



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. **Thomas Cook Canada**
1257 Guy Street
44,000 sq ft
2. **Air Canada Reservations**
333 Décarie Boulevard
20,000 sq ft
3. **Tandberg Canada Inc.**
6505 Trans-Canada Highway
8,000 sq ft
4. **PSP Investments**
1250 René-Lévesque Boulevard West
6,500 sq ft
5. **GPF1 Inc.**
1250 René-Lévesque Boulevard West
4,600 sq ft
6. **Dartech Consultants Inc.**
1100 de la Gauchetière Street West
3,500 sq ft

Sampling of large blocks

Downtown

250 Saint-Antoine Street W.:	108,000 sq ft
700 de la Gauchetière Street W.:	82,287 sq ft
1000 de la Gauchetière Street W.:	71,493 sq ft
1253 McGill College Avenue:	72,132 sq ft
1981 McGill College Avenue:	72,000 sq ft
700 de la Gauchetière Street W.:	69,000 sq ft
1440 Ste-Catherine Street W.:	39,761 sq ft
1 Place Ville Marie:	35,210 sq ft

Midtown (North/South/East sectors)

7101 du Parc Avenue:	180,000 sq ft
5650 d'Iberville Street:	131,155 sq ft
2030 Pie-IX Boulevard:	74,466 sq ft
110 Crémazie Street W.:	41,147 sq ft
333 Chabanel Street W.:	20,000 sq ft

West Island

6505 Trans-Canada Highway:	20,000 sq ft
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Sublets

1801 McGill College Avenue :	36,000 sq ft
700 Wellington Street:	36,000 sq ft

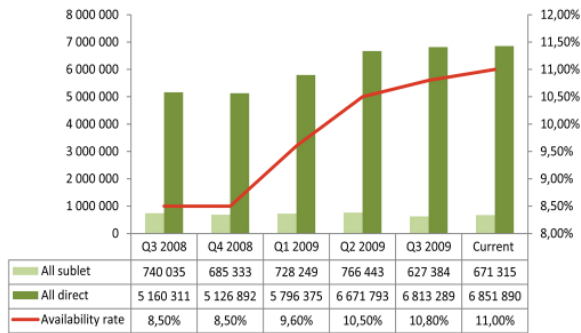
Market Overview

As the economy in the Greater Montréal Area continues to sputter, demand for office space in 2009 has decreased significantly when compared with that of 2008. Fundamentally speaking, we are crossing over Montreal's natural demand/supply equilibrium into a tenant's market. Most of the Downtown and West Island sectors are already experiencing a tenants market.

Increased availability rates are creating pressures on landlords to offer more incentives and/or decrease their asking face rates. This is a basic supply and demand dynamic. Landlords have been slow to react to the lack of leasing activity. This caused a disconnect earlier in the year between landlord's and tenant's expectations regarding price equilibrium as it relates to supply and demand. The commercial real estate market is showing signs of adjusting. In general, vacancy rates are expected to continue to increase slightly in the last quarter as the economy has yet to fully recover. Tenants are continuing to give back space and we are seeing an increase in the amount of office space available for sublet. This sublet space will cause a further downward pressure on market rates as landlords must compete with a strong sublet market.

It is truly an excellent time for office tenants to negotiate their lease or initiate an early renewal.

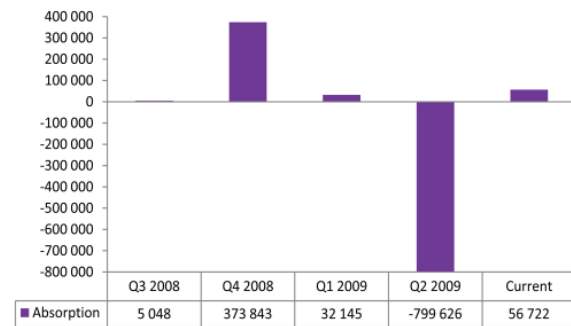
Availability



Source: www.realinsite.com

Currently, there are over 6,851,890 square feet of direct available office space in the Greater Montréal, of which 49.3% is from the Downtown Sector. Availability rates continue to climb for both A and B class buildings in the Greater Montréal Region but are currently rising at a lesser rate than previous quarters of 2009 with the exception of sublet space which appears to be on rise again especially in the Downtown sector. Moreover, as tenants continue to opt for a smaller footprint and with the ongoing conversions of Midtown industrial space into office space, the availability rate upward trend is expected to rise significantly in 2010.

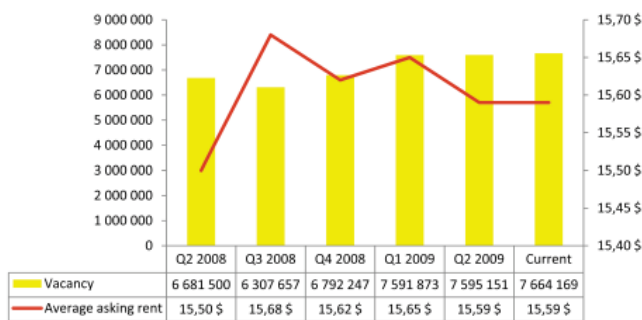
Absorption



Source: www.realinsite.com

Even though Greater Montréal's current quarter shows positive absorption, current absorption in the Downtown Sector (-12,226 square feet) and of A class buildings continues to be negative (-86,361 square feet for GMA and -74,090 square feet for the Downtown Sector). When all is tallied, we expect a net negative office space absorption overall for 2009 especially for the Downtown, Midtown and West Island sectors. With continued economic uncertainty, demand for office space in the Greater Montreal Region is expected to be modest to negative in Q1 2010.

Vacancy and rental rate



Source: www.realinsite.com

Office vacancies have been rising since the third quarter of 2008 as companies ride through the current economic turbulence by reducing their office footprint and flooding the market with sublease space. Even though the current GMA vacancy rate has increased slightly over the last two quarters and is now hovering around 9.1%, it is up a full 2% over Q1 2008. This softened demand and increase supply has placed a downward pressure on asking rents. However, we are noticing the greatest change in landlord concessions such as free rent.

Montréal statistical summary: all building classes (Q3-2009)

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	Estimated net rent	Average gross rent
Downtown Core***	20,925,696	1,653,649	7.9%	-437,820	0	\$17.86	\$18.78	\$36.64
Downtown District	49,996,675	3,787,621	7.6%	-1,048,147	0	\$16.26	\$17.27	\$33.53
MidTown	16,924,482	1,906,262	11.3%	766,484	103,272	\$10.34	\$12.25	\$22.59
East End	2,120,513	146,403	6.9%	-32,215	0	\$11.70	\$12.23	\$23.93
Laval	3,473,246	251,677	7.2%	44,627	137,200	\$11.31	\$11.84	\$23.15
South Shore	3,073,859	198,360	6.5%	16,500	0	\$9.82	\$13.11	\$22.93
West Island	8,205,142	1,379,860	16.8%	-84,265	0	\$12.25	\$12.72	\$24.97
TOTAL	83,793,917	7,670,183	9.2%	-337,016	240,472	\$14.53	\$15.70	\$30.23

***Downtown Core Stats included in Downtown District Stats.



Leasing tip Manage your timeline

Time is a landlord's secret weapon. You need to manage your time effectively. Strategic negotiations include a clearly defined schedule. Avoid adding unnecessary time pressure to negotiating deadlines in order to secure your occupancy. Tight timelines place a landlord in a superior position and ultimately limit a tenant's negotiating strength. In many cases the landlord has no time pressure, but the tenant is under the gun. If you are relocating your existing business, start the process at least 9 to 12 months prior to the expiration of your current lease. If you are opening a new facility, a 6 to 9 month timeframe should be adequate.

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