

Office Snapshot Q2 2016

Winnipeg, MB



WINNIPEG OFFICE

Economic Indicators

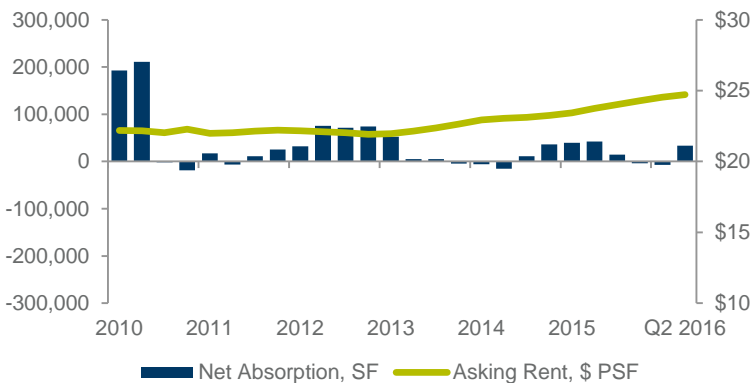
	Q2 15	Q2 16	12-Month Forecast
Winnipeg Employment	426 K	425 K	▲
Winnipeg Unemployment	6.1%	6.3%	▼
Canada Unemployment	6.8%	6.9%	▲

Market Indicators (Overall, All Classes)

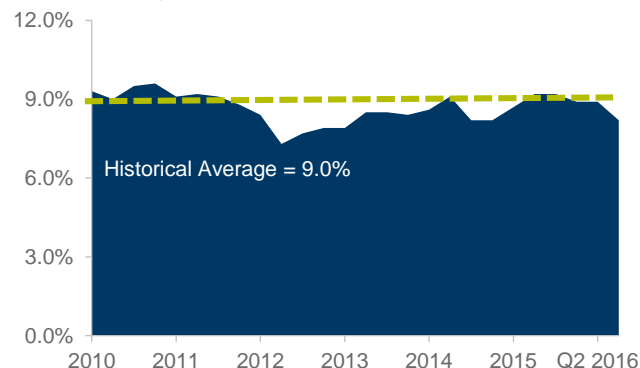
	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy Rate	9.2%	8.2%	▼
Net Absorption (sf)	(62,680)	99,740	▲
Average Asking Rent*	\$24.43	\$25.15	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate dropped half a percent from 7.3% last quarter to 6.8% in Q2. This is also the trend in Winnipeg as unemployment dipped one-tenth of a percentage point from last quarter to 6.3% as approximately 1,000 new jobs were created. GDP growth in Manitoba is positive and is anticipated to grow at 2.3% in 2016.

There was a new provincial government elected this past spring and a new Conservative policy is on the horizon – the impact of which will most likely shore up the province’s already stable economic environment.

Market Overview

There is significant buzz in Winnipeg surrounding True North Square, SkyCity, and Osborne Place as these projects promise to deliver a new caliber of class A space to Winnipeg and will likely push asking rental rates upwards. Landlords of existing class A&B inventory have recently announced capital projects for assets including 360 Main St., 201 Portage Ave., 1 Lombard Ave., 330 Portage Ave., and 330 St. Mary Ave. The cost of these projects will most certainly put pressure on overall gross rents. Class A Central Business District (CBD) vacancy increased by over a percentage point to reach 5.9%, with a corresponding negative absorption total of 35,232 square feet (sf); the result of downsizing of the Truth and Reconciliation Program at 360 Main Street. Despite this, net rental rates climbed slightly reaching \$19.95 per square foot (psf) in Q2.

In the CBD, the combined absorption of class B&C markets was 95,495 sf, with both class B&C vacancy declining to single digits this quarter; reaching 8.9% and 9.1% respectively. The most notable transaction this quarter was the lease of 21,829 sf by Public Works (PWGSC) at 400 St. Mary Avenue.

The overall vacancy in the CBD dipped 0.6 percentage points to 8.1% and in the Suburban office market, vacancy declined by over a percentage point from last quarter to 8.3%.

The capital markets sector saw activity in Winnipeg’s CBD with the sale of 400 St. Mary Avenue and 444 St. Mary Avenue to the Alberta Teachers Pension Plan, and the sale of 240 Graham Avenue to Great West Life.

Outlook

The general consensus among brokers is that the mood in the marketplace is one of uncertainty; particularly concerning the impact of the recent Bell acquisition of MTS and Bell announcing the early sub-lease of 30,000 sf at 333 Main Street and 14,000 sf at 240 Graham Avenue. This was due partly to attrition but the long-term plans of Bell have not yet been released. There is also uncertainty regarding the future of the Medical Arts Building and how MLCC will proceed with their head office strategy.

MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE NET RENTAL RATE	AVERAGE GROSS RENTAL RATE
Class A CBD	9	2,919,540	4,264	168,264	5.9%	(35,232)	(44,575)	360,000	\$19.95	\$36.40
Class B CBD	27	3,587,840	5,159	312,805	8.9%	50,143	53,847	0	\$14.20	\$27.97
Class C CBD	65	3,827,716	0	348,871	9.1%	45,352	45,352	0	\$10.70	\$20.01
CBD Totals	101	10,335,096	9,423	829,940	8.1%	60,263	54,624	360,000	\$13.86	\$26.28
Class A Suburban	4	202,385	0	13,914	6.9%	6,500	6,500	0	\$21.24	\$30.65
Class B Suburban	34	1,407,068	2,026	36,693	2.8%	43,415	43,415	0	\$12.04	\$19.51
Class C Suburban	35	1,535,457	12,260	196,023	13.6%	(10,438)	(10,438)	0	\$11.00	\$20.48
Suburban Totals	73	3,144,910	14,286	246,630	8.3%	39,477	39,477	0	\$12.32	\$21.51
WINNIPEG TOTALS	174	13,480,006	23,709	1,076,570	8.2%	99,740	94,101	360,000	\$13.51	\$25.15

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	AVERAGE NET RENTAL RATE	AVERAGE GROSS RENTAL RATE
Class A	13	3,121,195	4,264	182,178	6.0%	(28,732)	(38,075)	360,000	\$20.14	\$35.53
Class B	61	4,994,908	7,185	349,498	7.1%	93,558	97,262	0	\$14.04	\$27.16
Class C	100	5,363,173	12,260	544,894	10.4%	34,914	34,914	0	\$10.81	\$20.18

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
400 St Mary Avenue	21,829	Public Works	Head Lease	CBD

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
400 St Mary Avenue	136,914	Alberta Teachers Retirement Fund	\$222.00	CBD
444 St Mary Avenue	239,746	Alberta Teachers Retirement Fund	\$194.00	CBD
240 Graham Avenue	149,242	Great West Life	\$305.00	CBD

Cushman & Wakefield
 200-260 St. Mary Avenue
 Winnipeg, MB R3C 0M6
www.cushmanwakefieldwinnipeg.ca

For more information, contact:
 Wayne Sato, Vice President,
 Office
 Tel: 204-934-6207
Wayne.sato@cwinnipeg.com

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