

# Montréal Office Newsletter

Real Estate Overview

Q4 – 2011

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## Market overview

For the last several months, the sovereign debt crisis in the Euro Zone as well as the economic difficulties that America encountered principally due to conflicting domestic policy have been making headlines. Though conservative in their predictions for 2012, politicians and economists do not envisage an upcoming recession in Canada, largely in part due to the low interest rate. The economic health of the metropolis was able to withstand the harsh climate in the last 3 years, which allows for a continued sense of optimism.

Pension funds, insurance companies and real estate investment trusts are stable and should remain as such for the first two quarters of 2012. At the present time, they are looking only for good investment opportunities since liquidity is still available. Given that the Canadian market is more secure than the American market, some will prefer it in spite of the fact that it offers a lower return on their investment. Furthermore, as the value of the Canadian dollar is in decline, foreign investors can be more aggressive when doing deals. Let us not forget that the Class A office buildings of Downtown Montréal are consistently appealing to investors.

At the present time, there is approximately 7,500,000 sq ft of vacant office space in the Greater Montréal Area, all classes combined. Over the course of the previous months, the vacancy rate for office space remained stable; in the last quarter of 2011, the rate fluctuated at around 8.5%. It would be consequent to believe that there could be a slight

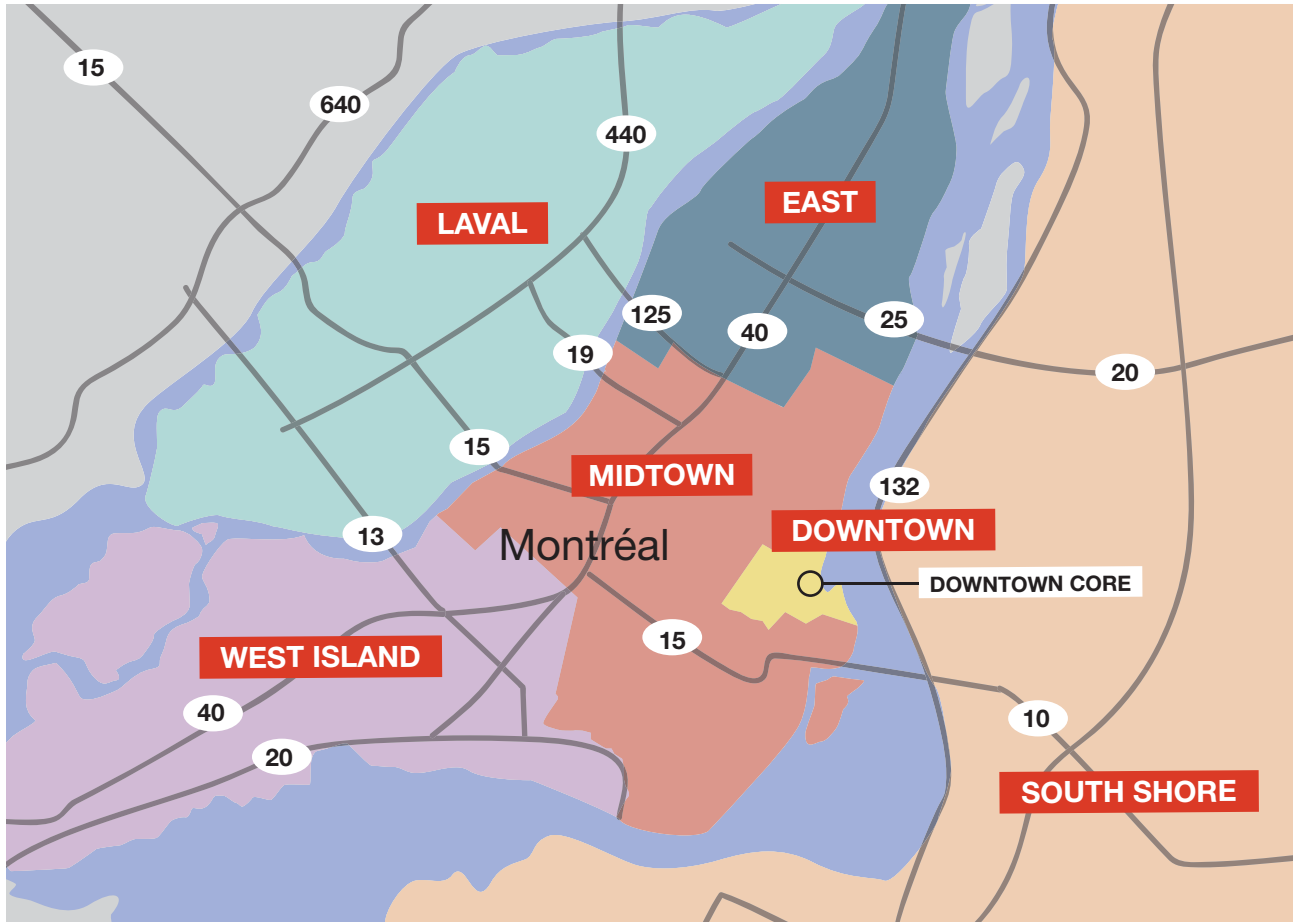
increase to the average asking rates as well as a decrease on the incentives offered to potential tenants. However, no such changes have been planned for the beginning of the year 2012. Furthermore, in spite of the moderate cost of financing, the municipal programs offered to revitalize the metropolis as well as the inventory of ultramodern spaces continue to decrease, which has put the commencement of new development projects on hold.

The vacancy rate for Class A office buildings in Downtown Montréal should remain the same until the arrival of the new mixed-use building, Altoria, with completion planned for 2013. This stability is explained, among other reasons, by tenants' concerns with regards to the world economic situation. It would seem however, that the decision-makers based in Canada are more optimistic than those based outside of the country. This being said, the portrait of the South Shore Area is quite different. Indeed, in the upcoming quarters we might observe a decline in demand and thus an increase in the vacancy rate which is now at about 12%. This would mainly be due to the infrastructure problems linking the South Shore to the Island of Montréal.

Be that as it may, the reaction of the Montréal real estate market for the year 2012 is difficult to predict without knowing the impact the world crisis will have on our economy. However, the stability of the market is still newsworthy for the Greater Montréal Area and we can expect it to be the watchword of the first two quarters of 2012.

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## Map of the Greater Montréal Area



### Glossary

<b>Absorption:</b>	The change in occupied square feet from one period to the next
<b>Availability rate:</b>	The amount of space immediately available divided by the rentable area regardless of whether it is occupied or vacant
<b>Vacancy:</b>	The amount of space in square footage physically unoccupied and available for either lease or sublease
<b>Average asking rent:</b>	Average rent is determined by the multiplication of the asking price rent of each building by the available area (participating buildings only)
<b>All sublet:</b>	The total area that is available for lease from tenants in the building
<b>All direct:</b>	The total space available for lease from the landlord

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## Greater Montréal Area

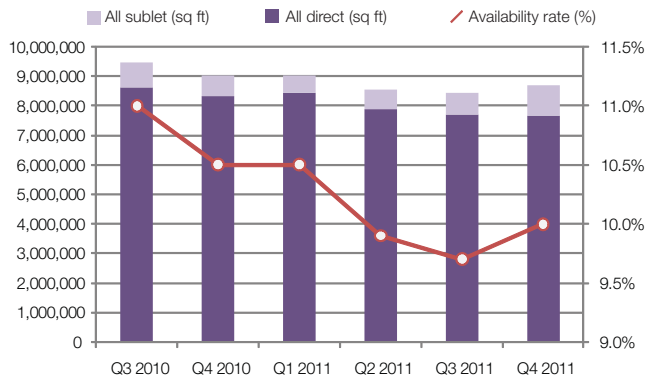
### Market summary

Market	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
Downtown	51,071,365	3,187,667	6.2%	864,949	304,000	\$15.76	\$14.81	\$30.57
**Downtown Core	21,093,618	1,513,512	7.2%	371,920	0	\$17.46	\$17.07	\$34.53
Midtown	18,141,840	1,947,552	10.7%	60,702	198,662	\$12.23	\$9.85	\$22.08
East End	2,348,514	243,176	10.4%	16,978	0	\$12.15	\$11.31	\$23.46
Laval	3,345,418	396,350	11.8%	-107,322	0	\$12.69	\$11.13	\$23.82
South Shore	3,587,466	444,288	12.4%	257,503	99,642	\$13.12	\$9.75	\$22.87
West Island	8,612,562	1,213,495	14.1%	276,438	0	\$11.73	\$11.52	\$23.24
<b>TOTAL</b>	<b>87,107,165</b>	<b>7,432,528</b>	<b>8.5%</b>	<b>1,369,248</b>	<b>602,304</b>	<b>\$14.01</b>	<b>\$12.58</b>	<b>\$26.59</b>

\*\*The Downtown Core is a submarket of Downtown. The data for Downtown includes the Downtown Core.

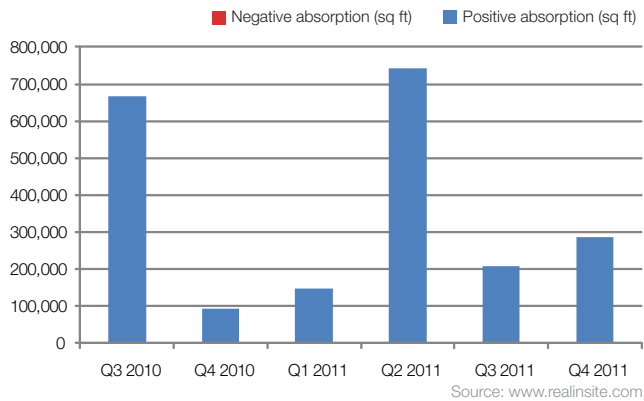
Source: www.realinsite.com

### Availability



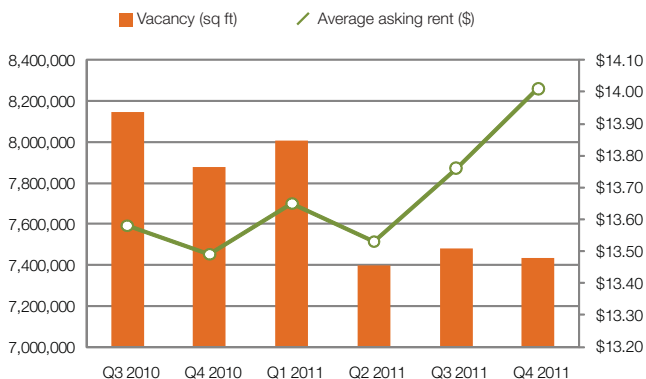
Source: www.realinsite.com

### Absorption (by quarter)



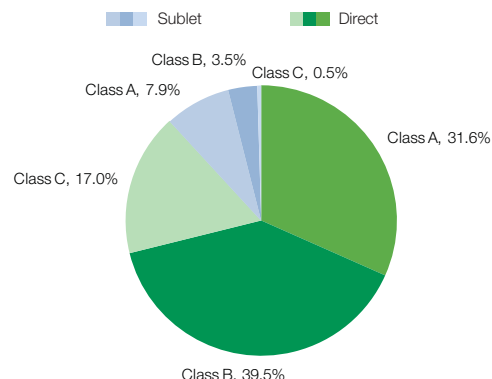
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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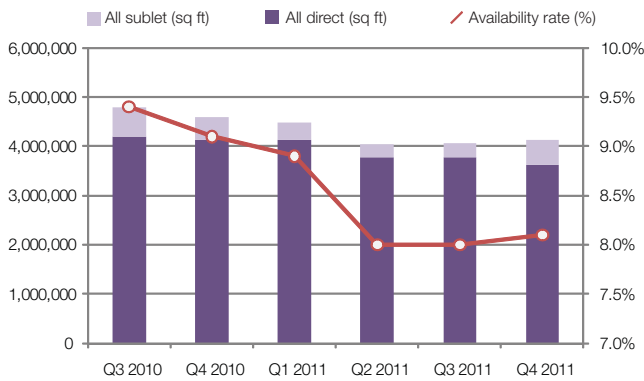
## Downtown Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	22,994,823	1,429,117	6.2%	279,464	304,000	\$21.51	\$19.72	\$41.23
B	23,392,023	1,317,988	5.6%	458,436	0	\$13.38	\$14.21	\$27.60
C	4,684,519	440,562	9.4%	127,049	0	\$14.32	\$7.52	\$21.83
<b>TOTAL</b>	<b>51,071,365</b>	<b>3,187,667</b>	<b>6.2%</b>	<b>864,949</b>	<b>304,000</b>	<b>\$14.01</b>	<b>\$12.58</b>	<b>\$26.59</b>

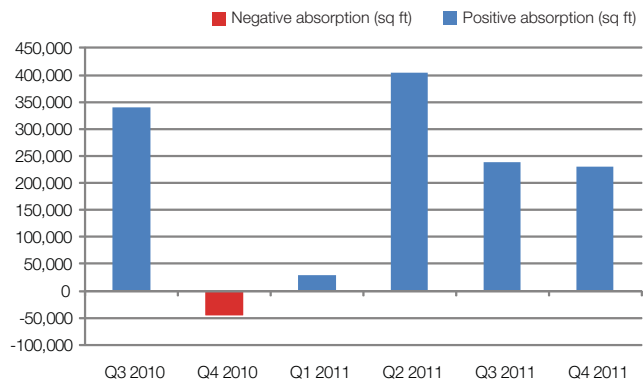
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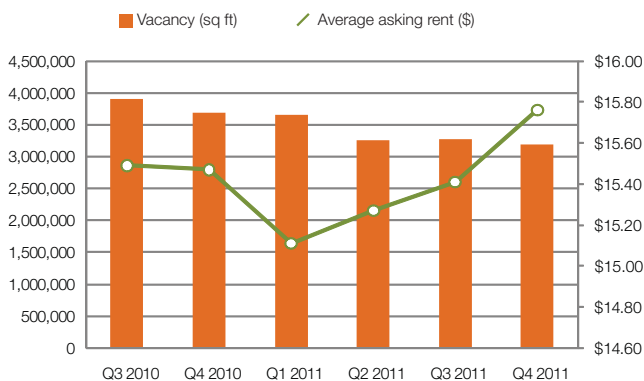
Source: www.realinsite.com

### Absorption (by quarter)



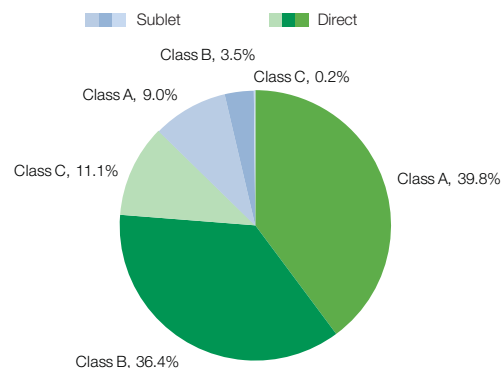
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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## Downtown Core Area

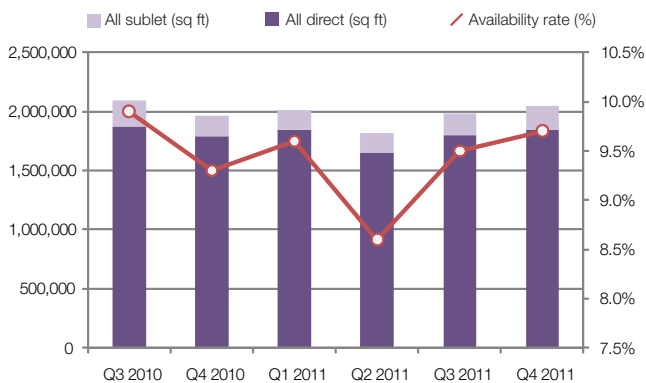
### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	13,259,802	916,395	6.9%	151,131	0	\$21.97	\$19.99	\$41.96
B	7,159,399	562,281	7.9%	232,747	0	\$13.19	\$14.81	\$28.00
C	674,417	34,836	5.2%	-11,958	0	\$17.50	\$12.63	\$30.13
<b>TOTAL</b>	<b>21,093,618</b>	<b>1,513,512</b>	<b>7.2%</b>	<b>371,920</b>	<b>0</b>	<b>\$17.46</b>	<b>\$17.07</b>	<b>\$34.53</b>

The Downtown Core is a submarket of Downtown. The data for Downtown includes the Downtown Core.

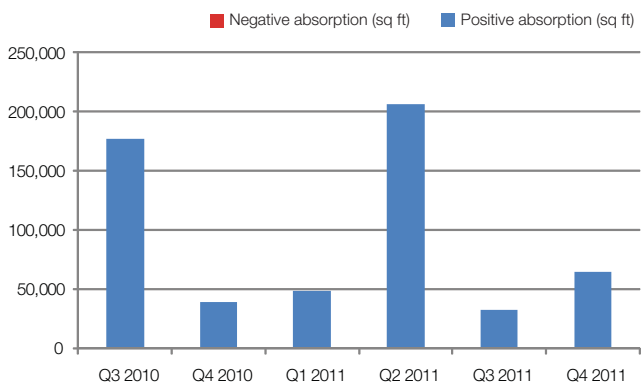
Source: www.realsite.com

### Availability



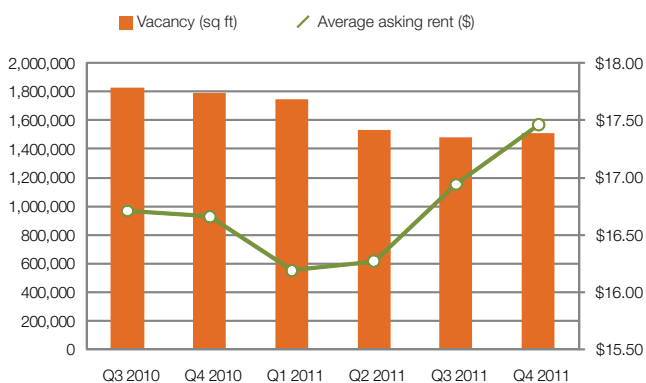
Source: www.realsite.com

### Absorption (by quarter)



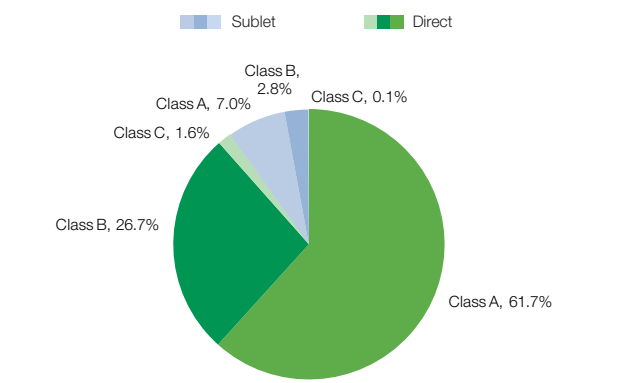
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### Vacancy and asking rent



Source: www.realsite.com

### Availability by type and class



Source: www.realsite.com

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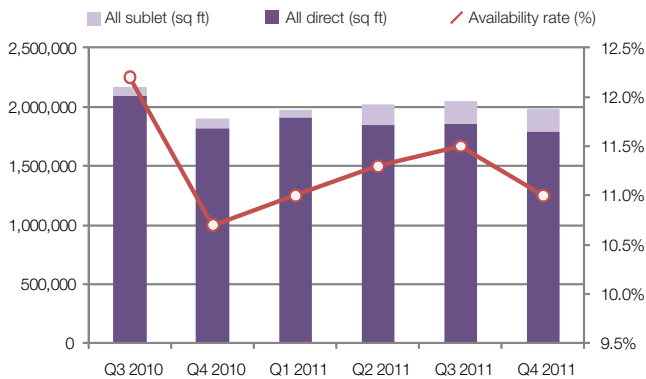
## Midtown Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	4,112,952	230,524	5.6%	-29,229	198,662	\$14.30	\$15.50	\$29.80
B	9,073,347	929,019	10.2%	-84,947	0	\$11.91	\$10.47	\$22.38
C	4,955,541	788,009	15.9%	174,878	0	\$11.88	\$6.78	\$18.66
<b>TOTAL</b>	<b>18,141,840</b>	<b>1,947,552</b>	<b>10.7%</b>	<b>60,702</b>	<b>198,662</b>	<b>\$12.23</b>	<b>\$9.85</b>	<b>\$22.08</b>

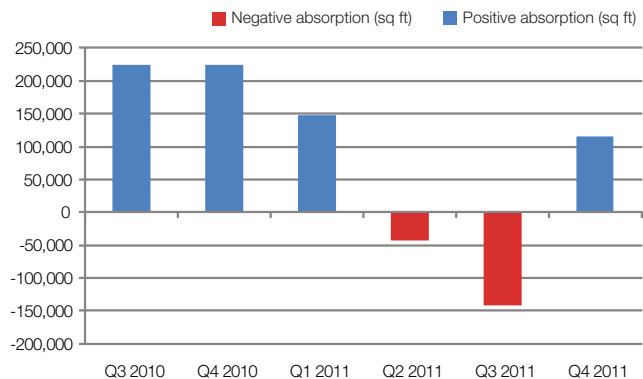
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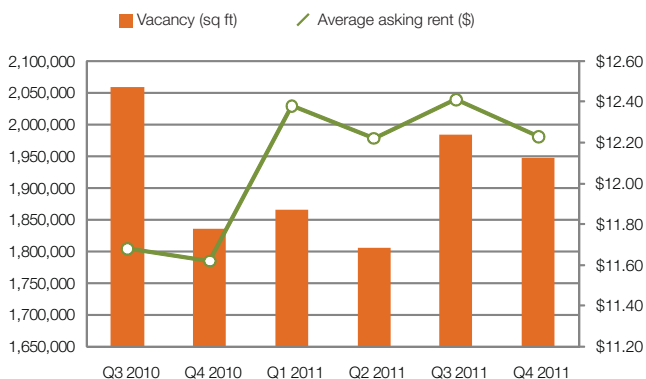
Source: www.realsite.com

### Absorption (by quarter)



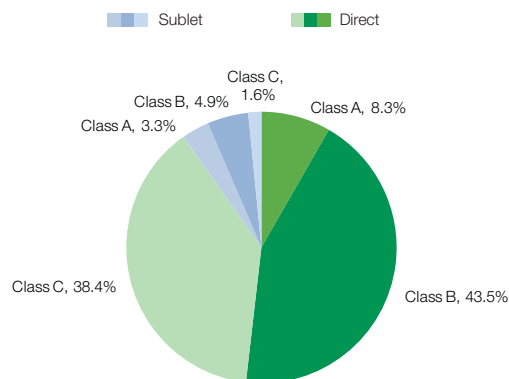
Source: www.realsite.com

### Vacancy and asking rent



Source: www.realsite.com

### Availability by type and class



Source: www.realsite.com

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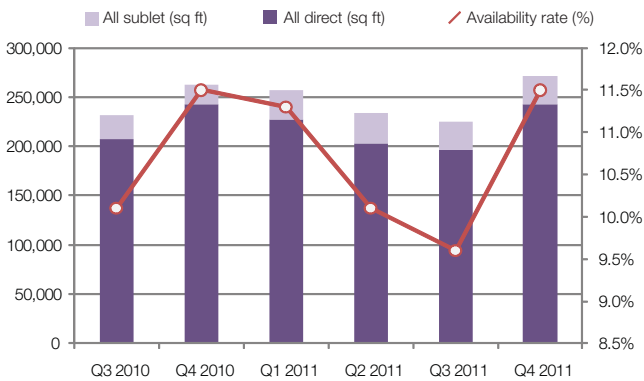
## East End Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,187,265	200,316	16.9%	37,391	0	\$13.25	\$13.35	\$26.60
B	1,113,249	42,860	3.8%	-23,413	0	\$10.50	\$8.24	\$18.75
C	48,000	0	0.0%	3,000	0	\$0.00	\$0.00	\$0.00
<b>TOTAL</b>	<b>2,348,514</b>	<b>243,176</b>	<b>10.4%</b>	<b>16,978</b>	<b>0</b>	<b>\$12.15</b>	<b>\$11.31</b>	<b>\$23.46</b>

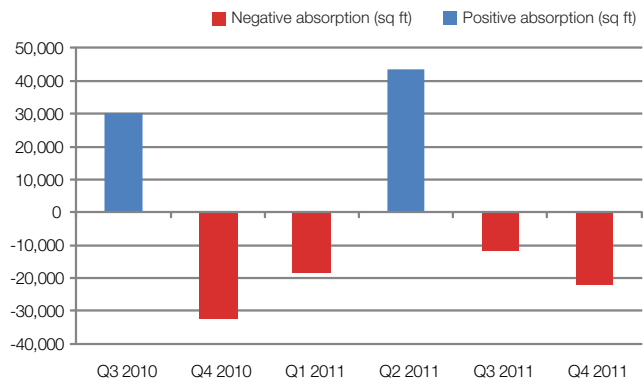
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### Availability



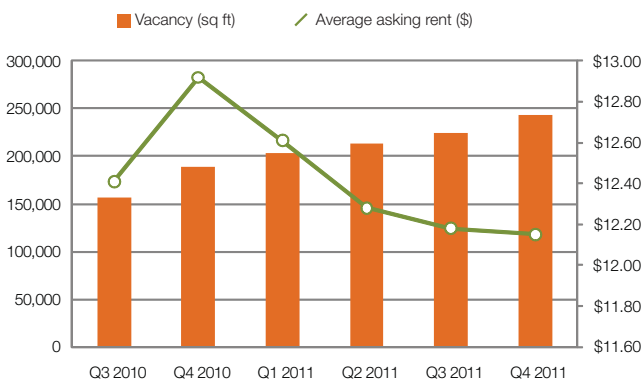
Source: www.realinsite.com

### Absorption (by quarter)



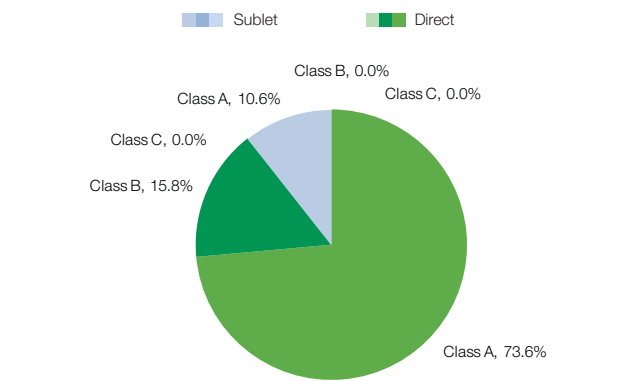
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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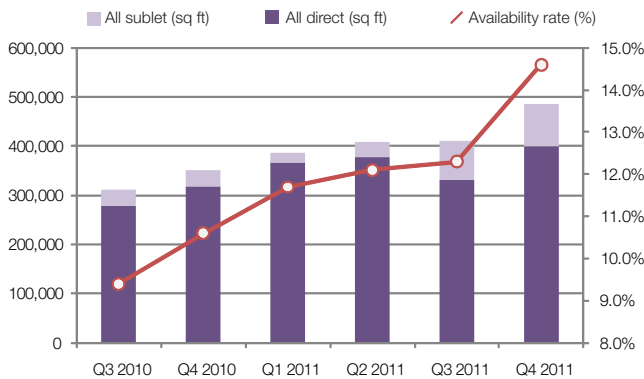
## Laval Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,626,577	161,242	9.9%	-52,151	0	\$12.83	\$13.00	\$25.84
B	1,616,841	214,108	13.2%	-49,834	0	\$12.57	\$9.53	\$22.10
C	102,000	21,000	20.6%	-5,337	0	\$0.00	\$0.00	\$0.00
<b>TOTAL</b>	<b>3,345,418</b>	<b>396,350</b>	<b>11.8%</b>	<b>-107,322</b>	<b>0</b>	<b>\$12.69</b>	<b>\$11.13</b>	<b>\$23.82</b>

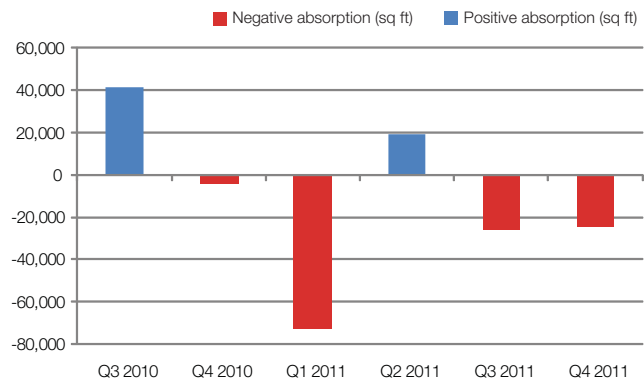
Source: www.realinsite.com

### Availability



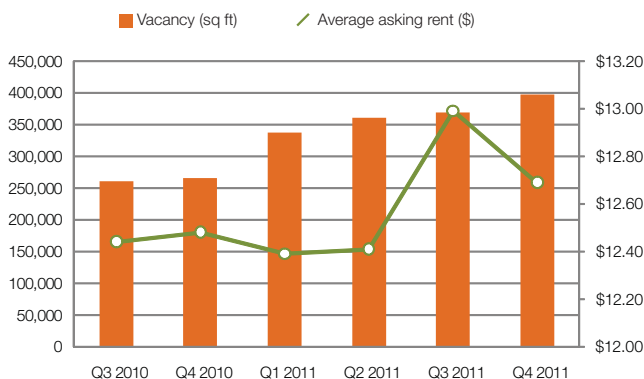
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### Absorption (by quarter)



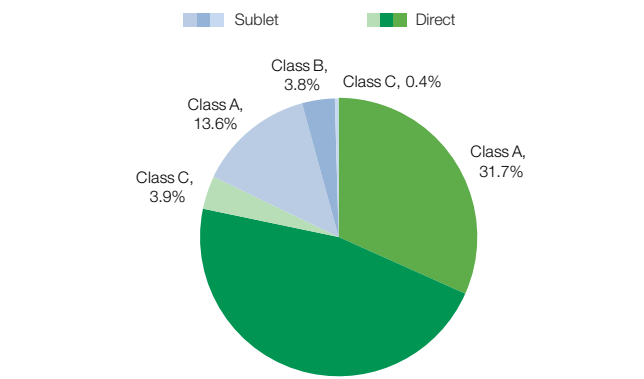
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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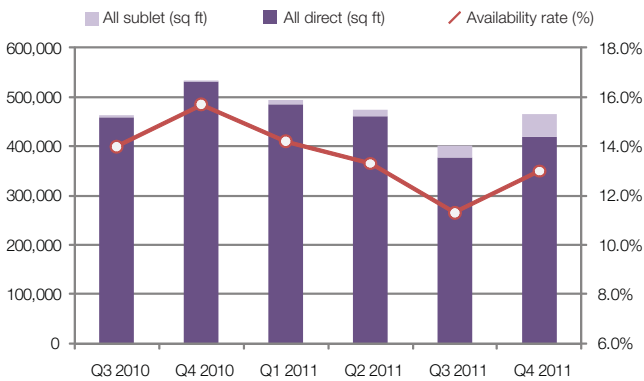
## South Shore Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,460,927	178,806	12.2%	242,200	99,642	\$15.86	\$10.55	\$26.41
B	1,792,681	218,729	12.2%	27,445	0	\$10.80	\$9.27	\$20.07
C	333,858	46,753	14.0%	-12,142	0	\$14.00	\$7.69	\$21.69
<b>TOTAL</b>	<b>3,587,466</b>	<b>444,288</b>	<b>12.4%</b>	<b>257,503</b>	<b>99,642</b>	<b>\$13.12</b>	<b>\$9.75</b>	<b>\$22.87</b>

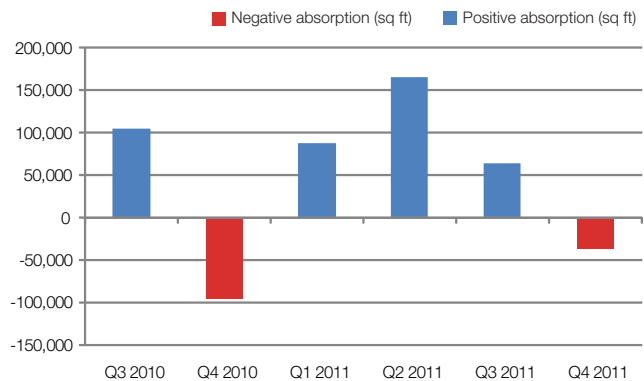
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### Availability



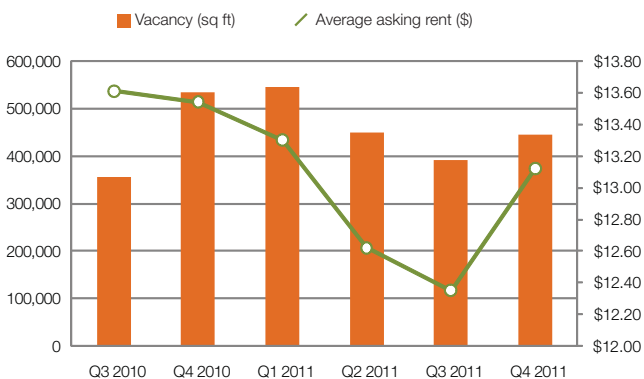
Source: www.realinsite.com

### Absorption (by quarter)



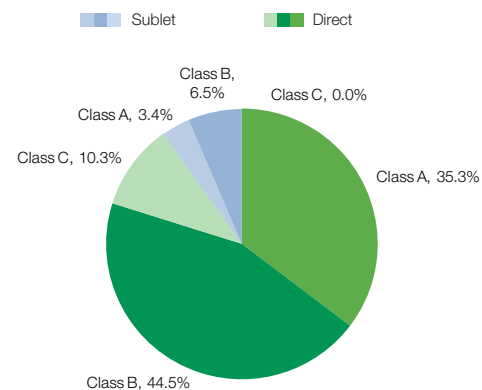
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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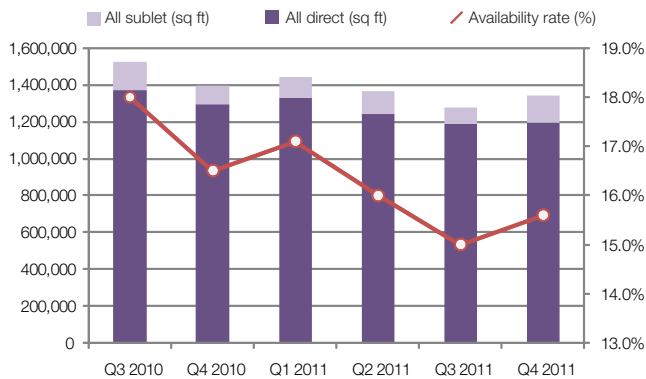
## West Island Area

### Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	868,745	87,598	10.1%	177,730	0	\$12.00	\$14.19	\$26.19
B	1,234,475	128,173	10.4%	92,862	0	\$11.92	\$11.62	\$23.55
C	262,447	73,484	28.0%	5,846	0	\$9.50	\$5.28	\$14.78
<b>TOTAL</b>	<b>8,612,562</b>	<b>1,213,495</b>	<b>14.1%</b>	<b>276,438</b>	<b>0</b>	<b>\$11.73</b>	<b>\$11.52</b>	<b>\$23.24</b>

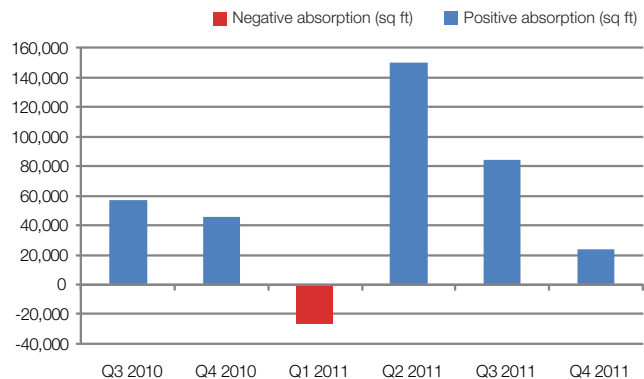
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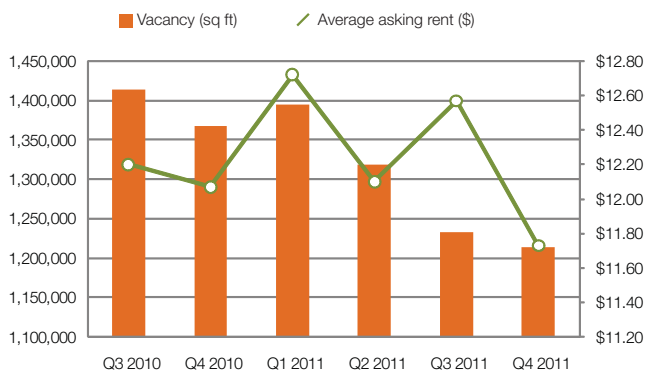
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### Absorption (by quarter)



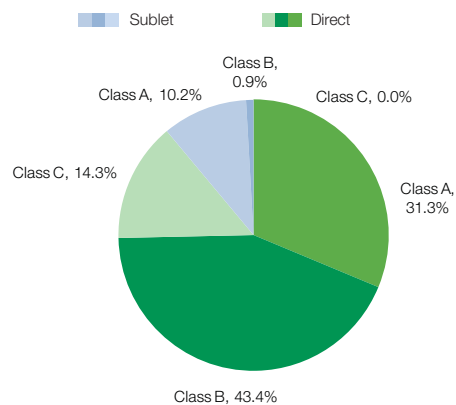
Source: www.realinsite.com

### Vacancy and asking rent



Source: www.realinsite.com

### Availability by type and class



Source: www.realinsite.com

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Q4 – 2011

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