



Greater Montréal area office market report

Q3 2024

**AVISON
YOUNG**

Greater Montréal area (GMA) market fundamentals

18.8%

total availability rate
down from 19.1% in Q2 2024

16.4%

sublet as a percentage
of all available space
up from 16.3% in Q2 2024

\$40.00

average gross asking
rent per square foot (psf)
includes \$19.36 psf
average additional rent

21.1M

square feet (sf) available
down from 21.4 million sf (msf)
in Q2 2024

-368K

sf absorption
year-over-year

274K

sf under construction
across three projects

Higher office occupancy requires new leasing strategies

The impact of a third day working at the office

According to a survey published in October by KPMG, 83% of business leaders expect their employees to be back in the office five days a week by 2027. For millennial executives (born after 1981), this rate sits at 75%.

These results echo recent announcements of a full-time return to office by several major companies. While the Monday-to-Friday standard certainly hasn't returned, we are seeing an increase in the minimum days at the office since the fall.

Enforcement remains a challenge, creating tensions between employers and employees, but on-site work is progressing.

If employees are expected to be in the office at least three days, leasing strategies may need to be reviewed to consider the likelihood of full occupancy at any moment of the week. In this event, a lack of space – and comfort – could hinder the success of return-to-office expectations.

More tenants at risk of running out of space

According to Statistics Canada, the share of Canadians working mostly from home rose from 7,1% before Covid to 40% in 2020, before falling to 20% in 2023. Many of the remote office jobs created since 2020 allowed employers to grow their workforce while reducing their total footprint. Québec's insurance and finance sector, for example, has recorded a net growth of over 25,000 jobs from 2020 to 2023. This larger workforce returning to reduced premises will require adjustments.

The transition to more than two days a week at the office, the threshold beyond which desk sharing becomes complex, will require more space for tenants who don't have enough seats for all. As office use increases, employers need to assess whether their current premises can accommodate different occupancy scenarios. Meanwhile, the window of opportunity to secure quality premises at advantageous cost is gradually closing.

The appeal of a renowned address

The choice of building and location are key to a brand's identity. Therefore, the prestige associated to a company's address and location remain a major appeal for large corporations. Since its revival over 20 years ago, the Quartier International established itself as one of these prestigious areas and was reinforced by the construction of National Bank's head office, relocation of CN's head office and redevelopment of 600 and 700 De La Gauchetière.

Beyond the chosen sector and the quality of the landlord, the address of a building also convey a strong positioning message, as evidenced by our new section on downtown corridors (*page 17*). As such, some buildings are repositioned and renamed to benefit from the prestige associated with their address, such as 700 De La Gauchetière, now 1001 Robert-Bourassa, and 1100 Robert-Bourassa, now 700 René-Lévesque West.

Greater Montréal area office market trends

01

Newer buildings monopolize absorption

Underlying indicators for the office leasing market, such as rising attendance of public transit, office and retail traffic in the downtown area, are pointing in the right direction. Another sign is the declining availability of large blocks of space, particularly in Trophy towers. With only three projects under construction, totaling 250,000 sf, new supply is quite limited, which will help to stabilize vacancy.

Absorption over the past 12 months remains negative overall, but positive for recently built buildings. In fact, positive absorption of over 600,000 sf has been recorded year-to-date in properties built since 2010. For properties built before 2010, absorption is negative, and competition remains fierce.

02

The dividing line between class A and B blurs

The gap is widening between Trophy and class A buildings, both in terms of availability rates (10.0% vs. 18.6%) and net asking rents (\$33.71 vs. \$22.62 psf). Conversely, the difference in net rents between the class A and B markets was only \$4.31 in Q3 2024, while both categories posted availability rates around total market average.

While options in Trophy towers are increasingly finding takers, tenants looking for spaces still enjoy a strong position to negotiate favorable terms in the rest of the market. That said, construction costs remain high, and landlords are selective in granting tenant improvement allowances. The recent reductions in interest rates should help somewhat mitigate the financing costs of the improvements.

03

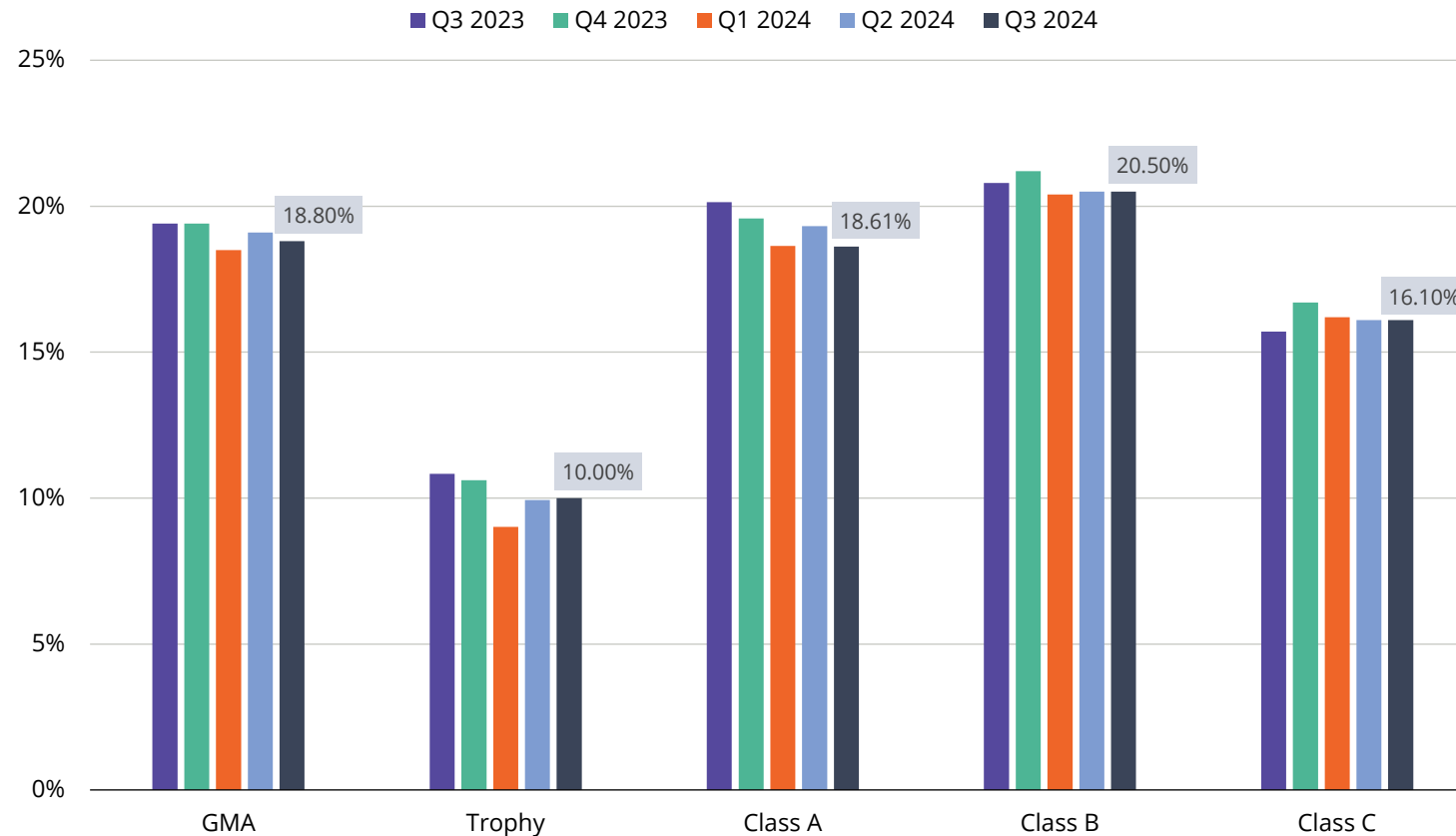
Investment to be expected in the office market

Investment activity in the office market in 2024, although modest, has been dominated by private local investors and users (owner-occupiers). Indeed, over the past six months, half of the total volume of office building transactions and 59% of the transacted areas have shifted from institutional investors to local private buyers with a more entrepreneurial profile, aiming for redevelopment and value creation plans.

The cut in the overnight rate to 3.75% in September will stimulate real estate investment activity, but it remains to be seen whether the office sector will benefit from this recovery. Lower financing costs will nevertheless be beneficial in stimulating investments in fit-outs, capital expenditure and repositioning projects.

Greater Montréal area office market indicators

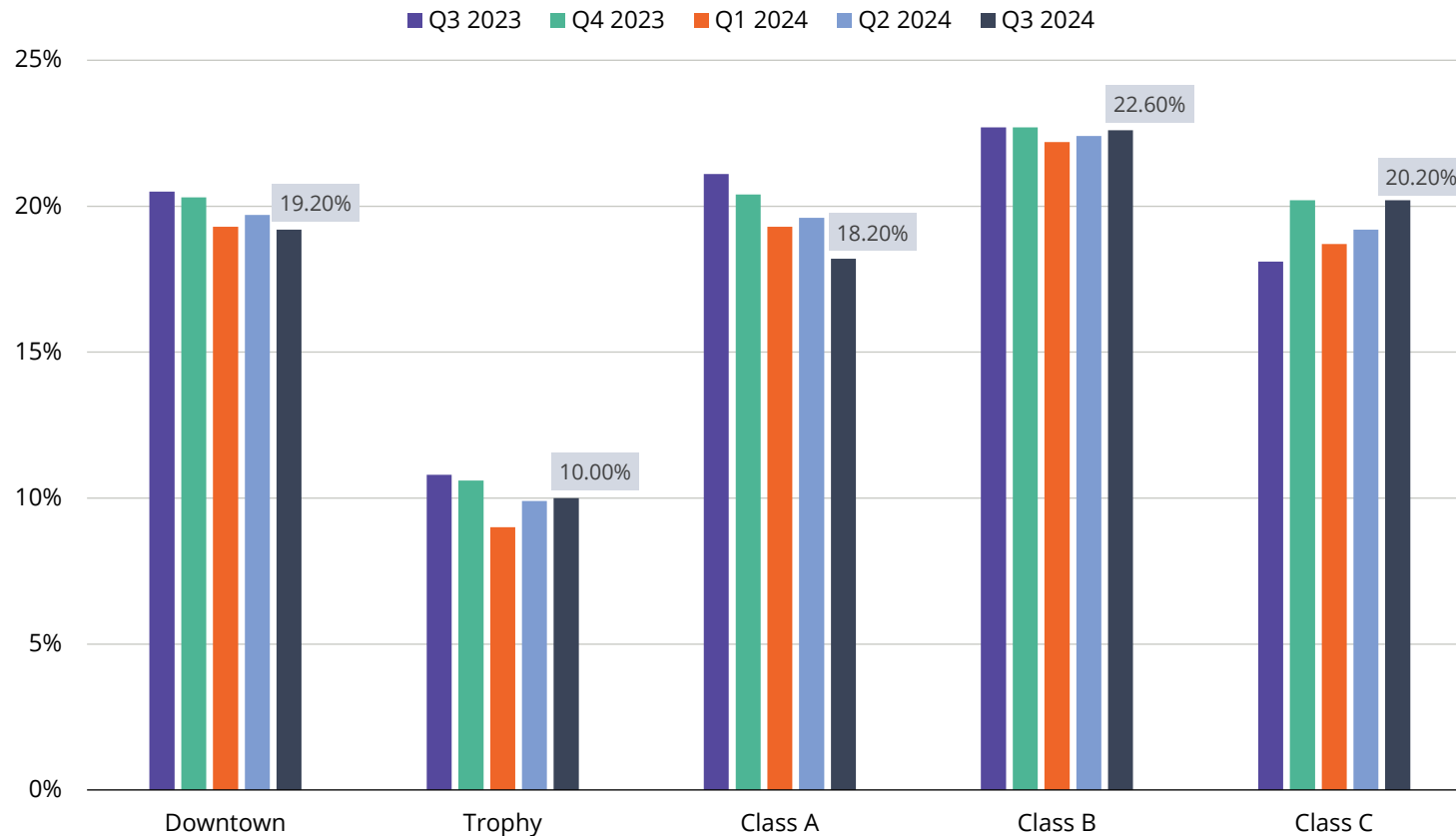
Availability rate by class



Availability rates were slightly tighter than last year. The improvement is most prevalent for class A buildings.

Greater Montréal area office market indicators

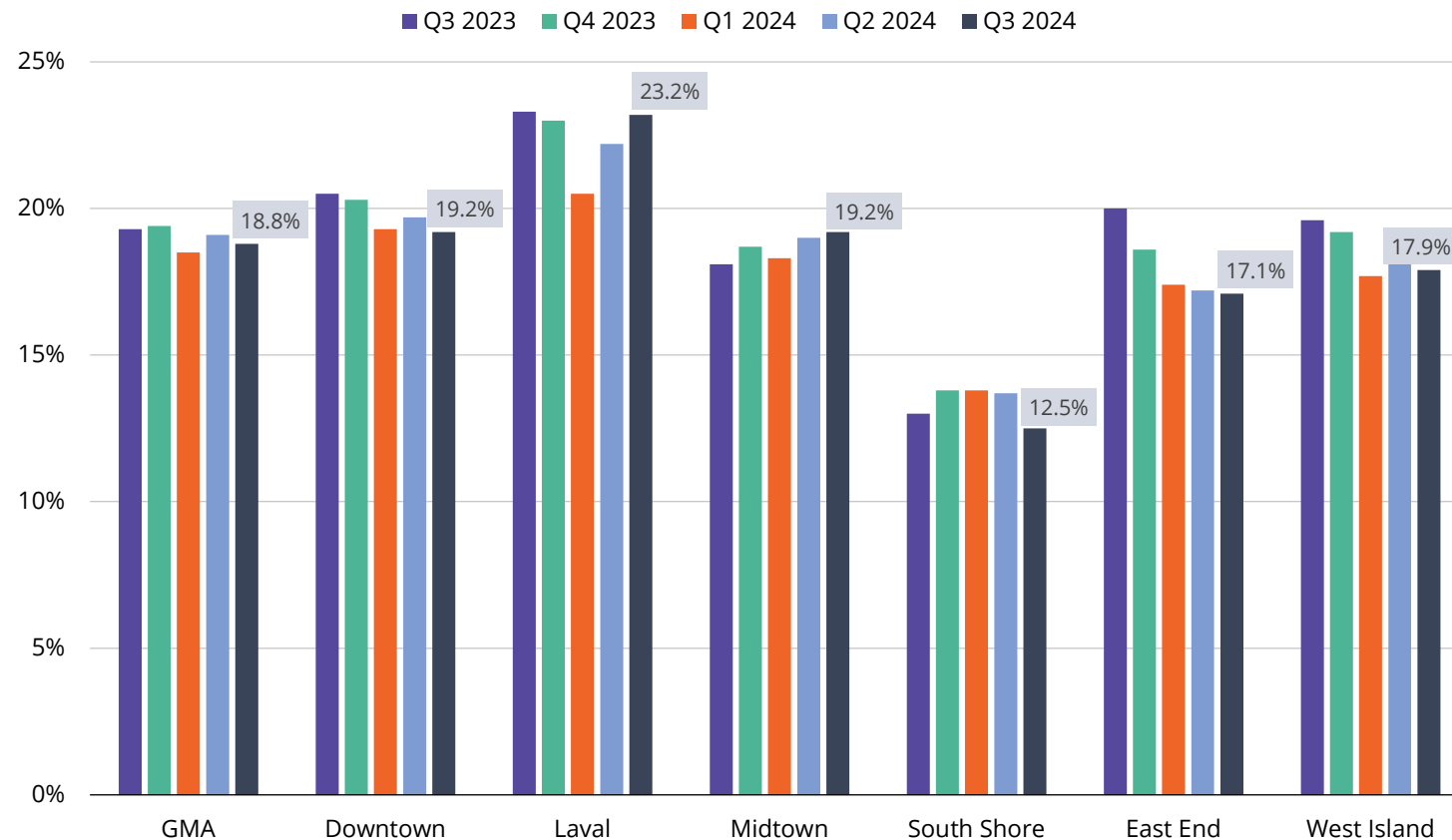
Downtown Montréal Availability rate by class



The availability rate for downtown class A offices is showing a downward trend. The rate is down 1.4% compared to Q2 2024 and 2.9% compared to Q3 2023.

Greater Montréal area office market indicators

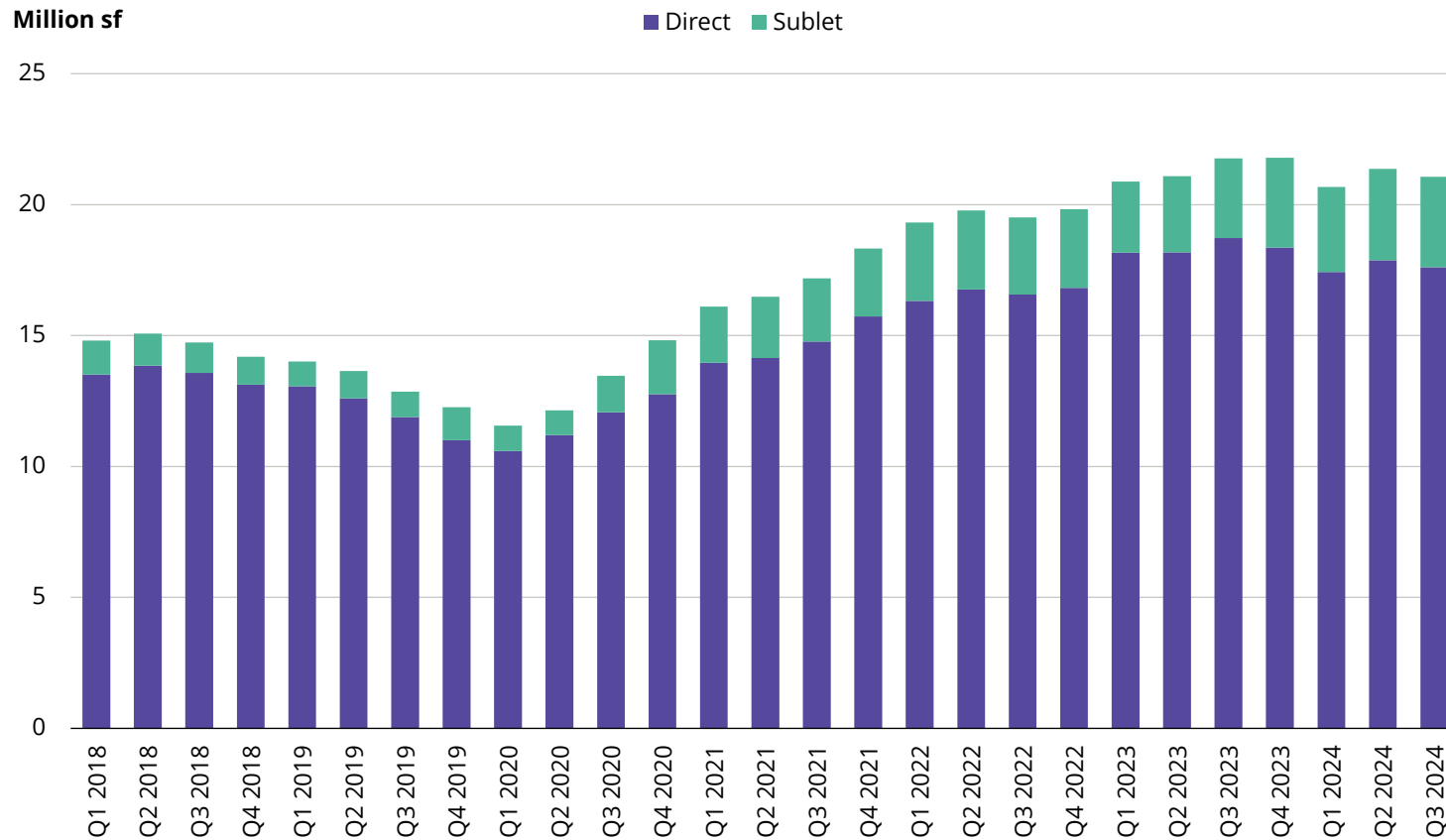
Availability rate by sector



Laval's availability rate has been rising again since the start of 2024, while the South Shore leasing market continues to tighten, posting a rate well below the overall average.

Greater Montréal area office market indicators

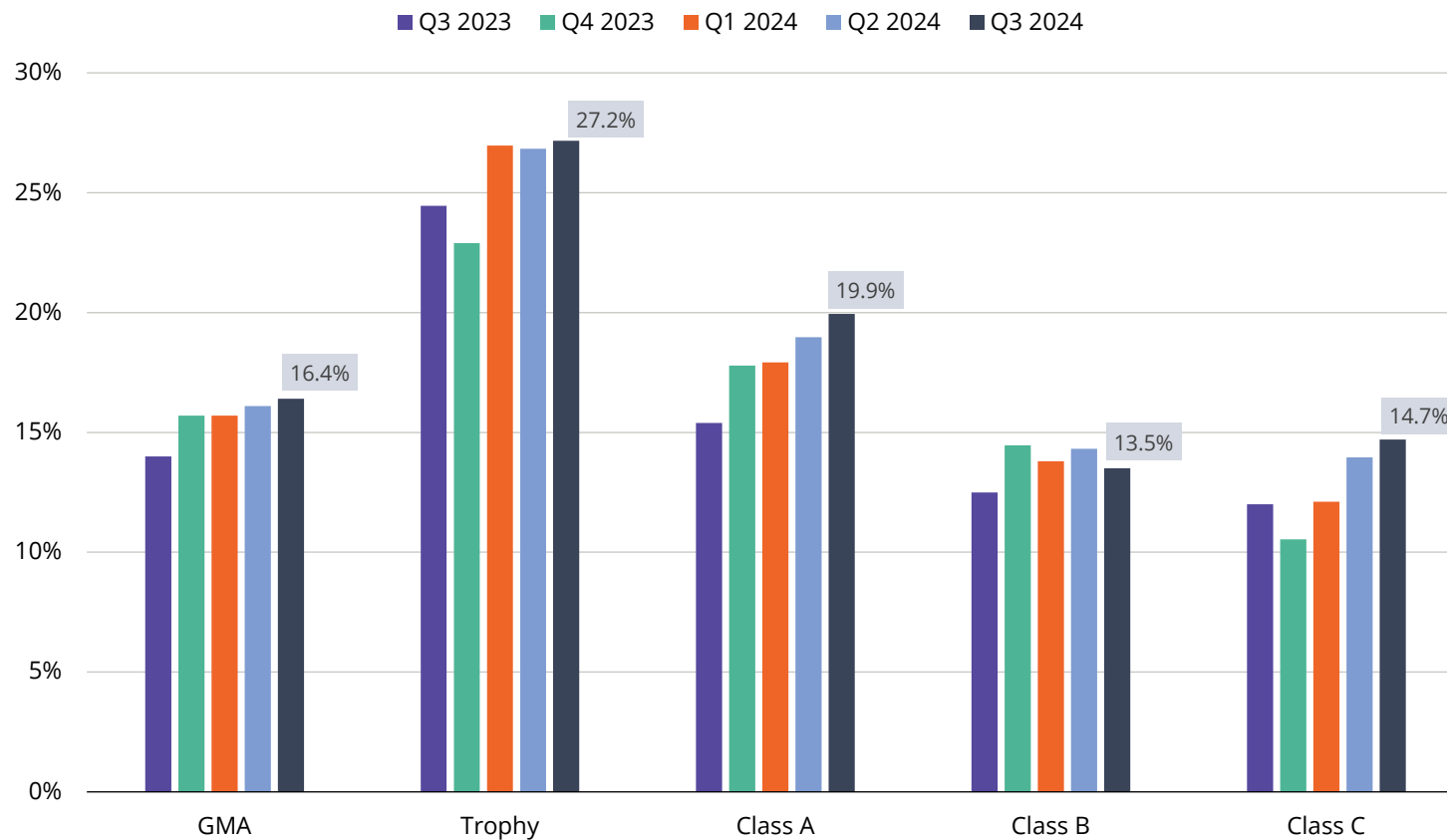
Direct and sublet availability (sf)



Direct availability has fallen by 1.1 msf over the past year, while sublease space has stabilized at roughly 3.4 msf.

Greater Montréal area office market indicators

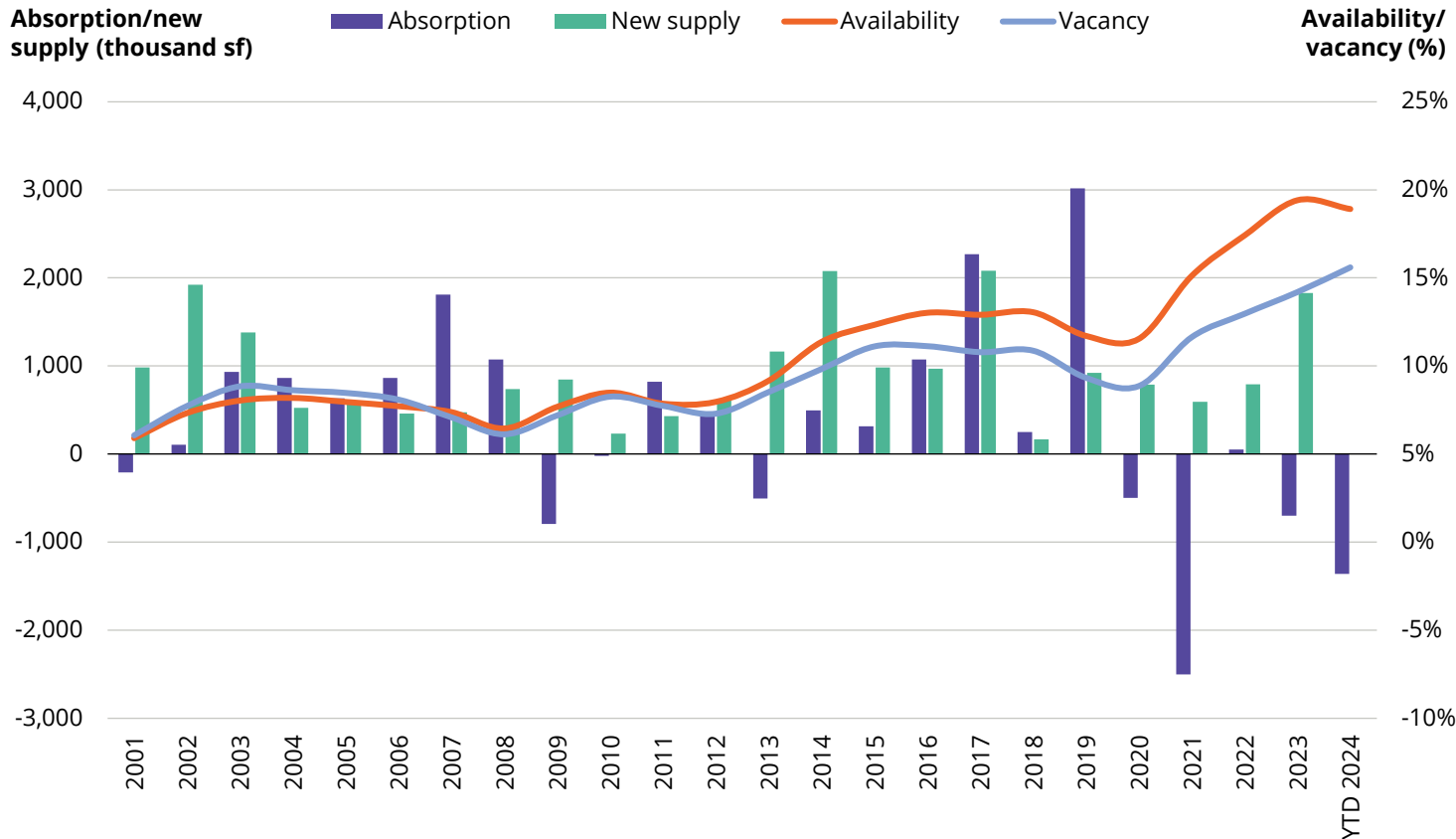
Sublet as a percentage of total availability by class



One in five square feet available for lease across class A properties are sublets. This proportion climbs to one in four for Trophy properties which fare better with a lower availability rate.

Greater Montréal area office market indicators

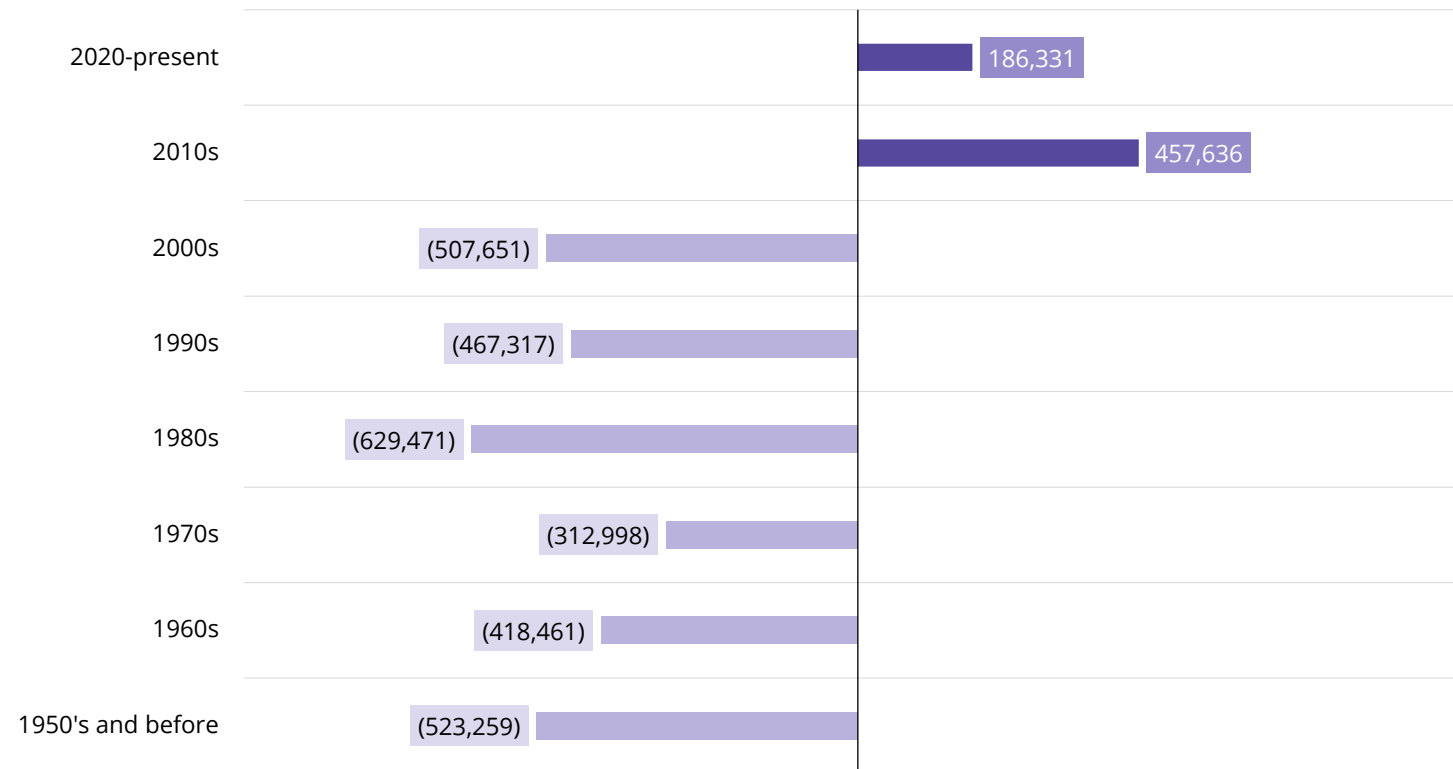
Historic office market trends



Availability has been declining since the start of 2024, and is closing the gap with the vacancy rate, suggesting that spaces previously listed as available for lease have been pulled back from the market.

Greater Montréal area office market indicators

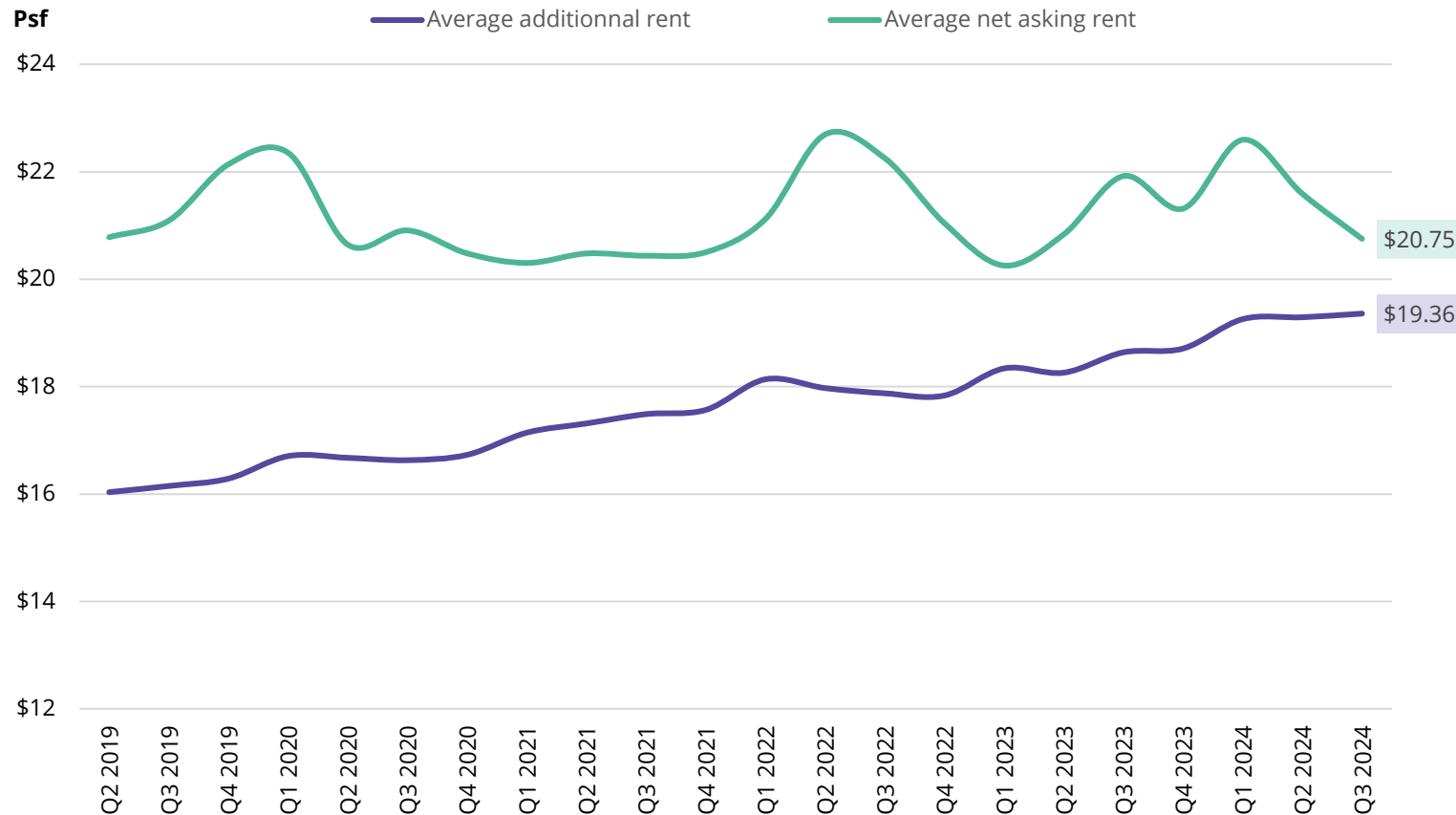
Year-to-date absorption (sf) by year of construction of buildings



Office buildings built from 2010 onwards dominate positive absorption. The flight to quality clearly favors newer buildings.

Greater Montréal area office market indicators

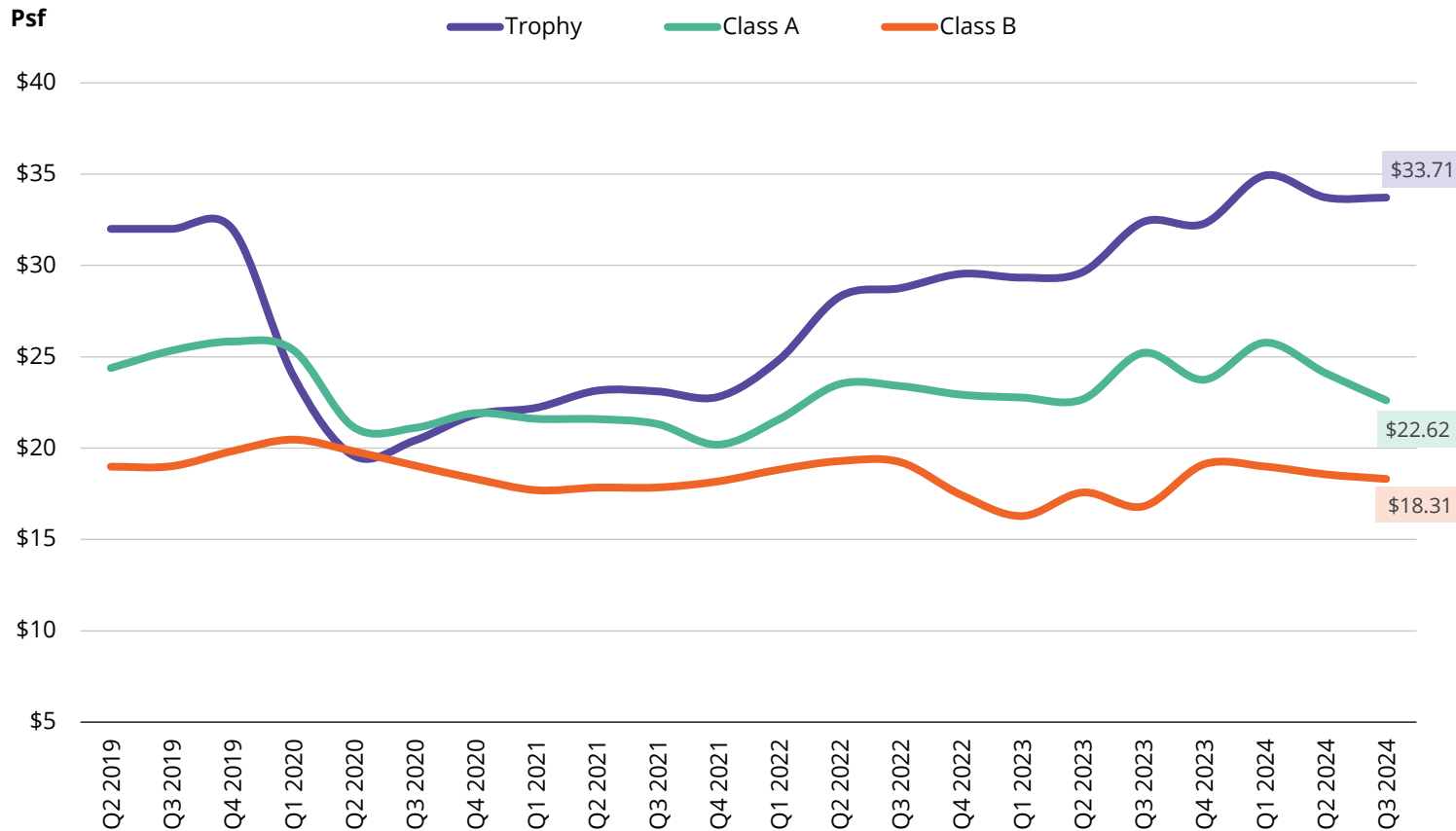
Occupancy costs



Average net asking rents have been fluctuating since 2019, while additional rents have been rising steadily ever since.

Greater Montréal area office market indicators

Net asking rents

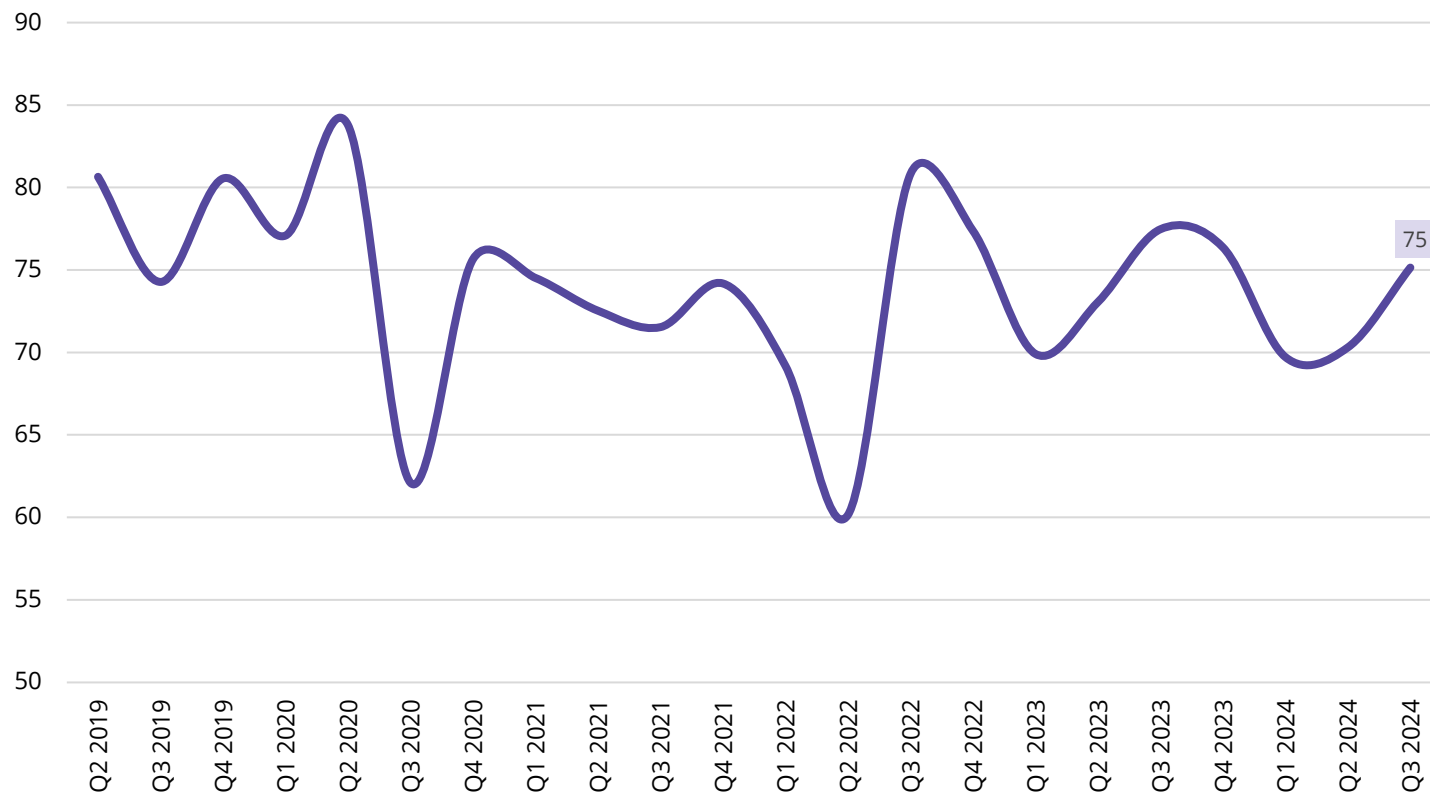


The gap is widening between rents of Trophy (AAA) and class A buildings. Net asking rents for class A buildings are getting closer to class B properties' average.

Greater Montréal area office market indicators

Average lease term

Number of months



Average lease terms are trending upwards, as companies regain confidence in the economy.

Greater Montréal area office market activity

Notable recent leasing activity

Address	Tenant	Size (sf)	Lease type	Transaction type	Move-in date
1981 McGill College Avenue, Montréal	Industrielle Alliance	74,460	Direct	New lease	October 2024
1100 Robert-Bourassa Boulevard, Montréal	PCL Construction	22,170	Direct	New lease	September 2025
9095 Jean Pratt Street, Montréal	N/A	18,000	Direct	New lease	September 2024
7450 du Mile-End Street, Montréal	GKC	17,210	Sublease	New lease	December 2024
1425 Transcanada Highway, Dorval	Lockheed Martin	17,100	Direct	New lease	January 2025

New sublet space on the market

Address	Major sub-lessor	Listing date	Block size (sf)	Floor/Suite number
1010 de Serigny Street, Longueuil	MNP	September 2024	27,000	400,500
2600 William-Tremblay Street, Montréal	N/A	September 2024	21,360	Ground floor
1100 des Canadiens-de-Montreal avenue, Gare Windsor, Montréal	GH+A	September 2024	18,760	130
420 Armand-Frappier Boulevard, Laval	Xprima	July 2024	17,500	3

Major office sale transactions

Address	Buyer	Sale date	Sale price	Sale price \$/psf	Seller
1600-1616 René-Lévesque W. Boulevard and 425 Guy Street, Montréal	Groupe Mach	August 2024	\$67.0M	\$193	BentallGreenOak
Allied portfolio, Saint-Paul Street and Saint-Laurent Boulevard, Montréal	Elbran Limited Partnership	August 2024	\$32.5M	\$244	Allied Properties REIT
4436-4450 Saint-Laurent Boulevard, Montréal	MTRPL	September 2024	\$18.75M	\$213	Allied Properties REIT
2550 Bates Road, Montréal	Bates Garden	July 2024	\$13.3M	\$276	9347-3619 Québec Inc.
3 Cité-des-jeunes Boulevard, Vaudreuil-Dorion	Immo TJ 2020 Inc.	September 2024	\$9.6M	\$234	9387-1317 Quebec Inc.

Greater Montréal area office market statistics

Office market statistics by submarket

Submarket	Existing inventory (sf)	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2024 net absorption (sf)	YOY net absorption (sf)
Downtown	54,665,540	0	44,000	16.4%	2.8%	19.2%	(272,850)	321,230
East End	3,175,550	0	0	17.0%	0.1%	17.1%	(176,910)	(125,020)
Laval	4,949,780	0	0	21.0%	2.3%	23.2%	(127,840)	(3,520)
Midtown	30,669,470	0	230,000	15.2%	3.9%	19.2%	(120,310)	(599,780)
South Shore	6,295,320	0	0	11.2%	1.3%	12.5%	63,540	16,770
West Island	11,598,900	0	0	13.7%	4.2%	17.9%	80,020	21,830
Overall	111,401,060	0	274,000	15.7%	3.1%	18.8%	(554,350)	(368,490)

Office market statistics by asset class

Class	Existing inventory (sf)	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2024 net absorption (sf)	YOY net absorption (sf)
Trophy	6,641,510	0	44,000	8.0%	1.7%	9.7%	(10,970)	1,373,750
Class A	38,612,880	0	0	15.2%	4.0%	19.2%	(104,910)	(698,390)
Class B	50,346,780	0	0	17.8%	2.8%	20.5%	(401,320)	(843,380)
Class C	15,799,880	0	230,000	13.8%	2.4%	16.1%	(37,160)	(200,470)
Market total	111,401,060	0	274,000	15.7%	3.1%	18.8%	(554,340)	(368,490)

Spotlight on

Downtown Montréal office corridors

In the midst of high overall availability rates, some corridors are performing better than others.



Downtown Montréal corridors overview

RENÉ-LÉVESQUE

Guy to Saint-Urbain
Avg. net rent: \$24.31 psf

QUARTIER INTERNATIONAL

R-Bourassa to Bleury
Avg. net rent: \$31.72 psf

CITÉ DU MULTIMÉDIA

William to De La Commune
R-Bourassa to King Street
Avg. net rent: \$20.70 psf

DE MAISONNEUVE

Stanley to Bleury
Avg. net rent: \$22.20 psf

MCGILL COLLEGE

Sherbrooke to Cathcart
Avg. net rent: \$22.41 psf

WESTMOUNT

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

SHERBROOKE

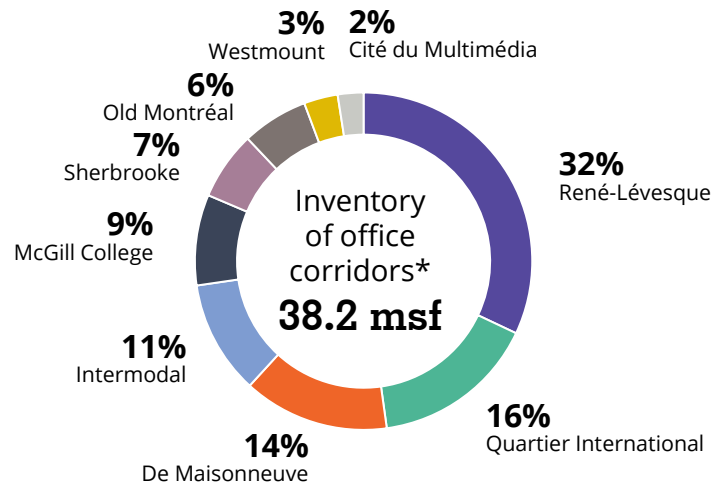
Stanley to Bleury
Avg. net rent: \$18.42 psf

INTERMODAL

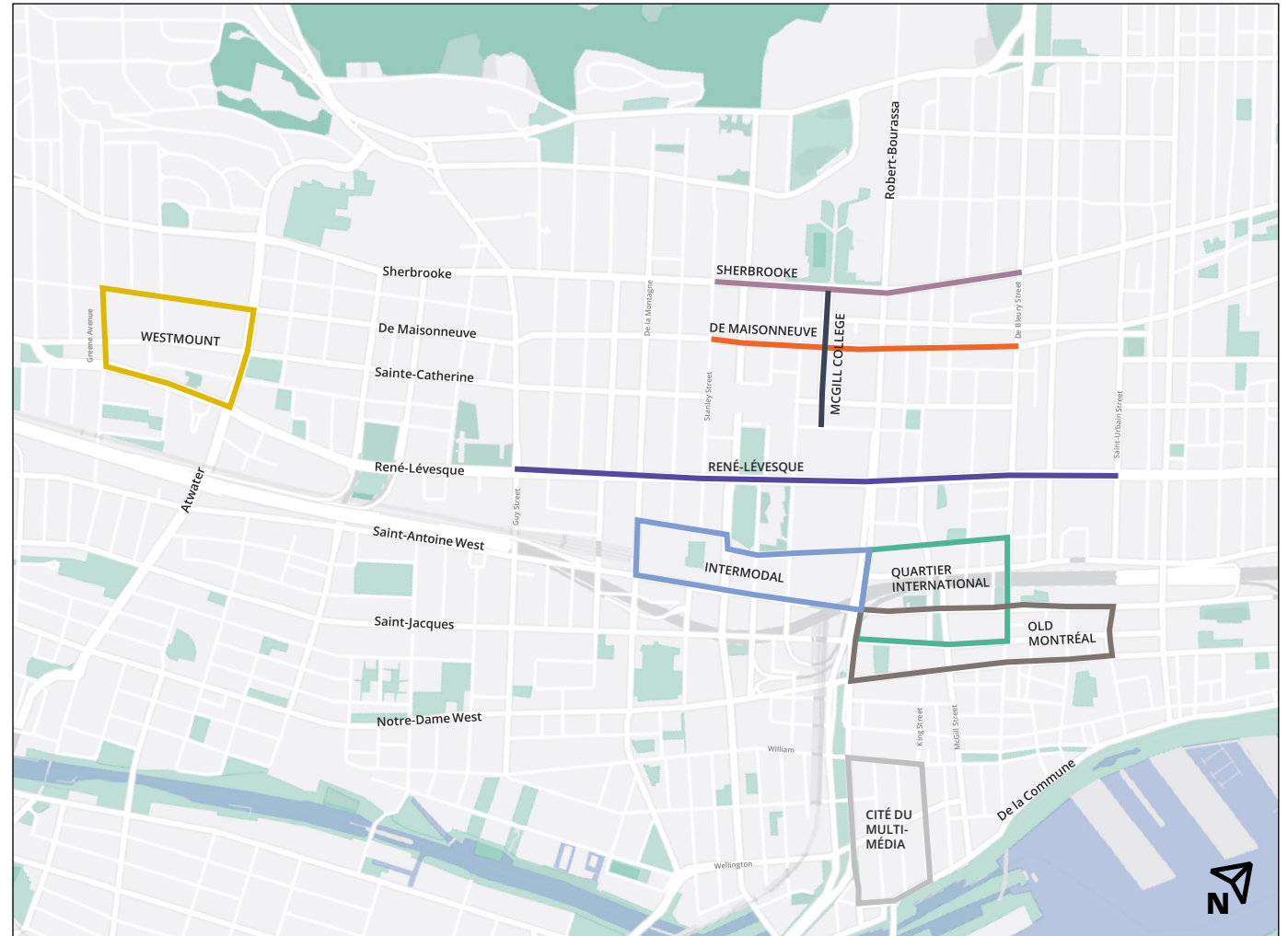
Drummond to R-Bourassa
Avg. net rent: \$23.13 psf

OLD MONTRÉAL

R-Bourassa to St-Laurent
Avg. net rent: \$19.22 psf

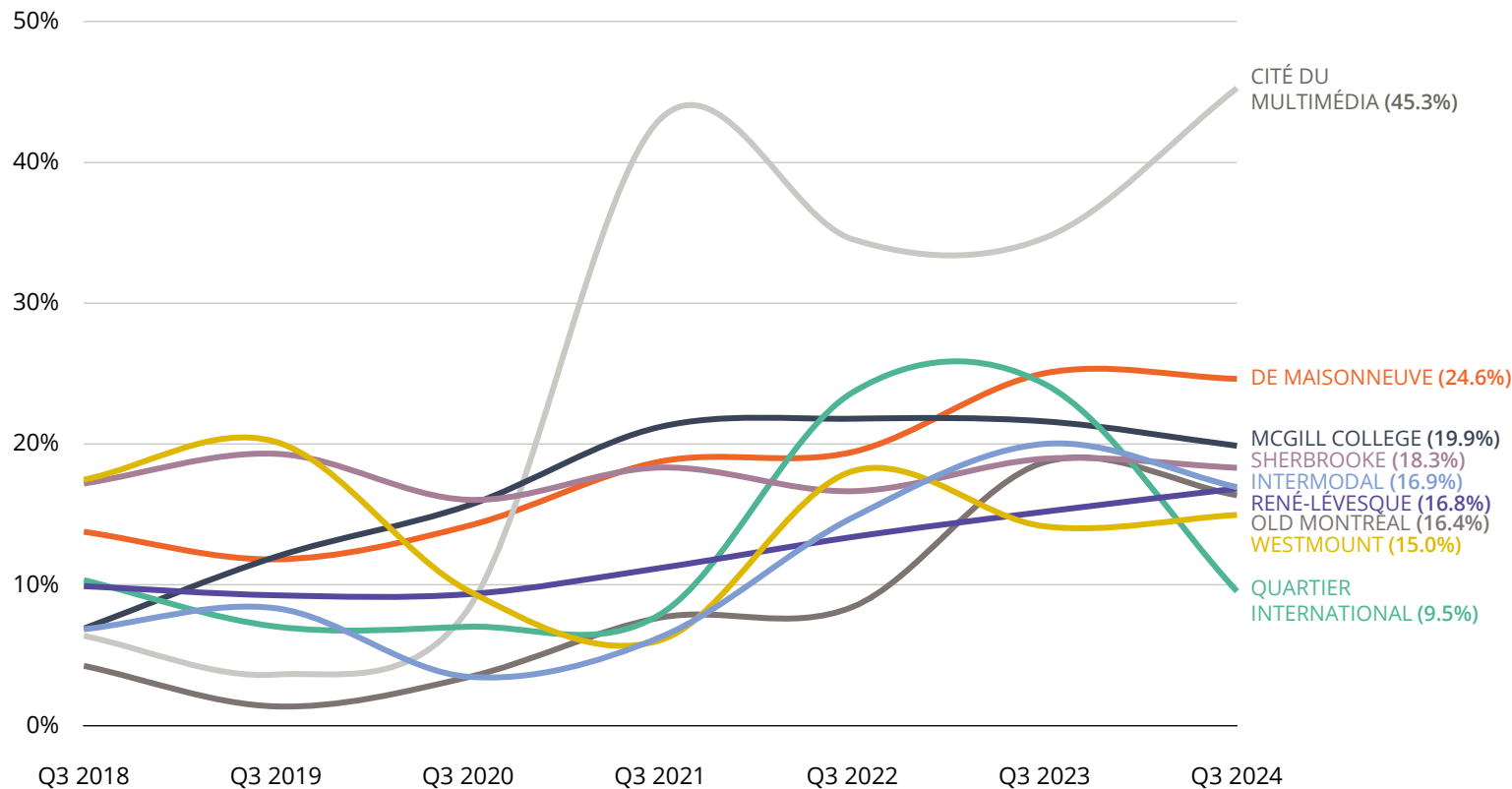


* Represents 70% of total downtown inventory



Downtown Montréal corridors availability

Historic availability rate by corridor



Corridors account for 70% of total downtown inventory.

Availability rates for most corridors are below the overall downtown average of 19.2%.

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

Patrick Laurin

Principal, Managing Director and Leader of
Occupier Services, Québec, Real Estate Broker
+1 514 392 9489
patrick.laurin@avisonyoung.com

Marie-France Benoit

Principal, Director
Market Intelligence, Canada
+1 514 392 5772
mf.benoit@avisonyoung.com

Maximilien Rahuba-Pigeon

Research Analyst
+1 514 392 9704
maximilien.rahuba-pigeon@avisonyoung.com

Frédéric Mackay

Senior Analyst, Market Intelligence
+1 514 360 3641
frederic.mackay@avisonyoung.com