

WINNIPEG OFFICE

Economic Indicators

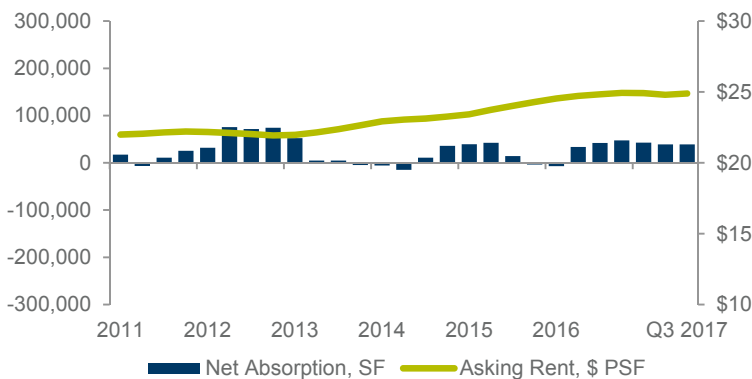
	Q3 16	Q3 17	12-Month Forecast
Winnipeg Employment	425K	425K	▲
Winnipeg Unemployment	6.4%	5.0%	▼
Canada Unemployment	7.0%	6.2%	▼

Market Indicators (Overall, All Classes)

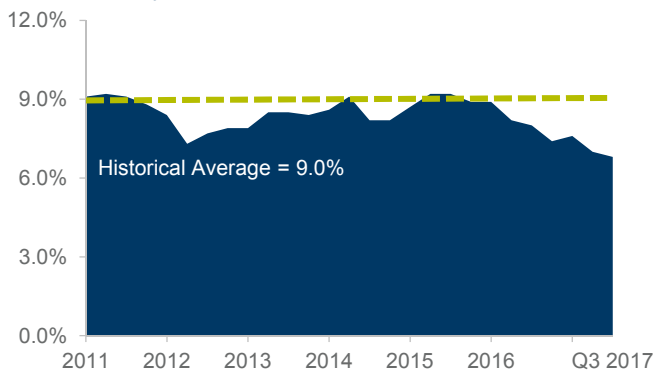
	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy Rate	8.0%	6.8%	▼
Net Absorption (sf)	24,931	24,405	▼
Average Asking Rent*	\$24.76	\$25.13	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate declined from 6.6% last quarter to 6.2% in Q3 2017. Manitoba's unemployment rate fell to 5.0% from 5.3% in June and is now the lowest in the country and the lowest level since October 2014.

Source: Winnipeg Free Press / Stats Canada

Market Overview

The Winnipeg downtown market is undergoing a dramatic transformation that is driving growth in the commercial office market. The number of downtown residents has increased 2.8% per year since 2006, which translates to 16,800 people. The average age has been declining, and the largest segment is made up of people between the ages of 25 and 29 with a higher percentage being women. In addition, 51.4% of the downtown population have a Bachelor's degree from a university, supporting the notion that young and educated working professionals are seeking the 'live, work, play' lifestyle in Winnipeg's core.

Coincidentally, the demand for downtown office space has increased. This was reflected in an overall positive net absorption of 24,405 square feet (sf) and vacancy rate decline from 7.0% to 6.8% in Q3 2017 across all building classes. In spite of the higher demand, asking net rents have remained stable in comparison to the previous quarter, with a relatively small increase of 2% on a year-over-year basis. Class A buildings continue to ask \$20.00 per square foot (psf), which include market inducements in the form of leasehold improvement allowances. The asking rates for Class B buildings are in the mid-teens and rates for Class C buildings are in the low double digits.

The Suburban market was extremely quiet in Q3 2017 as there was only 6,500 sf of positive absorption, and the average asking rent of \$13.15 psf was unchanged from last quarter.

Outlook

A decline in the vacancy rates in the Central Business District is expected to continue for the next 3 quarters until 365,000 sf of new Class A office space at True North Square is added to the market. During this time period net rental rates should remain at current levels but, they are expected to increase substantially shortly thereafter. The introduction of \$30.00+ psf rates at True North Square will initially drive up rates in Class A buildings and eventually have a trickledown effect in the lower building classes.

MARKETBEAT

Winnipeg, MB

Office Q3 2017


 CELEBRATING
100
 YEARS

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	50,984	98,066	5.1%	-15,166	-22,770	360,000	\$19.95	\$37.50
Class B CBD	27	3,587,840	0	292,875	8.2%	2,314	24,545	0	\$14.02	\$28.13
Class C CBD	65	3,827,716	3,708	304,705	8.1%	30,757	57,125	0	\$11.52	\$20.77
CBD Totals	101	10,335,096	54,692	695,646	7.3%	17,905	58,900	360,000	\$13.62	\$25.77
Class A Suburban	5	202,385	0	8,423	4.2%	6,500	8,575	32,000	\$21.24	\$30.65
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	14,812	113,852	8.4%	0	16,364	0	\$11.34	\$21.36
Suburban Totals	73	3,144,910	19,396	150,066	5.4%	6,500	25,211	0	\$13.15	\$22.63
WINNIPEG TOTALS	174	13,480,006	74,088	845,712	6.8%	24,405	84,111	392,000	\$13.52	\$25.13

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	50,984	106,489	5.0%	-8,666	-14,195	392,000	\$20.25	\$35.91
Class B	61	4,994,908	4,584	320,666	6.5%	2,314	24,817	0	\$13.79	\$27.18
Class C	100	5,363,173	18,520	418,557	8.1%	30,757	73,489	0	\$11.48	\$20.92

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
287 Broadway	17,166	n/a	Head Lease	CBD
175 Carlton	17,435	n/a	Head Lease	CBD

Key Sales Transactions Q3 2017

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

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