

WINNIPEG OFFICE

Economic Indicators

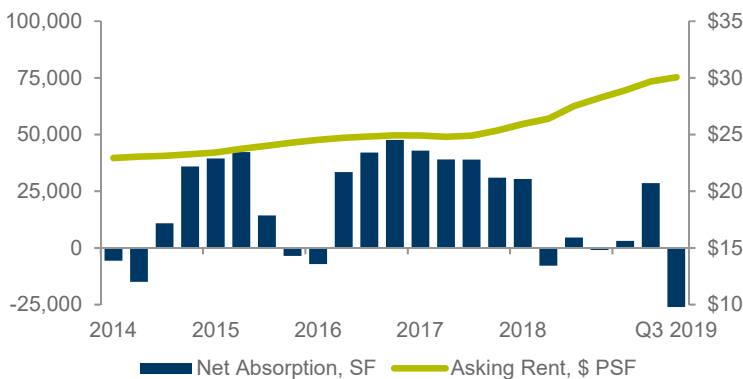
	Q3 18	Q3 19	12-Month Forecast
Winnipeg Employment	440K	443.5K	▲
Winnipeg Unemployment	6.5%	6.8%	▲
Canada Unemployment	6.0%	5.7%	▲

Market Indicators (Overall, All Classes)

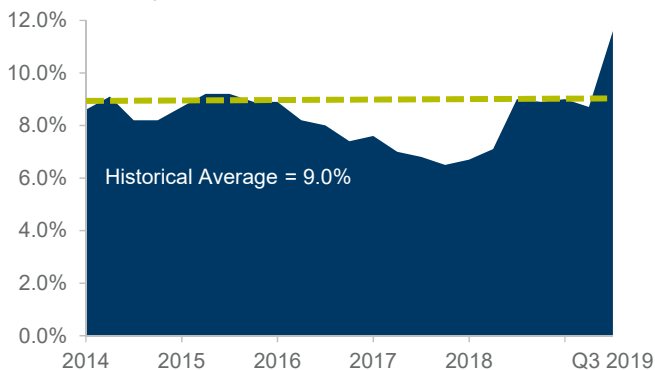
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy Rate	9.0%	11.6%	▲
Net Absorption (sf)	74,284	-357,841	▼
Average Asking Rent*	\$29.58	\$31.07	▲

*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 5.7% in the third quarter of 2019, a 30-basis point decline year-over-year. Winnipeg's unemployment rate rose to 6.8% during this same period.

Market Overview

The historically high vacancy rates experienced in the past 12 months continued in the third quarter of 2019, as the market struggles to absorb the addition of new Class A space in True North Square. An additional 37,200 square feet (sf) of office space was added to the inventory within the lower levels of a new residential apartment tower located at 223 Carlton Street.

Many landlords in the Central Business District (CBD) are aggressively competing to fill current or upcoming vacancy from large tenants such as TDS Law, Scotia Bank, MNP, TD Wealth Management, BMO Nesbitt Burns and KPMG, all of which have either already moved or plan to relocate within the coming months. The impact has cascaded down to Class B buildings where tenants such as Taylor McCaffrey Law and Ceridian have seized the opportunity to upgrade their premises and move into higher quality buildings.

These high vacancy rates have not resulted in lower asking net rents however, the final negotiated terms, including significant tenant inducements, reflect a very competitive market that would still be categorized as tenant-friendly.

The Suburban market was virtually unchanged from last quarter with an overall vacancy rate of 3.7% and asking net rents of \$14.15 per square foot. When new space comes to the market in the fourth quarter, or if tenants decide to relocate a portion of their operations to the CBD, these values will likely be adjusted.

Outlook

As reported earlier this year, the construction of a new 300,000-square foot building adjacent to True North Square, which will house 1,100 employees of Wawanesa Insurance, will be completed in 2023. This building will impact the CBD market for some time as the current landlords of the 6 buildings that currently contain this workforce will need to fill the upcoming vacancy.

It was announced in August 2019 that the Bank of Montreal (BMO) will be consolidating operations in 201 Portage Avenue. BMO has owned and occupied an iconic building at the corner of Portage & Main since its original construction in 1913. Its re-development is an open question at this point and will be the subject of much debate. The consolidation will also include its Nesbitt Burns operation at 360 Main Street and a retail branch at 330 Portage Avenue.

MARKETBEAT

Winnipeg, MB

Office Q3 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	11	3,321,740	91,066	415,033	15.2%	-134,199	-123,446	89,000	\$25.69	\$43.96
Class B CBD	27	3,587,840	21,725	488,809	14.2%	-138,727	-185,880	0	\$15.43	\$29.30
Class C CBD	61	3,681,513	0	464,183	12.6%	-96,062	-65,008	0	\$12.30	\$21.22
CBD Totals	98	10,591,093	112,791	1,368,025	14.0%	-368,988	-374,334	89,000	\$17.98	\$30.65
Class A Suburban	4	202,385	0	6,550	3.2%	0	8,923	0	\$21.24	\$30.99
Class B Suburban	34	1,407,068	6,045	27,876	2.4%	6,817	18,690	0	\$13.59	\$24.78
Class C Suburban	35	1,535,457	759	75,799	5.0%	4,330	11,435	0	\$11.57	\$20.80
Suburban Totals	73	3,144,910	6,804	110,225	3.7%	11,147	39,048	0	\$14.15	\$23.89
WINNIPEG TOTALS	171	13,736,003	119,595	1,478,250	11.6%	-357,841	-335,286	89,000	\$17.61	\$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	15	3,524,125	91,066	421,583	14.5%	-134,199	-114,523	89,000	\$25.39	\$42.33
Class B	61	4,994,908	27,770	516,685	10.9%	-131,910	-167,190	0	\$15.33	\$29.67
Class C	96	5,203,126	759	539,982	10.4%	-91,732	-53,573	0	\$12.17	\$22.53

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
330 Portage Avenue	15,800	Public Works & Government Services Canada	New Lease	CBD
99 Commerce Drive	45,000	AECOM	Renewal	Non-CBD
1 Lombard	14,000	Marsh Canada	New Lease	CBD
360 Main Street	19,200	KPMB	New Lease	CBD

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