

WINNIPEG OFFICE

Economic Indicators

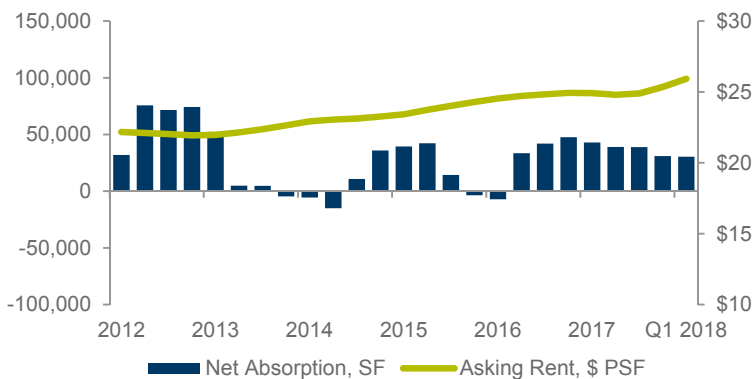
	Q1 17	Q1 18	12-Month Forecast
Winnipeg Employment	426K	431K	▲
Winnipeg Unemployment	6.7%	6.0%	▼
Canada Unemployment	6.7%	5.8%	▼

Market Indicators (Overall, All Classes)

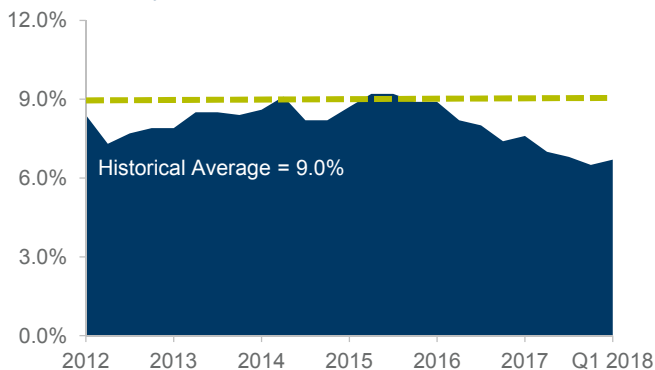
	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy Rate	7.6%	6.7%	▼
Net Absorption (sf)	-24,571	-26,889	▲
Average Asking Rent*	\$24.87	\$27.17	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate rose from 5.7% from the fourth quarter of 2017 to 5.8% in in the first quarter of 2018. Manitoba's unemployment rate is 6.0%.

(Source: Statistics Canada)

Market Overview

The office market trends seen throughout 2017 continued into the first quarter of 2018. Overall vacancy rates remained relatively stable from last quarter at 6.7%; with the exception of the Class B market which experienced a 90 basis point increase in vacancy as a result of 54,303 square feet (sf) of negative absorption. The primary driver of this was Cargill Corporation downsizing by 41,156 sf at 240 Graham Avenue. Conversely, the asking net rent in this market class increased by \$1.05 per square foot (psf) quarter-over-quarter, or the equivalent of a 7% increase.

The pending completion of True North Square in the third quarter of 2018 continues to impact the downtown office market. MNP LLP (formerly Meyers Norris Penny), announced its relocation from its current premises into 53,500 sf located in the new development. MNP LLP's departure from 201 Portage Avenue in the fourth quarter of 2019, along with Thompson Dorfman Sweatman LLP, TD Bank and TD Wealth Management also vacating the building, will create a large amount of contiguous vacant space. However the leasing of 33,000 sf to Taylor McCaffrey LLP is a positive step in addressing the situation. The overall asking net rent in 2017 was 8% higher compared to 2016, with rents in Class B and C buildings, both in the Central Business District (CBD) and the Suburban market, driving the increase. Asking rates in Class A buildings have not followed suit as these landlords are aggressively competing for new tenants and trying to retain existing ones. Another important element that is involved in the increasing occupancy costs are sizable increases in operating expenses and property taxes. These costs were \$0.78 psf higher in 2017 compared to 2016, with the Class A buildings in the CBD generating the largest increase.

Outlook

Landlords in the CBD will need to be aggressive as tenants pursue opportunities for superior quality space or more attractive leasing terms. The key factors in the decision making process by tenants will be the leasehold improvement allowance and the commitment by landlords to undertake significant building upgrades. In particular, there will be increased pressure in the Class B market as a result of rising vacancy rates in 240 Graham Avenue and 400 St. Mary Avenue.

MARKETBEAT

Winnipeg, MB

Office Q1 2018



CUSHMAN & WAKEFIELD
Winnipeg



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	18,382	192,047	7.2%	19,010	19,010	296,776	\$19.93	\$37.57
Class B CBD	27	3,587,840	1,050	300,415	8.4%	-54,303	-54,303	0	\$15.31	\$29.48
Class C CBD	65	3,827,716	8,689	215,243	5.9%	14,954	14,954	0	\$11.45	\$20.76
CBD Totals	101	10,335,096	28,121	707,705	7.1%	-20,339	-20,339	296,776	\$15.05	\$28.25
Class A Suburban	5	202,385	6,550	8,423	7.4%	-6,550	-6,550	32,000	\$21.24	\$31.01
Class B Suburban	34	1,407,068	4,584	27,791	2.3%	0	0	0	\$11.89	\$19.28
Class C Suburban	35	1,535,457	3,311	120,489	8.1%	0	0	0	\$11.33	\$21.81
Suburban Totals	73	3,144,910	14,445	156,703	5.4%	-6,550	-6,550	0	\$13.08	\$22.95
WINNIPEG TOTALS	174	13,480,006	42,566	864,408	6.7%	-26,889	-26,889	328,776	\$14.65	\$27.17

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Class A	13	3,121,195	24,932	200,470	7.2%	12,460	12,460	328,776	\$20.11	\$36.69
Class B	61	4,994,908	5,634	328,206	6.7%	-54,303	-54,303	0	\$14.95	\$28.40
Class C	100	5,363,173	12,000	335,732	6.5%	14,954	14,954	0	\$11.42	\$21.07

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
201 Portage Avenue	32,935	Taylor McCaffrey LLP	New Lease	CBD
242 Hargrave Street	53,500	MNP LLP	New Lease	CBD
115 Bannatyne Avenue	12,500	Number 10	Renewal	CBD

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
n/a				

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