

Montreal

Office | Q4 2023 Market Report

Quarterly Snapshot

↑ Average Rent
\$35.06/SF

↑ Vacancy
17.2%

↓ Net Absorption
-853,276 SF

Occupier's Perspective

Downtown vacancies averaging 16.1 percent this quarter are converging with Suburban average vacancies at 18.3 percent.

Certain Landlords are aggressively offering substantial turnkey Tenant Improvement packages for base building spaces upwards of \$100 to \$115 per square foot to compete with sublease opportunities.

Although rent for direct space is not being discounted, Tenants are able to benefit from substantial inducements such as Tenant Improvement Allowances, Free Rent, Pre-Occupancy periods and flexibility within their lease Term.

Tenant expectations remain high in negotiations as they gain a better understanding of remote work requirements. With vacancy rates hovering around 17.2 percent across the Greater Montreal Area (GMA), a 30 bps increase since last quarter, conditions are highly tenant favourable. Construction costs for newly built out base space ranges from approximately. \$100 to \$125 per square foot. These costs exclude cabling and furniture which can cost upwards of \$20 to \$30 per square foot. Average asking gross rents Downtown for Class B buildings are approximately \$37.74 per square foot, Class A closer to \$48.53 with AAA office towers approaching \$67.12. Class A suburban landlords are asking approximately \$35.00 and \$28.00 for Class B. Short term subleases offer flexibility and discounted rent however they are not always the most advantageous since tenants can face significant increases directly with their landlords after a 2 to 3 year sublease.

The Montreal office market continues to offer long-term sublease opportunities of 5 to 10 years that provide tenants with fully furnished, centrally located, and newly renovated options. When comparing building out new space versus modifying existing sublease space, the convenience and the savings in total occupancy costs of approximately 30 to 40 percent are in favor of the sublease.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Université de Montréal	66,800 SF	Downtown East	New Lease	Other
Sport Maksa Inc.	50,000 SF	Saint-Laurent	New Lease	Office
Macdonald, Dettwiler & Assoc.*	25,515 SF	Kirkland	New Lease	Office
Alaya Care Inc.	25,342 SF	Midtown East	Renewal	Office
First National Financial LP	22,728 SF	Downtown Core	Renewal	Office
Cirano	14,191 SF	Downtown Core	Renewal	Office
Nemaska Lithium	13,563 SF	Downtown South	New Lease	Office
Service Doc. Multimédia Inc.	13,500 SF	Midtown East	Renewal	Office

*Client represented by Cresa Montreal

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
16.9%	▼	\$22.38	East End
13.6%	▲	\$25.87	Midtown East
12.6%	▼	\$26.84	West Island
17.6%	▼	\$28.08	Saint-Laurent
11.5%	▲	\$28.87	South Shore
17.6%	▼	\$30.84	Laval
13.8%	▲	\$32.58	Midtown North
16.1%	▼	\$41.28	Downtown