

MARKETBEAT

WINNIPEG OFFICE REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q11

ECONOMY

Manitoba's economy performed steadily during the third quarter of 2011. According to BMO Capital Markets, Manitoba's GDP will grow 2.0% in 2011. The confidence in the economy is high as major construction projects are nearing completion, including the \$585-million airport terminal at James Armstrong Richardson International Airport, which is set to open on October 30, 2011.

Manitoba's housing market continues to be strong, unemployment is the second lowest in the country, and the province has the third highest retail sales growth in Canada.

OVERVIEW

Winnipeg's office market is experiencing growth as projects of various sizes are either already under construction or in the development stages. Currently, there are three major office building renovations in progress on Broadway Avenue (363 Broadway, 287 Broadway and 333 Broadway) with more planned for the Central Business District.

The class A CBD overall vacancy rate decreased during the third quarter of 2011 by 0.7 percentage points, from 5.4% to 4.7%. This market class remains strong with low vacancy rates and low turnaround.

The class B CBD overall vacancy rate decreased by 0.2 percentage points, from 10.3% to 10.1%. One of the most notable transactions took place at 330 St. Mary Avenue, where Public Works and Government Service Canada leased 12,000 square feet (sf). Resolute Technologies leased 10,000 sf at 433 Main Street, and True North Sports & Entertainment leased 9,194 sf at the Powerhouse Building on 345 Graham Avenue.

In the CBD, the class C overall vacancy rate increased from 6.8% to 7.8%. The trend in the class C Downtown market has been a move by smaller and mid-size tenants in this market segment to the class B market. In September the province announced that Manitoba Housing and Community Development will move into 71,700 sf at the Canada Building located at 352 Donald Street in January 2013.

The class B suburban overall vacancy rate decreased by 0.9 percentage points from 11.3% to 10.4%, as tenants have taken advantage of vacancies at newer developments in the market.

The class C suburban overall vacancy rate decreased by 0.2 percentage points to 16.3% and remains the market segment with the most vacancy.

OUTLOOK

Vacancy is trending slightly higher in the overall office market in Winnipeg, with the exception of the class A market segment which will see a decrease over the next several quarters.

More tenant requirements in the marketplace are expected from both the provincial and federal governments over the next twelve months, but this will not have an effect on vacancy rates in the near term.

BEAT ON THE STREET

"The momentum in downtown Winnipeg remains strong as visible indicators of a healthy economy are everywhere. The return of the NHL to Winnipeg, the progress on the Canadian Museum for Human Rights and announcements of new office and hotel/retail developments reflect this market confidence."


- Wayne Sato, Vice President, Office


ECONOMIC INDICATORS


	2010	2011F	2012F
GDP Growth	2.0%	2.0%	2.1%
CPI Growth	0.8%	2.4%	1.9%
Unemployment	5.4%	5.2%	5.4%
Employment Growth	1.9%	1.0%	0.9%

BMO Capital Markets Economics, September 22, 2011

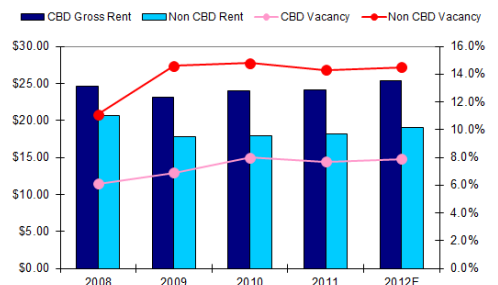
MARKET FORECAST

VACANCY RATES will increase for the remainder of 2011. Expect the overall Class A vacancy rate to come down over the next twelve months as tenants seize attractive sublease options. 

OVERALL ABSORPTION will remain flat over the next several quarters. 

LEASE RATES will continue to trend higher into 2012. 

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. Net Rental Rate*
Central Business District								
Class A	2,838,471	8	4.7%	4.2%		0	57,487	\$16.95
Class B	3,587,840	27	10.1%	9.2%		0	(4,338)	\$12.93
Class C	3,647,150	63	7.8%	6.5%		0	(29,824)	\$10.04
CBD Total	10,073,461	98	7.7%	6.8%		0	23,325	\$12.63
Suburban Area								
Class B	1,321,968	33	10.4%	10.2%		0	6,900	\$14.03
Class C	1,735,457	36	16.3%	10.3%		0	25,106	\$10.33
Suburban Total	3,057,425	69	13.8%	10.3%		0	32,006	\$11.92
WINNIPEG TOTAL	13,130,886	167	9.1%	7.6%		0	55,331	\$12.41

* Rental rates reflect \$psf/year

MARKET HIGHLIGHTS

SIGNIFICANT 3Q11 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQ FT	BLDG CLASS
345 Graham Avenue	Central	True North Sports & Entertainment	9,194	B
330 St. Mary Ave.	Central	Public Works and Government Service Canada	12,000	B
Building Twelve- Commerce Drive	Suburban	Manitoba Hydro	6,000	B
One Lombard	Central	Richardson International	7,500	A
433 Main Street	Central	Resolute Technologies	10,000	B

SIGNIFICANT 3Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQ FT	PURCHASE PRICE
238 Portage Avenue	C	Private	49,376	N/A

SIGNIFICANT 3Q11 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
Winnipeg Airport		James Armstrong Richardson International Airport	300,000	Q3 2011

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQ FT	COMPLETION DATE
Tuxedo Business Park- Building 14	Suburban	TBA (50% Pre-Leased)	45,000	Q4 2011
Sterling Lyon Health Centre	Suburban	Western Surgery	33,862	Q4 2011
Union Bank Tower	Central	Red River College	100,00	Q4 2011



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