

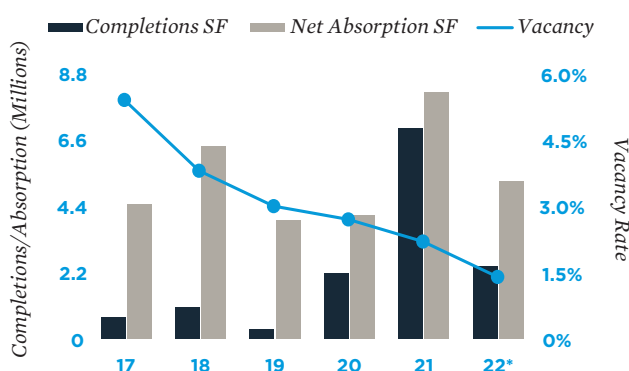
Lack of Available Space Encourages Building and Paves Way for Rent Gains

Health crisis accelerates need for space. Soaring e-commerce sales and access to one of North America's busiest inland ports have led to a very tight industrial market in Montreal. The Port of Montreal saw roughly 1.7 million TEUs pass through last year. Meanwhile, higher-income job growth is bolstering local spending, which will likely increase import activity in the years ahead as more goods are consumed by the metro's residents. These trends have led to robust absorption of available space, as the health crisis pushes more citizens to order goods online. Nearly 8.2 million square feet of industrial space was absorbed in 2021, compressing the vacancy rate to 2.2 per cent. With little remaining space fit for modern use, developers are trying to keep pace, but conditions will hold tight, as much of the 2022 completion schedule is pre-leased. Many of these projects have advertised rents above historic averages in the metro, indicating the potential for a strong average asking rent climb this year in Montreal. Developers and investors are also pursuing land purchases in distant areas, signaling expectations for future demand.

Montreal Industrial Investment Trends

- Strong metrics underscore buyer interest for Montreal's industrial assets. The average per-square-foot price rose last year, but is still below nearby Ottawa and Toronto.
- As prices increase in Montreal proper, investors will be prone to look for opportunities elsewhere in the metro. Below-average entry costs in the South and North Shore could attract buyers.

Supply and Demand



2022 Industrial Trends

2.4 MILLION
SQUARE FEET
will be completed

CONSTRUCTION:

Developers finalize less space in 2022 than the trailing five-year annual average. Meanwhile, surging demand will condense vacant stock and warrant greater construction.

80
BASIS POINT
decrease in vacancy

VACANCY:

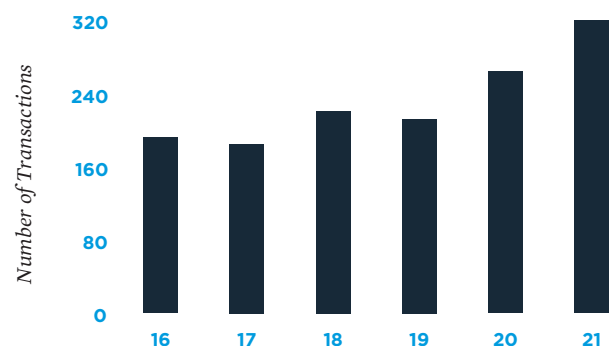
Strong tenant demand brings net absorption above 5 million square feet for the second straight year. Vacancy falls to 1.4 per cent by year-end, down 400 basis points from 2017.

4.9%
INCREASE
in asking rent

RENT:

After recording a solid gain in 2021, the average asking rent grows again in 2022, with a slate of higher-quality facilities set to open.

Transaction Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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