

# Report

2<sup>nd</sup> EDITION

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## Remote work and real estate: Emerging trends

The *City Centre Report* is back. A means of measuring the socio-economic activity of the downtown Montreal area, this quarterly report is free of charge and accessible to everyone. This second edition provides an update, with data from the fourth quarter compared to the second quarter of 2020 in six categories of indicator, namely office occupancy, retail business, housing, higher education, and transportation/mobility. A web survey was conducted from January 6 to 14 amongst 1,000 residents of the Montreal metropolitan area. Questions concerned the situation as it stood before December 24, 2020, or in other words before the imposed closing of

non-essential businesses (December 25, 2020) and the curfew (January 9, 2021).

The survey integrated several new questions to enable an improved grasp of the remote work phenomenon and the expectations of teleworkers in advance of the post-COVID return to normalcy. Without a doubt, remote work will be part of employers' and workers' realities after the crisis. However, the extent to which teleworking will be implemented varies depending on the sector. Many questions about the real estate sector were also asked. As far as office towers are concerned, the number of square feet available has sharply increased, especially in category B and

C buildings. In the residential market, signs of a rebalancing have appeared, with the sellers' advantage giving way in favour of buyers.

*City Centre Report* is led by Montréal centre-ville and the Urban Development Institute (UDI) of Quebec (in French, Institut de développement urbain du Québec or IDU) in partnership with the City of Montreal and the Government of Quebec. Many private and public organizations have contributed data, which were compiled by the Altus Group.



Data collection area



*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 area of the Ville-Marie borough.

Percentage of Montreal's agglomeration

Population	5%
Number of companies with employees (2018)	15%
Number of jobs	27%
Hotels	63,4%
Offices (sq.ft)	41,7%
Housing* (Ville-Marie)	7,2%
Land value (Ville-Marie)	14,6%
Non-residential land value (Ville-Marie)	30,6%

First issue favourably received

The first edition of *City Centre Report*, published last October 23, was well received. Over 600 people participated in the launch's webinar, and over 3,300 people visited the website. The report was also inserted into *Montréal Centre-Ville* magazine and published as a special report on La Presse +.

## Always free and accessible to everyone

*City Centre Report* was created for public decision-makers, businesspeople, university researchers, and residents. Its goal is to track the evolution of the crisis related to COVID-19, illuminate relaunch efforts, and help governmental and private sector managers make decisions. *City Centre Report* has no political or partisan affiliation. The data it publishes can be used by any group, business, or resident who is concerned about Montreal's prosperity.

### FINANCIAL CONTRIBUTORS

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



With the financial contribution of the City of Montreal

Montréal 

le gouvernement du Québec

Québec 

### DATA SOURCES

- ▶ Hotel Association of Greater Montreal
- ▶ BIXI
- ▶ Traffic counters for Sainte-Catherine Street
- ▶ Higher education establishments
- ▶ Indigo, property owners,
- ▶ QPAREB and CMHC
- ▶ Inventory of vacancies (downtown Montreal)
- ▶ 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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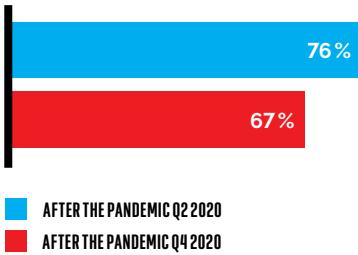
# 01 Offices

## REMOTE WORK: NEITHER TEMPORARY NOR A PANACEA

Before the announcement of the new pandemic control measures, remote work was a dominant force. Around 70% of workers in the downtown area were performing their professional activities from home more than three days per week. The survey indicated that two-thirds of respondents (67%) wanted to continue teleworking the majority of their time after the pandemic. This represents a fall of 9 percentage points in the fourth quarter of 2020 as compared to the second quarter of that year.

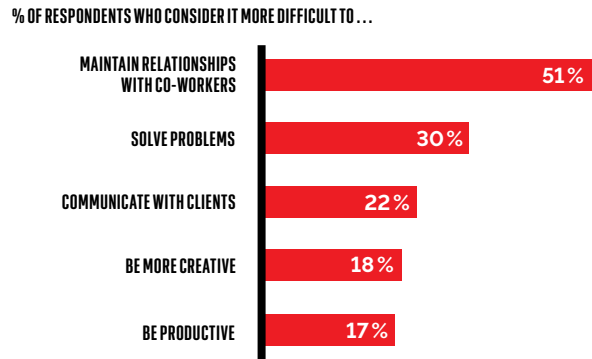
While a high proportion of workers have adapted very well to remote work, the question “With teleworking, it’s harder to... ?” provides another perspective on the issue. Notably, half of respondents (51%) judged work relationships to be harder to maintain, 30% stated it made problem resolution more difficult, and only 18% and 17% respectively considered it to impair their creativity and productivity. These data should be taken provisionally, since they contain no information about respondents’ tasks or sectors of activity. Nevertheless, they may lead employers towards further consideration of how these variables may apply to their particular realities.

### Would you be interested in working from home after the pandemic?



Sources: Online survey conducted between January 6 and 14, 2021 of 1,000 residents in the region of Montreal

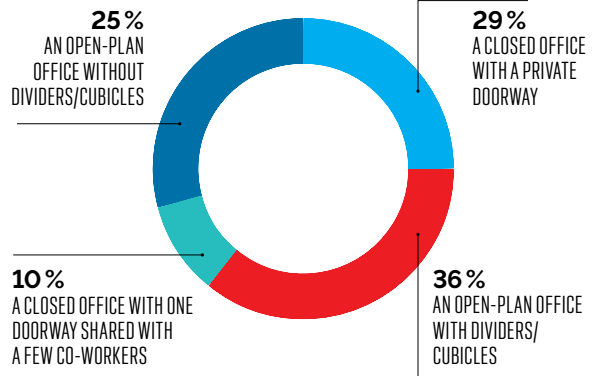
### With teleworking, it's harder to... ?



Sources: Online survey conducted between January 6 and 14, 2021 of 1,000 residents in the region of Montreal

### Maintain relationships with co-workers

Health and safety-wise, certain concerns may remain after the pandemic. More respondents expressed the desire to look for closed offices (29%) instead of open-plan offices (25%) when they return downtown. When you add in everyone looking for partitions and enclosed cubicles, that figure goes up to 75%. This is certainly something to think about when it comes to office layout. However, downtown still has appeal. For half of all respondents (51%), the atmosphere of the downtown area is motivating their return to work.



Sources: Online survey conducted between January 6 and 14, 2021 of 1,000 residents in the Montreal region

## MORE VACANCIES AND DIFFERING SITUATIONS BASED ON BUILDING CLASSIFICATION

In downtown office towers, the increase in the amount of space available has continued, with the overall vacancy rate being 12.4% in the fourth quarter of 2020, an increase of 2.6 percentage points compared to the second quarter of the same year. However, this data point hides some differing situations. While the vacancy rate has barely changed for Class A buildings between the second and fourth quarters of 2020, the situation for Class B buildings has worsened considerably, with a vacancy rate of 15.7% (an increase of 4.2 points); the situation is even worse for Class C buildings, 20.3% of which were unoccupied (an increase of 6.5 points). Notable also was an increase in sublet offers, mainly in Class C buildings, which represented 18% of total spaces being sublet in the borough of Ville-Marie.

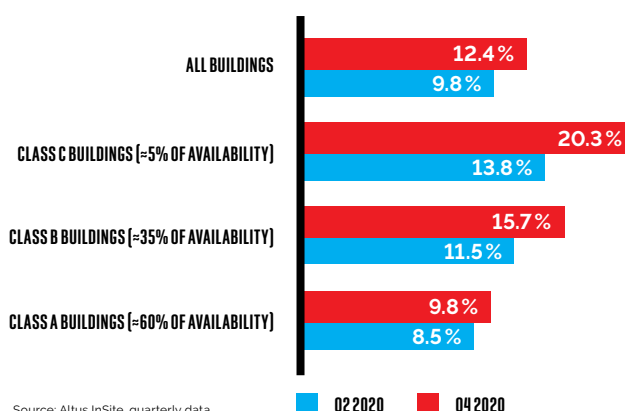
### Building classification

Class	Description*	Share of supply
A	High-rise buildings in the business district	60%
B	Older buildings with high-quality tenants and rents that are average for the market	35%
C	Older buildings, located on less attractive streets, that may need renovation	5%

\*Source: boma-quebec.org

This corresponds to over 60,000 square feet of vacancies. The situation needs to be monitored in the coming months, since the volume of sublets could presage actual vacancies when it comes time for leases to expire.

### Availability as a percentage in office buildings



Source: Altus InSite, quarterly data

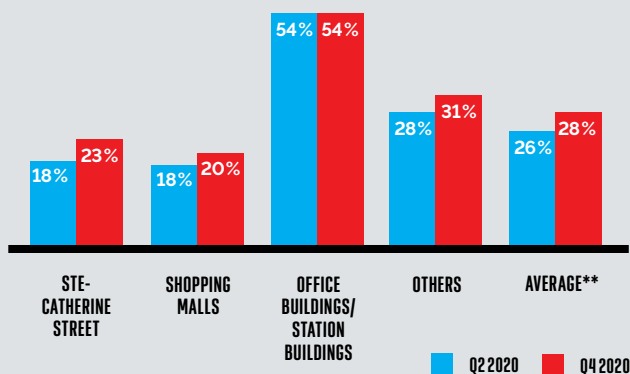
Class B and Class C buildings offering lower-cost rent house many small businesses or start-ups that are generally more vulnerable to economic shocks. If the pandemic situation worsens or is unduly prolonged, the profitability and even the core purpose of some buildings might be called into question.

## 02 Business

### A STABLE YET DIFFICULT SITUATION

The situation for downtown businesses remains difficult. There was little change between the second and fourth quarters of 2020. In office towers, over half of businesses were inactive; in shopping centres, one out of every five premises were unoccupied. The only statistically significant change noted is on Ste-Catherine Street, where the number of unoccupied premises increased by 5 points between the spring and fall. Downtown business activity has been particularly hard hit by the crisis, since it is largely dependent on the influx of workers heading to their offices, as well as tourists.

### Rate of business inactivity



\*The "rate of inactivity" includes all causes for non-activity or lack of activity, whether due to a temporary closure, closing for renovations, or a permanent closure.

\*\*The "Others" column includes, for example, small street-level businesses on north-south streets in the borough of Ville-Marie.

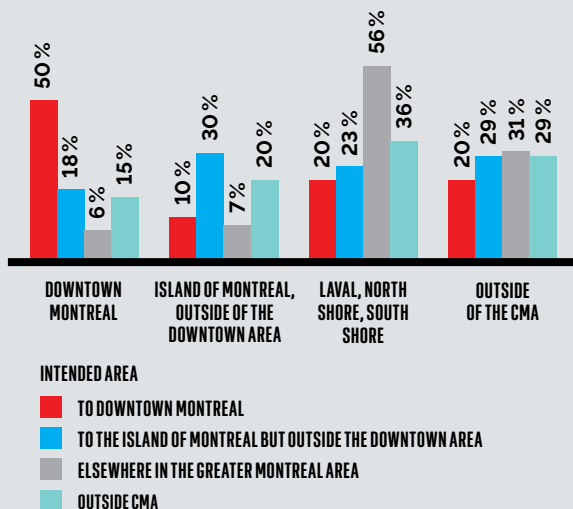
Source: Altus/Montreal centre-ville field research, August and December 2020

## 03 Residential

### A MARKET IN TRANSFORMATION

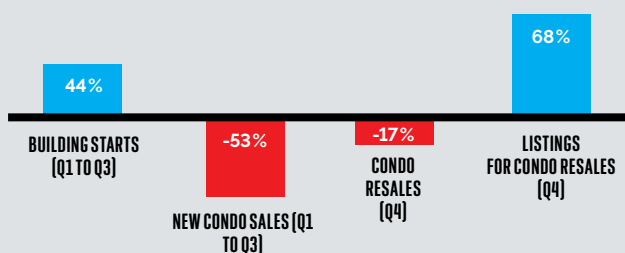
New questions were added to the survey, particularly relating to intentions to move. Overall, 19% of respondents surveyed in the greater Montreal region planned to move (185 out of 1,000). Overall, most respondents want to remain in their current residential area. This means that the downtown core remains a top choice for 50% of current residents thinking about moving. Downtown is also an attractive choice for 10 to 20% of people who are thinking about moving and who currently reside in a different area. The low numbers, however, render the proportions hazardous. Further surveys are necessary in order to better understand the trends and establish relationships with the sales and resales market.

Desired destination of those who wanted to move, based on residential area



Sources: Online survey conducted between January 6 and 14, 2021 of 1,000 residents in the Montreal region

Residential market in Ville-Marie (change between 2019 and 2020)

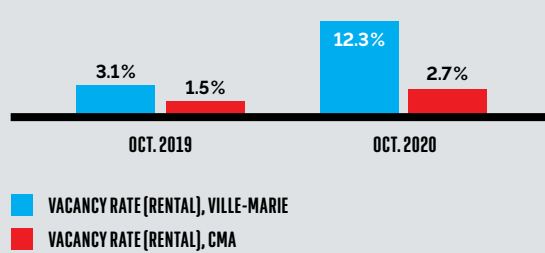


Sources: APCIQ by Centris, Groupe Altus, and SCHL

### MANY CONDOS FOR SALE AND MORE APARTMENTS FOR RENT

Sales of new condos fell 53% between corresponding periods in 2019 and 2020. In terms of resales, when comparing the fourth quarters of 2020 and 2019, there was a 17% drop in sales and an increase of 68% in listings. These resale data seem to contradict information collected on housing starts, which increased by 44.2% between the first and third quarters of 2019 and the same period in 2020. However, for the most part, these projects had been launched when the pandemic first broke out and were approved in the first few months of the crisis.

Rental market vacancy rate (Ville-Marie borough)



Sources: SCHL

### THE RENTAL MARKET IS ALSO GARNERING ATTENTION

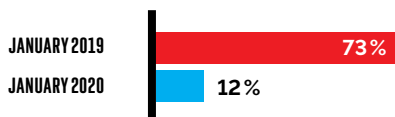
The rental market is also attracting attention. Between October 2019 and October 2020, the vacancy rate of rental units in Ville-Marie (more particularly for studio and two-room apartments) increased four fold, from 3.1% to 12.3%. Several concomitant phenomena can explain this change, especially the severe decrease in the student population, a reduction in immigration, an increase in newly available rental units, and an increase in apartments available to sublet that were formerly used for short-term rentals (such as on Airbnb). The entire residential market is shifting; the next few months will shed more light on these trends.

## 04 Tourism

### ACTIVITY HITS ROCK BOTTOM

Statistics on tourism demonstrate, unsurprisingly, a disastrous year. Between November 2019 and November 2020, the occupancy rate at hotels fell 62 points, the number of tourists registered to stay at hotels crashed by 84%, attendance at museums obviously also collapsed since they were closed for most of the year. These data on tourism and the cultural sector represent the lowest level against which the eventual recovery can be compared. A recent Léger survey indicated that regular visitors of the Quartier des Spectacles are looking forward to returning.<sup>1</sup>

#### Occupancy rate of hotels on the Island of Montreal



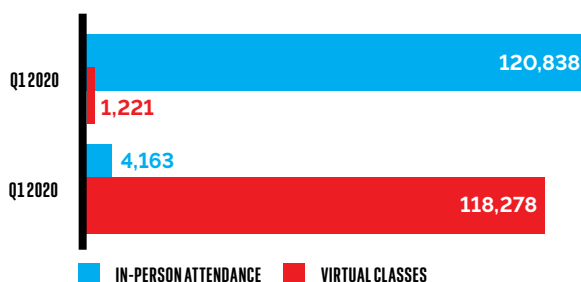
<sup>1</sup> Léger survey: Visitors to Quartier des spectacles ready to return / Quartier des spectacles Montréal  
Source: Tourism Montréal, monthly data for the month of November

## 05 Higher education

### ALMOST ALL CLASSES ARE VIRTUAL

Downtown Montreal has been practically emptied of its student population, a fact that is also certainly contributing to the hardships experienced by businesses. An estimation based on data provided by Concordia University, McGill University, and Dawson College show a complete reversal of in-person and virtual registrations between the first quarters of 2020 and 2021. The result is striking, though not surprising, since it's a direct reflection of governmental guidelines. Data from next September's back-to-school season will be tracked.

#### Students in downtown core



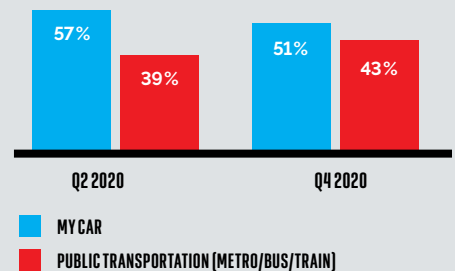
Source: Estimated using data from the BCI, Concordia and McGill University, as well as Dawson College

## 06 Transportation and mobility

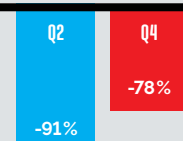
### PROGRESSION IN THE USE OF PUBLIC TRANSPORTATION

In the fourth quarter of 2020, 51% of people said they were using their car to get to work, while 43% were taking public transportation. Compared to the second quarter of the same year, this represents a 6-point drop in the use of a private car and a 4-point increase in the use of public transportation. Trust in public transportation seems to be increasing, but ridership is still a fraction of its pre-pandemic levels. Data from the Société de transport de Montréal (STM) indicate a fall from 91% to 78% in the use of downtown metro stations in the second and fourth quarters of 2020 compared to corresponding periods in 2019.

#### What method of transportation do you use to get to work?



#### Traffic at downtown metro stations (2019 and 2020)



\*Variation in the number of people using downtown metro stations.  
Source: STM-the number of people entering stations (2019-2020)

## Summary chart

In each issue of *City Centre Report*, we will present the following summary table showing the series of key indicators we will be tracking for each quarter.

Most of this data can also be found on the Web des Données ouvertes de Montréal website:  
[donnees.montreal.ca](http://donnees.montreal.ca)

Offices Availability as % of supply (vacant + sublet)	Results		Variation	Indicator
	Q2 2020	Q4 2020		
Class A buildings (+60% of supply)	8.5%	9.8%	1.3 pp	↔
Class B buildings (+35% of supply)	11.5%	15.7%	4.2 pp	↗
Class C buildings (+5% of supply)	13.8%	20.3%	6.5 pp	↑
<b>All buildings</b>	<b>9.8%</b>	<b>12.4%</b>	<b>2.6 pp</b>	<b>↗</b>

Source: Altus InSite, quarterly data

Offices Sublet as % of supply	Q2 2020	Q4 2020	Variation	Indicator
Class B buildings (+35% of supply)	0.2%	0.9%	0.7 pp	↗
Class C buildings (+5% of supply)	0.1%	2.9%	2.8 pp	↑
<b>All buildings</b>	<b>0.4%</b>	<b>0.9%</b>	<b>0.5 pp</b>	<b>↗</b>

Source: Altus InSite, quarterly data

Commercial Vacancy rate - By sector	Closing (temporary or vacancy)	Closing (temporary or vacancy)	Variation	Indicator
	Q2 2020	Q4 2020		
Sainte-Catherine St.	18%	23%	5 pp	↑
Shopping malls	18%	20%	2 pp	↗
Office/station buildings	54%	54%	0 pp	↔
Others	28%	31%	3 pp	↑
<b>Average</b>	<b>26%</b>	<b>28%</b>	<b>2 pp</b>	<b>↗</b>

Commercial Vacancy rate - By type	Closing (temporary or vacancy)	Closing (temporary or vacancy)	Variation PP	Indicator
	Q2 2020	Q4 2020		
Fast food	32%	32%	0 pp	↔
Full-service restaurant	24%	20%	-4 pp	↓
Clothing stores	16%	11%	-5 pp	↓
Personal services	14%	14%	0 pp	↔
Others	27%	40%	13 pp	↑
<b>Average</b>	<b>26%</b>	<b>28%</b>	<b>2 pp</b>	<b>↗</b>

Source: Field survey, Altus/downtown Montreal, August and December 2020

Residential (Ville-Marie borough)	Results		Variation	Indicator
	Q1 to Q3 2019	Q1 to Q3 2020		
Condo starts	1,035	1,464	41%	↑
Rental property starts	1,074	1,578	47%	↑
New condo sales	1,915	894	-53%	↓
	Q4 2019	Q4 2020	Variation	Indicator
Condo resales	425	352	-17%	↓
Condo resale listings	900	1,509	68%	↑
	Oct. 2019	Oct. 2020	Variation PP	Indicator
Vacancy rate (rental) - Ville-Marie borough	3.1%	12.3%	9 pp	↑
Vacancy rate (rental) - CMA	1.5%	2.7%	1 pp	↗

Sources: APQIO by Centris, Groupe Altus, and SCHL - rental survey (October 2019 - October 2020)

Tourism	Results		Variation	Indicator
	Nov. 2019	Nov. 2020		
Occupancy rate*	73%	12%	-62 pp	↓
Rooms occupied*	420,272	67,083	-84%	↓
Average daily rates*	\$174	\$119	-31%	↓
Revenue per available room*	\$127	\$14	-89%	↓
Number of tourists in hotels*	630,408	100,624	-84%	↓
Museum attendance**	169,917	30	-100%	↓

Sources: \*Tourisme Montréal, monthly data for November / \* Island/urban area of Montreal 68.3% of rooms in Ville-Marie out of the total on the Island of Montreal / \*\* Centre d'histoire de Montréal, Château Ramezay (ticket office), Marguerite-Bourgeoys Museum and Chapel, McCord Museum, Stewart Museum, Museum of Fine Arts and Contemporary Art Museum

Higher Education Number of students based on origin (universities and Cégeps)*	Results		Variation	Indicator
	Q1 2020	Q1 2021		
Quebec & Canada	98,443	100,310	2%	↔
International	23,616	22,131	-6%	↓
<b>Total</b>	<b>122,059</b>	<b>122,441</b>	<b>0%</b>	<b>↔</b>
Number of enrolled students (full-time and part-time, present in downtown Montreal)*	Q1 2020	Q1 2021	Variation	Indicator
	In person	120,838	4,163	-97%
Virtual courses	1,221	118,278	-9.590%	↑
<b>Total</b>	<b>122,059</b>	<b>122,441</b>	<b>0%</b>	<b>↔</b>

Source: Estimated using data from the BCI, Concordia and McGill University, as well as Dawson College