

WINNIPEG OFFICE

Economic Indicators

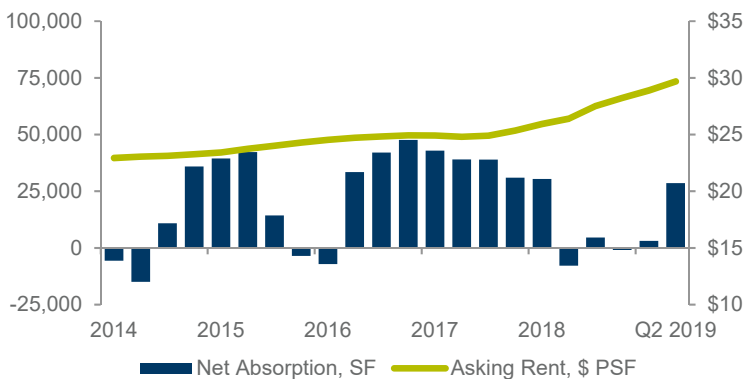
| | Q2 18 | Q2 19 | 12-Month Forecast |
|-----------------------|-------|-------|-------------------|
| Winnipeg Employment | 435K | 447K | ▲ |
| Winnipeg Unemployment | 5.9% | 5.1% | ▼ |
| Canada Unemployment | 5.9% | 5.4% | ■ |

Market Indicators (Overall, All Classes)

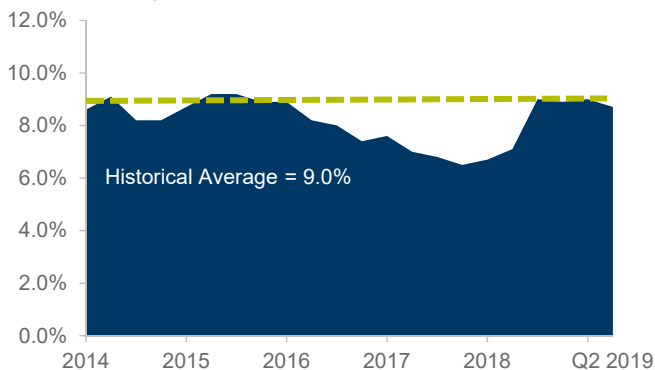
| | Q2 18 | Q2 19 | 12-Month Forecast |
|----------------------|---------|---------|-------------------|
| Overall Vacancy Rate | 7.1% | 8.7% | ▲ |
| Net Absorption (sf) | -68,739 | 33,114 | ▲ |
| Average Asking Rent* | \$26.57 | \$29.72 | ▲ |

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian employment rate sat at 5.4% in May 2019, a 50 - basis point decline year-over-year. Winnipeg's unemployment rate dropped to 5.1% during this same period, lower than the national average. (Statistics Canada)

Market Overview

The historically high vacancy that was experienced in the last half of 2018 continued into the first half of 2019. However, there were some signs of slight improvement in the second quarter of 2019 as the overall vacancy rate declined from 9.0% in the first quarter of 2019 to currently sit at 8.7%. Although the Central Business District (CBD) is currently the driver of overall vacancy, the vacancy rate also declined in this market in the second quarter of 2019, by 20 basis points (bps) from last quarter, and currently sits at 10.1%. Despite these high vacancy rates in the CBD, the asking net rent has been surprisingly stable, however, the final negotiated rates are considerably lower than asking. In addition to base building upgrades being undertaken by landlords, tenants are continuing to realize significant tenant inducements in the form of large leasehold improvement allowances and free rent.

Office buildings located in the Suburban market saw a moderate decline in the vacancy rate, from 4.4% in the first quarter of 2019 to 4.1% in the second quarter. Asking rental rates have remained virtually unchanged, ranging from a high of \$21.24 per square foot (psf) in Class A buildings to a low of \$11.58 psf in Class C buildings.

Outlook

The office market continues to struggle with absorbing the additional True North Square office space as evidenced by the overall vacancy rate of 10.2% in Class A buildings. This situation is likely to persist for a number of years with the announcement on June 13th, 2019 that Wawanesa Insurance will be consolidating 1,100 employees from 6 office buildings into a new 300,000-square foot office tower at 228 Carlton Street. This single-tenant building is being developed by True North Real Estate Development as the final piece in their project to create a new live, work and play complex in downtown Winnipeg.

The building's scheduled completion for 2023 will allow time for landlords to develop strategies to address the upcoming vacancy in their respective buildings and create opportunities for tenants whose leases are expiring within the next 5 years.

MARKETBEAT

Winnipeg, MB

Office Q2 2019



| 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 | 316,375 | 10.2% | 10,753 | 10,753 | 89,000 | \$26.08 | \$43.96 |
| Class B CBD | 27 | 3,587,840 | 19,309 | 352,498 | 10.4% | -4,709 | -47,153 | 0 | \$15.16 | \$29.30 |
| Class C CBD | 61 | 3,667,669 | 7,892 | 349,804 | 9.8% | 18,263 | 31,054 | 0 | \$11.18 | \$21.22 |
| CBD Totals | 98 | 10,540,049 | 45,526 | 1,018,677 | 10.1% | 24,307 | -5,346 | 89,000 | \$17.38 | \$30.65 |
| Class A Suburban | 4 | 202,385 | 0 | 6,550 | 3.2% | 2,373 | 8,923 | 0 | \$21.24 | \$30.99 |
| Class B Suburban | 34 | 1,407,068 | 6,045 | 34,693 | 2.9% | -3,251 | 11,873 | 0 | \$13.57 | \$24.78 |
| Class C Suburban | 35 | 1,535,457 | 2,509 | 78,379 | 5.3% | 9,685 | 7,105 | 0 | \$11.58 | \$20.80 |
| Suburban Totals | 73 | 3,144,910 | 8,554 | 119,622 | 4.1% | 8,807 | 27,901 | 0 | \$14.08 | \$23.89 |
| WINNIPEG TOTALS | 171 | 13,684,959 | 54,080 | 1,138,299 | 8.7% | 33,114 | 22,555 | 89,000 | \$16.96 | \$29.72 |

| 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 | 14 | 3,486,925 | 18,325 | 322,925 | 9.8% | 13,126 | 19,676 | 89,000 | \$25.67 | \$42.21 |
| Class B | 61 | 4,994,908 | 25,354 | 387,191 | 8.3% | -7,960 | -35,280 | 0 | \$15.02 | \$28.89 |
| Class C | 96 | 5,203,126 | 10,401 | 428,183 | 8.4% | 27,948 | 38,159 | 0 | \$11.26 | \$21.14 |

Key Lease Transactions Q2 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|----------------------------------|--------|-----------------|------------------|-----------|
| True North Square - 242 Hargrave | 28,655 | Ceridian | New Lease | CBD |
| 220 Portage Avenue | 45,215 | RBC | Renewal | CBD |
| Kenaston & Sterling Lyon | 27,000 | Investors Group | New Lease | Non-CBD |

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