

A modern office interior with glass walls and wooden accents. The view is from an upper level looking down into a meeting room. The room has a white table, several chairs, and people are seated around the table. The office is bright and open-plan.

Greater Montréal office market report

Q4 2023

**AVISON
YOUNG**

Greater Montréal area (GMA) market fundamentals

19.4%

total availability rate
stable from 19.4% in Q3 2023

15.7%

sublet as a percentage of all available space
up from 14% in Q3 2023

\$39.48

average gross asking rent per square foot (psf)
includes \$18.14 psf average additional rent

21.8M

square feet (sf) available
no change since Q3 2023

-695K

sf absorption
year-over-year

174K

sf under construction
3 projects

An office market undergoing transformation

The window for quality is narrowing

In a market where supply significantly exceeds demand, office tenants can seize opportunities to migrate to higher-quality or newer buildings. This flight to quality has been observed in all city centres across Canadian metropolitan areas since 2020. Nearly four years later, options in the most prestigious buildings are becoming scarcer, evidenced by low availability rates in trophy office buildings.

As recently delivered office projects are gradually absorbed and the likelihood of a new high-end project breaking ground in the near future is very low, the flight for quality will shift to a different path.

After the migration of tenants from class A buildings to trophy towers, tenants in class B buildings are next in line to be courted to fill the availabilities in class A buildings at very competitive costs.

Landlord profile dictates priorities

Outside of prestigious towers, tenants hold the upper hand in negotiating occupancy costs. Landlords are generally willing to make concessions, but these will vary depending on the landlord's profile.

For private landlords, vacant spaces pose a liquidity challenge that needs to be addressed promptly. Operating expenses and, particularly, property taxes weigh heavily on the balance sheet. From this perspective, a lower net rent may seem preferable to having vacant premises.

On the other hand, for institutional landlords, preserving the long-term value of assets is paramount, pushing them to maintain a nominal rent accordingly. Negotiations will be more focused on the lease duration, incentives, and leasehold improvements, all of which contribute to asset valuation.

Both approaches are advantageous to tenants, depending on their industry, and their occupancy strategy. It is up to each tenant to find the optimal balance between the importance of securing space for the long term and the need for flexibility.

Have you planned for enough space?

In 2024, the hybrid work model is now ingrained in our lifestyle, and full-time remote work is on its way to becoming an exception. We now have a better understanding of the loss of productivity and feelings of isolation associated with full-time teleworking than we did in 2020.

More and more companies now recognize that, even if Mondays and Fridays are not bustling at the office, there is still a need for sufficient space to accommodate all staff on the other days of the week and to plan for the onboarding of new employees. Without this, companies will be unable to bring together entire workforces under one roof.



Greater Montréal area office market trends

01

Decreasing availability for trophy towers

The overall market availability rate has been steadily rising since March 2020, increasing from 10.3% to 19.4% to date. However, availability in trophy assets has started a downward trend in the fourth quarter of 2023, reaching 9.5%, which is very close to the 8.2% rate observed in the first quarter of 2020.

our take on this trend...

With the National Bank's acquisition of 700 Saint-Jacques Street, over 300,000 sf of space listed as available last quarter was pulled from the leasing inventory. By securing this space for potential future needs, the new owner confirmed the allure of downtown high-end spaces. Since downtown towers are all relatively well-located and accessible by public transport, competition is centered around quality and luxury, rather than location.

02

Within the eight-minute walk radius

Leasing activity this year has been stronger on the South Shore and in the West Island, especially around the REM (Réseau Express Métropolitain) stations. However, the intense construction activity between 2018 and 2023 around suburban transit-oriented developments is now over, and current construction costs no longer justify the launch of new projects.

our take on this trend...

In the suburbs, the flight to quality has heavily favored new constructions, close to a subway or the REM. Though net rents are approaching those of downtown, taxes and operating costs remain lower. As soon as the proximity (usually within the eight-minute walk radius) to a subway or REM station tops the list of criteria, the number of office options in the suburbs dramatically decreases. Parking availability is also another crucial item on the list, as commuting by car remains predominant.

03

Subleases continue to rise

Sublet as a percentage of all available space reached 15.7% this quarter, compared to 14.0% in Q3 2023 and 15.1% in Q4 2022. Nearly half of the total subleasing space at the end of 2023 was added to the market in 2023, while 23% of that total space has been accounted for since 2022, and 12% since 2021.

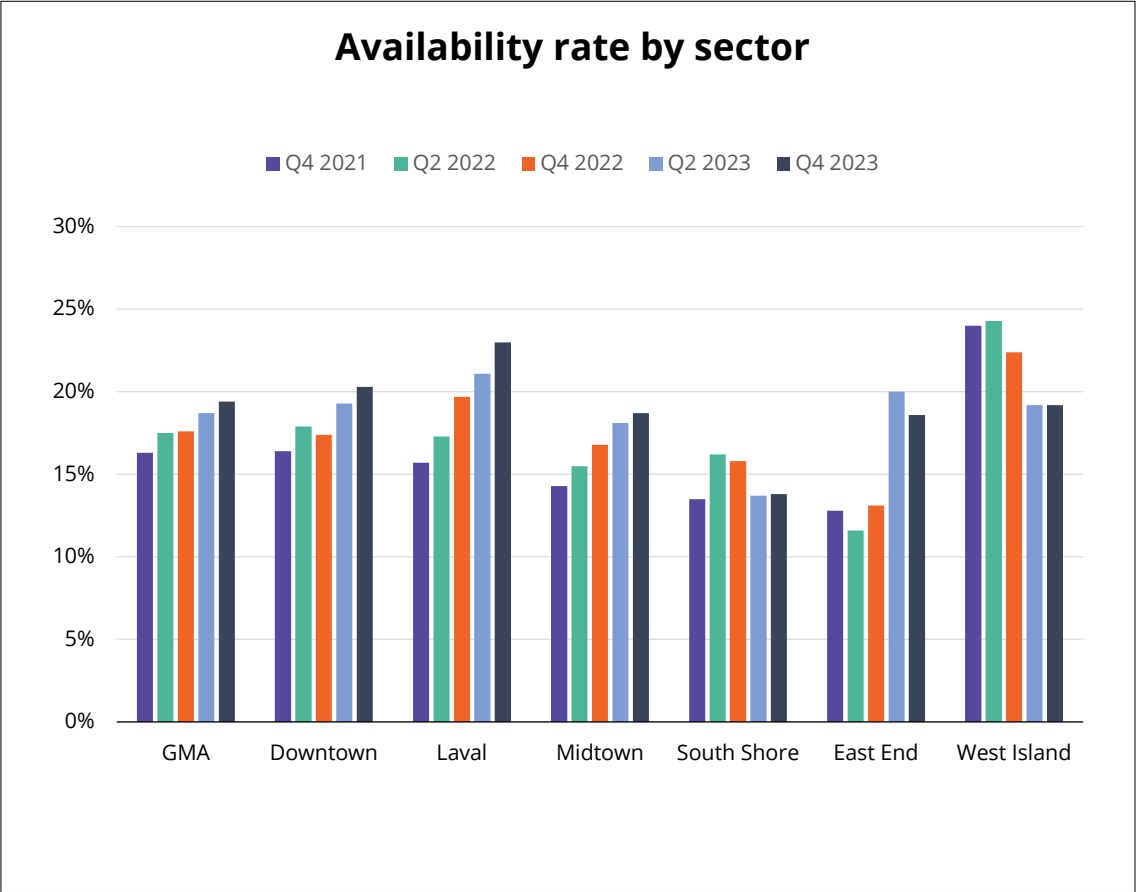
our take on this trend...

Over the past quarters, high-quality subleases have found tenants, while others have gradually been taken off the market at the end of their terms. However, new subleases have been added at a sustained pace in 2023, suggesting that space rationalizations are not yet complete. A significant decrease in sublease space would likely require more large occupiers to shift from a rationalization mode to a growth mode.

Greater Montréal area office market indicators

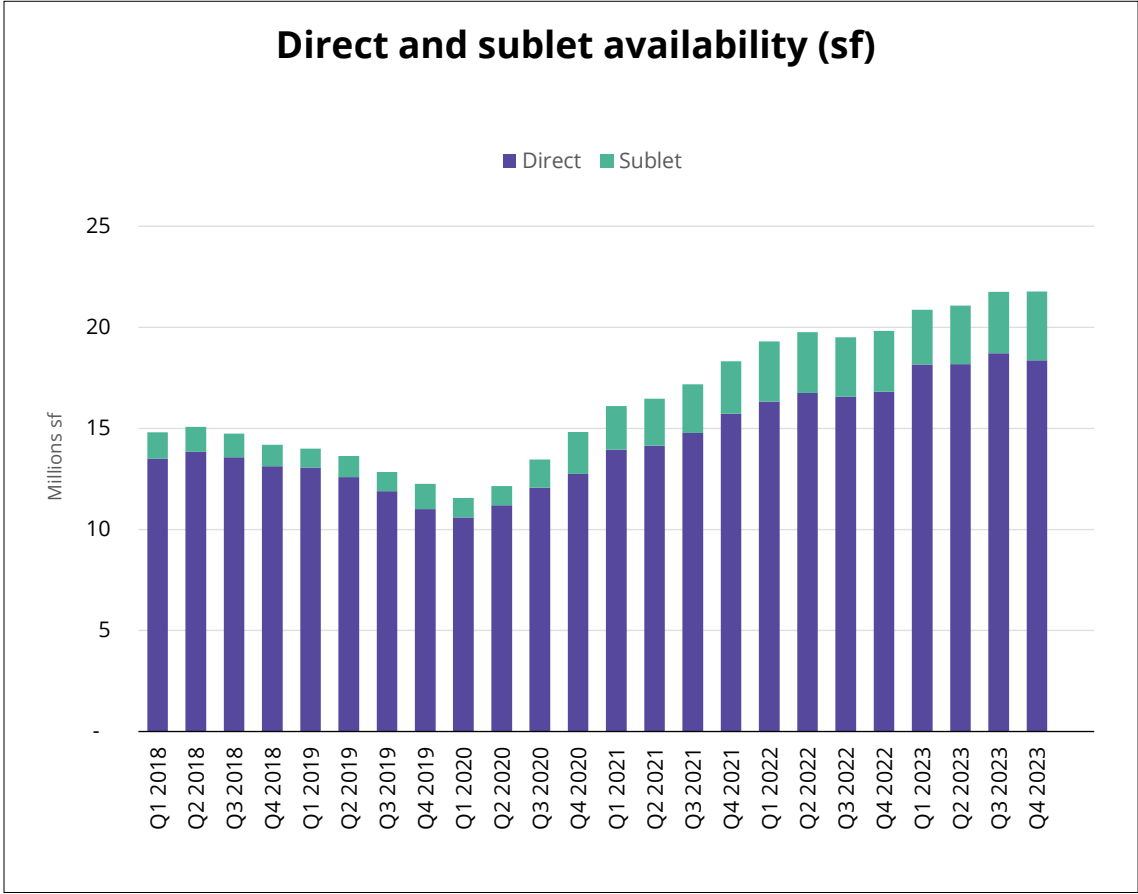


Source: Altus Data Studio, AVANT by Avison Young

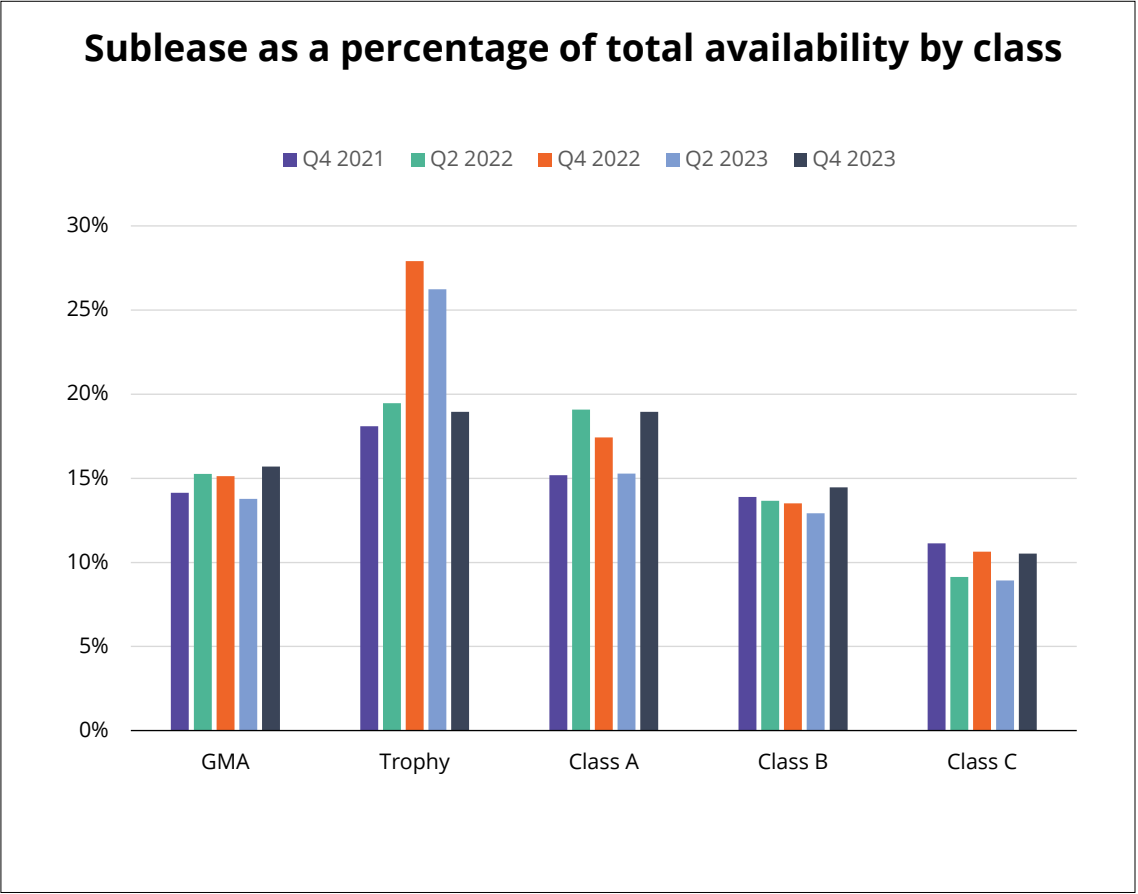


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Greater Montréal area office market indicators

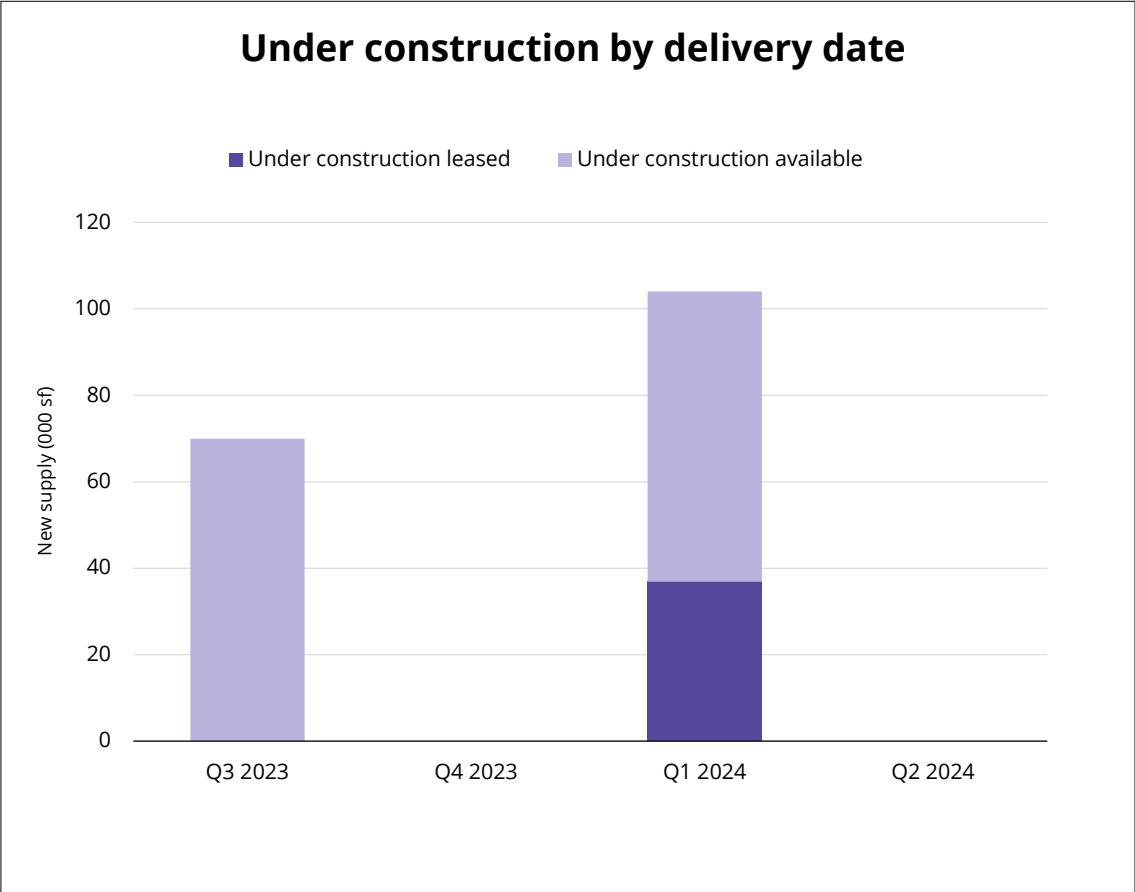
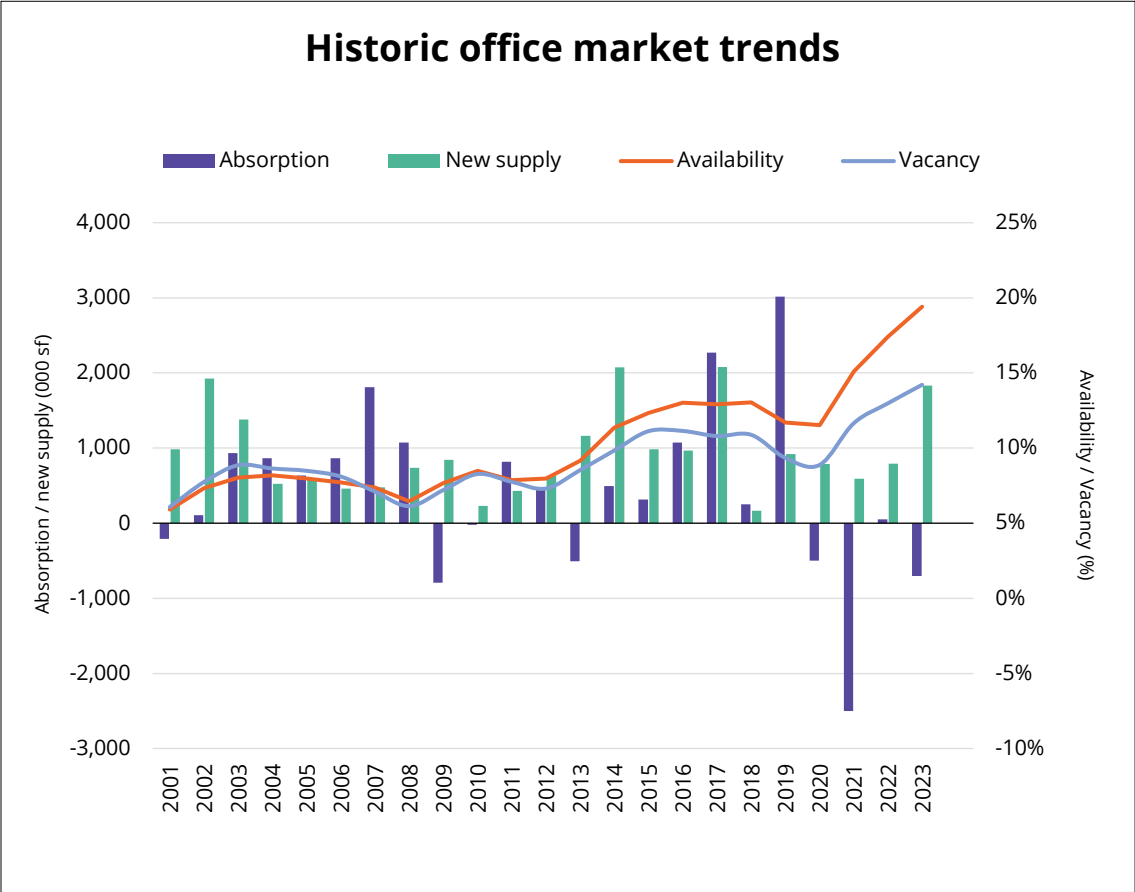


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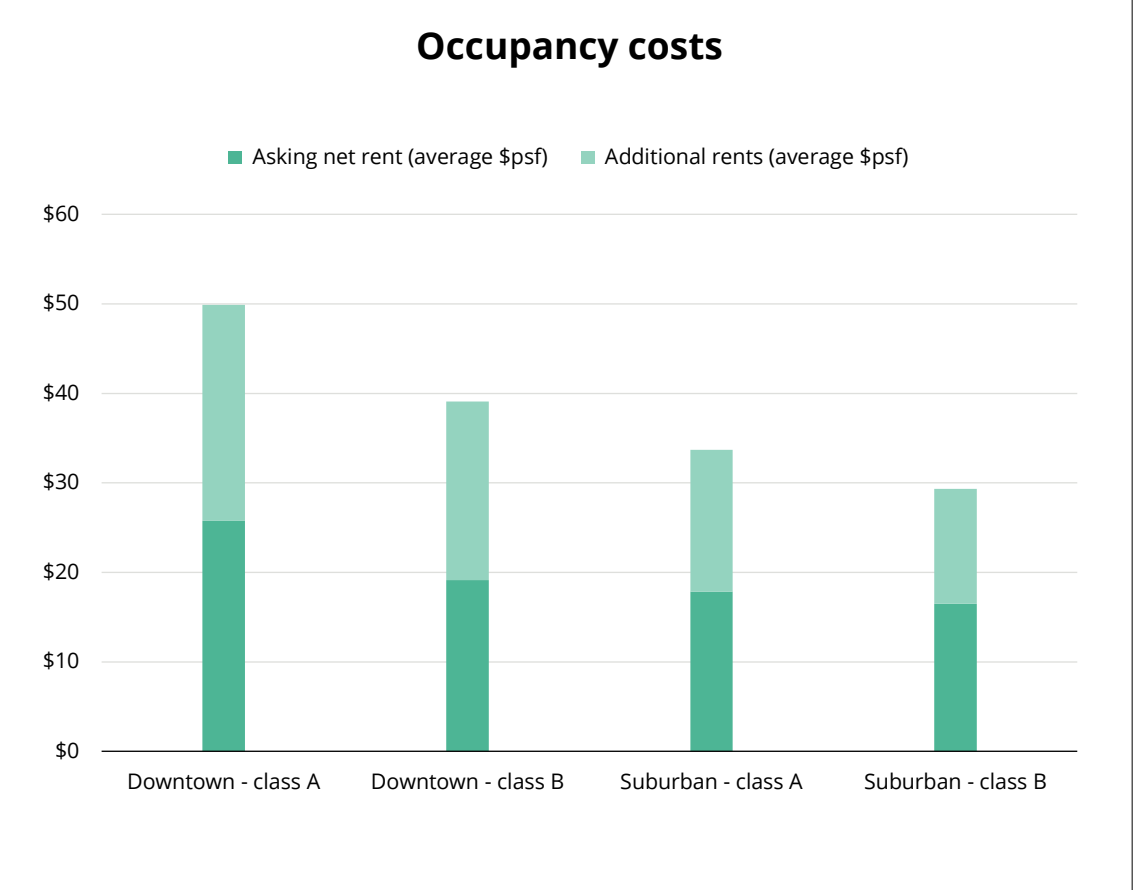
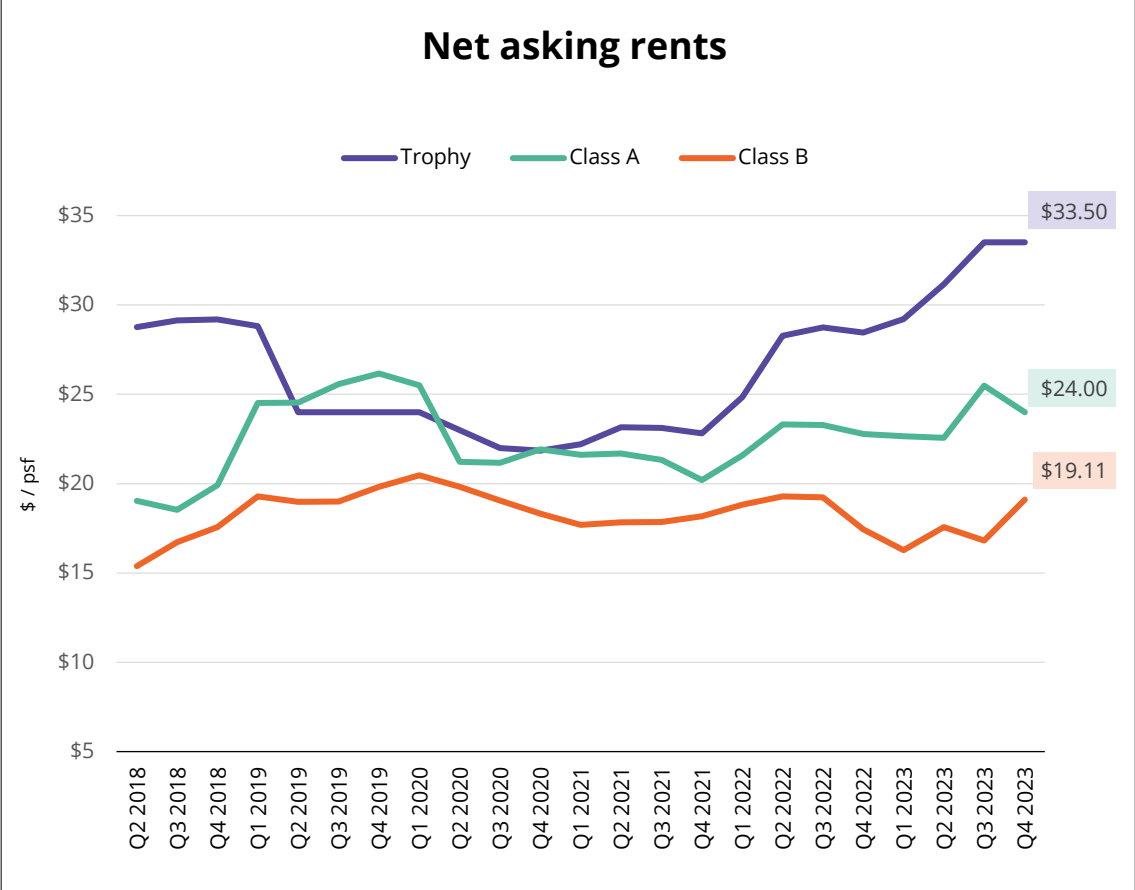
Greater Montréal area office market indicators



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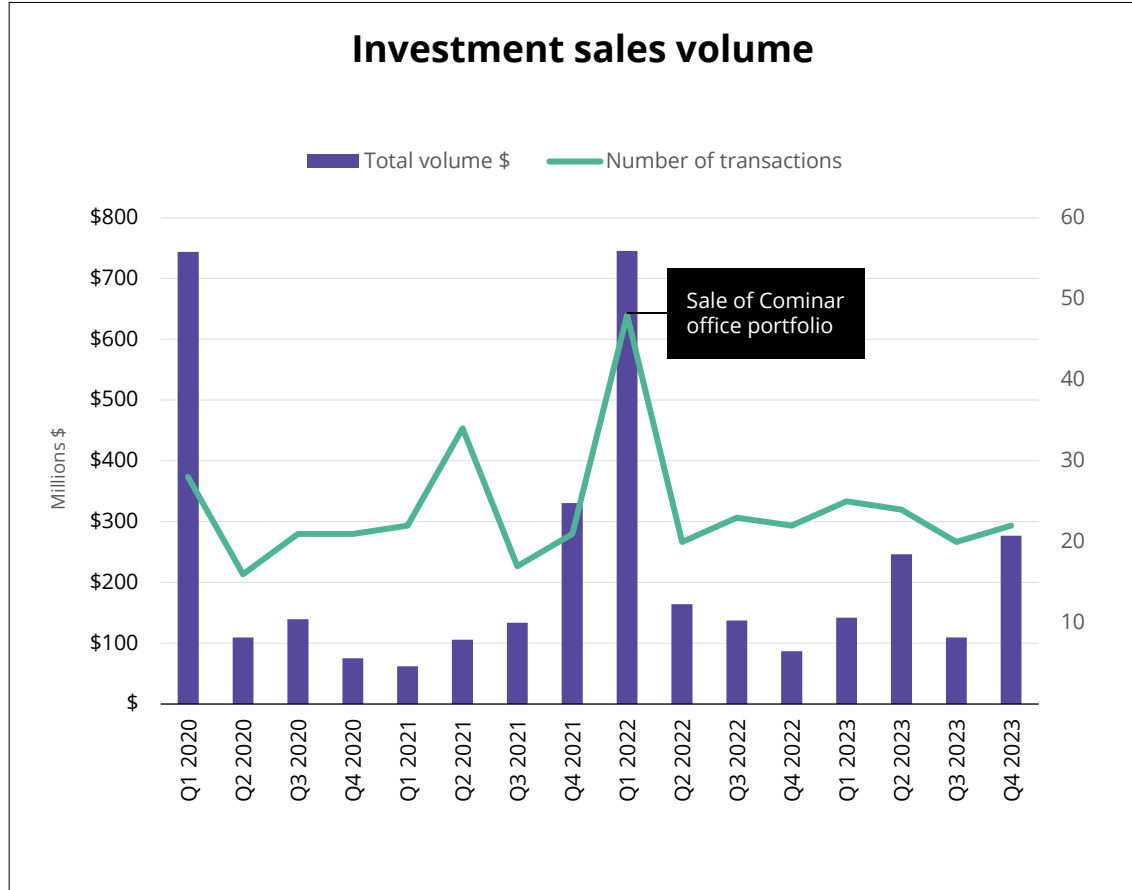
Greater Montréal area office market indicators



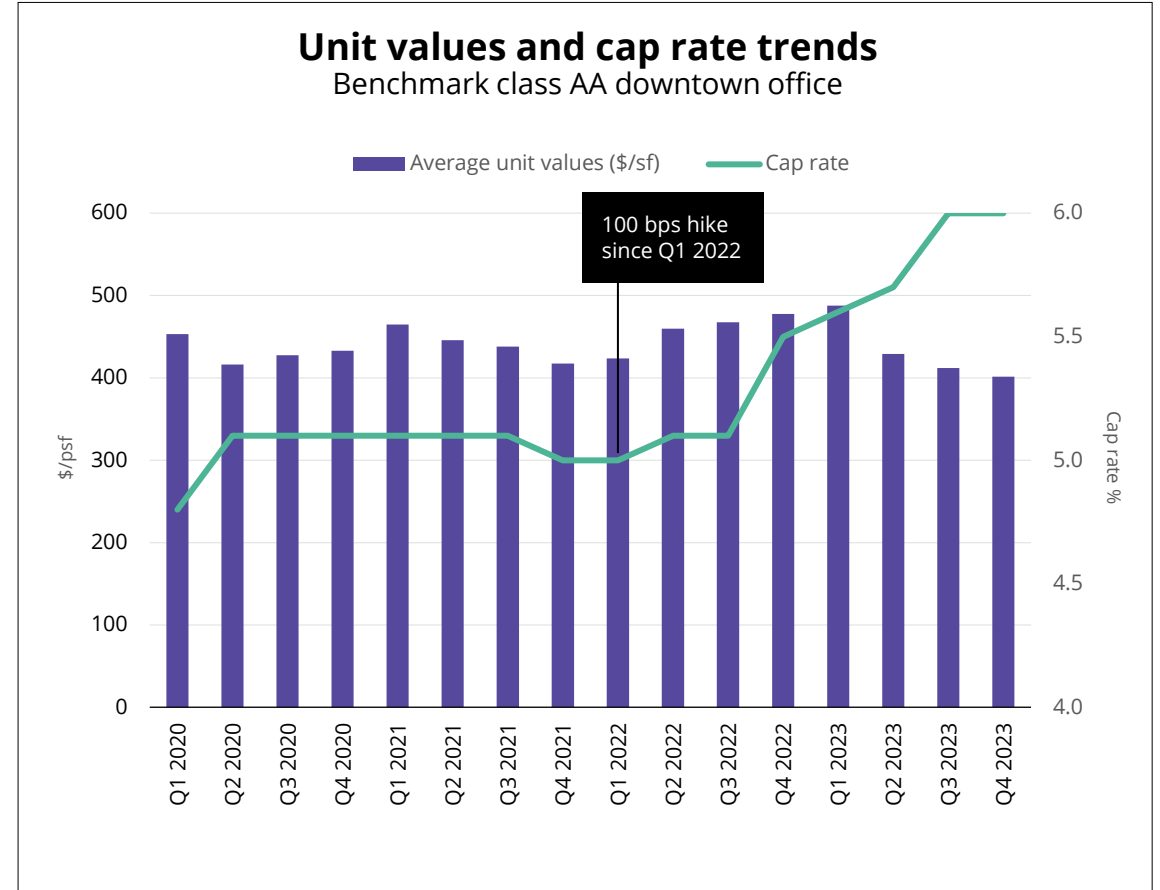
Source: AVANT by Avison Young

Source: Altus Data Studio, AVANT by Avison Young

Greater Montréal area office market indicators



Source: Altus Data Studio



Source: Altus Investment Trends Survey

Greater Montréal area office market activity

Notable recent leasing activity

Address	Tenant	Size (sf)	Lease type	Transaction type	Broker
8550 Newman Boulevard, Montréal	CIUSSS de l'Ouest-de-l'Île-de-Montréal	46,027	Direct	Renewal	Avison Young
1415 Jarry Street East, Montréal	CIUSSS du Nord-de-l'Île-de-Montréal	44,793	Direct	Renewal	Avison Young
1111 Dr.-Frederick-Phillips Boulevard, Montréal	Makivik Corporation	23,717	Direct	Renewal	Avison Young
4905 Lapinière Boulevard, Brossard	Confidential	22,666	Direct	Renewal	Avison Young
2001 McGill College Avenue, Montréal	Fondation Lucie et André Chagnon	18,538	Direct	Renewal	Avison Young

New sublet space on the market

Address	Major sub-lessor	Listing date	Block size (sf)	Floor number
1001 Robert-Bourassa Boulevard, Montréal	National Bank	October 2023	167,250	6-23
1000 Saint-Antoine Street West, Montréal	Confidential	October 2023	69,000	2-7
5250 Décarie Boulevard, Montréal	Gexel	November 2023	47,800	1-6
7250 Mile End Street, Montréal	WSP	November 2023	41,400	3
9001 de l'Acadie Boulevard, Montréal	Confidential	December 2023	33,630	2-3

Major office sale transactions

Address	Buyer	Sale date	Sale price	Sale price \$/psf	Seller
700 Saint-Jacques Street, Ville-Marie	National Bank	November 2023	\$149M	\$452	Broccolini
400 Armand-Frappier Boulevard, Laval	HarveyCorp	November 2023	\$36.3M	\$182	Cominar REIT
4855 Marc-Blain Street, Saint-Laurent	Brasswater	October 2023	\$23M	\$315	Canderel
8 Du Commerce Place, Verdun	Groupe Mach	December 2023	\$20M	\$334	Allied Properties REIT
265 Saint-Martin Street, Le Sud-Ouest	llocal Inc.	November 2023	\$14.25M	\$243	Fiducie de Crédit Mellon Trust

Source: Altus Data Studio

Greater Montréal area office market stats

Submarket	Existing inventory (sf)	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2023 net absorption (sf)	Year-over-year net absorption (sf)
Downtown	54,562,400	1,588,750	44,000	17.5%	2.9%	20.3%	1,146,760	82,680
Midtown	31,228,960	240,770	130,000	15.0%	3.7%	18.7%	(295,220)	(798,100)
East End	3,175,550	0	0	18.5%	0.1%	18.6%	47,560	(10,570)
West Island	11,598,500	0	0	15.0%	4.2%	19.2%	(32,820)	127,840
Laval	4,946,780	0	0	20.7%	2.3%	23.0%	101,360	(128,420)
South Shore	6,295,325	0	0	12.5%	1.4%	13.8%	(65,810)	31,750
Overall	111,807,520	1,828,520	174,000	16.4%	3.1%	19.4%	901,830	(694,820)

Asset class	Existing inventory (sf)	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2023 net absorption (sf)	Year-over-year net absorption (sf)
Trophy	6,641,510	1,441,750	0	7.7%	1.8%	9.5%	1,416,090	1,454,310
Class A	38,612,480	0	104,000	16.2%	3.8%	19.9%	116,330	(347,140)
Class B	50,721,202	387,770	70,000	18.2%	3.1%	21.2%	(566,590)	(1,505,170)
Class C	15,832,328	0	0	14.9%	1.8%	16.7%	(64,000)	(296,820)
Market total	111,807,520	1,828,520	174,000	16.4%	3.1%	19.4%	901,830	(694,820)

*All numbers rounded to 10 sf
Source: AVANT by Avison Young

For more market insights
and information visit
avisonyoung.com

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