



Greater Montreal Area Office Market Report

1st Quarter 2011

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Greater Montreal Area (GMA) Office Market Overview

The Greater Montreal Area (GMA) office market ended the first quarter of 2011 with lower availability and vacancy rates than one year ago. Notwithstanding the peaks and valleys in the market in general, the downtown core office market has proven to be very stable over the past ten years. Throughout the decade, Montreal's downtown core average annual vacancy rate has varied less than 0.5% per year. In line with this historical stability, the downtown core office vacancy rate dipped to 8.3% in the first quarter of 2011 from 8.5% at year-end 2010 - the lowest it's been in five quarters. In a certain sense, Montreal's downtown office inventory has resembled a blue-chip stock. It has offered companies a steady rental environment permitting planning with no sudden rental shocks to tenants.

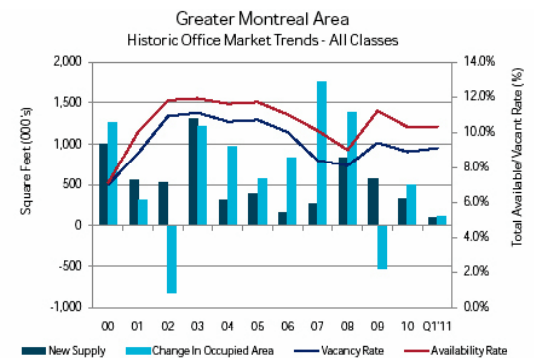
Consequently, there is a lack of large contiguous blocks of available space in Montreal's downtown core. At the end of the first quarter, there were only eight class A buildings with over 35,000 square feet (sf) of available contiguous space. Furthermore, the major growth in the GMA has been pushed out of the core and into the suburbs. From the first quarter of 2010 to the end of the first quarter of 2011, 290,000 sf of new office space has been built in Brossard alone, compared with less than 150,000 sf on the island of Montreal, and no new construction in the downtown core.

Larger downtown tenants are starting to look at the market well in advance of their lease expiry due to the decline in vacancy and the shortage of large contiguous spaces downtown. In addition, any new office development will not be available for at least 30 months. As a result, larger tenants whose leases are coming due in the next three-to-four years are starting to look at their options. With such a limited number of options, these tenants are looking to re-negotiate now or secure the space they need for future occupancy.

While there has been an increase of almost 113,000 sf in occupied area in the GMA from the previous quarter, virtually all of this absorption has occurred in the suburbs with nominal growth taking place in Downtown Montreal. The suburbs have experienced some vacancy rate changes. The most notable was in Laval where the vacancy rate jumped from 8.4% in the fourth quarter of 2010 to 10.4% at the end of the first quarter of 2011. While not as dramatic, the vacancy rate in the South Shore fell 50 bps over the same period to 15%, currently.

Finally, the amount of sublet space is subsiding in the GMA, down by almost 350,000 sf in the past year to 585,000 sf, presently. Close to 59% of this is in Downtown Montreal, where just over 342,000 sf of predominantly short-term sublet space is available for lease. The West Island represents nearly 20% of the sublet market, with 115,000 sf of available sublet space. Not surprisingly, the South Shore, with its recent surge in new construction, represents less than 1% of the available sublet space in the GMA.

Market Facts	
0.5% Average annual vacancy rate variance in Montreal's Downtown Core	8.3% Downtown Core vacancy rate
8 Downtown Core buildings with over 35,000 sf of contiguous available space	518,000 Square feet of available sublet space in the GMA vs 934,000 sf in Q1 2010



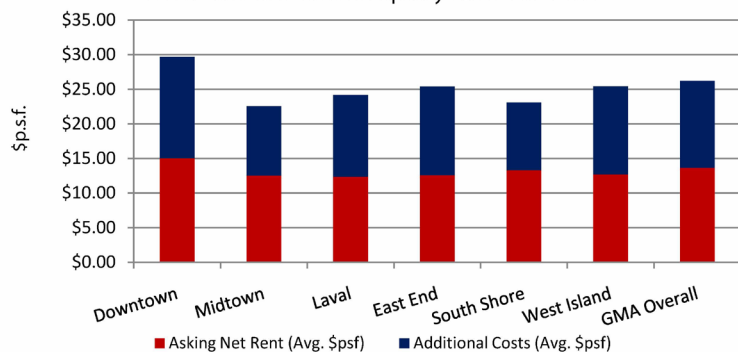
GREATER MONTREAL AREA MARKET SUMMARY

Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 months ago	3 months ago	Current quarter	12 months ago	3 months ago	Current quarter	Current quarter	Year-to-Date	Year-to-Date Completions	Under Construction	% Pre-Leased
11.0%	10.3%	10.3%	9.6%	8.9%	9.1%	+113	+113	96	369	87%

COMPARISON OF LEASING OPTIONS FOR TENANTS - GMA

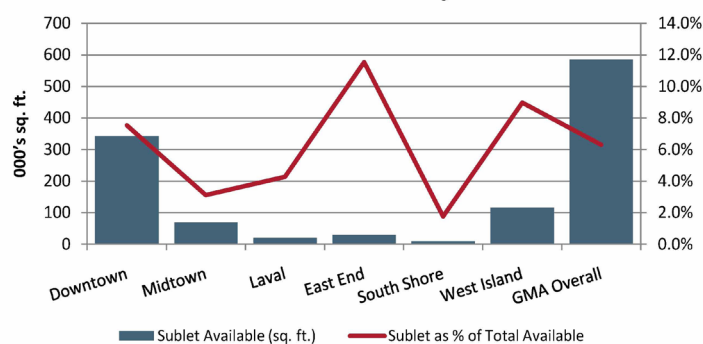
Office Space at Selected Districts	No. of Bldgs	Available Space			Availability Rate		
		Buildings with more than 50,000 sq. ft.	Buildings with more than 10,000 sq. ft.	Number of spaces between 4,000 sq. ft. to 8,000 sq. ft.	Direct %	Sublet %	Total %
Downtown All Classes	282	25	95	594	8.3	0.7	9.0
Downtown Class A	49	13	28	218	7.1	0.9	8.0
Midtown All Classes	200	9	60	285	11.9	0.4	13.3
Midtown Class A	33	1	9	22	5.5	1.3	6.8
Laval All Classes	52	1	16	69	12.9	0.6	13.4
Laval Class A	22	0	8	29	9.3	1.0	10.3
East End All Classes	41	1	6	17	10.2	1.3	11.5
East End Class A	10	1	6	14	16.7	2.7	19.4
South Shore All Classes	67	2	15	55	14.0	0.2	14.2
South Shore Class A	15	1	6	27	16.5	0.0	16.5
West Island All Classes	116	5	44	80	13.7	1.4	15.1
West Island Class A	57	3	22	37	11.0	21.1	13.1

Greater Montreal Area Occupancy Costs - All Classes



* Average asking net rents vary depending upon the magnitude of inducements being offered to tenants and the quality of the tenant's covenant.

Greater Montreal Area - Sublet Availability - All Classes



GREATER MONTREAL AREA SIGNIFICANT TRANSACTIONS FOR THE FIRST QUARTER

Address	District	Tenant	Size
855 Ste-Catherine Street East	Downtown East	Hydro Québec	373,546 sf
1100 René-Lévesque Boulevard West	Downtown Core	Médias Transcontinental	69,000 sf
1100 René-Lévesque Boulevard West	Downtown Core	ADP	66,936 sf
255 Décarie Boulevard	Saint-Laurent	Como Diffusion	48,793 sf
Faubourg	Downtown West	Rio Tinto Alcan	44,528 sf

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