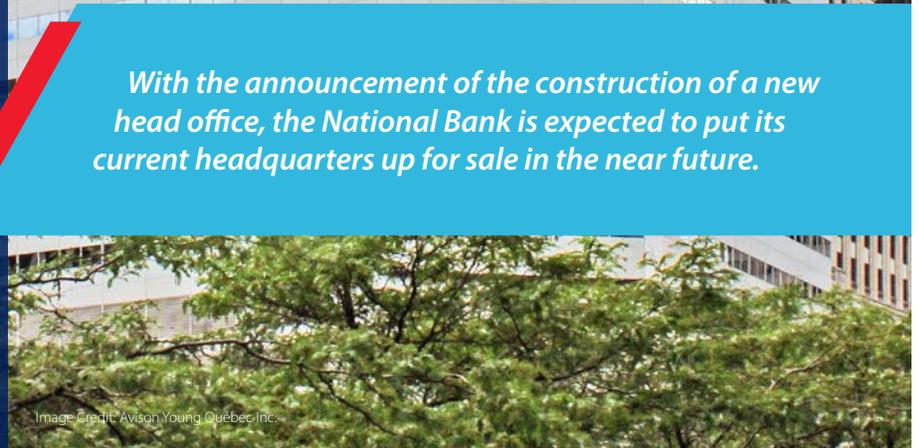


Image Credit: Avison Young Québec Inc.

SIGNIFICANT SALES, OFFICE GREATER MONTREAL AREA



Address	7250 & 7450 Mile-End Street, Montréal
Buyer	Sun Life Assurance
Seller	Kevric Real Estate Corporation
Price	\$155,500,000 (\$394.00 per square foot)
Total Area	394,670 square feet



Address	800 Hymus Boulevard, Ville Saint-Laurent
Buyer	Crestpoint Real Estate
Seller	Broccolini Construction
Price	\$82,300,000 (\$275.00 per square foot)
Total Area	299,273 square feet



Address	16750-16766 Trans-Canada Highway, Kirkland (50%)
Buyer	Crestpoint Real Estate
Seller	Trans-Edmond Development Inc.
Price	\$32,500,000 (\$261.80 per square foot)
Total Area	248,284 square feet



Address	3448 Stanley Street, Montréal
Buyer	Immeubles 2448 Stanley Inc.
Seller	Gestion Immobilière Magnissen Inc.
Price	\$4,400,000 (\$498.47 per square foot)
Total Area	8,827 square feet

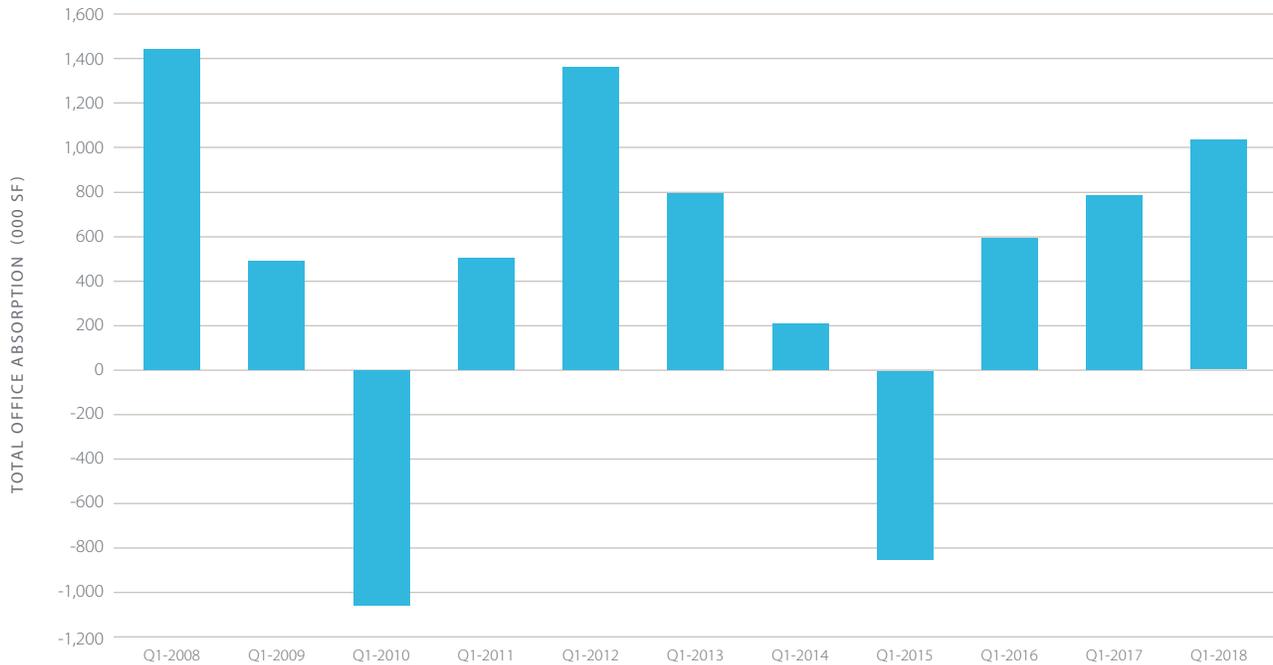


Address	185 Dorval Avenue, Dorval
Buyer	Delma Real Estate Corporation
Seller	Scene Holding Inc.
Price	\$5,555,000 (\$99.00 per square foot)
Total Area	56,000 square feet

GREATER MONTREAL AREA ABSORPTION

SPRING
2018

OFFICE
MARKET REPORT
GREATER MONTREAL



Source : Altus InSite, Altus Group Limited

GREATER MONTREAL AREA MARKET TRENDS BY SUBMARKET

Markets	Availability (Q1-2017)	Availability (Q1-2018)	Trend	Net Rent (Q1 2017)	Additional Rent (Q1 2017)	Gross Rent (Q1 2017)	Net Rent (Q1 2018)	Additional Rent (Q1 2018)	Gross Rent (Q1 2018)	Trend	
Class A	Downtown	12.1%	12.2%	▲	\$19.46	\$21.70	\$41.16	\$20.91	\$22.07	\$42.98	▲
	East End	18.8%	17.3%	▼	\$13.75	\$14.99	\$28.74	\$12.25	\$15.38	\$27.63	▼
	Laval	12.1%	14.3%	▲	\$17.67	\$12.24	\$29.91	\$12.00	\$15.80	\$27.80	▼
	Midtown	13.9%	12.9%	▼	\$13.42	\$15.72	\$29.14	\$14.25	\$14.80	\$29.05	▼
	South Shore	16.6%	16.1%	▼	\$13.63	\$10.78	\$24.41	\$14.85	\$11.49	\$26.34	▲
	West Island	21.4%	22.6%	▲	\$15.70	\$14.31	\$30.01	\$14.60	\$14.13	\$28.73	▼
Class B	Downtown	13.4%	13.4%	=	\$13.49	\$21.70	\$35.19	\$14.29	\$17.09	\$31.38	▼
	East End	13.7%	15.0%	▲	\$11.67	\$8.16	\$19.83	\$11.83	\$8.10	\$19.93	▲
	Laval	23.5%	24.8%	▲	\$12.00	\$10.76	\$22.76	\$15.00	\$10.27	\$25.27	▲
	Midtown	17.0%	17.8%	▲	\$12.06	\$10.90	\$22.96	\$12.91	\$10.23	\$23.14	▲
	South Shore	12.8%	13.1%	▲	\$11.13	\$11.46	\$22.59	\$10.50	\$11.18	\$21.68	▼
	West Island	20.2%	22.8%	▲	\$11.41	\$12.51	\$23.92	\$11.19	\$12.85	\$24.04	▲
All Classes	Downtown	12.1%	12.2%	▲	\$15.63	\$17.16	\$32.79	\$16.61	\$17.84	\$34.45	▲
	East End	15.9%	15.8%	▼	\$12.86	\$12.06	\$24.92	\$12.07	\$12.26	\$24.33	▼
	Laval	16.1%	16.8%	▲	\$16.25	\$11.87	\$28.12	\$13.00	\$13.95	\$26.95	▼
	Midtown	16.6%	15.9%	▼	\$12.18	\$10.49	\$22.67	\$12.98	\$9.48	\$22.46	▼
	South Shore	15.1%	14.5%	▼	\$13.63	\$10.78	\$24.41	\$14.85	\$11.49	\$26.34	▲
	West Island	21.4%	22.8%	▲	\$12.43	\$12.94	\$25.37	\$12.32	\$12.99	\$25.31	▼

Source : Altus InSite, Altus Group Limited

SIGNIFICANT LEASING TRANSACTIONS, OFFICE GREATER MONTREAL AREA



Address	1500 Robert-Bourassa Boulevard, Montréal
Tenant	L'Oréal Canada
Total Area	166,591 square feet
Type	Renewal and expansion



Address	1500 Robert-Bourassa Boulevard, Montréal
Tenant	ComputerShare Trust Company of Canada
Total Area	67,159 square feet
Type	Renewal



Address	6666 Saint-Urbain Street, Montréal
Tenant	MILA (Montréal Institute for Learning Algorithms)
Total Area	63,583 square feet
Type	New lease



Address	3400 De Maisonneuve Boulevard West, Montréal
Tenant	Fédération des médecins omnipraticiens du Québec
Total Area	30,474 square feet
Type	Expansion



Address	201 Laurier Street East, Montréal
Tenant	Société québécoise des infrastructures
Total Area	29,628 square feet
Type	Renewal

SPRING 2018

CONSTRUCTION
UPDATE
GREATER MONTREAL

Construction of **Carré Saint-Laurent** is rapidly progressing. Adjacent to Monument National, Phase 1 will include nearly 151,000 square feet of offices spread over eight floors to be occupied by the Quebec government. The complex will also include a 175-stall, 3-level underground parking with electric vehicle charging stations.



Image Credit: Avison Young Québec Inc.

Allied Properties REIT started the complete renovation and the expansion of **425 Viger Street West**. Built in 1910, the building will benefit from a complete restoration, to which will be added a **10-storey extension** at the northeast corner of the building.



Image Credit: Avison Young Québec Inc.



Image Credit: Avison Young Québec Inc.

At the intersection of De Bleury and Viger Streets, the construction of the **Humaniti** project is well underway as excavation work is complete and the building is slowly rising from the ground. Located at 1040 De Bleury Street, the major, mixed-use project will include 57,000 square feet of office space.



Image Credit: Avison Young Québec Inc.

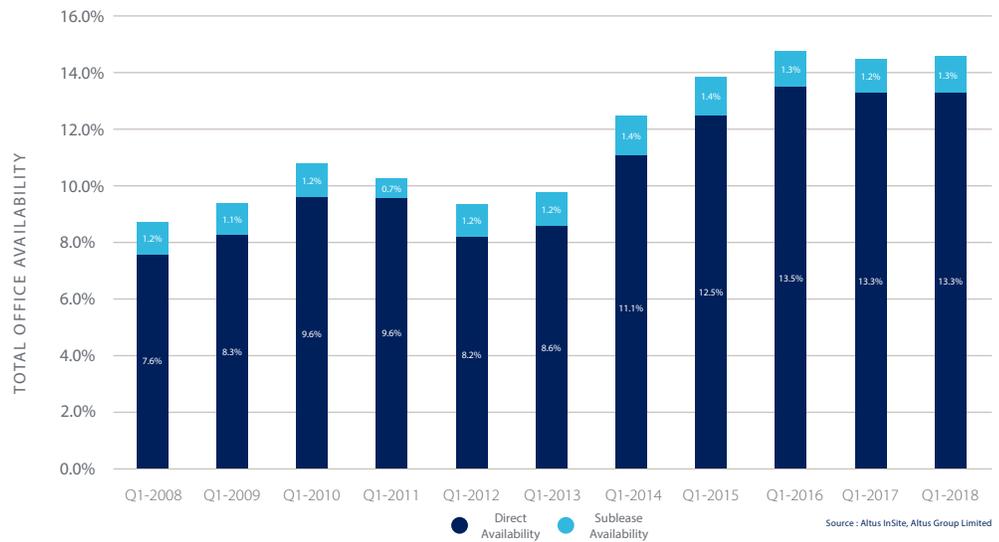
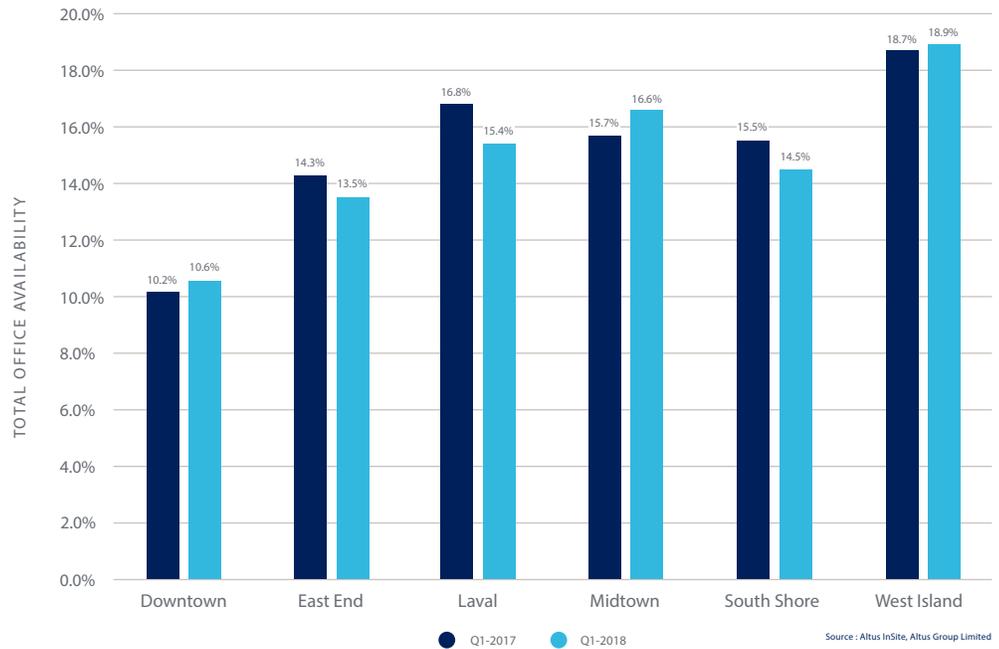
Kevric Real Estate Corporation lauched the complete restoration of its newly-purchased property located at **1100 Atwater Avenue**, directly across the street from the Square Children's project. The former data centre will be converted to 154,000 square feet of Class-A office space.

The structure of the **new Maison de Radio-Canada** construction is now visible, as the two main buildings are slowly rising from the ground. The 418,000-square-foot complex will be delivered in 2020, at which point the revitalisation of the Radio-Canada site will begin.



In the heart of **Quartier des spectacles**, the construction of **Îlot Balmoral** is advancing quite rapidly. Located between Place des Festivals and De Bleury Street, the new, 13-storey building will be home to the **National Film Board of Canada** at its completion in 2018.





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YOU HAVE QUESTIONS OR COMMENTS?
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