

Q3 2023

Montreal

Office Market Report

Net Absorption

This Quarter	Previous Quarter
-395K SF	-377K SF
12-Month Absorption	5-Year Quarterly Avg.
-1.1M SF	-404K SF

Vacancy

This Quarter	Year-over-Year
15.0%	▲ 30 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$19.72 PSF	▲ 3.5%

Development

Under Construction	New Supply
1.5M SF	0 SF
Pre-Leasing	Planned
2.1M SF	1.7M SF

*Weighted Average
Colliers International (Québec) Inc.

Market Outlook

The Montreal office market experienced a 60 bps increase in availability rates, reaching 18.2% in Q3 due to the continued flow of Class B products. Despite increased availability in that sector, average asking net rent is up 3.5% year-over-year to \$19.72 per square foot. Flexibility from Class A properties with higher vacancy rates led to a quarter-over-quarter decrease to \$21.98. Class A properties with low vacancy rates have not seen adjustments to asking rates.

Downtown continues its gradual recovery with its flight-to-quality trend, exemplified by the Sony Corporation leasing 62,000 square feet at Gare Viger. Downtown recorded positive net absorption of 221,237 square feet the highest since the pandemic began. Midtown faces an inverse trend. Tech-focused tenants have gravitated towards Downtown, resulting in a record negative absorption of -468,340 square feet. The reason is twofold: more competitive rates and Downtown amenities. Tenants on the market in Mile-End are receiving comparative gross rates to Class B buildings downtown. With similar real estate costs, these tenants have found building amenities, proximity to numerous restaurants, and easier access to public transportation as catalyst reasons to relocate.

Suburban vacancy rates jumped 30 bps, bringing it to 16.2%. Despite the influx of vacant space, the South Shore market showed the opposite trend with three consecutive quarters of decreasing vacancies. This can be attributed to leasing deals taking place in the new development, Solar Uniquartier. This quarter, Teccart Institution leased 35,000 square feet, while a notable financial institution leased 44,000 square feet at that Southshore location.

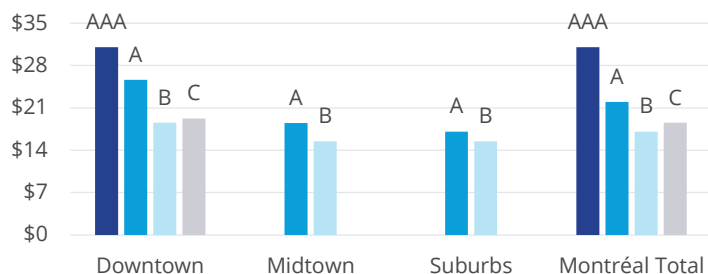
In Q3, news of WeWork's potential bankruptcy raised doubts about co-working's profitability as an office leasing alternative. WeWork grapples with high fixed costs from long-term leases and long-term debt totaling around \$2.9 billion US. In contrast, Regus partners with developers and property owners in a fee sharing structure. For Q2 2023, they posted a 48% surge in half-year profit. In Montreal, the sector is performing well with Hedhofis and Regus active in leasing their spaces. Regus recently leased 34,000 square feet at 747 Square Victoria and plans to open 13 new locations in Canada within eight months, including three in Montreal.

Accelerating success.

Market Overview

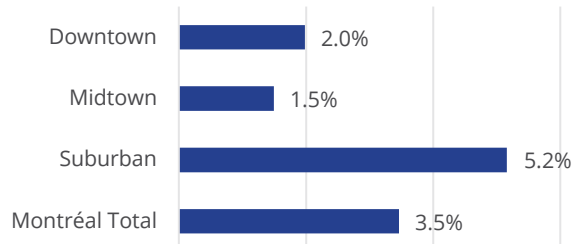
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



02 Rental Rate Growth*

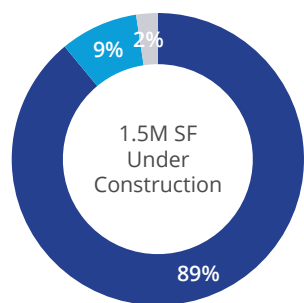
By Market | Q3 2022 – Q3 2023



* Weighted Average Asking Net Rent

03 Under Construction by Market

Total Square Feet (SF)



Downtown	1,341,750 SF
Midtown	130,000 SF
Suburbs	35,995 SF

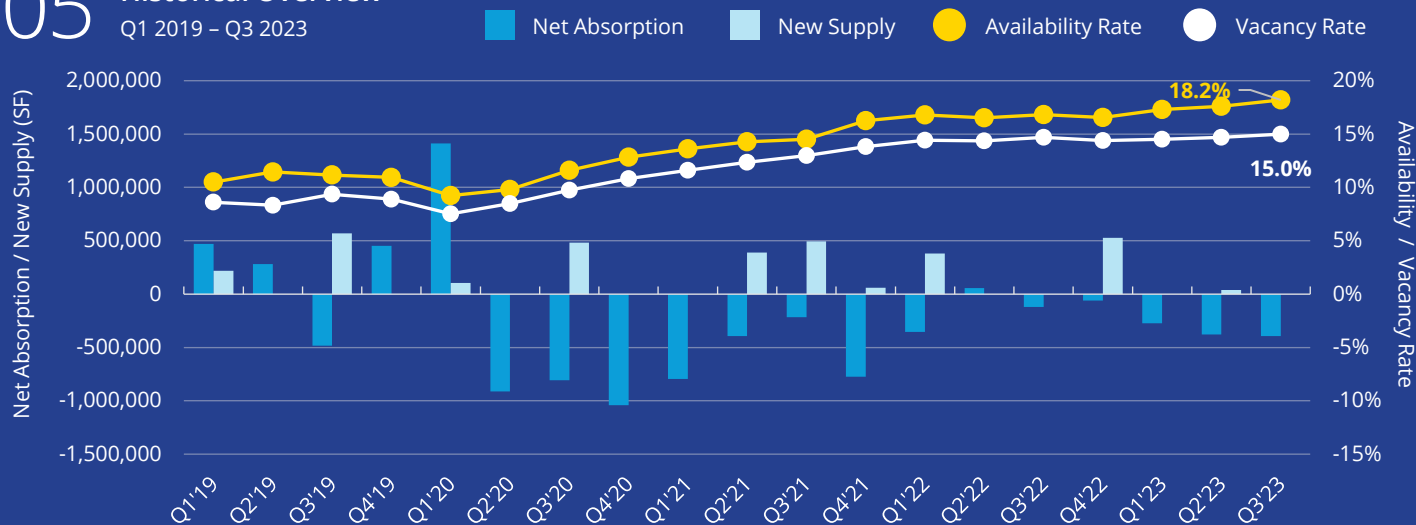
04 Vacancy Rate

By Market | Q3 2022 – Q3 2023

Downtown	14.3%	▲	from 13.8% Q3'22
Midtown	15.6%	▲	from 13.3% Q3'22
Suburban	16.2%	▲	from 18.3% Q3'22
Montreal Total	15.0%	▲	from 14.7% Q3'22

05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics

		# of Bldgs	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (PSF)	Wgt. Avg. Asking Gross Rent (PSF)	
Downtown	Core	AAA	5	4,731,238	380,543	8.0%	227,488	153,055	554,938	11.7%	48,270	0	0	\$31.01	\$59.18
		A	43	17,908,599	2,679,395	15.0%	2,267,336	412,059	3,753,016	21.0%	18,839	0	0	\$25.62	\$49.39
		B	66	12,716,705	2,813,385	22.1%	2,440,288	373,097	3,405,549	26.8%	-2,140	0	0	\$18.53	\$37.11
		C	30	2,801,209	478,659	17.1%	441,394	37,265	501,900	17.9%	551	0	0	\$19.26	\$34.55
		All	144	38,157,751	6,351,982	16.6%	5,376,506	975,476	8,215,403	21.5%	65,520	0	0	\$22.50	\$43.76
	East	A	5	2,682,322	0	0.0%	0	0	0	0.0%	0	0	0	\$0.00	\$0.00
		B	17	2,912,608	228,240	7.8%	196,401	31,839	256,966	8.8%	2,151	0	0	\$15.23	\$32.40
		C	8	683,837	53,531	7.8%	39,231	14,300	75,423	11.0%	-876	0	0	\$20.32	\$27.54
		All	30	6,278,767	281,771	4.5%	235,632	46,139	332,389	5.3%	1,275	0	0	\$16.44	\$31.25
	West	A	5	1,035,324	140,397	13.6%	103,902	36,495	173,820	16.8%	22,021	0	0	\$24.97	\$43.28
		B	15	1,318,649	78,946	6.0%	50,524	28,422	78,946	6.0%	1,717	0	0	\$16.64	\$36.59
		C	7	475,317	104,857	22.1%	96,384	8,473	128,312	27.0%	0	0	0	\$15.80	\$32.47
		All	27	2,829,290	324,200	11.5%	250,810	73,390	381,078	13.5%	23,738	0	0	\$20.38	\$38.43
	Old Montréal	A	11	2,132,859	307,072	14.4%	255,136	51,936	452,789	21.2%	164,926	0	1,341,750	\$26.10	\$49.79
		B	39	3,494,759	286,146	8.2%	255,134	31,012	524,788	15.0%	-34,547	0	0	\$19.86	\$40.60
		C	33	1,699,063	265,505	15.6%	232,672	32,833	278,314	16.4%	-13,872	0	0	\$17.75	\$31.77
		All	83	7,326,681	858,723	9.6%	742,942	115,781	1,255,891	17.1%	116,507	0	1,341,750	\$21.62	\$41.95
Total	AAA	5	4,731,238	380,543	8.0%	227,488	153,055	554,938	11.7%	48,270	0	0	\$31.01	\$59.18	
	A	64	23,759,104	3,126,864	13.2%	2,626,374	500,490	4,379,625	18.4%	205,786	0	1,341,750	\$25.65	\$49.21	
	B	137	20,442,721	3,406,717	16.7%	2,942,347	464,370	4,266,249	20.9%	-32,819	0	0	\$18.50	\$37.31	
	C	78	5,659,426	902,552	15.9%	809,681	92,871	983,949	17.4%	-14,197	0	0	\$18.53	\$33.04	
	All	284	54,592,489	7,816,676	14.3%	6,605,890	1,210,786	10,184,761	18.7%	207,040	0	1,341,750	\$22.14	\$42.99	
Midtown	Centre West	A	41	6,007,258	910,327	15.2%	522,222	388,105	933,489	15.5%	-66,227	0	60,000	\$19.16	\$34.47
		B	87	8,234,536	1,383,557	16.8%	1,177,147	206,410	1,662,280	20.2%	-225,449	0	0	\$16.02	\$27.26
		All	128	14,241,794	2,293,884	16.1%	1,699,369	594,515	2,595,769	18.2%	-291,676	0	60,000	\$16.88	\$29.24
	Centre East	A	18	2,689,985	282,101	10.5%	220,816	61,285	320,430	11.9%	-97,803	0	0	\$17.11	\$32.07
		B	60	5,791,958	971,301	16.8%	647,535	323,766	998,176	17.2%	-78,861	0	70,000	\$14.33	\$25.32
		All	78	8,481,943	1,253,402	14.8%	868,351	385,051	1,318,606	15.5%	-176,664	0	70,000	\$15.09	\$27.15
	Total	A	59	8,697,243	1,192,428	13.7%	743,038	449,390	1,253,919	14.4%	-164,030	0	60,000	\$18.51	\$33.71
		B	147	14,026,494	2,354,858	16.8%	1,824,682	530,176	2,660,456	19.0%	-304,310	0	70,000	\$15.48	\$26.64
		All	206	22,723,737	3,547,286	15.6%	2,567,720	979,566	3,914,375	17.2%	-468,340	0	130,000	\$16.31	\$28.58
	Suburban	Saint-Laurent	A	50	4,389,944	963,283	21.9%	599,285	363,998	977,030	22.3%	48,598	0	0	\$17.48
B			22	2,044,850	313,258	15.3%	306,512	6,746	362,850	17.7%	-5,271	0	0	\$15.63	\$25.05
All			72	6,434,794	1,276,541	19.8%	905,797	370,744	1,339,880	20.8%	43,327	0	0	\$16.80	\$28.17
West Island		A	21	1,782,818	212,815	11.9%	208,240	4,575	243,301	13.6%	-127,168	0	0	\$14.16	\$29.57
		B	32	2,240,677	250,333	11.2%	250,333	0	250,333	11.2%	3,627	0	0	\$16.31	\$19.89
		All	53	4,023,495	463,148	11.5%	458,573	4,575	493,634	12.3%	-123,541	0	0	\$15.26	\$24.61

Suburban continued on next page

Market Statistics

		# of Class Bldgs	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (SF)	Wgt. Avg. Asking Gross Rent (SF)	
Suburban	East Island	A	6	769,878	178,936	23.2%	176,436	2,500	326,652	42.4%	-5,572	0	0	\$13.31	\$31.31
		B	10	371,315	109,498	29.5%	109,498	0	109,498	29.5%	0	0	0	\$12.62	\$22.59
		All	16	1,141,193	288,434	25.3%	285,934	2,500	436,150	38.2%	-5,572	0	0	\$13.13	\$29.11
	Laval	A	35	3,075,397	552,128	18.0%	494,623	57,505	695,070	22.6%	-28,534	0	0	\$18.03	\$32.48
		B	28	2,016,229	475,743	23.6%	406,743	69,000	492,075	24.4%	-66,231	0	0	\$15.95	\$28.36
		All	63	5,091,626	1,027,871	20.2%	901,366	126,505	1,187,145	23.3%	-94,765	0	0	\$17.20	\$30.83
	South Shore	A	36	3,628,906	415,668	11.5%	403,360	12,308	474,827	13.1%	40,128	0	35,995	\$19.40	\$34.16
		B	47	2,105,494	156,621	7.4%	125,853	30,768	164,797	7.8%	7,079	0	0	\$14.81	\$27.59
		All	83	5,734,400	572,289	10.0%	529,213	43,076	639,624	11.2%	47,207	0	35,995	\$18.36	\$32.67
	Total	A	148	13,646,943	2,322,830	17.0%	1,881,944	440,886	2,716,880	19.9%	-72,548	0	35,995	\$17.08	\$31.67
B		139	8,778,565	1,305,453	14.9%	1,198,939	106,514	1,379,553	15.7%	-60,796	0	0	\$15.53	\$25.19	
All		287	22,425,508	3,628,283	16.2%	3,080,883	547,400	4,096,433	18.3%	-133,344	0	35,995	\$16.52	\$29.34	
Montréal Total	Total	AAA	5	4,731,238	380,543	8.0%	227,488	153,055	554,938	11.7%	48,270	0	0	\$31.01	\$59.18
		A	271	46,103,290	6,642,122	14.4%	5,251,356	1,390,766	8,350,424	18.1%	-30,792	0	1,437,745	\$21.98	\$41.61
		B	423	43,247,780	7,067,028	16.3%	5,965,968	1,101,060	8,306,258	19.2%	-397,925	0	70,000	\$17.07	\$31.97
		C	78	5,659,426	902,552	15.9%	809,681	92,871	983,949	17.4%	-14,197	0	0	\$18.53	\$33.04
		All	777	99,741,734	14,992,245	15.0%	12,254,493	2,737,752	18,195,569	18.2%	-394,644	0	1,507,745	\$19.72	\$37.06

Montreal shifts towards higher-quality office environments



Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Mila	6666 St-Urbain Street	Centre West	Renewal	100,000
Sony Corporation	700 Saint-Hubert Street	Old Montréal	New Deal	61,869
Pharma Paraza	4707-4747 Lévy Street	Saint-Laurent	New Deal	47,168
Undisclosed financial Institution	2000 de l'Éclipse Street	South Shore	New Deal	44,000
Teccart Institution	2000 de l'Éclipse Street	South Shore	New Deal	35,000

Notable Sales Transactions

Building Name / Address	Size (SF)	Sale Price	Purchaser	Purchaser Profile
9200-9300 Trans-Canadienne Highway	575,795	\$121,500,000	Equinix REIT	Public Investor
1245 Sherbrooke Street	217,377	\$49,850,000	Nexarm Investments	Private Investor
255 Boulevard Crémazie East	251,479	\$33,750,000	HS Properties Inc	Private Investor
7400-7460 Boulevard des Galeries- d'Anjou	185,404	\$29,750,000	HS Properties Inc	Private Investor
1245 Avenue Greene	39,974	\$22,000,000	Jesta Group	Private Investor

Notable Developments

Building Name / Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
Victoria on the Parc	A	Old Montréal	Under Construction	330,000	Q4 2023	Broccolini
1300 Sherbrooke	A	Downtown Core	Under Renovation	77,392	Q4 2023	Brasswater
Esplanade Cartier	A	Centre East	Under Construction	75,200	Q4 2023	Prével / TGTA
National Bank Headquarters	AAA	Old Montréal	Under Construction	1,100,000	Q1 2024	Broccolini / Pomerleau
Westbury Tower	A	Centre West	Under Construction	60,000	Q1 2024	Devmont

Colliers Research



We are the industry cornerstone of authoritative statistics, forecasts and market commentary across Canada.

With more than 20 years of comprehensive market data, extensive research capabilities and access to 'live' deal information – there is no other research firm in Canada that can provide such a complete commercial real estate research solution.

With more than 20 dedicated research specialists, supported by 20 market data coordinators – our world-class researchers are continuously sourcing and analyzing data in every major market across Canada – to ensure our clients receive the most accurate and powerful information to make critical decisions for their future.

Core services:

- Predictive market research
- Reporting on key insights and trends
- Access to the latest market data
- Customized research engagements

For more information on the Montréal Office Market, please contact:

Colin Worrell

Senior Managing Director,
Brokerage
+1 514 764 8180
colin.worrell@colliers.com

Adam Jacobs

Senior National Director,
Research, Canada
+1 437 836 0491
adam.jacobs@colliers.com

Leo Lee

Director, National Research
Operations, Canada
+1 416 620 2839
leo.lee@colliers.com

Max Shapinko

Research Operations
Specialist, Canada
+1 416 791 7256
max.shapinko@colliers.com

Report Author(s):

Youssef Srouji

Research Coordinator
+1 514 764 2858
youssef.srouji@colliers.com

Alessandro Migliara

Senior Research Analyst
+1 514 764 2841
alessandro.migliara@colliers.com

Report Contributor(s):

Rahul Bhalla

Market Data Coordinator
+1 416 791 7236
rahul.bhalla@colliers.com

Colliers Canada | Montréal

Colliers International (Québec) Inc.
1800 McGill College Avenue, Suite 400
Montréal, QC, H3A 3J6
+1 514 866 1900



collierscanada.com/research

Information herein has been obtained from sources deemed reliable, however its accuracy cannot be guaranteed. The user is required to conduct their own due diligence and verification. This publication is the copyrighted property of Colliers and /or its licensor(s). Copyright © 2023. All rights reserved. Colliers International (Quebec) Inc.

Accelerating success.