

MARKET REPORT

Industrial
Montreal Metro Area

IPA
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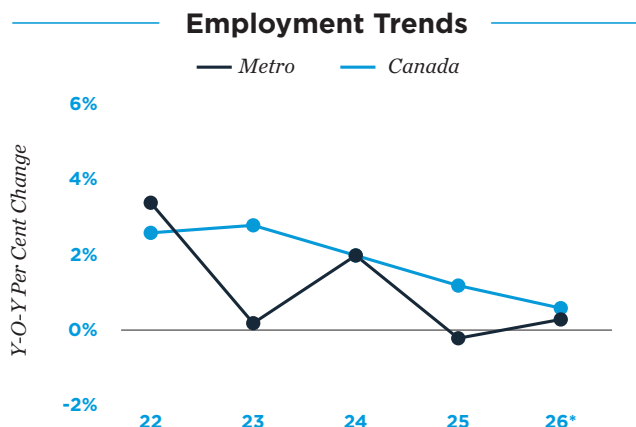
2Q/26

Short-Term Pressures Temper Performance While Long-Term Outlook Remains Positive

Trade risks continue to weigh on space demand. Montreal's industrial market entered 2026 on a soft footing. Following a modest rebound in net absorption at the end of 2025, leasing activity slowed again in the first quarter, resulting in negative absorption and pushing vacancy up to 5.7 per cent. This increase came despite limited new supply, with approximately half the vacated space concentrated in Lachine, where the inventory is more heavily weighted toward older, larger-bay properties. Ongoing trade uncertainty surrounding the midyear USMCA joint review is expected to keep occupiers cautious in the near term, with many adopting a wait-and-see approach — particularly for larger-format requirements. As a result, even as completions are projected to decline for a second consecutive year, vacancy is likely to drift higher, reaching around 6.0 per cent by year-end.

Montreal poised to gain from long-term resilience building.

Looking beyond the near-term adjustment, the sector's longer-term outlook remains constructive. As Canada steps up investment in infrastructure, diversifies its export base, and strengthens supply-chain resilience, Montreal is well positioned to benefit, given its role as a key commercial hub and primary gateway to European markets. Amid this new national strategy, industrial space demand in Montreal is expected to be supported by a broader mix of tenants across manufacturing, logistics, and trade-oriented sectors. This shifting trend could help the metro better absorb future shocks and support more stable demand during economic downturns.



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

Industrial 2026 Outlook



**5,000
JOBS**

will be created

EMPLOYMENT

Following last year's loss of 11,000 jobs, Montreal's labour market is projected to stabilize this year. While total employment may eke out a modest gain, the job market is expected to continue feeling the impact of trade risks and slower population growth.



**2.1 MILLION
SQ. FT.**

will be completed

CONSTRUCTION

Large-bay properties continue to dominate new supply as the overall construction pace winds down. The largest completion this year includes two of the five industrial buildings within the Écoparc Laval 15 project.



**60
BASIS POINT**

increase in vacancy

VACANCY

Still-negative net absorption in the first quarter points to subdued leasing heading into the midyear review of the North American trade pact. Should trade relations with the U.S. improve in the second half, vacancy could show signs of stabilizing by year-end.



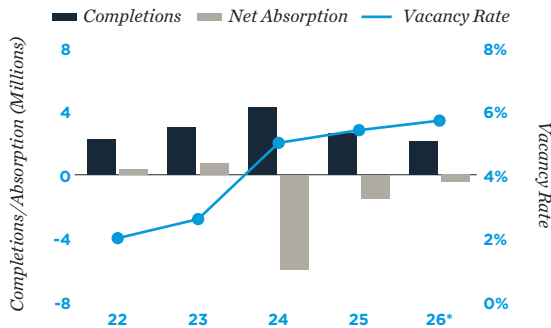
**1.3%
DECREASE**

in asking rent

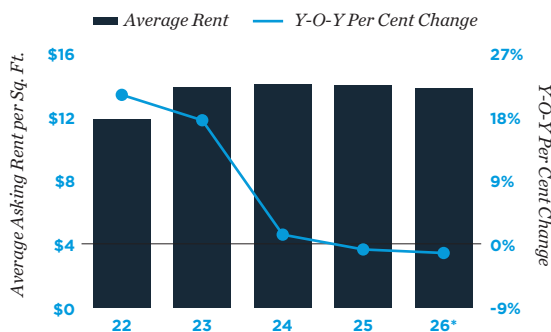
RENT

As vacancy approaches its highest level in the past decade, rents are expected to decline for a second consecutive year. This softness will likely be more pronounced in large-bay properties, driven by weaker demand from logistics users and increased competition from newer, more efficient supply.

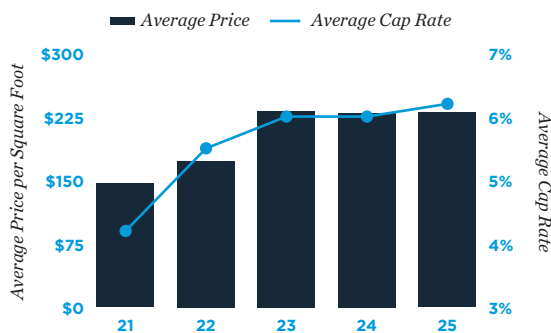
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

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Price: \$250

1Q 2026: Trailing 12-Month Period



CONSTRUCTION

2,530,000 sq. ft. completed

- Completions over the past yearlong period fell 16 per cent year-over-year, as construction slowed amid lower demand growth.
- Over 1 million square feet was delivered in South Shore, with the largest completion being a facility along Autoroute de l'Acier. Building A of 40NetZERO was the second-largest addition, delivered in Montreal East.



VACANCY

60 basis point increase in vacancy Y-O-Y

- While completions declined, net absorption remained firmly negative in three of the four quarters over this 12-month period. As a result, the vacancy rate rose to 5.7 per cent in the first quarter of 2026.
- Despite the overall increase, vacancy declined by 50 basis points in West Island and 30 basis points in Midtown South.



RENT

0.4% decrease in the average asking rent Y-O-Y

- As the vacancy rate rose to its highest level since 2015, industrial rents continued to soften. The average asking rent peaked at \$14.97 per square foot in the first quarter of 2024 and has since declined by 6.0 per cent.
- Despite the recent pullback, industrial rents have grown significantly over the past six years, nearly doubling their 2019 level.

Investment Highlights

- Larger-bay properties regained investor interest in the first quarter of this year. Preliminary data show that total dollar volume rose 32 per cent year-over-year, alongside a 30 per cent increase in the number of transactions. More notably, the average transaction value exceeded \$8 million — a 31 per cent increase from last year's average. This suggests a renewed willingness among investors to transact on larger assets, reflecting improving pricing clarity and a gradual return of confidence in the segment.
- Cologix's \$218 million investment in a 206,000-square-foot data centre on Frederick-Banting Street stands as the largest transaction year to date. The deal underscores the tech sector's growing influence on the industrial sector, positioning Montreal to benefit from its abundant, low-cost hydroelectric power and a cool climate that supports efficient data centre operations.
- In 2025, Montreal remained one of the lowest-cost industrial markets in Canada, with sale prices averaging around \$230 per square foot last year. While prices held relatively stable, the average cap rate rose by 20 basis points, suggesting a modest softening in investor sentiment and a repricing of risk amid elevated interest rates and trade uncertainty.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

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