



Greater Montréal office market report

2nd quarter 2022

**AVISON
YOUNG**

Greater Montréal area market fundamentals

17.2%

total availability rate
up from 16.8% in Q1 2022

16.0%

sublet as a percentage of all available space
down from 16.5% since Q1 2022

\$31.20

average gross asking rent per square foot
includes \$12.73 psf average additional rent

18.5M

square feet available
up from 18.1 million square feet in Q1 2022

-0.40M

square feet absorption
year to date

2.75M

square feet under construction
12 projects

Economic turmoil dampens return to the office

More office tenants inclined to put projects on hold

In recent weeks, concerns about rising interest rates have dominated discussions between landlords and tenants. The rising costs of completing and financing tenant improvements or relocation projects, coupled with the specter of an economic slowdown or even another recession, are causing many players to revise their plans or take a step back.

Back to the office... on Tuesday

New and more flexible habits are emerging depending on the sector of activity and the needs of the companies. The Avison Young Vitality Index has shown a steady increase in workplace traffic since the end of mandatory teleworking on March 1. The data also shows that the busiest days are Tuesdays, Wednesdays and Thursdays. In fact, the number of visitors to workplaces on these three days accounts for 70% of weekly visitor volume, compared to 16% on Mondays and 14% on Fridays.

A new perspective on office space use

While the current economic uncertainty and the worrisome rise in Covid infections since June are prompting tenants to adjust the pace of their short-term return-to-work plans, they will not derail them from the goal to bring back employees and nurture company culture and innovation. The temporary halt to firming RTO momentum is expected to loosen as concerns regarding the 7th wave of infections dissipate.



Office market trends

Modest increase in availability

- Availability rates have continued to increase since the beginning of the year, but at a much slower pace. In addition, **availability rates have been stable or even declining for Class B buildings in the suburbs** for the past year.
- Despite these few encouraging signs, at 17.2% in Q2 2022, the availability rate far exceeds the all-time high of 15% reached at the end of 2016.

More sublets transferred to landlords

- High-quality sublease space ready as-is for occupancy has been gradually taken up in the last two years.
- Yet, **several large blocks that are still on the market, both in the downtown and suburban areas, are having a hard time finding takers.** Sublet as a percentage of total available space has climbed from 5% pre-Covid to a 16% peak early this year and has since plateaued at that level.

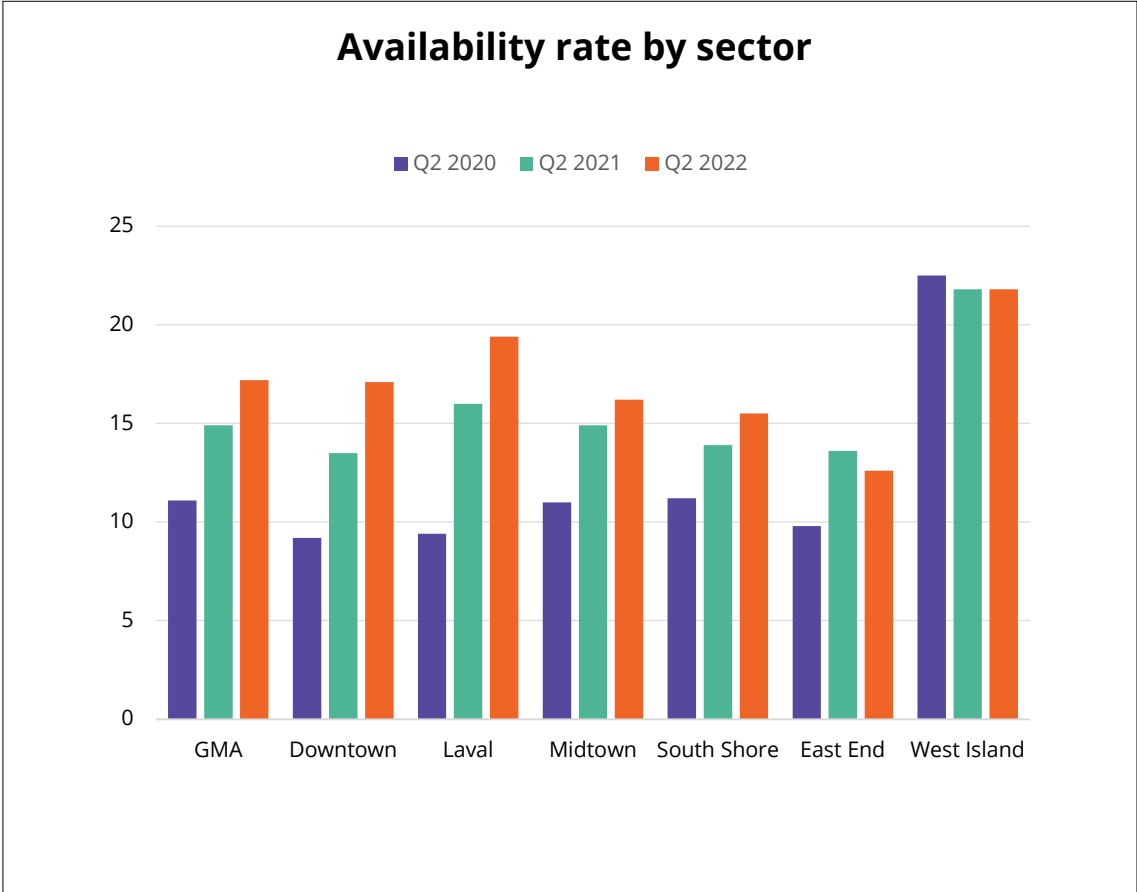
Absorption is improving

- Deal velocity has been improving since January, as **tenants who had been delaying decisions will start executing their return-to-office strategies in the fall.**
- This positive momentum was however too weak to absorb even the modest new supply delivered over the last two quarters. Absorption year-to-date is negative 400,000 sf, which is a significant improvement from over negative 1 million sf in the first half of 2021.

Greater Montréal area office market indicators

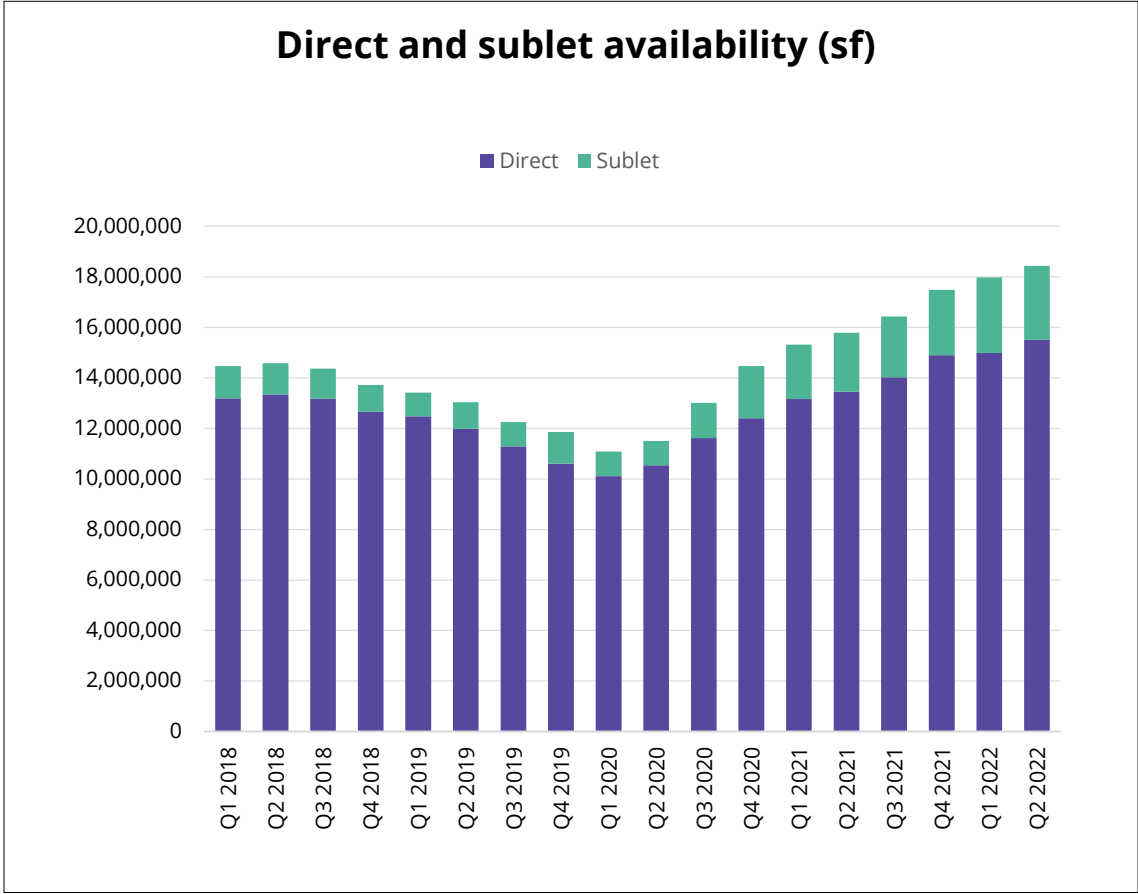


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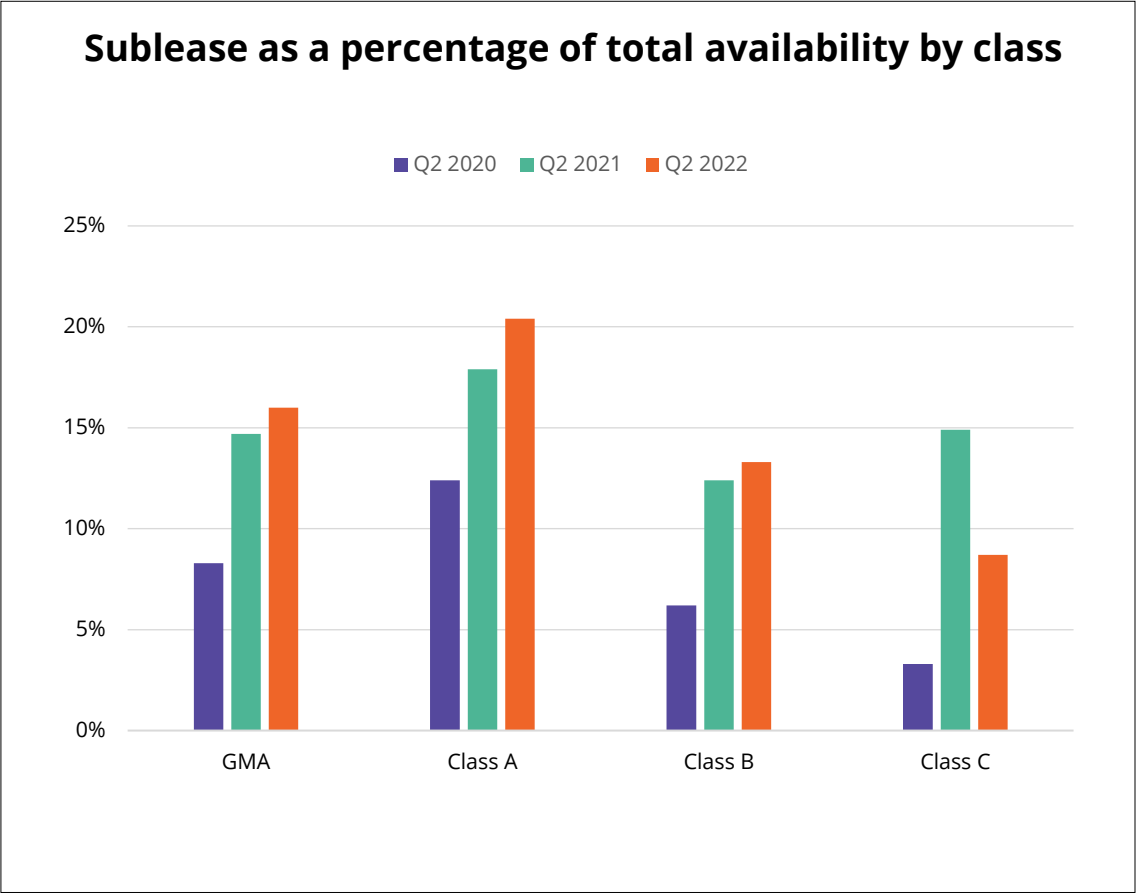


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Greater Montréal area office market indicators

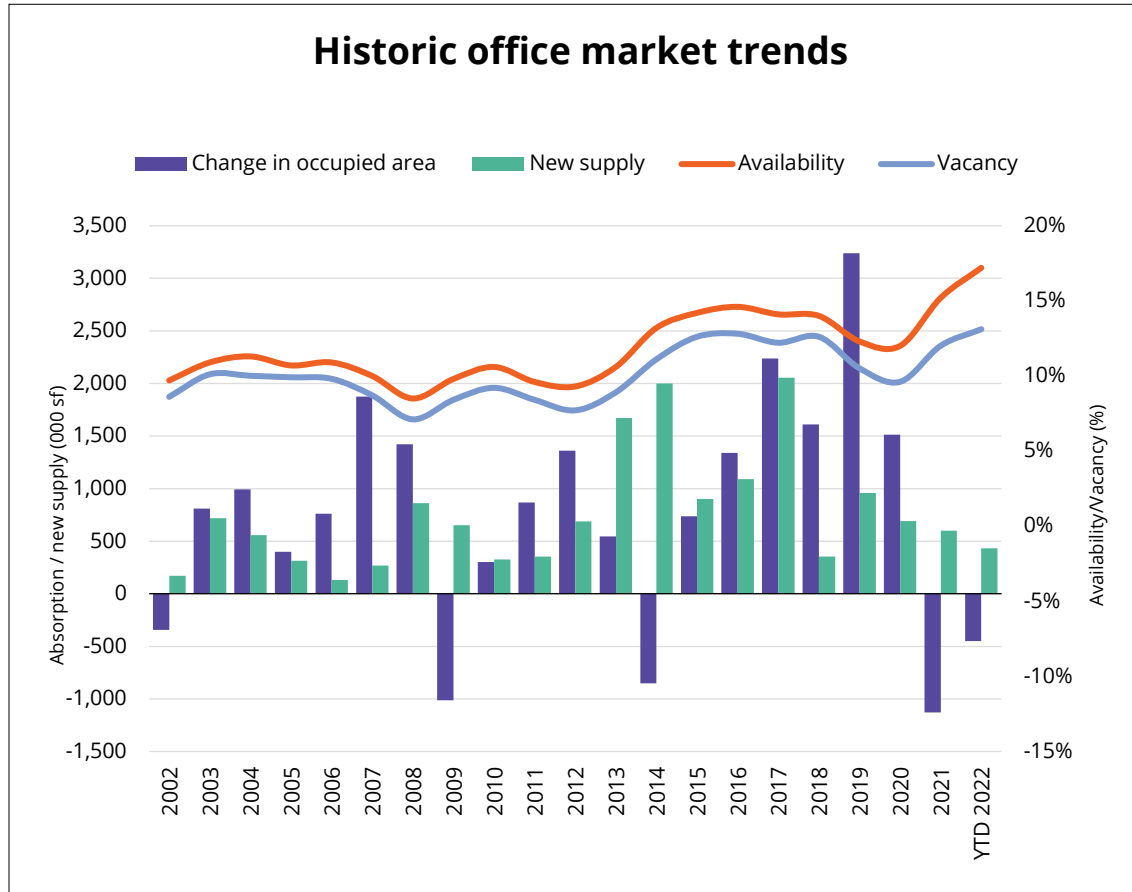


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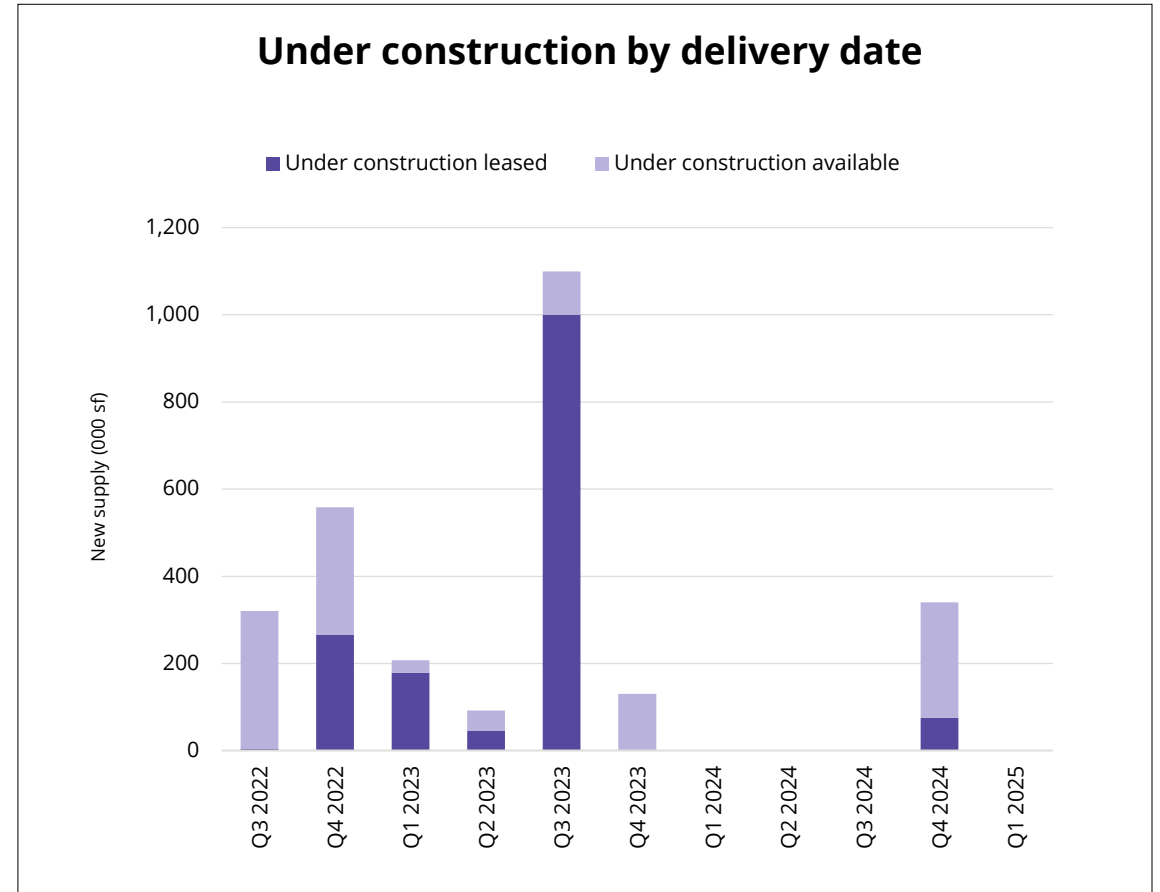


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Greater Montréal area office market indicators

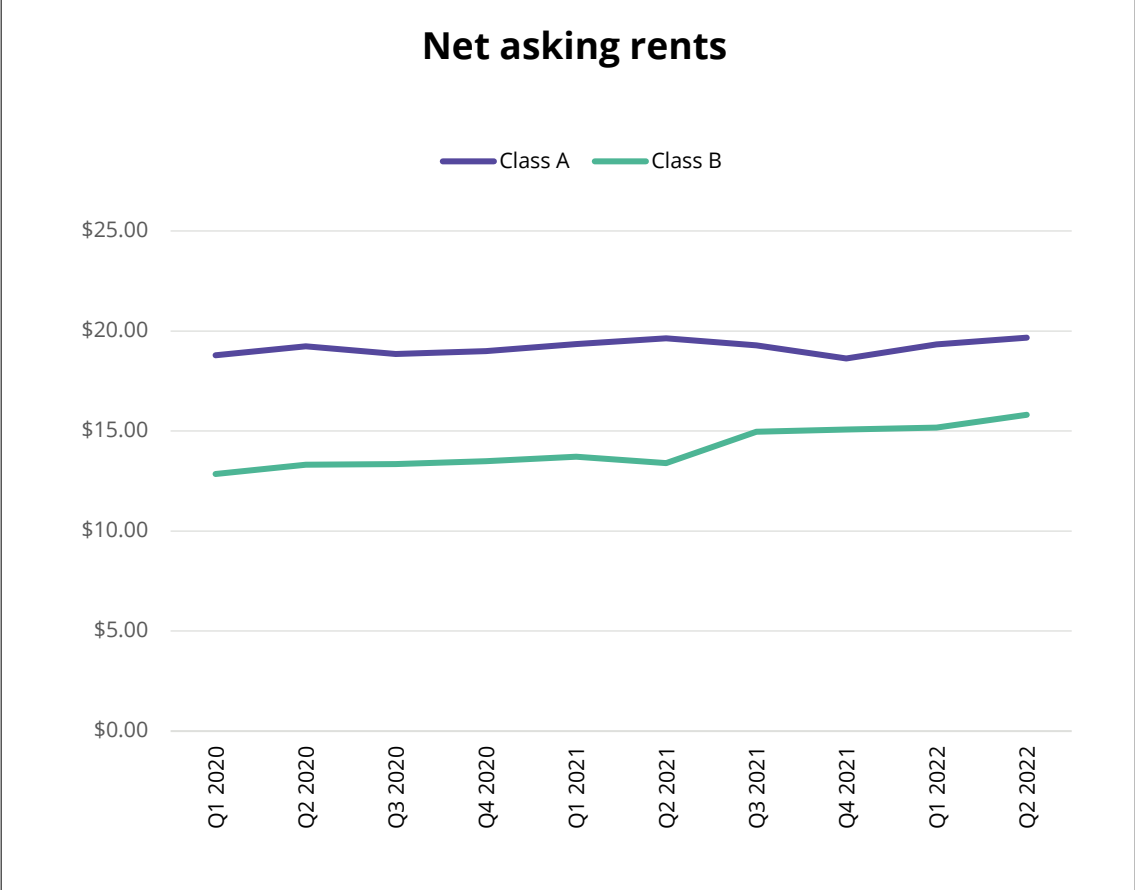


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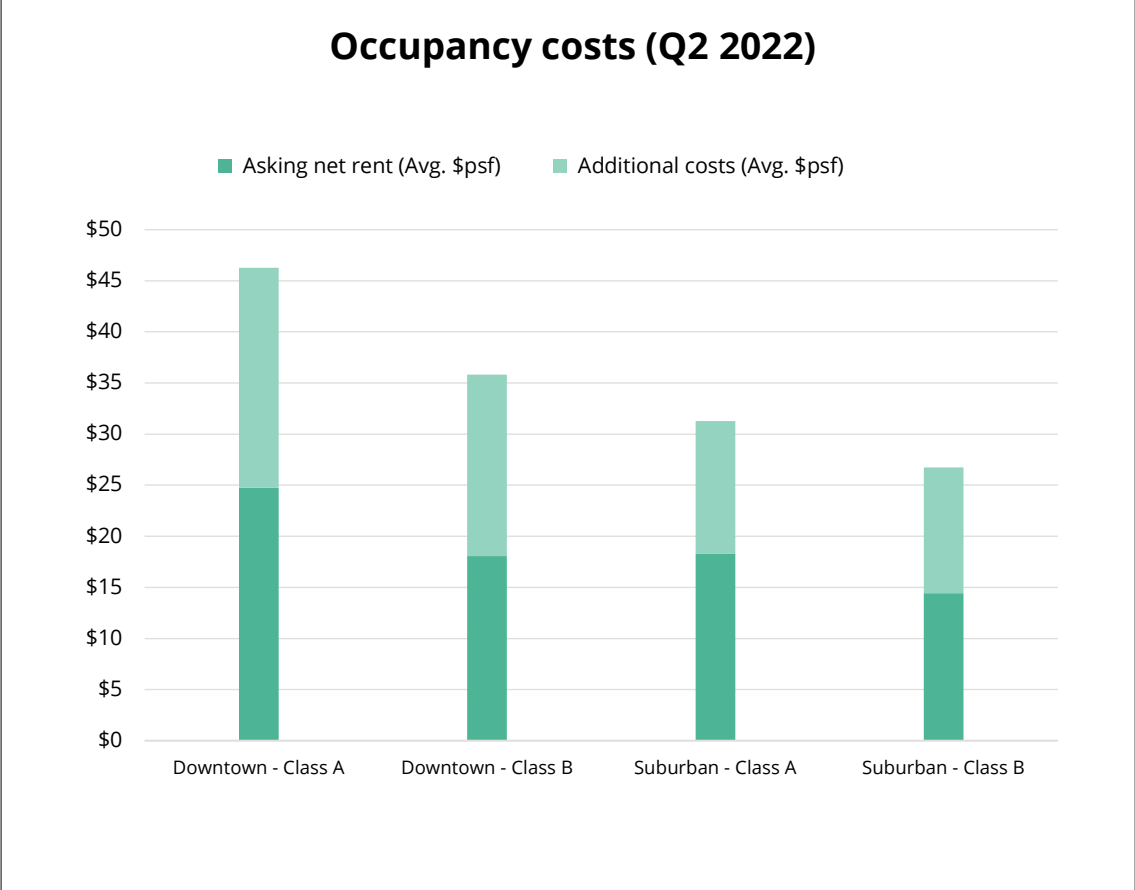


Source: Altus Data Studio

Greater Montréal area office market indicators



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Greater Montréal area office market activity

Significant recent leasing activity

Tenant name	Address	District	Size (sf)	Lease type
Collège Montmorency	Espace Montmorency	Laval	51,300	Direct/New
Saputo	1000 De La Gauchetière	Downtown	43,019	Direct/New
Aon	1000 De La Gauchetière	Downtown	42,885	Direct/New
Maples Fund Services	2000 McGill College Ave	Downtown	37,301	Extension + Expansion
Addenda Capital Inc.	800 René-Lévesque Boulevard West	Downtown	21,812	Direct/New

Largest contiguous sublet space on the market

Address	Owner/Manager	Listing date	Days on the market	Block size (sf)	Floors
2341 Alfred-Nobel	Morguard	May 2019	1,148	162,300	4-6
455 Place Félix-Martin	GWL	September 2021	283	149,493	4-11
935 De La Gauchetière West	Cominar	November 2021	238	141,864	2, 9, 11, 13-15
200 Bouchard Boulevard	H&R REIT	June 2018	1,486	116,407	2-3
1360 René-Lévesque Boulevard West	GWL	January 2022	168	115,830	8-10, 13-14

Major office transactions

Buyer	Address	Sale date	Sale price	Sale price psf	Seller
Groupe Mach	2001 McGill College Avenue	March 2022	\$203 M	\$398	Cominar
Kevric Real Estate & Blackstone	491 Viger Avenue West	March 2022	\$147 M	\$639	PSP Investments
Kevric Real Estate & Blackstone	1100 Atwater Avenue	March 2022	\$84 M	\$477	PSP Investments
NetEase Games (Montréal) Inc.	6795 Marconi Street	March 2022	\$51 M	\$486	Canderel
14065662 Canada Inc.	750 St-Laurent Boulevard	June 2022	\$40.5 M	\$349	Square Victoria Real Estate Inc.

Greater Montréal area office market stats

	Existing inventory (sf)	YTD Deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2022 Net absorption (sf)	YTD 2022 Net absorption (sf)
Downtown	53,698,480	0	1,624,580	14.4%	2.9%	17.3%	(358,660)	(550,840)
Midtown	29,647,260	110,570	786,700	13.4%	2.3%	15.7%	(80,290)	(70,820)
East End	2,692,150	0	0	11.9%	0.3%	12.2%	(47,720)	6,910
West Island	11,221,750	0	0	16.4%	5.2%	21.6%	137,980	180,210
Laval	4,337,230	0	335,000	17.3%	1.7%	18.9%	32,520	(13,360)
South Shore	6,269,220	322,120	0	14.2%	0.9%	15.1%	72,000	103,390
Overall	107,866,090	432,690	2,746,280	14.4%	2.7%	17.2%	(148,730)	(407,980)

GMA	Existing inventory (sf)	YTD Deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q2 2022 Net absorption (sf)	YTD 2022 Net absorption (sf)
Class A	44,218,300	287,180	2,055,000	13.8%	3.6%	17.3%	(262,740)	(553,450)
Class B	47,807,630	145,510	691,280	15.4%	2.5%	17.9%	313,180	172,550
Class C	15,840,150	0	0	13.2%	1.2%	14.4%	(17,170)	(27,080)
Market total	107,866,090	432,690	2,746,280	14.4%	2.7%	17.2%	(148,730)	(407,980)

*All numbers rounded to 10 sf

For more market insights
and information visit
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