

MARKETBEAT

WINNIPEG INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



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SLUGGISH ECONOMIC GROWTH CONTINUES

As the global economy hit a soft patch in recent weeks, stock markets around the world sold off. In Canada, the recent correction wiped out all of this year's gains as the economy in both Canada and the U.S. slowed in the second quarter. The weakness in the U.S. has worsened Canada's trade balance which, combined with the strength in the Canadian dollar, has more than offset the effect that higher commodity prices had on our trade balance earlier this spring. Fiscal tightening is also dampening the growth outlook and central banks are poised to end some of their extraordinary monetary accommodation.

The rise in headline inflation has not been validated by a rise in real wages as excess labour supply and diminished union power keep downward pressure on labour costs. In the U.S., the large output gap and discouraged workers will keep downward pressure on real wages. In addition, the continued decline in home prices exacerbates the labour problems. The U.S. labour supply is historically quite mobile as workers would be willing to move to where jobs are more plentiful. With the continued housing crisis this cycle, people cannot move because they cannot sell their homes, depressing household net worth and removing a mechanism for labour market equilibration. Labour and housing weakness, in combination with fiscal drag at the state and federal levels, has taken some of the steam out of the recovery. Some temporary setbacks have also been at play, like the Japanese manufacturing woes associated with the earthquake and extraordinary weather disruptions. These factors are dissipating, which should lead to at least a moderate rebound in the second half of this year.

While we are not forecasting a double dip, we do see continued sluggish growth in the near-term and a return to 2½%-to-3% growth in the U.S. next year. The political turmoil in Washington will weigh on markets for another month or two; but, ultimately, a budget compromise will alleviate the near-term pressure. The U.S. will not default on its debt, but the sovereign debt crisis in the EU will linger and ultimate willingness to restructure Greek debt is likely. Bearish sentiment in stock markets is likely overdone given the continued strength in corporate earnings. However, the underlying fiscal, housing and job market problems will not be corrected anytime soon.

- Sherry Cooper, Chief Economist, BMO Nesbitt Burns, June, 2011
Commentary provided courtesy of: The Henderson Kochan Wealth Advisory Group (www.hendersonkochangroup.com)

BE-A-WARE

"TENANTS OF INDUSTRIAL WAREHOUSE SPACE: ASKING RATES ARE CLIMBING ALONG WITH TAXES AND CAM COSTS!! WITH A FIELD OF FOR LEASE SIGNS, SPACE IS STILL HARD TO FIND SO DON'T BE FOOLED. HIGH LAND VALUES, LABOUR AND MATERIALS ARE RESPONSIBLE FOR THIS INCREASE IN OUR CITY OF DREAMS. CALL YOUR REALTOR FOR HELP."

- ALEX ROSS

ECONOMIC INDICATORS

	2009	2010	2011f
GDP Growth	0.0	2.0	3.1
CPI Growth	0.6	2.4	2.2
Unemployment	5.3	5.4	5.3
Employment Growth	0.0	1.9	0.9

Source: TD Economics Provincial Economic Update, June 14, 2011

WINNIPEG MARKET TRENDS

ABSORPTION	STRONG
VACANCY RATES	STEADY DECLINE
LEASE RATES	INCREASING RAPIDLY

CentrePort Canada

New Export Project Launched

CentrePort Canada has brought together two Chinese companies, Canadian National Railway and Canadian Pacific Railway in the development of a new containerization project that would increase the export of high-quality Manitoba agricultural products to China.

The partnership, which was announced last month, includes Shanghai Invent Logistic & Technology Co., Minsheng International Freight Co., Canadian Pacific Logistics Solutions and CN Worldwide. The project involves exporting home-grown food products such as soybeans, green peas and canola meal to Chongqing, China for distribution throughout the country.



The containerization project will benefit Manitoba producers by allowing for the delivery of premium agricultural products to the international marketplace. Diane Gray, president and CEO of **CentrePort Canada**, said the initiative will also help “maximize the use of the tremendous rail assets” that exist in Winnipeg.



“This announcement is a significant step forward,” Gray said. “Manitoba agricultural products are in demand and this partnership will allow us to increase the exports of local products to international markets, and move more goods at premium prices.”

China is a significant importer of large quantities of canola seeds, soybeans and green peas. Manitoba produced approximately 2.2 million tonnes of canola, 435,400 tonnes of soybeans and 62,600 tonnes of dry peas in 2010.

CentrePort Canada established relationship with Chongqing, which is located in central China, in 2010 when the inland port corporation signed a collaboration agreement with the region’s Cuntan Bonded Port Zone. One of the project’s two Chinese partners, Minsheng International Freight Co., is headquartered in Chongqing and is considered to be the largest private shipping and logistics company in the country.

CentrePort Canada’s other Chinese partner, Shanghai Invent Logistic & Technology Co., is located in Shanghai and has expertise in containerized exports, most notably the export of containerized soybeans from the Chicago area. The company’s president, Jack Sheng, is also the inventor of the RFID-technology system used in shipping.

Source: CentrePort Canada

FEATURED PROPERTIES - FOR LEASE

- | | | |
|----|---|-----------------|
| 1) | St.James (close to Airport)
3 Dock Doors- 18’ clear
New Offices- Designed to Suit | 44,186 sq. ft. |
| 2) | Inkster Industrial Park
2 Dock 1 Grade- 24’ clear
Heavy Industrial Power | 43, 200 sq. ft. |

Contact Alex Ross (934-6204) for Introduction/Tour

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For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield’s Knowledge Center at www.cushmanwakefield.com/knowledge

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