



WINNIPEG OFFICE

Economic Indicators

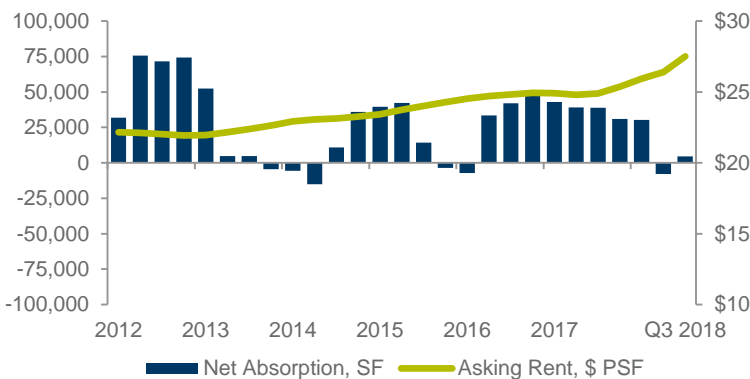
	Q3 17	Q3 18	12-Month Forecast
Winnipeg Employment	425K	440K	▲
Winnipeg Unemployment	5.0%	6.5%	▼
Canada Unemployment	6.2%	6.0%	■

Market Indicators (Overall, All Classes)

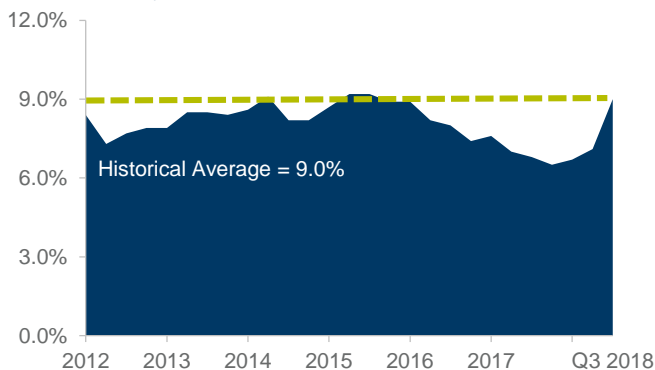
	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy Rate	6.8%	9.0%	▲
Net Absorption (sf)	24,405	74,284	▲
Average Asking Rent*	\$25.13	\$29.58	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate rose to 6.0% in the third quarter of 2018 as the economy lost 51,600 jobs in August 2018. Winnipeg's unemployment rate rose to 6.5% in Q3 2018. (Statistics Canada)

Market Overview

The overall city office vacancy rate climbed to 9.0% in the third quarter of 2018; the result of a significant increase in vacancy in the Class A Central Business District (CBD) market. This rise in vacancy was primarily driven by the addition of 365,000 square feet (sf) to the office inventory as True North Square (242 Hargrave Street) was completed. Upon completion, True North Square had 164,850 sf of vacant space and was 55% preleased. An additional factor that impacted the CBD vacancy rate this quarter was full-floor blocks of space becoming available at 310 Broadway which totalled 28,637 sf, and 180 Main Street which totalled 39,874 sf. The Class C CBD vacancy rate rose from 8.7% in the second quarter of 2018 to 9.7% this quarter as this market class segment continues to grapple with both aging inventory stock and low demand.

The average net rental rate in the CBD increased to \$17.58 per square foot (psf) in the third quarter of 2018 from \$14.56 psf last quarter. This uptick in rents was driven by the Class A CBD market where the average net rental rate rose 30% quarter-over-quarter to \$25.88 psf; a direct result of True North Square's average net rental asking rate of \$32.00 psf driving up the overall rate. Average net rental rates in the Suburban market are expected to rise gradually over the coming year as overall vacancy is projected to remain steady at around 6%. The much anticipated public plaza at True North Square officially opened on September 27th, 2018. The next tenant scheduled to take occupancy in the building is Scotiabank; slated for the first quarter of 2019. MNP LLP (formerly Meyers Norris Penny) will occupy two and a half floors of space, approximately 53,000 sf, beginning in the third quarter of 2019. In the coming months, True North Real Estate Development will break ground on the Sutton Place Hotel, an 18-storey, 288 room hotel and Sutton Residences, a 13-storey, 130-unit residential tower. The two towers are scheduled to be completed in 2021.

Outlook

The overall office vacancy rate in the CBD is projected to remain high in the short term, but is expected to gradually decline in late 2019 as vacant space at True North Square and 201 Portage is absorbed back into the market. It is anticipated that landlords in the CBD will be aggressive as they pursue several large tenants who have been soliciting leasing proposals.

MARKETBEAT

Winnipeg, MB

Office Q3 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	10	3,284,540	18,325	334,067	10.7%	132,254	242,047	0	\$25.88	\$43.72
Class B CBD	27	3,587,840	3,804	322,344	9.1%	-16,093	-78,986	0	\$15.48	\$29.62
Class C CBD	61	3,667,669	8,689	347,447	9.7%	-38,979	-151,284	0	\$11.17	\$21.10
CBD Totals	98	10,540,049	30,818	1,003,858	9.8%	77,182	11,777	0	\$17.58	\$30.85
Class A Suburban	4	202,385	6,550	8,923	7.6%	0	-7,050	32,000	\$21.24	\$31.01
Class B Suburban	34	1,407,068	5,941	60,939	4.8%	-11,730	-34,505	0	\$14.91	\$23.72
Class C Suburban	35	1,535,457	3,311	112,055	7.5%	8,832	8,434	0	\$11.52	\$22.06
Suburban Totals	73	3,144,910	15,802	181,917	6.3%	-2,898	-33,121	32,000	\$13.97	\$23.84
WINNIPEG TOTALS	171	13,684,959	46,620	1,185,775	9.0%	74,284	-21,344	32,000	\$16.96	\$29.58

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Class A	14	3,486,925	24,875	342,990	10.5%	132,254	234,997	32,000	\$25.50	\$42.13
Class B	61	4,994,908	9,745	383,263	7.9%	-27,823	-113,491	0	\$15.39	\$28.68
Class C	96	5,203,126	12,000	459,502	9.1%	-30,147	-142,850	0	\$11.26	\$21.34

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
400 St. Mary Avenue	22,000	PWGSC	Headlease	CBD
201 Portage Avenue	16,244	Wellington-Altus Private Wealth	Headlease	CBD
259 Portage Avenue	8,678	InterGroup Consultants Ltd.	Headlease	CBD

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
582 King Edward Street	32,681	0235113 Manitoba Ltd./ Ross Group Developments Inc.	\$5,400,000 / \$165	Suburban
1907 Portage Avenue	5,053	Century Properties Inc./ 5226236 Manitoba Ltd.	\$1,260,000/ \$249	Suburban

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