



For more information on the market, please contact us

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Recent lease transactions

1. **CIBC**
1155 René-Lévesque Boulevard West
175,669 sq ft renewal
2. **PricewaterhouseCoopers Inc.**
1250 René-Lévesque Boulevard West
113,775 sq ft renewal/expansion
3. **Public sector pension**
1250 René-Lévesque Boulevard West
90,630 sq ft renewal/expansion
4. **Morris & Mackenzie Inc.**
3400 de Maisonneuve Boulevard West
49,798 sq ft renewal
5. **BDO Dunwoody LLP**
1000 de la Gauchetière Street West
44,485 sq ft new deal

Sampling of large blocks

Downtown

- 1981 McGill College Avenue: 170,000 sq ft
- 1253 McGill College Avenue: 130,000 sq ft
- 700 de la Gauchetière St. W.: 68,700 sq ft
- 1000 de la Gauchetière St. W.: 100,000 sq ft

Old Montréal

- 230 Saint-Jacques Street: 100,000 sq ft

Saint-Laurent

- 105 Marcel-Laurin Boulevard: 200,000 sq ft
- 5935 ch. de la Côte de Liesse: 140,000 sq ft
- 498 Buchan Street: 180,000 sq ft

South Shore

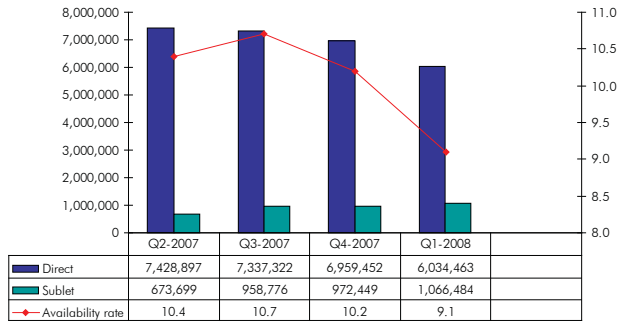
- 4805 Lapinière Boulevard: 44,000 sq ft

Overview of the current office real estate market

The Montréal office leasing market performed strongly in 2007 with the market characterized by significant leasing activity, firming face rents and reduced incentives. Indeed availability is decreasing and tenant options in the short term are becoming increasingly limited in better quality buildings. The relative lack of new supply has further tightened vacancy, particularly in Downtown Montréal.

Strong net absorption over the last 12 to 18 months has moved the market (particularly in the Downtown Core) past equilibrium into undersupply. However, tenant demand has yet to trigger a new private sector construction cycle in Downtown Montréal. The lack of new supply can be explained by a number of factors: rents still low to justify construction, lack of pre-commitment from large-scale tenants and economic uncertainty looming over businesses. Should current tenant demand continue despite economic instability, we will be facing a market that is significantly undersupplied in 2008 and 2009.

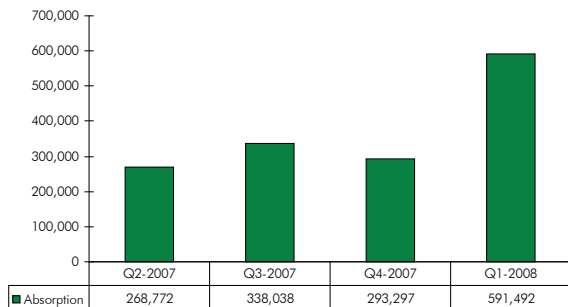
Availability



Source: www.realinsite.com

The Montréal office market has experienced a resurgence in demand in the last four quarters. The overall availability rate has gone down by almost 1.5% percent over last year. Most of the demand is coming from the Downtown sector where availabilities have dipped from 9.6% in Q1-2007 to 7.5% in Q1-2008. The West Island market has also experienced an increase in activity: the availability rate has gone from 16.4% to 12.2% over the same period. The Midtown market availability has also gone down by 1% over the same period.

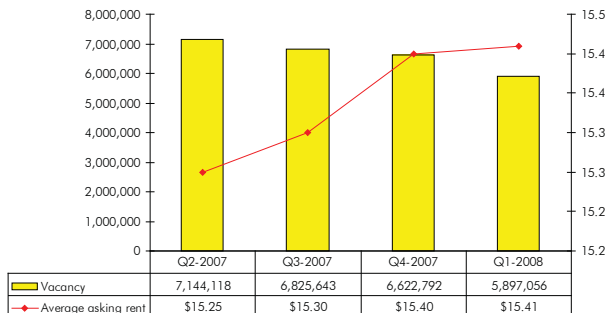
Absorption



Source: www.realinsite.com

After three quarters of relatively average growth, absorption rose in Q1-2008 doubled from the previous quarter. Most of this absorption occurred in the Downtown market over the past year. Indeed, Downtown Montréal district showed a positive absorption, primarily in the class A and B building, of 1,283,283 square feet from Q1-2007 to Q1-2008. The West Island class A market contributed its fair share of absorption (175,228 square feet absorbed) as did the Midtown class A market (198,914 square feet absorbed).

Vacancy and rental rate



Source: www.realinsite.com

The strong economy is the key driver behind the solid private sector tenancy growth in the Greater Montréal Metropolitan Area. With very little new construction, the vacancy rates will continue to spiral downwards, especially in class A buildings. This imbalance in demand over supply is placing a clear upward pressure on rental rates. While net rental rates are still below the threshold to initiate speculative supply, new construction should appear on the horizon if the current appetite for office space is sustained, especially in class A buildings where the vacancy rates are approaching historical lows (4.4% downtown). However, it will be interesting to see what impact the looming US recession, the strong Canadian dollar and the eroding manufacturing base will have on growth as tenants progress into 2009.

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)	Average net rent	Operating costs
Downtown	48,513,815	2,782,184	5.7	1,283,283	255,000	\$32.91	\$15.94
Midtown	13,211,367	1,499,158	11.3	-24,061	838,000	\$22.30	\$10.02
East End	2,033,013	100,972	5.0	92,394	0	\$23.58	\$11.26
Laval	3,422,523	326,460	9.5	55,130	0	\$23.09	\$11.26
South Shore	2,789,677	165,067	5.9	86,835	71,500	\$21.91	\$9.43
West Island	7,726,732	1,209,510	15.7	-1,982	0	\$24.48	\$12.37
Total	77,697,127	6,083,351	7.8	1,491,599	1,164,500	\$29.63	\$14.22

Source: www.realinsite.com

Leasing tip

Register your lease (Notice of Commercial Lease)

What if, after having recently concluded the lengthy negotiations for your office lease and having since spent large amounts of money on your leasehold improvements, your landlord sells the building where your offices are located. What if the new owner, your new landlord, decides to turn the building into a condo project and gives you six months notice to relocate out of his building. Can he do this?

If you didn't register your lease, the answer is yes! The easy and inexpensive procedure of registering your lease is often overlooked by new tenants. Failure to do so can result in unforeseen expenses and disruptions to your operations. By registering your lease and any subsequent amendment, you're protecting your rights under the lease.

J.J. Barnicke becomes DTZ Barnicke

J.J. Barnicke Limited has become the Canadian operation of DTZ, one of the world's top four global advisers in commercial real estate. This is a tremendously exciting and positive move for us and will enhance our service delivery to clients. DTZ is a leading global real estate adviser with over 11,000 staff operating across 157 cities in 46 countries providing solutions for clients around the world.

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