

Montreal

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Vacancy continues its steady climb alongside falling rental rates and construction activity

Rental rates began trending downward in Q2 2023 and remain depressed compared to the post-pandemic peak. As vacancy rates have been steadily increasing since Q4 2022, landlords have been compelled to reduce rates to remain competitive. Vacancy has risen 170 basis points (bps) year over year, with rates moving in the inverse direction and dropping 5.2% over the same period. Notable decreases in rental rates have occurred in the East End and West Island submarkets, at 8.4% and 17.8% year over year, respectively. These same submarkets have experienced respective vacancy increases of 310 bps and 400 bps from last year. Beauharnois-Salaberry has posted the highest increase in vacancy year over year at 860 bps, with current vacant space totaling 1.7 million square feet (msf). Q3 marks nine consecutive quarters of negative net absorption in the Greater Montreal Area (GMA), with the year-to-date figure indicating a total contraction of 2.1 msf.

Big-box transactions dominate recent leasing activity

Simard’s 210,000-square-foot (sf) sublease in the West Island submarket is a notable standout in this quarter’s deals, with potential for more large sublease deals as occupiers continue to right-size space needs. Montreal regularly boasts a dynamic and fast-paced small bay industrial market, but this quarter has seen a higher-than-average share of transactions over 100,000 sf. Meubles RD (299,300 sf) and Berlin Packaging (150,225 sf) are examples of a diverse range of industries taking advantage of the shift toward a tenant-favorable market dynamic to lease large spaces at attractive rates. In total, the top five leases alone account for nearly 1.0 msf of activity, indicating that while most occupiers are continuing to consolidate, there is still consistent demand for industrial product.

This quarter’s top sales activity has been centered in the Laval submarket, including deals like FTAI Aviation’s 526,000-sf purchase. Institutional investor KingSett Capital and its subsidiary Cansett Properties were notably active in acquiring properties in Q3, as liquidity and investor appetite recover alongside continued interest rate cuts.

Key Statistics

Greater Montreal Area (GMA)	Q3 2023	Q3 2024	Y-O-Y
Inventory	321.2 msf	331.0 msf	+9.8 msf
Vacancy Rate	3.1%	4.8%	+170 bps
Asking Rental Rate	\$16.01	\$15.18	-5.2%
Net Absorption	-0.2 msf	-0.6 msf	-0.4 msf
Under Construction	8.5 msf	3.1 msf	-5.4 msf
Deliveries	1.3 msf	1.4 msf	+0.1 msf

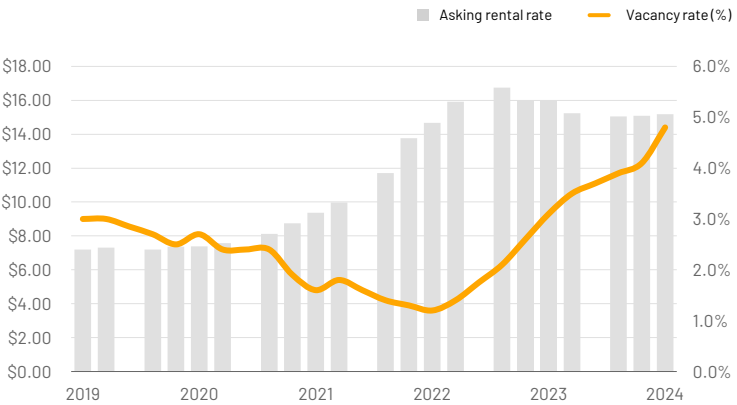
Outlook

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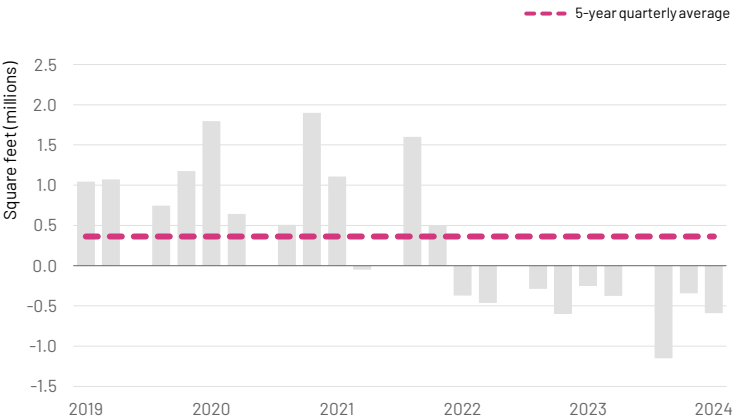
Consumer spending is projected to recover over the next year as rates continue to fall, which will spur additional demand for industrial product
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Loracon Construction’s 40NetZero project aims to add 3.0 msf of sustainably designed and developed industrial space over the next five years

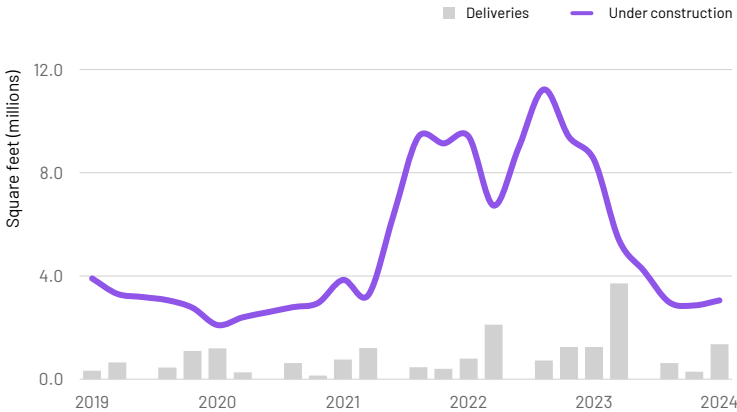
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Top Leases

Source: Savills Research

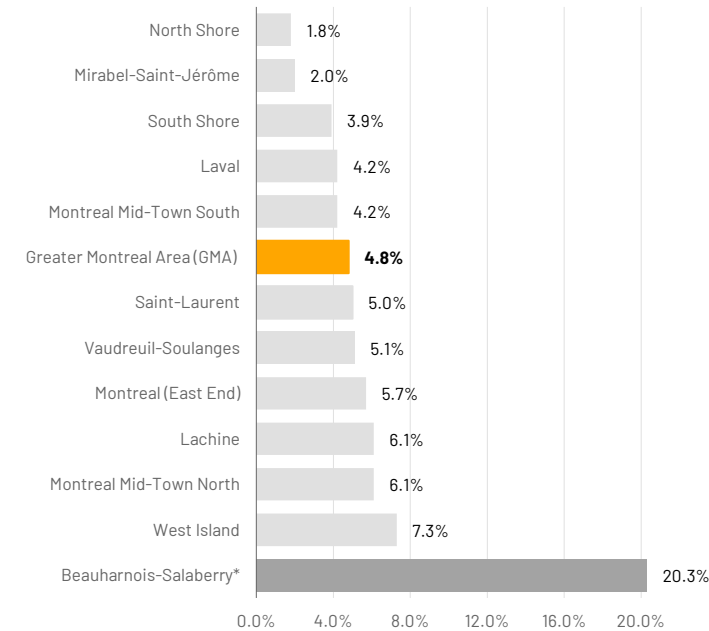
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Meubles RD	299,300	South Shore	131 Boul Montcalm N	New Lease	Consumer Goods
Simard	210,000	West Island	5500 Aut Transcanadienne	Sublease	Logistics & Distribution/3PLs
Staples	186,793	South Shore	1616 Rue Eiffel	Renewal	Retailer (Brick & Mortar)
Berlin Packaging	150,225	Montreal Mid-Town South	2125 Rue Lily-Simon	New Lease	Paper & Packaging
CMP Advanced Mechanical Solutions	105,000	South Shore	213 Industriel	New Lease	Industrial Machinery & Supplies

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
FTAI Aviation	526,000	Saint-Laurent	7171 Boul De La Côte-Vertu	\$53.3 M / \$101	Lockheed Martin Corporation
KingSett Capital Inc.	219,837	West Island	165-167 Boul Hymus	\$34.5 M / \$157	The Redbourne Group
Denis Rymar	158,423	Montréalégie	2300 de la Grande-Ligne	\$3.0 M / \$19 (sold for land value)	Massimo Caporusso
ProREIT	134,340	West Island	2945-2965 Av André	\$32.6 M / \$243	KingSett Capital
Brasswater	113,313	Lachine	1795 32e Av (part of two property sale)	\$25.8 M / \$228	KingSett Capital / Epic Investment Services

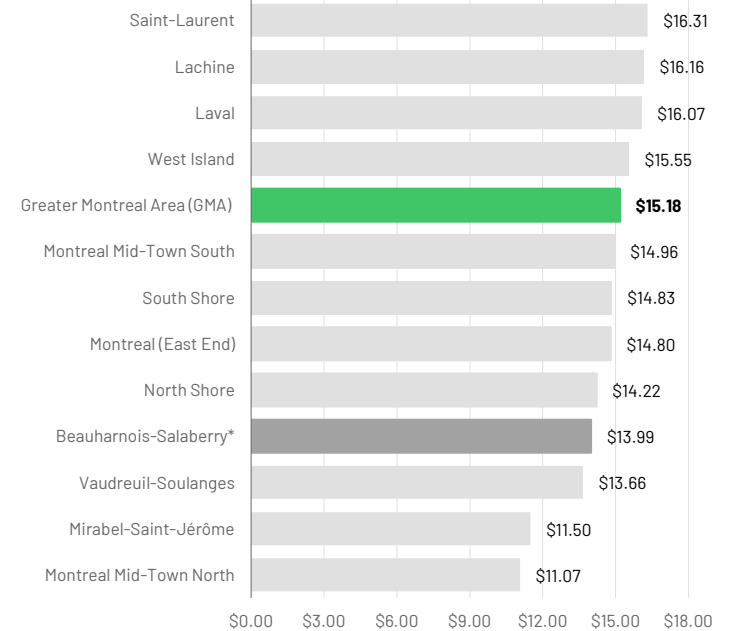
Vacancy Rate Comparison (%)

MONTREAL SUBMARKETS



Rental Rate Comparison (\$/sf)

MONTREAL SUBMARKETS



*Not included in GMA

Montreal Q3 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.

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