

Signs of new demand trends emerging

▼ 18.3%

Vacancy Rate

▲ 476K

SF Net Absorption

▶ 0K

SF Under Construction

▲ \$20.11

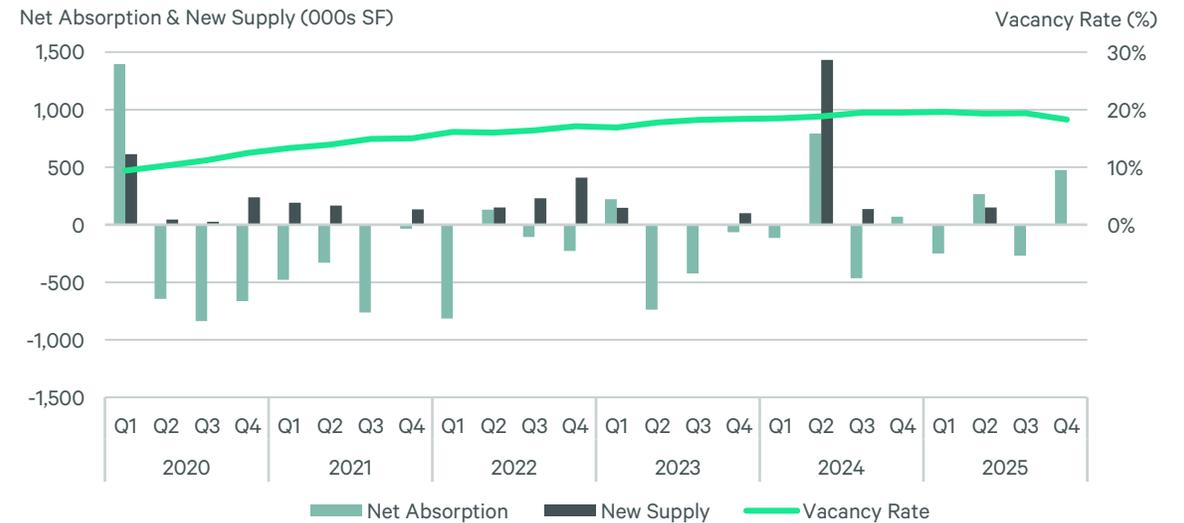
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Overview

- Leasing ending 2025 with strong momentum as Q4 had the highest net absorption with 476,000 sq. ft.
- While Class AAA vacancy decreased to 6.0%, positive absorption stemmed from Class A (235,000 sq. ft.) and B (122,000 sq. ft.) in Q4. This is an early indication of a new demand cycle.
- Sublet space declined 400,000 sq. ft. quarter-over-quarter. This is the largest reduction since Q4 2002.
- The office sales market has continued to improve year-over-year, as preliminary dollar volumes indicate 2025 totalled to 6.5% higher than 2024.
- The scarcity of Class AAA space has strengthened landlord leverage in properties below a 5.0% vacancy rate. This has caused net rental rate to increase as high as \$41 per sq. ft. with minimal incentives offered.

FIGURE 1: GMA Supply & Demand



Source: CBRE Research, Q4 2025.

Class AAA availabilities shaping the next demand trends

The continued tightening of Class AAA has led to a nearly 208,000 sq. ft. decrease in available trophy space year-over-year, leaving few options for large contiguous blocks of space. Only five properties of Class AAA or AA can accommodate tenants requiring 35,000 to 50,000 sq. ft., and just three can support requirements beyond that threshold.

Tenants seeking larger spaces are obliged to consider non-trophy assets, as reflected by the two largest transactions of the quarter: approximately 100,000 sq. ft. at 1001 Robert-Bourassa Boulevard (Class A) and 107,000 sq. ft. at 111 Duke Street (Class B). These deals accounted for most of the quarter’s positive absorption and highlight that a spillover trend is starting to take shape. This trend is expected to persist into 2026.

Sublet space continues its decline

2025 marked the highest level of sublease space removed, driven largely by natural expiries. When activity in sublet space is seen however, tenants typically lease their space for a term longer than the remainder of the sublet.

Current data shows 2027 will represent the largest wave of expiries before the end of the decade. Over the last 25 years, Montreal has maintained sublease levels roughly between 500,000 sq. ft. and 1.0 million sq. ft. Current sublet space totals slightly over 1.5 million sq. ft. exhibiting a trend toward normalization with historic norms.

These “blend-and-extend” scenarios have become more commonplace. The transaction at 1001 Robert-Bourassa Boulevard was the most notable sublet deal this year, accounting for approximately 10% of the over 1.0 million sq. ft. of removed sublet space, showcasing this fact.

FIGURE 2: GMA Historical Vacancy Rate by Class, Quarterly (%)



Source: CBRE Research, Q4 2025.

FIGURE 3: Expiry of Available Sublet Space in the GMA by year (000s SF)



Source: CBRE Research, Q4 2025.

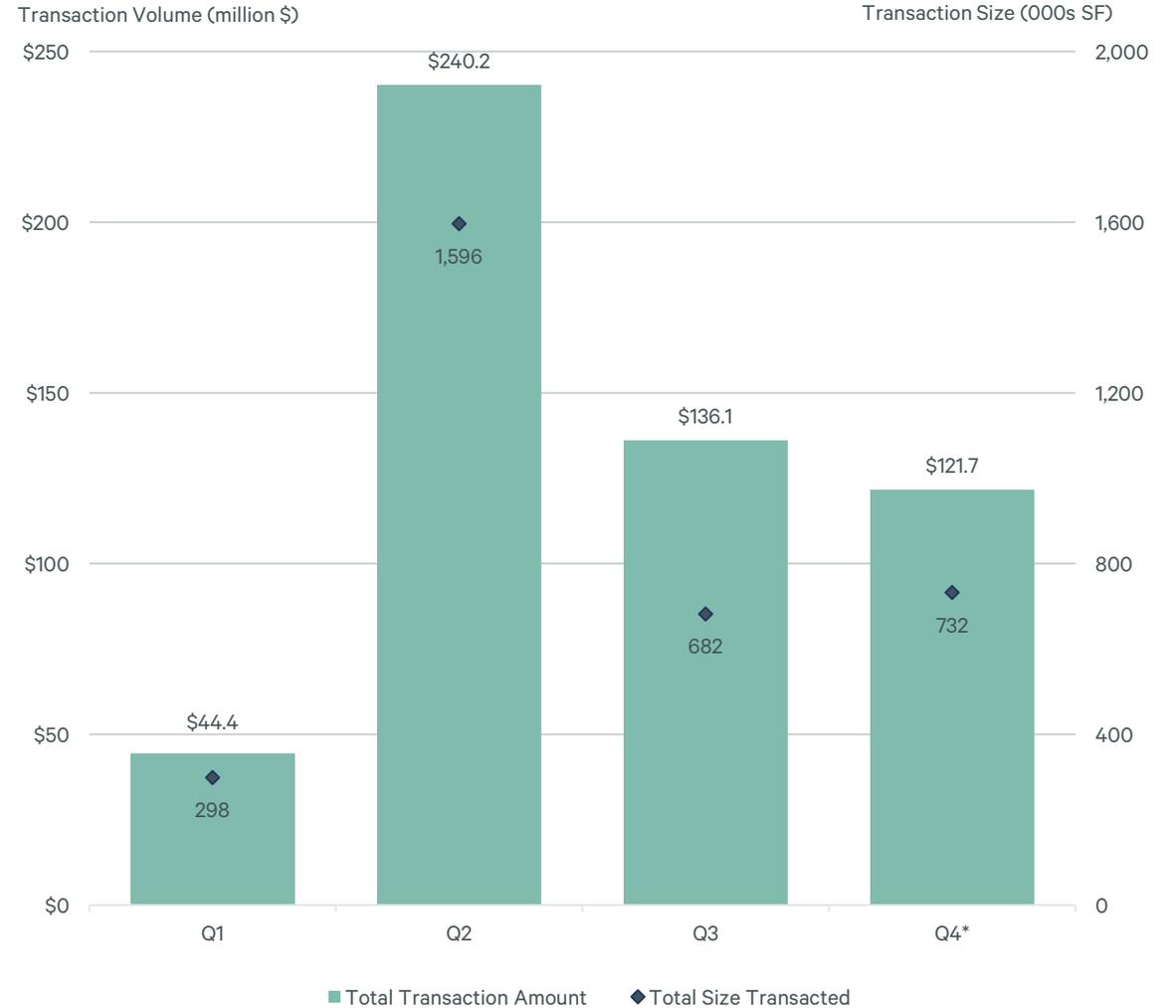
Office sales transactions heightened after Q1 2025

Preliminary Altus numbers show 2025 ended with a total dollar volume of \$542 million, with Q4 accounting for approximately 22% of the annual total or \$140.7 million. Q2 recorded the highest activity in both size and dollar volume, primarily driven by Kingsett Capital’s \$100 million acquisition of BUSAC properties. Q4 registered the largest number of deals above \$25 million, including 3510 Saint-Laurent Boulevard, 1 Place du Commerce, and 950 Beaumont Street. Other notable sales include MondeV’s acquisition of 6750 De L’Esplanade Avenue and the sale of 3530-3540 & 3575 Saint-Laurent Boulevard by Allied. Certain landlords have pulled space from the market to implement upgrades or position properties for future sales.

Throughout 2025, Allied disposed of approximately 6.6% of its Montreal portfolio for \$63 million, with an additional \$17 million pending¹. The three buildings were sold to Lord Bernier Inc. (3510, 3530-3540 Saint-Laurent Boulevard) and Armco (3575 Saint-Laurent Boulevard). The reasoning behind the dispositions are to redeploy capital and enhance liquidity.

Purchasers have been active in preparing for a new office demand cycle. Certain investors have focused on value-add opportunities, believing operational improvements and creative lease-up strategies will be paramount to differentiating themselves in the market. Other acquisitions have focused on maximizing highest and best use by repositioning for re-development. This scenario is illustrated by Armco’s transaction at 3575 Saint-Laurent Boulevard, which is a continuation of their strategy at 1245 Sherbrooke Street West two years ago.

FIGURE 4: Total transaction volume and size per quarter



*Preliminary

Sources: Altus Data Studios, December 22nd, 2025, CBRE Research, Q4 2025.

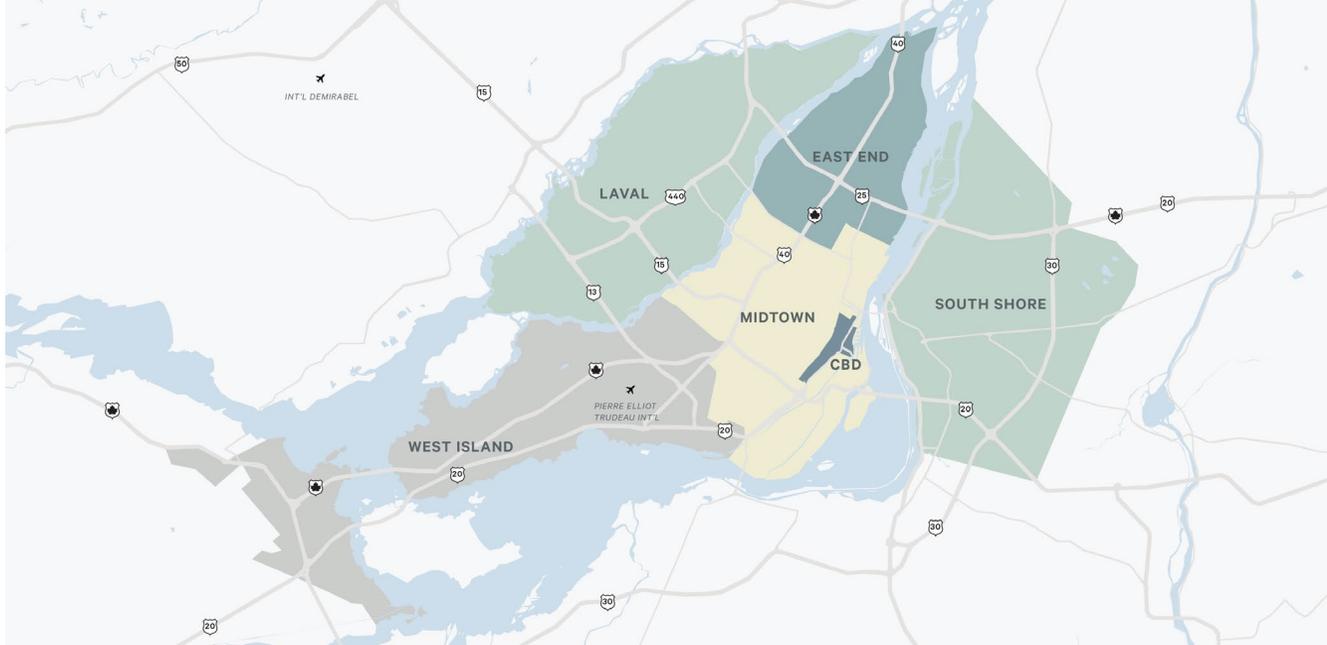
1: Allied, "SHORT FORM BASE SHELF PROSPECTUS", December 16th 2025, pg. 3

FIGURE 5: GMA Office Market Statistics, Q4 2025

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of Vacant Space)	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Net Asking Rent (PSF)	Avg. Additional Asking Rent (PSF)	Avg. Gross Asking Rent (PSF)
Central Core	25,272,857	18.4%	6.2%	59,433	9,604	0	\$22.22	\$23.51	\$45.73
Downtown South	7,466,342	17.9%	8.1%	385,516	404,631	0	\$26.21	\$24.16	\$50.37
Downtown West	3,784,923	15.2%	2.0%	10,027	-114,979	0	\$18.36	\$19.69	\$38.05
Downtown East	5,825,767	14.5%	34.7%	11,127	-14,050	0	\$18.13	\$17.18	\$35.31
Old Montreal	3,185,736	21.4%	10.9%	-34,891	16,925	0	\$22.76	\$19.92	\$42.68
Atwater/Westmount	1,738,066	17.1%	2.9%	-45,418	-74,250	0	\$24.29	\$17.77	\$42.06
CBD TOTAL	47,273,691	17.8%	9.3%	385,794	227,881	0	\$22.40	\$22.37	\$44.77
Midtown	14,472,972	21.5%	8.3%	-44,675	-172,742	0	\$17.39	\$14.53	\$31.92
West Island	8,318,789	17.9%	21.4%	64,681	116,500	0	\$17.20	\$14.47	\$31.67
Laval	3,916,140	17.6%	3.7%	46,127	89,661	0	\$16.40	\$14.60	\$31.00
East End	1,908,312	23.6%	4.5%	-27,984	-21,917	0	\$15.18	\$18.62	\$33.80
South Shore	5,067,957	14.2%	13.9%	52,185	21,270	0	\$17.28	\$13.46	\$30.74
SUBURBAN TOTAL	33,684,170	19.2%	11.2%	90,334	32,772	0	\$17.06	\$14.72	\$31.78
GMA TOTAL	80,957,861	18.3%	10.2%	476,128	260,653	0	\$20.11	\$19.08	\$39.19
LOFT OFFICE	7,934,659	16.5%	22.2%	-24,769	-138,510	0	\$18.61	\$13.02	\$31.63

Source: CBRE Research, Q4 2025.

Market Area Overview



Definitions

- Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Net Absorption:** The change in Occupied sq. ft. from one period to the next.
- Net Lease Rate:** Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Vacancy Rate:** Total vacant sq. ft. divided by the total building area.
- Vacant Space:** Space that can be occupied within 30 days.

Survey Criteria

CBRE's market report analyses fully modern office buildings of 20,000+ sq. ft. across the GMA. CBRE assembles all information through telephone conversations and listings received from owners and members of the commercial real estate brokerage community.

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