

# 2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



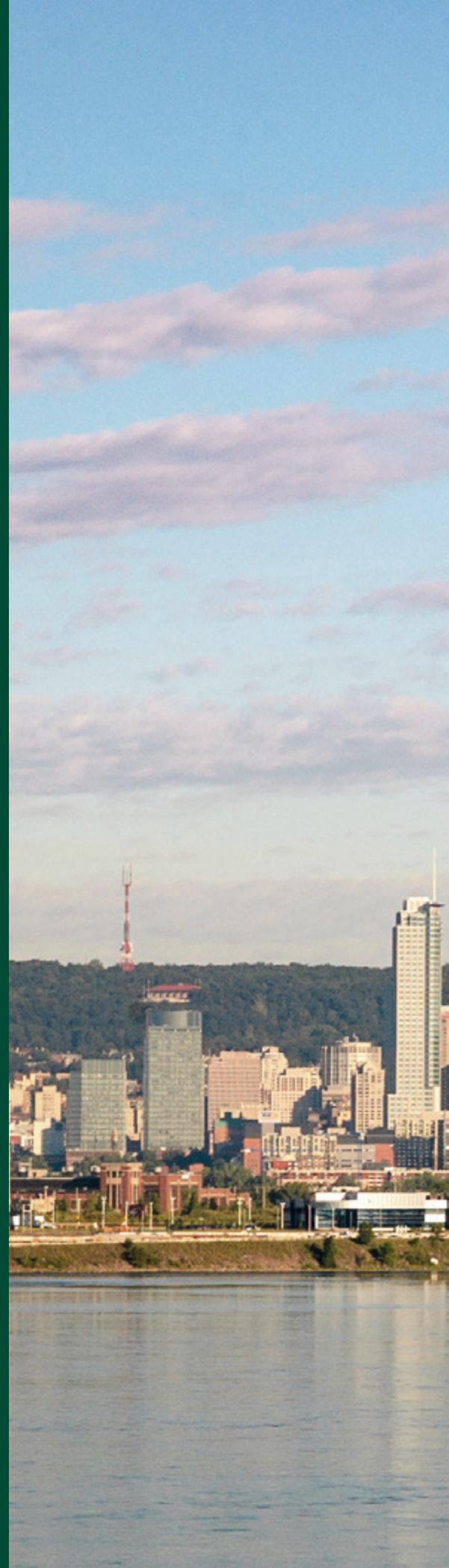
**CBRE**

# Montreal



Benefiting from its strategic location and strong infrastructure network, Montreal provides distributors with first-in-class sea, air, rail and highway transportation. The market boasts a highly skilled and educated work force that keeps businesses competitive. Demand for industrial space is surging, driven mainly by food, e-commerce, transportation and 3PL occupiers.”

– Ryan Cymet, Senior Vice President





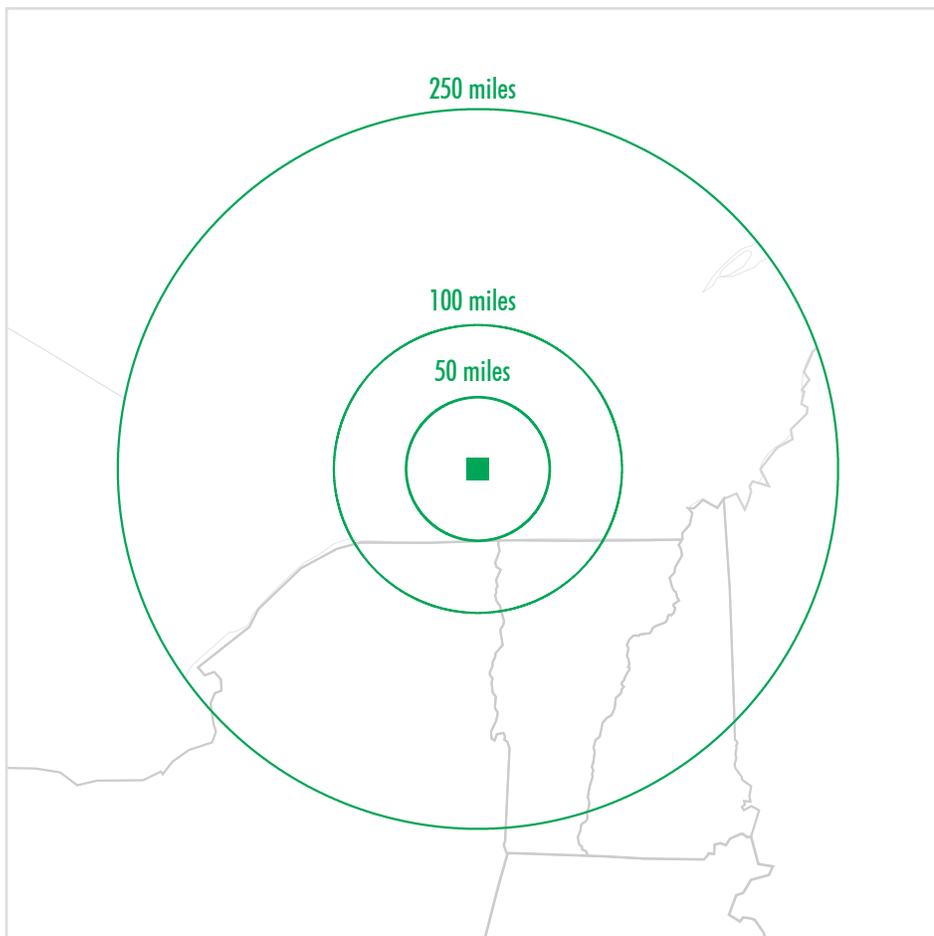
# Montreal

## Demographics

More than 5 million people live within a 50-mile radius of the market core, with an expected growth rate of 5.3% over the next five years. The region can reach more than 10 million people within 250 miles.

The local warehouse labor force of more than 80,000 is expected to grow by 29.2% over the next decade, the highest rate of any market in this report. The average hourly wage of a non-supervisory employee is C\$16.97 (US\$12.65), the lowest hourly wage of any other market in this report.

**Figure 1: Montreal Population Analysis**



Distance from Montreal	2020 Total Population	5 Year Growth
50 miles	5,126,376	5.3%
100 miles	6,535,909	4.8%
250 miles	10,088,436	4.3%

Source: Environics Analytics, 2020.

**Figure 2: Montreal Warehouse & Storage Labor Fundamentals**



Source: Statistics Canada LFS (NOCs), Conference Board of Canada, CBRE Research, December 2020.  
 \*Average hourly wage rate (all levels of experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

**Location Incentives**

Over the past five years, there have been 65 economic incentives deals totaling more than \$350 million at an average of \$64,757 per new job in the Montreal metropolitan area, according to Wavteq.

According to [CBRE’s Location Incentives Group](#), the extent, if any, of province and local incentives offerings for industrial projects in metro Montreal depends on location and scope of the operation.

**Figure 3: Montreal Top Incentive Programs**

Program	Description
Scientific Research and Experimental Development Tax Credit (SR&ED)	Refundable tax credit up to 14% of R&D activities
Tax Credit for the Acquisition of Manufacturing and Processing Equipment	Tax credit for manufacturing and processing equipment ranging from 4% to 24% depending on project location
Tax Credit for Quebec Maritime Regions	Refundable tax credits for 15% to 30% of payroll
Tax Credit for International Financial Centers	Refundable tax credits up to \$16,000 per new job for international financial centers in Montreal
Industrial Research Assistance Program (IRAP)	Grants for small to medium-sized businesses ranging from 50% to 80% of labor costs for research-related projects
Financing of Refundable Tax Credits	Loans up to 100% of future anticipated refundable tax credits
Major Investment Projects	15-year tax holiday for companies that invest at least \$100 million

Source: CBRE Location Incentives Group.  
 Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

# Montreal

## Logistics Driver

Via the St. Lawrence River, the Port of Montreal provides the market with a direct route to the Atlantic Ocean. This international year-round port handles cargo from more than 100 markets in Europe, central Canada and the Midwest and Northeast regions of the U.S. The port processes more than 18 million metric tons of cargo annually and provides the shortest route between North America and Europe. With its own rail line that connects to Canada's two largest railroads, Canadian National and Canadian

Pacific, the port provides direct logistical access throughout North America.

Originating in Montreal, the [St. Lawrence Seaway](#) provides sea-bearing container ships from the Atlantic Ocean access to Lake Ontario and the upper Great Lakes. This series of locks, canals and channels extends from Montreal to Lake Erie and a series of approximately 40 on/off ramps along the way provide ample connectivity to the highways and railways of North America. According to the Saint Lawrence Seaway Traffic Report, more than 35 million metric tons of cargo came through the seaway in 2019.

## Capital Markets



Industrial cap rates for both Class A and B assets continue to compress. With surging demand by occupiers, investors are once again targeting industrial assets with shorter-term leases to capture future growth. While there is strong interest from a broad range of investors (institutional, private and foreign), the supply of industrial investment opportunities remains very limited. This is raising prices to record heights. Moreover, Montreal has the smallest pipeline of new development of any major North American market due to a scarcity of serviced and entitled land. Robust investor demand is forecast for 2021.”

– Scott Speirs, Executive Vice President,  
National Investment Team, Capital Markets

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	3.75% - 4.25%	4.75% - 5.75%
2019	4.50% - 5.00%	5.50% - 6.50%

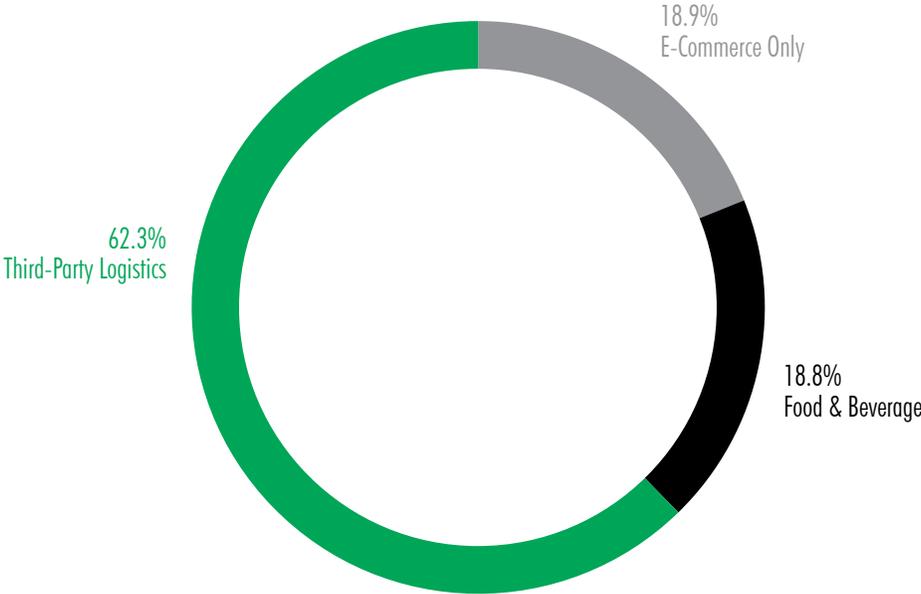
Source: CBRE Research.

### Supply & Demand

With 71 million sq. ft. of total inventory, Montreal is the second largest big-box market in Canada. Like Toronto, the market is land constrained and has a vacancy rate of just 1.1%, the second lowest of any other market in this report. Transaction volume totaled 4.4 million sq. ft. in 2020, on par with 2019. The average taking rent increased by 9.7% year-over-year to \$7.26 per sq. ft.

Montreal had no construction completions in 2020 and the 2.6 million sq. ft currently under construction is already 82% preleased, including all spaces of 750,000 sq. ft. or more. Like most port markets in North America, there is exceptional demand but a lack of available space. This will lead to a further increase in taking rents in 2021.

Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

# Montreal

**Figure 6: Transaction Volume**



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.  
Source: CBRE Research.

**Figure 7: Big Box Year-Over-Year Data Comparison**

2020							
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr	
200,000-499,999 SF	171	48,847,448	1.3%	586,540	0	\$6.99	
500,000-749,999 SF	24	14,492,067	1.1%	134,980	0	\$7.78	
750,000+ SF	9	8,005,791	0.0%	100,682	0	N/A	
<b>Total</b>	<b>204</b>	<b>71,345,306</b>	<b>1.1%</b>	<b>822,202</b>	<b>0</b>	<b>\$7.26</b>	
2019							
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr	
200,000-499,999 SF	171	48,847,448	2.5%	-51,238	250,000	\$6.00	
500,000-749,999 SF	24	14,492,067	2.8%	238,024	650,000	\$7.24	
750,000+ SF	9	8,005,791	1.3%	-100,682	0	N/A	
<b>Total</b>	<b>204</b>	<b>71,345,306</b>	<b>2.4%</b>	<b>86,104</b>	<b>900,000</b>	<b>\$6.61</b>	

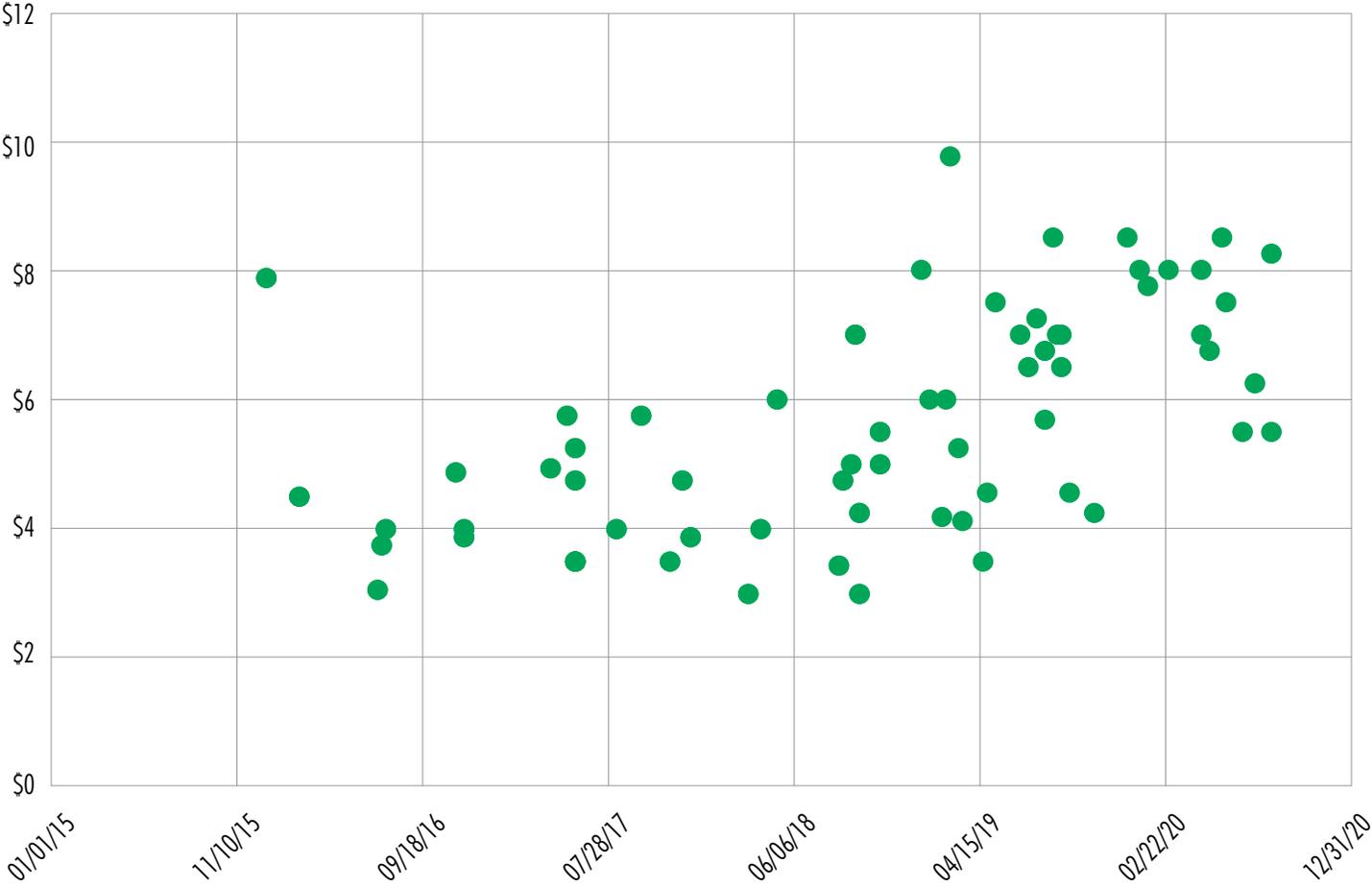
Note: Taking Rents are in \$CAD.  
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	885,000	48.4%
500,000-749,999 sq. ft.	0	N/A
750,000+ sq. ft.	1,687,531	100.0%
Total	2,572,531	82.2%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above. Taking Rents are in \$/sq. ft.  
 Source: CBRE Research.

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