

WINNIPEG OFFICE

Economic Indicators

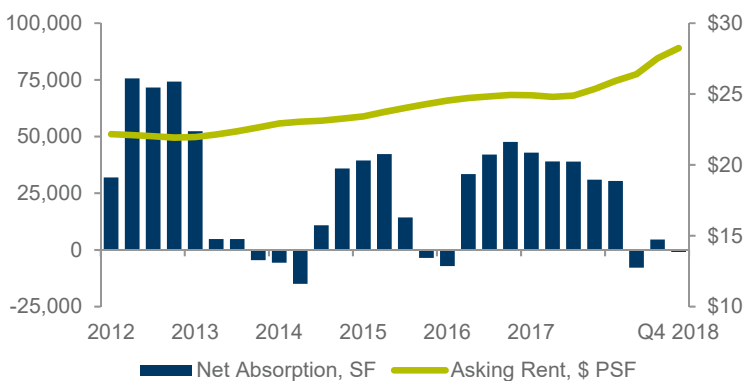
	Q4 17	Q4 18	12-Month Forecast
Winnipeg Employment	434K	442K	▲
Winnipeg Unemployment	5.0%	5.9%	▼
Canada Unemployment	5.7%	5.6%	■

Market Indicators (Overall, All Classes)

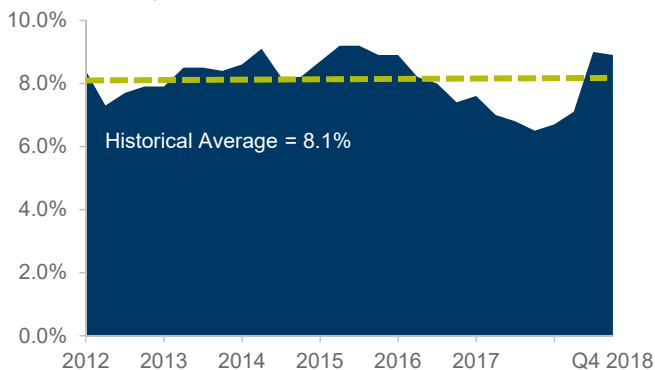
	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy Rate	6.5%	8.9%	▲
Net Absorption (sf)	39,715	17,461	▲
Average Asking Rent*	\$26.74	\$29.62	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian unemployment rate fell to 5.6% in the fourth quarter of 2018, its lowest level in 40 years. Winnipeg's unemployment rate fell to 5.9% during this period, slightly higher than the national average. (Statistics Canada)

Market Overview

The overall Winnipeg office vacancy rate fell marginally to 8.9% in the fourth quarter of 2018 from 9.0% last quarter; largely the result of the overall Suburban vacancy rate declining to 5.0% this quarter from last quarter's 6.3%.

The overall Suburban office vacancy rate is projected to hover around 5% for the foreseeable future as demand will continue to outweigh supply. The Suburban office market continues to be attractive to tenants across the city because of its newer buildings, better parking options and proximity to large retail power centres. A new 57,000-square foot (sf) office building is nearing completion at 990 Lorimer Boulevard at Sterling Lyon Business Park. This property will offer Class A office space with underground parking. The building is already 45% pre-leased with 32,000 sf remaining to be leased.

In the Suburban market it is anticipated that new construction and the potential conversion of retail space to office space at Polo Park will push Suburban average asking net rental rates upwards.

The overall weighted average net rental rate in the Central Business District (CBD) decreased slightly to \$17.49 per square foot (psf) in the fourth quarter of 2018 from \$17.58 psf last quarter, primarily driven by an increase in vacancy in the Class C CBD market.

The fourth quarter of 2018 caps off one of the busiest years on record in the CBD market with no fewer than six companies leasing 17,000 sf or more. The latest lease announcements came from grain handler G3 who will move to 200 Portage Avenue and occupy approximately 18,000 sf, and human resources company Ceridian who will occupy the third floor of 28,000 sf at True North Square located at 242 Hargrave Street. Both moves will occur in the third quarter of 2019.

Outlook

The CBD leasing market will continue to be very active moving into 2019. Next year will likely be characterized as an "opportunity market". Tenants will step up to seize attractive leasing options created in the wake of True North Square, while landlords will scramble to secure quality tenants.

Deal economics will not side heavily with landlords or tenants. NERs will be lower and tenant capital requirements will be higher.

MARKETBEAT

Winnipeg, MB

Office Q4 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	327,128	10.5%	6,939	248,986	0	\$25.97	\$43.85
Class B CBD	27	3,587,840	3,804	320,850	9.0%	1,494	-77,492	0	\$15.53	\$29.45
Class C CBD	61	3,667,669	8,689	380,061	10.6%	-32,614	-183,898	0	\$11.24	\$21.23
CBD Totals	98	10,540,049	30,818	1,028,039	10.0%	-24,181	-12,404	0	\$17.49	\$30.60
Class A Suburban	4	202,385	6,550	8,923	7.6%	0	-7,050	89,000	\$21.24	\$31.01
Class B Suburban	34	1,407,068	5,941	46,670	3.7%	14,269	-20,236	0	\$15.92	\$25.29
Class C Suburban	35	1,535,457	3,311	84,682	5.7%	27,373	35,807	0	\$11.71	\$21.32
Suburban Totals	73	3,144,910	15,802	140,275	5.0%	41,642	8,521	89,000	\$14.69	\$24.26
WINNIPEG TOTALS	171	13,684,959	46,620	1,168,314	8.9%	17,461	-3,883	89,000	\$17.10	\$29.62

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Class A	14	3,486,925	24,875	336,051	10.4%	6,939	241,936	89,000	\$25.58	\$42.20
Class B	61	4,994,908	9,745	367,520	7.6%	15,763	-97,728	0	\$15.58	\$28.92
Class C	96	5,203,126	12,000	464,743	9.2%	-5,241	-148,091	0	\$11.33	\$21.25

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
180 Main Street	39,874	Robertson College	Headlease	CBD
201 Portage Avenue	32,564	BDO Dunwoody	Headlease	CBD
True North Square	28,007	Ceridian	Headlease	CBD
200 Portage Avenue	17,500	G3 Canada Limited	Headlease	CBD
355 Portage Avenue	15,285	Skybridge Americas	Headlease	CBD
286 Smith Street	6,667	First Nations Family Advocate Office	Headlease	CBD

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
311 Portage Avenue (Centrepoint) and 329 Hargrave Street (Parkade)	270,712	Artis REIT and Longboat Development Corp. / Industrial Alliance	\$54,370,000 / \$201	Downtown
452 Dovercourt Drive	18,928	Private	\$4,000,000 / \$211	Suburban

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