



For more information on the market, please contact us

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The office leasing market in the Greater Montréal Area will be more favorable for tenants in 2009.

Over the last few years, the Montréal market has seen a steady decline in the office space vacancy rate. Tenants were challenged with the negotiations of favorable transactions for their office premise: The city was experiencing a Landlord's market.

The economic crisis, which tumbled the global financial markets, is starting to affect the Montréal corporate real estate market.

After several years of declining vacancy and increased rental rates, the Montréal market is now seeing the actual vacancy rates beginning to rise at a rapid pace. Moreover, current construction projects are on the verge of completion.

Since the beginning of 2009, rental rates have ceased to increase and should be expected to decrease from 10 to 15% by the end of this year. Evidently, most service based companies are no longer seeking expansion. In fact, many will be reducing their work force; this will bring forth a significant increase in the sublet market. Overall, these factors result in an increase of space available on the market, as we are currently experiencing.

The shift in supply and demand should cause a new equilibrium in the market. This will result in a greater number of real estate options, available to tenants.

Recent lease transactions

1. **Oracle**
600 de Maisonneuve Boulevard West
45,000 sq ft
2. **Analysis Group Inc.**
1000 de la Gauchetière Street West
20,000 sq ft
3. **Dassault Systemes Inc.**
393 Saint-Jacques Street
15,500 sq ft
4. **Coradiant (Canada) Inc.**
1100 René-Lévesque Boulevard West
14,000 sq ft
5. **Chubb Group of insurance Companies**
1250 René-Lévesque Boulevard West
14,000 sq ft
6. **SOCAN**
600 de Maisonneuve Boulevard West
12,000 sq ft

Sampling of large blocks

Downtown

- 1981 McGill College Avenue: 130,000 sq ft
- 700 de La Gauchetière St. W.: 100,000 sq ft
- 1253 McGill College Avenue: 82,000 sq ft
- 1000 de La Gauchetière St. W.: 67,000 sq ft
- 1 Place Ville-Marie: 35,000 sq ft

Old Montréal

- 230 Saint-Jacques Street: 110,000 sq ft

Midtown (North/South/East sectors)

- 2030 Pie IX Boulevard: 85,000 sq ft
- 7777 Décarie Boulevard: 42,000 sq ft

Saint-Laurent / West-Island

- 4980 Buchan Street: 180,000 sq ft
- 5935 Ch. de la Côte-de-Liesse: 140,000 sq ft
- 105 Marcel-Laurin Boulevard: 33,000 sq ft

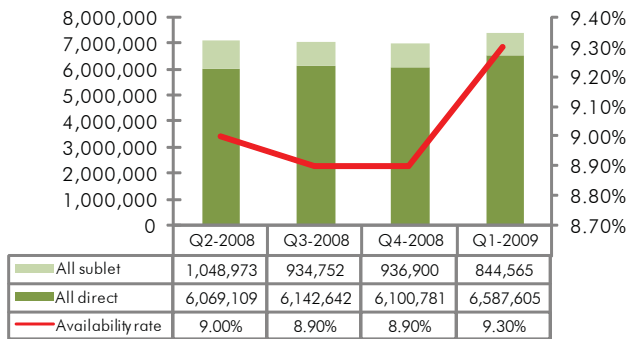
South Shore

- 1001 Pierre-Dupuy Avenue: 42,000 sq ft
- 4805 Lapinière Boulevard: 21,000 sq ft

Sublets

- 1555 Carrie-Derick Street: 40,000 sq ft
- 1801 McGill College Avenue: 36,000 sq ft
- 700 Wellington Street: 36,000 sq ft

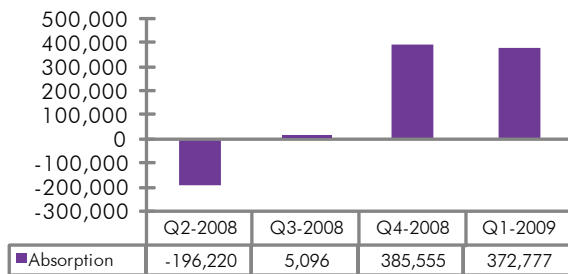
Availability



Source: www.realinsite.com

Overall availability rates have increased for A and B class buildings. The Greater Montréal Region is seeing higher availability rates in Q1 2009 compared to the entire year of 2008. With relatively minor additions of new space to the marketplace, with renewing tenants opting for a smaller footprint and with the impending conversion of some industrial space into office space, the availability rate upward trend is expected to continue for all sectors. However, what could push us into a supply glut is the mushrooming amount of sublease space appearing on the market.

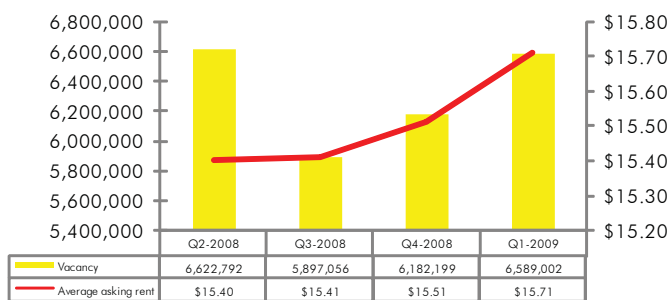
Absorption



Source: www.realinsite.com

Office space absorption continues in the negative for both the A (-96,178 square feet) and B (-170,205 square feet) class buildings in the downtown sector. Even though demand for office space had slowed in Q2 and Q3 2008, the Greater Montréal Area absorption rate for office space rebounded in Q4 2008 and Q1 2009 but most of that came from the West Island sector. Moving forward, absorption for office space should be more modest in the Greater Montréal Region to negative in the Core.

Vacancy and rental rate



Source: www.realinsite.com

A and B class buildings in the downtown sector saw the greatest hike in vacancy rates as they went from 4.6% to 5.5% and 6.0% to 6.8% respectively. The poor economic conditions and the ensuing increase vacancy have put a downward pressure on rental rates. This trend is expected to continue as the economy continues to falter. In other words, the unemployment rate is highly correlated to the office vacancy rate. Accordingly, as the economic fundamentals continue to deteriorate to 2010 (as predicted by many economists), we expect to see the office vacancy rates rise which will place a significant downward pressure on office rental rates and an increase in leasing incentives.

Montréal statistical summary: all building classes (Q1-2009)

Market	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption from prev. year (sq ft)	Construction completed or under construction (sq ft)	Taxes and operating costs	Estimated net rent	Average gross rent
Downtown	48,745,210	3,074,120	6.3	215,891	516 735	\$14.53	\$15.65	\$30.18
Midtown	14,149,389	1,520,570	10.7	431,607	230 000	\$10.43	\$12.01	\$22.44
East End	2,445,513	241,758	9.9	-125,628	0	\$11.30	\$12.11	\$23.41
Laval	3,425,531	261,810	7.6	63,071	0	\$11.14	\$11.64	\$22.78
South Shore	2,800,938	178,004	6.4	-10,495	0	\$9.80	\$13.28	\$23.08
West Island	8,342,390	1,153,693	13.8	211,477	178 735	\$12.70	\$12.20	\$24.90
Total	79,908,971	6,429,955	8.0	785,923	925,470	\$11.65	\$12.82	\$24.47

Source: www.realinsite.com



Leasing tip

Early lease renewal:

The economic crisis that we are now experiencing has caused many companies to downsize and even close their Montréal offices. This has caused a drastic increase in the sublet market and overall availability rate.

Given these circumstances, we are now entering into a tenant favorable market. Landlords' fear losing tenancy and will be extremely aggressive in order to keep good standing tenants in their buildings. It is therefore important that, should your lease expire in the next 12 to 24 months, negotiations commence for the renewal of your lease 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 for the remainder of the existing lease.

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