



DTZ Barnicke

Montréal Office Newsletter

Real Estate Overview

Q2 – 2011

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Market overview

The Canadian economy has continued to gain momentum throughout 2011. Positive, Canada wide economic and real estate data are reflected in the Greater Montréal Area. The number of new jobs available continues to increase and a revitalization of business activities is evident in the statistics concerning the global rates of inoccupation. The rate is actually 7.9% for the Greater Montréal.

For the time being, the real estate trends as well as the needs of the owners and the tenants are changing. Generation Y has made its presence known with its new ideas and trends. Many of them now manage or own companies which have bright futures. People from generation Y feel that traditional downtown office towers do not have enough charm. To adapt to this new reality, former industrial buildings have been converted into lofts, which has greatly increased their value.

The city of Montréal with more than 8 million square feet available, presents numerous opportunities to companies wishing to lease or sublease an office space. Its cultural and architectural diversity makes it an ideal location to build offices. More so, the city provides access to a qualified labor pool coming from four renowned universities. The public transportation network is well developed and the main highways are easily accessible which improves the employees' quality of life. The asking rents being much more affordable than those of Toronto, Vancouver or even New York, can motivate business managers to settle down in Montréal.

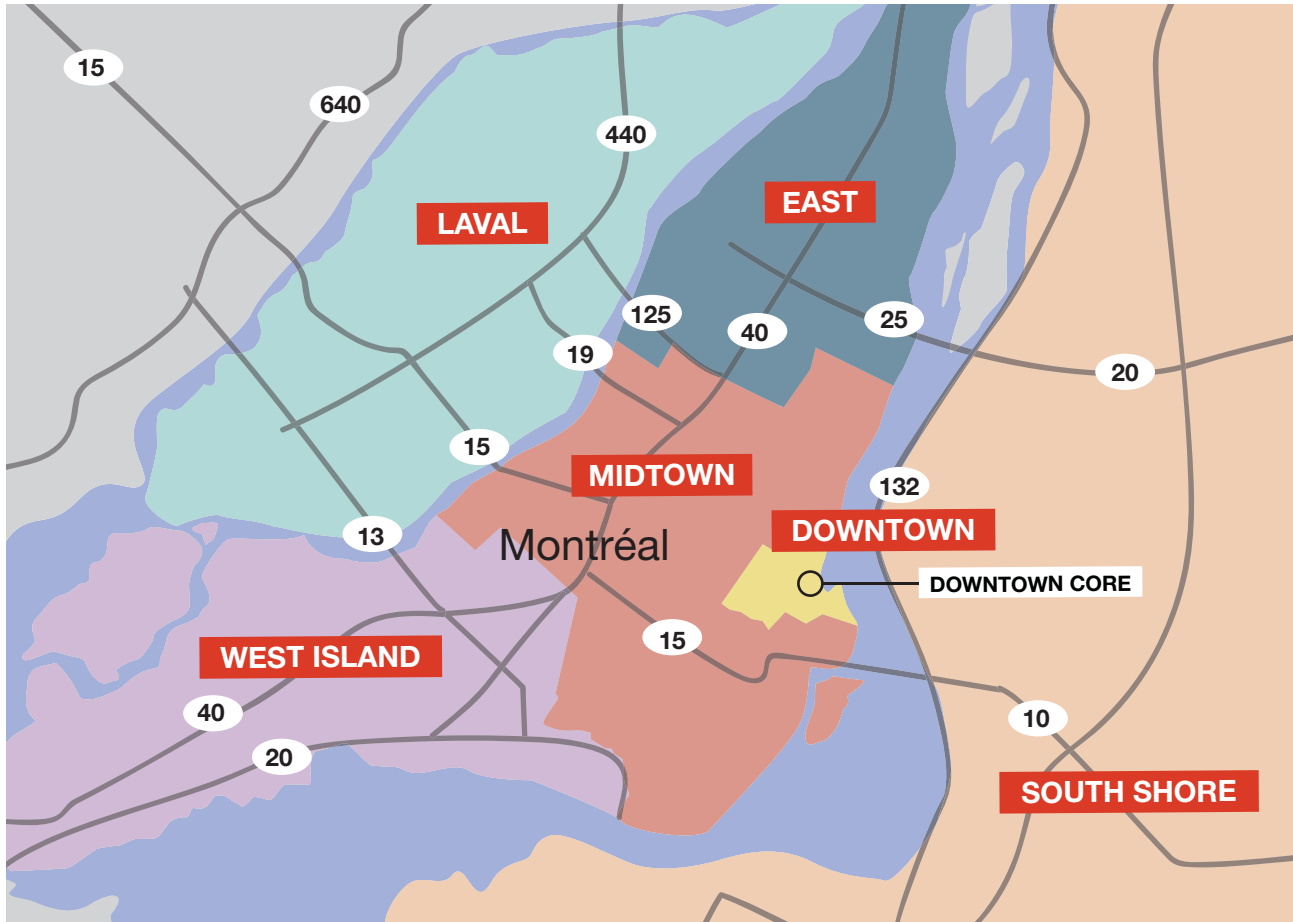
The global rate of inoccupation in Montréal is continuously decreasing. Furthermore, the growing demand for office space of more than 50,000 sq ft has been a tangible reality for the past few months. Thus, it is not surprising that a large-scale company such as Kevric Real Estate Corporation decided to invest more than \$100 millions in the construction of a 35-storey tower. Indeed, the Altoria building include a 10 floor Class A 230,000 sq ft office space. This skyscraper, aiming for LEED ceertification, will be the first one to be built in downtown Montréal in a decade. The office portion is planned to be ready for occupation by the end of 2013. However, the tenants of this prestigious building will have to expect to pay a gross rent ranging from \$55 to \$60 per sq ft. Nevertheless, as there is a lack of contiguous office space, it is a safe bet that the owner will have no problem renting these spaces located in the international district. In fact, the construction of the tower is based on the profitability of the residential portion; this is why the owner can afford to include an office space. It is estimated that a twelve-month period will be required to rent the space. As for prelease, it will begin only in 2012.

Although the business district is very appreciated by companies, we notice an important movement towards the international district which was formerly the finance cradle in Canada. We can expect, since Generation Y is not attracted to traditional office towers combined with the lack of available space downtown, that it will favour and explain this movement trend.



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Map of the Greater Montréal Area



Glossary

Absorption:	The change in occupied square feet from one period to the next
Availability rate:	The amount of space immediately available divided by the rentable area regardless of whether it is occupied or vacant
Vacancy:	The amount of space in square footage physically unoccupied and available for either lease or sublease
Average asking rent:	Average rent is determined by the multiplication of the asking price rent of each building by the available area (participating buildings only)
All sublet:	The total area that is available for lease from tenants in the building
All direct:	The total space available for lease from the landlord

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Greater Montréal Area

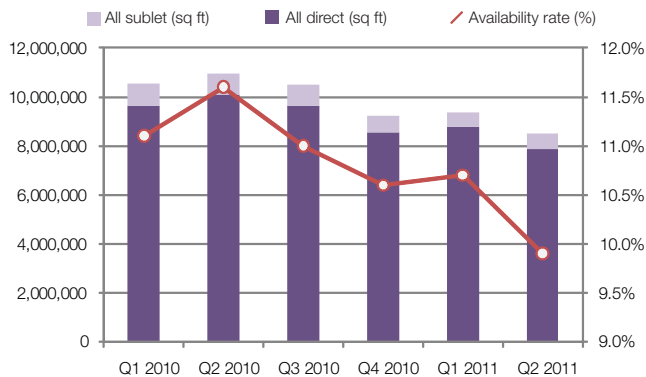
Market summary

Market	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
Downtown	50,561,324	3,251,192	6.4%	728,878	65,000	\$15.27	\$14.70	\$29.96
**Downtown Core	21,017,299	1,533,724	7.3%	471,550	0	\$16.27	\$16.70	\$32.97
Midtown	17,813,894	1,805,962	10.1%	422,605	140,000	\$12.22	\$9.83	\$22.04
East End	2,328,859	213,170	9.2%	23,268	0	\$12.28	\$12.27	\$24.55
Laval	3,390,921	373,783	11.0%	-25,449	0	\$12.41	\$12.23	\$24.64
South Shore	3,557,896	446,982	12.6%	264,887	0	\$12.62	\$9.64	\$22.26
West Island	8,577,881	1,277,633	14.9%	277,086	0	\$12.35	\$12.62	\$24.97
TOTAL	86,230,775	7,368,722	8.5%	1,691,275	205,000	\$13.53	\$12.49	\$26.02

**The Downtown Core a submarket of Downtown.
The data for Downtown includes in the Downtown Core.

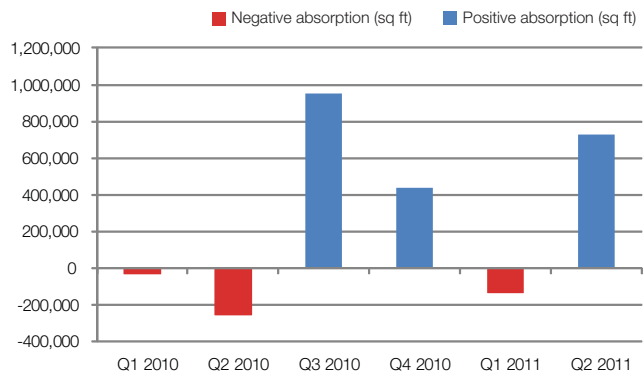
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Availability



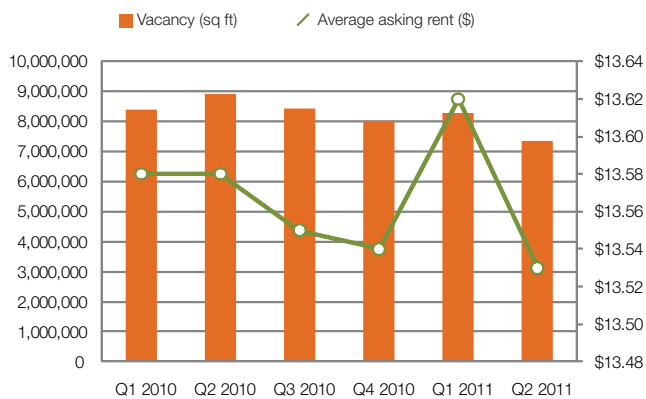
Source: www.realsite.com

Absorption (by quarter)



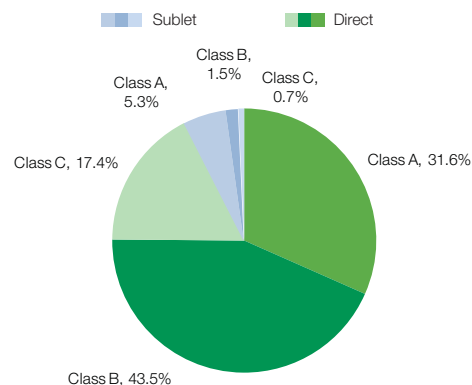
Source: www.realsite.com

Vacancy and asking rent



Source: www.realsite.com

Disponibility by type and class



Source: www.realsite.com

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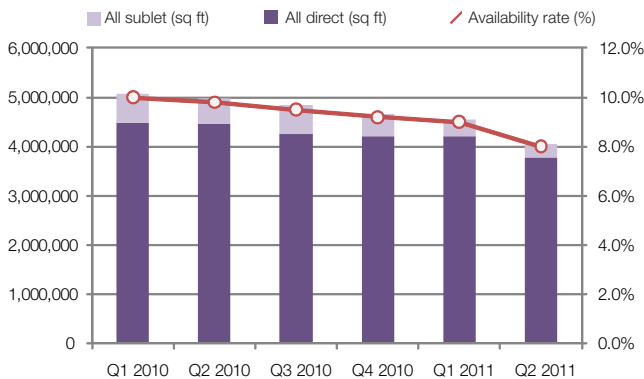
Downtown Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	22,853,504	1,375,008	6.0%	492,841	65,000	\$20.33	\$19.51	\$39.84
B	23,316,830	1,483,894	6.4%	392,142	0	\$13.63	\$14.32	\$27.96
C	4,390,990	392,290	8.9%	-156,105	0	\$14.01	\$7.41	\$21.42
TOTAL	50,561,324	3,251,192	6.0%	728,878	65,000	\$15.27	\$14.70	\$29.96

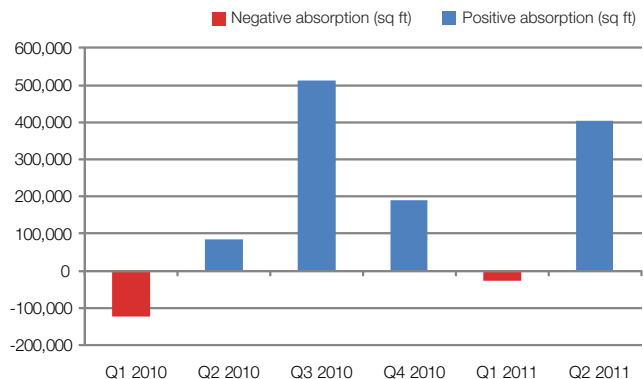
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Availability



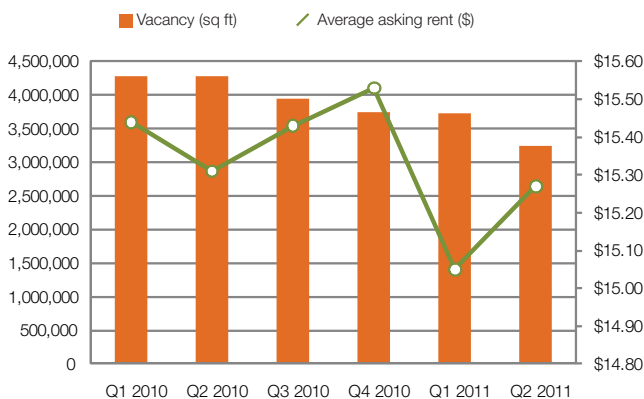
Source: www.realinsite.com

Absorption (by quarter)



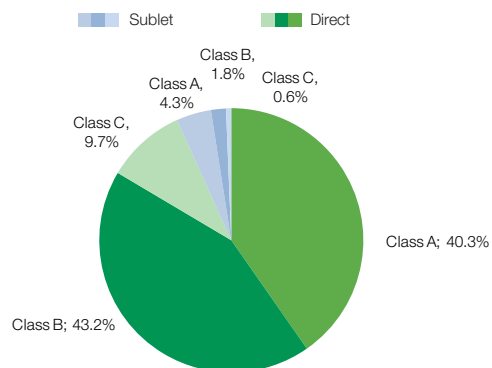
Source: www.realinsite.com

Vacancy and asking rent



Source: www.realinsite.com

Disponibility by type and class



Source: www.realinsite.com

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Downtown Core Area

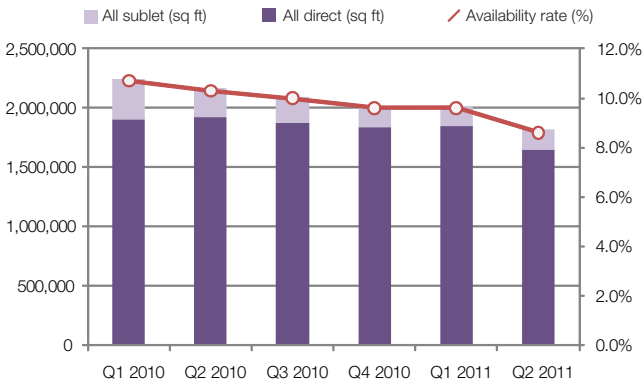
Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	13,183,483	925,641	7.0%	313,518	0	\$20.93	\$20.12	\$41.05
B	7,159,399	586,564	8.2%	168,834	0	\$13.41	\$15.00	\$28.41
C	674,417	21,519	3.2%	-10,802	0	\$16.50	\$12.33	\$28.83
TOTAL	21,017,299	1,533,724	7.0%	471,550	0	\$16.27	\$16.70	\$32.97

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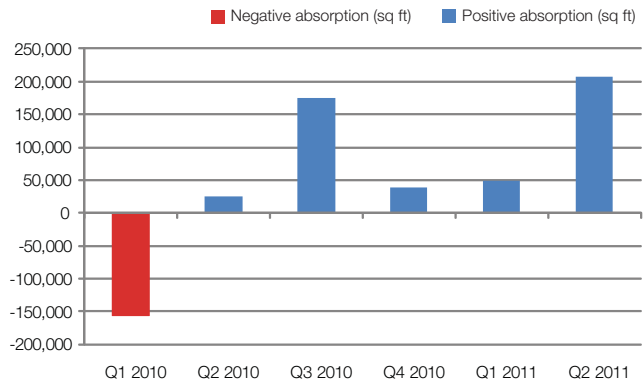
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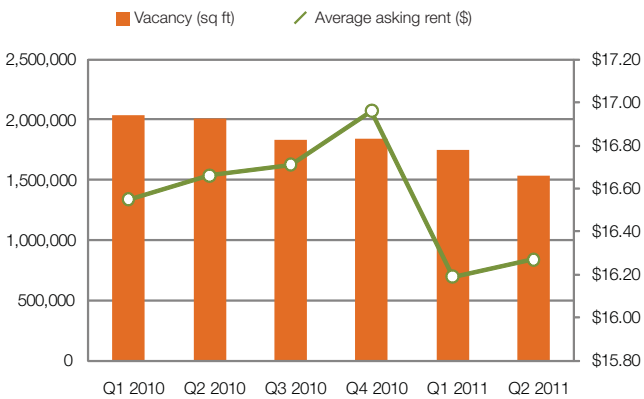
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Absorption (by quarter)



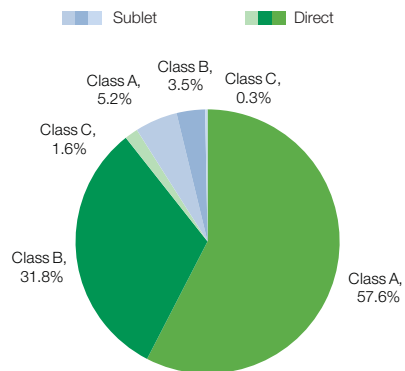
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Vacancy and asking rent



Source: www.realsite.com

Disponibility by type and class



Source: www.realsite.com

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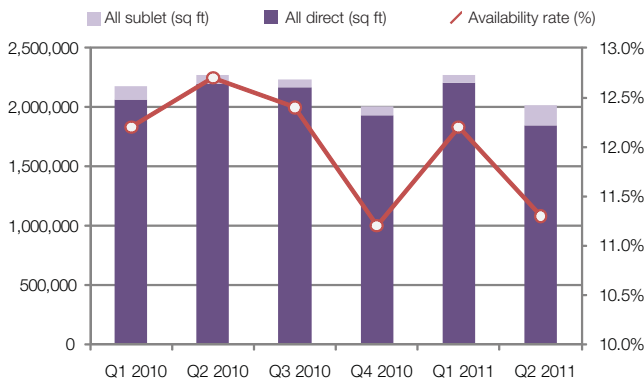
Midtown Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	4,119,952	199,157	4.8%	42,524	140,000	\$13.74	\$13.72	\$27.46
B	9,097,986	899,555	9.9%	38,324	0	\$12.05	\$10.28	\$22.33
C	4,595,956	707,250	15.4%	341,757	0	\$11.57	\$6.44	\$18.01
TOTAL	17,813,894	1,805,962	10.0%	422,605	140,000	\$12.22	\$9.83	\$22.04

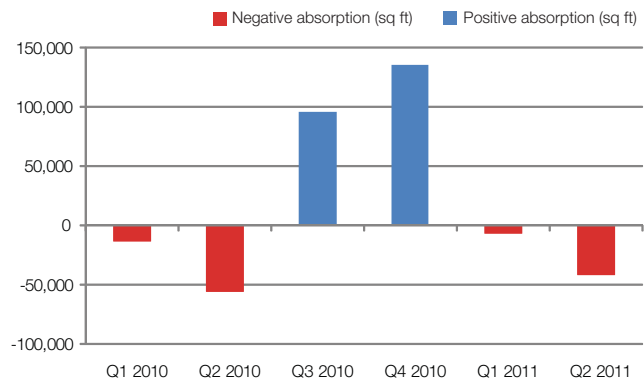
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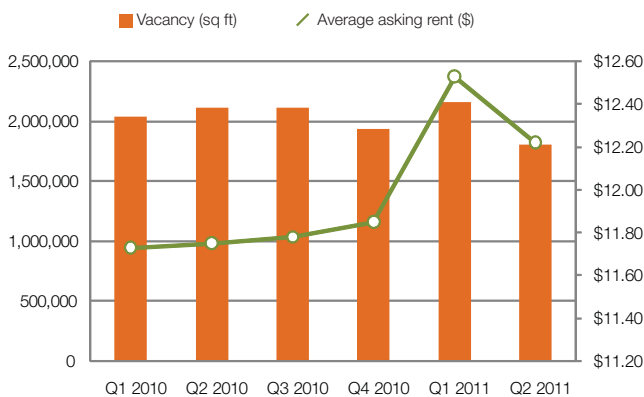
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Absorption (by quarter)



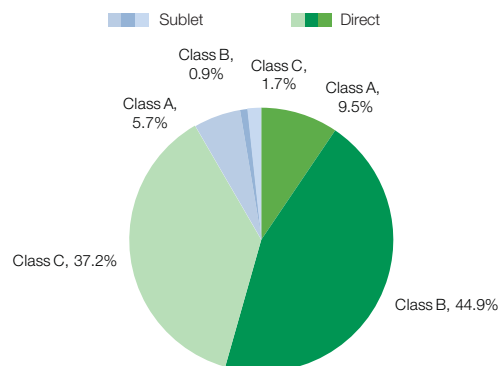
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Vacancy and asking rent



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Disponibility by type and class



Source: www.realsite.com

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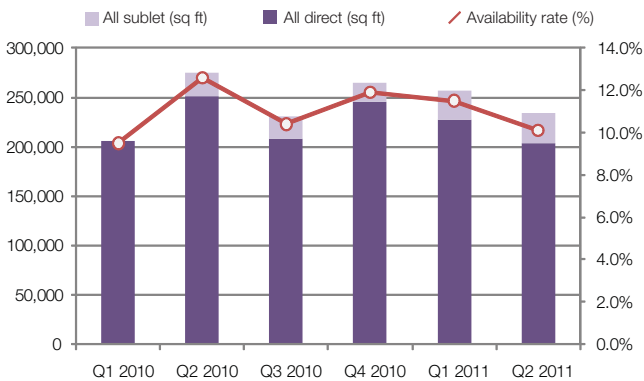
East End Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,160,010	169,254	14.6%	21,877	0	\$12.88	\$13.61	\$26.49
B	1,120,849	42,096	3.8%	3,211	0	\$10.50	\$8.24	\$18.75
C	48,000	1,820	3.8%	-1,820	0	\$0.00	\$0.00	\$0.00
TOTAL	2,328,859	213,170	9.0%	23,268	0	\$12.28	\$12.27	\$24.55

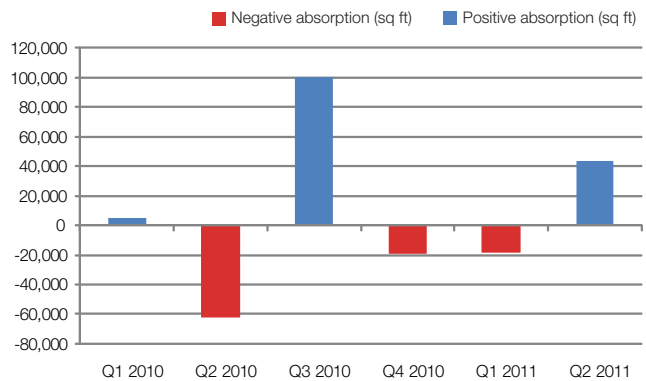
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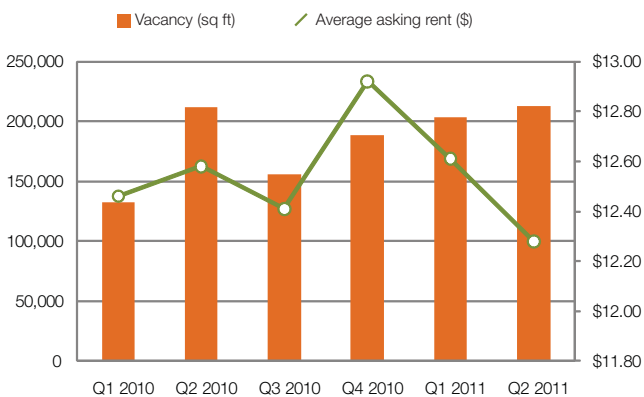
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Absorption (by quarter)



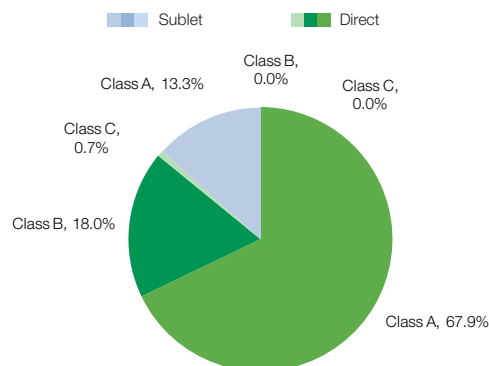
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Vacancy and asking rent



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Disponibility by type and class



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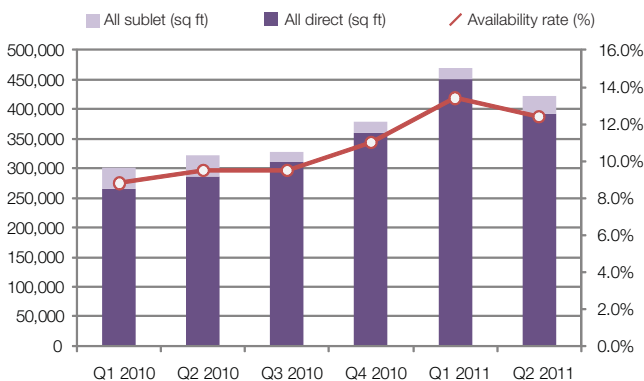
Laval Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,625,735	123,281	7.6%	25,438	0	\$13.10	\$13.35	\$26.45
B	1,632,686	171,602	10.5%	5,450	0	\$11.73	\$11.12	\$22.84
C	132,500	78,900	59.5%	-56,337	0	\$0.00	\$0.00	\$0.00
TOTAL	3,390,921	373,783	11.0%	-25,449	0	\$12.41	\$12.23	\$24.64

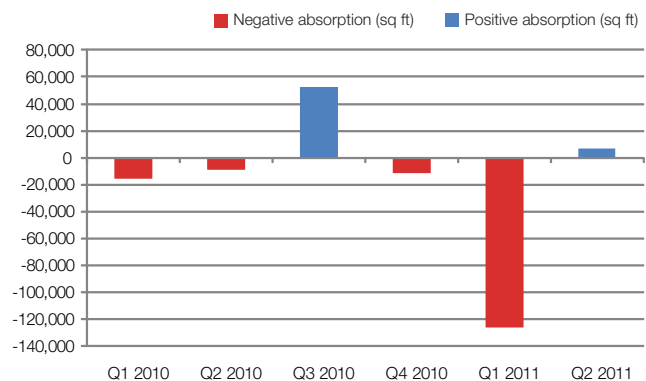
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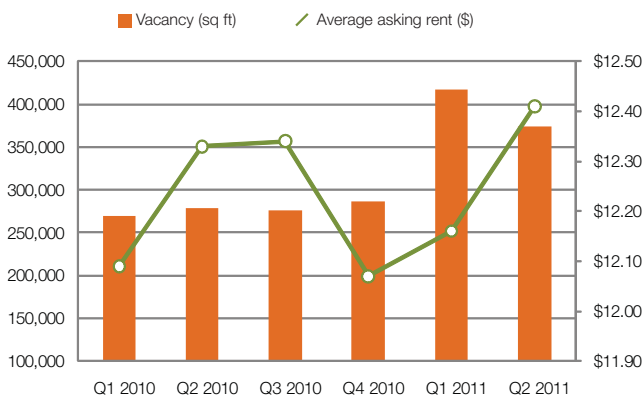
Source: www.realinsite.com

Absorption (by quarter)



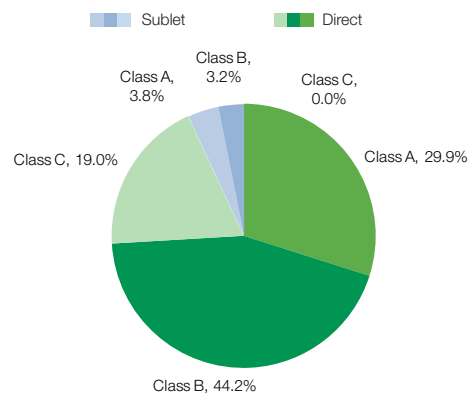
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Vacancy and asking rent



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Disponibility by type and class



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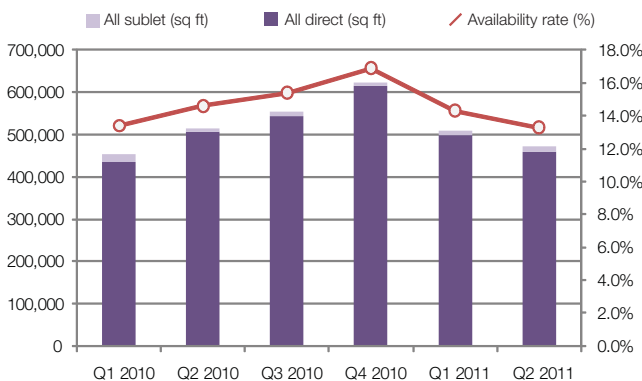
South Shore Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	1,460,927	181,397	12.4%	317,211	0	\$15.64	\$10.20	\$25.84
B	1,723,111	226,721	13.2%	-26,996	0	\$11.03	\$9.47	\$20.49
C	373,858	38,864	10.4%	-25,328	0	\$14.00	\$7.69	\$21.69
TOTAL	3,557,896	446,982	13.0%	264,887	0	\$12.62	\$9.64	\$22.26

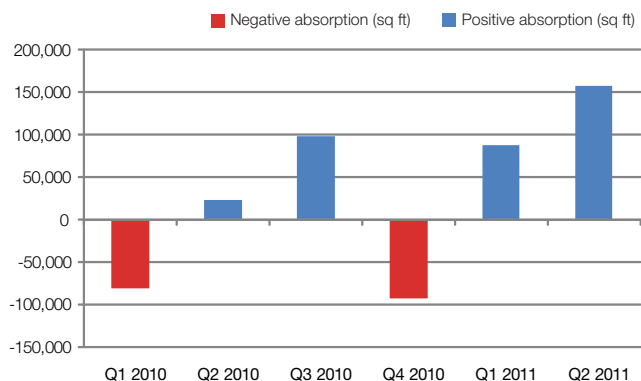
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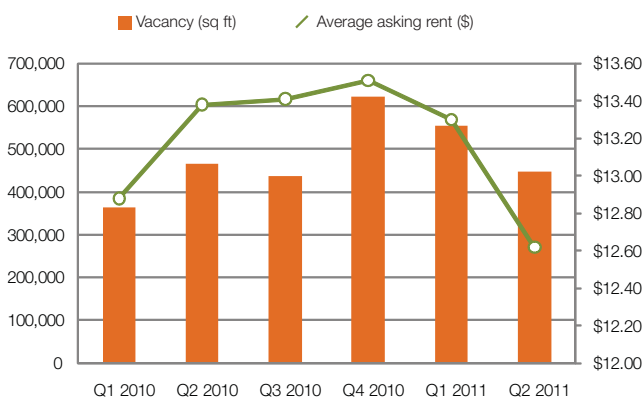
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Absorption (by quarter)



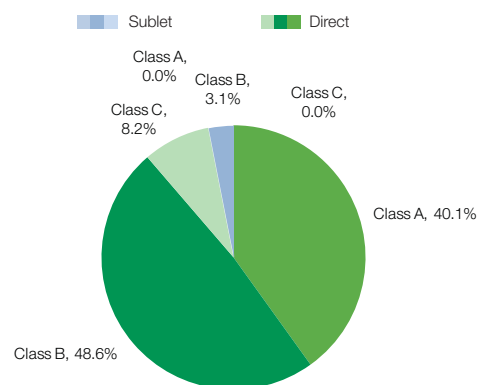
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Vacancy and asking rent



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Disponibility by type and class



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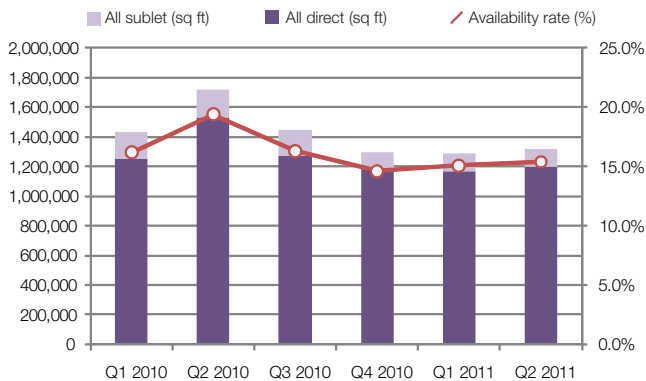
West Island Area

Market summary

Class	Total inventory (sq ft)	Total vacancy (sq ft)	Vacancy rate (%)	Absorption for the previous year (sq ft)	Construction under construction (sq ft)	Estimated net rent	Opex + taxes	Average gross rent
A	4,536,826	486,098	10.7%	219,540	0	\$14.12	\$14.98	\$29.10
B	3,589,781	580,309	16.2%	66,742	0	\$11.76	\$11.98	\$23.74
C	451,274	211,226	46.8%	-9,196	0	\$10.10	\$9.06	\$19.16
TOTAL	8,577,881	1,277,633	15.0%	277,086	0	\$12.35	\$12.62	\$24.97

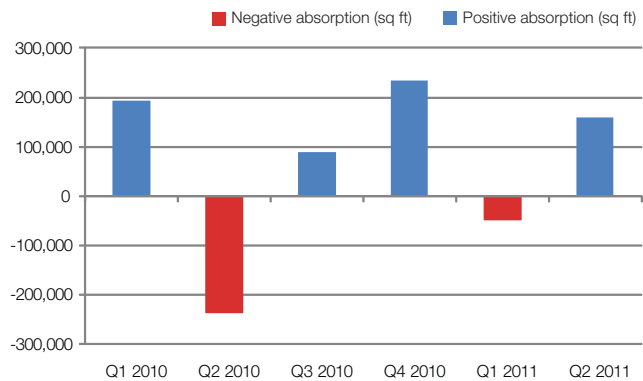
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Availability



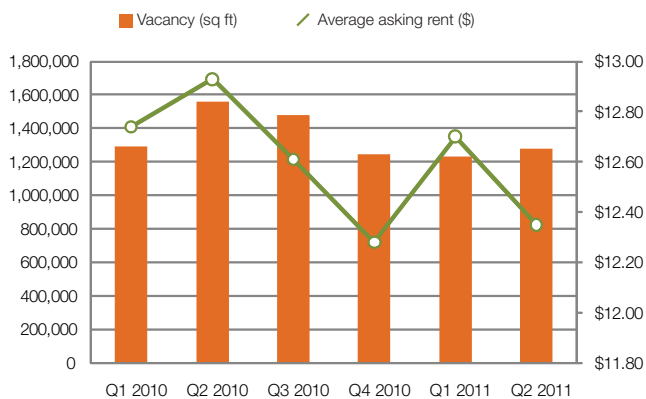
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Absorption (by quarter)



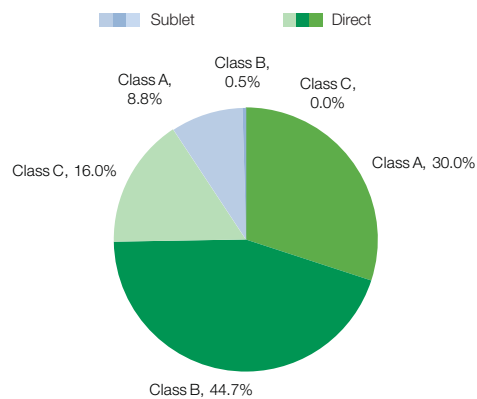
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Vacancy and asking rent



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Disponibility by type and class



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