

Winnipeg, MB

Office Q2 2023



YoY Chg 12-Mo. Forecast

12.8%
Vacancy Rate



-68K
Net Absorption, SF



\$28.67
Asking Gross Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

470.2K
Winnipeg Employment



4.9%
Winnipeg Unemployment Rate



5.4%
Canadian Unemployment Rate



Source: Statistics Canada

ECONOMY

Winnipeg's employment has seen year-over-year (YOY) growth of 2.25% since May 2022. Winnipeg's labour market remains strong with the province's unemployment rate sitting at 4.9%, below the national unemployment rate of 5.4%.

With the Bank of Canada's recent interest rate increase of 0.25%, it is no surprise that borrowing rates continue to be a significant topic of discussion. This rate increase represents the tenth increase since January 2022, with many speculating there will be at least one more increase in 2023 – likely coming in the next announcement in mid-July. As for borrowing costs, 5-year borrowing rates sit in the low-to-mid 6% range for industrial, office and retail sectors. Groups will continue to monitor these rate changes closely as they plan for the future.

SUPPLY & DEMAND

There was little change to Winnipeg's office market vacancy rate in the second quarter of 2023, currently sitting at 12.8%. While other western provinces have seen an influx in recent activity - Calgary's tech-boom, for example - it is likely Winnipeg will have a slower summer season, as is typical with Winnipeg's market. Landlords and tenants stay hopeful for return-to-office leading into the fall.

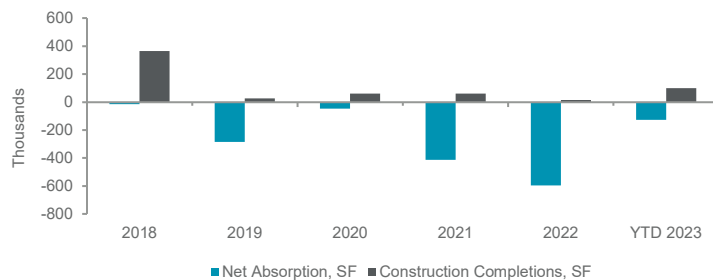
Winnipeg has seen negative absorption of 126,200 square feet (sf) through two quarters, with 67,993 sf posted in the second quarter of 2023. Returned space at 200 Graham Avenue represented approximately 40,000 sf of this negative absorption as Wawanesa Insurance prepares for their move to True North Square. Other contributing factors include leases coming up for renewal and tenants exploring a multitude of opportunities in Winnipeg's tenant-friendly office market, rather than solidifying a renewal.

PRICING

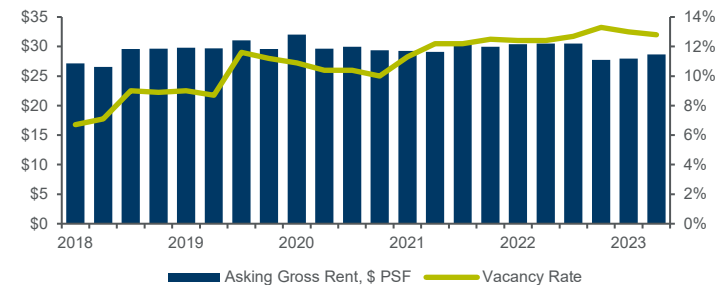
Average asking net rents were largely unchanged through the second quarter of 2023. Winnipeg's Central Business District had an average asking net rent of \$16.02 per square foot (psf), while the suburban market posted an overall average of \$16.17 psf.

Landlords have been aggressive in structuring renewals and enticing tenants to stay, as Winnipeg's office market is often a shifting of tenants rather than new entrants. Improvement allowances and other landlord concessions are important in Winnipeg's tenant-friendly market, and landlords experiencing vacancy issues will need to get creative to stay top-of-mind.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



SUBMARKET	INVENTORY	SUBLET VACANCY (SF)	DIRECT VACANCY (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	AVERAGE NET ASKING RENT	AVERAGE GROSS RENTAL RATE
Class A CBD	3,237,672	28,626	347,832	11.6%	-25,318	-20,838	\$19.56	\$38.11
Class B CBD	4,021,435	2,453	667,762	16.7%	9,785	13,017	\$16.16	\$30.83
Class C CBD	5,713,136	33,548	687,466	12.6%	-22,529	-25,775	\$13.25	\$24.96
CBD Totals	12,972,243	64,627	1,703,060	13.6%	-38,062	-33,596	\$16.02	\$30.72
Class A Suburban	1,358,946	10,549	271,511	20.8%	-30,929	-30,929	\$23.04	\$33.23
Class B Suburban	4,923,255	46,312	337,642	7.8%	-21,991	-58,574	\$15.91	\$24.15
Class C Suburban	3,046,917	12,366	412,689	14.0%	22,989	-3,101	\$12.93	\$22.26
Suburban Totals	9,329,118	69,227	1,021,842	11.7%	-29,931	-92,604	\$16.17	\$25.46
WINNIPEG TOTALS	22,301,361	133,854	2,724,902	12.8%	-67,993	-126,200	\$16.08	\$28.67

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SF (+/-)	TYPE
1146 Waverley Street	Non-CBD	12,684	Lease
34 Higgins Avenue	Non-CBD	12,200	Lease
1981 Portage Avenue	Non-CBD	10,351	Lease
301-501 Weston Street	Non-CBD	8,007	Lease
3-412 Marion Street	Non-CBD	3,506	Lease

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SF	PURCHASER TYPE
36 Scurfield Boulevard	CBD	9,720	Investor
3365 Portage Avenue	Non-CBD	5,081	Investor
483 Bannatyne Avenue	CBD	1,734	Investor

KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CLASS	SF	OWNER/DEVELOPER
Wawanesa Tower	CBD	A	336,000	True North Development
567 St Anne's Road	Non-CBD	A	9,560	Avison Young

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