

# Montréal, QC



## Highlights

# \$11.19

average gross rent  
per square foot  
Greater Montréal

# 2.7%

total  
availability rate  
Greater Montréal

# 1.6%

total  
vacancy rate  
Greater Montréal

# 2.78

million square feet  
under construction  
Greater Montréal

Canada's industrial market – already benefiting from strong fundamental economic factors in major urban regions across the country pre-pandemic – proved extraordinarily resilient in 2020, while the COVID-19-impacts exacerbated the industrial market's continuing supply-demand imbalance, a phenomenon particularly apparent in the Greater Montréal Area (GMA).

While it was already very low before the pandemic hit, Montréal's availability rate further tightened over the year, dropping from 3.0% in the fourth quarter of 2019 to 2.7% at the end of 2020, which represents a total available area of 9,475,348 square feet (sf). The total vacancy in the GMA also dropped, reaching 1.6% at the end of the fourth quarter of 2020 from 2.2% a year earlier.

At the end of 2020, submarkets north of the Island of Montréal showed some of the tightest availability rates in the GMA, as Lanaudière's availability rate reached 1.2%, the Laurentian's reached 0.4% and Laval's dropped to 2.2%. Sitting at 4.2% at the fourth quarter of 2019, Laval's availability rate decreased by almost half over the year.

The South Shore of Montréal also recorded a very low availability at the end of 2020 as 560,000 square feet of space were available, which represents 2.0% of the inventory. However, further west, the Vaudreuil-Dorion area still shows one of the highest availability rates in the GMA, reaching 5.5% at the end of the fourth quarter. Availability generally decreased in most of Montréal's submarkets over the course of 2020, except for Midtown South, Montréal East and Ville Saint-Laurent, but the increases recorded over the year are not significant.

As demand is not tapering off and Montréal's historical lack of quality product is pushing many occupiers to choose new, built-to-suit developments, the availability rate could further tighten over the course of 2021. However, the launch of new speculative construction projects could thwart this tightening, but as demand remains strong in the GMA, it is unlikely that these new projects will remain on the market for very long.



Photo: Norma Mortenson, Pexels

## Amazon will open its sixth facility in the Greater Montréal Area.



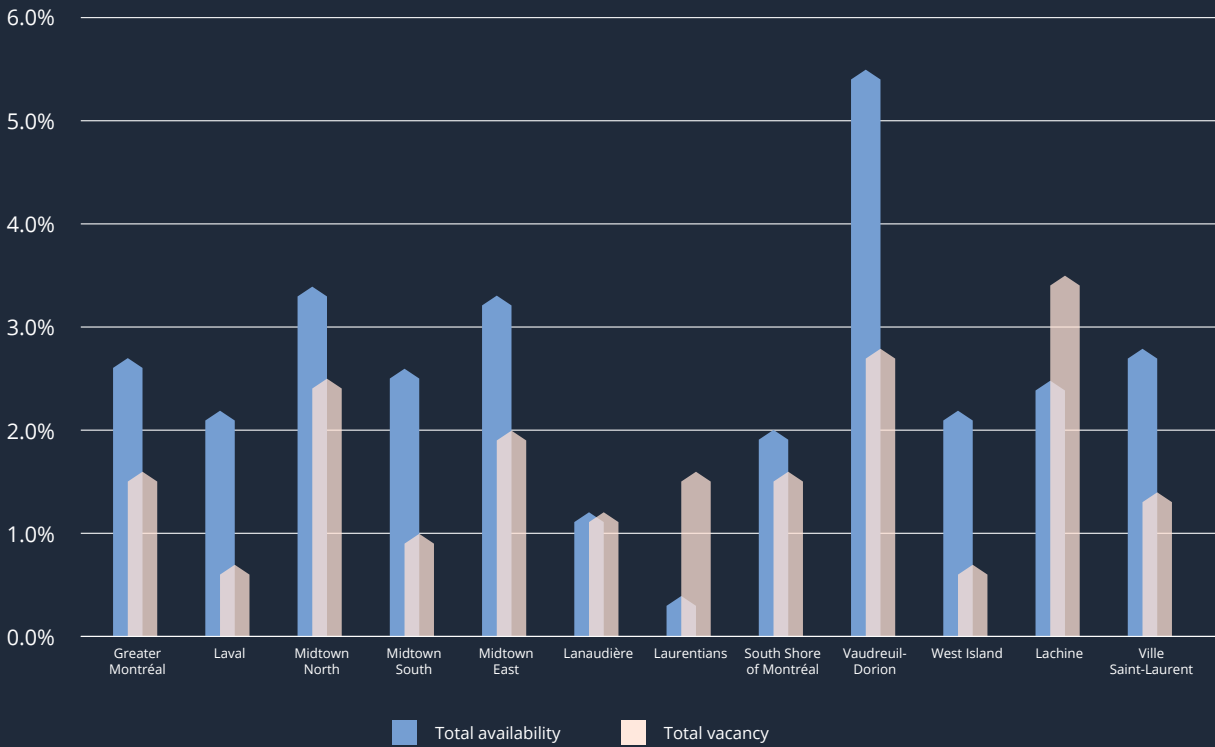
### All eyes on Amazon

Amazon remained quite active in the Greater Montréal Area over the past few quarters. In January 2021, we learned that Amazon would be opening a new sortation centre, its largest in the province, located in Côteau-du-Lac's Alta industrial park, in the Montérégie region. The sortation centre will occupy 520,000 square feet of industrial space and create approximately 500 jobs in the area. In doing so, Amazon will open its sixth facility in the GMA, after an initial investment of \$38 million in November of 2019 for the transformation of a 180,000-sf industrial property located at 3000 Louis-A.-Amos Street in Lachine, which would become its first distribution centre in Québec. This facility opened in July 2020, creating some 300 jobs.

Amazon opened its first sortation centre in Québec in 2020, located at 5799 de l'Aéroport Road in Saint-Hubert.

Totalling just over 200,000 sf of space, the new facility generated 500 new jobs in the South Shore of Montréal. Amazon will also open three new delivery stations in 2021 and 2022. The first two delivery stations will be located at 5555 Ernest-Cormier Street in Laval, totaling 240,000 sf, and at 1100-1200 Norman Street in Lachine, totaling 482,600 sf. The third delivery station is scheduled to open in 2022 at 2700 Francis-Hughes Avenue in Laval. In doing so, Amazon continues to invest significantly in Québec, allowing the company to better meet the growing needs of its local customers, and stimulating the employment and the economy of the province.

## AVAILABILITY & VACANCY, GREATER MONTRÉAL, YEAR-END 2020



## INDUSTRIAL CONSTRUCTION OVERVIEW, GREATER MONTRÉAL, YEAR-END 2020

**2.78**

million square feet currently under construction Greater Montréal

**16.2%**

availability rate for buildings currently under construction Greater Montréal

**7**

industrial buildings currently under construction Greater Montréal

**29**

industrial construction projects currently pre-leasing Greater Montréal

## GENERAL TRENDS, INDUSTRIAL MARKET, GREATER MONTRÉAL, YEAR-END 2020

**Availability Greater Montréal**



9,475,348 sf

**Vacancy Greater Montréal**



5,731,147 sf

**Occupancy costs Greater Montréal**



\$11.19 psf

**Total industrial sales**



\$1,481,198,615

Source: Altus Group Limited

## Construction

At the end of 2020, the industrial inventory under construction in the GMA totaled 2,782,410 sf. Of this area, only 450,000 sf were available for lease at the end of the fourth quarter, which represents a total availability rate of 16.2%. At year-end, four of the seven projects under construction were located on the Island of Montreal, while the other three are situated in the Montérégie region, in Beauharnois (new IKEA distribution centre, 1.2 million square feet (msf)), in Saint-Hubert (new Molson brewery, 837,531 sf) and in Vaudreuil-Dorion (3501 F.-X. Tessier Street, 390,000 sf). It should also be noted that these three projects Montérégie are the largest projects currently under construction in Greater Montreal.

As 29 proposed buildings totaling 4.5 msf of industrial space are currently preleasing in the GMA, we can expect new construction projects to start over the next few months, fueled by the ongoing appetite for high-quality industrial facilities and the scarcity of available product in the GMA. These projects include Rosefellow's Industriel 1.0 and 2.0, which were introduced in 2020.



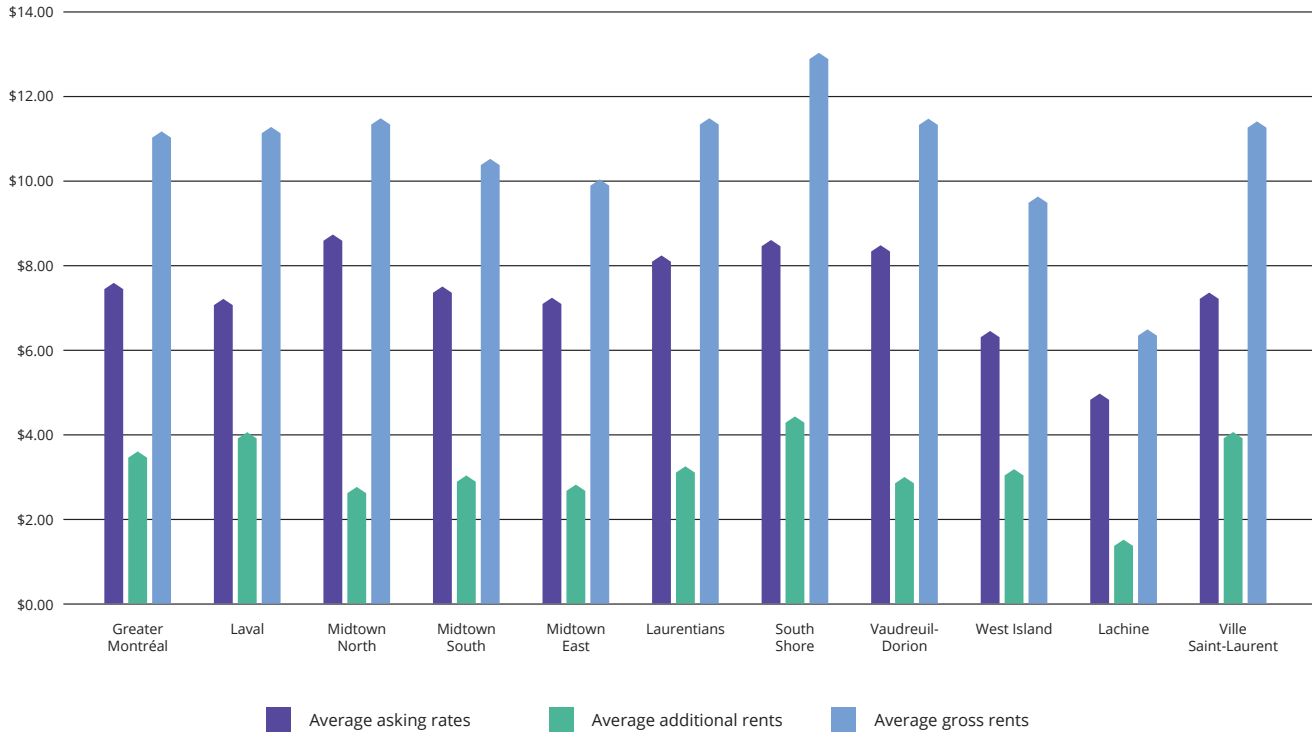
### Big plans for Rosefellow

The buildings currently preleasing in the GMA include Rosefellow's two new development projects, Rosefellow Industriel 1.0 & 2.0, which were introduced over the course of 2020. Located in Montreal-East, the Rosefellow Industriel 1.0 project consists of two industrial buildings of 138,077 sf each for a total of 276,154 sf. Bordered by Place and Avenue Marien as well as by the Metropolitan Boulevard, the Rosefellow Industriel 1.0 project benefits from incredible road access and integrated rail system access connecting the property to railways across Canada, the United States and Mexico. The construction of the the Rosefellow Industriel 1.0 project is set to begin on May 3<sup>rd</sup> and delivery is expected for September 2021.

At the other end of the Island of Montréal, the Rosefellow Industriel 2.0 project is located at 151 Reverchon Avenue in Pointe-Claire. Rosefellow Industriel 2.0 is a major redevelopment offering 150,000 to 325,000 sf of industrial space in a brand-new complex located 20 minutes from Downtown Montréal and adjacent to Montréal-Trudeau International Airport. The project benefits from the proximity of several public transport infrastructures, including bus, commuter train and the future Des Sources station of the Réseau express métropolitain (REM). Rosefellow plans on launching construction of the project earlier than expected in May 2021, while the initial launch was scheduled for 2022. Given the sustained demand, the developers are confident that they will quickly find tenants for this high-end project, especially considering the significant lack of product of comparable quality in the market.

In January of 2021, Rosefellow also acquired a gigantic site and trucking terminal located at 2800 André Avenue in Dorval, totaling 1.2 msf. According to **Mike Jager**, co-founder at Rosefellow, the developer is planning a multi-level industrial project for the site, set to begin in 2024. This multi-level facility would be the first of its kind in Québec. "Montreal is a market we, at Rosefellow, are extremely passionate about", explains Mike. "The industrial sector has never been better and there has never been a better time to build *on spec*."

OCCUPANCY COSTS, GREATER MONTRÉAL, YEAR-END 2020



Occupancy Costs

Occupancy costs have been rising steadily in the GMA in recent years, reaching the highest values ever seen in 2020. Average asking rents increased from \$6.95 per square foot (psf) in the fourth quarter of 2019 to \$7.58 psf at the end of 2020. During the same period, additional rents slightly decreased from \$3.70 psf to \$3.60 psf, bringing gross rental rates to an average of \$11.19 psf at the end of 2020, which represents the highest average on record.

The South Shore of Montréal recorded the highest gross rental rates of the GMA, totaling \$13.04 psf, as the average asking rent reached \$8.61 psf and the average additional rent reached \$4.43 psf. The most affordable industrial area in the GMA is the Lachine submarket, averaging \$6.50 psf at the end of the fourth quarter of 2020. These lower values are namely attributable to Lachine's older industrial inventory.

Asking rents are expected to continue to rise, and could be increasing significantly in the GMA over the coming quarters, as the market leans more and more in favor of landlords and demand continues to rise. Montréal would then follow a similar path as other major Canadian cities such as Toronto and Vancouver, where rents have increased drastically in recent years as availability steadily declined.

**Occupancy costs have been rising steadily in the GMA in recent years, reaching the highest values ever seen in 2020.**

Source: Altus Group Limited  
Data not available for the Lanaudière submarket

## Investments

In terms of investments, the industrial sector has shown great resilience to the pandemic, propelled by growing needs in terms of warehousing, distribution and logistics, as well as by the sustained demand, the scarcity of quality products and the strong increase in rental rates.

In total, 309 industrial transactions of more than \$1 million were concluded in 2020, representing a total industrial investment volume of \$1,481,198,615. The total industrial sales for 2020 represent 20.22% of the total commercial real estate investment volume for the year, placing industrial sales in third place behind multi-residential buildings and retail properties. Industrial investment activity in 2020 still surpassed that of 2019, as volumes for the previous year totaled \$1,427,082,636 and 250 deals over \$1 million were closed.

Over the year, the pandemic exacerbated trends that were already very present in the industrial market. Growing investor demand remains partially fueled by the continued increase in average rental rates in most markets in Canada, which is in turn propelled by the historically tight industrial availability and the high demand. This indirectly puts downward pressure on capitalization rates, as investors expect average rents to increase faster than the inflation in the months and the years to come.

As such, the overall capitalization rates (OCR) for multi-tenant industrial buildings in the GMA reached 4.8% at the end of 2020, which represents a significant drop compared to the OCR of 5.3% recorded a year earlier, while the average unitary prices increased from \$126.45 psf to \$152.33 psf during the year.

Overall capitalization rates for single-tenant industrial properties slightly decreased from 4.1% to 4.0% year over year, while the average price per square foot increased more significantly from \$261.11 to \$293.53 at the end of the fourth quarter of 2020.

Despite restricted supply and pandemic conditions, Montréal's industrial sector thrived in 2020 and is anticipated to continue to do so in 2021 as pandemic response measures and the ongoing retail reformation further reinforce strong industrial fundamentals across the country. High occupancy levels and increasing occupancy costs will surely keep investor attention squarely focused on industrial assets in 2021 and beyond.

# \$1.48 B

total industrial investment volume  
Greater Montréal, 2020

# 20.22%

percentage of industrial sales from  
total commercial investment volume  
Greater Montréal, 2020

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