

MARKETBEAT



WINNIPEG OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

2Q11

ECONOMY

Winnipeg's economy continued to gain momentum during the second quarter of 2011 as several new projects in the Central Business District were announced and other projects already under construction began to take shape, including the expansion of The University of Winnipeg's downtown campus and the new terminal at James Armstrong Richardson International Airport. The biggest news came in late May when it was announced that the National Hockey League was coming back to Winnipeg.

The provincial economy continues to strengthen. BMO Capital Markets Economics Report (June 10, 2011) projects Real GDP Growth to be 2.6% in 2011, placing Manitoba in the middle of the pack for all provinces. The impact of spring flooding is expected to lower farm receipts in 2011, so projected growth was adjusted downward. Considering Manitoba's unemployment rate is projected to be 5.1% at the end of 2011 (below the national average of 7.5% and second lowest in the country behind Saskatchewan), and gross domestic output is strengthening, the economy is still moving in the right direction.

OVERVIEW

On June 28, Longboat Development Corp. announced a \$75-million mixed-use hotel, office and retail project to be built across the street from The MTS Centre, future home of the Winnipeg Jets. The 200,000-square foot (sf) tower will include a 13-floor ALT boutique hotel, five floors of class A office space and an upscale restaurant. This high level of building activity and continuous stream of positive sentiment in the marketplace has resulted in a number of landlords upgrading and refurbishing existing buildings.

The class A CBD overall vacancy rate increased during the second quarter of 2011 by 0.2 percentage points, from 5.2% to 5.4%. 16,502 sf of sublease vacancy expired and was converted to head lease vacancy at One Lombard Place (The Richardson Building).

The class B CBD overall vacancy rate increased by 0.2 percentage points, from 10.1% to 10.3%. One of the most notable transactions in this market segment took place at Five Donald, where The Winnipeg Regional Health Authority leased 12,036 sf.

In the CBD, the class C overall vacancy rate decreased from 6.9% to 6.8%. Legal Aid Manitoba leased 4,241 sf of space at 287 Broadway. Meanwhile, in the suburbs, there was an increase in the class C overall vacancy rate from 16.1% to 16.5%.

OUTLOOK

Winnipeg's economy will continue to benefit from low unemployment, steady job growth and stable GDP growth. With the overall office vacancy rate in Winnipeg at 9.2%, there will be increased demand for class A and class B downtown office space in the long-term as redevelopment in the Central Business District area continues.

BEAT ON THE STREET

"Pent up demand in the office market continued in Q2. Rejuvenation of the Central Business District continued to accelerate as several announcements for new projects were made. In the past twelve months, nearly 350,000 sf worth of office leasing requirements have been announced."


-Wayne Sato


ECONOMIC INDICATORS


	2010	2011F	2012F
GDP Growth	2.0%	2.6%	2.9%
CPI Growth	0.8%	2.4%	1.9%
Unemployment	5.4%	5.1%	5.0%
Employment Growth	1.9%	1.3%	1.1%

BMO Capital Markets Economics, June 10, 2011

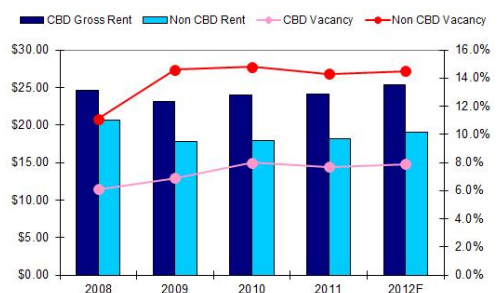
MARKET FORECAST

VACANCY RATES will rise slowly for the remainder of 2011. Class B will be the most active market segment as the majority of tenant demand will be satisfied in this market class. 

OVERALL ABSORPTION will remain flat in the third quarter of 2011 and will trend slightly upwards in 2012. 

LEASE RATES will trend upwards for much of the third quarter of 2011. Class A and B rents will increase incrementally as the direct vacancy rate remains low. 

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*
Central Business District								
Class A	2,838,471	8	5.4%	4.2%	100,000	0	37,826	\$16.95
Class B	3,587,840	27	10.3%	9.5%		0	(13,253)	\$13.05
Class C	3,647,150	63	6.8%	5.6%		0	5,899	\$9.54
CBD Total	10,073,461	98	7.7%	6.6%		0	30,472	\$12.67
Suburban Area								
Class B	1,321,968	33	11.3%	11.0%	533,862	0	(4,249)	\$13.56
Class C	1,801,087	36	16.5%	10.7%		0	13,921	\$10.34
Suburban Total	3,123,055	69	14.3%	10.9%		0	9,672	\$11.72
WINNIPEG TOTAL	13,196,516	167	9.2%	7.6%	633,862	0	40,144	\$12.35

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 2Q11 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQ FT	BLDG CLASS
5 Donald	Suburban	Winnipeg Regional Health Authority	12,036	B
444 St. Mary Ave.	Central	Simpson Kipling Fehr	4,954	B
287 Broadway	Central	Legal Aid Manitoba	4,241	C
1325 Kenaston	Suburban	BCV Financial (Sublease)	6,000	B
870 Pembina Hwy.	Suburban	Granite Financial Group Inc.	5,500	B

SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQ FT	PURCHASE PRICE
50 Willow Avenue	Suburban	Private	5,104	\$1,200,000
1365 Grant Avenue	Suburban	Private	2,465	\$650,000
960 Portage Avenue	Downtown	Private	30,812	\$1,475,000

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
504 Main Street	Central	Red River College	100,000	Q3 2011
Winnipeg Airport	Suburban	James Armstrong Richardson International Airport	500,000	Q3 2011
Sterling Lyon Health Centre	Suburban	Western Surgery	33,862	Q3 2011



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Cushman & Wakefield
Licensed to CWL Realty Inc.
Unit 105, 260 St. Mary Avenue
Winnipeg, MB R3C 0M6
204.956.1901

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