

Industrial Land and the Invisible Greenbelt in the GMA

What is Montreal?

Ask several people and you will receive several different answers. Some might say the Island of Montréal, others the city of Montréal, etc. In reality, Montréal or the Greater Montréal Area (GMA) consists of two islands, and two shores within the St-Lawrence valley.

More precisely, The Communauté Métropolitaine de Montréal (CMM) or Metropolitan community of Montréal in English, can be described as 82 municipalities, spanning an area of 4,374 Square Kilometers with a population of 4.2 million people (as depicted in Figure 1).

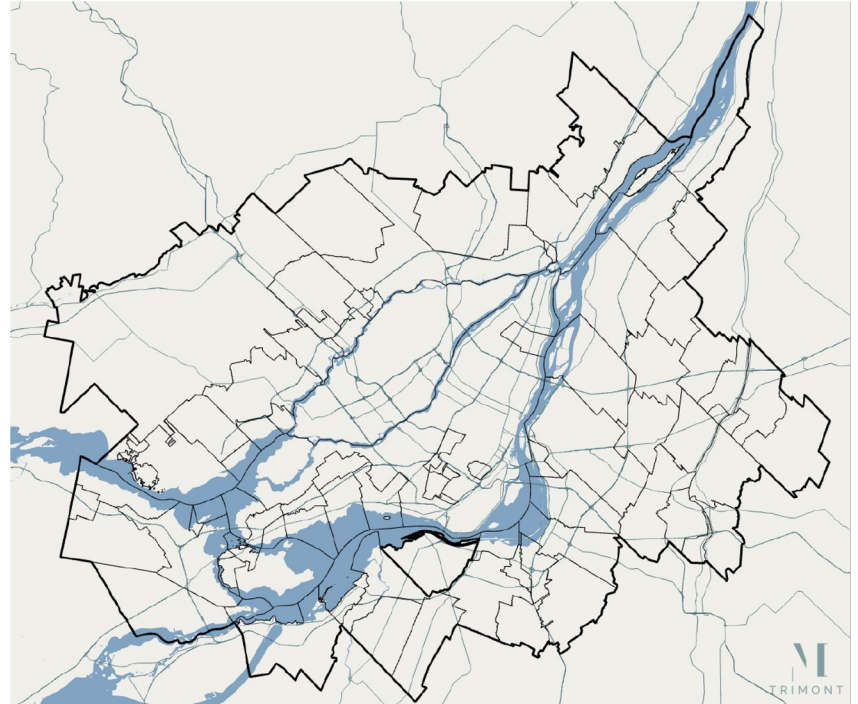
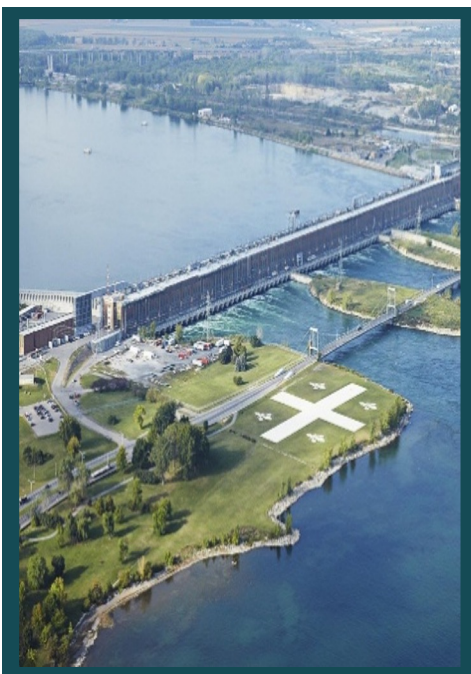


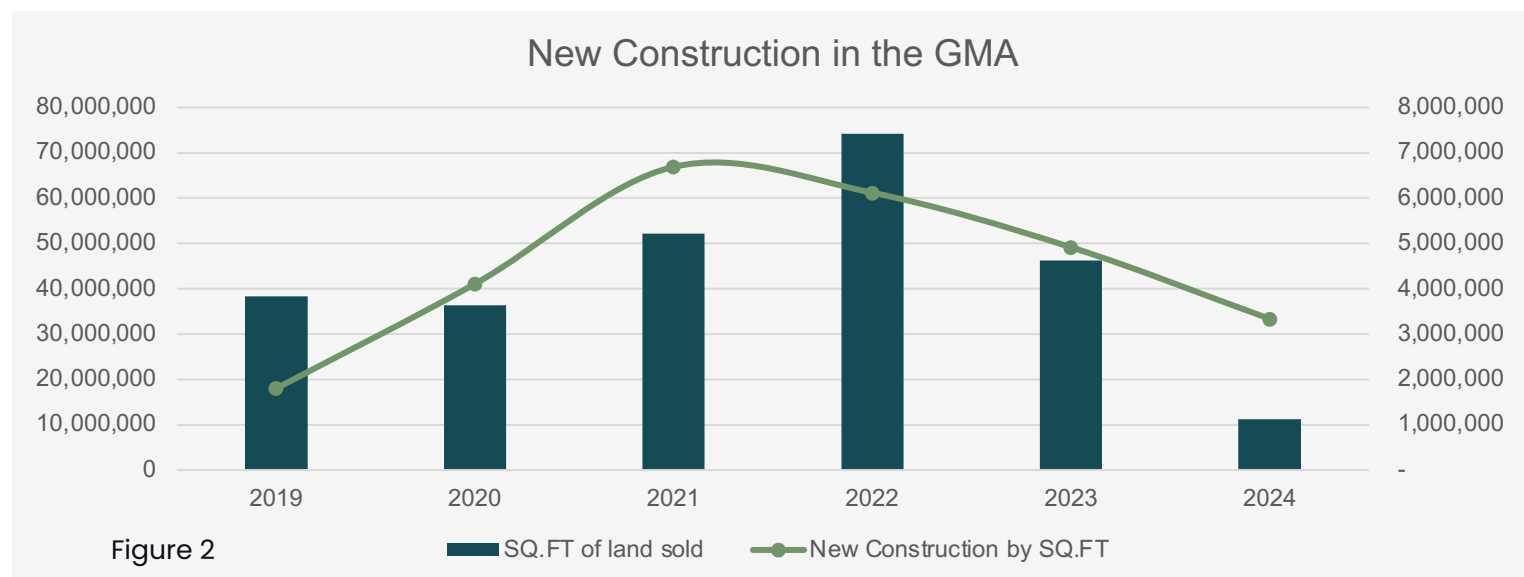
Figure 1

²The GMA is the largest metropolitan area in Québec, and the second largest in Canada, representing approximately 48% of Québec's population and approximately 58% of its GDP.

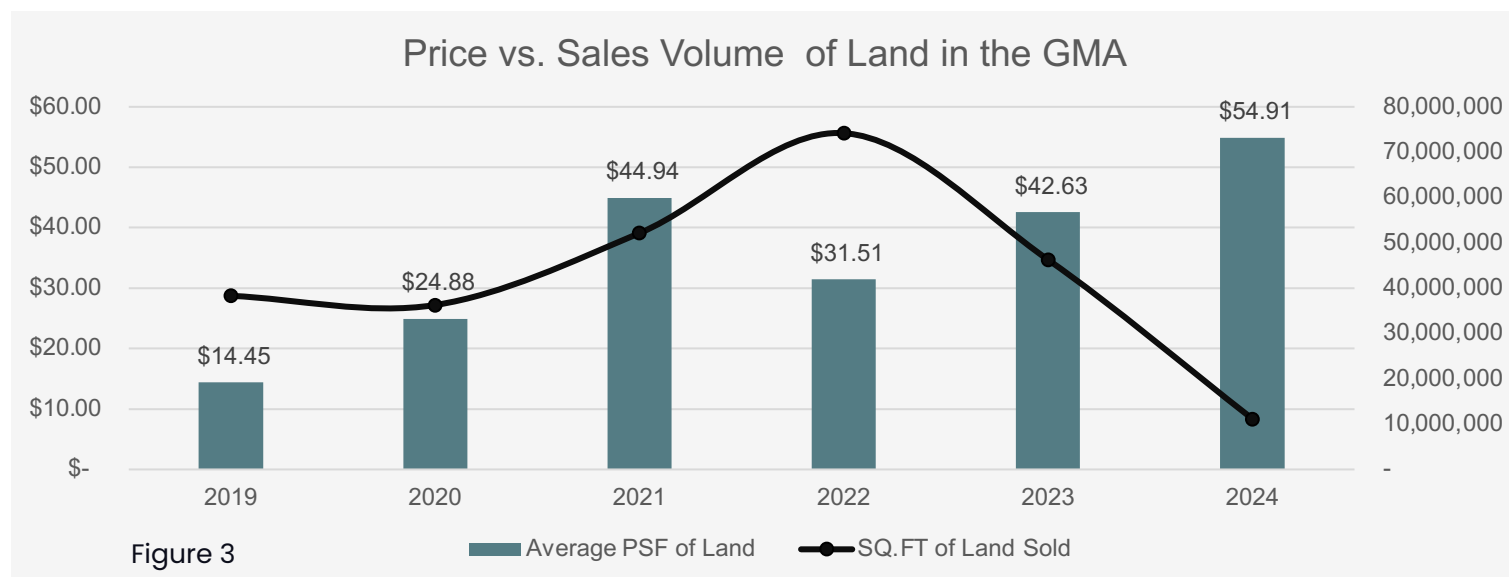


Montréal was once the economic engine of Canada, a seat it lost to Toronto in the 1970's or arguably 1960's; however Montreal's economy finally started to slowly recover from 2014 to 2018, and investors from outside of Québec began to notice. As the economy grew, so did the need for industrial space. Although during this time, the need was for distribution space (a far cry from the days of Montréal's thriving manufacturing industry). It seemed like Montréal was on the map again. Coupled with an increasing demand for data-centers and cryptocurrency mining facilities, spurred by Québec's low cost of energy and cold climate, it became a haven. During the same period, the federal government legalized cannabis, which heightened the demand from licensed producers. In turn, formerly undesirable, low clear height spaces became attractive.

As demand increased and supply decreased, naturally, rental rates and sale prices increased, until the unexpected happened. Developers began to build speculatively. Broccolini delivered the first speculative industrial project in Vaudreuil on F.-X. Tessier in 2016 and other developer soon followed suite. Naturally, industrial land started to increase in value. The pendulum shifted when Sobeys bought a piece of land with a building on it slated for teardown on Autoroute 40 for \$29.22 per square foot (PSF) in 2019, almost breaking the barrier of \$30.00 PSF. The Covid -19 pandemic was also a game changer, as retail stores closed and consumers shifted heavily to ecommerce, the need for new, efficient distribution centers skyrocketed.



Since 2019, the price per square foot of industrial land has changed dramatically, reaching an average of \$54.91 PSF in 2024 compared to an average of \$14.45 PSF in 2019. As sales volumes have dropped it has become apparent that supply scarcity is playing a large factor for prices surging. As you can see, there is a negative correlation between sales volume and pricing.



Although it is clear that demand for new construction peaked at the end of 2021, scarcity has now become the biggest barrier to industrial development.

Many would think that today, there is still an abundance of industrial land available in the GMA. Just a short drive off the island of Montréal, we begin to see vast amounts of wooded land, fields and farm land. One would assume that this land is ripe for development. ³However, surrounding the GMA there is +/- 547,300 acres of protected agricultural land, which forms an unofficial Greenbelt (shown in green in Figure 4).

The Unofficial Greenbelt of the GMA

Greenbelts are protected natural, unnatural and agricultural lands usually found at the periphery of a metropolitan area. They are part of urban planning initiatives to halt urban sprawl in a metropolitan city by limiting development in the periphery, making for a more dense inner city.

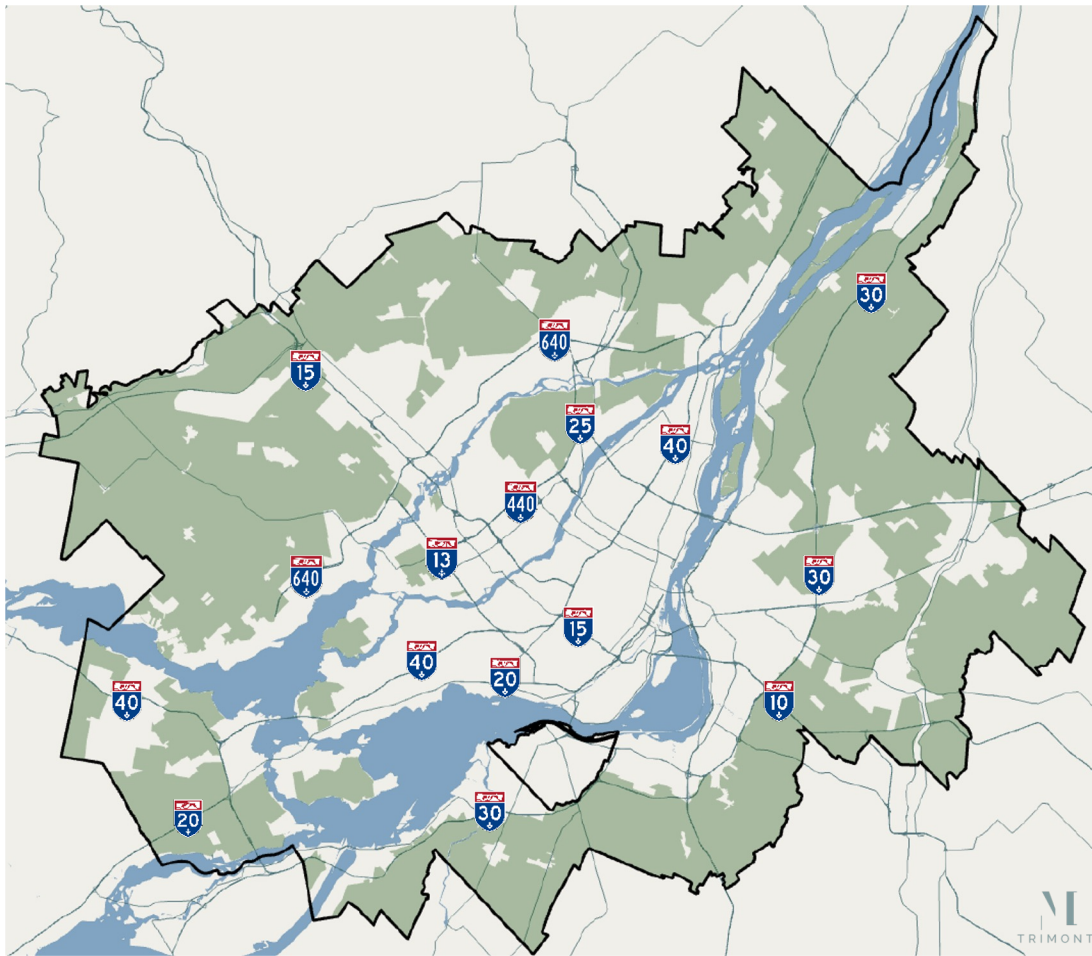
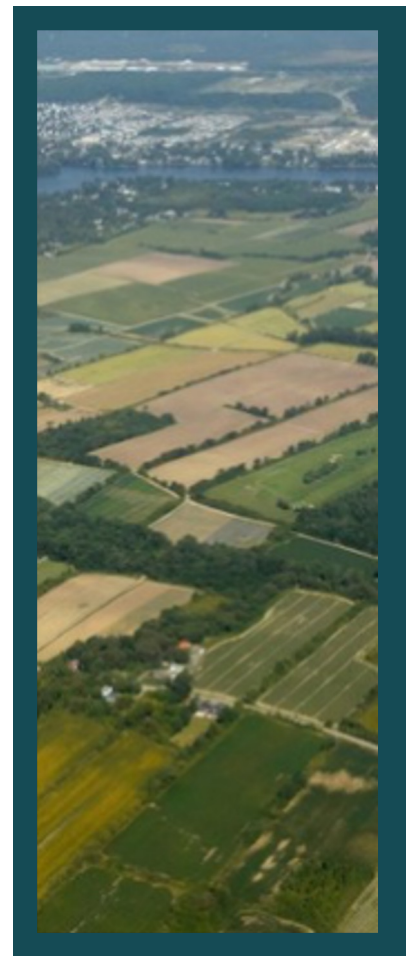


Figure 4



³Unlike many major cities in Canada that have an official Greenbelt, the GMA is surrounded by +/- 547,300 acres of protected agricultural land, constituting +/- 51 % of the total land in the GMA. ³In Québec, agricultural land is governed by the Commission de la Protection Agricole du Québec or The Québec Agricultural Land Protection Commission in English "CPTAQ". ⁵It is estimated that only 61% of the agricultural zone is being used for agricultural purposes.

The Current State Of Industrial Land Availability

There is currently approximately 10,611 acres of vacant industrial land in the GMA of which approximately 206 acres is within the Agricultural zone, leaving approximately 10,405 acres of developable industrial land, available for development as indicated by the brown areas on Figure 5.

However not all vacant industrial land can be developed that easily. There remains the issue of potential wetlands within the GMA.

Wetlands

The issue of potential wetlands within the GMA is a major one and not a new one. Wetlands are areas of land that flood occasionally. They consist of swamps, marshes and meadows. ⁴There is currently approximately 49,225 acres of potential wetland in the GMA or 4.6% of the GMA's total area that has been identified as "potential wetland" as seen in blue in Figure 6. On September 20, 2018, the Wetland Conservation Regulation came into force in Québec. The new law changed how the Ministère de l'Environnement, les changements climatiques, de la Faune et des Parcs or MELCCFP

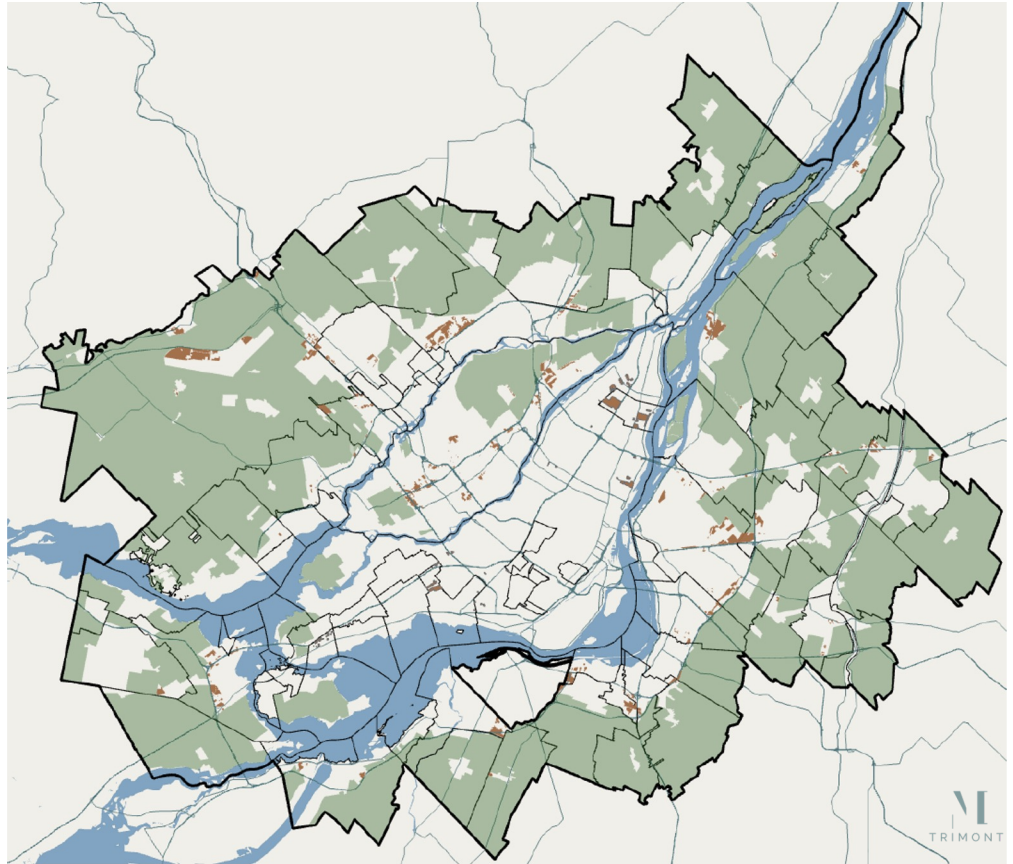


Figure 5

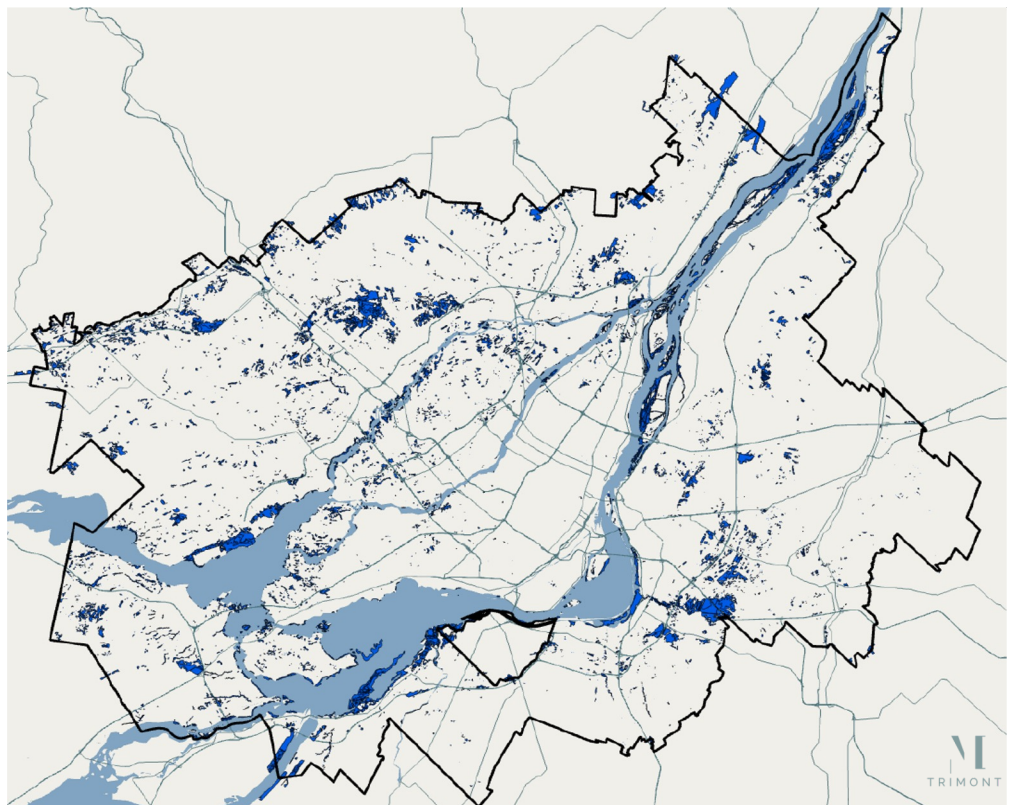


Figure 6

treats the conservation of wetlands and bodies of water, specifically by changing the rules on financial compensation for the losses caused by projects carried out in wetland environments. Thus, adding yet another barrier to the development of industrial land in the GMA. In fact, within the green belt, there is a substantial amount of land that, although zoned for development, carries a potential of containing a species that was given a protection status by the MELCCFP. This can greatly undermine the feasibility of development, even when land-use regulations would otherwise permit it.

Wetlands And Industrial Land

Consequently, when factoring in the 955 acres of wetland covering the available industrial land not within the agricultural zone (shown in dark blue in Figure 7), all that is left +/- 9,450 acres of industrial land available for development in the GMA as the presence of wetlands renders portions of it unbuildable, without even factoring in the required buffer zones around wetlands.

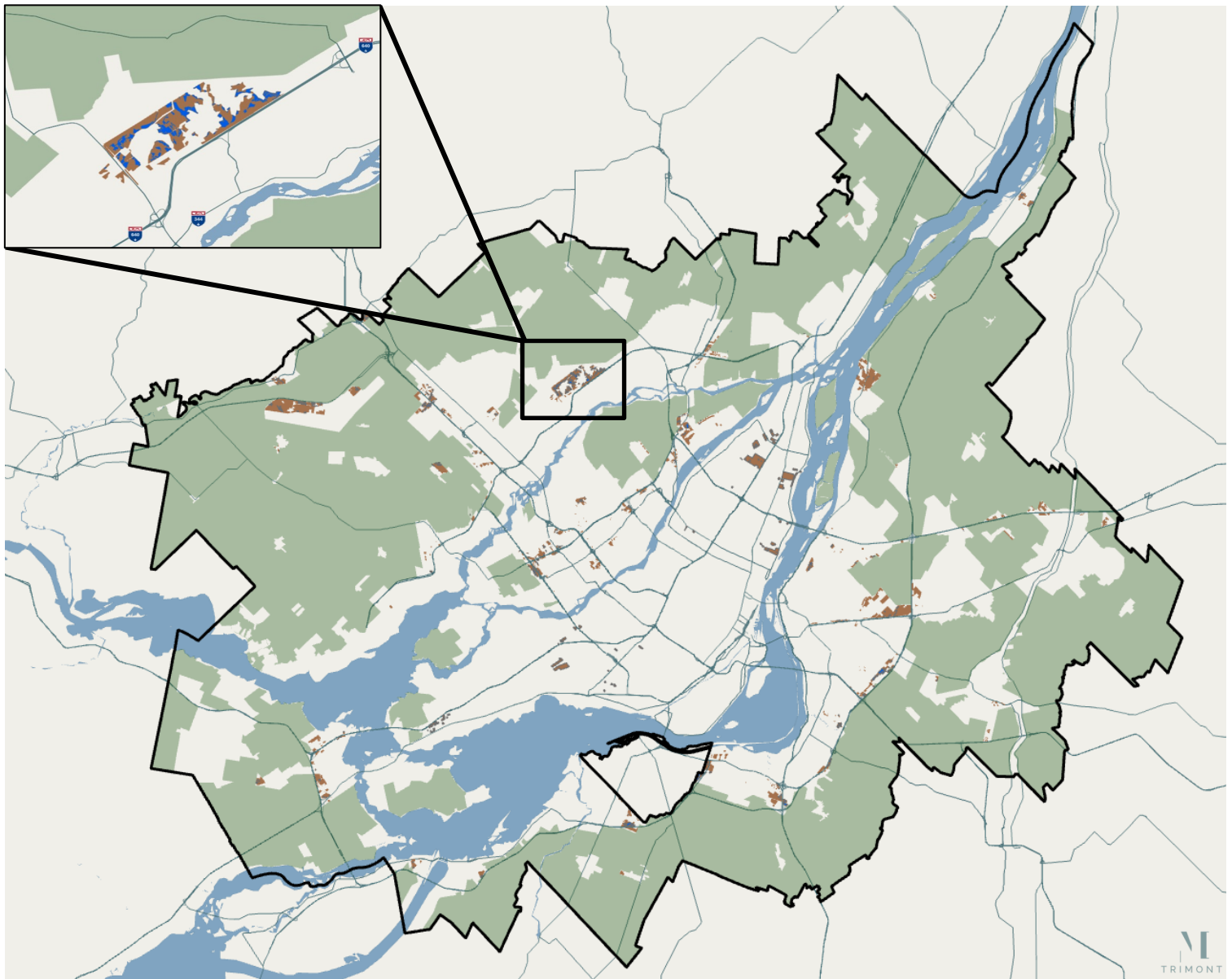


Figure 7

Conclusion

It is clear that the remaining available industrial land inventory in the GMA is limited. ⁶With nearly 2% business growth in Québec over the past five years (much of it in the industrial sector), demand for industrial space has been on the rise, forcing many developers to look outside the GMA. In fact, Valleyfield alone (located outside of the GMA), has seen $\pm$ 9.2 Million SQ FT of industrial land developed since 2019. That being said, the current industrial vacancy rate in Valleyfield is $\pm$ 18.7%. Not surprising considering that industrial occupiers want to be close to transportation hubs, labor markets, and consumers.

As Québecers and all Canadians are forced to focus on efficiency and self-sustainability given the current geopolitical and economic climate, something has to change, or else scarcity will continue to push industrial land prices upwards. Policy makers in the GMA will either have to revisit zoning and environmental restrictions, or else occupiers and developers will have no choice but to continue to look at secondary markets outside of the GMA and ironically, beyond the invisible Greenbelt.

Sources:

- ¹ CMM
- ² CMM, Institut de la statistique du Québec
- ³ CPTAQ
- ⁴ Ducks Unlimited Canada
- ⁵ MAPAQ
- ⁶ IBS World

Figure 1: CMM, MTQ
 Figure 4: CMM, CPTAQ, MTQ
 Figure 5: CMM, CPTAQ, MTQ
 Figure 6: CMM, CPTAQ, MTQ, Ducks Unlimited Canada
 Figure 7: CMM, CPTAQ, MTQ, Ducks Unlimited Canada

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