

A man and a woman are standing in a large industrial warehouse, looking at a tablet together. The man is on the left, wearing a light blue shirt, and the woman is on the right, wearing a white shirt. The tablet screen shows a view of the warehouse interior. The background is a large, open industrial space with high ceilings and various equipment.

Greater Montréal area industrial market report

Q1 2024

**AVISON
YOUNG**

Greater Montréal area (GMA) market fundamentals

3.4%

total vacancy
up **0.8% year-over-year**

2.1M

square feet (sf) available for sale in
68 buildings across the GMA

\$16.32

average net asking rent
\$4.60 psf average additional rent

11.1M

sf vacant, including
1.35M sf of sublet space

-1.35M

sf of negative absorption
year-to-date

5.1M

sf under construction
10 projects

Greater Montréal area industrial market trends

01

Rebalancing the landlord and tenant relationship

We have reached a turning point in the demand for industrial space in the GMA. The increasing vacancy, which rose from 2.6% to 3.4% year-over-year, the stabilising inflation and the economic uncertainty that remained in the second half of 2023, have initiated a re-balancing shift in the industrial market. This calls into question the substantial rent increases that have been observed over the past three years.

To remain competitive with new buildings, landlords are now offering tenant improvements ranging between \$20 and \$30 psf. Landlords keep the upper hand in negotiations, but the slowdown in demand no longer justifies the rent hikes seen since 2022. These new market expectations are prompting adjustments in rental strategies.

02

Impact of e-commerce slowdown

The gradual decrease in e-commerce and logistics is impacting the demand for large industrial spaces. The vacancy rate for premises of 100,000 sf or more is on average 80 to 100 bps higher than it is for smaller spaces in the GMA.

For example, Dsquare, which operates in the transport and logistics sector, had secured what was hailed as the largest industrial lease of 2022. This space was 100% reintroduced to the market in March 2024.

Some owners of large industrial space are reportedly considering subdividing their space in order to avoid extended vacancy periods and preserve cash flow.

03

To sell or not to sell

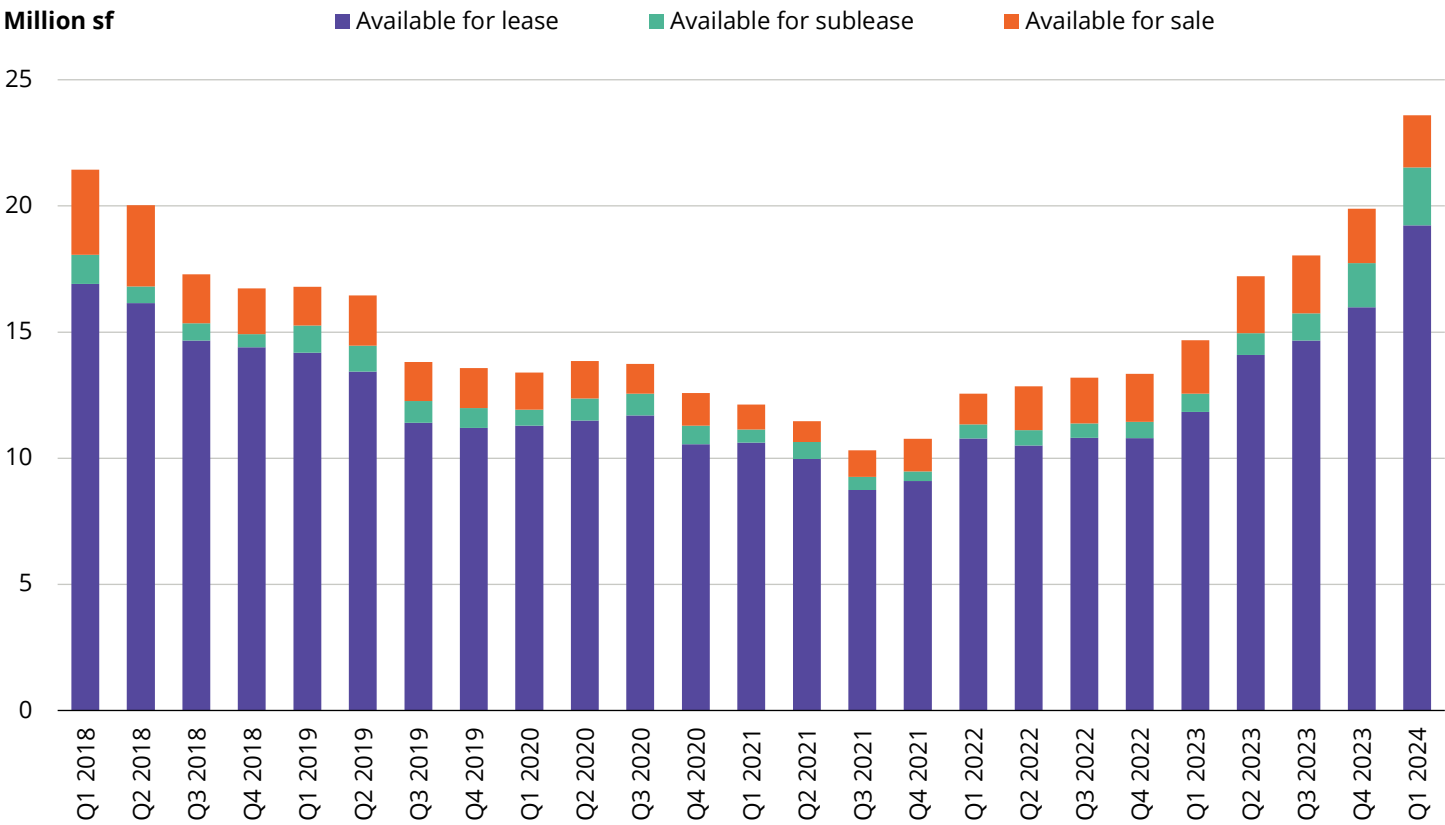
Sale-leaseback transactions remain a strategy of choice in a context of high financing costs. For owner-occupiers, these transactions are a means of converting property assets into immediate liquidity. This enable the funds to be ploughed back to reduce debt and grow the business.

With the lack of industrial product available for purchase, this is a great opportunity also for investors to acquire well-managed assets with good occupancy. As agreements in place can range from 10 to 20 years, sale-leaseback transactions offer stable returns.

These transactions are a great opportunity for owners-occupiers looking to reduce their financial obligations, and for investors looking for financially-stable acquisitions.

Greater Montréal area industrial market indicators

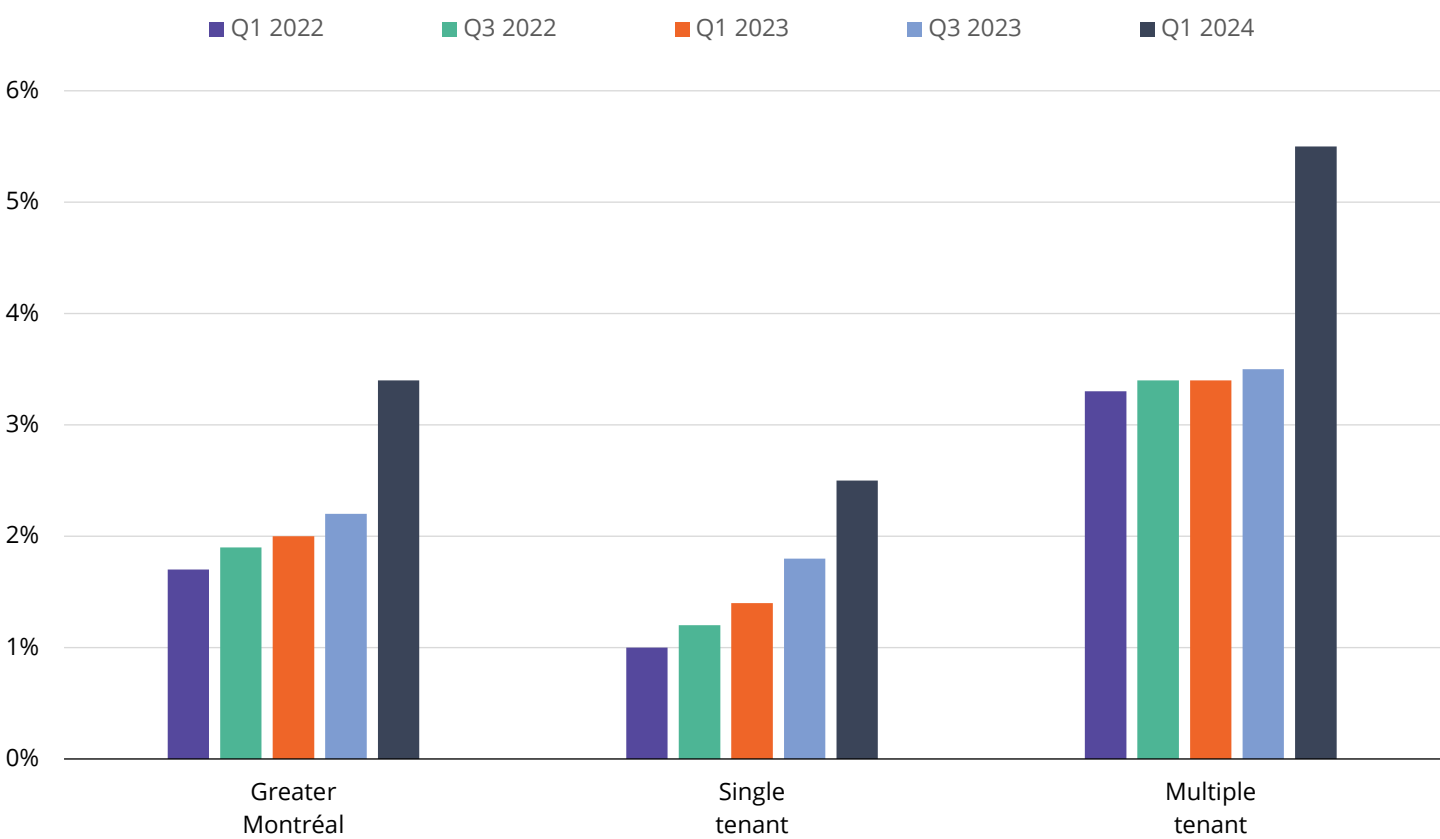
Available for sale and lease (sf)



Available space has increased by 8.9 million square feet (msf) over the past year, including 3.7 msf in the last quarter.

Greater Montréal area industrial market indicators

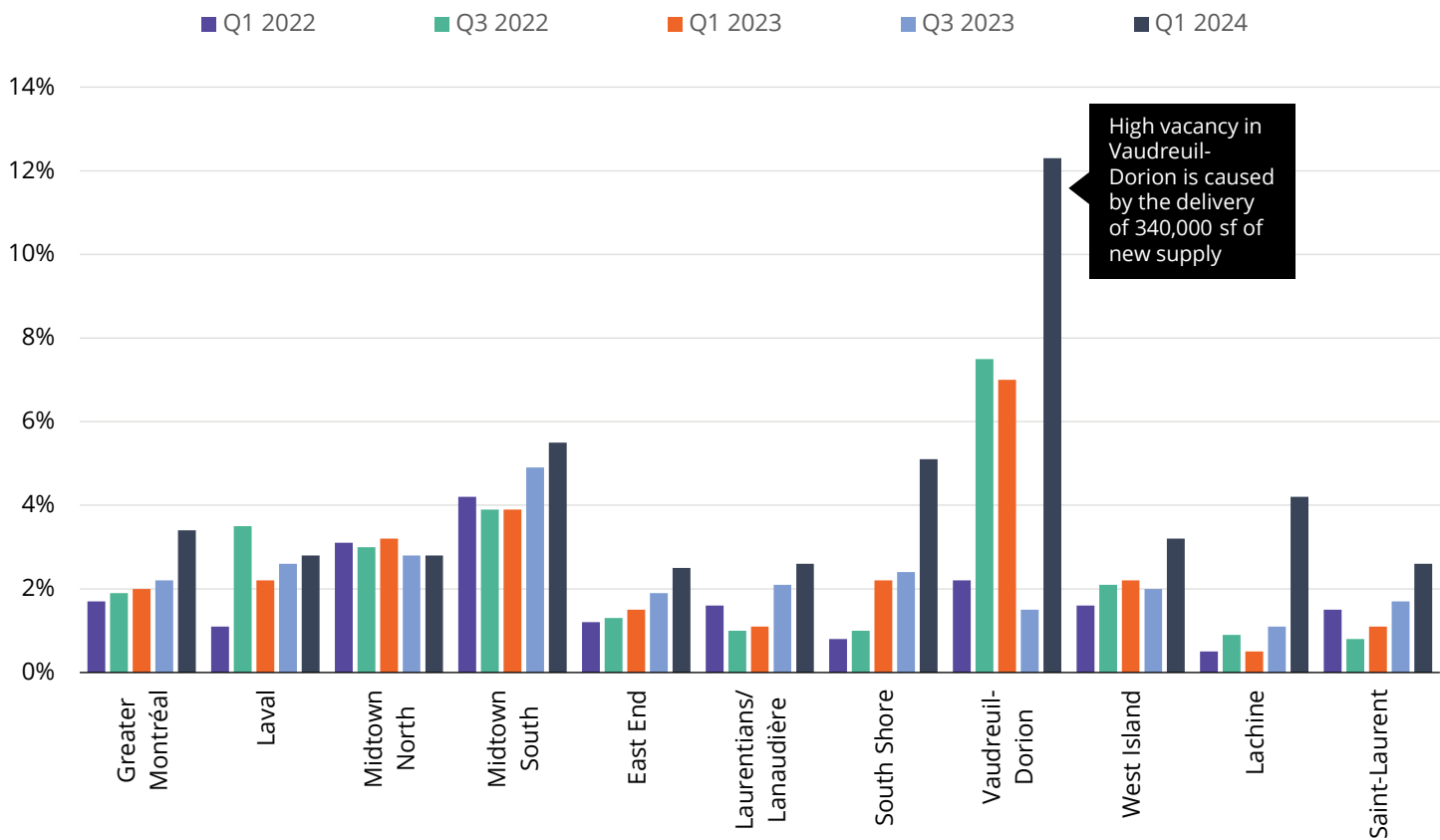
Vacancy rate by property type



Vacancy rose by 120 bps in Q1 2024 for multi-tenant properties. This increase is attributable to the development of Éco-Parc St-Bruno, where 1 msf are still available for lease.

Greater Montréal area industrial market indicators

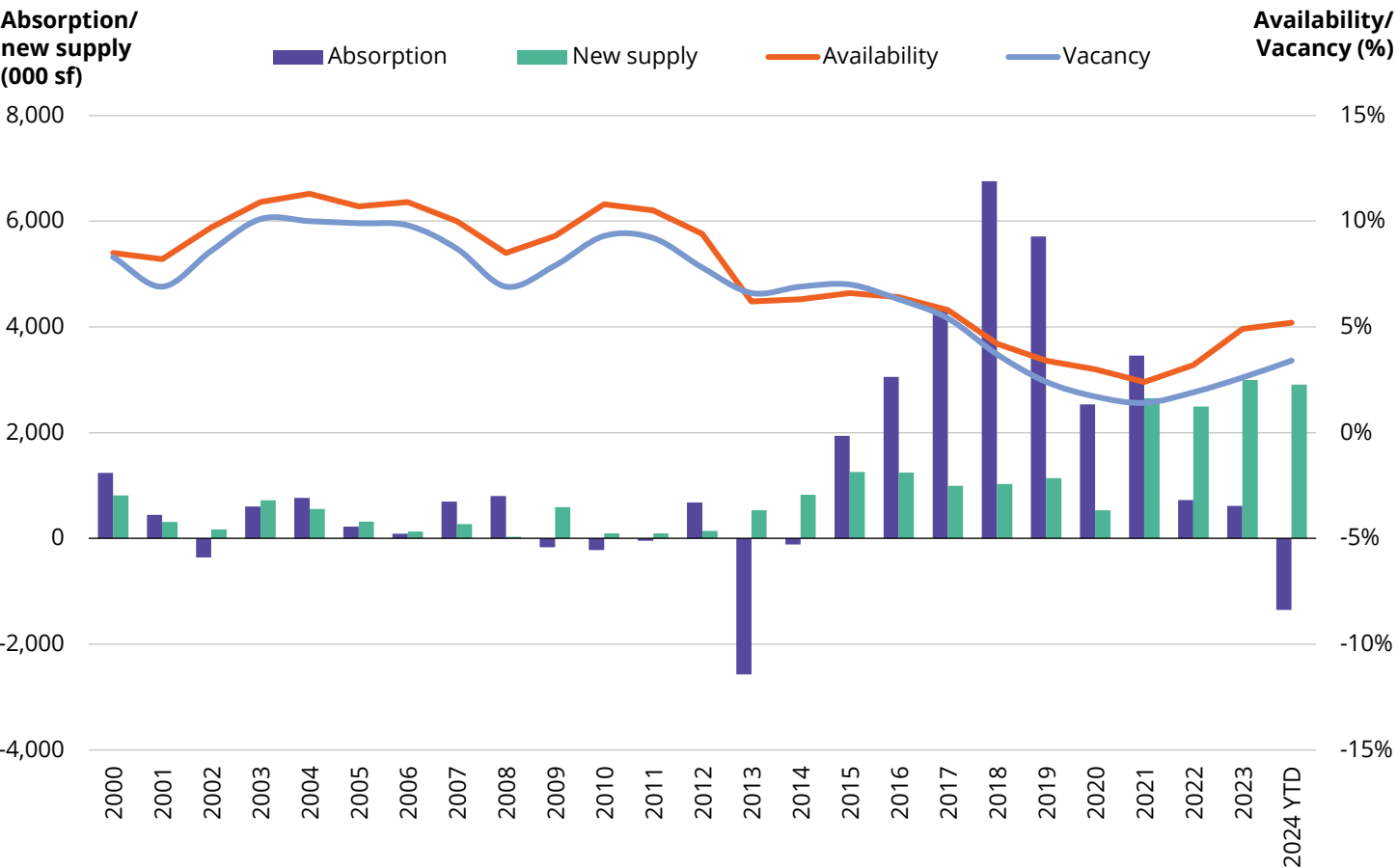
Vacancy rate by market



The addition of large blocks of vacant space in Lachine (600,000 sf) and on the South Shore (360,000 sf) pushed vacancy up from 1.4% to 4.2%, and from 2.7% to 5.1% respectively for these sectors.

Greater Montréal area industrial market indicators

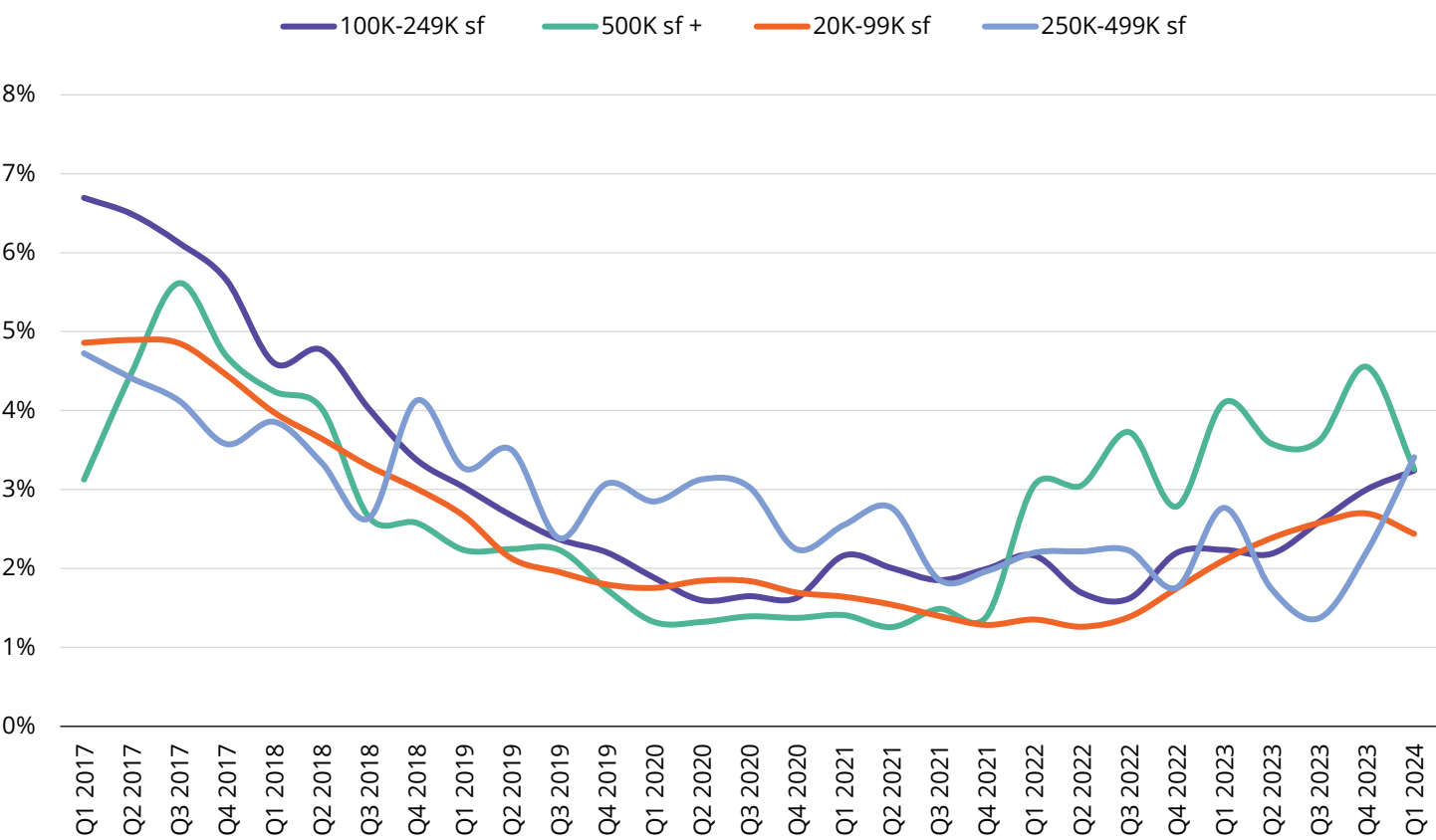
Historic industrial market trends



For the first time in a decade, the market recorded a negative quarterly absorption (-1.35 msf) coupled with rising vacancy due to swelling supply.

Greater Montréal area industrial market indicators

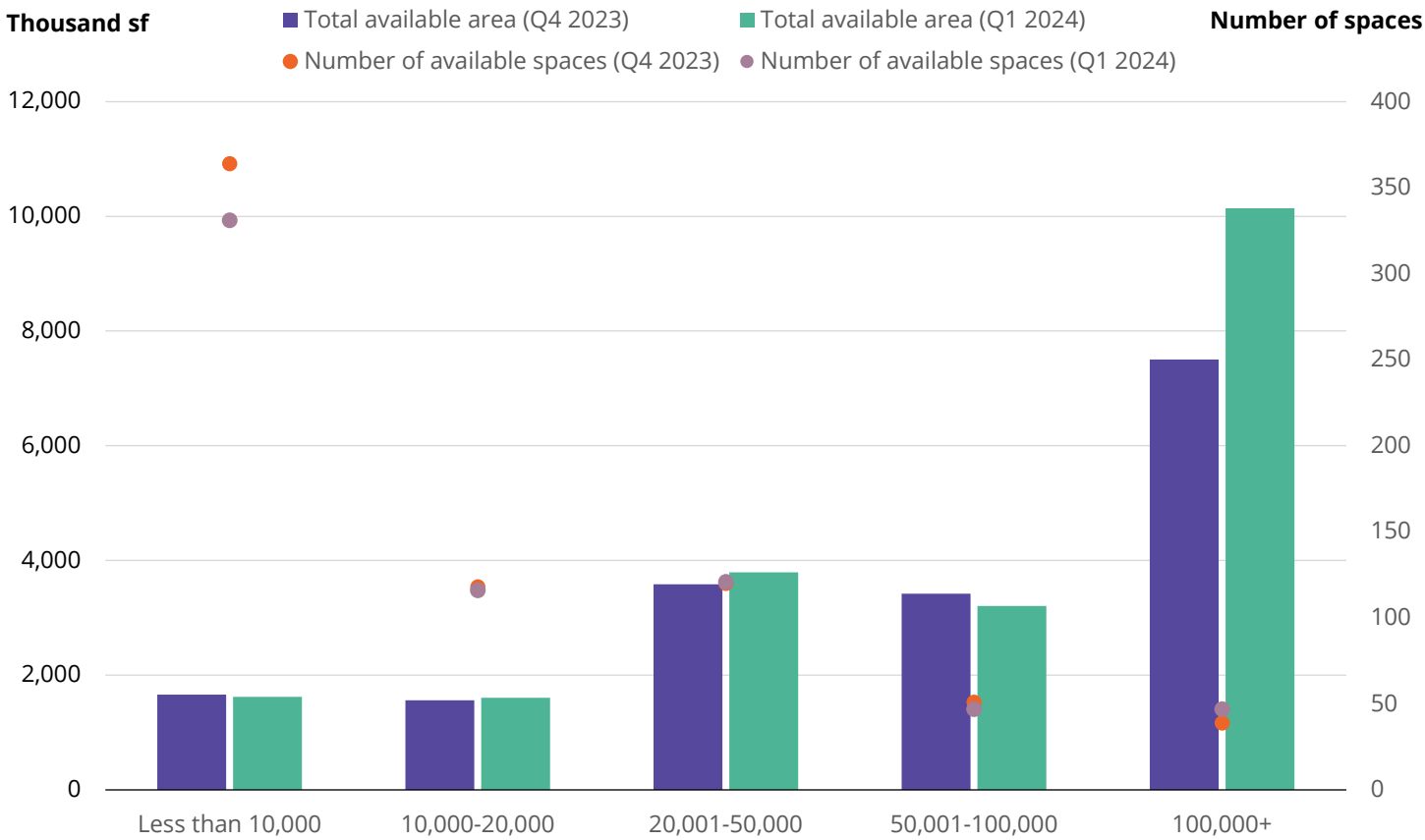
Vacancy by building size



Vacancy rates have been rising for buildings over 100,000 sf in size, which account for 66% of new construction. Properties below 100,000 sf in size saw waning vacancies due to restricted supply.

Greater Montréal area industrial market indicators

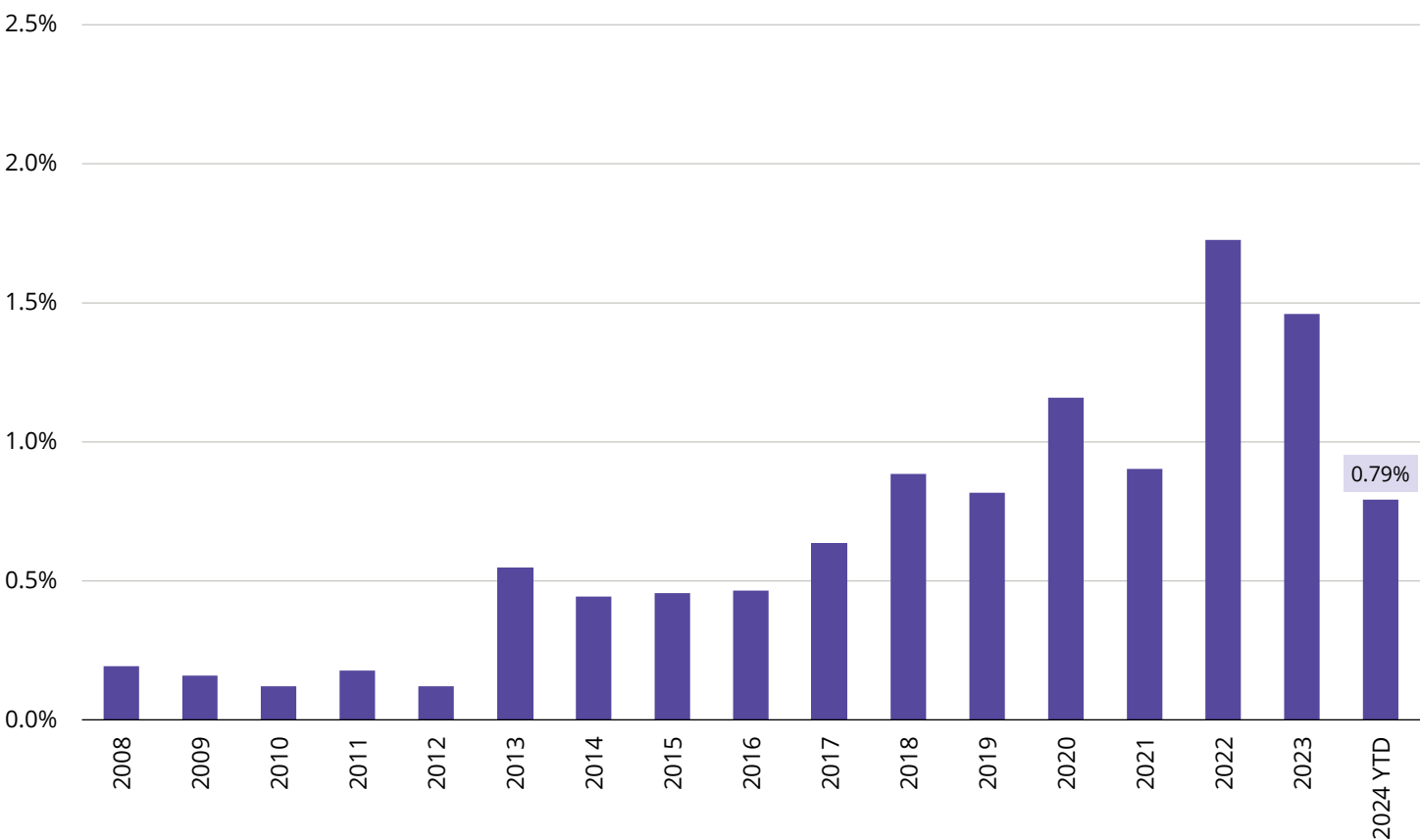
Available for lease by suite size (sf)



The number of available spaces over 100,000 sf in size rose from 39 to 47 over the quarter, representing a 3 msf increase in new supply.

Greater Montréal area industrial market indicators

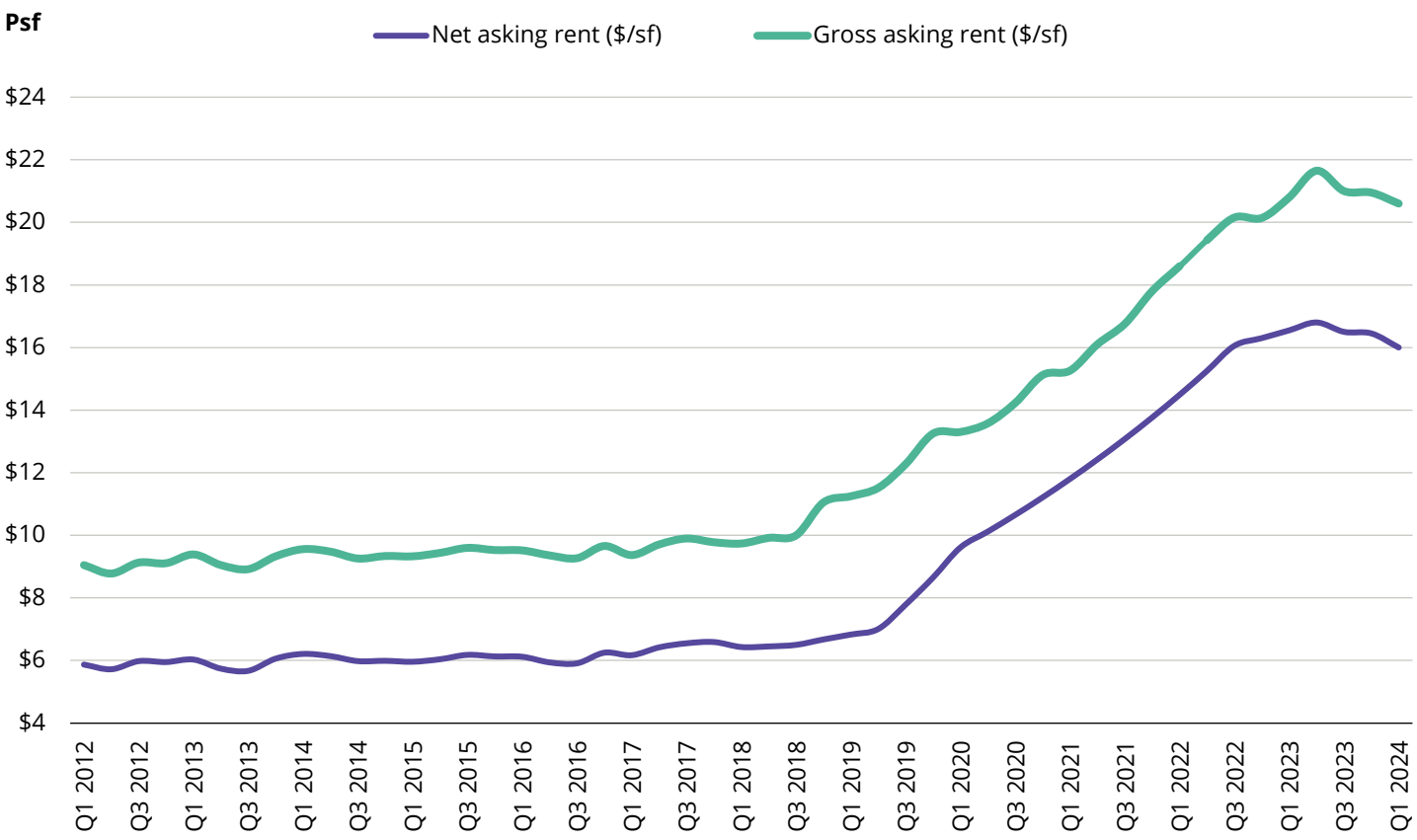
Space under construction as a percentage of existing inventory



Construction levels already match pre-2020 averages for Q1 2024, suggesting future new supply that could exceed the 2022 peak.

Greater Montréal area industrial market indicators

Average asking rents



After peaking at \$21.65 psf in Q2 2023, average gross asking rents are stabilising around \$20.60 psf.

Greater Montréal area industrial market indicators

Net asking rents by clear height



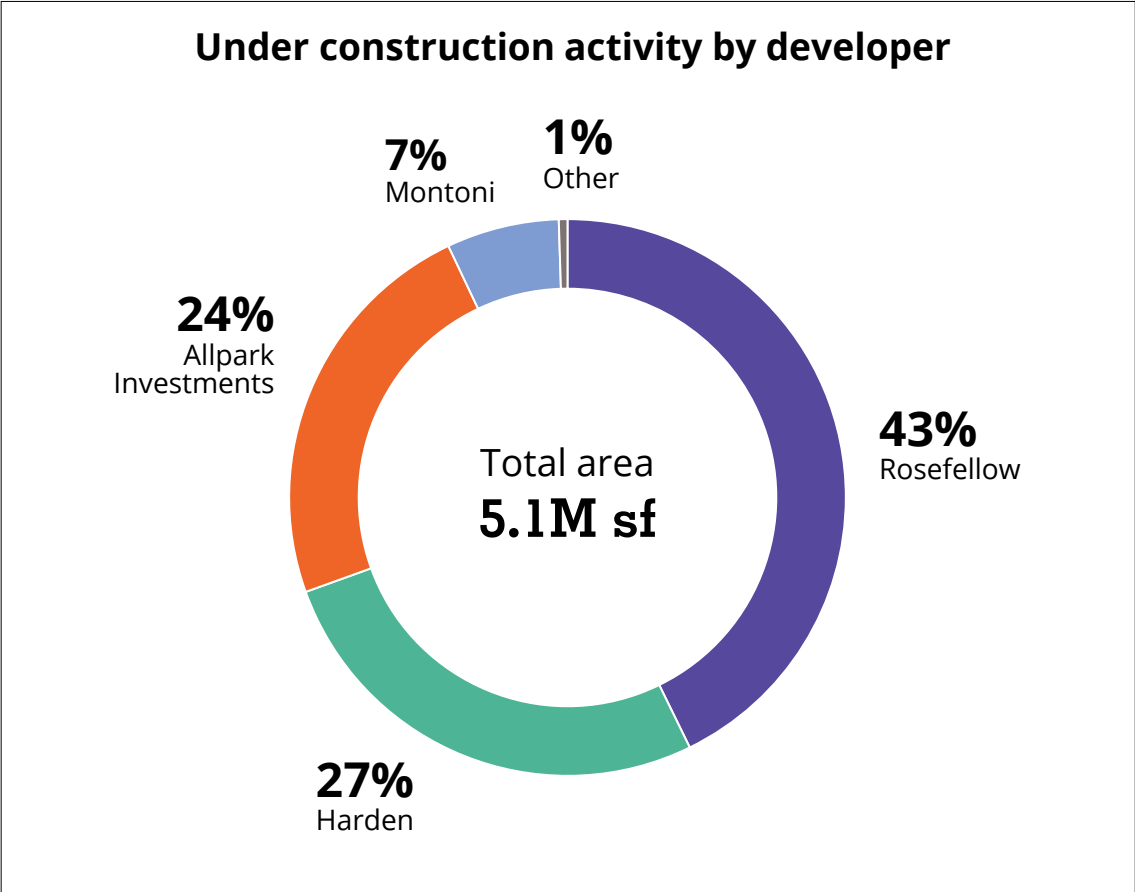
Rental rates for spaces with clear heights of 18 feet or less are more impacted by the rent corrections seen this quarter.

Greater Montréal area industrial developments

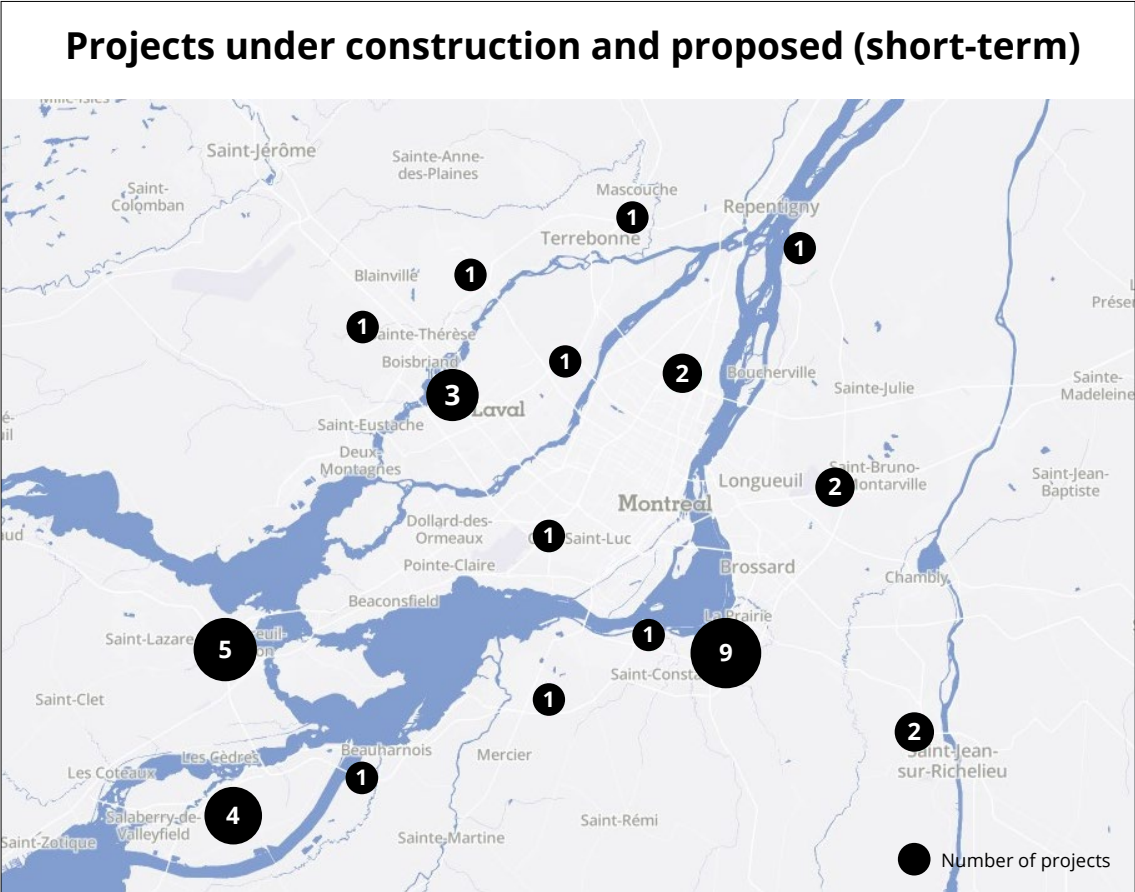
Buildings under construction by size

Address	Project name	Building size (sf)	City	Developer	Delivery
960 Rang du Canal	Ecoparc St-Bruno A & B	1,704,630	St-Bruno-de-Montarville	Montoni	2024
Bélanger street	Centre Corporatif Châteauguay	652,998	Châteauguay	Montoni	2024
9200 Henri-Bourassa East Boulevard	40NetZERO	600,000	Montreal-east	Loracon Construction	2024
16987 Trans-Canada Highway	Rosefellow Industrial 14.0	579,722	Kirkland	Rosefellow	2024
131 Montcalm N. Boulevard	Rosefellow Industrial 11.0	491,000	Candiac	Rosefellow	2024
811 Turnbull Street	Rosefellow Industrial 6.0	417,000	Beauharnois	Rosefellow	2024
137 Bellerose W. Boulevard	Rosefellow Industrial 8.0	290,350	Laval	Rosefellow	2024
16987 Trans-Canada Highway	N/A	161,331	Kirkland	Rosefellow	2024
7300 de la Côte-de-Liesse Road	N/A	141,581	Saint-Laurent	Samcon	2024
Pie-XII & Avenue Pierre-Dansereau Boulevard	Ali Excavation	30,500	Candiac	Rosefellow	2024
Total		5,100,000			

Greater Montréal area industrial developments



Source: AVANT by Avison Young



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Greater Montréal area industrial market activity

Notable leasing transactions

Address	Tenant	Size (sf)	Lease type	Transaction type	Broker
730 Delage Street, Longueuil	CISSS Montérégie Centre	67,160	Direct	Renewal	Avison Young
1390 Newton Street, Boucherville	Metalico	18,550	Direct	Renewal	Avison Young
4405 Thibault Avenue, Longueuil	JAS Filtration	16,500	Direct	Renewal	Avison Young
3225-3285 Jean-Béraud Avenue, Laval	Instruments médicaux A.B.C	13,830	Direct	New lease	Avison Young

Major industrial buildings transactions

Address	Buyer	Sale date	Sale price	Sale price (psf)	Seller
Industrial portfolio (40 properties)	Vista Properties	March 2024	\$74.71 M	\$200	Gestion Jacad Inc.
4005-4105 Matte Boulevard	9505-0480 Quebec Inc.	February 2024	\$28 .0 M	\$197	Fiera Real Estate
9275 Henri-Bourassa Blvd East, Montreal	Private	February 2024	\$23.25 M	\$127	Private
4840 des Grandes-Prairies Blvd, St-Leonard	OAP International Holdings	January 2024	\$22.0 M	\$222	Immeubles UNO inc.
195 Bellerose Boulevard West, Laval	Sunbelt Rentals	February 2024	\$15.0 M	\$240	Private

Major industrial land transactions

Location	Buyer	Sale date	Sale price	Sale price (psf)	Seller
De l'Acier Highway (A-30), Saint-Philippe	Rosefellow	March 2024	\$75.6 M	\$18	Le Groupe Maison Candiac
Avro Avenue, Pointe-Claire	Manitoulin Transport	January 2024	\$22.4 M	\$85	Olymbec
50 ^e Avenue, Lachine	9412-4344 Québec Inc.	January 2024	\$9.0 M	\$49	Level 3 Communications Canada Co.
Louis-Bleriot Street, Mascouche	Groupe Montoni	January 2024	\$6.6 M	\$6	Ville de Mascouche
Jean-Baptiste-Many Street, Chambly	9501-3736 Quebec Inc.	January 2024	\$4.3 M	\$25	Ville de Chambly

Greater Montréal area industrial market statistics

	Existing inventory (sf)	Total vacancy (%)	Vacancy (sf)	Available for sale (sf)	Q1 2024 net absorption (sf)	Year-over-year net absorption (sf)
Midtown North	45,778,183	2.8%	1,127,320	545,970	(133,530)	210,900
Midtown South	25,123,230	5.5%	1,386,500	15,640	(141,420)	(366,700)
East End	74,155,610	2.5%	1,764,500	298,280	(423,380)	(216,740)
Laval	27,492,660	2.8%	768,600	399,030	119,900	308,470
North Shore	16,845,110	2.6%	429,220	396,870	15,280	671,840
Saint-Laurent	66,196,710	2.6%	1589,935	165,720	(315,570)	(953,190)
Lachine	21,951,165	4.2%	850,340	11,320	(612,440)	(816,620)
West Island	46,272,940	3.2%	1,125,170	90,010	80,600	171,850
Vaudreuil-Dorion	4,392,400	12.3%	523,780	0	(52,750)	193,520
South Shore	38,801,740	5.1%	1,972,280	142,650	107,410	125,940
Greater Montréal	367,333,710	3.4%	10,943,230	2,154,2340	(1,229,380)	(674,710)

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

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