



YoY
Chg

12-Mo.
Forecast

17.3%

Overall Vacancy Rate

**-1.3M**

Overall Net Absorption SF

**\$35.54**

Gross Asking Rent PSF



Direct Asking Rent, (All Property Classes)

ECONOMIC INDICATORS Q2 2024

YoY
Chg

12-Mo.
Forecast

2.4MMontreal
Employment**6.2%**Montreal
Unemployment Rate**6.4%**Canada
Unemployment Rate

Source: Statistics Canada

Key Takeaways

- Flight-to-quality remained strong in the second quarter of 2024, as occupiers are prioritizing quality space.
- National Bank shadow space continued to enter the market, applying upward pressure on Central Class B vacancy rates.
- Average net asking rents recorded the largest percentage drop year-over-year (YoY) since the onset of the pandemic.

Vacancy Rates Rise Amidst Flight-to-Quality Trends

In the second quarter of 2024, the Greater Montreal Area (GMA) had an increase in the overall vacancy rate to reach 17.3%; largely due to softening conditions in the Midtown Class B market segment. This shift reflects a persistent flight-to-quality trend that will likely continue over the remainder of 2024, as tenants increasingly prioritize higher class buildings for their superior amenities and prime locations.

The Central area recorded negative absorption this quarter totaling 249k square feet (sf), primarily attributed to two key properties. The largest increase in vacant space occurred at 500 Place d'Armes as 112k sf of space came on the market that was previously occupied by National Bank. Additionally, 57k sf became available at 900 de Maisonneuve Boulevard West, space that was formerly occupied by a FinTech company. While overall leasing activity did come in lower than the previous quarter it was still strong at just shy of 1.1 million square feet. Of this overall total just over half of the square footage leased was in the Central area. A highlight for the quarter was Université du Québec's lease at 1501 De Bleury Street, a Class A property located in the downtown submarket, spanning over 168k sf across multiple floors.

Notable Net Rental Rate Decline Observed Over the Past Year

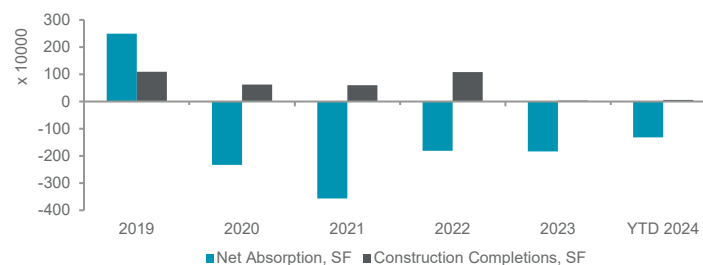
Over the course of the last 12 months, the average asking net rent in Class A buildings within the Central area (excluding trophy assets) has seen a notable decline. At the onset of the pandemic, there was an initial modest decrease of 1.3% with rates then witnessing some fluctuation in subsequent quarters. However, starting from the second quarter of 2023, declines have accelerated with the Central Class A asking net rent now 10.9% lower compared to one year ago. This trend highlights landlords' efforts to adjust to a tenant-favourable market by reducing net rents, while additional rents have continued to rise steadily. Asking net rents within the Central Class B and C markets have also witnessed the same decline from the second quarter of 2023 – although not as sharply as Class A – of 5.0%

Canada's Employment Landscape: Stability Amid Sectoral Shifts

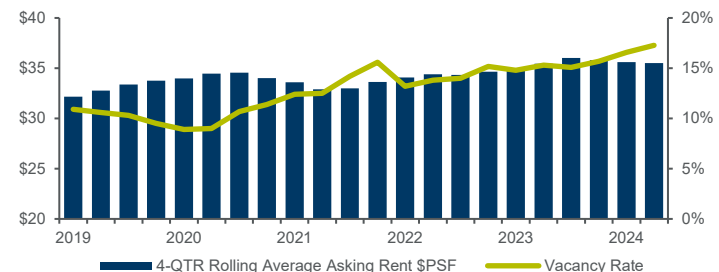
Canada's employment market showed stability with a slight decrease of 1,400 jobs, maintaining the employment rate at 61.1%. However, the unemployment rate increased to 6.4%, up by 1.3 percentage points since April 2023. In contrast, Montreal witnessed a YoY decline in employment by 3.5%, bringing its rate to 61.8%. Meanwhile, Quebec City, Sherbrooke, and Trois-Rivières saw employment gains during the same period.

Source: Statistics Canada

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT GROSS ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVG ASKING RENT (ALL CLASSES)*	DIRECT AVG ASKING RENT (CLASS A)*
Financial Core	22,360,903	431,602	3,655,357	18.3%	-156,433	-62,328	496,366	0	\$42.32	\$47.23
Downtown West	3,611,027	28,233	479,091	14.0%	52,202	67,292	83,397	0	\$37.89	\$47.05
Downtown East	8,971,020	383,215	786,160	13.0%	97,933	123,257	306,291	39,177	\$31.76	N/A
Downtown South	11,891,287	504,376	2,075,071	21.7%	-98,756	-736,096	296,570	58,515	\$46.62	\$50.94
Downtown Southwest	1,800,249	113,110	303,773	23.2%	-21,772	-63,244	28,345	0	\$41.57	\$35.00
Old Montreal	4,575,045	110,131	682,270	17.3%	-114,474	-118,765	149,514	0	\$39.75	\$51.10
Westmount	2,158,078	26,816	308,211	15.5%	-7,953	64	49,634	0	\$35.37	\$40.69
Central Area	55,367,609	1,597,483	8,289,933	17.9%	-249,253	-789,820	1,410,117	97,692	\$41.22	\$48.04
Midtown East	3,357,125	105,642	373,880	14.3%	-9,126	-17,340	61,844	75,200	\$26.76	N/A
Midtown Central	6,812,427	261,908	1,059,944	19.4%	-176,653	-216,982	64,325	0	\$31.65	N/A
Midtown North	9,155,338	395,831	1,106,676	16.4%	-51,628	-62,499	118,641	0	\$21.93	\$31.42
Décarie CDN	3,213,489	64,221	432,707	15.5%	22,139	95,888	63,592	0	\$28.23	\$34.89
Midtown West	1,436,543	44,162	255,243	20.8%	-43,357	-26,801	67,655	0	\$24.51	\$35.01
Midtown South	1,097,479	0	33,086	3.0%	-1,600	14,237	1,634	0	\$27.58	N/A
Île-des-Sœurs	1,392,679	194,516	46,183	17.3%	0	0	0	0	\$26.07	\$26.07
Saint-Laurent	7,508,585	345,732	1,139,308	19.8%	-99,072	-77,175	193,971	0	\$28.38	\$29.48
Midtown	33,973,665	1,412,012	4,447,027	17.2%	-359,297	-290,672	571,662	75,200	\$26.86	\$30.38
West Island	3,392,131	47,790	473,346	15.4%	-15,954	-117,974	83,024	0	\$30.08	\$32.52
East End	3,429,207	68,771	464,310	15.5%	-2,457	-136	56,012	0	\$22.43	\$31.93
Laval	4,787,157	105,131	830,753	19.5%	-66,245	-55,874	119,293	0	\$27.56	\$26.48
South Shore	6,067,307	107,438	674,353	12.9%	-57,634	-64,185	196,084	0	\$28.83	\$32.16
Suburbs	17,675,802	329,130	2,442,762	15.7%	-142,290	-238,169	454,413	0	\$26.93	\$31.11
Greater Montreal Area	107,017,076	3,338,625	15,179,722	17.3%	-750,840	-1,318,661	2,436,192	172,892	\$35.54	\$41.89

*Rental Rates reflect full service direct asking (Gross rent)

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1501 De Bleury Street	Downtown East	Université du Québec	168,369	New Tenant
2200 Stanley Street	Financial Core	Dialogue Technologies Inc.	23,911	New Tenant
7250 Marconi Street	Midtown Central	Marc Cain Inc.	15,944	New Tenant

*Renewals not included in leasing activity totals

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1299 Greene Avenue	Westmount	9166-7907 Quebec Inc. / Fondation 1303 Greene	49,722	\$16,000,000 / \$322
1430 Sainte-Catherine Street West	Downtown West	SIDEV / 5am Capital	43,606	\$11,150,000 / \$256
8777 Transcanadienne Autoroute	Saint-Laurent	9407-6940 Quebec Inc. / 9021-8116 Quebec Inc.	33,056	\$6,500,000 / \$197

**METHODOLOGY**

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. Generally, owner-occupied and federally-owned buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are generally not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately. Sublet space still occupied by the tenant is not counted as vacant space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

OFFICE SUBMARKETS**EXPLANATION OF TERMS**

Total Inventory: The total amount of office space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of vacant space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of vacant space available directly through the landlord, excludes sublease space

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity in under construction buildings as well as expansions. It does not include renewals.

Weighted Average Asking Rents: Net or gross asking rents weighted by the amount of available direct space in Class A, B and C properties.

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