

Report

5th EDITION

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Downtown bounces back

Downtown Montreal experienced a net gain in activity for the first quarter of 2022 compared to prior quarters. The easing of public health restrictions and slow down of the pandemic have had an energizing effect on practically all sectors of activity analyzed by the *Montreal City Centre Report*. There has been some return of workers to their offices, a stabilization in the amount of teleworking, a notable increase in new construction projects, an increase in traffic to businesses and restaurants, growth in the number of public transportation users, and the return of tourism is on the horizon for the summer. Downtown Montreal is experiencing a significant revival, due notably to its significant residential population. Optimism has returned for the spring of 2022, though the trauma of the pandemic has left its

mark. While there is improvement everywhere, things are not quite what they were before the pandemic. This fifth issue of the *Montreal City Centre Report* is filled with a lot of hope but also a few lingering concerns, including the high rate of vacant office spaces.

In this issue, we have an update on data from the first quarter of 2022 for activity levels in six indicator categories: offices, businesses, residential, higher education, tourism, and public transport. The data were collected from a web survey of 1,000 residents of the Montreal metropolitan area in the first half of May 2022. The data were collected while public health measures were being rolled back, just a few days before the removal of the mask mandate in public spaces.



Data collection zone



City Centre Report primarily collects data about the heart of the business district, within an area demarcated by Saint-Urbain Street to the east and Atwater Avenue to the west, and extending to Sherbrooke Street to the north and Square Victoria to the south. The remainder of the data is collected from the entire Borough of Ville-Marie.

% of the agglomeration

Population	5%
Number of companies with employees 2018	15%
Number of jobs	27%
Hotels	63.40%
Offices (sq. ft)	41.7%
Housing* (Ville-Marie)	7.2%
Property value (Ville-Marie)	14.6%
Non-residential property value (Ville-Marie)	30.6%

An initiative of Montréal centre-ville and the Urban Development Institute (UDI)



With the financial contribution of:



DATA SOURCES

- ▶ Hotel Association of Greater Montreal
- ▶ BIXI
- ▶ Traffic counters for Sainte-Catherine Street
- ▶ Établissements d'enseignement supérieur
- ▶ Indigo, property owners, QPAREB and CMHC
- ▶ Société de transport de Montréal
- ▶ Tourisme Montréal
- ▶ City of Montreal
- ▶ Web survey of 1,000 Montrealers
- ▶ Altus Group
- ▶ Montréal centre-ville

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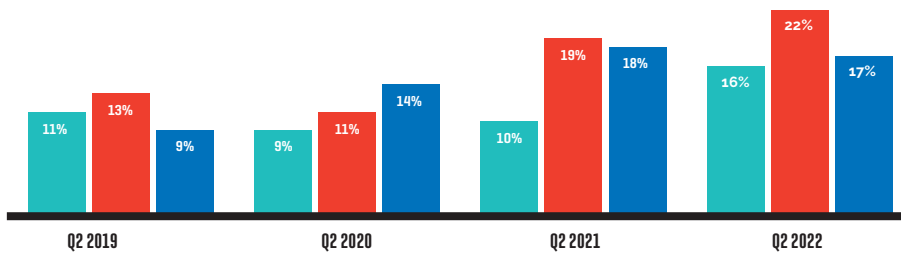
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01 Office occupancy

A) A HIGH VACANCY RATE

This indicator remains negative. There is a lot of space available in downtown office buildings in Montreal—close to 40 million square feet. This represents 38% of all office space in the Montreal census metropolitan area (CMA). In the first quarter of 2022, as seen in the graph, there were more spaces available in all building categories than before the pandemic (Q2 2019) and after the first wave (Q2 2020). We see that 16 percent of spaces were available in Class A buildings in the spring; this category, comprised of the best buildings, represents 60% of total supply.

Availability of office space downtown

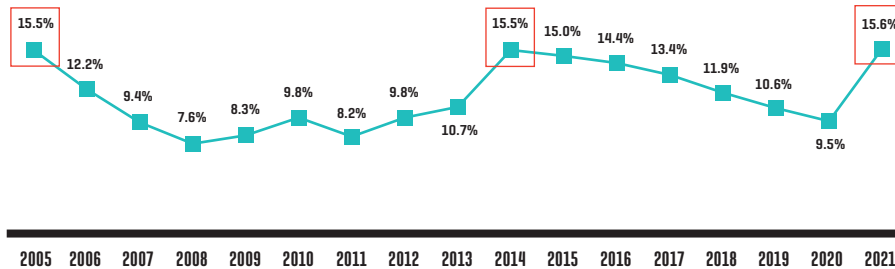


Distribution of square footage: ■ Class A 60% ■ Class B 36% ■ Class C 4%

Data source: Groupe Altus - Altus InSite
Vacancy rate: Vacancies as % of supply

However, this proportion of available office space should be put into perspective. As seen in the graph, since the start of the 2000s, the city of Montreal has reached similar vacancy rates three times, and each time the market was able to respond accordingly.

Evolution of Class A office availability rate in downtown Montreal

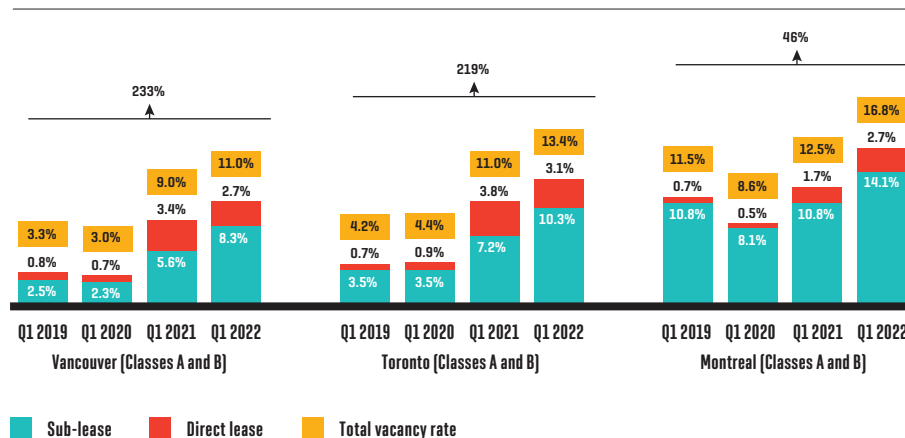


— Availability rate

Data source: Groupe Altus - Altus InSite
Vacancy rate: Availability as % of supply

The vacancy rate in Montreal is high, but what does it look like in other areas? The next chart compares the variation in the availability rates for buildings in Classes A and B in the downtown areas of Montreal, Toronto, and Vancouver. Here we can see that the availability rate was higher in Montreal before the pandemic, and the deterioration of this situation has been less pronounced in Quebec. Between Q1 2019 and Q1 2022, variation in availability was +7.7 percentage points in Vancouver (from 3.3% to 11%), +9.2 points in Toronto (from 4.2% to 13.4%) and +5.3 points in Montreal (from 11.5% to 16.8%), which includes premises either leased directly or subleased.

Availability in downtown Vancouver / Toronto / Montreal

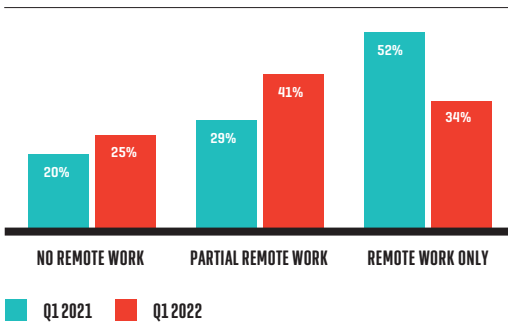


Data source: Groupe Altus - Altus InSite
Vacancy rate: Vacancies as % of supply

B) BALANCING IN-OFFICE AND REMOTE WORK

Although there is still a lot of empty office space, recent months have seen a significant return of many workers to the downtown core. The following chart shows the differences in the adoption of a teleworking framework. We can see that the proportion of “telework only” workers has declined from 52% to 34% between the first quarter of 2021 and the first quarter of 2022. At the same time, we can see the proportion of workers pursuing “partial telework” has reached a peak of 41% as of the first quarter of 2022.

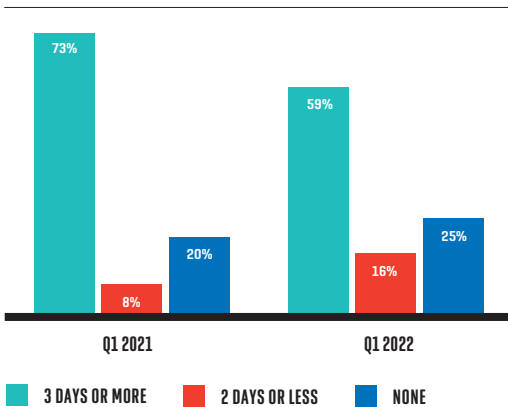
Rate of remote work adoption downtown



Data source: Groupe Altus – Web survey of 1,000 respondents

We are also starting to see some nuances in the extent of telework. In the next chart, we can see a reduction in remote work “more than three days a week,” which went from 73% in Q1 2021 to 59% in Q1 2022, and a two-fold increase in teleworking “2 days or less,” with an evolution from 8% to 16% in the same time period. In other words, as of the first quarter of 2022, 75% of downtown workers have adopted teleworking to varying degrees.

Number of days of remote work



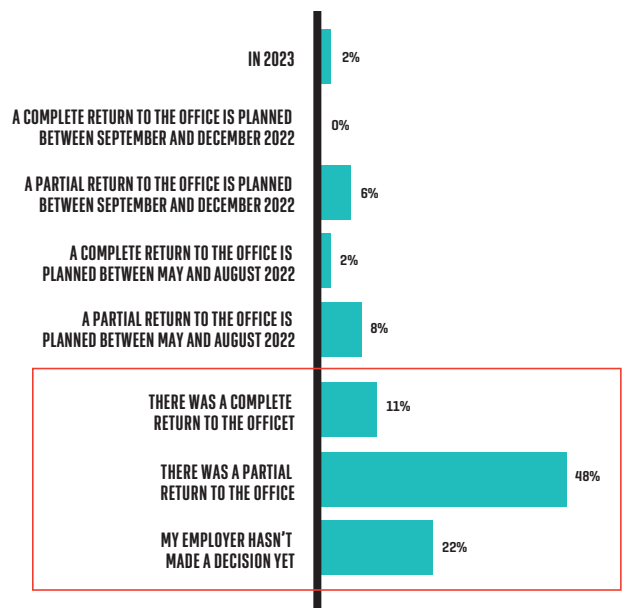
Data source: Groupe Altus – Web survey of 1,000 respondents

C) THE EMPLOYER PERSPECTIVE

The next three tables reveal the intentions of employers.

First, when respondents were asked whether a return to the office had been announced by their employer, we note that half (48%) had been notified of a partial return, that employers for one worker out of every 5 (22%) had not announced any decision, and that 11% had already returned to the office as of the first quarter of 2022. Remember that these data were collected a few days before the public mask mandate was rescinded.

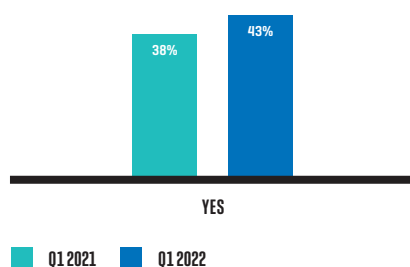
Intention of organizations to return to the office



Data source: Groupe Altus – Web survey of 1,000 respondents

Next, when we asked whether their employer was intending to perform any renovations to the office space ahead of a planned return, 43% of respondents answered “yes” in the first quarter of 2022, which is both a significant percentage and higher than in the first quarter of 2021. This indicates a strong desire on the part of employers to make their office spaces more enticing.

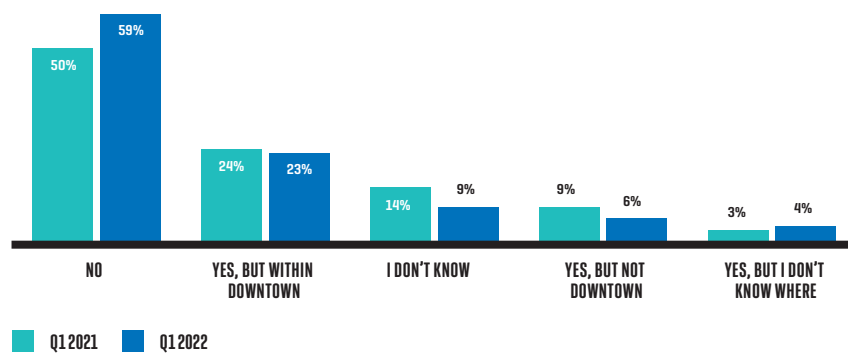
Modifications to the work environment



Data source: Groupe Allus – Web survey of 1,000 respondents, May 2022

Finally, when we asked if their employer was considering a move, a strong majority of respondents said “no” (59%) in the first quarter of 2022, an increase compared to one year earlier (50%). The proportion of workers who would be moving but staying in the downtown area remained stable, going from 24% to 23%. These data suggest that downtown Montreal remains a prime location for businesses.

Intention of employers to move



Data source: Groupe Allus – Web survey of 1,000 respondents, May 2022

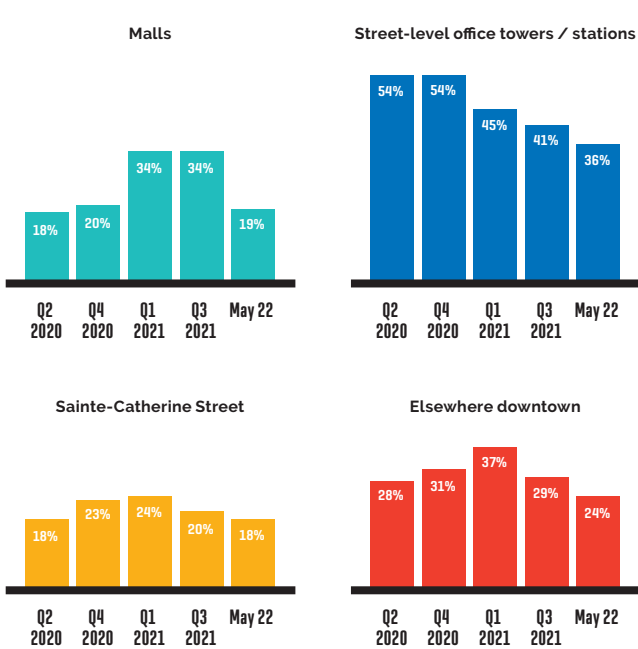
02 Business A clear improvement for businesses

For downtown businesses, the situation has significantly improved. In our four comparison sites, we recorded a reduction in the percentage of businesses that have permanently or temporarily closed. In malls, the share of closed businesses, which was 19% in May 2022, is almost equal to that of the second quarter of 2020. In the lobbies of office towers and train stations, and elsewhere in the downtown core, the situation in May of 2022 is better than in the second quarter of 2020. On Sainte-Catherine Street, which had a greater ability to retain customers during the pandemic, the number of closed businesses in May 2022 was equal to the number recorded in the second quarter of 2020.

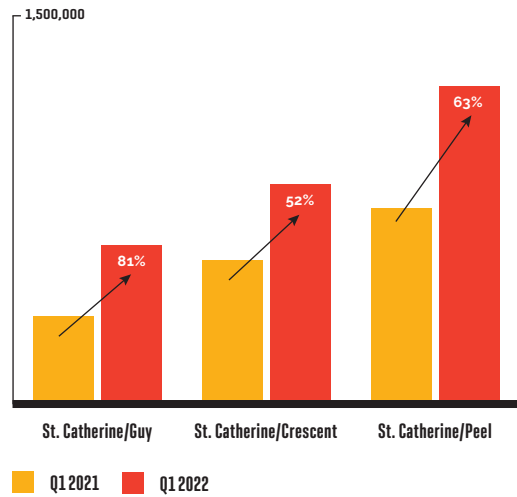
These data are encouraging. They indicate that business recovery is strong, even though 75% of downtown workers are working remotely to various degrees, as explained above. This is an indication that downtown is regaining its status as a destination for shopping, food, and having fun.

Another indication that activity has resumed is the number of pedestrians walking on Sainte-Catherine Street at various intersections. The number sharply increased in the first quarter of 2022 compared to one year earlier.

Percentage of businesses permanently or temporarily closed



Tally of pedestrians



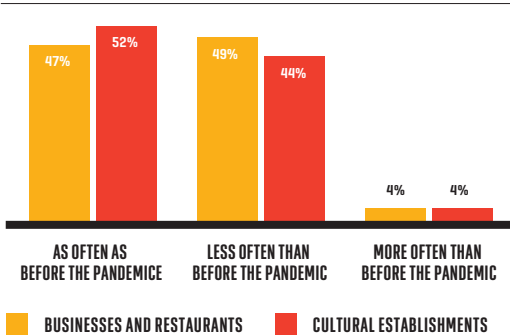
Data source: Montréal Centre-Ville

Data source: Field survey by Groupe Altus, May 2022

However, when asked about how the end of the vaccine passport would influence their intention to frequent businesses, restaurants, and cultural centres in the downtown core, respondents were not enthusiastic. Only 47% say they plan to frequent businesses and restaurants at the same rate as before the pandemic, and 52% say they will attend cultural events as often as before.

This lukewarm response may seem to contradict the clear recovery in activity measured in businesses. One might believe that in general, businesses benefit from a dynamic economy and that customers go there with the intention to spend. But part of the explanation may be found in the evolution of the residential population. Data to this effect are presented further on.

Now that proof of vaccination is no longer required, how often do you plan to frequent restaurants, businesses, and cultural establishments downtown?



Data source: Groupe Altus – Web survey of 1,000 respondents, May 2022

03 Housing

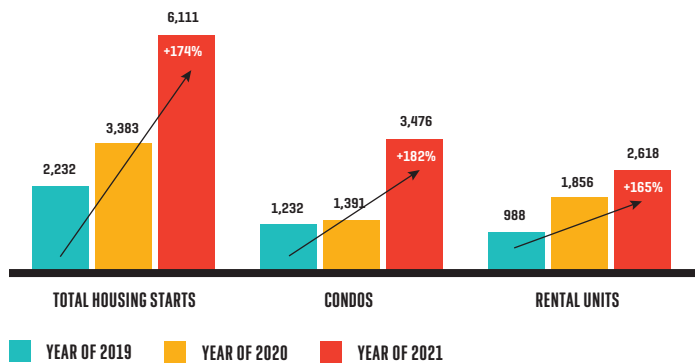
Some good news for the residential real estate sector

A) SOLID INCREASE IN HOUSING STARTS

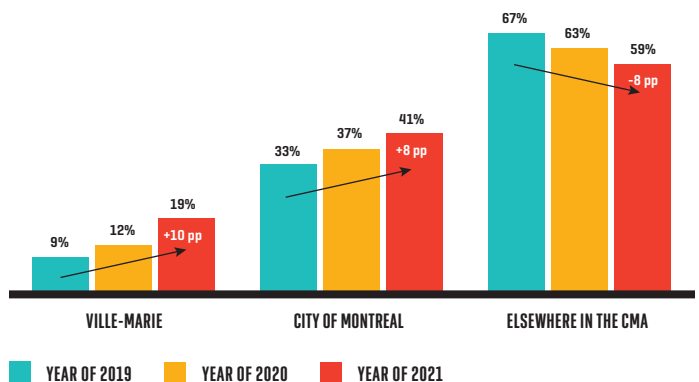
Housing starts in the Ville-Marie borough have been constantly increasing. Annualized data do not show any damage due to the pandemic. From 2019 to 2021, there was strong progression. From 2020 to 2021, we recorded an 81% surge in activity, with 6,111 starts. This increase was mainly due to condos, while close to 5,500 rental units were added to the housing market during this period.

The distribution of housing starts also indicates that Ville-Marie, which includes the downtown area, and the city of Montreal in general have seen their relative shares in housing starts increase within the Montreal CMA. Put together, these data on the number of housing starts and their distribution confirm that downtown and the city as a whole continue to be highly attractive destinations.

Housing starts in the Borough of Ville-Marie



Distribution of housing starts in the Montreal CMA

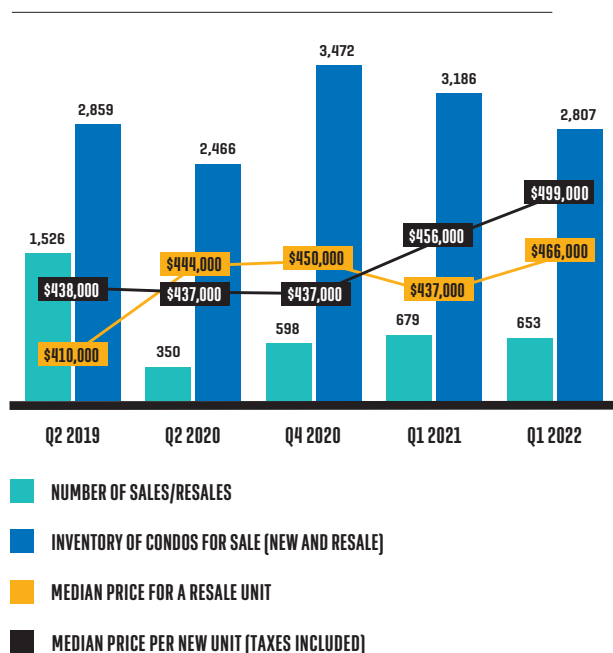


Data source: CMHC

B) CONDO MARKET REMAINS STABLE

The condo market has remained relatively stable since the fourth quarter of 2020 in terms of the number of new condos or resales of existing units. This should reassure those who feared a flight from the downtown area during the most severe periods of the pandemic, though it may raise some uncertainty among others who see this market as lukewarm compared to other markets in the Montreal CMA. Since the fourth quarter of 2020, the new or resale condo inventory has faltered, finding itself at the same level in Q1 2022 as it was in Q2 2019. Price increases have been low. Since the start of the pandemic (Q2 2020), the median price for resale condos increased only 5%, while the median price for new condos increased by 14.2%. This sharper price increase in the new condo market is explained by the increased costs of construction (materials and labour). Market dynamism in the months to come will be influenced by the resumption of in-office work, the relaunch of tourism and cultural activities, and by the evolution of housing starts.

Condo market:
Sales (new and resale) and inventory on the market

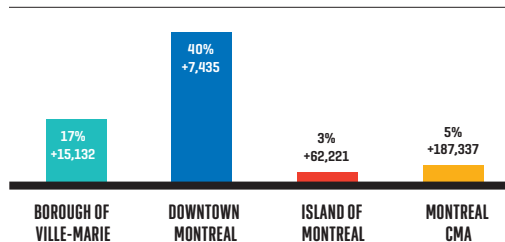


Data source: Groupe Altus - Condo tools, APCIQ by Centris

C) STRONG POPULATION GROWTH IN DOWNTOWN MONTREAL

This issue of the *Montreal City Centre Report* includes interesting new data on the evolution of downtown Montreal's demographics, particularly within a context where the population density of residential areas is regularly part of the public conversation. The following table shows variations in the downtown population, in the borough of Ville-Marie, on the island of Montreal, and in the CMA. These were taken from data comparing the censuses of 2021 and 2016. Within this short period, downtown's population has grown by 40%.

Evolution of the population 2021/2016



Data source: Statistics Canada

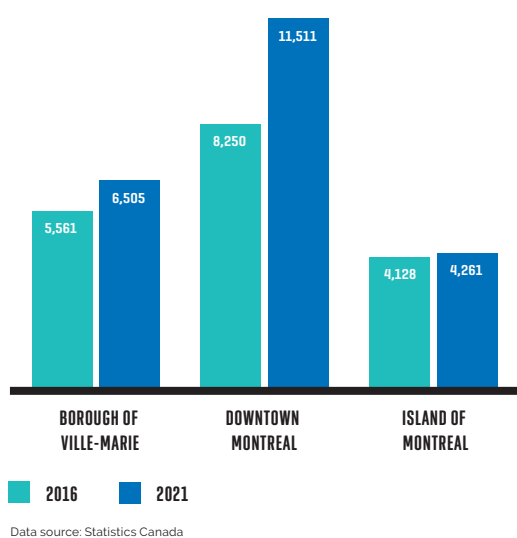
The surge is strong, but numbers remain modest. This 40% increase corresponds to 7,435 residents, with the total number increasing from 18,811 in 2016 to 26,246 in 2021. The following table shows the share of the population in gross figures in each sector of comparison. It also shows, with data from 2016 (2021 data are not yet available) that downtown is animated by a stream of workers.

Sector	Population 2021	Workers 2016
Borough of Ville-Marie	104,302	303,990
Downtown of Montreal	26,246	182,600
Island of Montreal	2,004,245	1,161,480
Montreal CMA	4,286,195	1,889,835

Data source: Statistics Canada

The growth of the population also means that the downtown area has become much denser. Between 2016 and 2021, the population density has increased from 8,250 to 11,511 people per square kilometre. This population density is a good sign for business and facilitates the development of services.

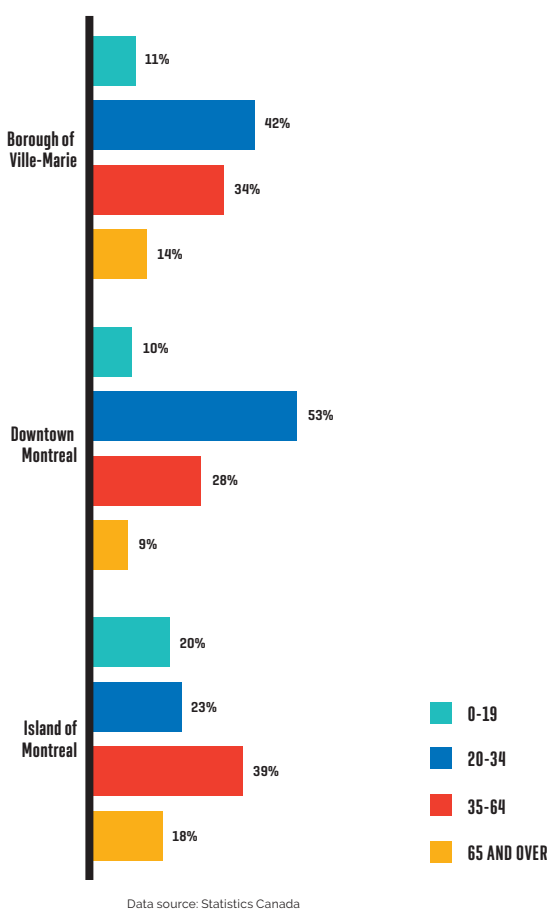
Population density per square kilometer (km²)



D) DOWNTOWN APPEALS TO A YOUNGER CROWD

Furthermore, the increasingly dense downtown population is mostly made up of young people (53%) between 20 and 34 years of age. This is also the group with the biggest presence in Ville-Marie. Bringing together university students and young professionals, this population engages with downtown living, frequenting its businesses, restaurants, and cultural spaces, and compensating for the reduced number of workers through a lifestyle that puts a premium on enjoyment. At the same time, downtown is also the area of the island of Montreal with the fewest children and teens (0 to 19) and people over 65.

2021 population by age group

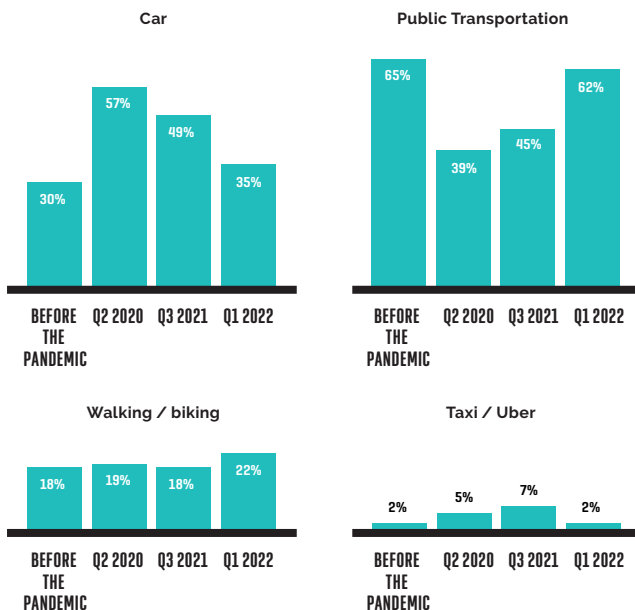


These populational data are relevant. Montreal is a residential city. Its downtown core is residential, and a growing number of people would like to move there. The presence of a residential population is a key element of urban resilience.

04 Mobility and public transport

The recovery trend is also apparent in the transportation methods used to get downtown. When the pandemic broke out, people who continued to frequent the downtown core preferred to use cars. We observed a sudden increase in the use of cars in the first quarter of 2020, which coincided with an abrupt decrease in the use of public transport. In the first quarter of 2022, modal shares for cars, public transport, and taxis returned to pre-pandemic levels. In other words, those who frequent downtown returned to their pre-pandemic transportation methods. Remember these figures represent proportions; with the advent of remote work, the raw numbers of trips have reduced. In terms of active methods of transportation such as walking and biking, these have slightly increased during the pandemic.

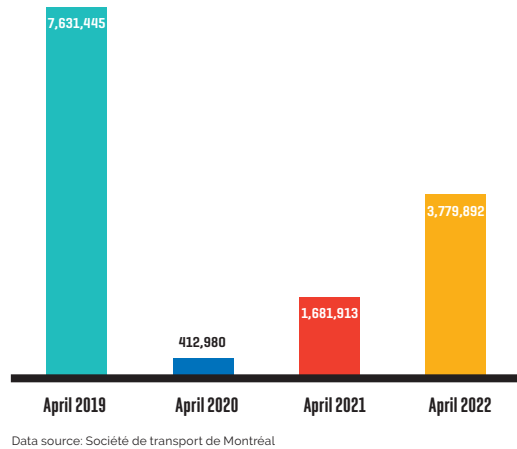
Transportation methods for getting to downtown Montreal



Data source: Groupe Alltus - Web survey of 1,000 respondents, May 2022

Metro ridership data confirm a recovery from the spring 2020 low point. However, as of April 2022, there was still only half as many people using the metro compared to before the pandemic.

Total entries to downtown metro stations in the month of April

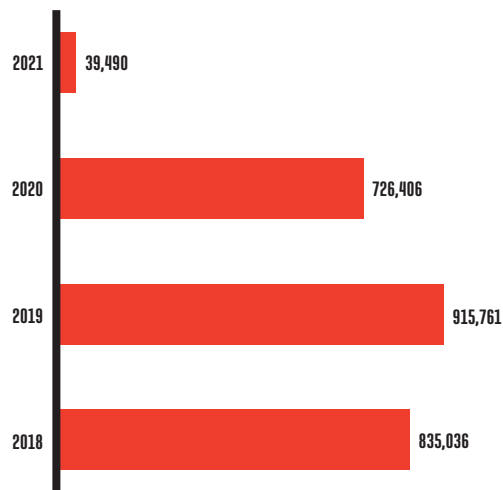


Data source: Société de transport de Montréal

05 Tourism and conventions

The tourism and convention sectors were ravaged by the pandemic. For these areas, we realize that the best is yet to come. Montreal will experience a tourism season and conference season this year. Current reservations are harbingers of the return of good days in the future. The following chart presents the severity of the shock on the conference industry and the extent of the recovery which should occur over the coming months.

Convention Centre: Number of participants and visitors



Data source: Montreal Convention Centre

The hotel occupancy rate on the island of Montreal leads us to anticipate a return of visitors, as seen in the table showing the beginnings of an increase in the occupancy rate for the first quarter of 2022, which should increase given the easing of public health restrictions.

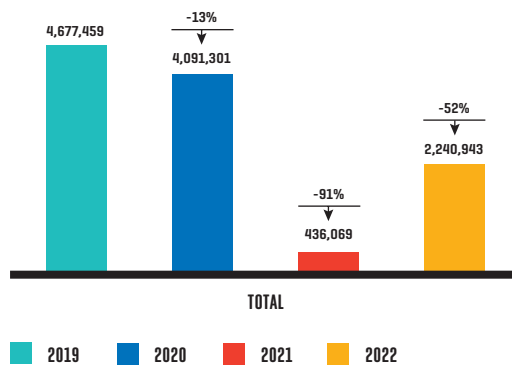
Hotel occupancy rate on the island of Montreal

Quarterly	Units available	Units occupied	Occupancy rate	Average price
Q1 2022	21,499	7,825	36.4%	\$127
Q1 2021	20,462	4,749	23.2%	\$103
Q1 2020	21,165	9,777	46.2%	\$139
Q1 2019	20,423	12,019	58.9%	\$142

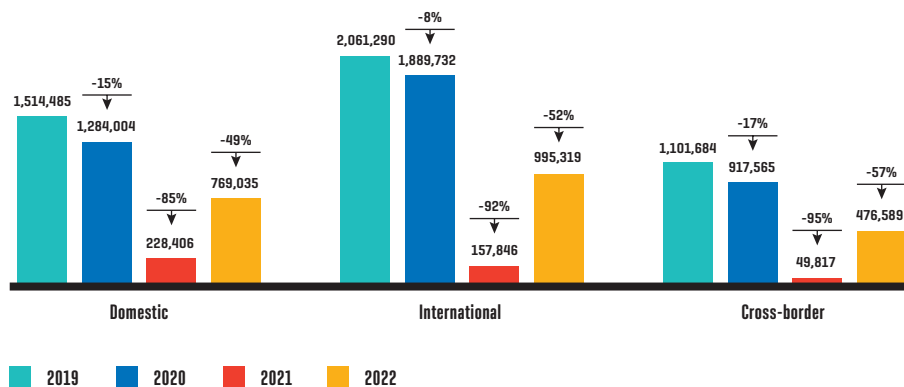
Data source: Tourisme Montréal

The promise of a tourism season is also apparent in the data on airline transportation. In the first quarter of 2022, the number of travellers at Montreal-Trudeau Airport reached 2,240,943. This is barely half the number recorded in the first quarter of 2019, but a clear improvement compared to the collapse of 2021. Segmented by passenger type, traffic indicates that international travellers have contributed the most to the relaunch of activity. Montreal as a destination is about to be revived.

Total passenger traffic based on Q1 data from 2019 to 2022



Traffic by passenger type based on Q1 data from 2019 to 2022

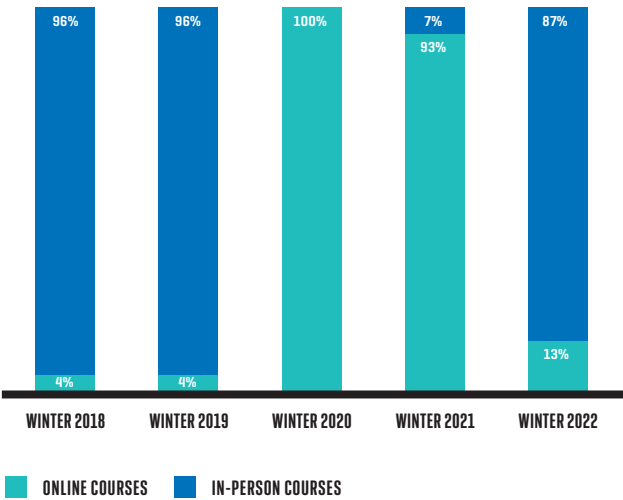


Data source: Aéroports de Montréal

06 Higher education

Amongst the data supporting an exit from the pandemic crisis are those showing the presence of students. As a city for higher education, Montreal is regaining its former place. Data on the distribution of courses by delivery method paint a vivid picture. We see the required abandonment of classrooms in the winters of 2020 and 2021, followed by a return to normal in the winter of 2022. Yet not entirely. Just as how teleworking has remained in place for certain workers, remote learning seems to have made a place for itself in universities and Cegeps. However, the popularity of remote learning is not comparable to that of remote working.

Étudiants en ligne vs en présentiel
au centre-ville de Montréal



Data source: Survey at Dawson College and Concordia University, McGill University and UQAM

Summary table

In each issue of the *Montreal City Centre Report*, we present this summary table showing a series of key indicators whose evolution is being tracked every quarter.

A number of these data will also be available on the Montreal Open Data website, at donnees.montreal.ca.

Offices Availability as % of supply (vacant + sub-lease)	Results				Variation Q2 2022 Q2 2021	Indicator
	Q2 2019	Q2 2020	Q2 2021	Q2 2022		
Class A buildings (+60% of supply)	11%	9%	10%	16%	6 pp	↑
Class B buildings (+36% of supply)	13%	11%	19%	22%	3 pp	↑
Class C buildings (+4% of supply)	9%	14%	18%	17%	-1 pp	↓
All buildings	11%	10%	14%	18%	4 pp	↑

Source: Altus InSite, quarterly data.

Business Inactivity rate by sector (temporary or vacant)	Results				Variation Q2 2020 Q3 2021	Indicator
	Q2 2020	Q4 2020	Q1 2021	Q3 2021		
Ste-Catherine Street	18%	23%	24%	20%	18%	↔
Malls	18%	20%	34%	34%	19%	↑
Office buildings/stations	54%	54%	45%	41%	36%	↓
Elsewhere	28%	31%	37%	29%	24%	↓
Total	26%	28%	34%	30%	22%	↓

Source: In-field survey Altus/Montréal centre-ville, August and December 2020, March 2021, August 2021, May 2022.

Residential	Results			Variation 2021 - 2019	Indicator
	2019	2020	2020		
Housing starts					
Condos	1,232	1,391	3,476	182%	↑
Rental units	988	1,856	2,618	165%	↑
Total	2,232	3,383	6,111	174%	
Share of housing starts in the CMA	9%	12%	19%		

Sources: SCHL - Housing starts - Borough of Ville-Marie.

Distribution of housing starts	2019	2020	2020	2021 - 2019	Indicator
Ville-Marie	9%	12%	19%	10 pp	↑
City of Montreal	33%	37%	41%	8 pp	↑
Elsewhere in the CMA	67%	63%	59%	-8 pp	↓

Source: SCHL - Housing starts - Borough of Ville-Marie.

Condo resales	Q2 2019	Q2 2020	Q4 2020	Q1 2021	Q1 2022	Q1 2022 Q1 2021	Indicator
	Number of sales/resales	1,526	350	598	679		
Median price per unit	\$410,000	\$444,000	\$450,000	\$437,000	\$449,000	3%	↑
Inventory of condos for sale (new and resale)	2,859	2,466	3,472	3,186	2,807	-12%	↓
Sales of new condos	1,030	113	246	193	160	-17%	↓
Inventory of new condos	1,878	1,525	1,963	1,787	1,905	7%	↑
Number of resales	496	237	352	486	643	32%	↑
Listings	981	941	1,509	1,399	902	-36%	↓
Median price per resale unit	\$410,000	\$444,000	\$450,000	\$437,000	\$466,000	7%	↑
Median price per new unit (taxes included)	\$438,000	\$437,000	\$437,000	\$456,000	\$499,000	9%	↑

Source: Groupe Altus - Condo Tools, APCIO by Centris.

Tourism	Results				Variation Q1 2022 Q1 2021	Indicator
	Q1 2019	Q1 2020	Q1 2021	Q1 2022		
Hotel occupancy						
Daily available units	20,423	21,165	20,462	21,499	5%	↑
Daily occupied units	12,019	9,777	4,749	7,825	65%	↑
Occupancy rate	58,9%	46,2%	23,2%	36,4%	57%	↑
Average price	\$142	\$139	\$103	\$127	23%	↑

Source: Tourisme Montréal.

	Q1 2019	Q1 2020	Q1 2021	Q1 2022	Q1 2022 Q1 2021	Indicator
Montréal-Trudeau Airport passengers						
Domestic	1,514,485	1,284,004	228,406	769,035	-49%	↓
International	2,061,290	1,889,732	157,846	995,319	-52%	↓
Cross-border	1,101,684	917,565	49,817	476,589	-57%	↓
Total	4,677,459	4,091,301	436,069	2,240,943	-52%	↓

Source: Tourisme Montréal.

	2018	2019	2020	2021	2021-2020	Indicator
Montreal Convention Centre						
Montreal Convention Centre	835,036	915,761	726,406	39,490	-95%	↓

Source: Montreal Convention Centre.

Public transportation	Results				Variation April 2022 April 2021	Indicator
	April 2019	April 2020	April 2021	April 2022		
Entrants to downtown metro stations	7,631,445	412,980	1,681,913	3,779,892	125%	↑
Variation compared to April 2019		-94,6%	-78,0%	-50,5%		

Source: STM (Berri-UQAM, Champs-de-Mars, Place-D'Armes, Square-Victoria, Bonaventure, Lucien L'Allier, Saint-Laurent, Place-des-Arts, McGill, Peel, Guy-Concordia, Atwater).

Students online vs. in-person in downtown Montreal	Results					Variation Winter 2022 Winter 2021	Indicator
	Winter 2018	Winter 2019	Winter 2020	Winter 2021	Winter 2022		
Session							
Online course	4%	4%	100%	93%	13%	-80 pp	↓
In-person course	96%	96%	0%	7%	87%	80 pp	↑

Data sources: Survey at Dawson College and the following universities: Concordia, McGill, UQAM.

