Partnership. Performance.

Greater Montreal Area (GMA) Office Market Overview

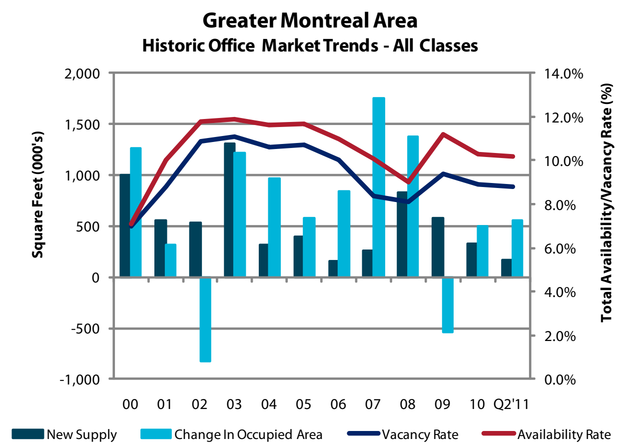
Mid-Year 2011

MARKET FACTS	
24,800 Jobs created in Quebec in May 2011, more than any other province in Canada	**6.8%** Financial Core Vacancy Rate
8.8% GMA Total Vacancy Rate	**230,000** Square feet: the first office tower development announced in downtown Montreal in nearly a decade

Downtown Montreal has not seen a new office building added to its skyline in nearly a decade. As a result, vacancy rates have been both predictable and low throughout the decade. This trend has offered tenants a steady rental environment, but at the cost of having less downtown product to choose from. This tendency was again highlighted through Q2 2011, as the downtown core vacancy rate dropped to 6.8% from 8.3% in Q1 2011.

Kevric recently announced the development of a 35-storey office and residential complex located across from Victoria Square. The building will comprise 10 storeys of Class A office space for a total of 230,000 square feet and 25 storeys of residential space housing 152 condominiums. Office occupancy by future tenants is expected by the end of 2013. The project offers a creative way to finance new office space by taking advantage of a buoyant Montreal condominium market. More importantly, the project will provide downtown tenants with new choices and is likely to stimulate other downtown office development projects to get underway.

The sublet market is often a strong indicator of future rental increases. This is because tenants who are looking to shed their obligations will also be more aggressive in negotiating lower rents in the future. With current sublease space accounting for only 6.5% of all available space in the GMA and only 6.8% of all available space in downtown Montreal, the current sublet market is not strong enough to prevent future rent escalations.



The suburbs experienced some significant changes during Q2 2011 as vacancy rates fell considerably in both the South Shore and the West Island. In the South Shore, vacancy rates fell to 12.6% in Q2 2011 from 15.3% in Q1 2011. The West Island also experienced a notable vacancy rate decline, dropping to 15% in Q2 2011 from 16.3% in Q1 2011. Furthermore, tenants in the GMA are continuing to gravitate to better quality buildings, evidenced by a consistent vacancy rate drop in Class A office space. In Q2 2011, the vacancy rate in Class A office space was at 7.1%, down from 8% in Q1 2011 and down from 9% in Q2 2010.

With improved business sentiment creating robust job growth, consistently low vacancy rates and developers beginning to take the plunge into new downtown construction, it seems that the Montreal market is on pace for substantial growth in near to medium term.

GREATER MONTREAL AREA MARKET SUMMARY

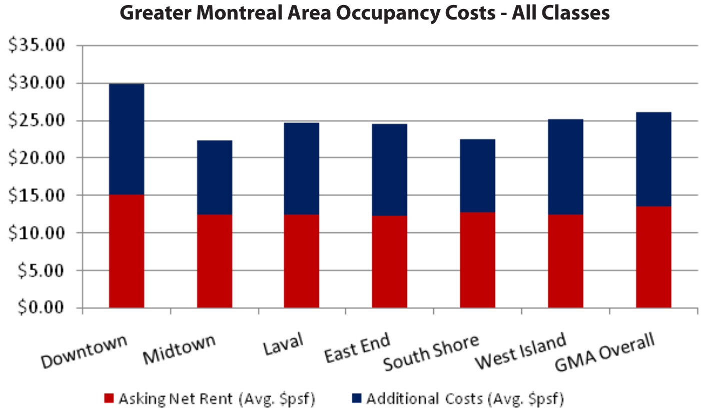
Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 Months Ago	3 Months Ago	Current Quarter	12 Months Ago	3 Months Ago	Current Quarter	Current Quarter	Year-to-Date	Year-to-Date Completions	Under Construction	% Pre-Leased
11.6%	10.3%	10.2%	10.1%	9.1%	8.8%	+554	+1,474	162	435	53%

AVISON YOUNG

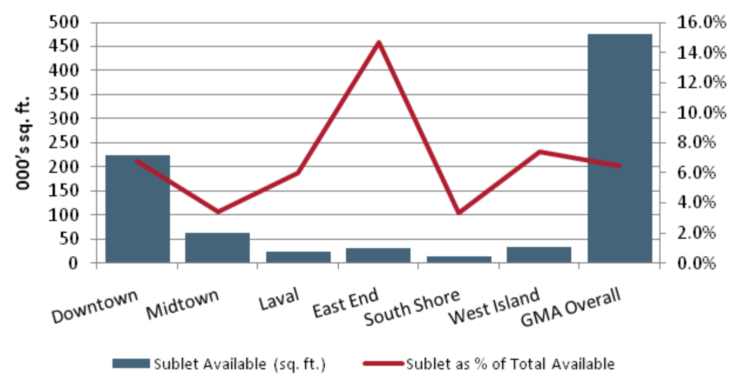
Intelligent Real Estate Solutions

COMPARISON OF LEASING OPTIONS FOR TENANTS - GMA							
		Available Space			Availability Rate		
Office Space at Selected Districts	No. of Bldgs	Buildings with more than 50,000 sf	Buildings with more than 10,000 sf	Number of spaces between 4,000 sf to 8,000 sf	Direct %	Sublet %	Total %
Downtown All Classes	279	27	92	595	7.7	0.7	8.4
Downtown Class A	49	17	30	231	7.1	0.9	8.0
Midtown All Classes	198	10	53	235	10.5	1.0	11.5
Midtown Class A	33	2	8	18	5.0	2.9	7.8
Laval All Classes	51	1	16	72	11.6	0.6	12.2
Laval Class A	21	0	7	30	7.8	1.0	8.8
East End All Classes	43	1	5	17	8.7	1.3	10.0
East End Class A	11	1	5	14	13.7	2.7	16.4
South Shore All Classes	66	2	14	64	13.1	0.4	13.5
South Shore Class A	16	1	6	26	13.0	0.0	13.0
West Island All Classes	118	5	42	89	14.7	1.4	16.1
West Island Class A	58	2	19	34	9.2	2.5	11.7

Greater Montreal Area Occupancy Costs - All Classes



Greater Montreal Area-Sublet Availability - All Classes



GREATER MONTREAL AREA SIGNIFICANT TRANSACTIONS FOR THE SECOND QUARTER			
Address	**District**	**Tenant**	**Size**
5505 Saint-Laurent Boulevard	Midtown	UBISOFT	248,821 sf
5 Place Ville-Marie	Downtown	HATCH Ltee	152,533 sf
111 Duke Street (Cité du Multimédia)	Old Montreal	Desjardins	≈ 75,000 sf
111 Duke Street (Cité du Multimédia)	Old Montreal	AbitibiBowater	66,206 sf

AVISON YOUNG

Across Canada & the U.S.

For a list of offices, please visit us at:

www.avisonyoung.com

For more information on this report, please contact Avison Young:

Bruno Caruso 514.360.3647
Real Estate Broker

Avison Young
2000 McGill College Ave., Suite 1950, Montreal, QC H3A 3H3
T 514.940.5330 F 514.940.5331

AVISON YOUNG

Intelligent
Real Estate Solutions