

Montreal

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Rental rates trend downward as sublease availability becomes more prominent

Entering the first quarter of 2024, the industrial real estate sector in the Greater Montreal Area (GMA) faces a challenging landscape. Fluctuating demand coupled with the previously low interest rates, which spiked from 2020 to 2023, has had a pronounced impact on speculative building and the need for warehouse space; however, the market has seen a downturn in recent months. Average asking rental rates decreased to \$15.29 per square foot, marking the fourth consecutive quarter of declining rates, as demand for new space slows down and landlords try to match the slowing market activity.

In the beginning of 2024, we continue to witness an increase in new inventory and in sublease offerings, causing a notable dip in rental prices by 7.3% year-over-year. This trend underscores the pressing need for property owners and developers to offer concessions to retain and attract tenants within a fiercely competitive market.

New developments add to the existing listings as sublet spaces also increase

The delivery of nearly 800,000 square feet (sf) of large-bay industrial space combined with a rise in sublet options and existing large-bay listings led to a vacancy rate climb of 200 basis points year over year, reaching 4.2%.

Industrial users continue to shift their short to medium-term growth strategies, tempering previously ambitious expectations from overheated demand during the pandemic, by either subleasing or handing back keys. Notable examples include Vaudreuil-Dorion's Walmart facility of 458,000 sf, initially built-to-suit is now available for sublease, and an 820,000-sf building on Hickmore in Saint-Laurent previously occupied by a 3PL provider is now back on the market and available to lease directly with the landlord.

As vacancy has increased, new construction projects are also slowing down. With 4.1 msf currently under construction, future planned builds are put on hold as developers look to find tenants before beginning their new projects. This anticipated influx of new inventory is set to heighten competition for current large-scale options, ultimately benefiting the tenant looking for new affordable space.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	324.3 msf	336.6 msf	+12.3 msf
Vacancy Rate	2.2%	4.2%	+200 bps
Asking Rental Rate	\$16.49	\$15.29	-7.3%
Net Absorption	-0.3 msf	-0.9 msf	-0.6 msf
Under Construction	11.2 msf	4.1 msf	-7.1 msf
Deliveries	0.7 msf	0.8 msf	+0.1 msf

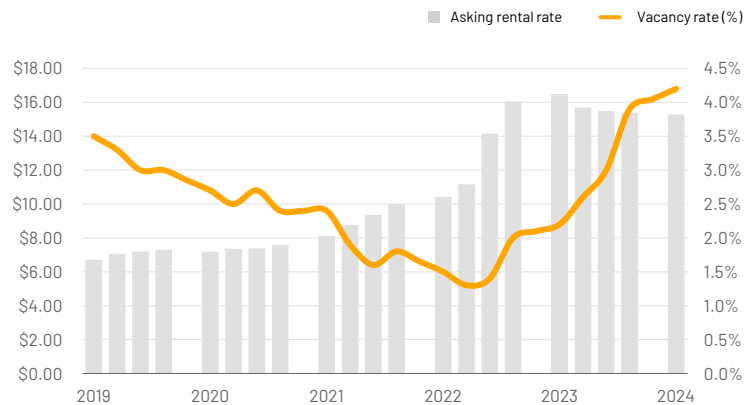
Outlook

01 Top-tier industrial submarkets are anticipated to keep drawing in new tenants, bolstered by solid underlying economic factors

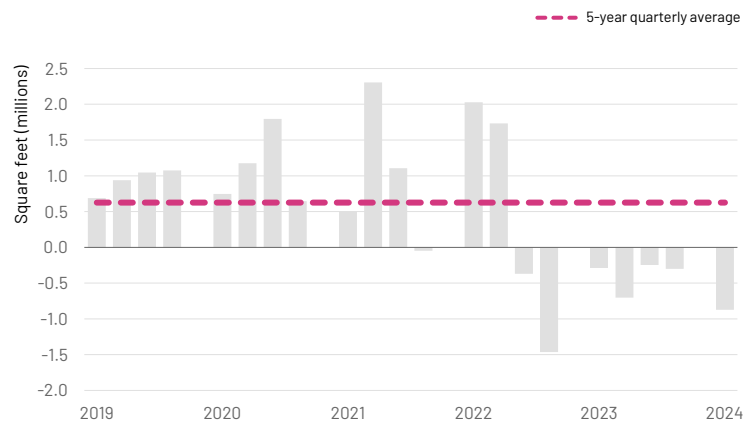
02 Landlords will continue adjusting their asking rents to appeal to prospective tenants and ensure full occupancy

03 An economic slowdown may pause new construction groundbreaking, but demand for new industrial product remains present

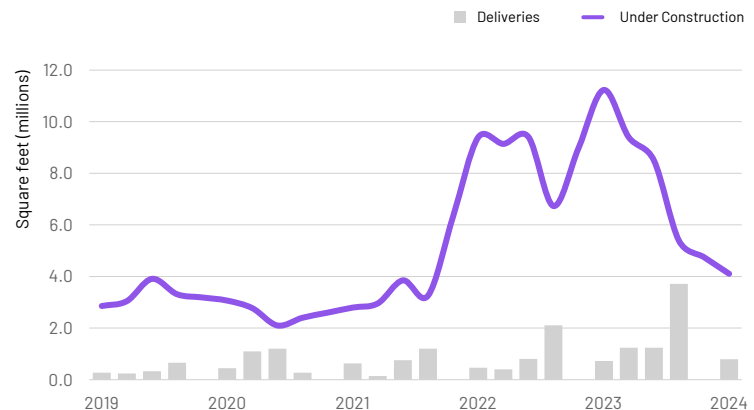
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

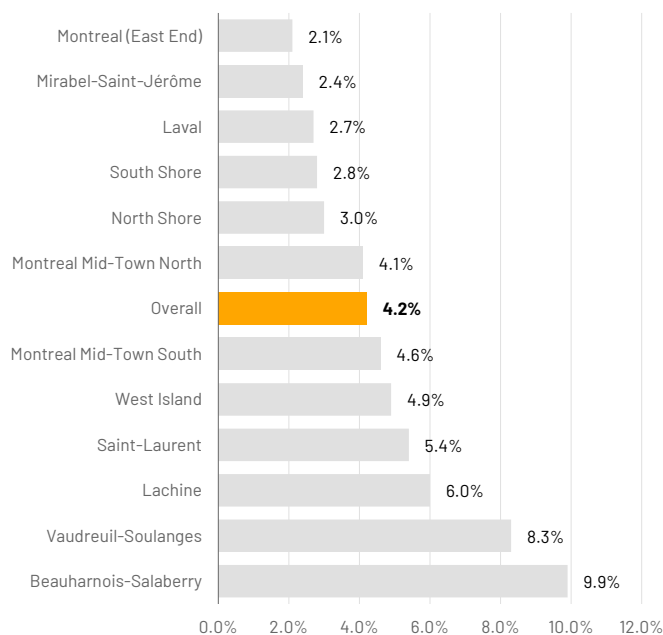
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
DLS Logistics	142,000	South Shore	860 Turnbull Street	New	Logistics & Distribution/3PLs
Solotech Inc.	135,427	East End	12200 Boul. Métropolitain E	New	Communications / Media / Tech
Gardaworld Cash Services Canada Corp	120,000	Mid-town South	8301 Elmslie Street	Renewal	Professional & Business Services
Hagen	80,274	Saint-Laurent	3215-3235 Guénette Street	New	Consumer Goods
Cintube Ltd.	56,969	Lachine	2075 52e Avenue	Sublease	Industrial Machinery & Supplies

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
Vista Properties	437,214	East End	Jarry Street East Portfolio	\$87.6M / \$200	Gestion Jacad Inc. / Immeubles Panache Inc.
Skyline Industrial REIT	274,000	West Island	555 & 565 Avenue Victor Davis	\$72.4M / \$527	Rosefellow / Fit Ventures
Biron Health Group	141,846	South Shore	4005 & 4105 Matte Boulevard	\$28.0M / \$197	Fiera Real Estate
Skyline Industrial REIT	98,954	East End	6100 Notre-Dame Street E	\$28.0M / \$283	Rosefellow
O'Reilly Automotive Inc.	98,953	East End	4840 des Grandes Prairies	\$22.0M / \$222	Vast-Auto Distribution

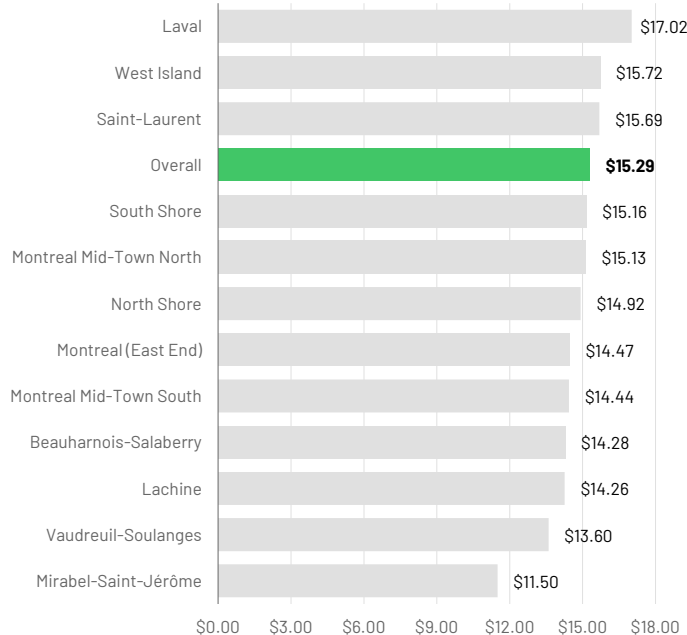
Vacancy Rate Comparison (%)

MONTREAL SUBMARKETS



Rental Rate Comparison (\$/sf)*

MONTREAL SUBMARKETS



*based on all classes of available inventory

Montreal Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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