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INSIGHTS FROM INDUSTRY LEADERS DURING THE CONTENT FORMATION OF THE MONTRÉAL REAL ESTATE FORUM.

INVESTMENT IN THE MONTRÉAL MARKET IS ON FIRE!

From infrastructure projects to mixed use developments, the entire South Shore, the Island, and other surrounding areas are seeing applications and shovels in the ground at a rapid rate.

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ALL ASSET CLASSES ARE PERFORMING WELL

The industrial market is being powered by technology and high-energy users with increased acquisitions and developments along the new proposed LRT route.

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FOREIGN AND DOMESTIC CAPITAL FLOODING IN

Montréal International reported that foreign direct investment rose by 50% in 2017 bringing the total amount to \$2.025B.

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STUDENT HOUSING HAVING AN IMPACT ON THE MONTRÉAL MARKET

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Supply is not keeping up with demand due to the increased aging population in Québec requiring these forms of accommodation.

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Partially due to enormous recent tech activity in 2017, Montréal was named one of the top 25 most high tech cities globally by the World Economic Forum.

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In 2017 alone, more than 50 international brands entered the Canadian retail space via stores or concessions.

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PEDESTRIANS ARE THE FOCUS ALONG STE- CATHERINE STREET

Ste-Catherine Street West, a 2.2km shopping artery, is undergoing a major revitalization the work is expected to cost \$175M.

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BALANCED BUDGETS ARE GREAT FOR BUSINESS

With the province's finances in order, everyone is waiting to see how new investment by the government will benefit different sectors.

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INVESTMENT IN THE MONTRÉAL MARKET IS ON FIRE!

- From infrastructure projects to mixed use developments, the entire South Shore, the Island, and other surrounding areas are seeing applications and shovels in the ground at a rapid rate.
- Some notable investments include:
 - i. \$6B Réseau Électrique Métropolitain (REM) – Montréal Light Rail Train System
 - ii. \$1B Royal Victoria Hospital Alterations: Lieu D'enseignement, De Recherche Et De Rencontre
 - iii. \$6.38B, three-year capital works program will be spent on:
 1. \$2.2B on roads (34%)
 2. \$1.9B on underground infrastructures including but not limited to water and sewer systems (30%)
 3. \$1.1B on buildings and land (18%)
 4. \$694M on park systems (11%)
 5. Neighbourhoods, regions and streets that have been singled out to receive funds include but are not limited to:
 - a. Ste-Catherine St. W
 - b. Pie-IX Blvd
 - c. Plaza St-Hubert
 - d. Parc Jean-Drapeau / Circuit Gilles Villeneuve
 - e. Quartier des Spectacles
 - f. Université de Montréal's Outremont campus
 - g. Public spaces in Griffintown
 - h. Social and community housing will also be addressed with funds noted for acquisitions of land

ALL ASSET CLASSES ARE PERFORMING WELL – OFFICE IS TRAILING SLIGHTLY BUT CATCHING UP

- The Montréal market is performing well across all asset classes.
- Large blocks of office space are being leased up and large lots are being purchased for renewal. This includes the recent acquisition by Broccolini of a 135K SF site for \$100M. After the purchase, they subsequently sold off a portion of the site (85K SF) to National Bank for the construction of their new head office. National Bank now plans to spend a reported \$500M on a 36-storey tower. Broccolini plans to build office and condo on the remaining portion of the site.
- The industrial market is being powered by technology and high-energy users with increased acquisitions and developments along the new proposed LRT route. This includes the \$80M investment by Structube of a 650K SF distribution facility in Laval. Costco and Ikea also previously were located on the Island and moved to the South Shore in search of a larger footprint among other reasons.
- Retail rates continue to increase in Montréal's downtown core with key brands looking for the best locations while other types of properties are encountering issues that are expected with this asset class.
- Multi-family and condo product continue to set new records with investors and developers reaching for new heights across the city.

ALL EYES ARE ON MONTRÉAL - FOREIGN AND DOMESTIC CAPITAL FLOODING IN

- Montréal International reported that foreign direct investment rose by 50% in 2017 with 48 companies being assisted by the government-funded non-profit bringing the total amount to \$2.025B.
- The search for talent is said to be fueling the increased spending with 11 university institutions and more than 60 colleges in the Greater Montréal area.
- Of foreign companies making new investments in Montréal, 64% were from Europe and 28% were from the Americas.

TECHNOLOGY IS FAST BECOMING THE MAIN STORY FOR OFFICE PRODUCT

- With over 100K employed in the tech space in Montréal, the sector is starting to move the market – office product specifically.
- In 2017 alone, news of new acquisitions, record breaking funds raised and several new artificial intelligence labs being launched were common place. This included but were not limited to:
 - i. February: Luxury Retreats was purchased by Airbnb for an amount between \$200-\$300M which includes cash and stocks.
 - ii. March: the Government of Québec announced an allocation of \$100M to create an AI super cluster and another \$8M to support entrepreneurship.
 - iii. July: Novacap, a Montréal based firm, raised Canada's largest TMT private equity fund closing out at \$840M. The fund is currently the largest PE fund focused on technology, media and telecom in the market.
 - iv. September: La Caisse de dépôt et placement du Québec and Novacap valued Pivotal Payments at some \$525M. Pivotal Payments is a Québec based company that focuses on payment processing solutions.
 - v. October: La Caisse de dépôt et placement du Québec and Desjardins Group started a fund to focus on investment in the fintech space and AI and finance. The fund is expected to be around \$75M. Desjardins further announced they started a new Desjardins Capital SME fund to allocate up to \$500M to small and medium business over the following five years.
 - vi. December: the Canadian government announced that they will provide Québec with \$260M for energy efficiency and climate action.
- Partially due to enormous recent tech activity in 2017, Montréal was named one of the top 25 most high tech cities globally by the World Economic Forum. Montréal was listed at #18 while Vancouver was listed at #14 and Toronto at #9.

MEDICAL RESEARCH AND HEALTH CARE ARE STARTING TO TAKE OFF AND BECOME A NOTICEABLE ADDITION TO SPACE ABSORBERS

- With some 10K dedicated medical and health care researchers in the Montréal market, this sector is on the international radar.
- The public sector offers a great base with four faculties for medicine including: McGill University, Université de Montréal, Université Laval and Université de Sherbrooke in addition to research centers, networks and groups.
- Some say that the reason over 10 multinational pharma companies are choosing Montréal as their head office is because it is one of the only places globally where a company can do all of the drug development phases including research, manufacturing and marketing.

RETIREMENT OWNERS, OPERATORS AND INVESTORS ARE BULLISH

- The seniors housing market continues to grow due to current demographics, immigration and migration changes.
- According to CMHC, in 2017 the vacancy rate for standard spaces were at 6.2%, down from 6.8% in 2016. The average rental rate was \$1,678 per month. For heavy care spaces, the average rental rate was \$3,200 per month which is a 6% increase from a year earlier. The average vacancy rate for heavy care was 5%.
- Although there has been increased development in this sector, supply is not keeping up with demand due to the increased aging population in Québec requiring these forms of accommodation.
- Notable developments completed or nearing completion over the past twelve months include:
 - i. Third Phase of Lux Gouverneur opened in 2017 which added 152 new apartment style units for over 450 units in the three phases
 - ii. The second phase of Manoir Brossard by Residences Soleil also opened in 2017 is 17-floors and added 366 units to the market for close to 500 total units
 - iii. Lilo by Group Maurice opened a new retirement home with just over 300 units
 - iv. Chartwell Le Prescott also opened in 2017 with both apartment and condo options for residents providing the choice of ownership or rental with some 200 units
 - v. Chartwell also opened Le Montcalm with some 280 rental apartments and condo product for sale again offering the option of purchase or rental

STUDENT HOUSING AND MILLENNIALS ARE HAVING AN IMPACT ON THE MONTRÉAL MARKET

- Montreal has numerous colleges and universities. The number of students requiring housing is over 350K.
- Due to the lack of on-campus residences, many students rent houses, purpose-built student housing or in apartment buildings.
- According to Lionel Perez at a press conference in February 2018, the City of Montreal will require an additional 5,000 rooms over the next seven years.
- New purpose-built student housing includes amenities that other older rental stock does not have. Owners of older rental stock are challenged to manage the expectations of graduates who have become used to such amenities.

THE RETAIL BOX IS CHANGING ALL OVER THE COUNTRY AND MONTRÉAL IS NO EXCEPTION

- 2018 will offer further complexity to an evolving asset class especially considering the following:
 - i. NAFTA is in question under the Trump administration
 - ii. Nordstrom Rack will be in the market for the first time
 - iii. Sears will have closed all its stores giving back substantial space
 - iv. Marijuana retail stores will start to occupy street fronts
 - v. Amazon continues to expand and diversify its offering
- In 2017 alone, more than 50 international brands entered the Canadian retail space via stores or concessions and a number of chains already in Canada are looking for strategic locations to expand. Some of these include:
 - i. Miniso which has hinted that it plans to open 100 stores nationally with a goal of 500 stores by 2021
 - ii. Off-White will open its second Canadian store in Vancouver after starting in Toronto
 - iii. Bailey Nelson is looking to expand across the country
 - iv. SEE Eyewear is also looking at Montréal and Vancouver after opening in Toronto
 - v. DXL Men's Apparel entered Canada in 2017 and has a cross Canada rollout in its sights
 - vi. Woolrich anticipates opening in Montréal and then Vancouver in the next few years
- Winners, Marshalls and HomeSense hope to increase their total retail offering to 100 locations. Saks OFF 5TH entered the market in 2016 and already has 16 locations here and hopes to expand to 25 by the end of 2018. Ikea plans to double its footprint by 2025 with a total of 24 locations across the country.
- All this to say, brick and mortar is not going anywhere which is obvious in the capital owners are spending on upgrading their properties and developing new like:
 - i. Ivanhoé Cambridge plans to invest \$200M into the Place Ville Marie esplanade and make it a true gathering place for the city. Upgrades are expected to take place between 2018 and 2019.
 - ii. The Square at Quartier DIX30TM will soon offer a new 16-storey building that will include a 4-star hotel with 160 rooms and over 95K SF in addition to 107K SF of class A office space and an additional 10K SF of commercial space. This is in addition to the current 310 stores, 53 restaurants, two live theaters, a cinema, an Alt hotel and some 350K SF of office space.
 - iii. Carbonleo has ambitious plans for Royalmount at the intersection of Highways 15 and 40 with 3.6M SF of commercial space that will be built on an 85 acre site. The project is scheduled to feature almost 200 stores, 1.5M SF of office space, 5 hotels, public square and an array of entertainment facilities.
- Following a Canada wide trend, Montréal is seeing increased luxury retail and the expansion of the Ogilvy store on Ste-Catherine Street is a prime example. The store, scheduled to be completed in 2020, is receiving a \$100M makeover to become a luxury 'Holt Renfrew Ogilvy' flagship. Over 250K SF in total, this store will be the largest Holt Renfrew in Canada. The current Holt Renfrew – a few blocks away – will close as the two brands merge.

PEDESTRIANS ARE THE FOCUS ALONG STE-CATHERINE STREET

- Ste-Catherine Street West, a 2.2km shopping artery, is undergoing a major revitalization. The work is expected to cost \$175M.
- Phase one includes the portion between Mansfield and De Bleury, and phase two will include the stretch between Atwater Ave. and Mansfield.
- Plans include:
 - i. Reconstructing the public realm and landscaping. In addition, the city is replacing concrete, asphalt and sidewalks, and much needed replacement of the 100-year-old lead pipes that run under the street.
 - ii. Birks' flagship jewellery store is being renovated and modified for the inclusion of a boutique hotel.
 - iii. La Maison Simons store will be undergoing a renovation,
 - iv. As previously mentioned, the new 'Holt Renfrew Ogilvy' will become Canada's largest location in the Holt Renfrew chain with about 250,000 of space

BALANCED BUDGETS ARE GREAT FOR BUSINESS

- 2017 saw Mayor Valérie Plante elected as mayor of Montréal. She went from being a virtual unknown name to being the city's first female mayor by defeating a veteran politician. Shortly after she was elected, a balanced budget of \$5.47B was proposed and adopted in a vote that saw 40 councillors in favor and 24 opposed. Some pain will be felt across the city with the average tax bill receiving a 3.3% increase but gains are expected as improvements across the city will be made.
- Additionally, the province of Quebec will balance its budget for the third year in a row, providing Finance Minister Carlos Leitao with the capability to lower taxes for workers and businesses while increasing spending on health care and transportation. With the provinces finances in order, everyone is waiting to see how new investment by the government will benefit different sectors.

CANADIAN MULTI-RES TENANT RENTAL SURVEY

Presented by



2018 Canadian Multi-Res Tenant Rental Survey

The 2018 Canadian Multi-Res Tenant Rental Survey will ask Canadian tenants to answer questions regarding preferences, lifestyle choices, operation issues, technology opportunities and satisfaction levels in their rental units.

A detailed Dashboard and Trend Report will be produced offering the market detailed and/or summary level information.

Interested in Purchasing

The Trend Report and Dashboard are tools that allows you and your team to conduct simple and complex analysis of the 2018 survey findings.

Simple Analysis

Filter by age, income, rental amount, number of dependents.

Complex Analysis

Filter by multiple demographic criteria in addition to any of the survey question responses. An example would be to filter by those that have dependents between the ages of 0-20 years old that pay over \$1,800 in rent, have pets and also ranked parking lots as essential would not rent without.

There are literally millions of combinations of questions that you can ask of the Dashboard, allowing you to define your ideal tenant and then see how they responded to a survey question.

For more information on purchasing the Trend Report, gaining access to the Dashboard or participating in the 2018 survey, please contact Sarah Segal, Director, Informa Canada at sarah.segal@informa.com

