



**AVISON
YOUNG**

**SPRING
2018**

**INDUSTRIAL
MARKET REPORT
GREATER MONTREAL AREA**

**BEST
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COMPANIES**

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SPRING 2018

INDUSTRIAL MARKET REPORT GREATER MONTREAL AREA

2018 started with exciting news for the Greater Montreal Area (GMA) as the construction of the new **Réseau Express Métropolitain (REM)** has officially started. The REM network is scheduled for operation in 2024 and will connect the south and west boundaries of the Greater Montreal Area to the rest of the city's transit system. The new transportation system will make industrial sectors more accessible, which is expected to give way to an increase in real estate activity in the areas surrounding the new stations, including new construction, redevelopment and conversion of older industrial product.

Vacancy rates are still dropping to unseen values, as 2.9 million square feet (msf) have been absorbed in the last year, lowering the vacancy in the GMA to 4.4% at the end of the first quarter of 2018. Net rental rates in the GMA are increasing; rising from \$5.88 per square foot (psf) at the beginning of 2017 to \$6.08 per square foot at the beginning of 2018. The average additional rent remained stable at \$3.36 psf. The increasing rental rates are mostly fueled by the low availability rate. This trend should remain in effect because of the lack of new product available in the near future.

At 346 msf, the GMA's industrial inventory remained unchanged over the past quarter, as no new product was delivered. Nearly 216,000 sf of industrial space will be added to the inventory upon delivery of **Sunlife Financial Group's** new industrial project located at 4305 Griffth Street in the Côte-de-Liesse Industrial Park in the third quarter of 2018. The multi-tenant building will be developed by **Broccolini Construction**. This is Broccolini's second project for the Sunlife Financial Group.

Also under construction is the new **Ikea** distribution centre in Beauharnois. The 1.2-msf facility will be delivered in late 2019, and will consist of a three-compartment warehouse with clear heights ranging from 43 feet to 118 feet.

Represented by **Avison Young, XTL Transport** also started the construction of their new 335,000-sf distribution centre in the East end of Montreal.

Broccolini Construction is the developer for both projects.



Image Credit: Broccolini Construction

NEW IKEA DISTRIBUTION CENTRE

Ikea's new distribution centre is currently under construction in Beauharnois.

The 1.2-msf facility will be delivered in late 2019, and will consist of a three-compartment warehouse with clear heights ranging from 43 feet to 118 feet.

Developers are hesitant to build industrial facilities without securing tenants beforehand due to the high discrepancy between rental rates and construction costs. Therefore, most of the current inventory under construction has strong tenancies in place or is built-to-suit. In the recent years, developers have built major projects for companies requiring large and modern industrial space, such as **Sobey's**, **Ikea**, **Structube**, **Jean-Coutu** and **Costco**. Most of these chose to have their own premises built due to the lack of quality industrial space in the GMA, which explains why availability is not increasing even with the delivery of new inventory.

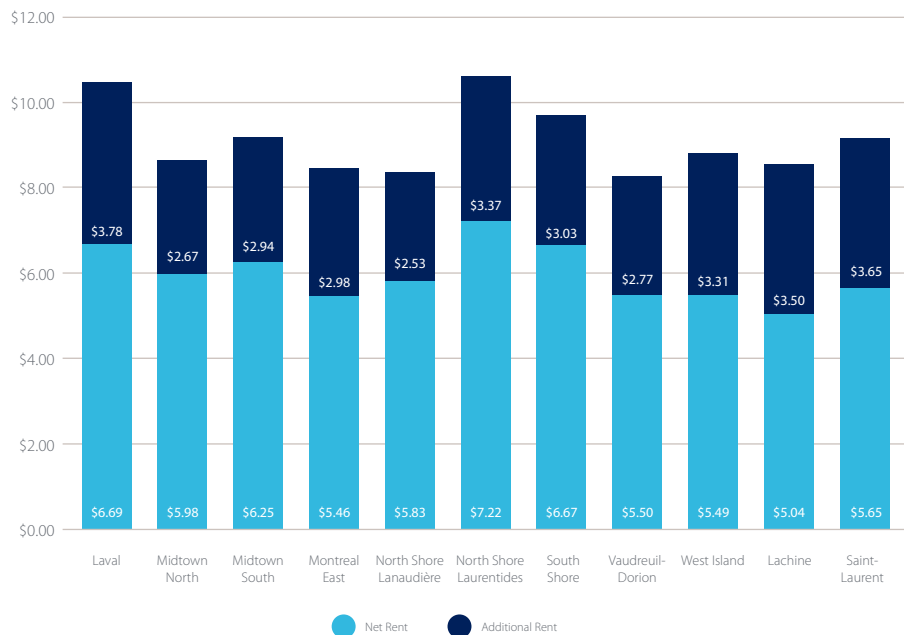
Several notable lease transactions closed in the first quarter of 2018. Home furnishing designer and manufacturer **Artika** will operate a new, 91,500-sf

industrial division at 1700 50th Avenue in Lachine, in proximity to their Dorval headquarters. Also in Lachine, **Surplus R.D. Inc** signed a new lease for 159,046 sf at 150 Montreal-Toronto Boulevard, where **Ideal Centre Logistique Montreal** also renewed their lease for 229,046 sf of space. Further east, blockchain technology company **Block Stream** secured 97,000 sf of space at 7101 Notre-Dame East, Montreal.

Over the past months, a new wave of foreign tenants surfaced in the province of Quebec: cryptomining companies are very interested in leasing old facilities in the GMA as their main criteria is the electrical capacity of the building and the possibility of adding more power in a relatively short timeframe. The province is an attractive location due to the low electricity

costs and the low temperatures. Considering the volatility of the sector, landlords have to take additional measures while embarking in these transactions. **Hydro-Québec** plans on increasing electricity costs for this particular industry as the demands for additional electrical capacity are rising.

The industrial investment market was getting more aggressive at the end of the first quarter of 2018. Capitalisation rates for single-tenant facilities dropped 40 basis points to 6.4% year-over-year, selling at an average price of \$104.06 psf. Multi-tenant assets currently trade at a 6.6% capitalisation rate, down 30 basis points from the first quarter of 2017, and an average sale price of \$95.47 psf.



OCCUPANCY COSTS

INDUSTRIAL ASKING RENT
BY SUBMARKET
GREATER MONTREAL AREA

One of the most significant transactions of the beginning of the year was the sale of **DuPont's** industrial facility located at 6000 Trans-Canada Highway in Pointe-Claire. The 122,168-sf property sits on 626,336 sf of land and is entirely leased by **Trans Plus Group**. Evaluated by the city at \$8.7 million, the property was sold for \$10.4 million, which represents roughly \$85 psf. Represented by **Avison Young**, DuPont Canada initially purchased the facility in the second quarter of 2017 for nearly \$8.5 million.

In Dorval, **Pure Industrial Real Estate Trust (PIRET)** purchased 2200 de l'Aviation Street for \$32.5 million from Broccolini Construction. Located on a 1.4-msf site, the 287,338-sf distribution centre is equipped with a clear

height of 32 feet and is entirely leased by **Cardinal Health Canada Inc.**, with a 10-year remaining term. Valued at \$30.2 million, the property was delivered in 2015. The stabilized capitalisation rate for the transaction was estimated at 6.8%. This acquisition is PIRET's second transaction in Montreal in the last six months.

In Lasalle, **Shapiro Group** concluded the purchase of the facility located at 225 Lafleur Avenue for nearly \$8 million. The former Seagram Complex consists of several buildings totaling a gross leasable area of 815,100 sf on 557,038 sf of land. The properties are entirely vacant.

A new investment opportunity is expected to surface as **Mondelez International** announced it will be closing Montreal's Oreo cookie plant located at 3055 Viau Boulevard in Montreal. The 300,000-sf plant opened in 1956 and is currently valued at \$10 million.

SIGNIFICANT SALES, INDUSTRIAL GREATER MONTREAL AREA



Address	2200 de l'Aviation Street, Dorval
Buyer	Pure Industrial Real Estate Trust
Seller	Broccolini Construction
Price	\$32,500,000
Total Area	287,338 square feet
Price per sf	\$113.11



Address	2345 Des Sources Boulevard, Pointe-Claire
Buyer	Fiera Properties
Seller	Investors Group Trust Co.
Price	\$26,275,000
Total Area	272,017 square feet
Price per sf	\$96.59



Address	4105 Matte Boulevard, Brossard
Buyer	Fiera Properties
Seller	Investors Group Trust Co.
Price	\$10,740,000
Total Area	72,127 square feet
Price per sf	\$148.90



Address	6000 Trans-Canada Highway, Pointe-Claire
Buyer	6000 Transcan Inc.
Seller	DuPont Canada
Price	\$10,400,000
Total Area	122,168 square feet
Price per sf	\$85.13



Address	227 Lafleur Avenue, LaSalle
Buyer	Shapiro Group
Seller	Simsue Investments Inc.
Price	\$8,000,000
Total Area	815,100 square feet
Price per sf	\$9.81

SIGNIFICANT LEASING TRANSACTIONS, INDUSTRIAL GREATER MONTREAL AREA



Address	150 Montreal-Toronto Boulevard, Lachine
Tenant	Ideal Centre Logistique Montreal
Total Area	229,046 square feet
Type	Renewal and expansion



Address	15300 Sherbrooke Street East, Pointe-aux-Trembles
Tenant	Pelican International
Total Area	219,348 square feet
Type	New lease



Address	150 Montreal-Toronto Boulevard, Lachine
Tenant	Surplus R.D. Inc.
Total Area	159,046 square feet
Type	New lease



Address	2520 Marie-Curie Avenue, Saint-Laurent
Tenant	Elfe Inc.
Total Area	154,800 square feet
Type	New lease

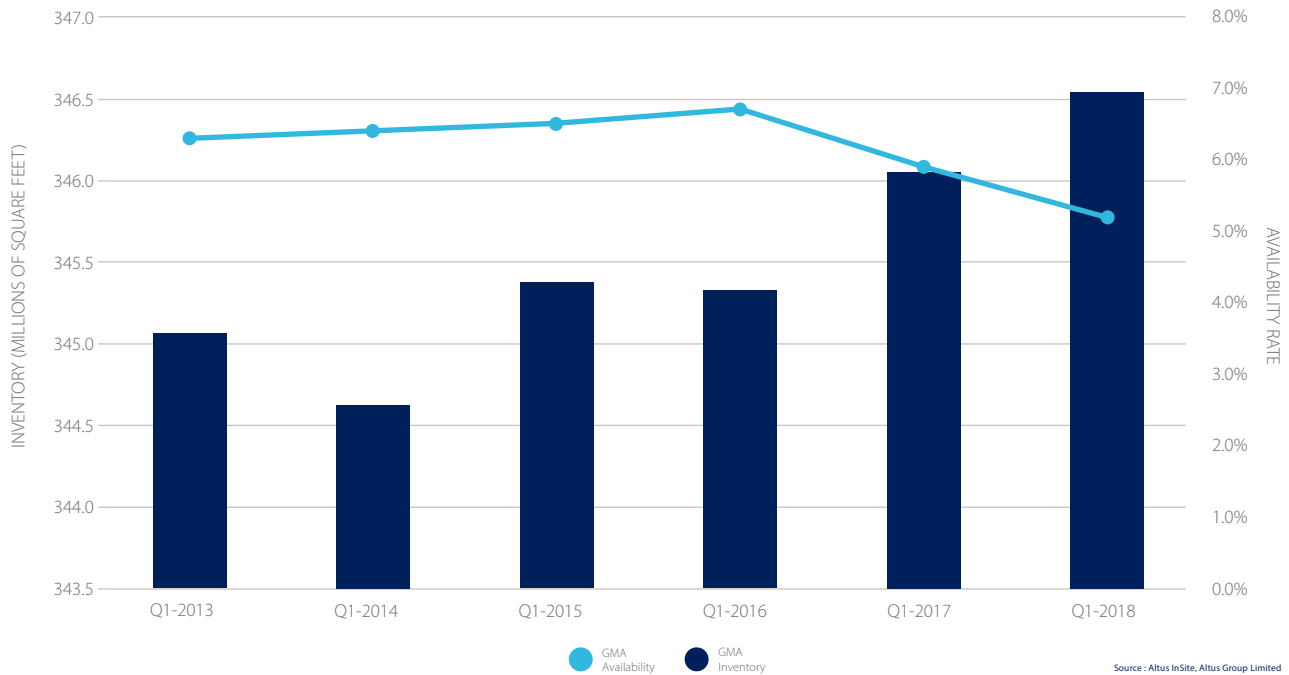


Address	11855 Rodolphe-Forget Boulevard, Rivière-des-Prairies
Tenant	Les Entreprises Getpaq
Total Area	144,796 square feet
Type	Renewal

GREATER MONTREAL AREA INVENTORY AND AVAILABILITY

**SPRING
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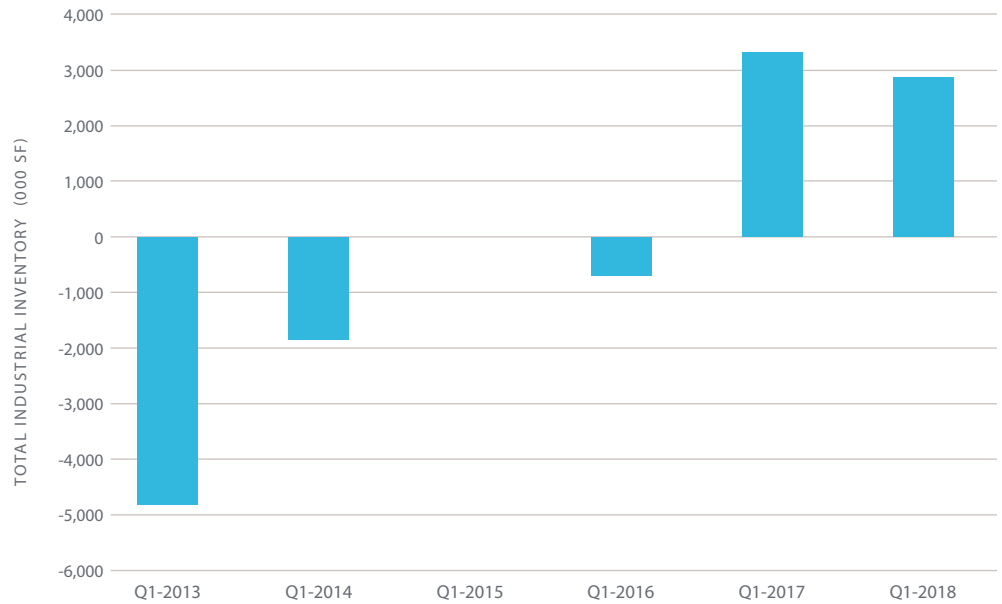
GREATER MONTREAL AREA MARKET TRENDS BY SUBMARKET

Market	Inventory	Availability Rate (Q1-2017)	Availability Rate (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
Laval	19,610,555	7.6%	6.2%	▼	\$6.22	\$3.67	\$9.89	\$6.69	\$3.78	\$10.47	▲
Midtown North	52,233,417	4.8%	4.3%	▼	\$7.28	\$2.94	\$10.22	\$5.98	\$2.67	\$8.65	▼
Midtown South	31,883,836	2.5%	4.2%	▲	\$5.71	\$2.96	\$8.67	\$6.25	\$2.94	\$9.19	▲
Montreal East	75,282,048	4.7%	4.1%	▼	\$5.27	\$2.68	\$7.95	\$5.46	\$2.98	\$8.44	▲
N.S. Lanaudière	3,812,493	14.9%	7.3%	▼	\$6.30	\$2.55	\$8.85	\$5.83	\$2.53	\$8.36	▼
N.S. Laurentides	6,354,437	7.3%	7.5%	▲	\$6.58	\$2.88	\$9.46	\$7.22	\$3.37	\$10.59	▲
South Shore	19,308,317	8.3%	7.7%	▼	\$6.38	\$3.00	\$9.38	\$6.67	\$3.03	\$9.70	▲
Vaudreuil-Dorion	1,350,348	28.9%	38.3%	▲	\$10.38	\$2.53	\$12.91	\$5.50	\$2.77	\$8.27	▼
West Island	45,415,053	7.3%	4.9%	▼	\$5.09	\$3.18	\$8.27	\$5.49	\$3.31	\$8.80	▲
Lachine	23,890,176	8.3%	5.5%	▼	\$5.44	\$3.65	\$9.09	\$5.04	\$3.50	\$8.54	▼
Saint-Laurent	67,421,836	5.7%	5.8%	▲	\$5.45	\$3.29	\$8.74	\$5.65	\$3.65	\$9.30	▲

Source : Altus InSite, Altus Group Limited

GENERAL ABSORPTION

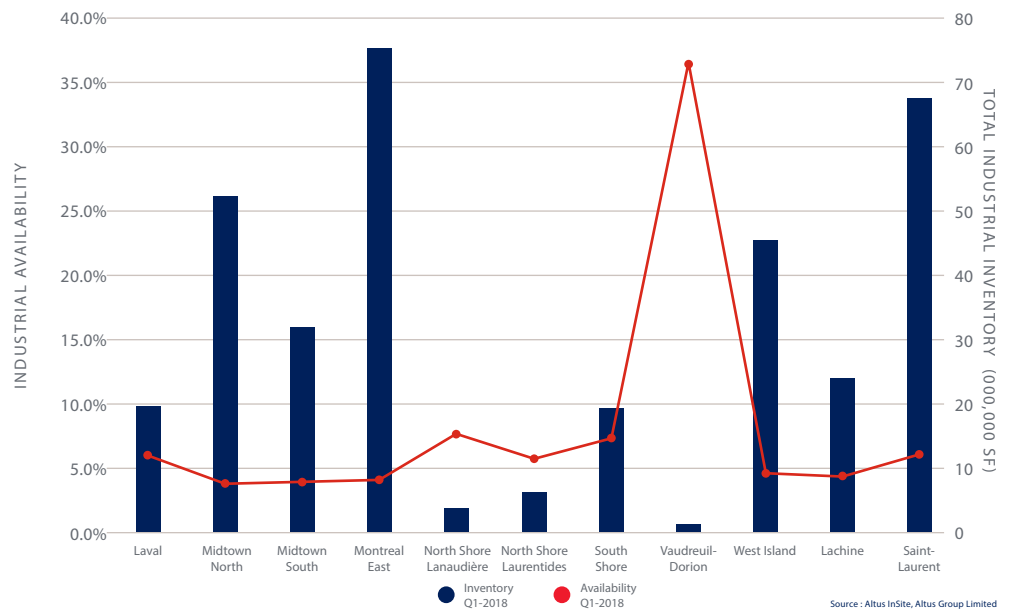
INDUSTRIAL PROPERTIES
GREATER MONTREAL
AREA



Source : Altus InSite, Altus Group Limited

INVENTORY & AVAILABILITY

INDUSTRIAL PROPERTIES
BY SUBMARKET
GREATER MONTREAL AREA



Source : Altus InSite, Altus Group Limited



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