

# MARKETBEAT



## WINNIPEG OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

1Q11

### ECONOMY

The local economy in Winnipeg performed relatively well in the first quarter of 2011 and the outlook for the second quarter of the year and beyond looks promising for the city and the Province of Manitoba as a whole. BMO Capital Markets predicts the Manitoba economy will grow by 2.9% this year, up from an earlier projection of 2.7% from January 2011. Manitoba continues to have one of the lowest unemployment rates in the country at 5.3%, up slightly from 5.0% in January 2011. The national unemployment rate was at 7.8% as of March 2011. Employment growth, another important economic indicator, is also strong in Manitoba, and was up 1.4% in the first quarter of 2011, which is higher than the national average of 1.3%. BMO Capital Markets predicts that employment growth will be slightly lower in the second quarter at 1.1%, which would be just below the national average, projected at 1.2%.

On March 8, 2011, CentreVenture (the City's development agency) unveiled plans for their Sports, Hospitality & Entertainment District. The plan calls for a new outdoor public square and gathering place, the redevelopment of the old A & B Building/Mitchell Copp buildings into a mixed-use commercial project as well as the redevelopment of the former Metropolitan Theatre. Optimism for these projects is high and the ambitious plan for the Central Business District is a sign that the development agency's grand vision for the revitalization of downtown is on the right track.

### OVERVIEW

The overall class A Downtown office market vacancy declined during the first quarter of 2011 by 1.5 percentage points from 6.7% to 5.2%. This market segment has been impacted by a significant amount of sublet space that was absorbed in the downtown area. The sublet space as a percentage of total vacant space decreased from 35.2 % in the fourth quarter of 2010 to 16.9 % in the first quarter of 2011. On the other hand, direct vacant space in class A remained the same from the fourth quarter of 2010 to the first quarter of 2011, at 4.3%.

The overall class B office market vacancy barely registered a change this quarter with a marginal increase from 10.0% to 10.1%, a difference of under 4,000 square feet (sf). Cengea, a national resource planning and management software solutions company, moved from a class C office building to a class B office building at 330 St.Mary Avenue, leasing 4,900 sf.

The class C overall direct vacancy rate decreased slightly from 7.6% to 7.4 % in the first quarter of 2011, which translates to an increase of over 22,000 sf of occupied space. The Emergency Measures Organization, a provincial body, took out a new lease on 259 Portage Avenue for over 8,500 sf.

### OUTLOOK

Winnipeg's economy is steady with strong employment growth and low unemployment. There is over 300,000 sf of office tenant requirements in the city but most of these tenant requirements won't take effect until late 2012 or early 2013. This will not impact the marketplace as they may require new construction or development. Looking ahead to the second quarter of 2011, we'll see strong demand for new construction and a strong demand for the redevelopment of heritage buildings in the downtown area.

### BEAT ON THE STREET

"We expect to see an increased demand for office space in Winnipeg and with that, we will see an increase in new construction which will lead to an increase in rental rates "


- Mike Passingham, Office Leasing & Sales


### ECONOMIC INDICATORS


	2010	2011F	2012F
GDP Growth	2.3%	2.9%	2.8%
CPI Growth	1.2%	1.7%	1.7%
Unemployment	5.4%	4.8%	4.7%
Employment Growth	1.9%	2.2%	1.7%

BMO Economic Outlook April 1, 2011

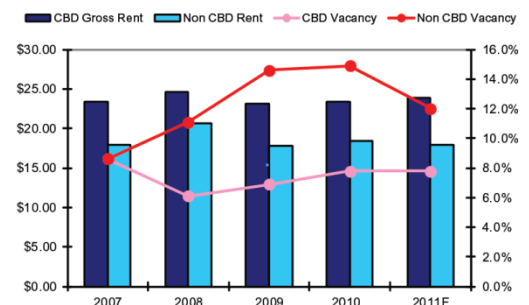
### MARKET FORECAST

VACANCY RATES should continue to slowly move upward in the next quarter. The class C market vacancy will be the most active of the three classes. 

OVERALL ABSORPTION will remain neutral in the near term. 

LEASE RATES will not change significantly in the second quarter of 2011. The exception is class A rents, which are expected to increase as the direct vacancy remains low at 4.3%. 

### OVERALL RENT VS VACANCY



### MARKET/SUBMARKET STATISTICS

	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Class Net Rental Rate*
<b>Central Business District</b>								
Class A	2,838,471	8	5.2%	4.3%	100,000	0	42,471	\$16.85
Class B	3,587,840	27	10.1%	9.4%		0	-5,711	\$13.01
Class C	3,647,150	63	6.9%	5.7%		0	4,225	\$9.51
<b>CBD Total</b>	<b>10,073,461</b>	<b>98</b>	<b>7.6%</b>	<b>6.6%</b>	<b>100,000</b>	<b>0</b>	<b>40,985</b>	<b>\$12.65</b>
<b>Suburban Area</b>								
Class B	1,321,968	33	11.1%	10.9%	605,247	0	-2,005	\$13.51
Class C	1,801,087	36	16.1%	10.9%		0	22,160	\$10.39
<b>Suburban Total</b>	<b>3,123,055</b>	<b>69</b>	<b>14.0%</b>	<b>10.9%</b>	<b>605,247</b>	<b>0</b>	<b>20,155</b>	<b>\$12.02</b>
<b>WINNIPEG TOTAL</b>	<b>13,196,516</b>	<b>167</b>	<b>9.1%</b>	<b>7.6%</b>	<b>705,247</b>	<b>0</b>	<b>61,140</b>	<b>\$12.42</b>

\* Rental rates reflect \$psf/year

### MARKET HIGHLIGHTS

#### SIGNIFICANT 1Q11 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQ FT	BLDG CLASS
330 St. Mary Ave.	Central	Cengea	4,900	Class B
191 Lombard Ave.	Central	Career Trek	3,723	Class C
259 Portage Ave.	Central	Emergency Measures Organization	8,595	Class C
201 Portage Ave.	Central	Scatliff Miller Murray (sublet space)	6,000	Class A

#### SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQ FT	PURCHASE PRICE
777 Portage Ave.	Central	Private	28,000	\$2,083,000
1447 Waverley Street	Suburban	Private		\$3,300,000
1075 Portage Ave.	Central	Undisclosed	67,000	Undisclosed
50 Stafford St.	Suburban	Undisclosed		Undisclosed
135 Lombard Ave.	Central	Undisclosed	4,200	\$800,000

#### SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
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#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
504 Main Street	Central	Red River College	100,000	Q2 2011
Winnipeg Airport	Suburban	James Armstrong Richardson International Airport	500,000	Q2 2011
970,976, 980 Lorimer	Suburban		71,385	Q2 2011
Sterling Lyon Health Centre	Suburban	Western Surgery	33,862	Q2 2011



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