

Report

6th EDITION

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Remote work still dominant, available office space increases downtown

Downtown Montreal began 2023 on a positive trend in most socio-economic vitality indicators surveyed by the *Montreal City Centre Report*, though the recovery is uneven and sometimes weak. While the number of people visiting downtown is on the rise, the return to work is slow and remote work remains dominant. This persistence of remote work coincides with an increase in vacant space in downtown office buildings. The rate of increase in available square footage is lower in Montreal than in Toronto and Vancouver, but Montreal already had a higher vacancy rate than the other two metropolises before the pandemic. The *Montreal City Centre Report* also highlights a surprising drop in housing starts in 2022 despite strong housing demand. Activity in downtown

shops, restaurants, and cultural venues has also progressed to varying degrees. Some establishments are still suffering from the absence of a significant proportion of office workers, while others have benefited from the return of students and tourists.

This sixth issue of the *Montreal City Centre Report* presents updated data in six indicator categories: office occupancy, retail businesses, housing, mobility/transit, tourism, and higher education. The data comes from a web survey conducted in March 2023 among 1,000 residents of the Montreal metropolitan area, as well as organizations and institutions that collaborate with the *Montreal City Centre Report*.



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.

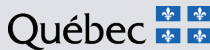
% of the agglomeration

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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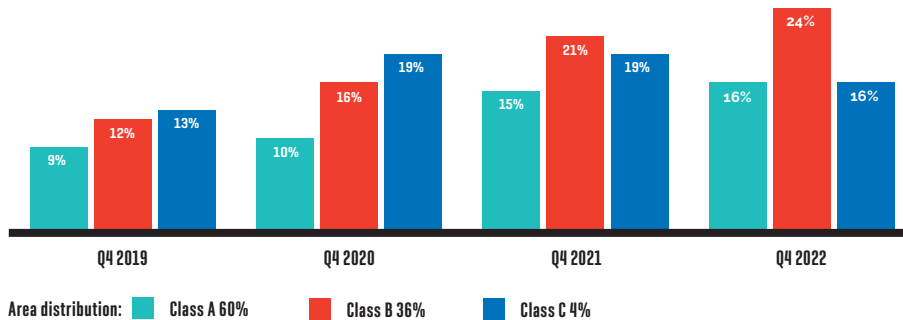
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01 Office occupancy

A) VACANCY RATE REMAINS A CONCERN

Just over 7.5 million sq. ft. of leasable space was vacant in downtown Montreal office buildings in the fourth quarter of 2022. As the following graph shows, the situation appears to have stabilized in Class A buildings between the fourth quarters of 2021 and 2022, while vacancies in Class B buildings continued to grow.

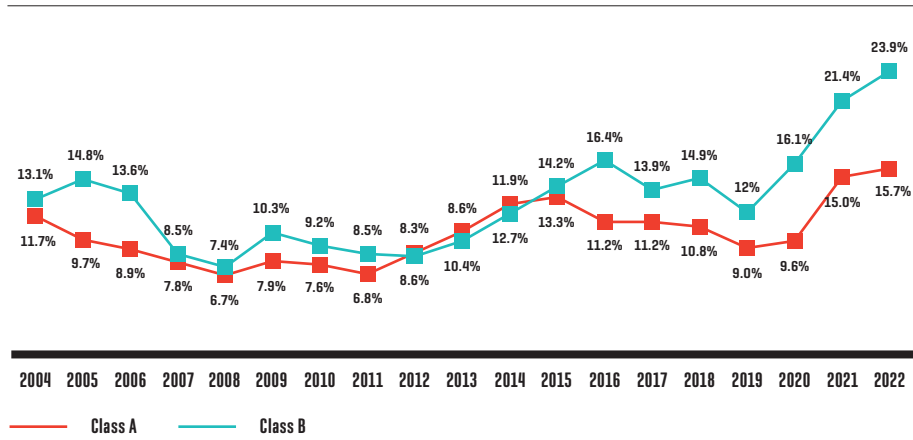
Office vacancy rates



Data source: Altus Group – Altus Data Studio
Vacancy rate: Availability as % of supply

This second chart shows the evolution of office space availability in Class A and Class B buildings, which account for over 95% of existing downtown space. There's an acceleration in Class B building availability from 2019 onwards, a trend that can be explained by increased interest from some employers in more attractive premises to entice their employees back to the office. This trend can also be explained by the shorter duration of leases in Class B buildings, which are more likely to accommodate smaller companies whose floor space needs are no longer necessarily the same in the face of the rapid and massive adoption of remote work. Moreover, the 20-year curves show significant fluctuations in availability rates, showing that the real estate market is adapting to needs and demand. However, this long-term view illustrates the exceptional nature of the surge in availability of Class B properties.

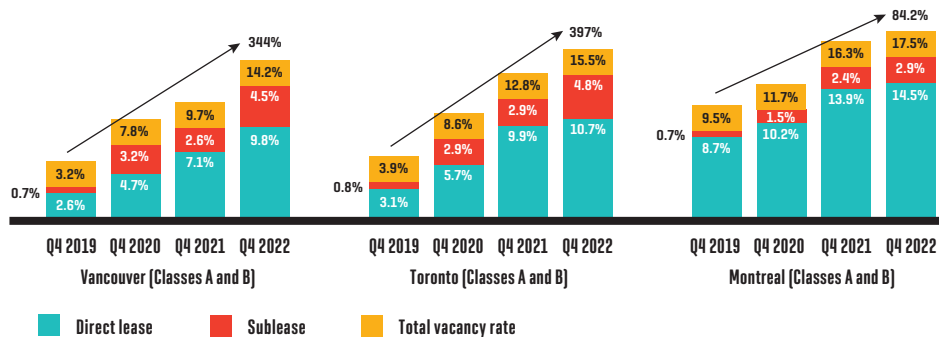
Evolution (in %) of Class A and B office availability in downtown Montreal



Data source: Altus Group – Altus InSite
 Vacancy rate: Availability as % of supply

Compared with Vancouver and Toronto, Montreal has a higher availability rate, even though rates in the other two cities are rising faster. The hatched areas indicate that subletting is higher in Toronto and Vancouver. However, subletting is seen as a precursor to future availability, pointing to a greater deterioration in these two metropolises.

Comparing availability rates in Vancouver, Toronto, and Montreal city centres

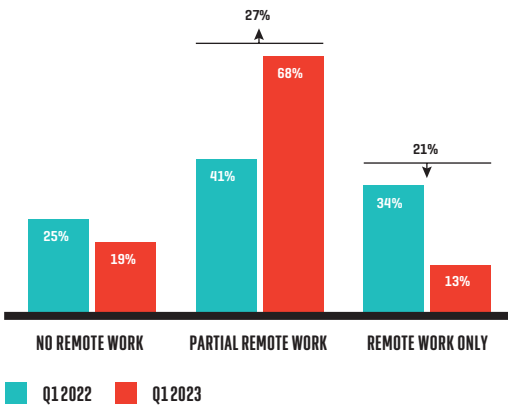


Data source: Altus Group – Altus Data Studio
 Vacancy rate: Availability as % of supply

B) HYBRID MODEL TAKES HOLD, BUT RETURN TO THE OFFICE STILL SLOW

The following four graphs confirm that remote work is the new normal for companies and workers alike, and seems set to stay. While there has been an increase in the number of employers opting for a firm return to the office, the hybrid approach is widely adopted, especially during the middle of the week. Even on the busiest days, less than two thirds of workers are present downtown. The business community and merchants see the upcoming REM as a key factor in stimulating the return of workers to downtown.

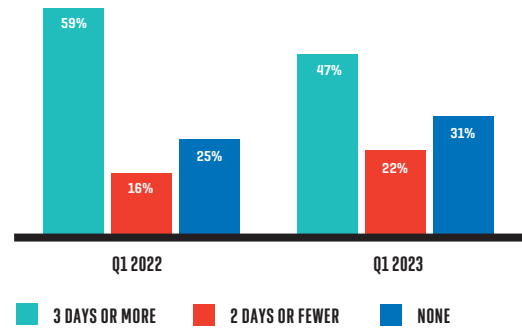
Importance of remote work in the lives of downtown office workers Comparing the first quarters of 2022 and 2023



Data source: Altus Group – Web survey of 1,000 respondents, March 2023

The graph above shows that between the first quarters of 2022 and 2023, there was a sharp rise in “partial remote work” (+27 percentage points) and an almost corresponding fall in “remote work only” (-21 points).

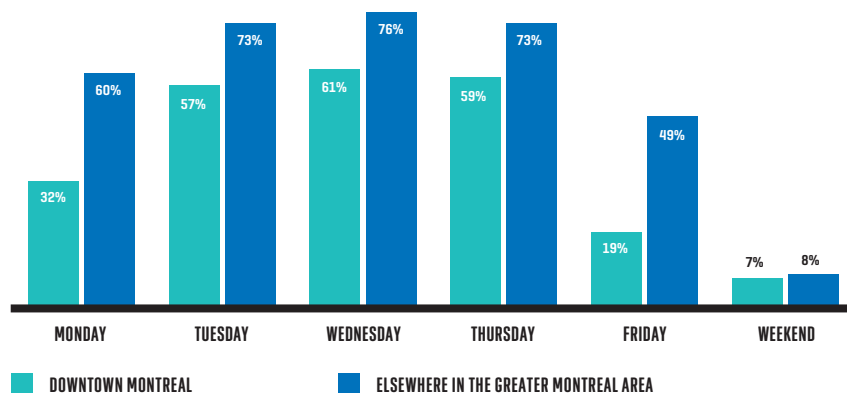
Number of remote work days for downtown office workers Comparing the first quarters of 2022 and 2023



Data source: Altus Group – Web survey of 1,000 respondents, March 2023

The number of remote work days decreased between the first quarters of 2022 and 2023. Fewer workers worked remotely 3 days or more (59% to 47%), more worked remotely 2 days or fewer (16% to 22%), and more did no remote work (25% to 31%).

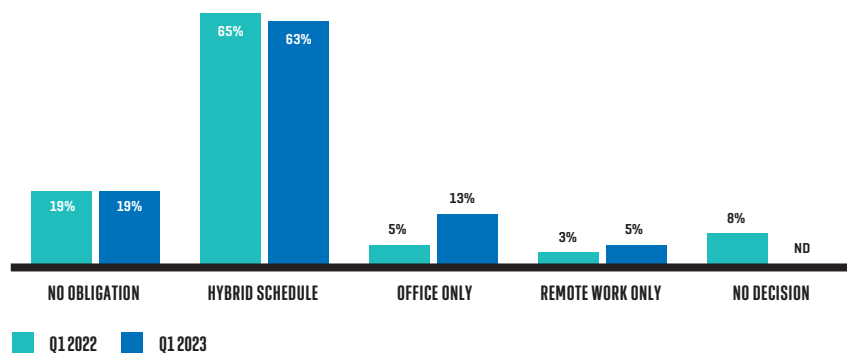
Main days spent in the office in Q1 2023
Comparing downtown office workers with those based elsewhere
in the Montreal census metropolitan area (CMA)



Data source: Altus Group – Web survey of 1,000 respondents, March 2023

The graph above shows that remote work is more widely adopted downtown than elsewhere in the CMA. Between 70% and 80% of downtown workers work remotely on Mondays and Fridays. On Wednesdays, the busiest day, only 61% of downtown workers are in the office.

Work organization policies of downtown businesses
Comparing the first quarters of 2022 and 2023



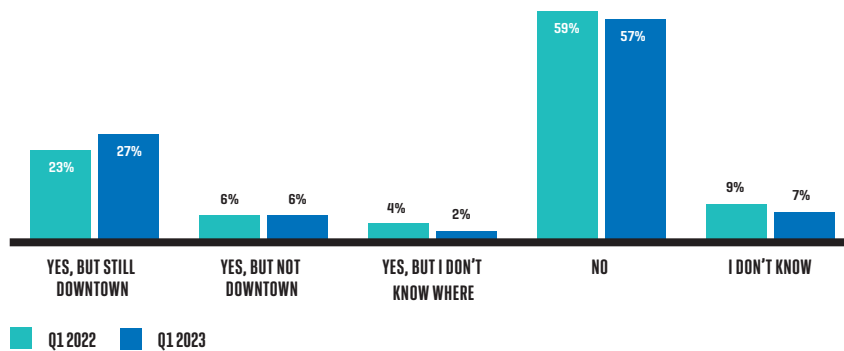
Data source: Altus Group – Web survey of 1,000 respondents, March 2023

Between the first quarters of 2022 and 2023, the number of employers with a firm in-office work policy almost tripled, from 5% to 13%. Hybrid working hours remained more or less stable at around two thirds of employers. For 1 in 5 employers, there is no obligation.

c) RELOCATION INTENTIONS

Remote work may be becoming an integral part of work life, but this doesn't mean that downtown businesses are planning to leave. In fact, there is no significant variation in relocation intentions between the first quarters of 2022 and 2023. While almost 60% of businesses have no intention of relocating, more of those who are thinking of doing so are looking to relocate elsewhere downtown in 2023 (27%) than in 2022 (23%). The proportion of businesses wishing to leave the downtown area remained stable at 6%. The retention of businesses in the heart of the metropolis demonstrates employers' confidence in the city centre as a business district.

Employers' relocation intentions according to their employees
Comparing the first quarters of 2022 and 2023



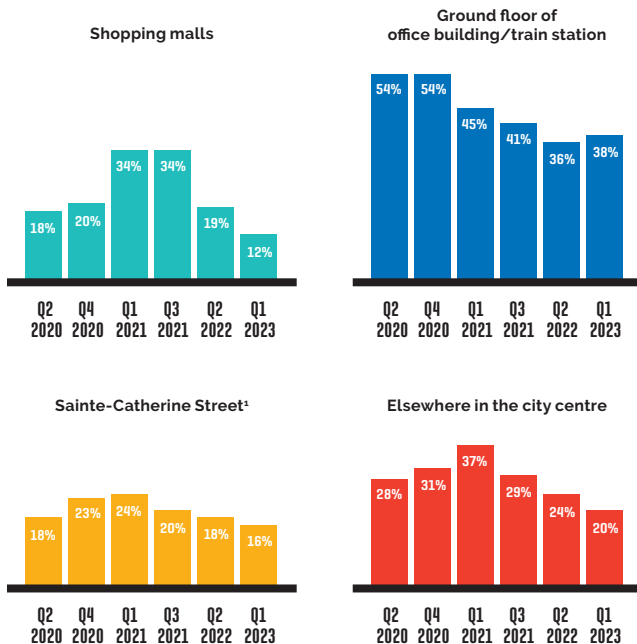
Data source: Altus Group – Web survey of 1,000 respondents, March 2023

02 Retail businesses

A) CONTINUED IMPROVEMENT IN THE RETAIL SECTOR

As the graph below shows, the situation for downtown shops continues to improve, although the recovery remains slower for those located on the first floor of office buildings and in railway stations. These stores, which often have no street frontage, are directly dependent on the flow of downtown workers, and are therefore more affected by the popularity of remote work. Other factors explain this situation, including a change in consumer habits. Indeed, workers who go downtown less often seem to want to enhance their experience by frequenting more upscale restaurants and boutiques, which could affect ground-floor shops in buildings and train stations.

Downtown retail inactivity rate
Change since start of pandemic, from Q2 2020 to Q1 2023

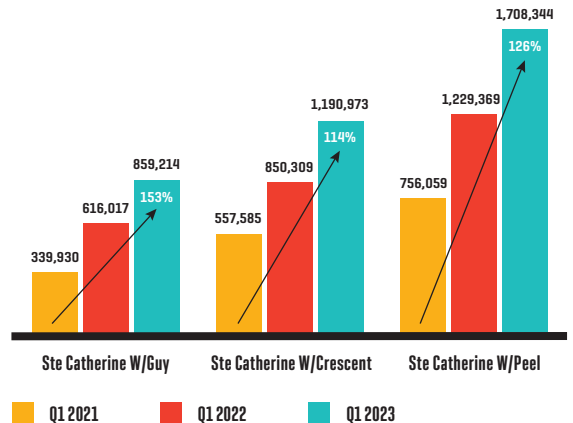


Data source: Field survey conducted by Altus Group, March 2023
1: Excluding shops in street-level shopping malls.

B) TRAFFIC ON SHOPPING STREETS

It's encouraging to note the renewed vitality of downtown's commercial arteries, as witnessed by the pedestrian counts carried out at three intersections on Sainte-Catherine Street. Traffic growth is very dynamic between the first quarters of 2021 and 2023. We also note that the busiest times are evenings and weekends, despite the absence of office workers. Customers visiting the downtown area for reasons other than work thus seem to outnumber office workers who, before the pandemic, flocked during peak hours.

Pedestrian counts* at three points on Sainte-Catherine Street



Data source: Montréal centre-ville
*Figures do not represent total traffic at an intersection, but the number of passers-by captured by a counter located on a street corner at each intersection.

c) YET A CUSTOMER DEFICIT PERSISTS

Though the trend is improving, the fact remains that a significant number of consumers have reduced their patronage of downtown shops, restaurants, and cultural venues since the pandemic. In the two graphs that follow, we see that over 50% of respondents aged 35 to 64 frequent downtown restaurants and shops less than before the pandemic, but that this erosion of clientele is less pronounced for cultural venues. However, this drop in footfall does not have a direct impact on retailers' sales volumes. For example, on Sainte-Catherine Street, several merchants recorded a drop in the number of transactions, but an increase in their average value. What's more, for some retailers, the impact of remote work is partly offset by the return of tourists and students.

03 Housing

A) SHARP DROP IN HOUSING STARTS

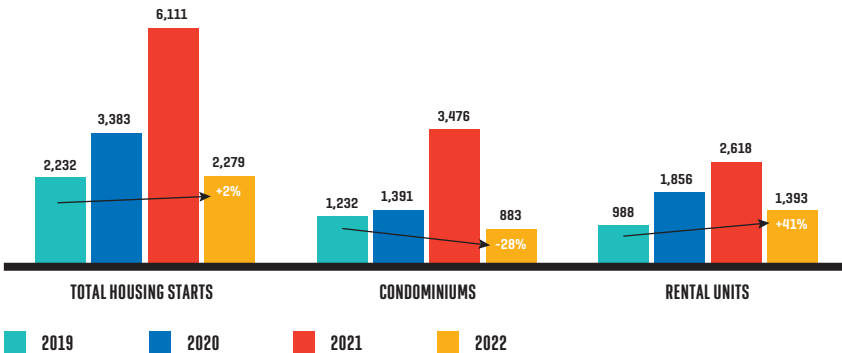
Here’s a surprising fact from this issue of the *Montreal City Centre Report*: a precipitous drop in the number of housing starts in the borough of Ville-Marie in 2022. While strong housing demand should have stimulated new construction, the drop from 2021 to 2022 is very pronounced in rental housing and condominiums.

Rental housing is still up over 2019, but in condominiums, the 28% decline compared to 2019 is worrying, and the drop from 2021 to 2022 is significant. For example, the number of new condos between 2021 and 2022 (2,593) is more than double the numbers from 2019 (1,232). The

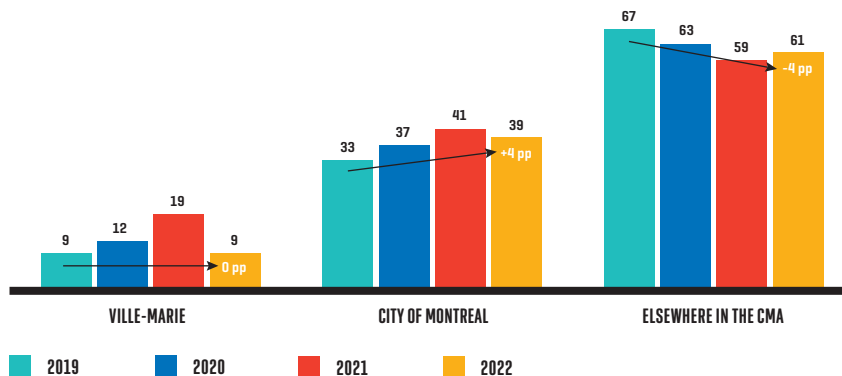
combined effect of these drops is a 10-percentage-point decline in the Ville-Marie borough’s share of housing starts in the CMA from 2021 to 2022 (from 19% to 9%).

The following two graphs illustrate the situation downtown and in the CMA. Note that new constructions launched in 2022 were developed before the spike in inflation and interest rates. As a result, 2023 could see another dip. This is a cause for concern, since if remote work permanently reduces traffic in the downtown area, its vitality will rely more on its resident population.

Housing starts in Ville-Marie borough



Housing starts per sector in the Montreal CMA



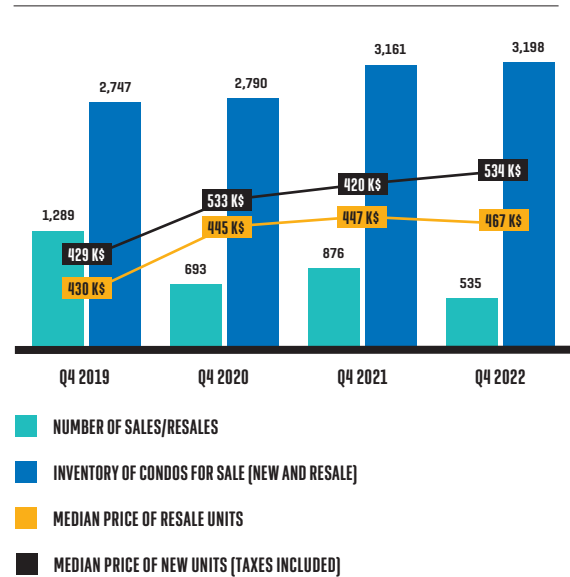
Data source: CMHC

A CMHC study* published in June 2022 estimated that the pace of housing starts in Quebec would have to more than double by 2030 to meet demand and restore healthy housing affordability.

B] A LUKEWARM CONDOMINIUM MARKET

In the condominium market, there has been a significant drop in the number of transactions, from 876 to 535 between the fourth quarters of 2021 and 2022. This can be attributed to rising interest rates. The following graph also shows that the median price of units sold (new) or resold (existing) has risen at the same pace. Resale condo median prices rose by 7.3% (from \$447,000 in Q4 2021 to \$480,000 in Q4 2022), while new condo median prices rose by 7.8% (from \$511,000 in Q4 2021 to \$551,000 in Q4 2022). During this period, the number of units for sale remained more or less stable.

**Condominium market:
Sales (new and resale) and inventory on the market**



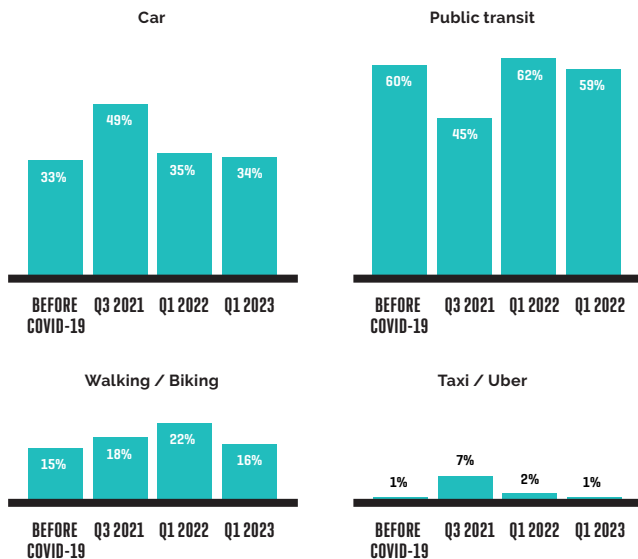
Data source: Groupe Altus – Condominium tools, APCIO by Centris

04 Mobility and transit

A) RETURN TO PRE-PANDEMIC TRANSPORT HABITS

In the first quarter of 2023, people working downtown returned to their pre-pandemic mode of transportation. Whether by private car, public transit, active transportation (walking, cycling), or taxi/Uber, the data for the first quarter of 2023 are very similar to pre-pandemic levels, as the graph below shows.

Downtown commuters' means of transport to the office

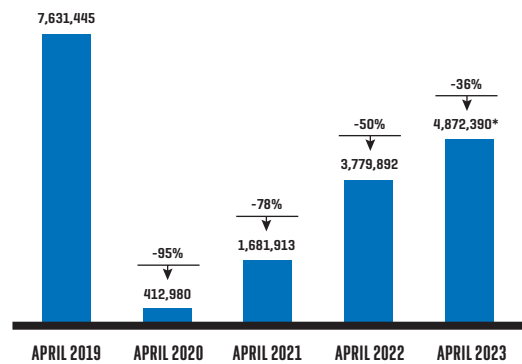


Data source: Altus Group – Web survey of 1,000 respondents, March 2023
Annual data give more than 100%, as several answers could be recorded for the same question.

B) FURTHER DROP IN PUBLIC TRANSPORT RIDERSHIP

While people have resumed their mobility habits, public transit users are less numerous than before the pandemic. In fact, the trend in downtown metro station ridership shows a resurgence in this mode of transport over the past year, despite a 36% drop in January 2023 compared with April 2019. This shift can be explained by remote work: people who used to commute by public transport have returned to the metro, but they go downtown less often than they did before the pandemic.

Change in metro station ridership compared to April 2019

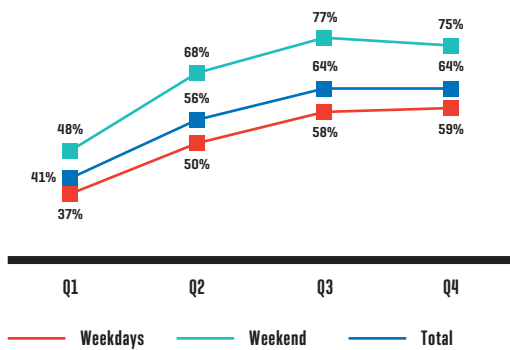


Data source: STM
*Latest STM data

c) DOWNTOWN, A PLEASURE DESTINATION

The following chart reveals an interesting observation. Throughout 2022, weekend traffic in downtown metro stations was closest to its 2019 level. This suggests that the downtown area, partly neglected by workers, is regaining its place as a prime weekend pleasure destination. This observation is in line with the reality experienced by retailers, as demonstrated previously.

Ratio of average 2022 ridership to 2019 ridership in downtown metro stations

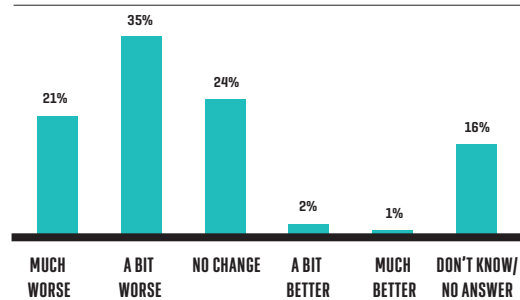


Data source: STM

d) SATISFACTION WITH PUBLIC TRANSPORT, DESPITE DIFFICULT SOCIAL COHABITATION

Public transport users are generally satisfied with the service. However, the addition of a question to the survey about the social climate on public transport revealed an emerging concern. As the following graph shows, a majority of respondents feel that the situation regarding incivility, homelessness, and substance abuse on public transport is deteriorating. The underlying causes of this trend can be numerous, ranging from economic distress to mental health issues.

Current perceptions of incivility, homelessness, and substance abuse on public transit in downtown Montreal



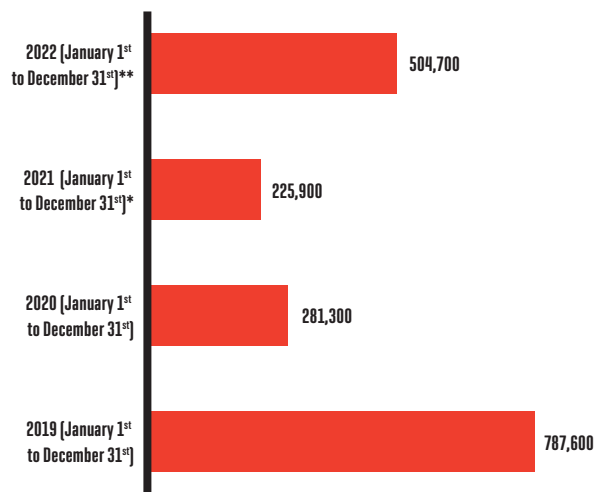
Data source: Altus Group - Web survey of 1,000 respondents, March 2023

05 Tourism and conventions

A) GRADUAL RETURN OF CONVENTION PARTICIPANTS

Signalling a general recovery of activity in Montreal, the Palais des congrès continued its upward trend. 2022 saw over 500,000 convention and trade-show visitors and participants, as shown in the graph below. This represents 64.1% of 2019 attendance. The data presented exclude traffic linked to vaccination operations held in 2021 and 2022. It should also be noted that 2022 was a record financial year for the Palais des congrès, thanks to the more than 300 business events held there.

Number of participants and visitors



Data source: The Palais des congrès de Montréal
 *575,000 visitors to the vaccination clinic at the Palais des congrès are not included.
 **40,000 visitors to the vaccination clinic at the Palais des congrès are not included.

B) HOTEL BUSINESS BACK ON TRACK

For hotel operators, momentum is back. The fourth quarter of 2022 saw more occupied units than the same period in 2019, with similar occupancy rates and higher average prices, as shown in the table. The hotel sector in downtown Montreal has thus regained its pre-pandemic momentum.

Downtown hotel occupancy trends

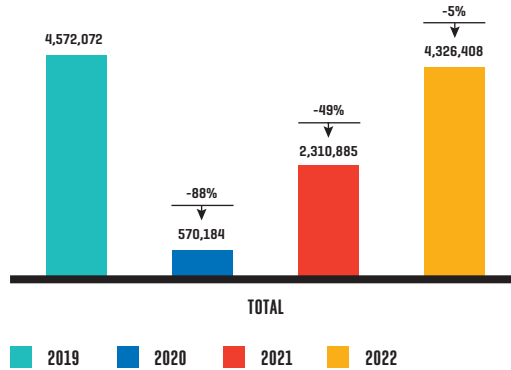
Quarter	Occupied rooms	Occupancy rate	Average daily rate
Q4 2022	836,512	68.4%	\$235.58
Q4 2021	461,647	39.9%	\$182.02
Q4 2020	91,812	7.8%	\$128.88
Q4 2019	800,722	69.9%	\$193.21

Data sources: AHGM and Tourisme Montréal

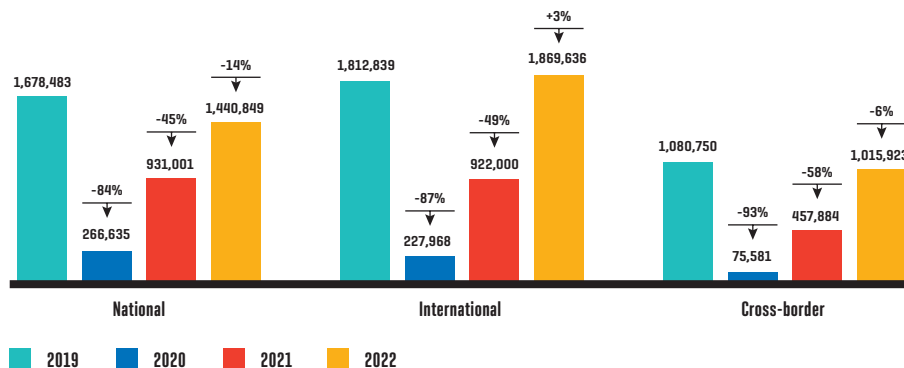
C) INTERNATIONAL TOURISTS MAKE AN ENTHUSIASTIC COMEBACK

Montreal’s attractiveness to tourists and conference-goers can be measured at Montréal-Trudeau International Airport. In the following two charts, we can see that in the fourth quarter of 2022, total passenger traffic was almost equivalent to the fourth quarter of 2019. In the second chart, we see that international travellers surpassed the level of the fourth quarter of 2019. Montreal has made a strong comeback as a premier destination. The weaker recovery in the domestic and cross-border sectors is explained by a drop in short-distance business travel, such as Montreal-Toronto or Montreal-New York, the combined result of remote work and CO2 emission reduction targets adopted by businesses.

Montréal-Trudeau traffic, comparing Q4 2019 to 2022



Q4 passenger traffic over the last four years by type

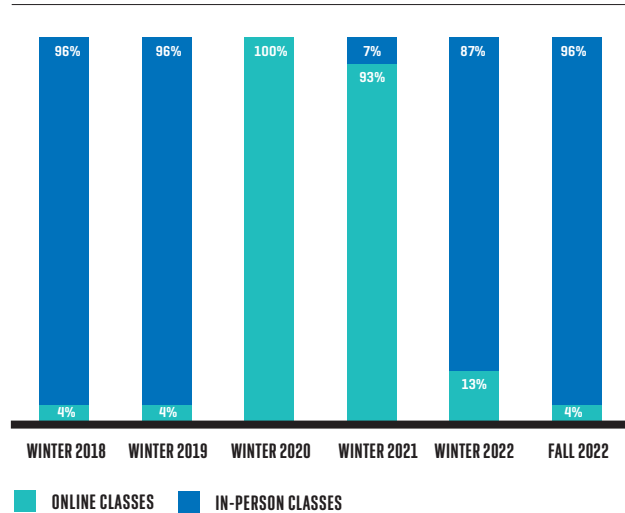


Data source: ADM

06 Higher education

Montreal as a university and higher education metropolis has recaptured its local and international student population. By the fall of 2022, face-to-face courses had become the norm for 96% of students, with online courses the exception. This is more than just a return to normal. After a crisis that led to widespread remote work and online learning, students have happily returned to the classroom and the city.

Online and in-person students –
Variation between winter 2018 and fall 2022



Data sources: Survey of Dawson College and Concordia, McGill, and UOAM universities.
*Data for winter 2023 is not available as this session is underway.

Summary table

In each issue of the *Montreal City Centre Report*, we'll present this summary table featuring a series of key indicators, which we'll track on a quarterly basis.

Much of this 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 Q4 2022 Q4 2021	Indicator
	Q4 2019	Q4 2020	Q4 2021	Q4 2022		
Class A buildings (+60% of supply)	9%	10%	15%	16%	1 pp	↑
Class B buildings (+36% of supply)	12%	16%	21%	24%	3 pp	↑
Class C buildings (+4% of supply)	13%	19%	19%	16%	-3 pp	↓
All buildings	10%	12%	17%	19%	2 pp	↑

Source: Altus InSite, quarterly data

Retail Inactivity rate by sector (temporary or vacant)	Results						Variation Q1 2023 Q2 2020	Indicator
	Q2 2020	Q4 2020	Q1 2021	Q3 2021	Q2 2022	Q1 2023		
Ste-Catherine Street	18%	23%	24%	20%	18%	16%	-2 pp	↓
Shopping malls	18%	20%	34%	34%	19%	12%	-7 pp	↓
Office buildings / train stations	54%	54%	45%	41%	36%	38%	2 pp	↑
Elsewhere	28%	31%	37%	29%	24%	20%	-4 pp	↓
Total	26%	28%	34%	30%	22%	20%	-2 pp	↓

Source: Altus / Montréal centre-ville field survey, August and December 2020, March 2021, August 2021, May 2022, March 2023.

Housing	Results				Variation 2022 - 2019	Indicator
	2019	2020	2021	2022		
Housing starts						
Condominiums	1,232	1,391	3,476	883	-28%	↓
Rental units	988	1,856	2,618	1,393	41%	↑
Total	2,232	3,383	6,111	2,279	2%	↑
Share of housing starts in the CMA	9%	12%	19%	9%		

Source: CMHC - Housing starts - Ville-Marie Borough

Distribution of housing starts	2019	2020	2020	2022	2021 - 2019	Indicator
Ville-Marie	9%	12%	19%	9%	0 pp	↔
City of Montreal	33%	37%	41%	39%	6 pp	↑
Elsewhere in the CMA	67%	63%	59%	61%	-6 pp	↓

Source: CMHC - Housing starts - Ville-Marie Borough

Condominium resales	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2022 Q4 2021	Indicator
Number of sales/resales	1,289	693	876	535	-39%	↓
Median price per unit	\$429,000	\$450,000	\$440,000	\$480,000	9%	↑
Inventory of condos for sale (new and resale)	2,747	2,790	3,161	3,198	1%	↓
New condo sales	931	246	392	43	-89%	↓
Inventory of new condominiums	1,795	1,963	1,949	2,153	10%	↑
Number of resales	358	447	484	492	2%	↑
Listings	952	827	1,212	1,045	-14%	↓
Median price per unit resold	\$430,000	\$445,000	\$446,500	\$480,000	8%	↑
Median price per new unit (taxes included)	\$480,000	\$478,000	\$511,000	\$551,000	8%	↑

Source: Groupe Altus - Condo tools, APCIQ by Centris

Tourism

	Results				Variation	Indicator
	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2022 Q4 2021	
Hospitality						
Occupied rooms	800,722	91,812	461,647	836,512	81%	↑
Occupancy rate	69.9%	7.8%	39.9%	68.4%	71%	↑
Average price	\$193	\$129	\$182	\$236	29%	↑

Source: AHGM and Tourisme Montréal

	Q1 2019	Q1 2020	Q1 2021	Q1 2022	Q1 2022 Q1 2021	Indicator
Passengers at Montréal-Trudeau airport						
National	1,678,483	266,635	931,001	1,440,849	55%	↓
International	1,812,839	227,968	922,000	1,869,636	103%	↓
Cross-border	1,080,750	75,581	457,884	1,015,923	122%	↓
Total	4,572,072	570,184	2,310,885	4,326,408	87%	↓

Source: ADM, 2023

	2019	2020	2021	2022	2022-2021	Indicator
The Palais des congrès de Montréal						
Number of participants and visitors	787,600	281,300	225,900	504,700	123%	↑

Calendar year from January 1st to December 31st**Public transport**

	Results					Variation	Indicator
	April 2019	April 2020	April 2021	April 2022	January 2023 ¹ April 2022	January 2023 April 2022	
Entries to downtown metro stations	7,631,445	412,980	1,681,913	3,779,892	4,872,390	29%	↑
Change compared to April 2019		-94.6%	-78.0%	-50.5%	-36.2%		

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)
¹Latest STM data**Online vs. in-person students in downtown Montreal**

Session	Results					Variation	Indicator	
	Winter 2018	Winter 2019	Winter 2020	Winter 2021	Winter 2022	Fall 2022 Winter 2021	Winter 2022 Winter 2021	
Online classes	4%	4%	100%	93%	13%	4%	-9 pp	↓
In-person classes	96%	96%	0%	7%	87%	96%	9 pp	↑

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

