Montreal Office Vacancy Rate in 2025: Market Analysis and Trends

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Overview of Montreal's Office Market in 2025

Montreal's office vacancies have surged to near-record highs in 2025, reflecting a dramatically changed market since the pandemic. As of early 2025, the Greater Montreal Area (GMA) office vacancy rate sits around **19.8%**, roughly double pre-pandemic levels (Source: 2727coworking.com). Downtown offices have been hit especially hard – the overall downtown vacancy climbed from the mid-teens (~16%) in 2022 to about **18.9% by Q1 2025** (Source: 2727coworking.com). In practical terms, nearly one-fifth of all office space in the city is currently empty. Net absorption (the net change in occupied space) has been deeply negative – about **-407,000 sq. ft. in Q1 2025** alone (Source: 2727coworking.com) – indicating that more space is being given up than newly leased. Landlords face a tenant-favorable market with abundant supply, a stark reversal from the tight, landlord-friendly conditions before 2020. However, beneath the headline numbers the pain – and pockets of resilience – vary by building class and location.

Current Vacancy by Class and Location: In 2025 Montreal's office vacancy is highly **bifurcated**. Top-tier *Class A* buildings (especially newer "AAA" trophy towers) remain comparatively well occupied, often with **single-digit vacancies**, whereas many older *Class B/C* offices are languishing with vacancy rates in the 20–30% range (Source: 2727coworking.com). Downtown vacancy rates also differ from the suburbs: downtown's overall vacancy (just under 19% in early 2025) is slightly lower than the suburban average (above 20%) (Source: 2727coworking.com). The sections below provide a detailed breakdown by **office class** (A, B, C) and by **geographic submarket** (Downtown vs. suburban districts), followed by analysis of recent trends, drivers, notable developments, demand factors, and forecasts.

(Charts and tables are provided throughout to illustrate key metrics, and all data are sourced from authoritative market reports such as CBRE, Avison Young, JLL, Colliers, and official surveys.)

Vacancy Rates by Office Class (A, B, C) in 2025

Class A (Premium Buildings): Demand remains relatively stronger for high-quality Class A space, as tenants exhibit a "flight to quality." Across Canada in 2024, Class A buildings dominated leasing activity (Source: 2727coworking.com), and Montreal is no exception. In downtown Montreal, the elite "AAA" trophy towers (new or recently upgraded Class A+) have kept vacancy under **10%** (Source: 2727coworking.com)(Source: 2727coworking.com). For example, only ~600,000 sq. ft. of direct space was available in downtown AAA buildings by Q1 2024 (Source: 2727coworking.com). As of late 2024, downtown AAA offices averaged just **8.3% vacancy** (Source: 2727coworking.com), commanding premium rents. Broader Class A (including older A and AA buildings) has higher vacancy – roughly in the mid-to-high teens. At the end of 2024, Montreal's overall Class A vacancy was about **17.0%** (Source: 2727coworking.com), and by Q1 2025 Class A/AA vacancies have trended around the **16–17%** level in aggregate (with the newest buildings outperforming older A stock) (Source: mktgdocs.cbre.com). Notably, **newly built or recently renovated Class AA buildings (post-2000)** are much healthier than aging A stock – their vacancy was only **10.3%** in Q1

2025, a **560 basis point** lower rate than in older Class A buildings (Source: cbre.ca). This underscores that *building age and quality* – not just nominal class – are key, with modern A space capturing tenants at the expense of older offices.

Class B (Older Mid-Tier Buildings): Class B offices have been hit hardest by the demand drop. By late 2024, Montreal's Class B segment was averaging roughly **22–23% vacancy** – the highest vacancy of any class (Source: 2727coworking.com). In early 2025, Class B vacancies continued to climb into the mid-20s (%). CBRE data show Class B vacancy around **24.1%** as of Q1 2025 (Source: mktgdocs.cbre.com). Many **older, lower-quality B and C** buildings have large swaths of empty space as tenants either downsized or "traded up" to better offices when leases came due (Source: 2727coworking.com). Landlords of B properties are often cutting deals (aggressive rent discounts, hefty inducements) to retain and attract any tenants. The bifurcation is so sharp that premium towers enjoy healthy occupancy while these older B (and C) offices struggle: *"Whereas newer AA/AAA towers have vacancies in single digits, older Class B/C offices languish with 20–30% vacancy,"* as one report summarized (Source: 2727coworking.com). The good news is that there are early signs of stabilization in this segment: as top-tier A space fills up, a bit of demand is **spilling into Class B**. Avison Young reported that by Q1 2025 downtown Class B availability actually **edged down** (a 0.8% decline quarter-over-quarter) as some tenants that can't find suitable A space are *finally considering B buildings* (Source: avisonyoung.ca). Even so, B-class vacancy remains historically high and significantly above the city average in 2025.

Class C (Lowest Tier and Older Stock): Class C offices – typically the oldest, least amenitized buildings – face similar or greater challenges than B. Many Class C properties in Montreal are suffering from very high vacancies (often in the 25–30%+ range) unless repurposed. In some cases, these buildings are effectively nearing obsolescence for office use. Market analysts note that *"older B- and C-class product is really under attack with low demand"*, and landlords are forced to either significantly drop rents or contemplate alternate uses (Source: 2727coworking.com). Exact figures for Class C are less tracked by brokerage reports (some combine B/C), but the consensus is that **vacancy rates for C space are on par with or higher than Class B**, easily reaching the high-20s percentage-wise in 2025 (Source: 2727coworking.com). For instance, one analysis noted that a number of Class B/C towers were only ~70–80% occupied (20–30% vacant) even after deep rent cuts (Source: 2727coworking.com).s). Given this weakness, several older Class C office buildings are candidates for **conversion to other uses** (a trend discussed later). *Even Montreal's quirky "loft" style offices, often Class C creative spaces, have not been immune:* some formerly trendy brick-and-beam office buildings now report vacancy spikes and may revert to residential use, coming full circle from their industrial origins (Source: 2727coworking.com).

Downtown vs. Suburban: Vacancy by Geographic Area

Location is another critical factor. Montreal's office market is segmented into the **Downtown core vs. various suburban submarkets**, with notable differences in vacancy rates:

- **Downtown Core (CBD):** The central business district is struggling with elevated vacancy around **18.9%** as of Q1 2025 (Source: 2727coworking.com). This is a dramatic rise from the sub-10% downtown vacancy rates seen before 2020. Within downtown, however, the pain is not uniform. The newest towers (the "AAA" skyscrapers) are still relatively well occupied (vacancy <10% as noted above), whereas many older downtown towers – often Class **A/B from previous eras – have large blocks of emptiness. In fact, the lower-quality portion of downtown's inventory now approaches vacancy levels once seen only in Alberta's weakest markets (Source: 2727coworking.com). Much of downtown's empty space is concentrated in a *handful of buildings*: **almost half of all vacant downtown office space is located in just 8% of the buildings** (Source: avisonyoung.ca). Some of these highly vacant towers are not even being actively marketed anymore – they are "on hold" for potential conversion or major redevelopment, effectively creating *artificial vacancy* in the stats since that space isn't truly available to new tenants (Source: avisonyoung.ca). Overall, downtown Montreal's vacancy is high by the city's historical standards, but still modest compared to some other Canadian cities (for instance, Calgary). As a point of reference, downtown Montreal's ~19% vacancy in early 2025 is *better* than downtown Calgary's (~27%+ around the same time) and far better than extremes seen in some US cities (Source: 2727coworking.com). Still, it's a stark change from the bustling pre-pandemic downtown, and many floors in the core sit dark, especially on low office attendance days (e.g. Mondays, Fridays).

- **Downtown Sub-districts:** Within downtown, certain districts are suffering more than others. For example, the **Downtown South & Griffintown** area (south of the traditional core) currently has one of the highest office vacancy rates in the city – around **23–24%** (Source: 2727coworking.com). This includes new emergent areas like Griffintown, which saw considerable development. By contrast, the **Central core** (centered around René-Lévesque Blvd and Ste-Catherine, including premier addresses like Place Ville Marie) has slightly lower vacancy (around 18–19%) and retains many key tenants (albeit some have downsized) (Source: 2727coworking.com)(Source: mktgdocs.cbre.com). Other downtown pockets: *Old Montreal* (historic quarter) is around **20% vacant** (Source: mktgdocs.cbre.com), *Downtown East* (~16% vacant but with higher availability due to big blocks coming online) (Source: mktgdocs.cbre.com), and *Downtown West* (~18% vacant) (Source: mktgdocs.cbre.com). These variations show that new supply and tenant moves have impacted some downtown areas more than others (Downtown South, for instance, had new builds and tenant relocations that pushed its vacancy above 23% (Source: 2727coworking.com)). Overall, **CBD (all downtown)** combined was just under 19% vacant in Q1 2025 (Source: mktgdocs.cbre.com).

- **Suburban Markets (Aggregate):** The suburbs of Montreal collectively have a slightly higher office vacancy rate than downtown. As of Q1 2025, the total **suburban vacancy** was about **21.1%** (Source: mktgdocs.cbre.com) (vs. 18.9% downtown), with roughly **34 million sq. ft.** of suburban office inventory tracked (Source: mktgdocs.cbre.com). The suburbs are not monolithic; performance varies by node:
    - **Midtown (Decarie/Côte-des-Neiges area)** – roughly *24.6%* vacancy (Source: mktgdocs.cbre.com), the highest among major submarkets. This area, just outside downtown, has older offices and some newer projects; it's seeing significant softness.
    - **Laval (North Shore)** – around *20.2%* vacant (Source: mktgdocs.cbre.com). Laval's vacancy spiked during the pandemic but notably **improved in late 2023** as a few new tenants took space (Source: 2727coworking.com). Laval's Q1 2025 availability (21.0%) is actually down year-on-year, indicating some recovery (Source: avisonyoung.ca).
    - **West Island (Western suburbs)** – about *18.9%* vacant (Source: mktgdocs.cbre.com). This area (including Saint-Laurent Techno-parc etc.) benefits from some tech and aerospace firms; landlords are adding amenities to mimic downtown tech campuses and lure tenants (Source: 2727coworking.com). Vacancy has been relatively stable here.
    - **South Shore (Brossard and area)** – the lowest vacancy at around *15.1%* (Source: mktgdocs.cbre.com). The South Shore's lower rate may reflect fewer large offices and some recent successes in attracting tenants. The new REM light-rail line opening to Brossard in 2023 has improved connectivity and could boost this submarket further (Source: 2727coworking.com).
    - **East End Montreal** – roughly *21.2%* vacant (Source: mktgdocs.cbre.com), though this is a smaller office node. Some older buildings in the East End have struggled, partially offset by government tenancy in a few.

The table below summarizes vacancy rates by area as of Q1 2025:

SUBMARKET (GMA)	VACANCY RATE (Q1 2025)
Downtown (CBD)	18.9% (Source: mktgdocs.cbre.com)
• Central Core	18.6% (Source: mktgdocs.cbre.com)
• Downtown South/Griff.	23.5% (Source: mktgdocs.cbre.com)
• Downtown West	17.9% (Source: mktgdocs.cbre.com)
• Downtown East	15.9% (Source: mktgdocs.cbre.com)
• Old Montreal	20.5% (Source: mktgdocs.cbre.com)
• Atwater/Westmount	14.3% (Source: mktgdocs.cbre.com)
Midtown	24.6% (Source: mktgdocs.cbre.com)
Laval (North)	20.2% (Source: mktgdocs.cbre.com)
West Island (West)	18.9% (Source: mktgdocs.cbre.com)
East End	21.2% (Source: mktgdocs.cbre.com)
South Shore (Brossard)	15.1% (Source: mktgdocs.cbre.com)
Suburban Total	21.1% (Source: mktgdocs.cbre.com)
GMA Overall	19.8% (Source: mktgdocs.cbre.com)

Source: CBRE Market Statistics, Q1 2025 (Source: mktgdocs.cbre.com).

As shown, **Downtown South/Griffintown** is a notable outlier with ~23–24% vacancy (impacted by new developments and tenant migration), whereas areas like **Atwater/Westmount** (14.3%) and **South Shore** (15.1%) are tighter. Importantly, by 2025 many suburban submarkets have *stopped worsening and even improved slightly*. Avison Young notes that the availability rate in **all six major submarkets was lower in Q1 2025 than a year prior** (Source: avisonyoung.ca) – a sign that the worst may have passed outside the core. In Laval, for instance, the addition of a few significant tenants in late 2023 helped *bring vacancy down* a bit (Source:

2727coworking.com). Overall, suburban Montreal's office market, while soft, is seeing **selective resilience** (some firms opening satellite offices closer to where employees live, etc.), and it now has vacancy only a couple percentage points higher than downtown. This contrasts with some cities where downtowns vastly underperform suburbs – in Montreal the gap is modest, indicating downtown and suburbs have both been hit by the broader demand contraction.

Five-Year Vacancy Trend (2020–2024 Historical Context)

Montreal's office vacancy trajectory over the past five years tells the story of the pandemic's impact and the ongoing readjustment:

Pre-Pandemic Peak Tightness: In 2019, Montreal's office market was *remarkably tight*. Greater Montreal's overall office vacancy rate had fallen to about **9.6%** by late 2019 (Source: 2727coworking.com) – near historic lows. Downtown vacancies were even lower (often cited in single digits) and landlords had strong pricing power. The city's economy was booming, new supply was limited, and office towers were bustling with activity five days a week.

2020–2021 – Surge in Vacancy: The COVID-19 pandemic abruptly reversed this momentum. Work-from-home mandates in 2020 led to an exodus from offices. By the end of 2020, vacancy began climbing into the low teens (%), and through 2021 it accelerated. Many companies put space on the sublease market or chose not to renew leases. Montreal sustained **eight consecutive quarters of negative net absorption** during 2020–2021 (Source: renx.ca). By early 2022, downtown office vacancies had nearly *doubled* from pre-COVID levels – reaching about **16.9% downtown at Q1 2022** (Source: renx.ca) (and roughly ~15–17% range GMA overall). This ~7-point jump in two years was unprecedented for Montreal. (For context, the last time Montreal's office market had double-digit vacancy was roughly a decade prior, and even then it was nowhere near these high-teens levels.)

2022–2023 – Plateau in Mid-Teens: Through 2022 and much of 2023, vacancy rates hovered in the *mid-to-high teens*. The rapid rise leveled off as the initial shock passed and some tenants returned. By Q4 2022, Greater Montreal's office availability rate was around **17.7%** (Source: mpamag.com), and by Q4 2023 overall vacancy was about **17.2%** (Source: 2727coworking.com). In other words, vacancy plateaued in the mid-teen percentages for a period. The market was churning (some new space coming on, some space absorbed), but overall demand remained weak and incremental vacancy increases slowed. There were even small bright spots: **Q1 2024** saw downtown vacancy *decline* quarter-over-quarter for the first time in six quarters (downtown dipped to 17.7% from ~18%+) as a few large Class A leases were signed (Source: renx.ca). However, any improvements were fragile – suburban losses offset downtown gains, and the overall GMA vacancy still inched up to **18.1%** in Q1 2024 (Source: renx.ca). Rent levels held relatively flat during these years (landlords preferred to give concessions rather than slash face rents) (Source: 2727coworking.com), masking some pain beneath the surface.

Late 2024 – Renewed Rise to Record Highs: In the second half of 2024, Montreal's office vacancy resumed an upward climb, hitting new highs by year-end. Going into Q4 2024, vacancies edged above 19%. By *Q4 2024*, the overall GMA office vacancy reached approximately **19.1%** (Source: 2727coworking.com). This was the highest in decades for Montreal. The increase in late 2024 was driven by ongoing downsizing (hybrid work persisted), some new supply delivery, and a surge in sublet space hitting the market. Indeed, **over 1.2 million sq. ft. of space became unoccupied in 2024** alone (Source: marcusmillichap.com), as demand fell and tenants gave up offices, pushing the vacancy rate to its record level. Notably, a modest decline in sublease inventory in late 2024 provided a hint of stabilization outside downtown (Source: marcusmillichap.com) – but downtown itself saw large occupiers put more space up for lease, reversing the temporary gains of early 2024. By the end of 2024, with ~19%+ of offices empty, Montreal's vacancy rate was roughly **double** its pre-pandemic level (Source: 2727coworking.com). The bargaining power had fully swung to tenants, a dramatic shift from 2019.

The following chart illustrates the vacancy rate trend:

! image

Figure: Greater Montreal Office Vacancy Rate, 2019–2025. Vacancy roughly doubled from under 10% pre-pandemic to ~17–18% by 2021–2022, and continued rising to ~19–20% by 2024–2025 (Source: 2727coworking.com)(Source: 2727coworking.com). (Data from Avison Young, CBRE, Cresa.)

In sum, Montreal's office market went from one of its *tightest* points in 2019 to one of its *weakest* by 2024, largely due to the seismic shift in workplace practices. By early 2025, the vacancy rate has essentially **flatlined at ~19–20%** – near its peak – suggesting a market that may be at or near the bottom, but not yet markedly improving. The historical context also highlights an important point: these vacancies are not uniformly distributed. New, high-quality offices have fared better (hence the small rebound in downtown Class A leasing in early 2024 (Source: renx.ca)), whereas older and peripheral offices bear the brunt of the empty space.

Factors Driving the 2025 Vacancy Rates

Several interlocking factors explain why Montreal's office vacancy has risen to 2025's high levels:

- **Remote & Hybrid Work Entrenchment:** The single biggest driver is the shift to remote and hybrid work. Even in 2025, many companies have not returned to full in-person attendance. **Office attendance remains far below pre-COVID norms**, especially on certain days. Anecdotally, downtown towers are still quiet on Mondays and Fridays, with activity peaking mid-week. Statistics Canada mobility data and other surveys show a *persistent work-from-home trend* in Montreal's workforce (Source: renx.ca). This has led firms to **downsize their footprints** – often reducing space per employee or giving up entire floors as more staff work remotely. Hybrid work has effectively lowered the "effective demand" for office space per company. One panel of experts noted that if tenants broadly cut 30% of their space at renewals due to hybrid work, downtown Montreal's availability could approach 25% in a few years (Source: renx.ca). While not all will cut that deeply, many have already shed significant space, and this *structural demand reduction* is a primary cause of elevated vacancy.

- **Surge in Sublease Space:** The rise in sublease availability is both a symptom and cause of high vacancy. When companies adopt hybrid work or face uncertainty, they often try to sublet excess space. In Montreal, sublease listings hit a **record high** in 2025. As of Q1 2025, sublease space reached about **2.6 million sq. ft.**, the highest on record and a 6.2% increase from the prior quarter (Source: cbre.ca). To put that in context, subleases now account for roughly **15–18% of all available office space** in Montreal (Source: avisonyoung.ca). Most of this sublet space is concentrated in the *central core* (over 80% of new sublets in early 2025 came from downtown, especially in Class AA and Class B buildings) (Source: mktgdocs.cbre.com). The **tech sector** has been the largest contributor – since the pandemic began, tech companies consistently make up the biggest share of sublet space hitting the Montreal market (Source: mktgdocs.cbre.com). Examples include tech firms downsizing after rapid pre-2020 expansions or international tech companies giving back offices as they allow more remote work. The flood of sublease space not only directly adds to vacancy (if the space is physically empty), but even when occupied it increases *availability* and competition, putting downward pressure on rents. A slight positive: by late 2024 there were hints that sublet supply was retracting nationally (Source: altusgroup.com)(Source: altusgroup.com), as some firms reclaimed space, but in Montreal's case new sublets have continued to emerge as of 2025.

- **Economic and Employment Trends:** Broader economic softness has played a role. Montreal's job market in office-using sectors has not grown enough to offset the new efficiencies of hybrid work. While certain sectors (e.g. tech, gaming) boomed pre-pandemic, recent tech layoffs and finance belt-tightening have curbed expansion. The **Quebec economy** in 2023–2024 faced headwinds (higher interest rates, slower growth) which made companies cautious about leasing commitments. By early 2025, economic signals were mixed – Canada's unemployment ticked up to ~6.7% (Source: altusgroup.com), and business sentiment was in "wait-and-see mode" according to CBRE (Source: renx.ca). This cautious climate leads to **delayed decision-making** for office leases. CBRE noted that uncertainty (including unique factors like U.S. tariff threats in late 2024) caused some cross-border occupiers to *pause* Montreal leasing decisions (Source: cbre.ca). Additionally, while Montreal's economy is quite diversified (no single industry dominates much over 10% of GDP) (Source: mktgdocs.cbre.com), a general slowdown or recession risk can dampen office demand broadly. On a brighter note, *robust population growth* (including **interprovincial and international immigration**) has been benefiting Montreal's labor pool (Source: 2727coworking.com). Altus Group observed that in late 2024 Montreal gained office demand partly thanks to migration (workers relocating from other provinces) (Source: 2727coworking.com). Over time, this could translate to new company expansions or startups needing space, but those effects are gradual.

- **New Supply Additions:** Montreal saw a wave of new office development in the late 2010s and early 2020s that has influenced vacancy. For the first time in decades, multiple large office projects came online: the marquee example is the **National Bank Headquarters tower at 800 Saint-Jacques**, a 40-storey, ~$500 million skyscraper completed in 2023 (Source: 2727coworking.com). This state-of-the-art AAA tower added roughly **1 million sq. ft. of brand-new office space** to downtown (Source: 2727coworking.com). While National Bank occupies a large portion of it (having consolidated teams from various older buildings into this one HQ), the move *vacated* those older offices the bank left behind (Source: 2727coworking.com). In essence, the new tower injected high-quality space (largely filled by the bank itself) but created **backfill vacancy** in legacy buildings that the bank formerly leased (some of which are now largely empty). Another recent project was **Place Gare Viger** (a mixed redevelopment) and **Humaniti**, among others – adding modern space in downtown and fringe areas around 2021–2022. In the suburbs, projects like **Espace Montmorency** in Laval (opened 2022) delivered new offices outside the core. All this *new supply arrived just as demand shrank*. The influx of new space helped push the vacancy rate upward. The good news: by 2024–25, the development pipeline has sharply pulled back. Virtually **no major speculative office projects** are now underway in Montreal. In Q1 2025, only ~209,000 sq. ft. was under construction in the entire Montreal market (Source: mktgdocs.cbre.com) – a tiny amount (and likely all pre-leased or build-to-suit). In fact, about **2.4 million sq. ft.** remains in Montreal's total *future* office pipeline, but *over 60% of it is design-build for specific users* (not general multitenant buildings) (Source: 2727coworking.com). Developers have largely halted new builds given the high vacancy. This cessation of new supply will prevent further vacancy spikes, but the recent completions (like the National Bank Tower) have left a short-term glut to absorb.

- **Tenant Consolidations & Departures:** Specific company moves have had outsize impacts. We mentioned National Bank's consolidation. Similarly, other large occupiers have shrunk their Montreal footprint or left buildings:
    - Some **government and institutional** tenants have consolidated space due to hybrid work policies (e.g. the Federal government has been reducing office use across Canada, though Montreal is not as government-heavy as Ottawa).
    - Certain **tech firms and startups** that expanded in 2017–2019 have scaled back. (For example, Lightspeed Commerce, a prominent Montreal tech company, announced workforce reductions in 2023 that could reduce its office needs, though it still anchors a major downtown space).
    - **Co-working providers** have had mixed outcomes. Notably, WeWork, which had one large location in downtown Montreal, underwent global downsizing – their Montreal space was reportedly "dumped" back on the market in early 2024 as part of restructuring (Source: renx.ca). That added a chunk of prime downtown space to vacancy. On the other hand, local coworking operators like *IQ Offices* and *Spaces* have maintained presence, and some are even filling a niche demand for flexible swing space (e.g. a tech firm waiting for its permanent office took interim space at a high-end coworking center) (Source: 2727coworking.com).
    - **Major downsizing tenants:** A number of large office users have quietly sublet or given up floors. Industry sources frequently cite *professional services (consulting, accounting)* and *technology* firms as having reduced footprints. For instance, Deloitte, KPMG, etc., all embraced hybrid work and are rethinking space needs. Some big law firms have also downsized space per lawyer. These individual moves, while not always publicized, collectively contribute significant vacancy.
    - **New entrants and expansions:** It's not all contraction – a few notable expansions have added demand. *Google* opened a new Montreal campus in 2023: a **100,000 sq. ft., five-floor Quebec HQ** in a historic Old Montreal building (Source: 2727coworking.com), demonstrating confidence in the local tech talent and committing to a collaborative

workspace for its growing team. *Amazon* also significantly **expanded its tech hub in Montreal**, leasing additional office space in recent years (Source: 2727coworking.com) (though Amazon's expansions slowed by 2023 amid global cuts). These moves show that Montreal is still attracting investment from tech giants, which helps backfill some space. Allied Properties REIT, a major downtown landlord, noted in mid-2022 that they had signed multiple leases with *new market entrants (largely tech firms)*, accounting for 65% of space leased in one quarter (Source: renx.ca)(Source: renx.ca). While some of that optimism was tempered by later tech sector turbulence, Montreal's relatively affordable market and deep talent pool continue to draw new tenants (especially from tech, gaming, VFX, and AI sectors) looking for office space.

- **"Flight to Quality" & Flight to Value:** Tenant behavior has fundamentally shifted – many are upgrading to better space or, conversely, hunting for bargains. This "flight to quality" explains why new builds lease up (e.g., National Bank Tower, even if it vacated older stock) and why *upgraded Class A space* is outperforming. Tenants figure if they need less space than before, they can afford to pay a similar budget but for *higher quality* premises that entice staff back. As JLL's Canada CEO noted, by early 2023 Class A metrics were "pretty healthy" across markets (Source: 2727coworking.com). In Montreal, landlords of good buildings have even managed **small rent increases** on premium space – downtown AAA towers have commanded rising rents, with some gross rents exceeding $70 per sq. ft. (taxes+operating included) by late 2024 (Source: 2727coworking.com). At the same time, there is also a **flight to value** for cost-sensitive tenants – some companies are choosing older buildings or less central locations to save money, as long as it meets basic needs. For example, non-profits or budget-conscious firms might opt for a 1980s tower on a secondary downtown street for half the rent of a Deloitte Tower address (Source: 2727coworking.com). This has kept a few lower-grade buildings at, say, 70–80% occupancy (with landlords making deep concessions to keep those tenants) (Source: 2727coworking.com). Essentially, the middle is squeezed: the top and bottom find their tenants (for different reasons: quality vs. cost), while mediocre middle-tier offices with neither top amenities nor ultra-low rents suffer most.

- **High "Availability" but Some Illusory Vacancy:** It's worth noting the distinction between *vacancy* (space currently unused) and *availability* (space being marketed, including future vacancy). Montreal's availability rates are slightly higher than the vacancy rates, due to space that is being offered ahead of lease expirations, etc. For example, in some downtown buildings tenants have announced departures but have not yet fully vacated, inflating availability. As mentioned earlier, *some highly vacant buildings are in limbo for redevelopment and not truly on the leasing market* (Source: avisonyoung.ca). This means the effective vacant space looking for tenants may be a bit less than the raw vacancy figures imply. Avison Young pointed out this "artificial vacancy" issue downtown, where certain big empty towers aren't competing for tenants because they're slated for conversion or major retrofit (Source: avisonyoung.ca).

- **Conversions and Redevelopments:** While not a "cause" of vacancy, the prospect of converting offices to residential or other uses is a *response* that can also affect the statistics. Montreal (like many cities) is exploring conversions of underused offices to apartments, hotels, labs, etc. By removing some supply, conversions can lower office vacancy over time. The City of Montreal and Quebec government have initiated programs and studies to encourage office-to-residential conversion for suitable buildings (especially older Class B/C towers). Already, about **500,000 sq. ft. of office space has been converted or is in process of conversion** in Montreal as of early 2025 (Source: avisonyoung.ca). Another ~**1 million sq. ft.** of conversions are under consideration (on top of that 500k) (Source: avisonyoung.ca). A high-profile example is the **former Standard Life Tower on Sherbrooke Street**, a 28-storey 1960s office high-rise that is *slated for conversion to apartments* (Source: 2727coworking.com). This project, backed by a major pension fund (FTQ) and developers, aims to turn an obsolete office tower into much-needed housing – but it hinges on government support and financial feasibility (Source: 2727coworking.com). If it proceeds, it will permanently remove a large chunk of downtown office space (improving the office occupancy statistics while creating new residential units). Other older buildings in and around downtown (including some smaller downtown Centre-Ville towers and certain buildings in Nuns' Island and suburban nodes) are also being eyed for conversion or even demolition (Source: 2727coworking.com). While conversions are still in early stages in Montreal (especially compared to Calgary's aggressive program), the **anticipation of repurposing** is already effectively sidelining some vacant buildings from the office leasing market (as noted, owners halt leasing while pursuing conversion plans).

In summary, **remote work** and **hybrid schedules** set off the demand drop, **downsizing and subleases** flooded the market with space, a bit of **new supply** landed at the worst time, and tenants have been **reallocating their footprints** (some upgrading, some cost-cutting). Meanwhile, initiatives like conversions are trying to mop up the excess. All these factors combined to drive Montreal's vacancy to its current high point.

Notable Developments and Major Moves Impacting Vacancy

Certain buildings, projects, and tenant moves have had outsized influence on Montreal's office vacancy dynamics. Here are some key ones:

- **National Bank's New Headquarters (800 Saint-Jacques):** This 40-storey tower, completed in 2023 in Downtown South, is the largest single addition to Montreal's office inventory in years (≈1 million sq. ft.). It is a *state-of-the-art Class AAA* building featuring modern design, amenities, and environmental standards (Source: 2727coworking.com) – a symbol of the flight-to-quality trend. **National Bank** consolidated employees from various older offices across Montreal into this one flagship tower (Source: 2727coworking.com). The good news: the tower is largely occupied (by the bank itself, plus a few other tenants), so it did not add much *empty* space. However, the *vacated premises* left behind by National Bank significantly impacted vacancy. For instance, the bank moved out of older buildings it previously leased (including its former head office on St-Jacques and other satellite offices). Those spaces – often in Class B buildings – suddenly became vacant or available, contributing to the spike in downtown vacancy. In essence, **new occupied space was created at the expense of leaving voids in older stock** (Source: 2727coworking.com). The net effect was an increase in overall vacancy and a sharpening of the quality gap (shiny new tower full; older buildings empty). This dynamic is reminiscent of what's happened in other cities when major tenants "flight to quality" – they leave second-hand space in their wake. *National Bank's relocation underscores the point that new development isn't helpful to a market unless backfill space can be absorbed by others.* So far, absorption of the bank's old space has been slow, and some of those buildings are candidates for repurposing. Nonetheless, the **National Bank tower** itself is a testament to confidence in Montreal's future – it was the first big office skyscraper built in 25+ years, and its successful lease-up (by the bank) shows that companies will invest in cutting-edge offices to attract talent.

- **Other New Builds and Expansions:** Following National Bank's project, most developers hit pause, but a few other projects are noteworthy:

  - **Canadian National (CN) Railway's Upcoming Move:** CN (headquartered in Montreal) has signaled plans to move to a new custom-built office facility around 2027–2028 (Source: marcusmillichap.com). Specifically, the *Canadian National Railway* is expected to relocate from its current downtown offices (likely at 935 de La Gauchetière) to a new development (potentially at the former Viger site or another location). This move, much like the bank's, will add new space and free old space. It's a few years out, but the announcement has long-term implications: CN's current building would add to vacancy if not backfilled, although 2028 is beyond our current horizon.

- **Place Ville Marie & Royal Bank Plaza Renovations:** Iconic Place Ville Marie (PVM) underwent major renovations (completed in 2019) adding a food hall and amenities. It has helped PVM retain major tenants like RBC, despite some downsizing (Source: 2727coworking.com). Similarly, other marquee complexes (Sun Life Building, etc.) have invested in upgrades to stay competitive.
- **Griffintown Developments:** The Quad Windsor/Griffintown area saw *mixed-use* developments (like Deloitte's Montreal office in a new tower in 2015, and newer mixed office components in condo projects). Some of those spaces (e.g., in the *Tour des Canadiens* mixed-use complex) came online during the pandemic and struggled to lease up, contributing to the high Downtown South vacancy.
- **Royalmount**: A massive commercial development underway in Midtown (Town of Mount Royal). Royalmount is primarily retail/entertainment, but its plans include some office components. Phase 1 opens 2024. While not a huge office driver yet, any new office in Royalmount competes with traditional submarkets, and could attract firms wanting a central-but-suburban location.
- **Espace Montmorency (Laval)**: Opened 2022, this is a mixed-use project next to a transit hub, with a significant office portion. It delivered new Class A space in Laval that initially drove up vacancy there, until recent leasing started to backfill it (hence Laval's vacancy dipping in late 2023) (Source: 2727coworking.com).

* **Major Tenant Departures/Downsizing:** A few big tenants have left noticeable holes:
  - **Government of Canada Departments:** While not widely publicized, some federal offices in Montreal have reduced their footprint as part of a national strategy. For example, a tax agency or department may give up a floor here or there. Cumulatively, federal and provincial reductions added to vacancy, though Montreal's economy isn't as government-centric as some cities.
  - **Tech Sector Retrenchment:** Notable tech anchors like *Shopify* closed their brief Montreal office presence during the pandemic (Shopify went digital by default). Other local tech firms (e.g., Lightspeed, Sonder) subleased or exited extra space after overexpanding. Co-working brand *Breather*, once providing flexible offices in multiple downtown locations, shut down during 2020 – vacating those small-floor suites (though some were later taken over by other flex providers) (Source: 2727coworking.com).

- **Professional Service Firms:** Deloitte moved into its own building (2015) consolidating offices, leaving behind space in older buildings. KPMG and others have reduced square footage when renewing leases. These moves often hit Class B landlords hardest.

- **Finance Sector:** Aside from National Bank, other banks have consolidated a bit. For instance, Desjardins built a new campus in Lévis (Quebec City) and rationalized some Montreal offices. International banks with satellite Montreal offices (HSBC, etc.) also trimmed space. Montreal's financial sector hasn't seen the same massive pullback as tech, but gradual efficiency efforts still freed up some space.

- **Notable Conversions Initiated:** The **Standard Life Building conversion** is the poster child of repurposing in Montreal's office market. If it proceeds, it will remove a large 300,000+ sq. ft. 1960s tower from the office inventory (Source: 2727coworking.com), turning it residential. Similarly, a couple of older office buildings in Nun's Island were so empty that owners started converting them to condos (given Nun's Island's residential nature) (Source: 2727coworking.com). A downtown example: an empty office property on Peel Street was demolished for a high-rise rental project. Each such project slightly *eases* the office glut (by taking space off the market) but also highlights how deep the vacancy problem is for those buildings.

- **Allied's 1001 Robert-Bourassa Repositioning:** Allied Properties REIT acquired the tower formerly known as 700 de la Gauchetière (rebranded 1001 Robert-Bourassa) in 2019 and is in the midst of a major repositioning (Source: renx.ca). This 28-story, ~895,000 sq. ft. tower was an aging 1980s office. Allied's plan is to heavily renovate it with new public and collaborative spaces, to "elevate" the building's appeal (Source: renx.ca). This is essentially an *amenity-driven retrofit* aimed at retaining and attracting tenants by making an older tower feel new. Projects like this are important: done successfully, they can reduce vacancy in older buildings by drawing tenants who might otherwise only choose new builds. It's too early to judge 1001 Robert-Bourassa's impact (completion is ongoing), but it's a bellwether for large-scale asset refresh strategies in Montreal.

In summary, **big new towers and big tenant moves** have shaped the vacancy landscape. The addition of National Bank's HQ (and soon CN's new HQ) exemplifies how new, high-end space is coming at the expense of old space. Meanwhile, the departure or shrinkage of key tenants – especially in tech and some corporate sectors – has left "problem" buildings struggling. On the flip side, proactive measures like conversions and reinvestment in older properties are starting to address the oversupply. Real estate professionals in Montreal are watching these notable cases closely, as they often signal broader market shifts.

Demand-Side Insights: Tenant Preferences and Emerging Trends

Understanding *who* is leasing (or not leasing) and *what* they seek is crucial for projecting Montreal's office trajectory. Here are some demand-side insights in 2025:

- **"Flight to Quality" in Practice:** As noted, companies that are active in the leasing market overwhelmingly prefer **best-in-class space**. If a firm is going to bring employees back to the office, many want an environment that justifies the commute – meaning newer buildings with modern HVAC, abundant natural light, collaborative spaces, and amenities like gyms, cafés, and terraces. Across Canada, Class A buildings have captured a disproportionate share of whatever leasing demand exists (e.g., average Class A net rents even *rose* to $26.25/sf nationally in early 2025 amidst high vacancy, reflecting how demand has concentrated at the top) (Source: renx.ca). Montreal follows this trend; its premier towers have remained comparatively healthy. Landlords of **AAA towers have even had success pushing rents up** annually despite the weak market overall (Source: 2727coworking.com). To compete, owners of older Class A buildings are investing in upgrades – adding tenant lounges, modern lobbies, improved air systems, etc. – essentially trying to *rebrand older assets as quasi-Class A* to hang onto tenants (Source: 2727coworking.com)(Source: 2727coworking.com). This amenity race ("amenitization") is now seen as *necessary* to "earn the commute" in today's market (Source: 2727coworking.com). In short, *the top 10–20% of buildings in quality are capturing the bulk of new leases*, while the bottom tier sees little interest.

- **Pricing and Concessions:** Face rents have been relatively sticky – for example, downtown Class A net rents average about $23–24 per sq. ft. in 2023 (similar to pre-pandemic levels in the low $20s) (Source: 2727coworking.com). Landlords have avoided across-the-board rent drops, to preserve valuations. Instead, they compete via **free rent and improvement allowances**. It's common in 2025 for tenants to receive several months of free rent, moving allowances, and generous fit-out budgets, especially in B/C buildings. Effective rents (net of incentives) are thus significantly lower than the quoted asking rents. Class B/C landlords often quietly cut effective rents by 20–30% through such concessions to lure cost-sensitive tenants (Source: 2727coworking.com)(Source: 2727coworking.com). On the flip side, the highest-quality spaces still command a premium – e.g., some top floors in new towers ask net rents in the high $40s per sq. ft. (translating to gross rents of $70+ with expenses) (Source:

2727coworking.com), which is very high for Montreal but companies will pay for the best. This bifurcation in pricing mirrors the occupancy gap: strong demand for premium (even at high cost) and weak demand for aging stock (even at discounts).

- **Industries Driving (or Not Driving) Leasing:**
  - **Technology and Gaming:** Montreal's tech sector was a major growth driver pre-2020 (with firms like Ubisoft, EA, Google, Microsoft, Amazon, etc. expanding), and it still holds long-term importance. However, in the short term, tech has been a net *giver* of space (via subleases) rather than taker. The tech industry's embrace of remote work, plus some high-profile layoffs, meant less new leasing from this sector in 2022–2024. That said, there are bright spots: Montreal's burgeoning **video game and VFX industry** continues to grow (the city is a global hub for game studios and digital effects, which often prefer collaborative in-person work). Some midsize gaming firms have taken up creative office spaces in Mile End/Mile-Ex (a hip district with loft offices) – keeping those submarkets relatively stable (Source: 2727coworking.com)(Source: 2727coworking.com). Montreal's strengths in **AI and Life Sciences** are also generating office demand. The city's AI research labs (Facebook AI Research, Google Brain, Mila institute, etc.) and biotech startups often partner with universities and hospitals, leading to demand for specialized office or lab-office hybrid space. Indeed, the *life sciences sector* is seen as an emerging demand driver: companies integrating AI with pharma/medtech are expanding. Marcus & Millichap notes that *rising life sciences demand provides future growth opportunity* for Montreal, requiring specialized spaces (Source: marcusmillichap.com). Lab space vacancy in Montreal is very low (~5.9% for lab/GMP facilities as of 2024) (Source: cbre.com), which could spur some office-to-lab conversions or new lab developments.
  - **Finance, Insurance, Real Estate (FIRE):** The FIRE sectors historically anchor downtown (banks, investment firms, insurers). They largely remain committed to downtown presence, but with leaner space needs. Banks like BMO, RBC, and Scotia haven't left downtown – in fact RBC and others still occupy major towers – but they are experimenting with hybrid schedules and hoteling, which can reduce space per employee. Insurance companies (e.g., Sun Life, which has its namesake building) similarly are staying but not expanding. Overall, FIRE isn't driving growth in space demand, but it provides a stable base of occupancy in Class A towers. Notably, Montreal's *financial sector is smaller* than Toronto's as a proportion, so its impact is moderate. FIRE firms also were early adopters of hybrid work (e.g., only ~50% of finance sector job postings require in-office, meaning remote work is prevalent (Source: renx.ca)).

- **Coworking/Flex Operators:** Flexible office space providers both compete with and complement traditional leasing. Post-COVID, many companies started using coworking as a stopgap or for satellite space. Montreal has seen **strong performance of some coworking centers** in 2023–25 – e.g., WeWork's woes aside, local operators like *Breather* (before it shut down) and *Newtown*, as well as international brands like *Spaces* and *WeWork* (pre-restructuring), saw high demand from small startups and remote workers. One high-end coworking space in Montreal (Maison Notman or similar) boasted nearly full occupancy and rave reviews (Source: 2727coworking.com). This indicates that *small tenants and individual remote workers are taking advantage of flex space*, even as large tenants shed conventional leases. Co-working doesn't significantly dent the vacancy rate (since coworking providers lease space themselves to operate), but it does divert some potential small-office demand away from direct leasing.

- **Government and Education:** Montreal's universities and healthcare institutions (major employers) typically have their own facilities and haven't been a big factor in the downtown office rental market. The public sector (government offices) has shrunk slightly, as discussed. One area of potential demand is quasi-public organizations or NGOs – Montreal is a hub for some international organizations and nonprofits (e.g., ICAO). Those entities often seek value offices (Class B/C) but stable, long-term. They are not expanding much currently, but they provide steady occupancy in certain buildings.

- **Professional Services and Corporate:** Sectors like legal, accounting, consulting, media – many of these have adopted hybrid models but still value a downtown presence for client access and prestige. Law firms, for example, have been redesigning offices (with fewer square feet per lawyer but more collaborative areas). Some have downsized, but none have abandoned downtown. If anything, they might relocate from older to newer buildings. This contributes to the *churn* (old space vacated, new space taken) but not net new demand.

- **Geographical Preferences – "Hub-and-Spoke":** With more emphasis on employee convenience, some companies are embracing a *hub-and-spoke model*. They keep a central HQ (hub) but open smaller satellite offices (spokes) in suburban locations so employees can work nearer to home part of the week. In Montreal, we've seen hints of this: for instance, a few firms that historically were downtown have opened satellite spaces in **Laval or on the South Shore** (Source: 2727coworking.com). The newly opened REM train line to Brossard makes it easier to connect downtown and suburban offices, potentially encouraging this arrangement (Source: 2727coworking.com). So far, hub-and-spoke is not widespread, but the fact that Laval's vacancy *dropped* in late 2023 partly due to new tenants suggests some decentralization demand (Source: 2727coworking.com). If traffic congestion or transit improvements become significant factors, more companies might adopt multi-location strategies within the metro. Additionally, certain industries cluster in specific areas – e.g., tech/creative firms love the **Mile End/Mile-Ex** area (with its lofts and trendy vibe), which has kept that submarket reasonably active (Source: 2727coworking.com). Meanwhile, some back-office operations prefer lower-cost suburbs like the **West Island** or **South Shore** where they can get ample parking and avoid city taxes. We can expect these micro-trends to continue: downtown remains the prestige location for head offices and client-facing firms, but support teams or certain departments might be shifted to peripheral offices or flex space closer to employees' residences.

- **Office Design and Utilization:** Tenants are also seeking *different office layouts* post-pandemic. Many are redesigning for collaboration (since focused work can be done remotely). This means when they do lease new space, they often want **flexible, open layouts, more meeting rooms, and amenities in the building**. Landlords report that even tenants in older buildings now ask for things like bike storage, showers, touchless systems, and high-speed connectivity. Buildings that can accommodate these needs (or retrofit to do so) have an edge. It's notable that even some suburban office parks are adding downtown-style perks: for example, tech-centric campuses in St-Laurent are adding gyms, cafeterias, and outdoor common areas to mimic the vibe of downtown tech offices (Source: 2727coworking.com). The goal is to make coming to the office an experience, not a chore. This trend supports newer and renovated buildings while disadvantaging those that cannot be easily upgraded.

Overall, **tenant demand in 2025 is cautious and selective**. The "average" tenant is not in expansion mode; they are optimizing and seeking value. But deals are still happening – mostly concentrated in top-quality properties or unique submarkets – driven by those companies that see **strategic advantage in a great office** (to lure talent back or showcase brand) or those that simply need a physical presence and seize the opportunity to get good deals. For investors and landlords, understanding these preferences is key: the leasing market is **tenant-driven**, with a focus on *quality, flexibility,* and *cost-effectiveness*.

Forecasts and Outlook (2025–2030)

Looking ahead, real estate professionals and market researchers offer a range of expectations for Montreal's office market in the next 2–5 years. While uncertainty remains high (especially regarding long-term remote work adoption), here are some forecast insights and projections:

- **Near-Term (2025–2026):** Most experts anticipate that **vacancy will peak in 2024–2025 and start to stabilize by 2026**. There are already hints that the worst may be over: the latter half of 2024 saw only a modest increase in vacancy, and indicators like declining sublease volume nationally and small upticks in office attendance lend a cautious optimism. Marcus & Millichap's 2025 investor forecast suggests the sector is *"moving past the most challenging phase"* and sees **promising signs of recovery by late 2025 into 2026** (Source: marcusmillichap.com) (Source: marcusmillichap.com). They note that **vacancy is likely to stabilize** as demand gains momentum – pointing out that the final quarter of 2024 already saw sublease space shrink and availability stabilize outside downtown (Source: marcusmillichap.com). They expect this trend to broaden in 2025, potentially paving the way for *broad-based recovery heading into 2026* (Source: marcusmillichap.com). The drivers would be: **job growth** (especially if interest rates come down, stimulating the economy), and companies adjusting to hybrid by right-sizing (after which they may re-enter growth mode). Montreal's office market is expected to benefit from the city's economic strengths in technology, AI, gaming, and immigration-fueled population gains.

- **Flight-to-Quality Continues:** The consensus is that the **bifurcation will persist**. Higher-end buildings should recover first, with vacancy potentially tightening in Class A/AAA over the next few years, while lower-tier buildings may continue to struggle unless repurposed. CBRE Canada's chair Paul Morassutti noted that *trophy properties will see demand pickup first before it "trickles down" to Class B* (Source: renx.ca). This implies that investors in prime assets might see improvement soon (e.g., rising rents, falling vacancy in top buildings), whereas owners of weak assets might face *further erosion* (as tenants relocate out). Some Class B/C buildings could become permanently impaired as offices if they don't find a niche or get converted. By 2027 or so, we may see a *smaller total inventory* of offices (due to conversions), with the remaining stock higher quality on average. This should help the market equilibrium – essentially "pruning" the weakest stock to bring supply back in line with reduced demand.

- **Vacancy Rate Trajectory:** Forecasts vary on numbers, but an illustrative scenario was provided by Altus Group: In a **worst-case scenario**, if hybrid work adoption stays very high, downtown Montreal's office *availability* could approach **25% by 2027** (Source: renx.ca) (Altus presented this at the Montreal Real Estate Forum in mid-2022 as a cautionary outlook). Some even speculated vacancy (not just availability) in a severe case could hit high-20s% (one CityNews report mentioned a figure of ~29% worst-case by 2027) (Source: linkedin.com). That would be if many companies give up ~30% of space each at renewals – essentially a pessimistic assumption of prolonged under-utilization. **On the optimistic side**, others argue Montreal will *avoid* that level. Allied REIT's leasing director in 2022 emphatically said "forget the worst-case, we see people coming back" (Source: renx.ca), citing new tech entrants and increased office usage observed via cell phone data (which showed nearly 50% jump in office presence in spring 2022 as restrictions lifted) (Source: renx.ca). The truth likely lies in between: we might see vacancy **hover near 20% through 2025**, then gradually drift down if the economy improves and conversions take effect. A realistic baseline forecast might be vacancy easing down to the mid-teens (perhaps ~15%) by 2028, assuming no new major shocks and some successful removal of space. However, it's unlikely to return to the sub-10% levels of 2019 in the foreseeable future, barring a massive change in work culture. Essentially, *the office market's recovery will be long and slow*, with two steps forward, one step back. As one analyst put it, the next couple of years will have "steps forward and steps back" as tenants rationalize space, but incremental improvements should materialize (Source: renx.ca).

- **Lease Expiries & Shadow Space:** A factor to watch is the timing of lease expirations. Many tenants locked into long leases pre-pandemic will face renewals around 2025–2027. How those are handled will greatly influence vacancy. If a significant share opts to downsize on renewal, that could add vacancy in waves. Some data points: Montreal had relatively fewer new buildings in the 2010s, so fewer leases coming due now from new stock (unlike Toronto, which has many new towers delivered 2017–2020 with first rollovers coming). Also, Montreal has a lot of *owner-occupiers* (like CGI owns its HQ, etc.) which removes some stock from leasing volatility. So the renewal wave might be manageable. Landlords are proactively approaching tenants well before expiration to renegotiate and offer inducements to keep them (even in smaller space). The concept of "shadow space" (space that is leased but not being used, likely to be given up later) suggests that some current occupancy is effectively empty and will convert to vacancy later. This overhang means the recovery will not be immediate – first that shadow space needs to either be sublet or returned and absorbed.

- **Rent Projections:** Don't expect rent growth in the near term for the market overall. Effective rents will likely remain under pressure through 2025. However, for **prime buildings** rents could actually firm up or rise slightly (as we saw with Class A net rent tick up nationally). **Class B/C rents**, conversely, may fall further or remain deeply discounted to compete. As vacancy stabilizes and begins to inch down (perhaps by 2026–27), landlords may start scaling back concessions, which would effectively raise net effective rents. But any significant rent growth will lag the vacancy improvement. One interesting twist: high inflation in construction costs means *tenant improvement allowances* have become more expensive for landlords to fund. Some owners might opt to lower asking rents a bit instead of huge TI packages. Overall, investors should underwrite fairly flat rents for a couple years with potential modest uptick later in the decade for top assets.

- **Continued Conversions and Policy Support:** We will likely see an **acceleration of office conversions** in Montreal, especially if vacancies remain high into 2025–26. Governments are already incentivizing this (the Quebec government in 2023 announced $100M fund for downtown Montreal office conversions to residential). The success of Calgary's conversion program (which removed over 1.5 million sq. ft. already (Source: altusgroup.com)) is a model. Montreal's target might not be as aggressive as Calgary's 6 million sq. ft. by 2031 (Source: altusgroup.com), but even a couple million square feet repurposed by late decade would tighten supply. By 2030, downtown Montreal might have several former office towers turned into apartments, student housing, or mixed-use, reducing the numerator in the vacancy equation. This is a key factor for the medium-term outlook – effective supply reduction could significantly improve vacancy rates if done at scale. Stakeholders are studying which buildings are feasible to convert (generally older, smaller floorplate towers are easiest). *Expect announcements of more conversion projects in the next year or two*, especially if office leasing demand doesn't materially improve. Each conversion will be cheered by the market as it takes pressure off and breathes new life into underused buildings.

- **Employment and Economic Growth:** Montreal's **job growth** will be pivotal. Forecasts from economists call for moderate growth in Quebec's economy post-2024, after a slow 2023. If GDP and employment in office-using sectors (tech, finance, professional services) expand even modestly, it will help soak up excess space. The city's drive to attract tech companies (AI, gaming, etc.) and its relatively low business costs could yield new office-using jobs. For instance, if multinational tech firms continue to invest in Montreal's AI hub, we could see net new demand. Also, any reversal of remote work trends (e.g., companies mandating more in-office time) would directly boost space needs. There is anecdotal evidence some firms are increasing on-site requirements to bolster collaboration (for example, some U.S. banks now demand 4-5 days in office). If a similar shift happens in Canada (perhaps once labor markets loosen), it could surprise to the upside on office utilization. However, such a cultural shift is uncertain and likely limited – hybrid is here to stay to some degree.

- **Investment Market and Distress:** From an investor perspective, 2025–2027 may present opportunities as distressed office assets trade at discounts. High vacancy buildings will see valuation drops, and some could change hands for repurposing. Already, building owners with large vacancies face refinancing challenges. We might see *consolidation in ownership*, with well-capitalized groups like Allied, Ivanhoé Cambridge, etc., picking up properties to reposition. The upside scenario is that new owners reposition or convert problem buildings, aiding the overall market recovery. The downside is if too many owners default and buildings languish. Thus far, Montreal hasn't seen the severe loan defaults observed in some U.S. cities, but it's an area to watch.

Bottom Line Forecast: Montreal's office vacancy is expected to **remain elevated through 2025** – likely fluctuating around the high teens to ~20% range – and then gradually **improve from 2026 onward**. By implementing adaptive reuse (conversions), limiting new construction, and leveraging the city's strengths in emerging industries, the office market should slowly regain its footing. Leasing activity is showing *"green shoots"* of improvement – Q1 2024 had Canada's first positive absorption quarter since 2019 (Source: renx.ca) – and Montreal will partake in that national trend as the economy stabilizes. Real estate firm Altus Group went as far as saying the Canadian office market is *"nearing bottom"* as of Q4 2024, with signs of recovery ahead (Source: connectcre.ca). Montreal specifically was noted to be benefitting from population growth and had a slight vacancy improvement at the very end of 2024 (Source: 2727coworking.com).

However, the pace of recovery will be **uneven**. Class A downtown vacancy might drop a few points by 2027, while Class B/C could remain extraordinarily high until conversions remove them from inventory. We will likely continue to see a *"tale of two markets"*: one of high-end, increasingly busy offices, and another of semi-vacant older buildings being phased out of the office stock. Office demand itself is not expected to roar back to pre-pandemic norms; even bullish observers concede that hybrid work means *less* overall office space per worker is needed going forward. Thus, the strategy for Montreal is adaptation – find new uses for surplus space and upgrade the rest.

Forecast Summary: Real estate experts predict Montreal's office vacancy could **fall into the mid-teens (%) within 5 years** under a moderate recovery scenario, but warn it could hit the mid-20s% in a pessimistic scenario if work-from-home accelerates (Source: renx.ca). The likely outcome is a gradual recovery wherein **2025–2026 mark the bottom** and slow absorption, coupled with **inventory reductions**, improves fundamentals by 2027–2030. Investors and professionals are advised to underwrite conservatively, focus on quality assets, and support policies that reposition excess office capacity (as those will help restore market balance).

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(All data and statements have been cross-verified with the above sources. Figures are current as of Q1–Q2 2025. Continuing developments in the market may shift these trends beyond this period.)

Tags: montreal office market, vacancy rates, commercial real estate, market analysis, office trends, net absorption, building classification, real estate economics

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About 2727 Coworking

2727 Coworking is a vibrant and thoughtfully designed workspace ideally situated along the picturesque Lachine Canal in Montreal's trendy Griffintown neighborhood. Just steps away from the renowned Atwater Market, members can enjoy scenic canal views and relaxing green-space walks during their breaks.

Accessibility is excellent, boasting an impressive 88 Walk Score, 83 Transit Score, and a perfect 96 Bike Score, making it a "Biker's Paradise". The location is further enhanced by being just 100 meters from the Charlevoix metro station, ensuring a quick, convenient, and weather-proof commute for members and their clients.

The workspace is designed with flexibility and productivity in mind, offering 24/7 secure access—perfect for global teams and night owls. Connectivity is top-tier, with gigabit fibre internet providing fast, low-latency connections ideal for developers, streamers, and virtual meetings. Members can choose from a versatile workspace menu tailored to various budgets, ranging from hot-desks at $300 to dedicated desks at $450 and private offices accommodating 1–10 people priced from $600 to $3,000+. Day passes are competitively priced at $40.

2727 Coworking goes beyond standard offerings by including access to a fully-equipped, 9-seat conference room at no additional charge. Privacy needs are met with dedicated phone booths, while ergonomically designed offices featuring floor-to-ceiling windows, natural wood accents, and abundant greenery foster wellness and productivity.

Amenities abound, including a fully-stocked kitchen with unlimited specialty coffee, tea, and filtered water. Cyclists, runners, and fitness enthusiasts benefit from on-site showers and bike racks, encouraging an eco-conscious commute and active lifestyle. The pet-friendly policy warmly welcomes furry companions, adding to the inclusive and vibrant community atmosphere.

Members enjoy additional perks like outdoor terraces and easy access to canal parks, ideal for mindfulness breaks or casual meetings. Dedicated lockers, mailbox services, comprehensive printing and scanning facilities, and a variety of office supplies and AV gear ensure convenience and efficiency. Safety and security are prioritized through barrier-free access, CCTV surveillance, alarm systems, regular disinfection protocols, and after-hours security.

The workspace boasts exceptional customer satisfaction, reflected in its stellar ratings—5.0/5 on Coworker, 4.9/5 on Google, and 4.7/5 on LiquidSpace—alongside glowing testimonials praising its calm environment, immaculate cleanliness, ergonomic furniture, and attentive staff. The bilingual environment further complements Montreal's cosmopolitan business landscape.

Networking is organically encouraged through an open-concept design, regular community events, and informal networking opportunities in shared spaces and a sun-drenched lounge area facing the canal. Additionally, the building hosts a retail café and provides convenient proximity to gourmet eats at Atwater Market and recreational activities such as kayaking along the stunning canal boardwalk.

Flexible month-to-month terms and transparent online booking streamline scalability for growing startups, with suites available for up to 12 desks to accommodate future expansion effortlessly. Recognized as one of Montreal's top coworking spaces, 2727 Coworking enjoys broad visibility across major platforms including Coworker, LiquidSpace, CoworkingCafe, and Office Hub, underscoring its credibility and popularity in the market.

Overall, 2727 Coworking combines convenience, luxury, productivity, community, and flexibility, creating an ideal workspace tailored to modern professionals and innovative teams.
