Market Report

INDUSTRIAL 3Q/26

Montreal Metro Area

IPA | INSTITUTIONAL PROPERTY ADVISORS

Leasing Gradually Gains Momentum as Recovery Faces Persistent Headwinds

Trade headwinds to further drive up vacancy. After a slow start to the year, leasing activity rebounded over the summer. The recovery was most pronounced in suburban submarkets such as West Island and Laval, where net absorption exceeded 1 million square feet between June and September. Lachine also posted strong third-quarter demand, supported by new leasing activity near Montréal International Airport. Looking ahead, renewed U.S. trade tensions could again temper leasing momentum in the metro, although the impact is expected to be less severe than in 2025.

Construction activity stays muted. With net absorption trailing the wave of deliveries in recent years, construction has slowed notably since 2024. Completions in 2026 are projected to equal just 0.6 per cent of existing inventory, among the lowest levels in Canada. Meanwhile, the latest data shows that the pre-leasing rate remains below 40 per cent, limiting developers' appetite for new project starts. Until leasing momentum strengthens more meaningfully, construction activity is expected to remain subdued, allowing demand to catch up with existing inventory and helping support market fundamentals.

2026 FORECAST

EMPLOYMENT

5,000	0.2%
Jobs will be created	Increase Y-O-Y

CONSTRUCTION

2,700,000	4.0%
Sq. ft. will be added	More than last year

VACANCY

5.8%	40
Vacancy rate	BPS increase Y-O-Y

RENT

$14.05	0.4%
Average asking rent by year-end	Increase Y-O-Y

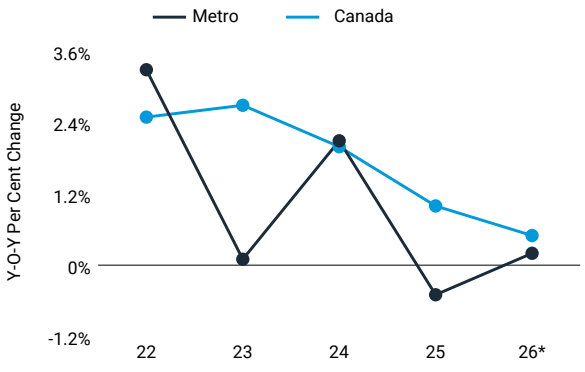
EMPLOYMENT

Total employment was largely unchanged through the first eight months of 2026, as late-summer job losses partially offset earlier gains. Escalating trade tensions with the United States and higher costs from the ongoing conflict in the Middle East are expected to continue weighing on hiring. However, despite softer employment growth, the unemployment rate may remain stable due to subdued growth in the labour force.

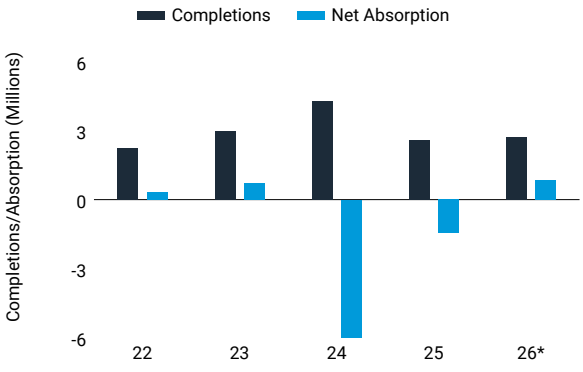
CONSTRUCTION

While construction activity has slowed, large-format projects still account for most upcoming completions. Laval is expected to lead all submarkets with approximately 1.6 million square feet of new supply, including Rosefellow Development's 412,200-square-foot Class A facility along Highway 13. Boisbriand ranks second, with roughly 762,000 square feet scheduled for delivery. As of the third quarter, just over 3.1 million square feet was under construction across 15 industrial facilities.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



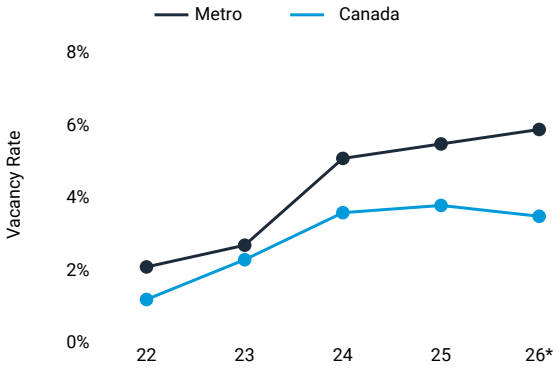
* Forecast

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

VACANCY

Although net absorption has recovered from its cyclical low, space demand is expected to remain insufficient to keep pace with incoming supply amid ongoing economic and demographic headwinds. As a result, the vacancy rate is projected to edge higher, finishing the year just below 6.0 per cent. Despite this increase, North Shore submarkets, particularly Lanaudière and Laurentides, are expected to maintain the metro's tightest market conditions, with vacancy rates remaining below 4.0 per cent.

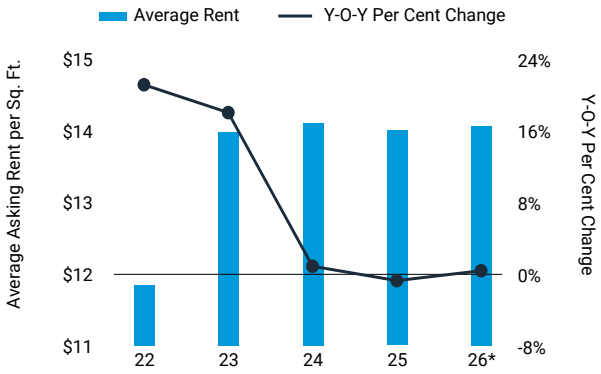
VACANCY TRENDS



RENT

The average asking rent peaked at approximately $15 per square foot in the first quarter of 2024 before easing into the low-$14 range. After a 0.7 per cent decline last year, rents have shown little growth in 2026 but appear to have stabilized as market conditions gradually improve. By year-end, the average asking rent is expected to remain just above $14 per square foot. A return to stronger rent growth will likely depend on vacancy beginning to trend lower.

RENT TRENDS



* Forecast; ** Through 2Q

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

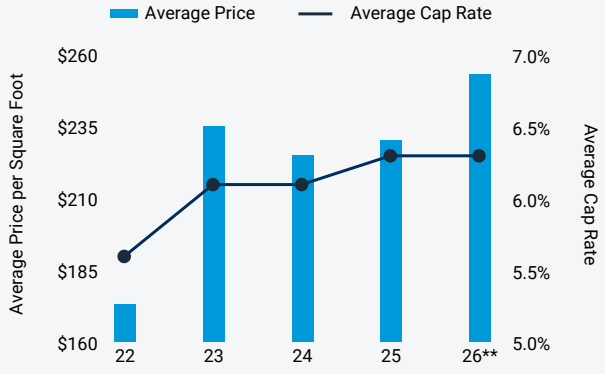
INVESTMENT HIGHLIGHTS

- Investment activity strengthened in the first half of 2026, with both deal count and dollar volume posting year-over-year gains. The second quarter was especially active, supported by a pickup in larger transactions that boosted overall investment volume. Even so, trailing 12-month dollar volume remains modest at roughly $1.65 billion, well below the cyclical highs in 2022 and 2024. This suggests investors remain cautious, as elevated borrowing costs and persistent economic headwinds continue to temper transaction activity.

- High-profile transactions in the first half of the year included Alderan's $76.8 million acquisition of a manufacturing and distribution facility along the Trans-Canada Highway, Cologix's investment in a data centre, and CPP Investments' joint venture with Dream Industrial. These transactions highlight the ongoing appetite for Montréal industrial assets among institutional and foreign capital. Despite elevated financing costs and economic uncertainty, investors remain active in the market for high-quality properties and strategic platforms, reflecting confidence in the metro's long-term industrial and logistics fundamentals.

- The trailing 12-month average sale price climbed above $250 per square foot in the second quarter, driven primarily by an increase in larger transactions. At the same time, cap rates remained relatively stable at approximately 6.3 per cent, indicating little change in market pricing fundamentals.

SALES TRENDS



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