



Greater Montréal area office market report

Q4 2024

**AVISON
YOUNG**

Greater Montréal area (GMA) market fundamentals

18.8%

total availability rate
down from 19.6% in Q4 2023

16.8%

sublet as a percentage
of all available space
up from 16.0% in Q4 2023

\$38.82

average gross asking rent per square foot (psf)
includes \$20.23 psf average net rent
slight decrease year-over-year (YoY)

20.2M

square feet (sf) available
**down from 21.0 million sf (msf)
in Q4 2023**

+170K

sf absorption
since Q3 2024

94K

sf under construction
one single laboratory office project

Patience will be the order of the day in 2025

Tenants' hesitancy prevail

Exactly five years ago, the availability rate in the Montréal office market was hovering around 10%. Tenants were in a hurry to conclude their renewals or were struggling to find the ideal space for expansion. When the right site became available, action had to be taken without delay. Today, the supply of available space is literally double what it was in January 2020, and there are three times as many square feet available for sublet. Tenants can evaluate several alternatives and take the time they need to make up their minds. Since there's no shortage of vacancies, and the return to work in person is still progressing very slowly, there's no need to rush.

Slow though it may be, activity has nevertheless picked up in recent months, including among the major tenants. Not only has the National Bank filled its new 1.1 msf tower, but it has also purchased the adjacent 330,000 sf building to fulfill its requirements. Large, quality blocks are becoming fewer. Tenants are turning to upgraded class A buildings.

A myriad of criteria to consider

Institutional landlords, who typically have a long-term holding horizon, still insist on maintaining their face rents, even if it means increasing the number of tenant incentives. Private landlords are willing to reduce their base rents and provide tenants with more free rent, especially if large tenancies are on the table. In both cases, landlords must offer improved common areas and features to meet their new tenants' increasingly high-quality standards, which have risen sharply since the pandemic.

The investment needed to improve a building's caliber varies greatly and often requires the lender to be on board. This can extend the timeframe for execution. That said, the line between a recently renovated class B and an aging class A having undergone little or no recent improvements is becoming increasingly blurred. There are many grey areas in the criteria used to classify buildings, which date back several decades, and there are no universal standards to benchmark properties. In doubt, the quality of the landlord should always be the point of reference.

Leasing market dynamics are increasingly complex

With the increasing variety of options available and range of tenant incentives landlords are willing to offer, leasing market dynamics have become significantly more complex. Each case requires a tailor-made approach based on tenants' strategies and landlords' profiles and priorities. Landlords also need more time to analyse which combinations of incentives to grant and their impact on the financial performance of their assets for years to come. The market is still favourable to tenants, but there is no longer as much expectation largely discounted rents. Instead, it's a matter of working out the best possible combination of incentives, free rent, leasehold improvements and rental rate.

However, all market stakeholders agree on one point: the time required to complete a transaction has become much longer, given the myriad of factors to be analysed, not least our new working habits. These longer timelines to conclude a deal keep delaying the long-awaited recovery of leasing activity. Patience is still required in 2025.

Greater Montréal area office market trends

01

Decreasing availability in the class A office market

Since the pandemic, the availability rate for Trophy (or class AAA) buildings has been half that of the overall market. The seven towers in the core business district that make up this Trophy office class make up 23% of the overall Downtown class A and AAA leasing inventory.

Net rents for Trophy buildings are on average \$10.00 psf more expensive than for standard class A buildings. The scarcity of trophy space available and the higher occupancy costs are driving tenants towards class A buildings, and to no surprise, the assets that have been recently improved are performing the best. The availability rate for Downtown class A office buildings has fallen by 3.2% over the past year.

02

Sublet space supply still abundant but stabilizing

Sublet space available, which totaled only 985,000 sf back in January 2020, has increased by an average of 650,000 sf per year since then, reaching a peak of 3.5 msf in Q2 2024. This is twice as much space as the peak of 1.3 msf recorded at the end of 2014. However, sublet volume stabilized at 3.3 msf in the second half of 2024. As older subleases expire or find new subtenants, new subleases are landing on the market, which creates this stabilizing effect.

The expiry dates of the subleases currently on the market range from 2025 to 2037, at an average of 265,000 sf per year. In other words, nearly 2.3 msf of sublet space will expire over the next five years, i.e. by 2030.

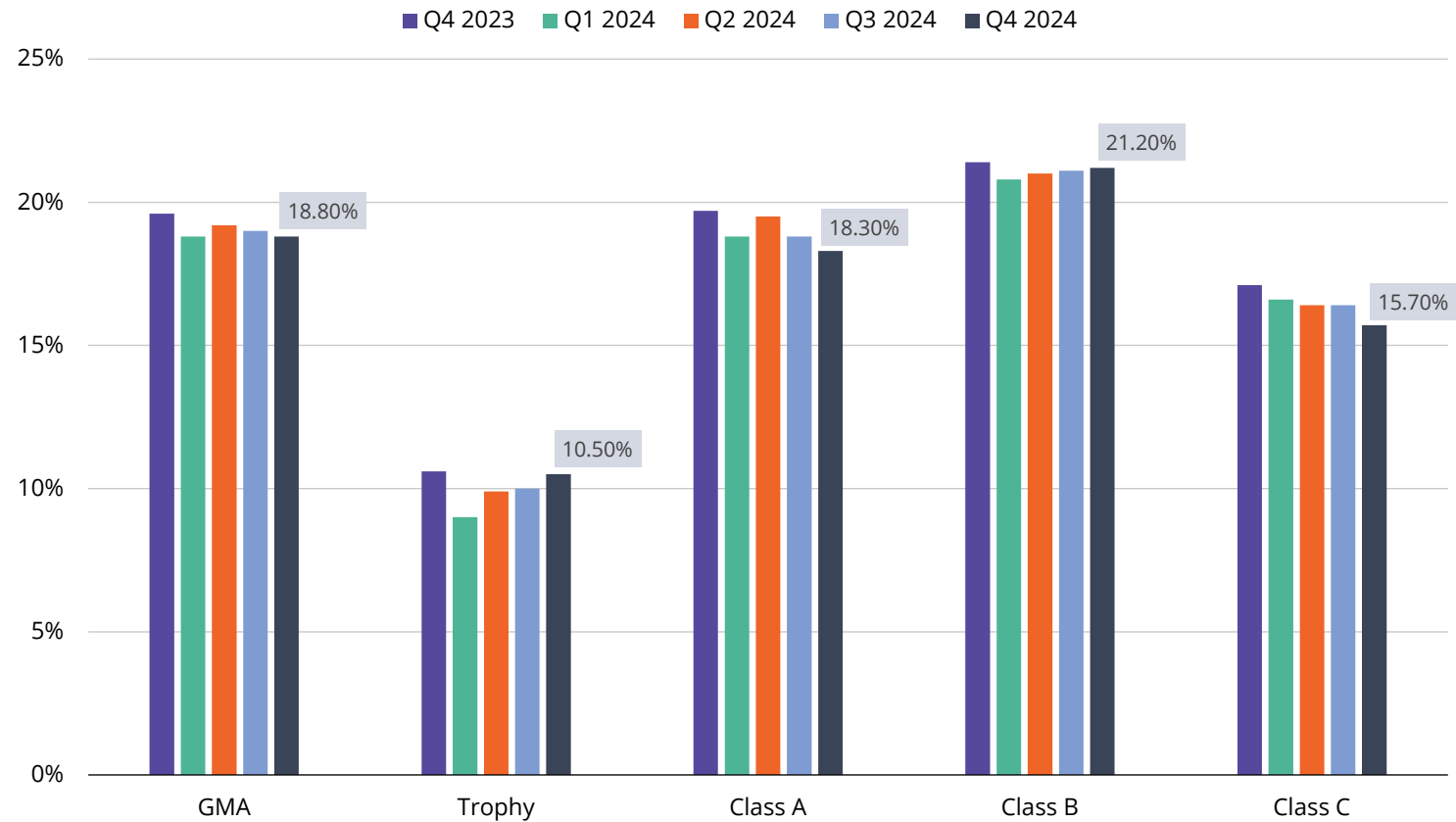
03

A wave of repositioning for suburban office buildings

The abundance of available space in suburban submarkets, except for Brossard, has prompted many owners, especially institutional ones, to dispose of underperforming assets. Indeed, some 15 suburban office buildings changed hands during 2024, at discounted prices ranging from \$85 psf to \$190 psf, for an average unit price of \$145, well below replacement cost. Local investors have seized the opportunity to acquire these properties at low cost with a plan to reposition them. As the distinction between suburban class A and B buildings remains unclear, and the difference in rent averages \$2 psf, a better distinction between A-, B+ and B- buildings will be relevant. This should factor in the improvements that are most likely to encourage workers to commute back to the office.

Greater Montréal area office market indicators

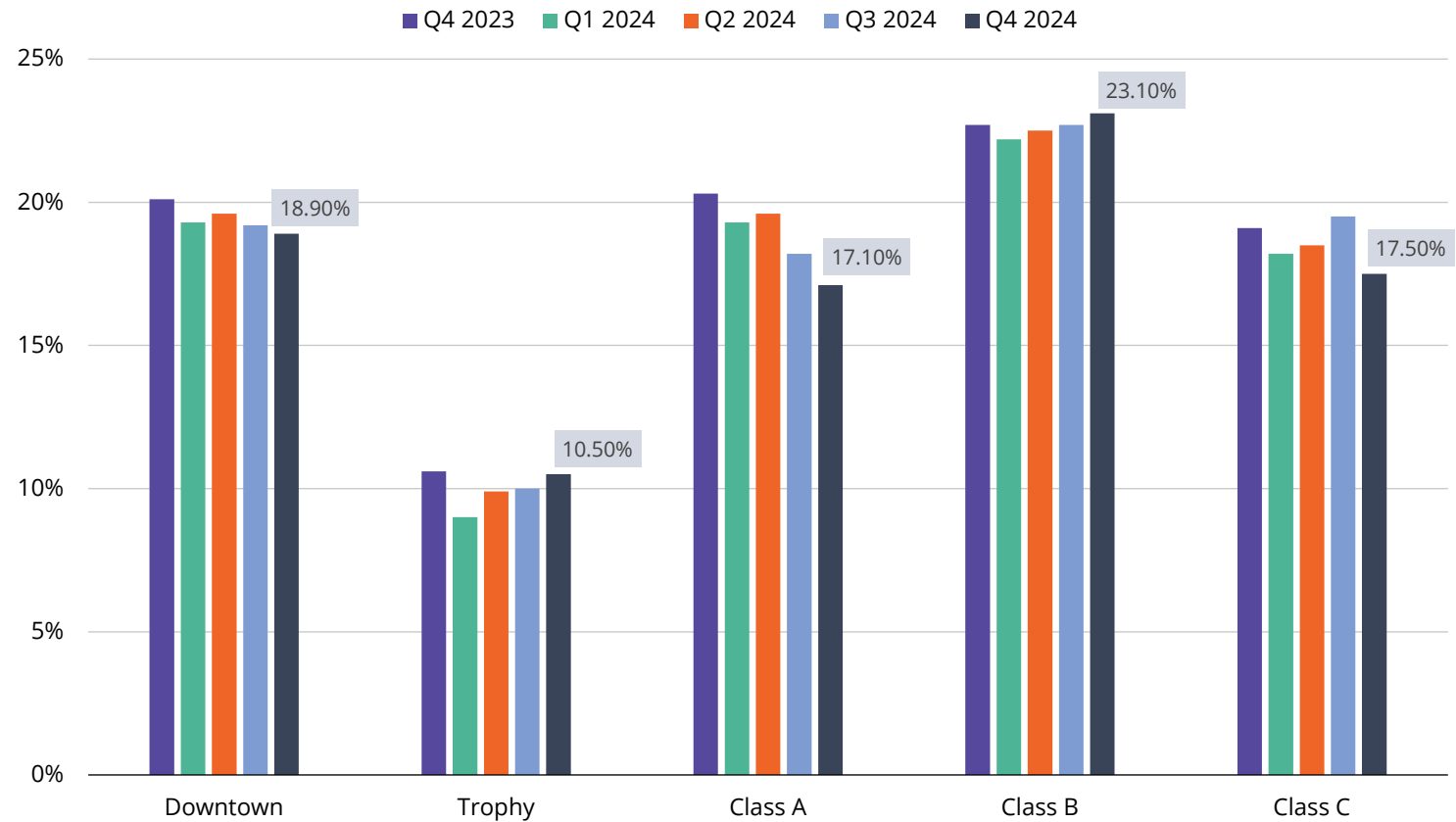
Availability rate by class



Across the GMA, the availability rate fell by 60 basis points since Q4 2023, and by 140 basis points for class A.

Greater Montréal area office market indicators

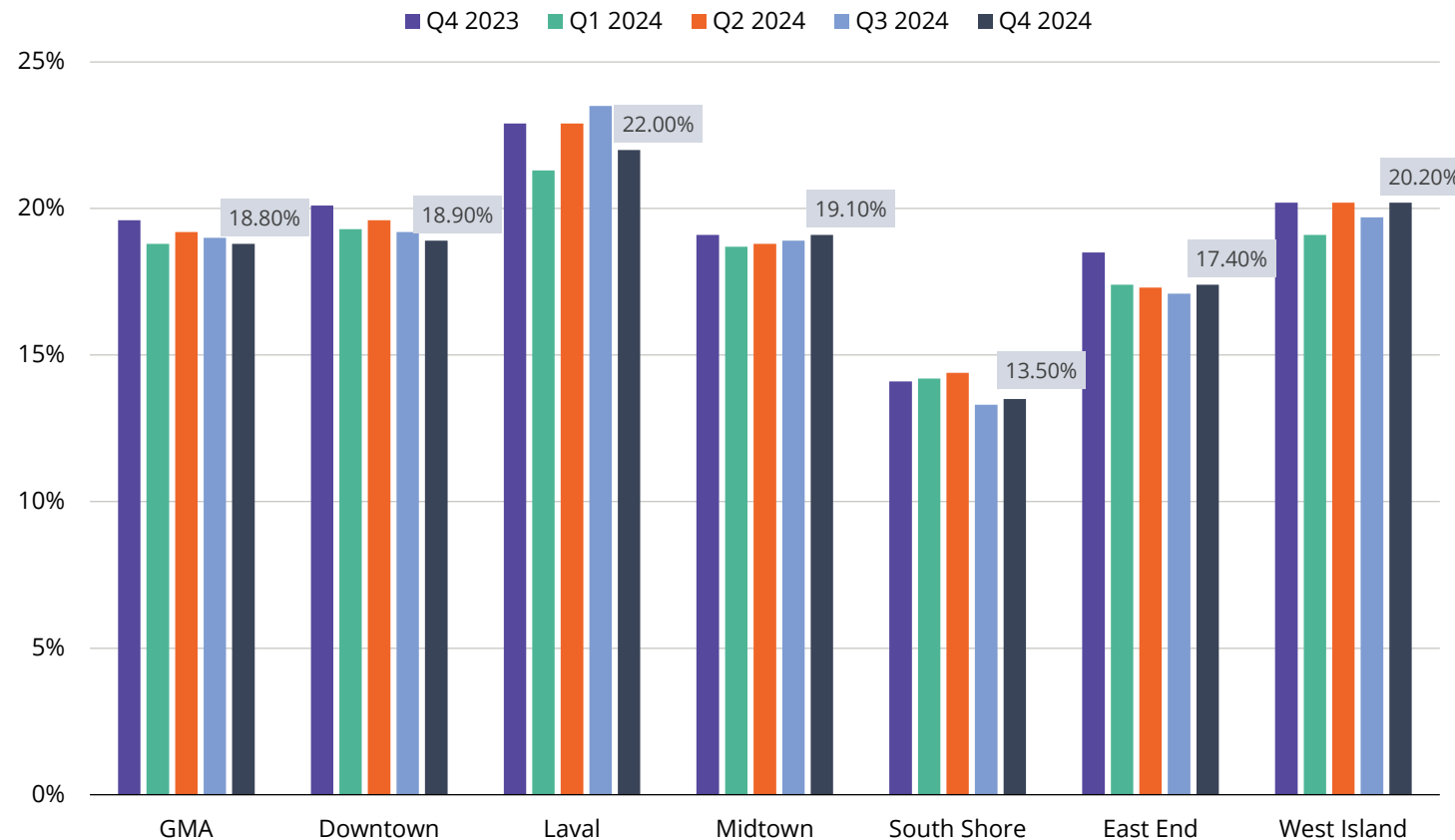
Downtown Montréal availability rate by class



Over the last year, the availability rate for Downtown class A properties fell by 3.2%, compared with an increase of 0.4% for class B.

Greater Montréal area office market indicators

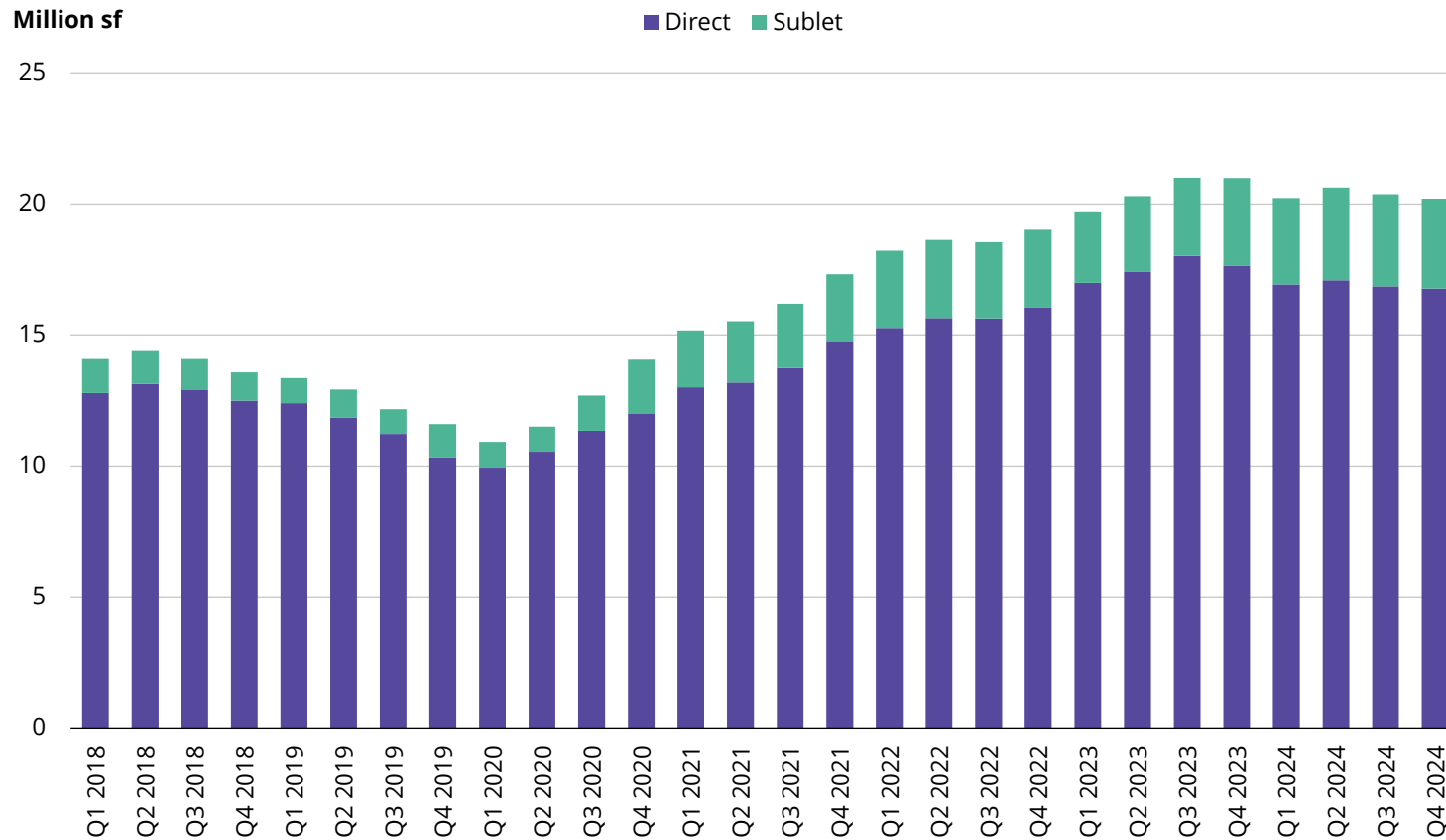
Availability rate by sector



After peaking at 23.5% during the Q3 2024, Laval's availability rate fell to 22.0% in Q4 2024. Apart from Downtown, the available supply stabilized in other submarkets over the past year.

Greater Montréal area office market indicators

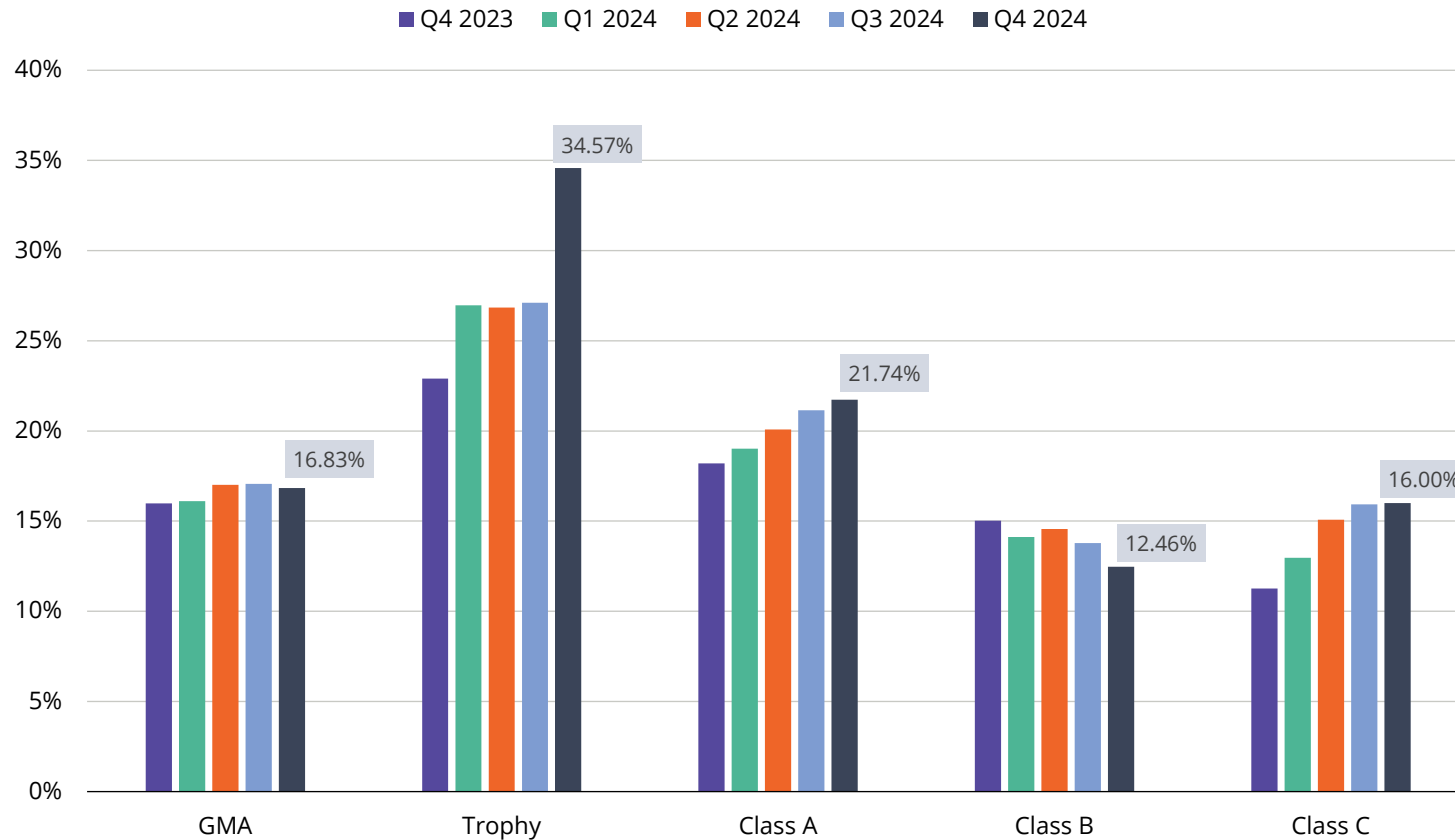
Direct and sublet availability (sf)



Over the past year, total space available for sublease remained stable (+38,000 sf), while direct availability has dropped by just over 862,000 sf. This is an improvement from 2023, when available space swelled by 1.6 msf.

Greater Montréal area office market indicators

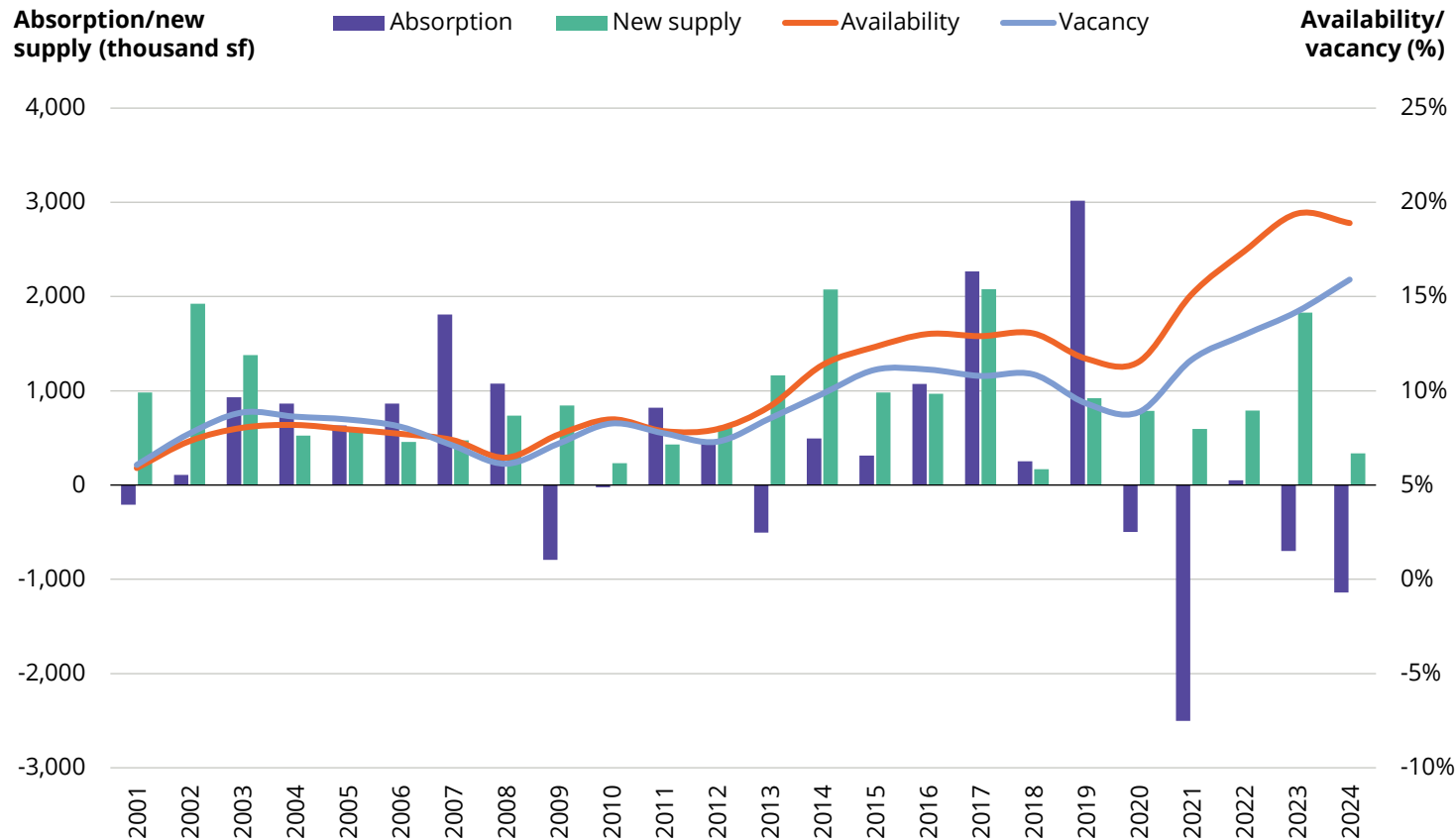
Sublet as a percentage of total availability by class



Following the addition of two floors for sublease at 1250 René-Lévesque this quarter, sublet space as a percentage of total available space jumped to almost 35% for Trophy properties.

Greater Montréal area office market indicators

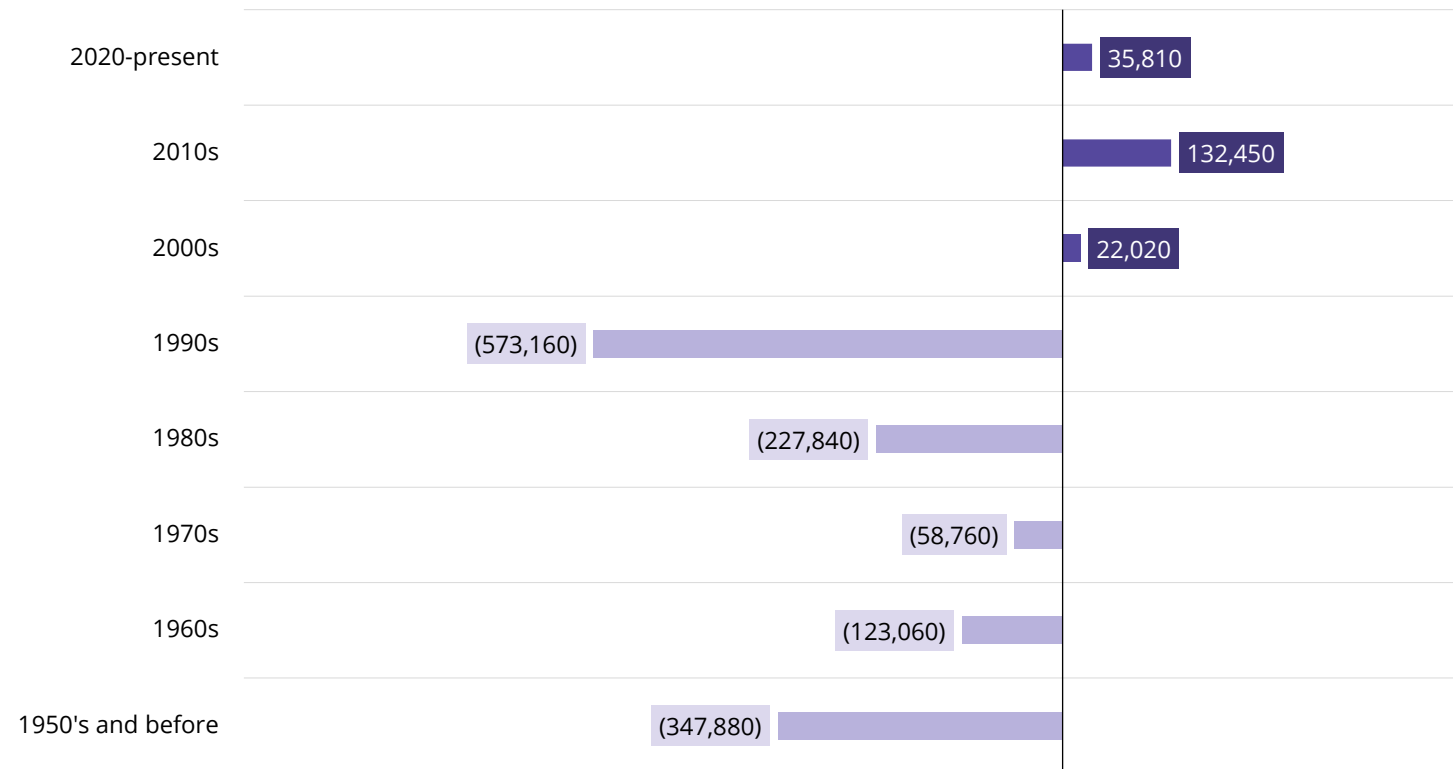
Historic office market trends



Absorption was negative in 2024 (-1.14 msf) but slightly positive in Q4 2024 (+168,000 sf). The gap between the availability rate and the vacancy rate has been narrowing over the past year.

Greater Montréal area office market indicators

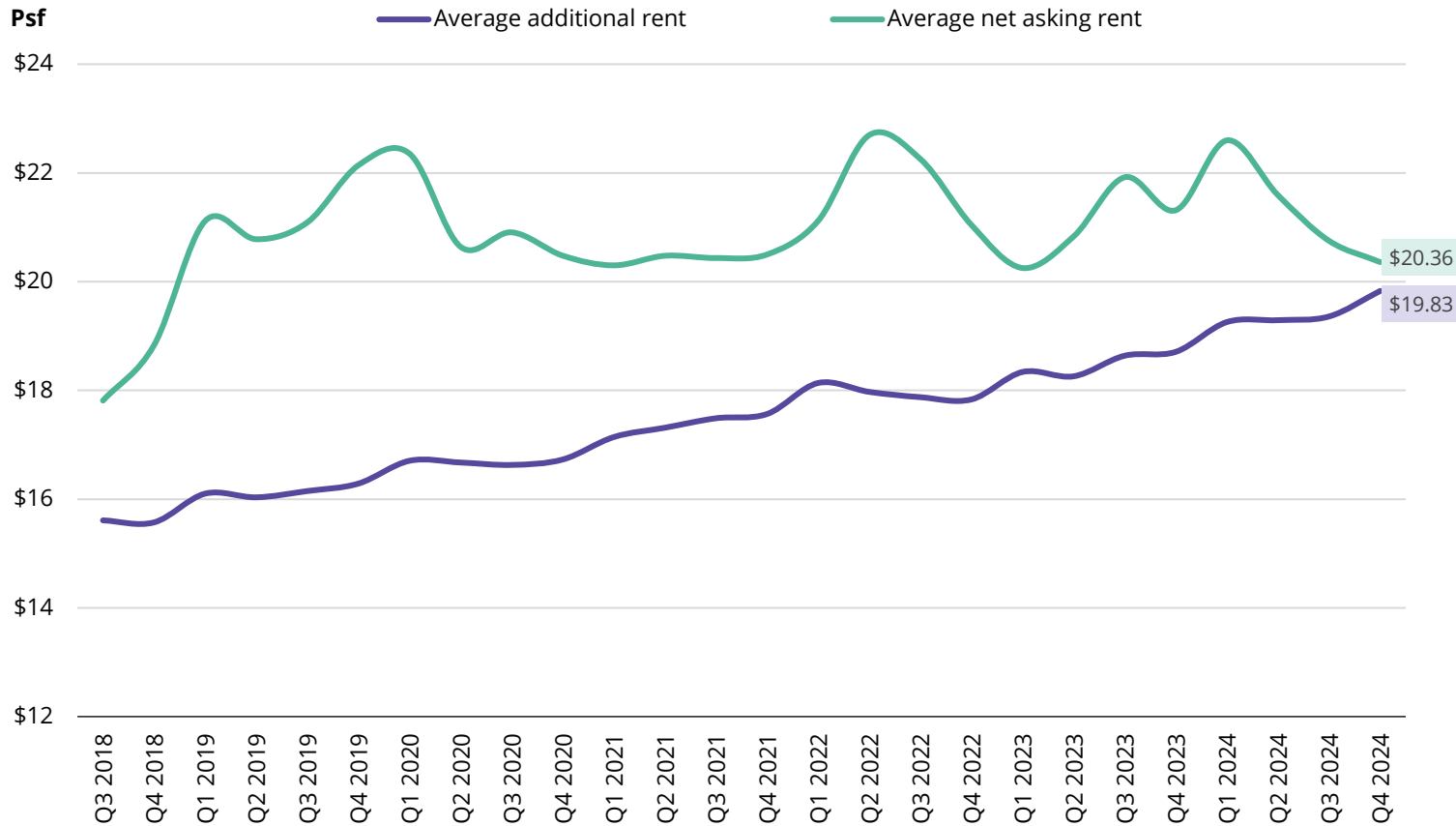
2024 absorption (sf) by year of construction of buildings



Office properties built after 1999 show modest but positive absorption.

Greater Montréal area office market indicators

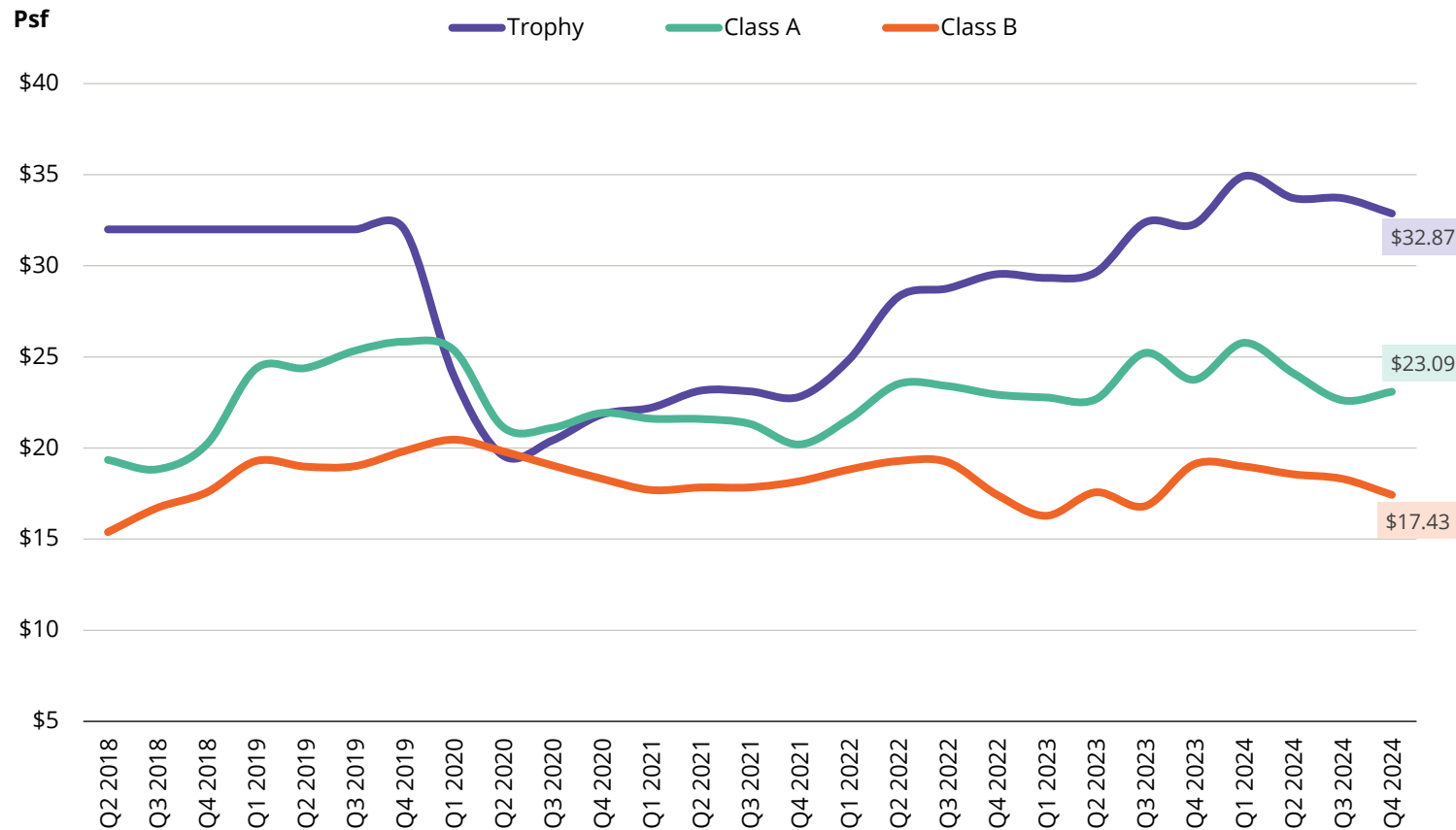
Occupancy costs



Additional rent now accounts for almost half of occupancy costs. Additional rent has risen by more than \$3.00 since 2020, an increase of almost 20%.

Greater Montréal area office market indicators

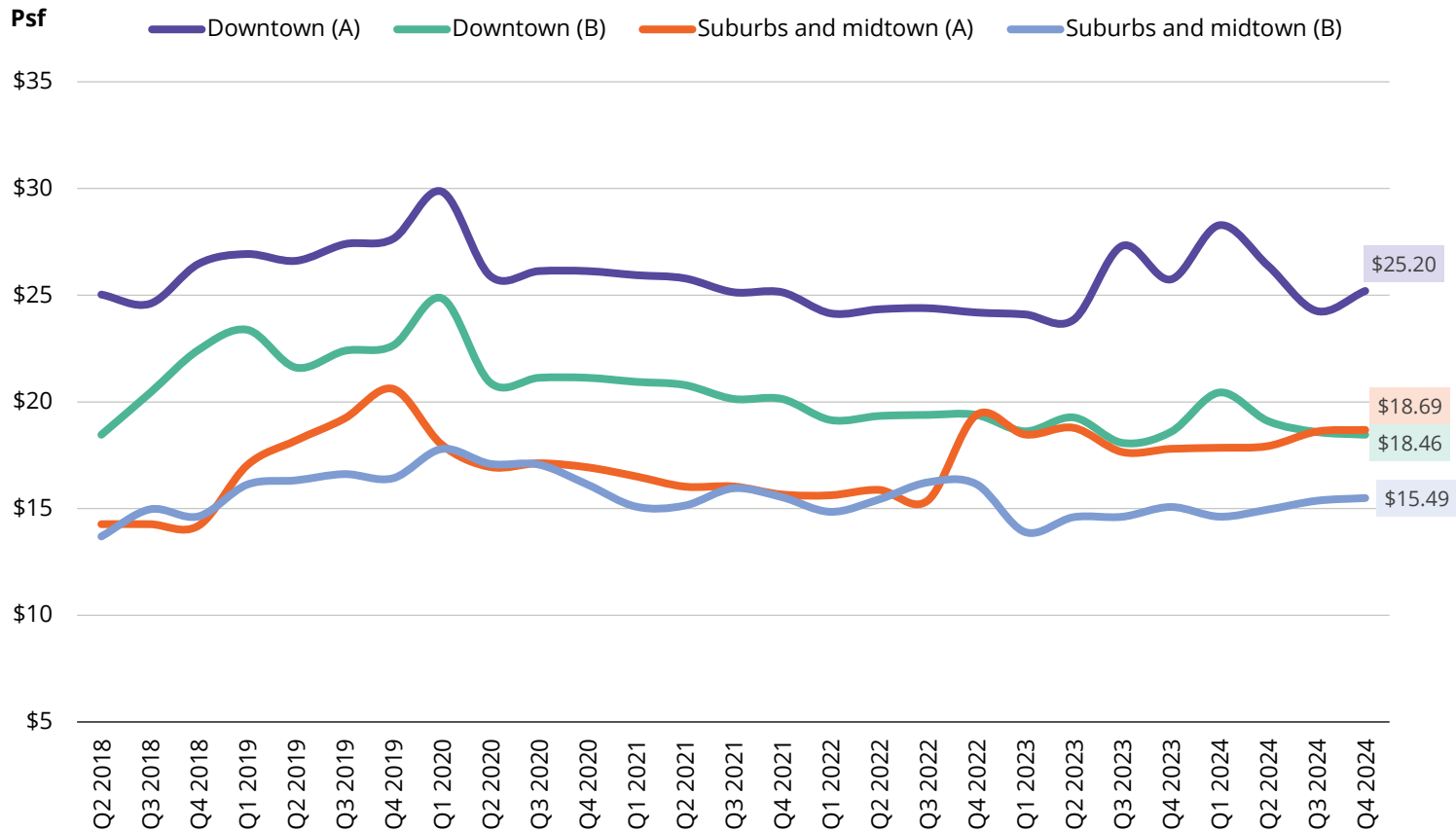
Net asking rents



The gap between net asking rents across different office classes remains stable.

Greater Montréal area office market indicators

Average net asking rents - comparison of Downtown vs. suburbs and outskirts

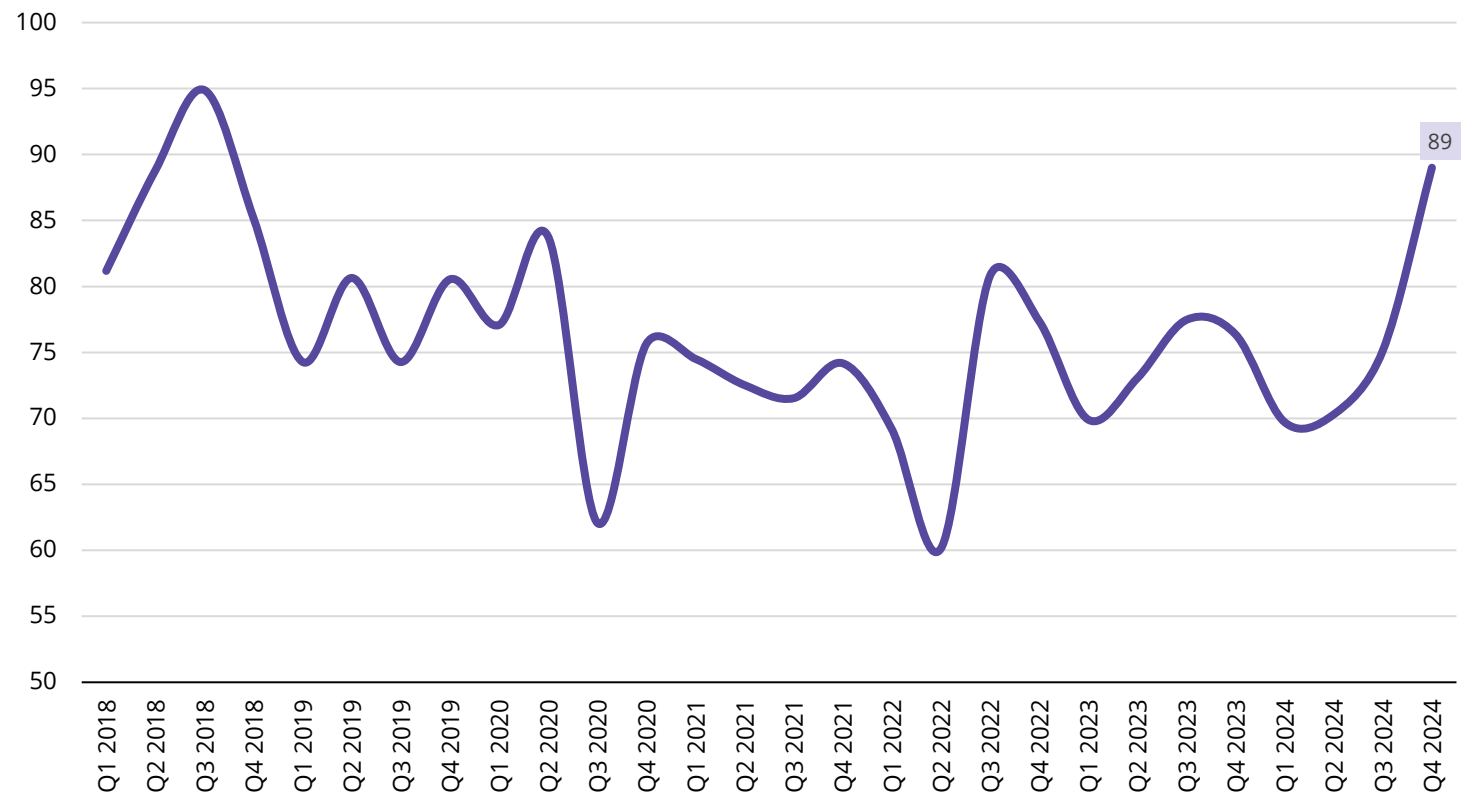


Asking rents for class A buildings in the suburbs and midtown rival those for Downtown class B buildings.

Greater Montréal area office market indicators

Average lease term

Number of months



The average lease term rose to 89 months in Q4 2024, compared to 76 months in Q4 2023.

Greater Montréal area office market activity

Notable recent leasing activity

Address	Tenant	Size (sf)	Lease type	Transaction type	Move-in date
800 du Square-Victoria, Montréal	Espace Ax-C	137,300	Direct	New lease	June 2025
3400 Jean-Béraud, Laval	TPSGC – Revenu Canada	90,000	Direct	Renewal	November 2024
2800 Marie-Curie, Montréal	Thales Canada	50,000	Direct	New lease	October 2024
2500 Daniel-Johnson, Montréal	Banque Nationale	40,910	Direct	Renewal	November 2024
1111 Saint-Charles West, Longueuil	APTS	29,000	Direct	Renewal	November 2024

New sublet space on the market

Address	Major sub-lessor	Listing date	Block size (sf)	Floor/Suite number
1250 René-Lévesque West, Montréal	Air Liquide Canada	October 2024	44,470	17-18 th floor
1 place Ville-Marie, Montréal	N/A	November 2024	16,990	19-20 th floor
255 Crémazie East, Montréal	Société Québécoise des Infrastructures	November 2024	13,700	10 th floor
75 Queen, Montréal	Morgan Stanley	December 2024	16,580	4 th floor

Major office sale transactions

Address	Buyer	Sale date	Sale price	Sale price \$/psf	Seller
810-830 Antoine-Chaudillon, Montréal	Broccolini	December 2024	\$37.0M	\$851	Allied
3400 Jean-Béraud, Laval	Groupe Mach	November 2024	\$27.0M	\$175	Cominar
9800 Cavendish and 1111 Dr-Frederik-Philips, Montréal	9523-7004 Quebec Inc	October 2024	\$29.5M	\$144	Cominar
1220-1224 Sainte-Catherine, Montréal	Alternative Capital Group	November 2024	\$13.3M	\$475	Immobilier Basjo Sainte-Catherine
10500 Ryan, Dorval	9375-2871 Quebec Inc	December 2024	\$9.5M	\$182	Nobel REIT

Greater Montréal area office market statistics

Office market statistics by submarket

Submarket	Existing inventory (sf)	Percentage of total inventory	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2024 net absorption (sf)	YoY net absorption (sf)
Downtown	54,306,270	51%	44,000	16.1%	2.8%	18.9%	218,900	(692,820)
East End	29,394,990	27%	0	14.9%	4.0%	18.9%	(60,520)	(373,180)
Laval	2,878,640	3%	0	17.3%	0.1%	17.4%	13,170	(142,930)
Midtown	10,072,580	9%	130,000	14.9%	5.3%	20.2%	(67,103)	45,610
South Shore	4,693,730	5%	0	20.8%	1.2%	22.0%	27,230	(72,540)
West Island	5,793,030	5%	0	11.8%	1.7%	13.5%	38,310	90,900
Overall	107,139,240	100%	174,000	15.7%	3.2%	18.8%	169,980	(1,144,950)

Office market statistics by asset class

Class	Existing inventory (sf)	Percentage of total inventory	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q4 2024 net absorption (sf)	YoY net absorption (sf)
Trophy	6,423,980	6%	0	6.9%	3.6%	10.5%	(81,350)	11,240
Class A	38,442,970	36%	104,000	14.3%	4.0%	18.3%	41,350	(875,530)
Class B	48,195,450	45%	70,000	18.6%	2.6%	21.2%	99,060	(243,610)
Class C	14,279,630	13%	0	13.2%	2.5%	15.7%	110,920	(32,530)
Market total	107,139,240	100%	174,000	15.7%	3.2%	18.8%	169,980	(1,144,950)

Spotlight on

Downtown Montréal office corridors

Downtown corridors continue to outperform the market, reflecting the attractiveness of their properties.



Downtown Montréal corridors overview

RENÉ-LÉVESQUE

Guy to Saint-Urbain
Avg. net rent: \$25.67 psf

QUARTIER INTERNATIONAL

R-Bourassa to Bleury
Avg. net rent: \$31.92 psf

CITÉ DU MULTIMÉDIA

William to De La Commune
R-Bourassa to King Street
Avg. net rent: \$19.13 psf

DE MAISONNEUVE

Stanley to Bleury
Avg. net rent: \$19.74 psf

MCGILL COLLEGE

Sherbrooke to Cathcart
Avg. net rent: \$22.07 psf

WESTMOUNT

Greene to Atwater
Maisonneuve to R-Lévesque
Avg. net rent: \$19.30 psf

SHERBROOKE

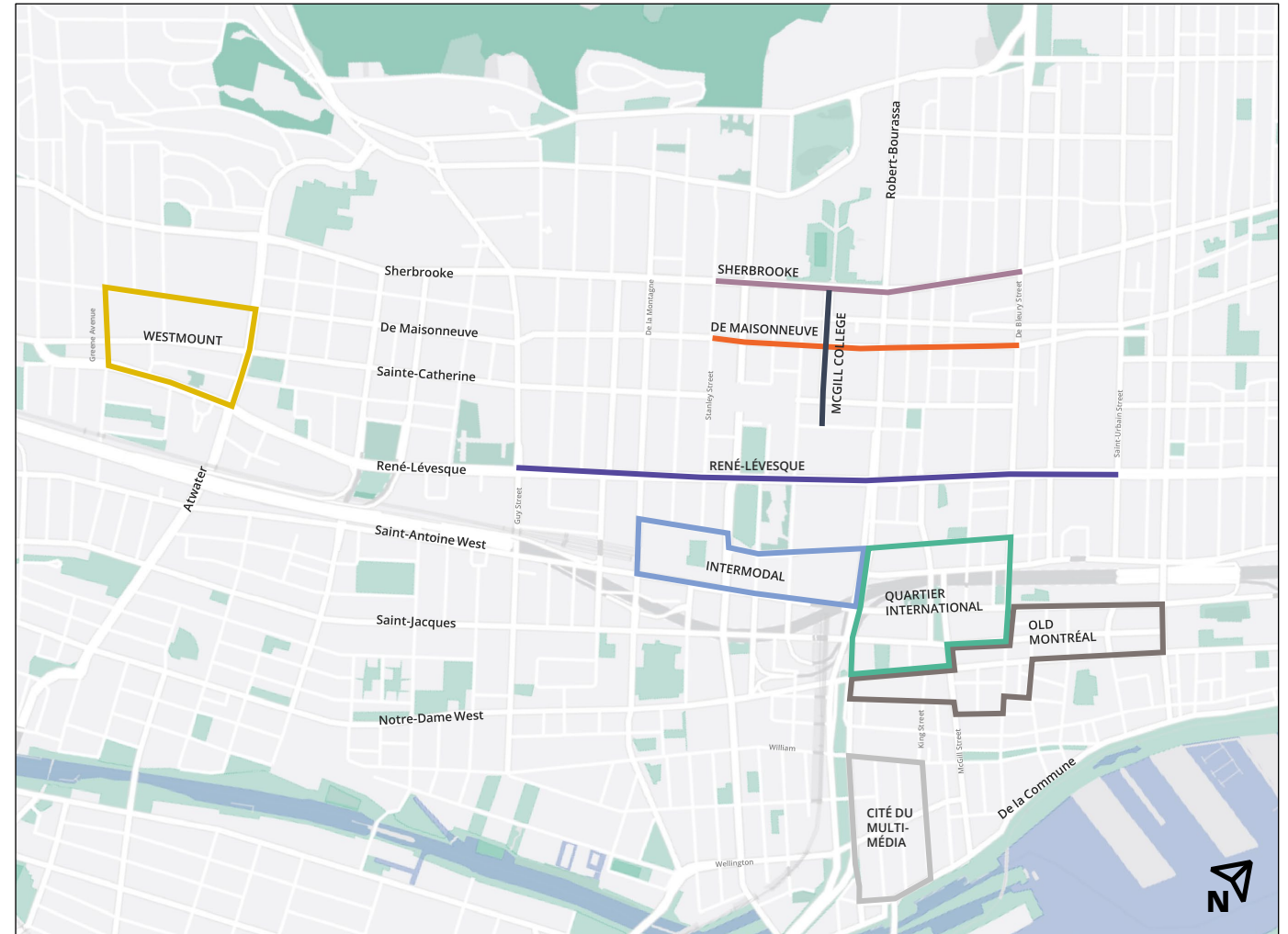
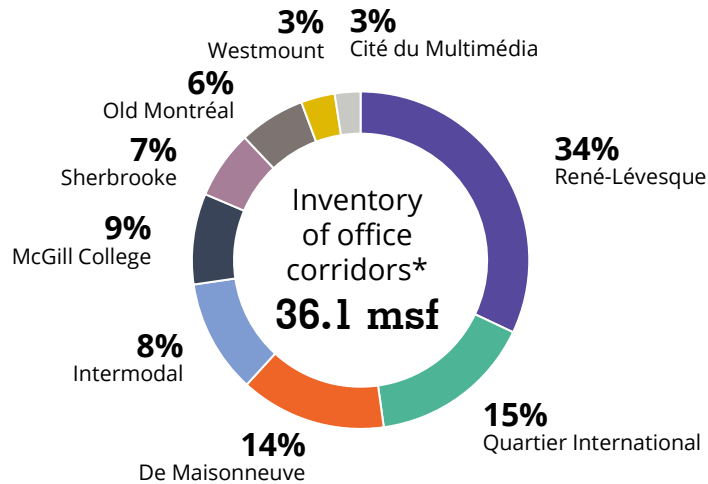
Stanley to Bleury
Avg. net rent: \$18.39 psf

INTERMODAL

Drummond to R-Bourassa
Avg. net rent: \$22.38 psf

OLD MONTRÉAL

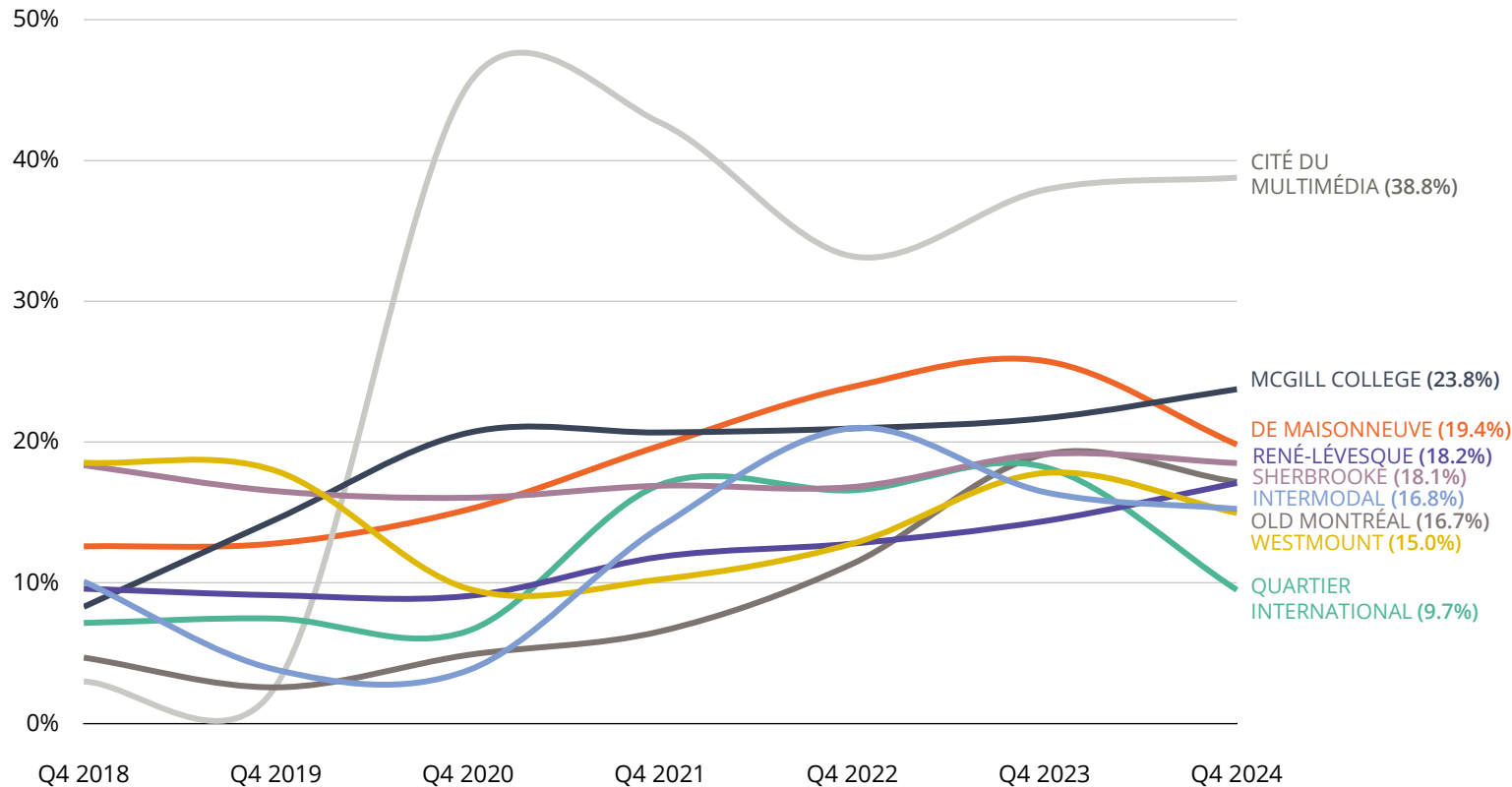
R-Bourassa to St-Laurent
Avg. net rent: \$17.17 psf



* Represents 70% of total Downtown inventory

Downtown Montréal corridors availability

Historic availability rate by corridor



Competition remains high for buildings in the Quartier International. This corridor's availability rate is almost half the 18.9% Downtown average.

For more market insights and
information visit **avisonyoung.ca**

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