



For more information on the market, please contact us

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DTZ Barnicke (Québec) Ltée, Courtier immobilier agréé

Let's respect the environment, join our e-mailing list – marketing@dtzquebec.com



Recent lease transactions

1. **Stikeman Elliott LLP**
1155 René-Lévesque Boulevard West
122,636 sq ft renewal/expansion
2. **Reader's Digest**
1100 René-Lévesque Boulevard West
73,189 sq ft renewal
3. **KSH**
1 Place Alexis Nihon
50,000 sq ft new transaction
4. **Osisko Mining Corporation**
1100 de La Gauchetière Street West
18,329 sq ft new transaction
5. **Nordic Engineered Wood**
1100 de La Gauchetière Street West
5,000 sq ft new transaction

Sampling of large blocks

Downtown

1981 McGill College Avenue:	170,000 sq ft
1253 McGill College Avenue:	100,000 sq ft
700 de La Gauchetière St. W.:	138,000 sq ft
1000 de La Gauchetière St. W.:	120,000 sq ft

Old Montréal

230 Saint-Jacques Street:	100,000 sq ft
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Midtown (North/South/East sectors)

7777 Décarie Boulevard:	42,000 sq ft
3730 Crémazie Boulevard East:	50,000 sq ft
2030 Pie IX Boulevard:	74,500 sq ft

Saint-Laurent / West-Island

105 Marcel-Laurin Boulevard:	165,000 sq ft
5935 Ch. de la Côte-de-Liesse:	140,000 sq ft
498 Buchan Street:	180,000 sq ft

South Shore

4805 Lapinière Boulevard:	44,000 sq ft
1001 Pierre-Dupuy Avenue:	42,000 sq ft

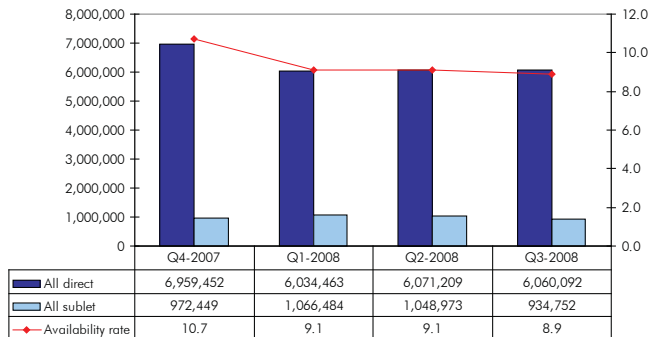
Overview of the current office real estate market

The Montréal office leasing market's performance seems to be more sluggish in the second half of 2008 than in the first half. The slowed growth may be a symptom of the recent economic turbulence. Even though there is a lessening in the pace of demand, the market remains a landlord's market for the moment: rents continue to rise and landlords are becoming less aggressive with their tenant inducement packages. It will be interesting to see what impact the recent economic turbulence will have on landlord's mindsets.

For large users of space, the downtown market has little to offer unless users are willing to consider the peripheral and suburban markets or pay the rents needed to promote a downtown development.

Some new supply is appearing over the office space landscape: mostly in the suburban and mid-town markets. However, looming economic uncertainty and the credit crunch may dampen future growth on both sides of the equation and may offer some subleasing opportunities.

Availability



Source: www.realinsite.com

Overall the 2008 office availability has remained constant in comparison to previous years. Over the last quarter, the availability rate has dropped a modest 0.2%, with leasing activity mainly in the sublet market. The overall availability rate is relatively low and demand is becoming of concern in the Downtown sector. Several proposed projects in the Downtown sector are a direct response to the tightening market and suggest rising confidence in the Montréal office market.

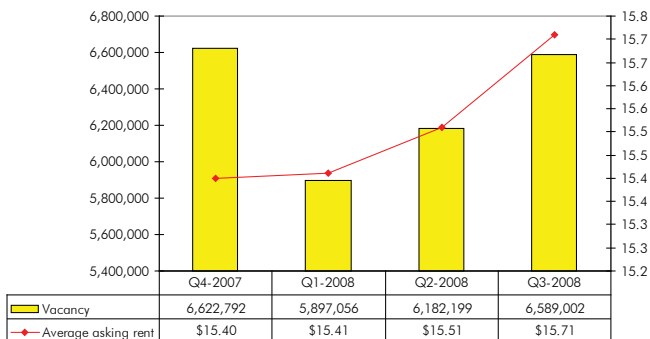
Absorption



Source: www.realinsite.com

There has been a negative absorption throughout the second quarter of 2008, a situation the Montréal office market has not experienced for over a year. A significant portion of this decrease is due to a class B building, 5650 d'Iberville Street, located on the East end of the island. Compared to the first quarter of 2008, this property currently has a surplus vacancy of 162,000 square feet. Without a doubt, most buildings of all classes have also contributed to a weak absorption during the third quarter. Going forward, the absorption of office space is believed to remain moderate because tenants are holding back from taking major decisions until the comotion in the economy calms.

Vacancy and rental rate



Source: www.realinsite.com

Overall, supply dynamics have changed very little and demand for office space continues albeit at a more sluggish pace and is showing signs of reaching a plateau. Without much new supply and a relatively tight market, office tenants are experiencing rising rental rates. Even though economic uncertainty and the global credit crunch may impact demand, the Montréal office market does not have the levels of surplus inventories that crippled the market in the past. However, it will be interesting to see exactly what impact the recent global economic turmoil will have on the demand and supply dynamics of the Greater Montréal office market.

Montréal statistical summary: all building classes (Q2-2008)

Market	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption from prev. year (sq ft)	Construction completed or under construction (sq ft)	Taxes and operating costs	Average gross rent
Downtown	48,591,539	3,022,738	6.2	643,415	235 000	\$16.08	\$30.14
Midtown	13,868,945	1,351,017	9.7	153,427	0	\$10.32	\$22.31
East End	2,395,013	338,873	14.1	-112,783	0	\$11.33	\$23.80
Laval	3,425,531	271,850	7.9	67,659	0	\$11.26	\$22.99
South Shore	2,800,938	221,499	7.9	7,997	0	\$9.78	\$22.83
West Island	7,622,942	825,583	10.8	18,600	107 000	\$12.46	\$24.66
Total	78,704,908	6,031,560	7.7	778,315	342,000	\$14.43	\$30.14

Source: www.realinsite.com



Leasing tip

RENEWING YOUR LEASE - FAIR MARKET RENTAL RATE:

If a renewal rate is not pre-negotiated in the lease, then a provision should be established, including guidelines by which the Landlord and the Tenant will negotiate a fair market rental rate at the time of renewal or expansion. This provision should contain a time frame for notifications, and procedures on how the parties will arbitrate their differences should they not agree on a fair market rental rate.

A detailed arbitration clause should be negotiated with the Landlord. This clause should call for two or three real estate professionals that would determine a fair market rental rate at that point in time. Both parties must abide by the arbitrators' final decisions; this must be stated in the clause for it to be effective.

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