

16.1%
Vacancy Rate



-919 K
Net Absorption SF



\$35.52
Gross Asking Rent PSF



(Overall All Property Classes)

ECONOMIC INDICATORS Q1 2022

2.3M
Montreal Employment



5.1%
Montreal Unemployment Rate



5.3%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMY: Recovery well underway

Despite a turbulent start to 2022, where provincial governments reinstated public health measures to contain the spread of the Covid-19 Omicron variant, the economic recovery is now well underway. The province of Quebec recently eased a variety of restrictions impacting high-touch service industries like accommodation and food services. This will play an important role in the province's recovery.

As the Bank of Canada is faced with a 30-year high inflation rate, which reached 5.7% in February 2022, they will have no choice but to eventually increase the overnight interest rate. However, with the ongoing geopolitical developments caused by the Russian invasion of Ukraine, it is anticipated that the Bank of Canada may move with greater caution than the market expects. Consumers and businesses are currently feeling the impact via increased energy and food prices. While the rapid increase in the cost of living will certainly impact consumer spending going forward, the economic recovery in Quebec is on track with GDP surpassing pre-pandemic levels.

SUPPLY AND DEMAND: Negative absorption trend continues

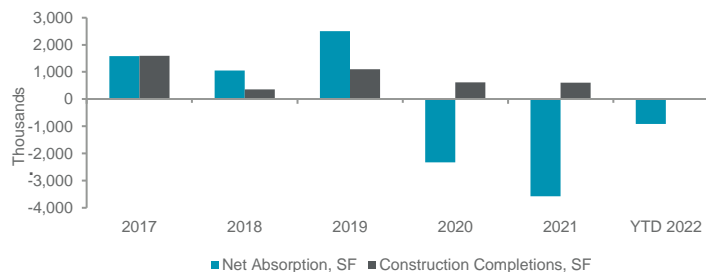
In the first quarter of 2022 total vacant space increased by 534,027 square feet (sf) in the Greater Montreal Area (GMA) compared to last quarter, in large part due to an increase in sublet space in the Suburban market. A large component of this sublet space - approximately 151k sf - was located in 100 Chemin de la Point-Nord, a Class A building. An additional block of Class A sublet space totaling 139k sf was located in 1360 Rene-Levesque West Boulevard. Overall sublet space available in the GMA is now approximately 2.9 million square feet (msf), up from 2.6 msf last quarter. The arrival of new vacancy without any notable uptick in demand resulted in the overall vacancy rate climbing to 16.1% in the first quarter of 2022, 50 basis points higher than last quarter.

The Greater Montreal Area experienced a slowdown in leasing activity compared to the previous quarter - particularly in the Suburban market. Overall activity does, however, remain above the historical 5-year average which is a positive indication that overall demand may be in the early stages of recovery. For the time being, however, overall absorption remained negative in the GMA this quarter as all classes in both Central and Suburban areas had negative absorption. There was a silver lining though as absorption was not as negative this quarter compared to the last quarter of 2021, improving by approximately 500k sf.

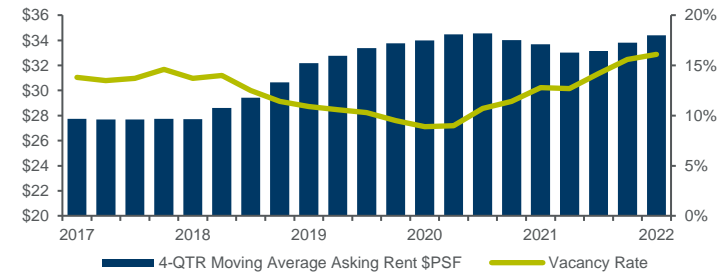
PRICING: Incentives pushing down NER's

As occupiers still face pandemic-induced uncertainty and reconsider their space needs, landlords continue to offer increased flexibility to tenants via tenant inducements and free rent in an attempt to lock in renewals and lease up vacant spaces. While asking face rates remained relatively stable, the increased incentives resulted in some downward movement in NER's. If vacancy continues to climb, landlords may have to reconsider their positions which can result in face rates beginning to soften.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|------------------------------|--------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Financial Core | 22,061,570 | 419,250 | 3,077,601 | 15.9% | -19,299 | -19,299 | 232,371 | 0 | \$43.14 | \$47.15 |
| Downtown West | 3,793,621 | 174,418 | 543,385 | 18.9% | -124,124 | -124,124 | 5,587 | 99,062 | \$35.02 | \$45.18 |
| Downtown East | 8,924,285 | 256,777 | 743,840 | 11.2% | -138,701 | -138,701 | 24,525 | 0 | \$35.92 | \$47.88 |
| Downtown South | 11,831,262 | 263,189 | 1,371,155 | 13.8% | -98,307 | -98,307 | 148,763 | 1,480,000 | \$49.72 | \$52.66 |
| Downtown Southwest | 1,628,546 | 105,039 | 177,679 | 17.4% | 10,257 | 10,257 | 15,168 | 148,618 | \$33.00 | \$35.00 |
| Old Montreal | 4,536,213 | 77,612 | 491,605 | 12.5% | 13,021 | 13,021 | 47,621 | 0 | \$36.23 | N/A |
| Westmount | 2,158,078 | 49,695 | 195,217 | 11.3% | -52,535 | -52,535 | 29,615 | 0 | \$31.41 | N/A |
| Central Area | 54,933,575 | 1,345,980 | 6,600,482 | 14.5% | -409,688 | -409,688 | 503,650 | 1,727,680 | \$42.59 | \$48.76 |
| Midtown East | 3,226,821 | 69,269 | 354,564 | 13.1% | 6,700 | 6,700 | 18,325 | 0 | \$26.75 | N/A |
| Midtown Central | 6,544,518 | 312,316 | 738,260 | 16.1% | -72,026 | -72,026 | 53,288 | 0 | \$30.93 | N/A |
| Midtown North | 7,122,549 | 22,413 | 1,361,709 | 19.4% | -26,547 | -26,547 | 16,460 | 0 | \$15.83 | \$29.36 |
| Décarie CDN | 3,055,691 | 56,552 | 462,115 | 17.0% | -24,555 | -24,555 | 22,657 | 340,000 | \$25.49 | \$31.06 |
| Midtown West | 1,431,844 | 2,211 | 192,708 | 13.6% | -24,550 | -24,550 | 17,345 | 0 | \$19.50 | N/A |
| Midtown South | 1,097,479 | 116,767 | 44,078 | 14.7% | -4,016 | -4,016 | 427 | 0 | \$28.40 | N/A |
| Île-des-Soeurs | 1,423,649 | 202,784 | 43,668 | 17.3% | -208,986 | -208,986 | 0 | 0 | N/A | N/A |
| Saint-Laurent | 7,318,004 | 424,233 | 1,348,943 | 24.2% | -25,623 | -25,623 | 63,245 | 0 | \$27.89 | \$30.29 |
| Midtown | 31,220,555 | 1,206,545 | 4,546,045 | 18.4% | -379,603 | -379,603 | 191,747 | 340,000 | \$24.69 | \$30.31 |
| West Island | 2,885,581 | 100,255 | 503,265 | 20.9% | 25,387 | 25,387 | 23,918 | 0 | \$26.32 | \$31.69 |
| East End | 3,398,936 | 87,731 | 495,703 | 17.2% | -29,926 | -29,926 | 3,854 | 0 | \$22.28 | N/A |
| Laval | 4,413,157 | 110,936 | 690,157 | 18.2% | -105,096 | -105,096 | 13,175 | 333,938 | \$28.72 | \$28.59 |
| South Shore | 5,645,492 | 80,284 | 702,716 | 13.9% | -20,156 | -20,156 | 23,285 | 265,000 | \$30.19 | \$32.40 |
| Suburbs | 16,343,166 | 379,206 | 2,391,841 | 17.0% | -129,791 | -129,791 | 64,232 | 598,938 | \$27.71 | \$31.49 |
| Greater Montreal Area | 102,497,296 | 2,931,731 | 13,538,368 | 16.1% | -919,082 | -919,082 | 759,629 | 2,666,618 | \$35.52 | \$43.34 |

*Rental Rates reflect full service asking (Gross rent)

KEY LEASE TRANSACTIONS Q1 2022

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|----------------------------------|----------------|----------------------|--------|------------|
| 400 Sainte-Croix avenue | Saint-Laurent | N/A | 30,750 | New Tenant |
| 740 Notre-Dame Street West | Downtown South | N/A | 23,510 | Renewal |
| 800 René-Lévesque Boulevard West | Financial Core | Economical Insurance | 21,220 | Renewal |

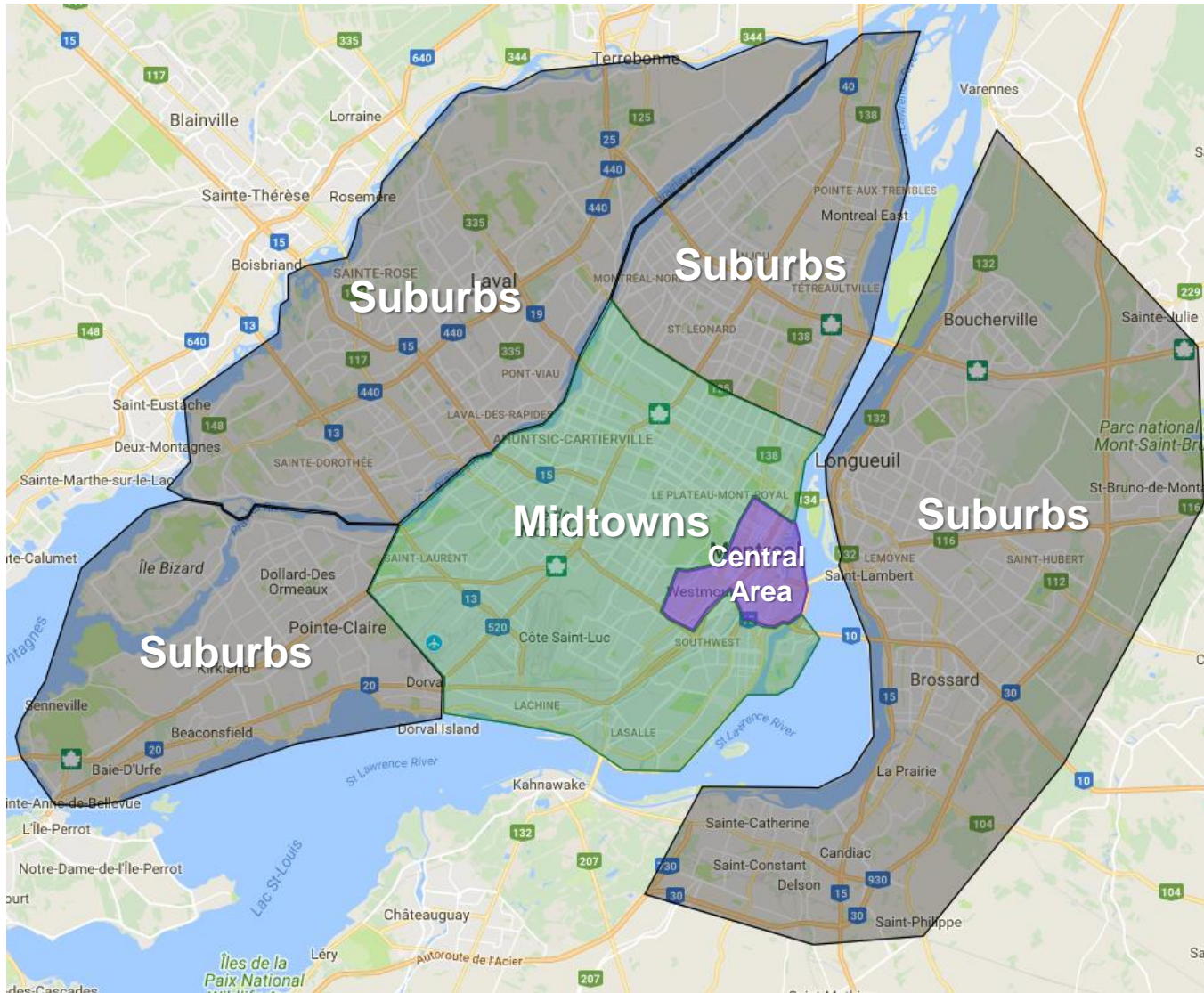
KEY SALES TRANSACTIONS Q1 2022

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|----------------------------|----------------|--|---------|--------------------------|
| 2001 McGill College Avenue | Financial Core | Cominar REIT / Groupe Mach | 510,000 | \$203,000,000 / \$398.00 |
| 491 Viger Avenue West | Downtown South | Kevric Real Estate & PSP / Kevric Real Estate & Blackstone | 230,000 | \$147,000,000 / \$639.00 |
| 1100 Atwater Avenue | Downtown West | Kevric Real Estate & PSP / Blackstone & Kevric Real Estate | 175,500 | \$84,000,000 / \$477.00 |

MONTREAL, QC

Office Q1 2022

OFFICE SUBMARKETS



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