



For more information on the market, please contact us

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### Overview of the current industrial real estate market

It appears as though the Canadian economy has been less severely affected by the credit crisis and economic down that has been so prevalent in the United States. As the economy continues to slow, property values are expected to remain flat or decline as the reduced availability of capital has softened demand for commercial properties and forced many investors to the sidelines.

As for the industrial real estate activity within Montréal, vacancy rates for older existing properties continue to be on the rise. New, on-island development is growing as users continue to shift to more efficient, high cube spaces and take advantage of available tax credits. There continues to be a shortage of properties for sale on the island, however, the supply is expected to increase in 2009.

Sources: DTZ Barnicke Global Views 2008, Conference Board of Canada

### Supply highlights

- Good existing leasing opportunities continue to be available in most markets and size ranges (especially in the 100k sq ft + buildings) as vacancy rates continue to rise
- The number of new speculative multi-tenant developments are on the rise as developers have had success with leasing these buildings
- Due to the success of multi-tenant speculative buildings, some developers are planning new single tenant speculative developments
- Large supply of off-island land remains available in Vaudreuil-Dorion, Chateauguay, and Valleyfield

### Demand highlights

- Demand for new, on-island development is increasing due to municipal tax abatement program and shift to higher ceilings and more energy efficient buildings
- Quality properties for sale on the island continue to be in high demand, however, pricing has stabilized
- Due to shrinking manufacturing sector, buildings with lower ceilings (less than 16') are becoming obsolete as warehousing and distribution companies are continually seeking higher clear heights (24' +)
- Increase in cost of construction materials is having a direct impact on rental rates for new buildings

### Recent sale transactions

1. **Targray Technology International Inc.** purchased 81,088 sq ft at 18105 Trans-Canada Highway, Kirkland from **Reliance Construction Group**
2. **Bentall Real Estate Services** purchased 77,500 sq ft at 4500 ch. Bois-Franc, Saint-Laurent from **Manoir Inc.**
3. **Mecanica Solutions** purchased 25,360 sq ft at 10000 Henri Bourassa Blvd. West, Saint-Laurent from **Via Route**
4. **Samcon Inc.** purchased 94,710 sq ft at 4800 Henri-Bourassa Blvd. West, Saint-Laurent from **RFRE Holdings Inc.**
5. **Discount Car & Truck Rentals Ltd.** purchased 6,880 sq ft of building and 127,000 sq ft of land at 2250 Chemin St-Francois, Dorval from **Groupe Intrabec Inc.**

### Recent lease transactions

1. **ACTS Aero Technical Support & Services Inc.** leased 306,911 sq ft at 2311 Alfred-Nobel Blvd, Saint-Laurent and 7055 Alexander-Fleming St., Saint-Laurent from **Belmont Equity Partners**
2. **Fleurco Products Inc.** leased 58,479 sq ft at 4575 Poirier St., Saint-Laurent from **Vista Properties Limited**
3. **Graham Creative Sale (USA) Inc.** leased 24,805 sq ft from **Broccolini Construction Inc.** in a new development on Daoust Street, Ste-Anne-de-Bellevue
4. **Airbase Services Inc.** leased 42,289 sq ft at 6035A Ch. de la Côte-de-Liesse, Saint-Laurent from **Nordic Development**
5. **DRAXIS Pharma** leased 77,000 sq ft from **Broccolini Construction Inc.** in a new build-to-suit on Daoust Street, Ste-Anne-de-Bellevue

### Industrial rates

(The following are approximate rates)

<b>Net rent</b>	
New construction	\$6.50 to \$7.50 /sq ft
Class A	\$4.75 to \$5.50 /sq ft
Class B	\$4.25 to \$4.75 /sq ft
Class C	\$3.50 to \$4.25 /sq ft
<b>Vacant sales</b>	\$45.00 to \$70.00 /sq ft
<b>Land (Off-island)</b>	\$0.60 to \$6.00 /sq ft
<b>Land (On island)</b>	\$7.00 to \$18.00 /sq ft

### Market indicators



Source: DTZ Barnicke Global Views 2008

### LEED and BOMA Go Green



LEED and BOMA Go Green certification are becoming increasingly popular for commercial properties in Canada. Currently, there are approx. 107 completed and certified LEED projects, over 500 certified BOMA Go Green buildings, and over 800 projects attempting LEED certification in Canada.

#### Leadership in Energy and Environmental Design (LEED) Certification

LEED certification is a rating system of how environmentally friendly a building is. It applies to both new development and existing buildings. There are four levels of LEED certification (Certified, Silver, Gold, Platinum), each requiring a certain number of credits in order to qualify. The credits fall into six major areas; Sustainable Sites, Water Efficiency, Energy and Atmosphere, Materials and Resources, Indoor Environmental Quality, and Innovation and Design Process. Regardless of the category, all credits carry equal weight, which has led to some developments focusing on achieving LEED certification at the minimal cost as opposed to the best long term interest of the landlord, tenant, and environment.

#### Building Owners and Managers Association (BOMA) GO Green

The BOMA Go Green program is a rating system that applies to existing commercial facilities with a focus on “greening” of the operations and maintenance. BOMA Go Green buildings all adhere to the same mandatory requirements which fall into five categories; Resource Consumption, Waste Reduction and Recycling, Building Materials, Interior Environment, and Tenant Awareness. BOMA Go Green is considered much less complex and costly than LEED certification, and as such has become the path of choice for most landlords in the push for ‘greener’ buildings.

Source: DTZ Barnicke: Right Now: Hot Topics in Commercial Real Estate (Vol. 1-Sept 2008)

### PR@M INDUSTRY

The City of Montréal recently introduced a new tax credit and subsidies program, known as PR@M INDUSTRY, in an effort to promote the revitalization of the Montréal industrial market. The program is offering subsidies and tax credits for industrial buildings and land owners who partake in new development or the renovation and/or expansion of existing facilities. The total tax credit received will be 100% of the general property tax increase for the first 3 years, 80% for the fourth year, and 60% for the fifth year. These credits are available to a wide range of industrial segments.

Source: <http://ville.montreal.qc.ca>

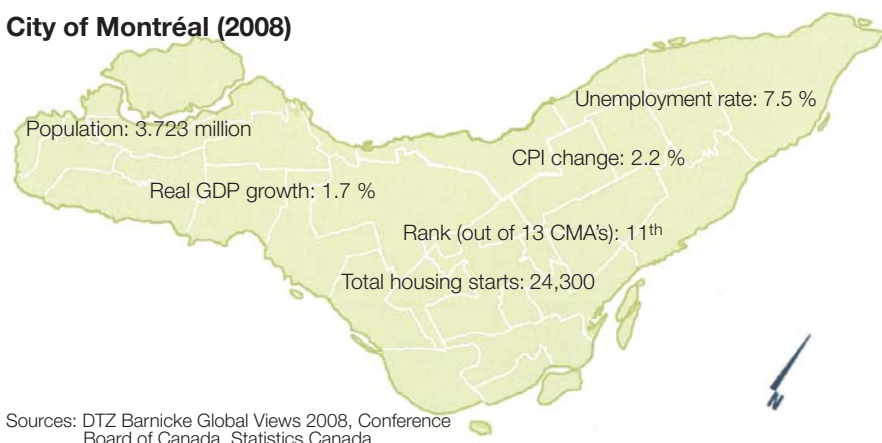


**Expansion of Highway 30**

The future expansion of Highway 30 is expected to be completed by 2012. The completion will help facilitate imports and exports to and from Ontario and the United States. This new infrastructure will allow drivers to by-pass the island of Montréal, with direct access to the highway from Vaudreuil-Dorion through to Châteauguay and an exit at Salaberry-de-Valleyfield. This is expected to greatly reduce traffic on the Montréal express ways and increase efficiencies within the transport industry. With 35 million square feet of industrial land in the Vaudreuil-Soulanges region, the completion of Highway 30 will also be beneficial for industrial users and land owners in the area.

**Montréal economics at a glance**

**City of Montréal (2008)**



Sources: DTZ Barnicke Global Views 2008, Conference Board of Canada, Statistics Canada

**Montréal real estate at a glance**

**GMA Industrial real estate**

- Industrial inventory: 329 million (sq ft)
- Vacancy rate: 8.5% (Q2,2008)
- Canadian market place rank: 2<sup>nd</sup>
- Industrial building permits (\$000s): 445,679 (2007)

Sources: DTZ Barnicke Global Views 2008, Conference Board of Canada, Statistics Canada

**Our Industrial Team**

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