



Greater Montreal Industrial Market Report

Q1 2008



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Increased demand in Q1 2008

Industrial Leasing

Vacancy rates are edging up, especially for large spaces of 100,000 square feet or more; on the other hand, spaces between 15,000 and 25,000 square feet are difficult to find. Availability is high for buildings with clear heights of 18 feet and under but buildings with 24 foot clear heights have an extremely low vacancy rate of approximately 1% and are consequently difficult to find. Tenants are vacating older more obsolete buildings and moving into newer buildings or built-to-suit projects that provide the amenities they require.

Industrial rental rates are on the rise as well with an average asking rate of approximately \$5.75 per square foot. Some landlords are asking as much as \$7.75 for new industrial space with 24 foot high clearance and 10% office. The Montreal industrial market has never before seen these types of asking rates.

Limited land availability on the island of Montreal has forced developers to pursue new construction projects off-island in areas such as the North Shore, the South Shore and Vaudreuil.

ECONOMIC INDICATORS

Prime interest rate	5.25%
Unemployment rate	6.00%
Exchange rate	0.998
Inflation rate	1.40%
Average net rent	\$5.75
Average sale price (per sq. ft.)	\$68.00

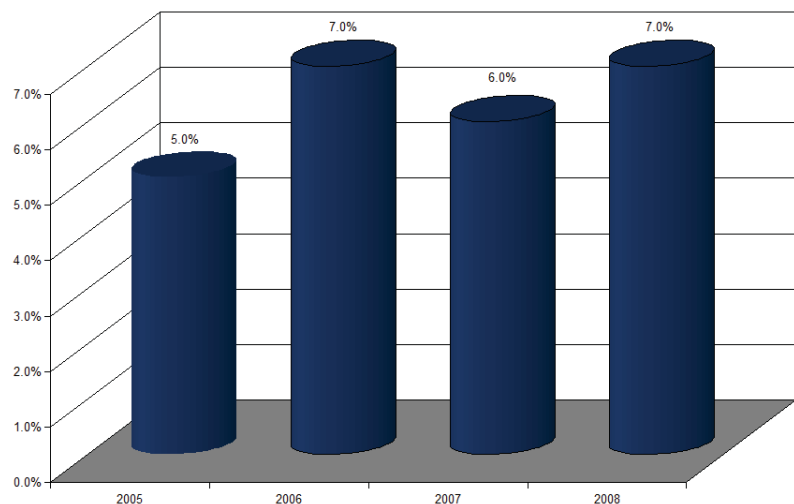
Source: Canadian Economy Online

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Avison Young Quebec Inc.
2000 McGill College Avenue
Suite 1950
Montreal Quebec H3A 3H3
Phone: 514.940.5330
www.avisonyoung.com

Industrial Vacancy



The Economy

According to the Conference Board of Canada, Montreal's real gross domestic product will grow by 2.6 % in 2008, an improvement from last year's growth of 1.2%. Economic expansion and growth in the logistics industry will drive demand for industrial real estate.

Montreal's manufacturing sector has been strongly affected by the rise in the value of the Canadian dollar. In spite of this, the Conference Board forecasts a 0.3% increase in output growth for 2008 as a result of the rise in demand in the aerospace sector.



SIGNIFICANT INDUSTRIAL LEASE TRANSACTIONS

ADDRESS	SIZE (sq. ft.)	TENANT	TYPE
3000 Cartier Blvd. W, Montreal	175,000	Baxters	New Deal
6775 Léger Blvd., Montreal	150,000	Kruger	New Deal
10500 Colbert Street, Anjou	86,000	Dynaplast	New Deal

SIGNIFICANT INDUSTRIAL SALE TRANSACTIONS

ADDRESS	SIZE (sq. ft.)	PURCHASER	PRICE
8000 Henri-Bourassa & 1325 Hymus, Montreal	380,000	Canadian Income and Growth Fund II	\$21,500,000
5200 J.A. Bombardier Street, Longueuil	46,320	Capital Wapiti	\$4,130,000

Industrial Sales

Potential buyers are finding that industrial buildings offered for sale are few and far between in Montreal. Despite this, the Canadian Income and Growth Fund II recently purchased two distribution warehouses located at 8000 Henri-Bourassa Boulevard and 1325 Hymus Boulevard for a purchase price of \$21.5 million. Capital Wapiti also acquired an industrial property located at 5200 J.A. Bombardier Street in Longueuil for a purchase price of \$4,130,000.

The average price per square foot of industrial product in Montreal is approximately \$68.

The average cap rate for a single tenant industrial building is approximately 7.25%, representing a slight increase from last quarter.

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Avison Young Québec Inc., Chartered Real Estate Broker
2000 McGill College Avenue, Suite 1950
Montreal, Quebec H3A 3H3

T 514.940.5330
F 514.940.5331
www.avisonyoung.com



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