



For more information on the market, please contact us

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Overview of the current industrial real estate market

Although it took Canada longer to feel the slowdown of the global economic recession, we are now experiencing the associated effects. Despite the fact that the Canadian commercial real estate market remained more stable than our UK, European, and American counterparts, the majority of regional markets throughout the country are experiencing troubling economic times. This is especially evident in the Toronto and Western Canadian markets.

Montréal is faring better than other major Canadian cities. Activity in the fourth quarter of 2008 and beginning of 2009 slowed, however, pricing has remained stable. New industrial development grinded to a halt in the latter half of 2008 and the trend will likely continue throughout 2009. Vacancy rates are on the rise as most businesses have shifted their focus to stability and improving efficiencies over expansion.

It is expected that the supply of industrial properties for sale will increase in 2009 as access to credit remains difficult with traditional financial institutions. The Montréal industrial real estate market is expected to experience low activity for the first half of 2009 with possible stabilization in the second half as many experts are forecasting the start of a recovery by the end of the year.

Sources: DTZ Barnicke's Canadian Perspectives 2009, Conference Board of Canada

Supply highlights

- Good existing leasing opportunities continue to be available in most markets and size ranges (especially 60K sq ft + buildings) as vacancy rates continue to rise
- Moderate increase in supply of industrial buildings available for sale but access to credit remains difficult
- Supply of new multi-tenant industrial spaces has been halted
- Large supply of off-island land still available in Vaudreuil-Dorion, Laval, Chateauguay and Valleyfield. On-island land sites remain scarce

Demand highlights

- Lower interest rates create incentives for users to buy properties
- Overall demand from users has decreased due to current recession
- Demand for short-term leasing is on the rise as lack of economic activity has driven inventories up
- Interest for industrial properties from investors is virtually non-existent at the moment due to the lack of available credit and meltdown of capital markets

Recent sale transactions

1. **HOOPP Realty Inc.** purchased 123,000 sq ft at 19600 Clark Graham Avenue, Baie d'Urfé from **Reliance Construction Inc.**
2. **Mattcam Inc.** purchased 27,000 sq ft at 4875 4885 Bourg Street, St-Laurent from **Debneda Enterprises Inc.**
3. **Hemmingford Aerospace Inc.** purchased 37,180 sq ft at 100 du Parc-Industriel Street, Hemmingford from **Data Group Limited Partnership**
4. **HOOPP Realty Inc.** purchased 91,000 sq ft at 70 Hymus Blvd, Pointe-Claire from **Reliance Construction Inc.**
5. **TR - International Distribution Inc.** purchased 91,000 sq ft at 8600, place Upton, Anjou from **Placements Ansec Inc.**

Recent lease transactions

1. **Power Survey and Equipment Ltd** leased 26,909 sq ft at 7880 7890 Trans-Canada Hwy., Saint-Laurent from **Vista Properties Limited**
2. **Acier Aeroport Ltd** leased 31,000 sq ft at 1495 32e Avenue, Lachine from **Cominar Real Estate Investment Trust**
3. **Paquette White Inc.** leased 62,000 sq ft at 2615 J.-B.- Deschamps Boulevard, Lachine, from **Remer Group**
4. **Coca-Cola** leased 95,000 sq ft at 4875 Fairway Street, Lachine from **9008-9244 Québec Inc.**
5. **Pival International Inc.** leased 117,000 sq ft at 2945 André Avenue, Dorval from **HOOPP Realty Inc.**

Industrial rates

(The following are approximate rates)

Net rent	
New construction	\$6.50 to \$7.50 /sq ft
Class A	\$4.50 to \$5.25 /sq ft
Class B	\$4.00 to \$4.50 /sq ft
Class C	\$3.00 to \$4.00 /sq ft
Vacant sales	\$45.00 to \$65.00 /sq ft
Land (Off-island)	\$0.60 to \$6.00 /sq ft
Land (On island)	\$7.00 to \$15.00 /sq ft

Market indicators



Source: DTZ Barnicke's Canadian Perspectives 2009

Turcot Interchange Project: Noise and Pollution



The redevelopment of the Turcot interchange is set to begin in Fall 2009 with completion projected for the end of 2016. The \$1.5 billion project recently raised some alarms by residents and environmental groups when an environmental impact study concluded that the project would create a significant amount of noise and pollution to the surrounding area. Additionally, several residential and industrial properties have been or will be expropriated in order to clear the path for the new interchange.

The new interchange will be built adjacent to the current one at ground level, which was built in 1967. The old interchange will be demolished an estimated four years into the project once the new road has been completed.

With 280,000 vehicles using the interchange daily, many say the redevelopment of Québec's busiest interchange, with its already crumbling structure, is long overdue.

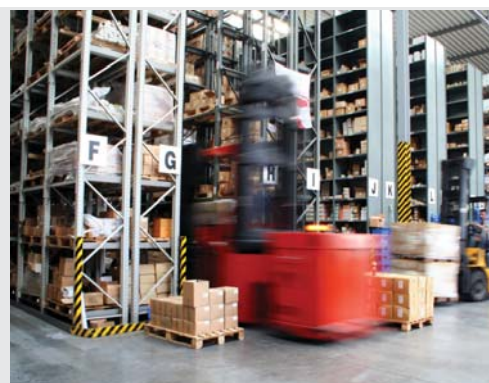
Source: Montréal Gazette, 24 March 2009

Entrepreneurs encouraged to contact BDC

The Business Development Bank of Canada (BDC), whose mandate is to stimulate economic growth by financing entrepreneurs, recently reached out to business owners in an article featured in the Montréal Gazette. The CEO Jean-Rene Halde said "Come and see us we can help".

As traditional banks have tightened their financing criteria even for solid companies, the BDC is aggressively looking to finance new projects in an effort to stimulate activity. "What I am saying to them, says Halde, is "you guys can build during the downtime. As someone in the US said: Why waste a good crisis".

Source: Montréal Gazette, 19 March 2009





Early lease renewal

The current economic recession has caused many companies to downsize, or even close, their Montréal operations. As a result, we are experiencing a rise in vacant industrial properties and overall availability rate.

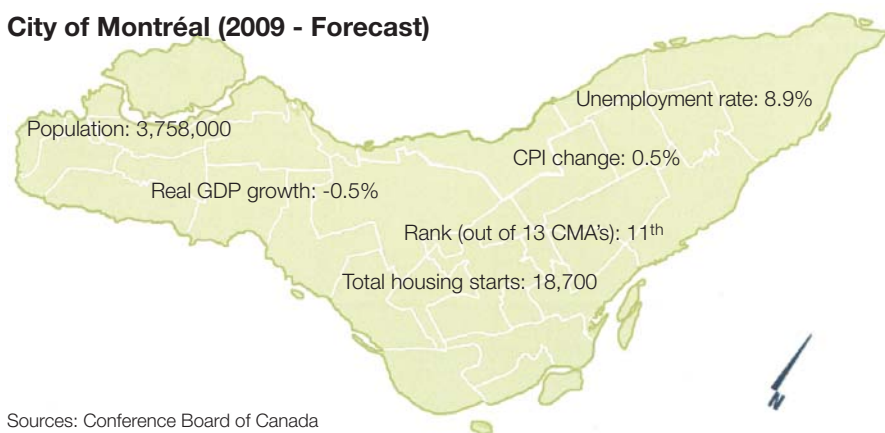
Given these circumstances, we are now entering into a tenant favorable market. Landlord's fear losing tenancy and will be extremely aggressive in order to keep good standing tenants in their buildings. Negotiations for lease renewals should start at least 12 months prior to expiry in order to take full advantage of the present market conditions.

Depending on size, covenant, and term of the renewal period, there is also the possibility of negotiating a reduction in rental costs in exchange for a longer lease (commonly known as "blend and extend").

For a free lease audit and advice on your options, contact one of DTZ Barnicke's advisors below.

Montréal economics at a glance

City of Montréal (2009 - Forecast)



Sources: Conference Board of Canada

Montréal real estate at a glance

GMA Industrial real estate

- Industrial inventory: 329 million (sq ft)
- Vacancy rate: 8.5% (Q1,2009)
- Canadian market place rank: 2nd
- Industrial building permits (\$000s): 332,810 (2008)

Sources: Conference Board of Canada, DTZ Barnicke's Canadian Perspectives 2009

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