

WINNIPEG OFFICE

Economic Indicators

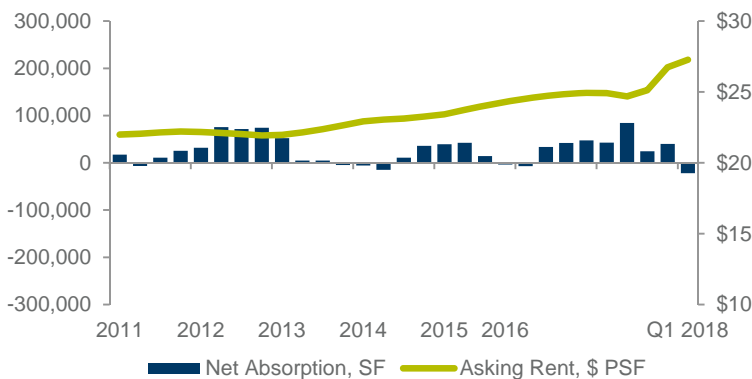
| | Q1 17 | Q1 18 | 12-Month Forecast |
|-----------------------|-------|-------|-------------------|
| Winnipeg Employment | 426K | 431K | ▲ |
| Winnipeg Unemployment | 6.7% | 6.0% | ▼ |
| Canada Unemployment | 6.7% | 5.8% | ▼ |

Market Indicators (Overall, All Classes)

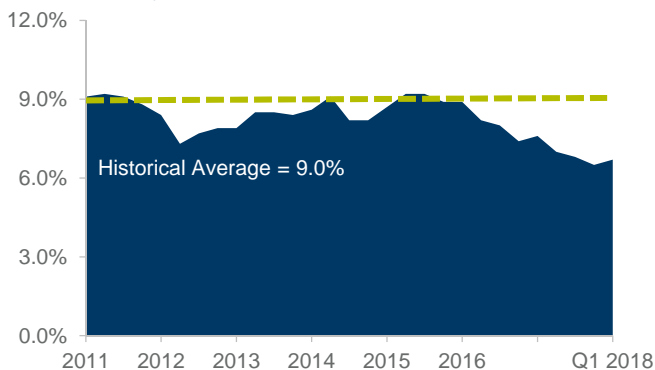
| | Q1 17 | Q1 18 | 12-Month Forecast |
|----------------------|----------|----------|-------------------|
| Overall Vacancy Rate | 7.6% | 6.7% | ▼ |
| Net Absorption (sf) | (24,571) | (22,025) | ▲ |
| Average Asking Rent* | \$24.87 | \$27.27 | ▲ |

*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% last quarter to 5.8% in Q1 2018. Manitoba's unemployment rate is 6.0% (Stats Canada)

Market Overview

The trends experienced in 2017 continued into the First Quarter of 2018. Overall vacancy rates remained stable at 6.7% with the exception of the Class B market which experienced a 90 basis point increase as a result of 54,303 square feet in negative absorption. The primary reason was the downsizing of 41,156 square feet by Cargill Corporation in 240 Graham Avenue. Conversely, the asking net rent in this market class increased by \$1.05 per square foot or the equivalent of a 7% increase. The pending completion of True North Square in Q3, 2018 continues the impact the downtown office market as MNP LLP formerly Meyers Norris Penny, announced their relocation in Q4, 2019 into 53,500 square feet in this new development. Their departure from 201 Portage Avenue along with Thompson Dorfman Sweatman LLP and TD Bank and TD Wealth Management is creating a large amount of contiguous vacant space in this building however, the leasing of 33,000 square feet to Taylor McCaffrey LLP is a positive step in addressing the situation.

The asking net rent in 2017 was 8% higher than 2016 with Class B and C buildings in the CBD and suburbs being largely responsible for the increase. Rates in Class A buildings have not increased as these landlords are aggressively competing for new tenants and retaining existing tenants. Another important element increasing occupancy costs are sizable increases in operating expenses and property taxes. These costs are \$0.78 per sq. ft. higher in 2017 with the Class A buildings in the CBD generating the largest increase.

Outlook

Landlords in the Central Business District (CBD) will need to be aggressive as tenants pursue opportunities for superior quality space or more attractive leasing terms. The key drivers in their decision 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



| 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 | (68,983) | 360,000 | \$19.93 | \$37.57 |
| Class B CBD | 27 | 3,587,840 | 1,050 | 300,415 | 8.4% | (54,303) | 13,641 | 0 | \$15.65 | \$29.82 |
| Class C CBD | 65 | 3,827,716 | 8,689 | 215,243 | 5.9% | 14,954 | 111,759 | 0 | \$11.45 | \$20.76 |
| CBD Totals | 101 | 10,335,096 | 28,121 | 707,705 | 7.1% | (20,339) | 56,417 | 360,000 | \$15.17 | \$28.36 |
| Class A Suburban | 5 | 202,385 | 6,550 | 8,423 | 7.4% | (6,550) | (4,475) | 32,000 | \$21.24 | \$31.01 |
| Class B Suburban | 34 | 1,407,068 | 4,584 | 27,791 | 2.3% | 0 | 272 | 0 | \$11.89 | \$19.28 |
| Class C Suburban | 35 | 1,535,457 | 3,311 | 120,489 | 8.1% | 4,864 | 21,228 | 0 | \$11.33 | \$21.81 |
| Suburban Totals | 73 | 3,144,910 | 14,445 | 156,703 | 5.4% | (1,686) | 17,025 | 0 | \$13.08 | \$22.95 |
| WINNIPEG TOTALS | 174 | 13,480,006 | 42,566 | 864,408 | 6.7% | (22,025) | 73,442 | 392,000 | \$14.75 | \$27.27 |

| 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 | 24,932 | 200,470 | 7.2% | 12,460 | (73,458) | 392,000 | \$20.11 | \$36.69 |
| Class B | 61 | 4,994,908 | 5,634 | 328,206 | 6.7% | (54,303) | 13,913 | 0 | \$15.26 | \$28.71 |
| Class C | 100 | 5,363,173 | 12,000 | 335,732 | 6.5% | 19,818 | 132,987 | 0 | \$11.42 | \$21.07 |

Key Lease Transactions Q2 2017

| 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 2017

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

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About Cushman & Wakefield

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