

INVESTMENT FORECAST

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

Retail
Montreal

2022

Montreal Retail Spending Climbs, Despite Pandemic-Related Shifts in the Market

Suburban assets drive performance during restrictions. The impacts of COVID-19 on Montreal's retail segment were severe in 2020, but the metro has experienced a strong rebound since. Despite stringent virus containment policies, retail sales actually measured higher in 2021 than they did in 2019, which has helped prevent large-scale store closures. Amid this momentum, tenants' location preferences began to shift. Prior to 2020, students, workers and tourists drove much of the retail spending in the city centre, leading retailers to lease and expand in the urban core. These sources of spending largely dried up during the health crisis, and tenants placed an emphasis on expanding into residential neighbourhoods. The two largest projects in the pipeline are components of suburban mixed-use developments in Vaudreuil-Châteauguay and Mirabel-Blainville, highlighting this trend. Nonetheless, retailers in central districts like Ste-Catherine Street should soon benefit from returning workers, students and tourists.

Montreal Retail Investment Trends


- First-year returns have been compressing, as vacancy tightens in Montreal. At 5.5 per cent, however, the average cap rate remains higher than the recording in Toronto or Ottawa.
- Montreal is one of the most affordable major markets in the country, with an average sale price of \$244 per square foot, enabling a wider range of buyers to participate in the investment market.

2022 Retail Trends


320,000
SQUARE FEET
will be completed

CONSTRUCTION:

Developers will finalize at least 300,000 square feet for the second consecutive year in 2022. Across the 24 months spanning 2021 and this year, inventory in Montreal will grow by 0.4 per cent.


10
BASIS POINT
decrease in vacancy

VACANCY:

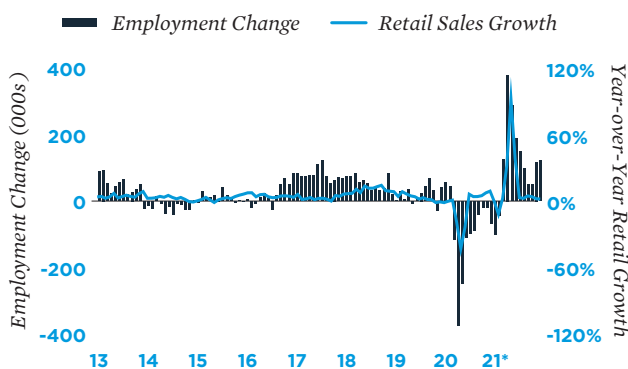
Tenant demand will outpace construction in Montreal, lowering retail vacancy to 1.9 per cent by the end of 2022.


0.9%
DECREASE
in asking rent

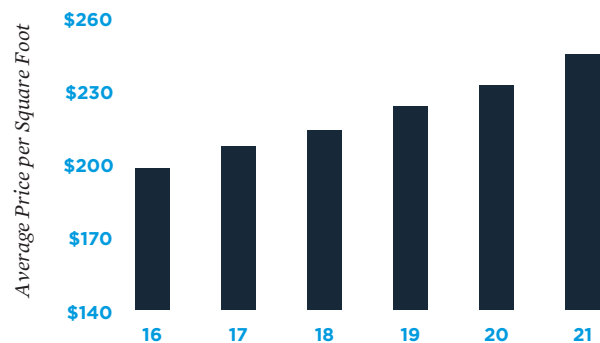
RENT:

The average asking rent for available retail space will retreat to \$20.05 per square foot, despite lower vacancy. This drop is primarily a result of the block of older, lower-quality space that has recently become vacant.

Employment vs. Retail Sales Trends



Sales 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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