Altus Group

MONTREAL FLASH REPORT 2019

COMMERCIAL INVESTMENT & LAND MARKET

MONTREAL MARKET AREA

Investment property sales volumes in the Montreal Market Area totalled $6.5 billion in 2018, up 18% from 2017.

Overall Highlights

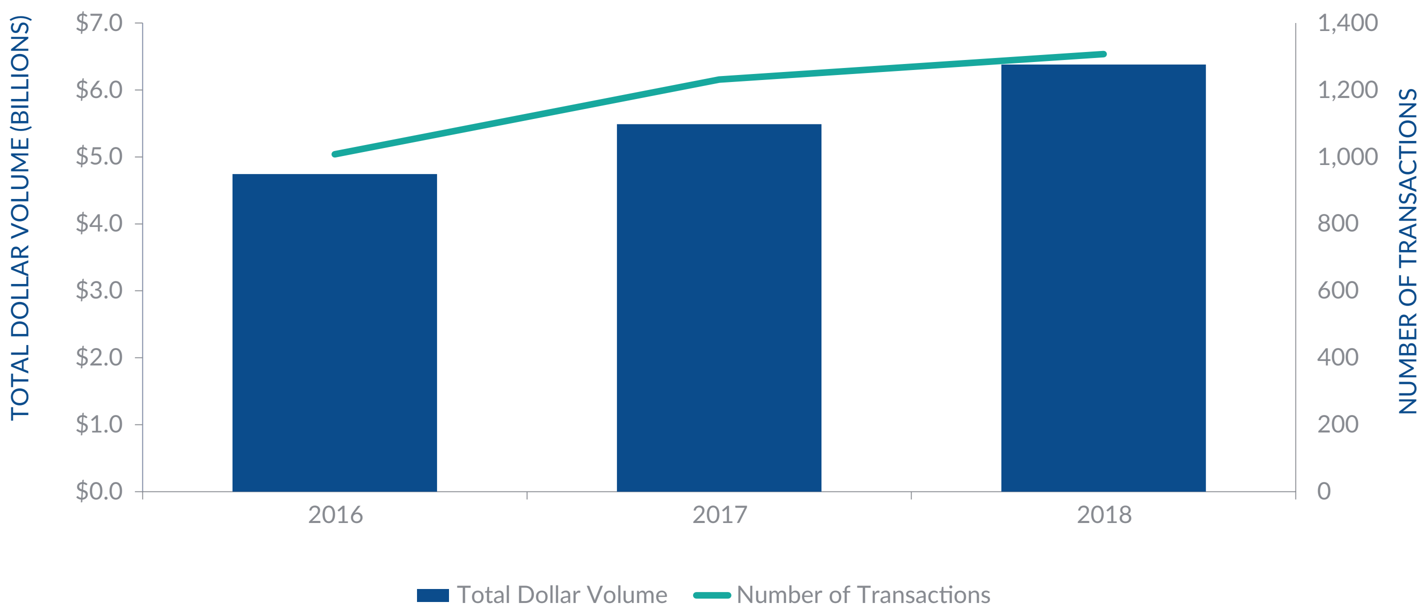
Investment property sales (based on sales valued at $1 million or more) across Canada in 2018 decreased to $54.3B compared to $56.9B in 2017. The decrease was the result of declines in activity in Toronto and Vancouver; in contrast Montreal investment volume increased by 18% to $6.5B in 2018.

The increase in 2018 was primarily due to higher sales volumes on the Island of Montreal, which saw a year-over-year increase of $785 million. South Shore was the only region to post a decline in sales in 2018.

The Montreal Market Area saw a sharp increase in the level of foreign investment in 2018, rising 183% over 2017, in large part due to activity by Akelius Montreal Ltd. in the Apartment sector.

Annual Investment Property Sales Transactions

MONTREAL MARKET AREA



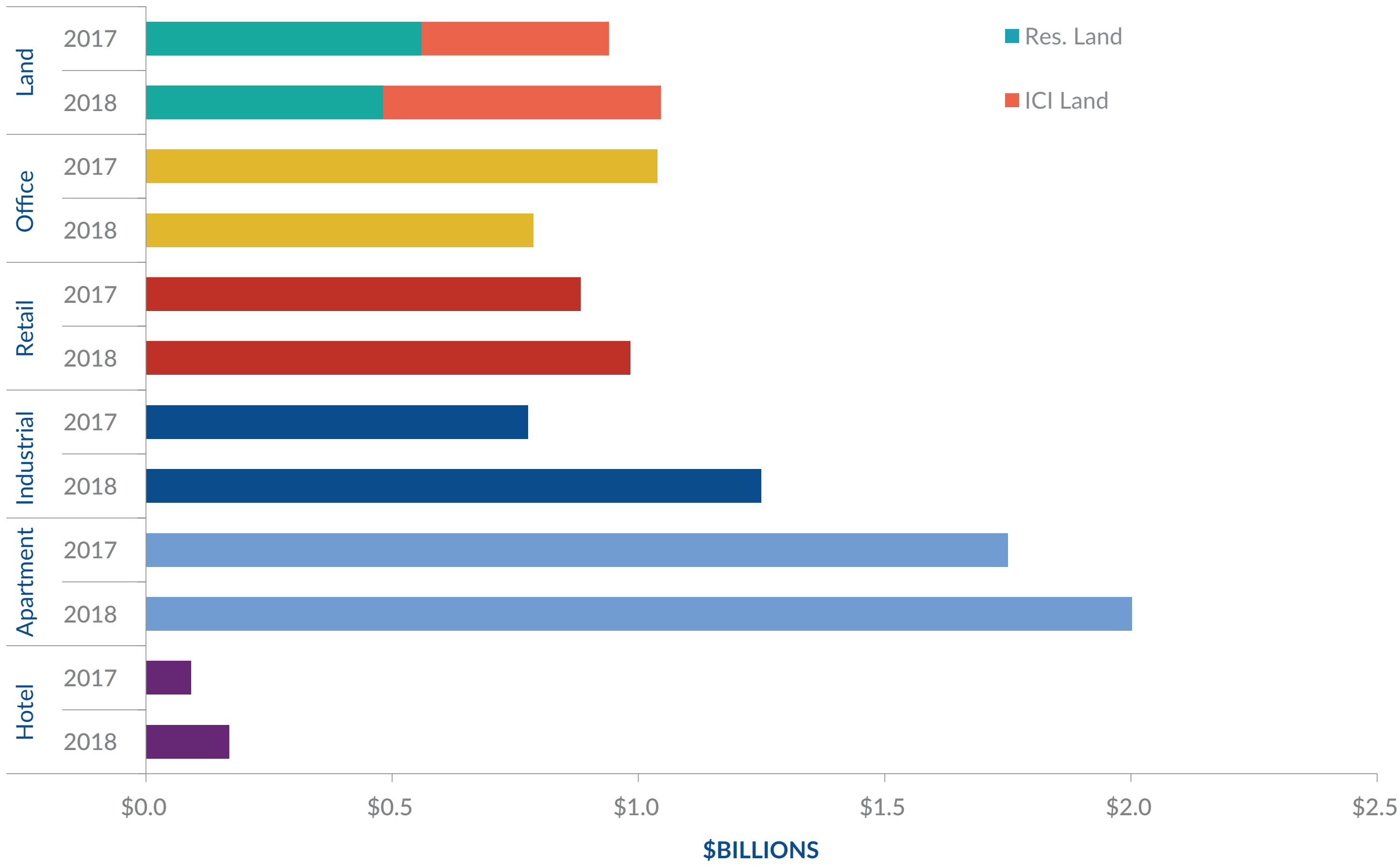
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

MONTREAL MARKET AREA

Investment Property Sales Transactions by Asset Class

MONTREAL MARKET AREA, 2017 VS. 2018



Source: Altus Group

The Apartment sector continued to attract the most investment dollars in 2018.

Highlights by Sector

The Industrial sector posted the largest absolute year-over-year dollar increase in 2018, rising $474 million to $1.2 billion.

The Apartment sector continued its strong performance in 2018, posting an increase of $388 million (22%). The $2.1 billion in sales accounted for one-third of all investment activity in the Montreal Market Area. Sales of retail properties were up by 11% to $983 million.

The value of total Land sales (Residential and ICI combined) was up 11% in 2018. While the Residential Land market saw a $78 million decline (-14%) from 2017, this was more than offset by a $183 million increase (48%) for ICI land sales.

Office property sales were down in 2018, by 24% to $786 million, at least in part reflecting excess vacancy in this sector.

Just over half of the value of residential land sales was for High Density land.

Residential Land Highlights

Total Residential Land investment, while down overall from 2017, was still well above 2016 levels in each of the broad land use segments.

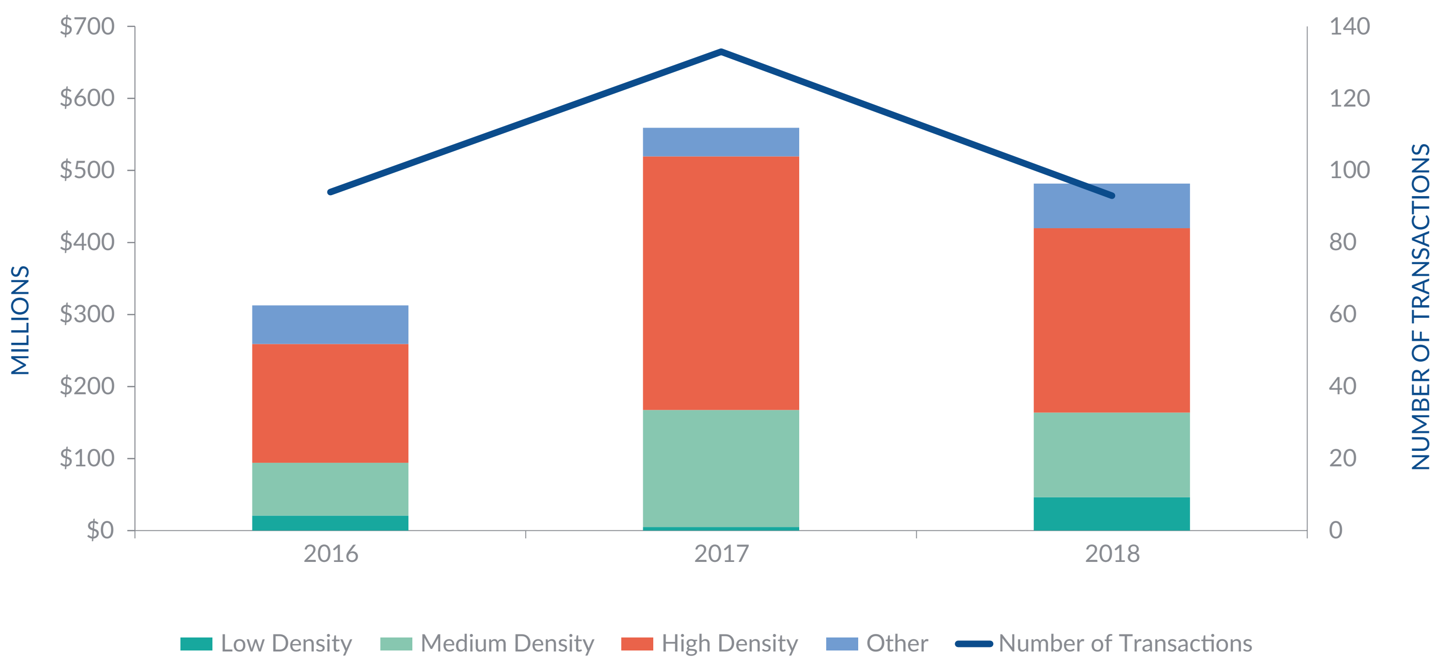
High Density residential land sales led the dollar decline in overall residential land sales, down 27% in 2018 to $256 million.

Medium Density land sales (primarily land for future townhouse development) were down by 28% in 2018, to $117 million.

Low Density land sales, virtually absent in 2017, increased to just over $46 million.

Residential Land Transactions by Land Use

MONTREAL MARKET AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

MONTREAL MARKET AREA

The $112 million acquisition by Akelius Montreal Ltd. in Ville-Marie contributed to the strong Apartment performance in 2018 and boosted foreign investor sales in the Montreal Market Area.

Featured Investment Transactions

Summit Industrial Income REIT's acquisition of 7101 Notre-Dame St. E was part of a $140 million, 5 property portfolio sale that helped boost the Industrial sector's performance in 2018.

The largest Residential Land transaction in 2018 was a $45 million acquisition by Groupe Brivia for a High Density site in Ville-Marie.

The top Office transaction of the year was Bentall Kennedy's $155.5 million purchase, which accounted for one-fifth of all Office sales volume in 2018.

The largest Hotel transaction in 2018 was Le Centre Sheraton Montreal Hotel at $78.2 million, which accounted for almost half of all sales in the Hotel sector.

Featured Investment Property Transactions

MONTREAL MARKET AREA

Date	Sector	Transaction Name	Purchaser(s)	Price
Feb-06-2018	Office	7250-7450 Mile End Street & 280 Gary-Carter Street	Bentall Kennedy	$155,500,000
Oct-24-2018	Retail	Décarie Square Commercial Center	Trantor Realty	$42,000,000
Dec-19-2018	Industrial	7101 Notre-Dame Street East	Summit Industrial Income REIT	$65,000,000
Oct-02-2018	Apartment	3545-3555 De La Côte-Des-Neiges Road	Akelius Montreal Ltd.	$112,000,000
May-14-2018	Hotel	Le Centre Sheraton Montréal Hôtel	Westmont Hospitality Group	$78,200,000
Jan-18-2018	ICI Land	LOT Saint-Jacques Street	Broccolini	$69,474,904
Apr-10-2018	Residential Land	1201-1215 Place Phillips Street	Groupe Brivia	$45,000,000

Source: Altus Group

INDUSTRIAL MARKET
MONTREAL MARKET AREA

Strong demand for industrial space pushed the vacancy rate lower again in 2018, despite increased new supply.

Industrial Market Highlights

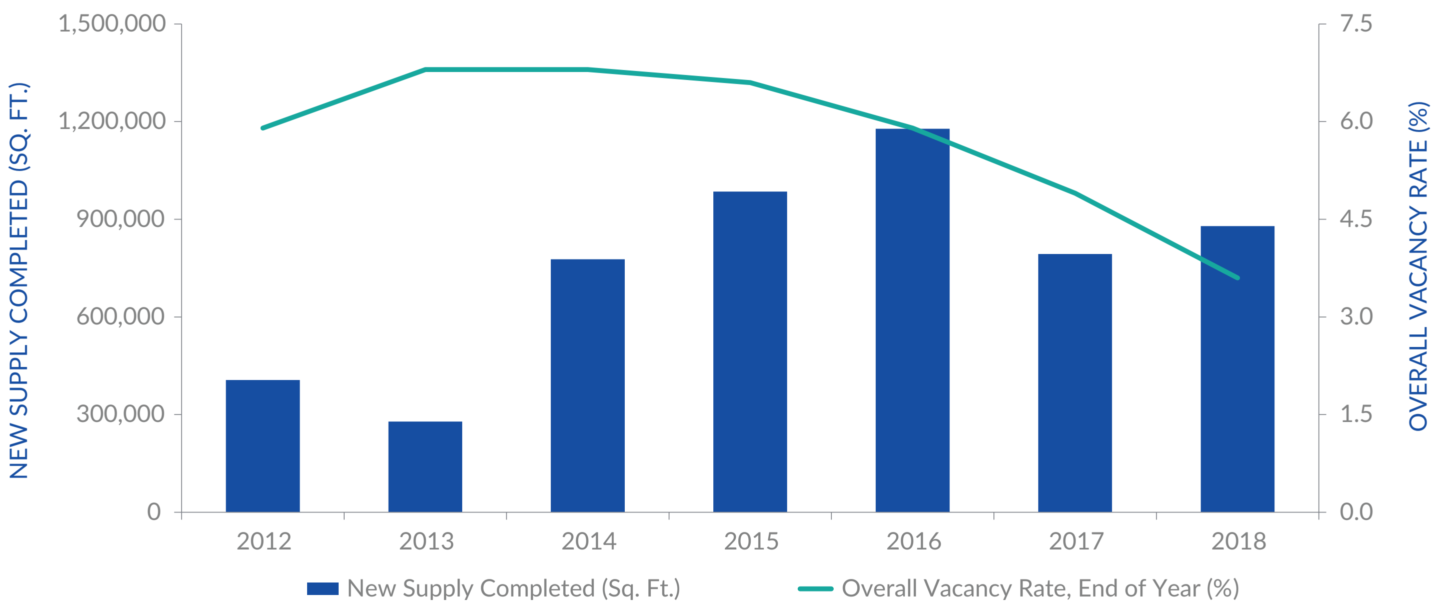
The industrial space market in the Montreal Market Area continued to tighten in 2018.

Just under 880,000 sq. ft. of new industrial space was added in 2018, up slightly from 2017.

Demand for additional space, however, outpaced the amount of new supply added, pushing the overall vacancy rate down further, to 3.6% by year end 2018.

At the end of 2018, there was another 1.2 million sq. ft. of industrial space under construction, most of which is an IKEA distribution centre.

Industrial Market
MONTREAL MARKET AREA



Source: Altus Group

OFFICE MARKET
MONTREAL MARKET AREA

Completions of new office space dropped to the lowest level since 2011.

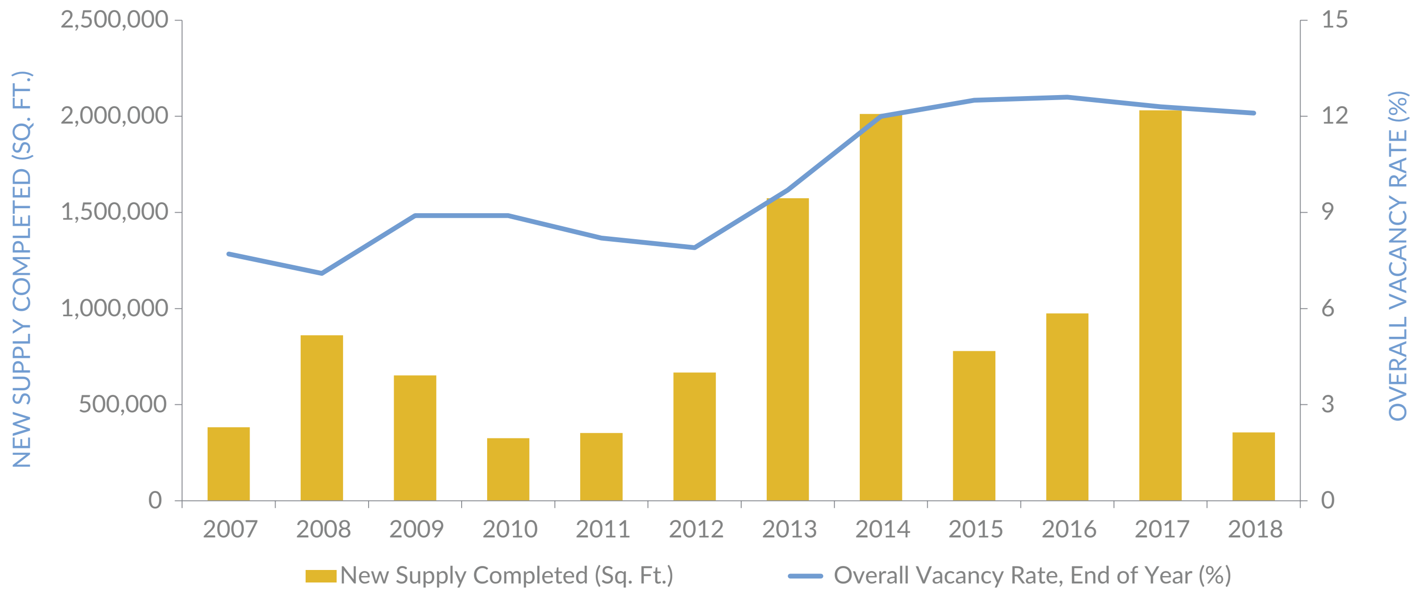
Office Market Highlights

Only about 355,000 sq. ft. of new office space was added to the Montreal Market Area in 2018 – down from about 2 million sq. ft. in 2017 and the lowest level since 2011.

Absorption of office space outpaced new supply. As a result, the vacancy rate declined, albeit modestly, for the 2nd year in a row, although it remains elevated in historical terms.

At the end of 2018, there was about 2.8 million sq. ft. of office space under construction in the Montreal Market Area – more than double that of a year earlier. More than three-quarters of the space under construction has been leased.

Office Market
MONTREAL MARKET AREA



Source: Altus Group

Two-thirds of new office space under construction is located in Downtown Montreal.

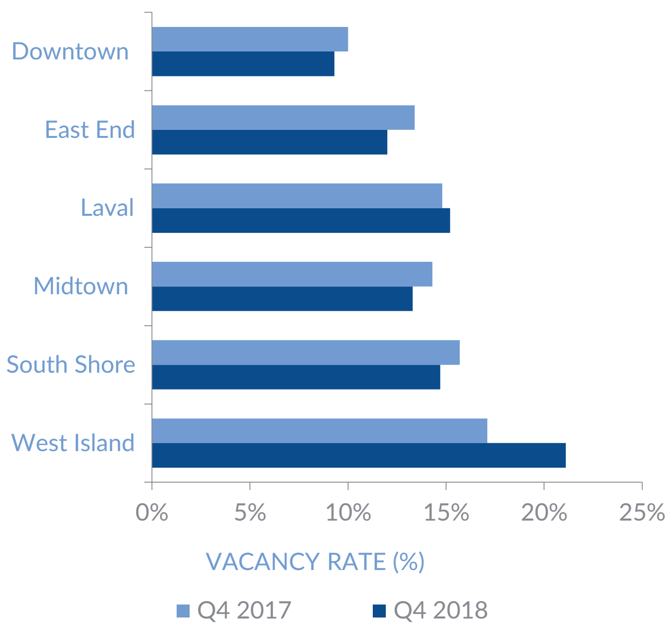
Office Market Highlights *Continued*

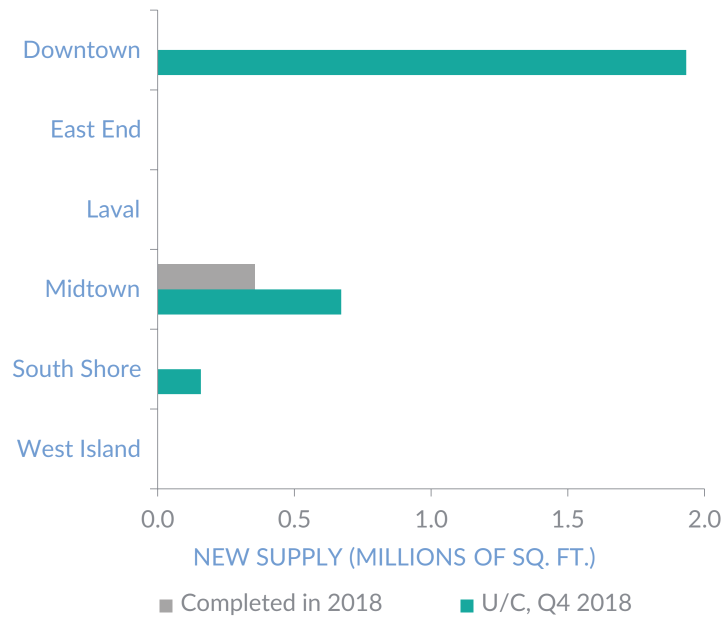
The Downtown was the only office submarket where the vacancy rate was below 10% at the end of 2018. About two-thirds of the 2.8 million sq. ft. of office space currently under construction in the Montreal Market Area is in the Downtown submarket.

All of the new supply completed in 2018 was in the Midtown submarket, however absorption outpaced this new supply, pushing the vacancy rate down somewhat.

Office Market Highlights by Submarket

MONTREAL MARKET AREA





Source: Altus Group

NEW CONDOMINIUM APARTMENT MARKET

MONTREAL MARKET AREA

New condominium apartment sales push higher in 2018.

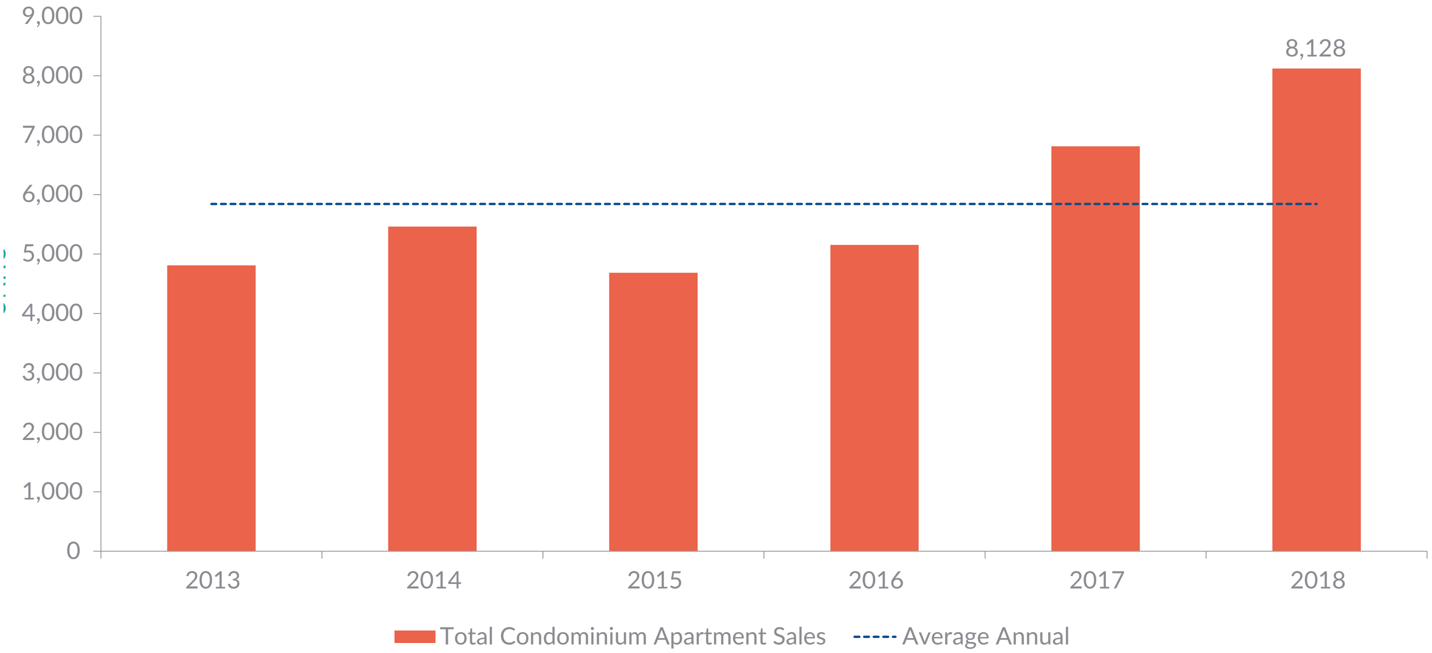
New Condominium Apartment Sales Highlights

Just over 8,100 new condominium apartment units were sold in the Montreal Market Area in 2018, up 19% from 2017. 2018 marked the 4th year of increase and the highest level recorded since Altus Group started its tracking.

High-rise projects (buildings with 10 or more floors) accounted for just over half of 2018 sales. Mid-rise projects (buildings with 5-9 floors) however posted the strongest increase is sales (up 39% from 2017).

Annual New Condominium Apartment Sales

MONTREAL MARKET AREA



Source: Altus Group

NEW CONDOMINIUM APARTMENT MARKET CONTINUED

MONTREAL MARKET AREA

New condominium apartment inventory falls to 7 months of supply.

New Condominium Apartment Inventory Highlights

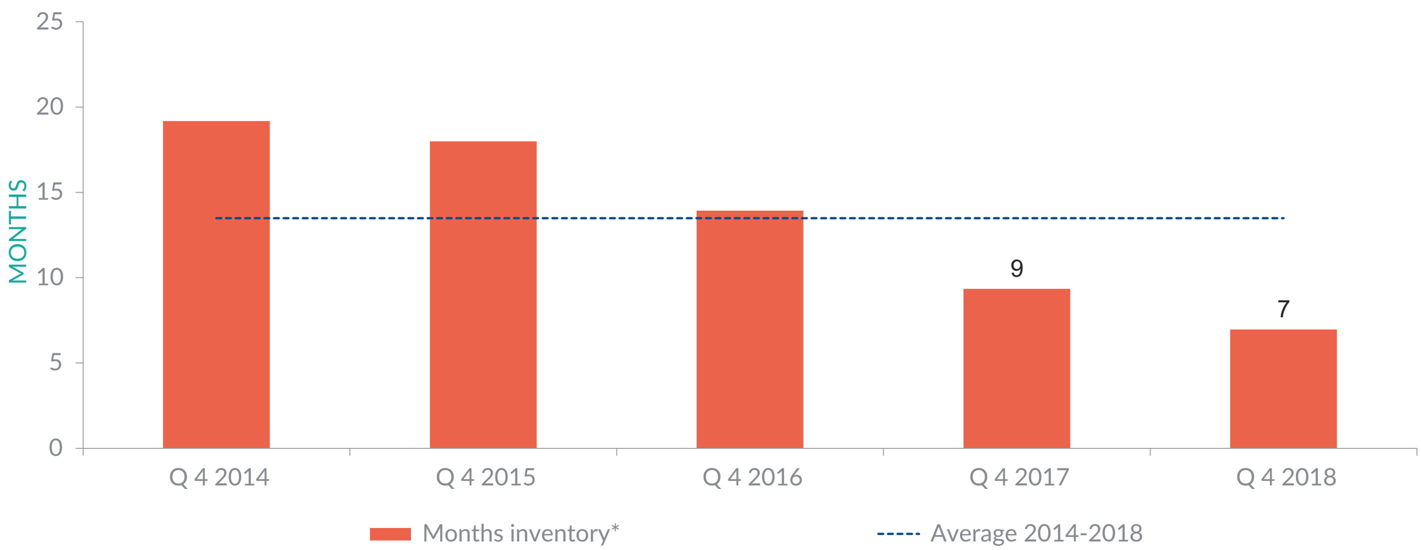
The new condominium apartment inventory situation in the Montreal Market Area has turned from an oversupplied to undersupplied situation over the past 4 years.

At the end of 2018, there were just over 4,700 units available to purchase, down from about 8,700 at the end of 2014. At the monthly pace of sales during 2018, the 4,700 unsold units represent only 7 months of supply, compared to about 19 months at the end of 2014.

The tighter supply conditions since 2015 have spurred price increases. After relatively stable prices in 2016, median prices per sq. ft. at launch were up about 8% in 2017, and another 10% in 2018.

New Condominium Apartment Months of Remaining Inventory

MONTREAL MARKET AREA



** Based on sales in previous 12 months*

Source: Altus Group

NEW CONDOMINIUM APARTMENT MARKET CONTINUED

MONTREAL MARKET AREA

New condominium apartment sales were up in 2018 across the Montreal Market Area.

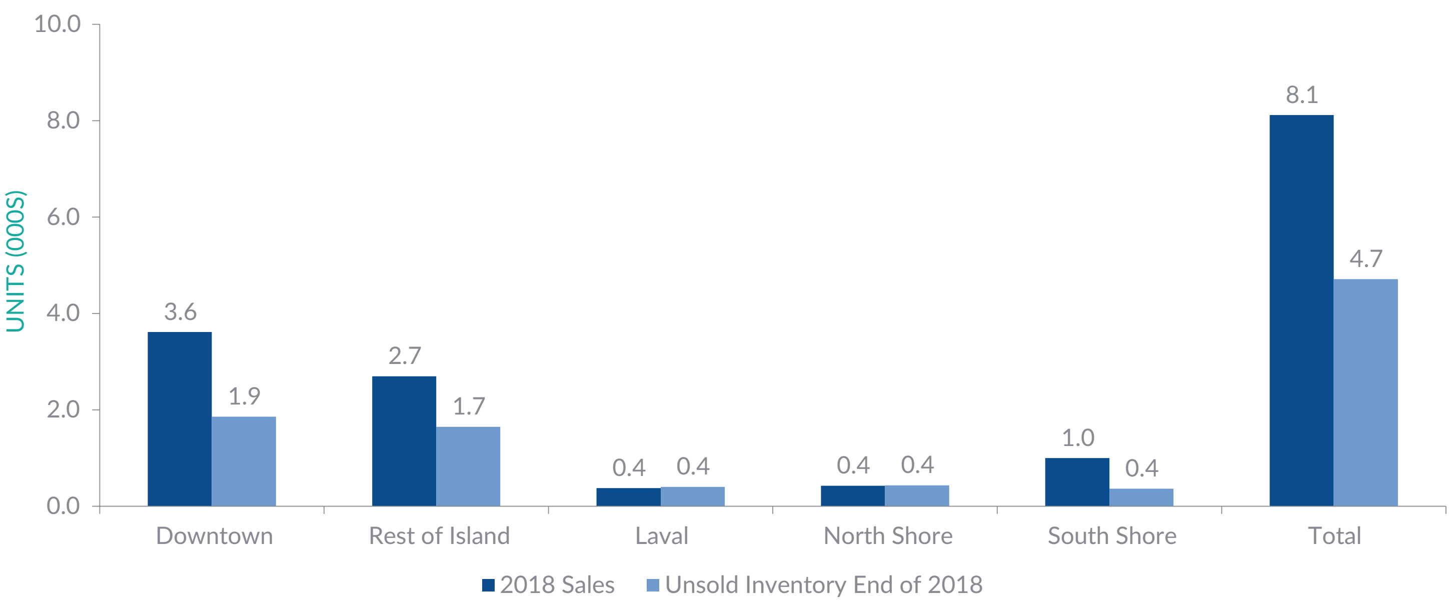
New Condominium Apartment Market Activity by Subarea

The Downtown area accounted for almost half of total new condominium apartment sales in 2018, with the rest of the Island accounting for another one-third. While all subareas posted higher sales in 2018 compared to 2017, the strongest relative increases were for the South Shore (up 72%) and the North Shore (up 51%).

The supply situation currently (based on months of available unsold inventory) is tightest in the South Shore and Downtown subareas.

New Condominium Apartment Sales and Unsold Inventory

MONTREAL MARKET AREA



Source: Altus Group

HOMEBUYERS

MONTREAL MARKET AREA

Potential first-time buyers more hesitant this year.

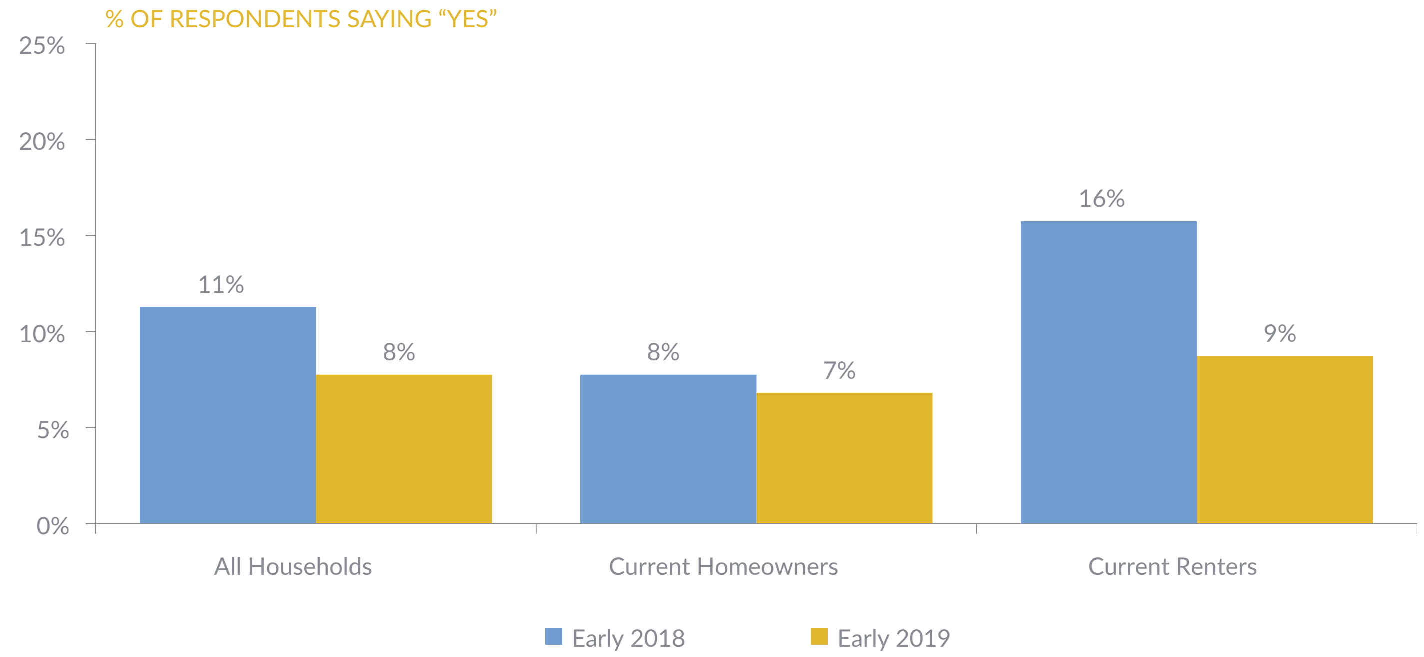
Homebuyer Highlights

Fewer Montreal households are planning to buy homes in the upcoming year than was the case a year ago, according to Altus Group's FIRM Survey.

Homebuying intentions among renters – the primary pool of potential first-time buyers - are the thrust behind the overall decline. Current homeowners express similar intentions to buy homes as a year ago.

Planning to Buy a Home in the Next Year

MONTREAL MARKET AREA



Source: Altus Group

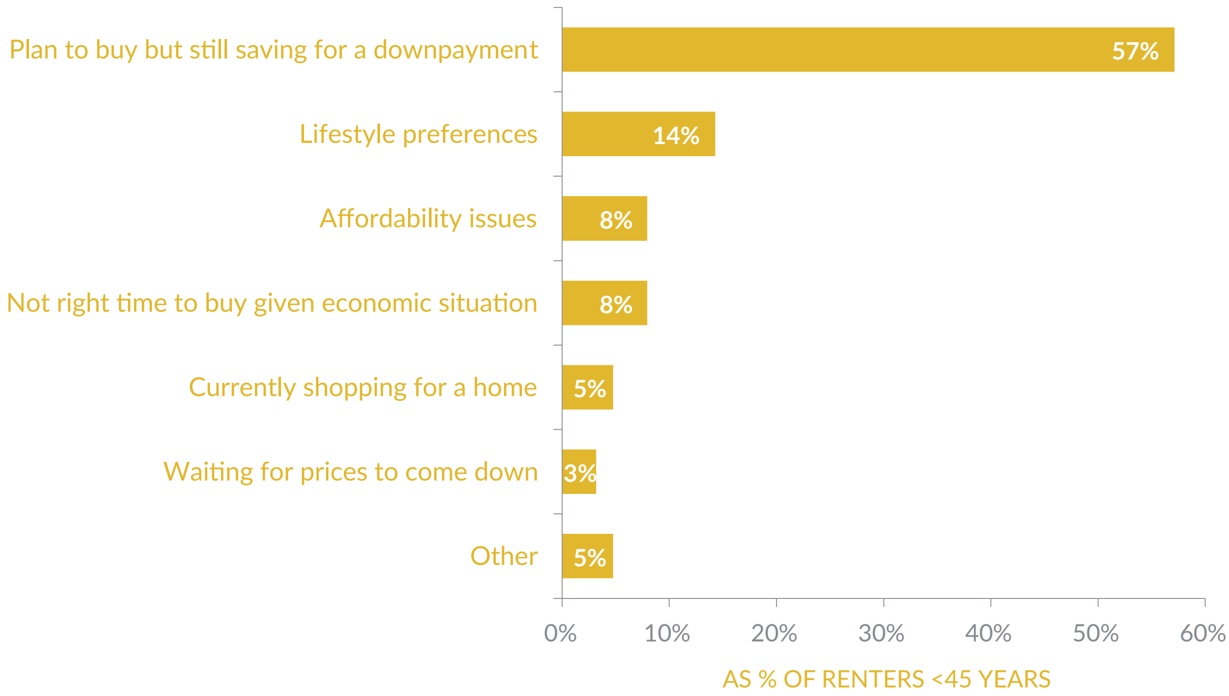
Many younger renters want to buy a home, but are still saving for a downpayment.

Homebuyer Highlights *Continued*

The decline in homebuying intentions among renters this year is not due to lack of interest in homeownership. Many younger renters under the age of 45 want to buy a home someday, but are still savings for a downpayment. Changes in mortgage lending criteria in recent years have made saving longer for a larger downpayment a necessity for many renters in order to be able to qualify for a mortgage. Only 1 in 7 younger Montreal renters indicates that they simply prefer the renter lifestyle.

Reasons Why Young Renters Do Not Own a Home

MONTREAL MARKET AREA



Source: Altus Group

HOMEBUYERS CONTINUED
MONTREAL MARKET AREA

Half of recent homebuyers were first-time buyers.

Homebuyer Highlights *Continued*

About 1 in 2 end user homebuyers in the Montreal Market Area in past 5 years was a first-time buyer, similar to the overall average for Canada.

Important niche markets are recent immigrants to Canada (with those arriving after 2000 accounting for about 1 in 7 end-user home sales) and single person households (1 in 4 homebuyers).

About 1 in 3 homebuyers in the past 5 years have high ratio mortgages (i.e. had downpayments of less than 20%).

Selected Characteristics of Recent End-User Homebuyers
MONTREAL MARKET AREA

Aged <50 Years	1 in 3
First-Time Buyer	1 in 2
Single-Person Household	1 in 4
Immigrated to Canada After 2000	1 in 7
Bought Newly-Built Condominium Unit	1 in 7
Annual Household Income <$100K	1 in 2
Downpayment <20% (High Ratio Mortgage)	1 in 3
Variable Rate Mortgage (of Those with a Mortgage)	1 in 3

Source: Altus Group

SUMMING UP AND LOOKING AHEAD

MONTREAL MARKET AREA

Office and industrial space absorption is expected to stay strong over the next year.

Looking Ahead

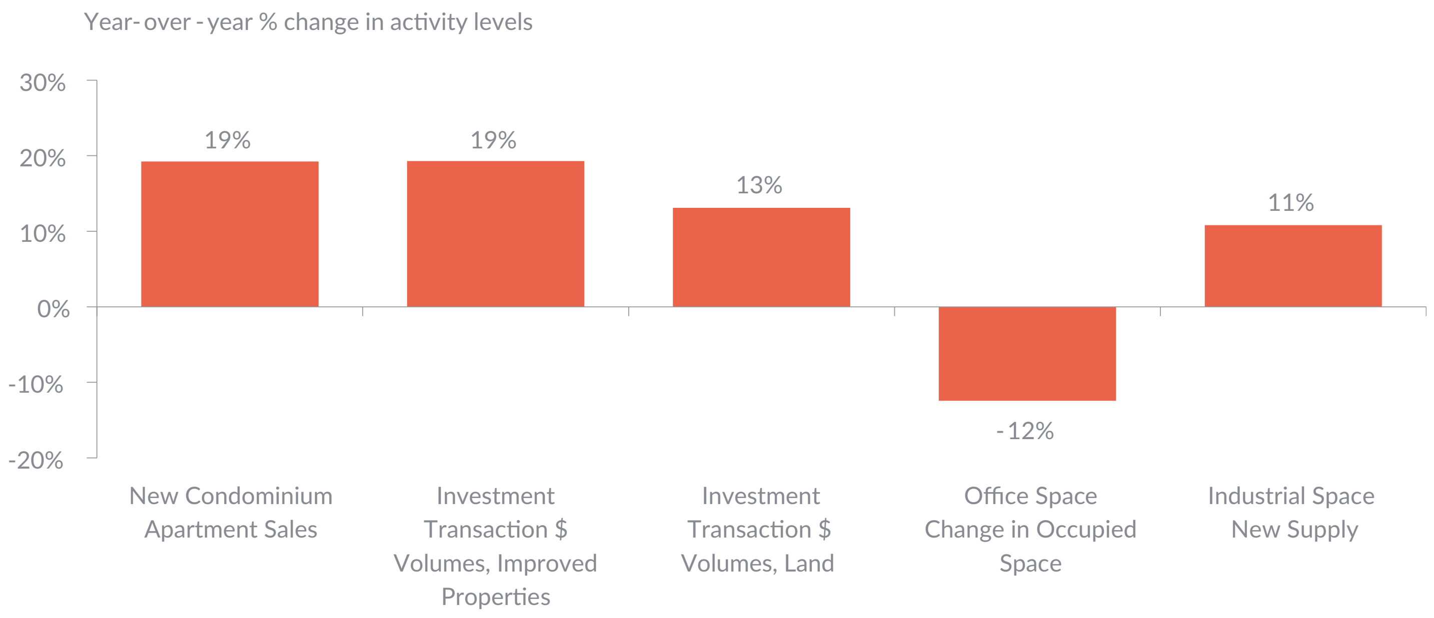
Real estate activity in the Montreal Market Area continued its strong momentum in 2018. Investment property sales volumes finished the year with $6.5B in transactions, an increase of 18% over 2017 and new condominium apartment sales soared to new recorded highs.

The industrial leasing and sales market continues to be active, but with the shortage of suitable available space, new construction is up by 11% compared to 2017. Office and industrial space absorption is expected to stay strong over the next year. Although demand for office space slowed slightly compared to a year ago, there continues to be strong demand, especially for new modern space, as evident from the large amount of office space currently under construction in the Downtown area.

With Montreal's housing market prices well below Toronto and Vancouver, and interest rate increases on the back burner, the new condominium apartment market is expected to remain relatively strong.

Relative Performance by Market Activity

MONTREAL MARKET AREA



Source: Altus Group

ABOUT THE FLASH REPORT

Produced by Altus Group, through our Data Solutions team. We have put together the following Flash Report which illustrates the expanded perspective our solutions provide in the Montreal Area.

In this report, insights and perspectives are provided for the following areas:

- Commercial Investment & Land Market
- Industrial Market
- Office Market
- New Condominium Apartment Market
- Homebuyers

Altus Group is your single source for nationally researched real estate market data, backed by local expertise.

We hope you enjoy the report. Please let us know what you think by emailing *datasolutionsinfo@altusgroup.com*

About Altus Group Limited

Altus Group Limited is a leading provider of software, data solutions and independent advisory services to the global commercial real estate industry. Our businesses, Altus Analytics and Altus Expert Services, reflect decades of experience, a range of expertise, and technology-enabled capabilities. Our solutions empower clients to analyze, gain insight and recognize value on their real estate investments. Headquartered in Canada, we have approximately 2,500 employees around the world, with operations in North America, Europe and Asia Pacific. Our clients include some of the world's largest real estate industry participants. Altus Group pays a quarterly dividend of $0.15 per share and our shares are traded on the TSX under the symbol AIF.

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