



WINNIPEG INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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WINNIPEG'S ECONOMIC FORECAST UPGRADED

WINNIPEG — The Conference Board of Canada has upgraded its economic forecast for Winnipeg, saying the local economy should grow by 2.4 per cent this year instead of the 2.2 per cent it was forecasting last spring.

The Ottawa-based think tank said retail sales and housing starts are on the upswing in Winnipeg, and the city's population continues to grow. And while its red-hot construction sector is expected to cool a little this year, its manufacturing and services sectors are both bouncing back nicely from last year's economic downturn.

But despite the improvement, the board predicts Winnipeg will still finish the year with the weakest GDP growth among the 13 Canadian cities covered in its Autumn Metropolitan Outlook report.

But that's partly because it had the third best economic performance last year, so it won't see as big a bounce-back this year as other harder-hit cities. It noted Winnipeg's economy shrank by a mere 0.5 per cent last year, compared to a national contraction of 2.5 per cent.

Source: <http://www.winnipegfreepress.com/breakingnews/Winnipeg-economic-forecast-upgraded-103548949.html>

WIN SOME, LOSE SOME

Good and bad at the third **Manitoba Outlook on Transportation**:

- **CentrePort** is in the midst of marshalling its first applicant through the Foreign Trade Zone (FTZ) regulatory process.
- **CentrePort** also is working on a pilot project for back haul shipments to Mexico.
- According to Bob Dolyniuk of the **Manitoba Trucking Association**, it will take a long time -- "if ever" -- for the Manitoba trucking industry to return to pre-recession profitability levels.
- Overcapacity in the trucking industry has resulted in 20-to-30 per cent shrinkage in fleet sizes.
- Dolyniuk says he believes there will be a windfall for the trucking industry if **CentrePort's** FTZ is used to its full potential.

Source: <http://www.winnipegfreepress.com/business/airline-company-looks-north-105846643.html>

BEAT ON THE STREET

"Making a round peg fit in a square hole might be easier; choice of vacant properties in the industrial leasing market at the end of 2010 has shrunk like plastic wrap on turkey leftovers. Your New Year's resolution should read find a realtor, consider blend and extend, your lease term – do your renewal in 2011.

New construction will be costly and force rental increases in older generation buildings. Commitment sooner may catch the last of good deals in a tight market – think **"ORANGE ALERT WINNIPEG."**

– Alex Ross

ECONOMIC INDICATORS

	2009	2010f	2011f
GDP Growth	0.0	2.2	2.7
CPI Growth	0.6	1.2	1.7
Unemployment	5.2	5.4	5.0
Employment Growth	0.0	2.0	1.2

BMO Economic Outlook December 23, 2010

MARKET FORECAST

ABSORPTION



VACANCY RATES



LEASE RATES



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ERNST & YOUNG'S CAPITAL CONFIDENCE BAROMETER

Ernst & Young recently launched the third instalment of the global edition of *Capital Confidence Barometer* and the *Canadian Capital Confidence Barometer*. The reports identify boardroom priorities, emerging practices in the way companies manage their capital agenda, and corporate confidence in the economic outlook.

Despite improving capital conditions, global confidence has deteriorated. Fewer companies believe recovery will happen within the next 12 months, compared to six months ago. Most feel they will have to learn to operate efficiently in the existing market for some time to come. The decline in confidence is in turn leading to a decline in appetite for mergers and acquisitions. While many companies now have the resources to execute a transaction, fewer are actively looking to do a deal now than six months ago. Firms are currently focusing on organic growth and ensuring that their businesses are as lean and profitable as possible.

Economic Outlook – Canadian Findings

The survey of Canadian companies reveals fascinating – and encouraging – developments.

- ▶ Countdown to the end of the downturn begins: Nearly half (45%) of companies believe the global downturn will end within the next 12 months. And while 83% of companies believe their own industry will recover within the next year, 39% believe will rebound within six months.
- ▶ Economic and company prospects are improving: Three quarters of respondents (74%) feel more confident about the prospects for their local economy than they did six months ago. And two-thirds (66%) feel more optimistic about the prospects for their own company than they did six months ago.

Boardroom Trends and Priorities – Canadian Findings

How companies manage their capital today will ultimately define their competitive position tomorrow. Over the last year, boards have improved their ability to respond quickly to opportunities that arise. However, boardrooms remain cautious due to investor concerns, regulatory and political changes – driving a greater focus on organic growth and performance improvement.

- ▶ 60% of Canadian respondents feel well positioned to execute an acquisition at short notice, but are reluctant to commit to a deal.
- ▶ 71% of Canadian respondents are now focused on organic growth as their capital allocation priority, through restructuring and performance improvement. There is greater focus on growth rather than paying down debt or paying shareholder dividends.
- ▶ Access to finance is not a problem according to 40% of respondents, compared to 23% in April 2010.
- ▶ While 31% of global companies are focused on emerging markets to position themselves for future growth, only 13% of Canadian respondents said they were likely to undertake or seriously consider an emerging market acquisition in the next six months.
- ▶ Companies that have access to capital can use a first-mover advantage to gain competitive position. Those without might need to consider options such as a strategic review or operational restructuring.

About the Capital Confidence Barometer Survey

Ernst & Young's Capital Confidence Barometer is a regular survey of senior executives from large companies around the world conducted by the Economist Intelligence Unit (EIU). The respondent community, the "Ernst & Young 1,000", is comprised of an independent EIU panel of senior executives and selected Ernst & Young clients and contacts.

Source: Ernst & Young Capital Confidence Barometer – Summary prepared by Joe Healey, Senior Vice President and Inga Sheane, Senior Vice President, Ernst & Young, Transaction Advisory Services, Winnipeg, Manitoba.



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