

WINNIPEG OFFICE

Economic Indicators

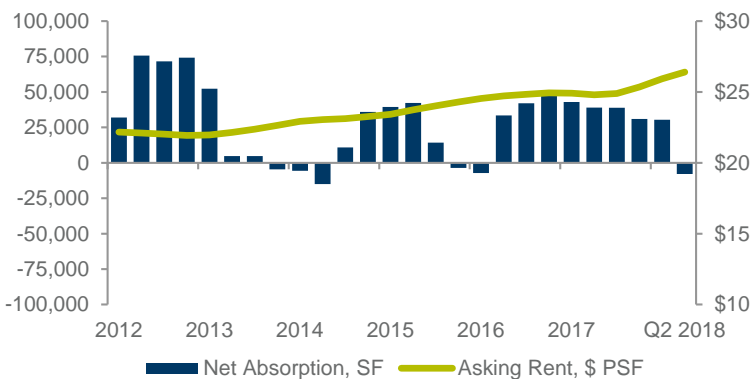
	Q2 17	Q2 18	12-Month Forecast
Winnipeg Employment	428K	435K	▲
Winnipeg Unemployment	5.9%	5.9%	▼
Canada Unemployment	6.8%	5.8%	■

Market Indicators (Overall, All Classes)

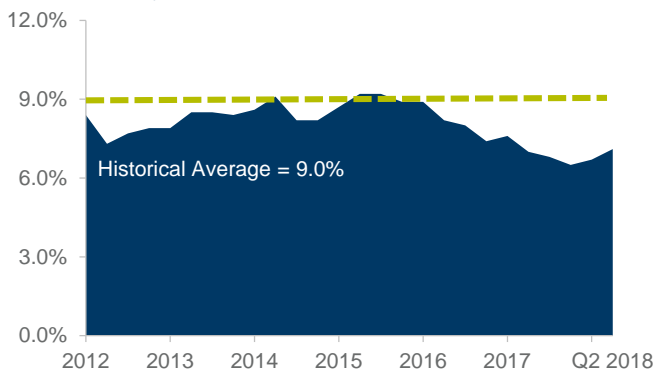
	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy Rate	7.0%	7.1%	▲
Net Absorption (sf)	84,277	-68,739	▲
Average Asking Rent*	\$24.69	\$26.57	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate remained steady at 5.8% in the second quarter of 2018 as the labour market remains strong nationally. Winnipeg's unemployment rate remains at a healthy 5.9%, aided by strong population growth. (Statistics Canada)

Market Overview

The overall vacancy rate in the second quarter of 2018 rose 40 basis points as a result of a significant increase in vacancy in Class C buildings in the Central Business District (CBD). This increase was partially offset by a decline in the Class A and B CBD overall vacancy rate as tenants relocated to superior quality space. At the same time, these tenants are reducing their footprint through the introduction of new space standards. Another factor impacting the Class C market has been the ongoing conversion of buildings from office space to residential and retail use. This trend has resulted in the removal of four buildings, totaling 166,683 square feet (sf) of office inventory.

The gap in asking net rents between the CBD and the Suburban market continues to widen. The landlords in the CBD are forced to maintain their current rates as they compete for new tenants, while the lack of new supply in the Suburban market is allowing these landlords to increase their asking rates. For example, the asking net rent in Class A buildings in the Suburban market is \$21.24 per square foot (psf) compared to \$19.88 psf in the CBD. The first office tower at True North Square (242 Hargrave Street) is now complete with Thompson Dorfman Sweatman LLP taking possession in June 2018. The company's departure from 201 Portage Avenue created four floors of headlease vacancy, approximately 65,000 sf at the Portage and Main Tower. Taylor McCaffrey LLP will occupy approximately 39,000 sf of space at 201 Portage starting in the second quarter of 2019 which will partially offset the vacancy created by Thompson Dorfman Sweatman's departure.

Outlook

The vacancy rate in the CBD is anticipated to spike in the third quarter of 2018 as 365,000 sf of new space in True North Square will be added to the Class A inventory, a building that is approximately 40% pre-leased. It's expected this new supply will take 2 to 3 years to be absorbed into the marketplace. During this period of time, net rental rates in the CBD will be suppressed as landlords aggressively compete for new tenants. A trend that may continue is the conversion of Class C office space in CBD to residential use.

MARKETBEAT

Winnipeg, MB

Office Q2 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	18,325	101,321	4.1%	90,783	109,793	296,776	\$19.88	\$37.75
Class B CBD	27	3,587,840	3,804	306,251	8.6%	-8,590	-62,893	0	\$15.84	\$30.35
Class C CBD	61	3,660,833	8,689	308,468	8.7%	-127,259	-112,305	0	\$11.76	\$21.61
CBD Totals	97	10,168,213	30,818	716,040	7.3%	-45,066	-65,405	296,776	\$14.56	\$27.31
Class A Suburban	4	202,385	6,550	8,923	7.6%	-500	-7,050	32,000	\$21.24	\$31.01
Class B Suburban	34	1,407,068	5,941	49,209	3.9%	-22,775	-22,775	0	\$15.07	\$23.00
Class C Suburban	35	1,535,457	3,311	120,887	8.1%	-398	-398	0	\$11.61	\$22.67
Suburban Totals	73	3,144,910	15,802	179,019	6.2%	-23,673	-30,223	32,000	\$13.90	\$23.94
WINNIPEG TOTALS	170	13,313,123	46,620	895,059	7.1%	-68,739	-95,628	328,776	\$14.42	\$26.57

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Class A	13	3,121,195	24,875	110,244	4.3%	90,283	102,743	328,776	\$20.19	\$36.22
Class B	61	4,994,908	9,745	355,460	7.3%	-31,365	-85,668	0	\$15.73	\$29.12
Class C	96	5,196,290	12,000	429,355	8.5%	-127,657	-112,703	0	\$11.72	\$21.87

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 Graham Avenue	32,170	Health Care Employees Pension and Benefits Plan	Expansion/Renewal	CBD

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
294 Portage Avenue	145,638	Public Capital Company/ Canada Inns	\$11,432,500 / \$79	CBD
6 Donald Street	13,944	Heart & Stroke Foundation of Canada/ Thunderchild Investments Ltd.	\$2,709,000 / \$194	Suburban

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