

## WINNIPEG OFFICE

### Economic Indicators

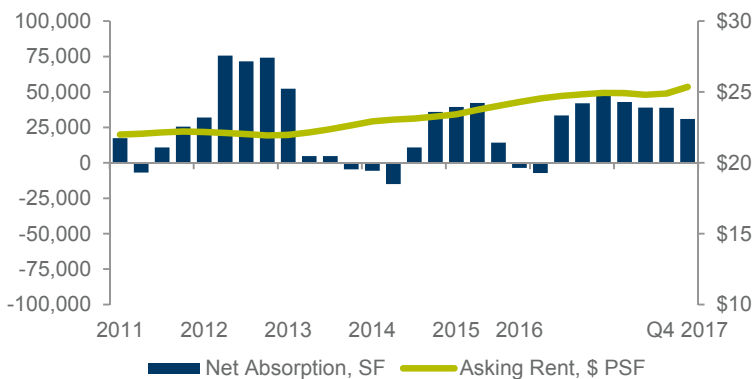
	Q4 16	Q4 17	12-Month Forecast
Winnipeg Employment	426K	434K	▲
Winnipeg Unemployment	6.1%	5.0%	▼
Canada Unemployment	6.9%	5.7%	■

### Market Indicators (Overall, All Classes)

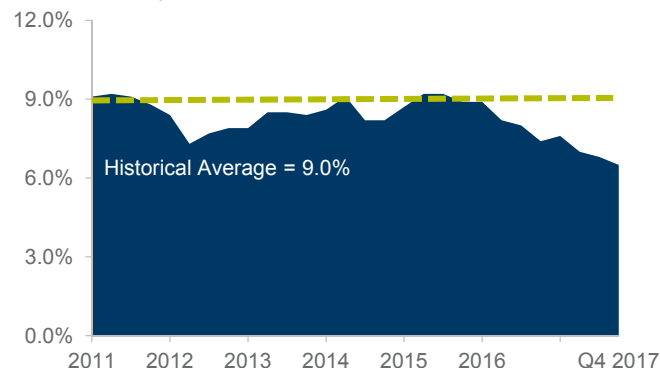
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy Rate	7.4%	6.5%	▼
Net Absorption (sf)	71,437	39,715	▼
Average Asking Rent*	\$24.89	\$26.74	▲

\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Canadian unemployment rate dropped from 6.2% in the third quarter to 5.7% in the fourth quarter. Manitoba's unemployment rate dropped to 4.9%.

Source: Statistics Canada

## Market Overview

The Winnipeg office market in 2017 was slightly more subdued compared to 2016 as there was total positive absorption of 123,826 square feet (sf) in 2017 in comparison to 166,616 sf in 2016. The Central Business District (CBD) accounted for approximately 75% of 2017's absorption total. The overall vacancy rate remained stable at 6.5% in the fourth quarter, with Suburban market vacancy at 5.2% which is 170 basis points lower than the CBD vacancy rate. These market conditions are consistent with 2016 as the lack of new supply in the Suburban market is keeping vacancy low.

The average overall 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 were \$0.78 per square foot (psf) higher in 2017 compared to 2016 with Class A buildings in the CBD generating the largest increase.

## Outlook

Some large tenants who are currently occupying space in Class A and B buildings have become active in the market on account of their leases expiring within the next 24 months. As a result, landlords in the CBD are aggressively competing for these tenants with attractive rental rates and large inducements to mitigate the high construction costs. If these tenants choose to relocate, it will create large contiguous blocks of vacant space that hasn't existed for a number of years thereby creating relocation opportunities for other tenants. This activity in the Class A market will trickle down to the Class B market as tenants are enticed to move into higher quality buildings.

## MARKETBEAT

## Winnipeg, MB

Office Q4 2017



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	37,392	192,047	7.9%	-80,389	-103,159	360,000	\$19.93	\$37.57
Class B CBD	27	3,587,840	1,050	246,112	6.9%	45,713	70,258	0	\$14.56	\$28.57
Class C CBD	65	3,827,716	3,708	235,178	6.2%	69,527	126,652	0	\$11.67	\$21.03
<b>CBD Totals</b>	<b>101</b>	<b>10,335,096</b>	<b>42,150</b>	<b>673,337</b>	<b>6.9%</b>	<b>34,851</b>	<b>93,751</b>	<b>360,000</b>	<b>\$14.79</b>	<b>\$27.75</b>
Class A Suburban	5	202,385	0	8,423	4.2%	0	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	3,311	120,489	8.1%	4,864	21,228	0	\$11.33	\$21.81
<b>Suburban Totals</b>	<b>73</b>	<b>3,144,910</b>	<b>7,895</b>	<b>156,703</b>	<b>5.2%</b>	<b>4,864</b>	<b>30,075</b>	<b>32,000</b>	<b>\$13.08</b>	<b>\$22.89</b>
<b>WINNIPEG TOTALS</b>	<b>174</b>	<b>13,480,006</b>	<b>50,045</b>	<b>830,040</b>	<b>6.5%</b>	<b>39,715</b>	<b>123,826</b>	<b>392,000</b>	<b>\$14.43</b>	<b>\$26.74</b>

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	37,392	200,470	7.6%	-80,389	-94,584	392,000	\$20.11	\$36.64
Class B	61	4,994,908	5,634	273,903	5.6%	45,713	70,530	0	\$14.21	\$27.35
Class C	100	5,363,173	7,019	355,667	6.8%	74,391	147,880	0	\$11.57	\$21.25

## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
333 Main Street	7,700	Wawanesa Insurance	Sublease	CBD
161 Portage Avenue	9,000	KORE Wireless	New Lease	CBD
260 St. Mary	23,513	Law Society of Manitoba	New Lease	CBD

## Key Sales Transactions Q4 2017

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

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