INVESTMENT FORECAST

Industrial

Montreal

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Trade Policy Development Casts Shadow Over Near-Term Outlook

Cautious recovery amid tariff risks. As a major manufacturing hub for machinery, pharmaceuticals and metal products, Montréal was among the hardest-hit industrial markets last year, weighed down by higher U.S. tariffs and persistent trade-related uncertainty. The vacancy rate surpassed 6.0 per cent by the fourth quarter, reflecting negative absorption that characterized much of the year. Looking ahead in 2026, trade policy developments are set to remain a key driver of the metro's near-term industrial outlook. Tenants and investors will pay close attention to the upcoming USMCA joint review. The outcome will carry significant implications for cross-border supply chains and investment sentiment. At the same time, accommodative monetary policy is expected to spur leasing momentum. Even so, this tailwind will likely be tempered by the overhang of policy uncertainty, keeping the recovery measured. As a result, vacancy could edge higher early in the year before reversing course later on. Over the long term, the expansion of the Port of Montreal's Contrecoeur Terminal could stimulate space demand, as it will boost container capacity by 60 per cent once completed.

INVESTMENT TRENDS

- Investors focused on smaller assets last year as a way to mitigate trade risks. Even so, lower interest rates and greater clarity on trade policy could help revive demand for larger assets in 2026.
- Areas near population centres and key highway corridors, such as Saint-Laurent and Lachine, are expected to continue attracting investors interest, given their strategic location advantages.

2026 Industrial Trends

1.6 MILLION SQUARE FEET *will be completed*

CONSTRUCTION:

Completions are expected to decline as soft fundamentals weigh on developer sentiment. Major upcoming deliveries include Project XM and portions of Écoparc Laval 15.

20 BASIS POINT *decrease in vacancy*

VACANCY:

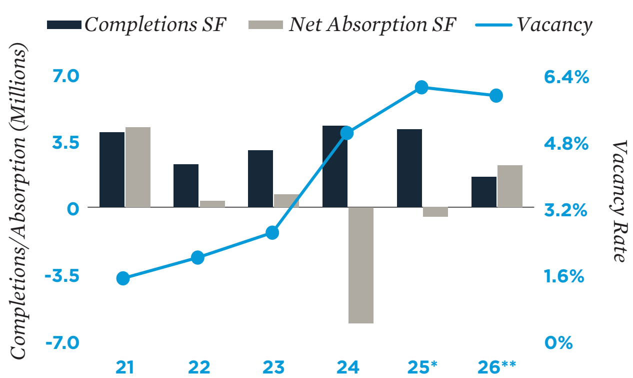
Trade risks could push vacancy higher in the near term; however, the rate may stabilize around 6.0 per cent by the end of 2026, driven by a second-half recovery in space demand and limited inventory growth.

0.7% INCREASE *in asking rent*

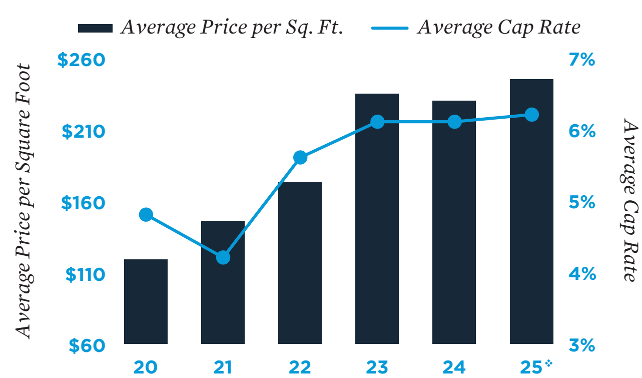
RENT:

Rents are expected to hold firm in 2026. A gradual recovery in demand, combined with limited new supply, should support this slight upwards trend. By year-end, the average asking rate is projected to stabilize around $14 per square foot.

Supply and Demand



Price and Cap Rate Trends



** Estimate; ** Forecast; * Trailing 12 months through 3Q*

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

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