

Winnipeg, MB

Office Q3 2023



YoY Chg 12-Mo. Forecast

12.0%
Vacancy Rate



-103K
Net Absorption, SF



\$28.14
Asking Gross Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

472.9K
Winnipeg Employment



5.2%
Winnipeg Unemployment Rate



5.5%
Canadian Unemployment Rate



Source: Statistics Canada

ECONOMY

Winnipeg's employment has seen year-over-year (YOY) growth of 1.6% since August 2022, adding +/- 7,000 jobs. Winnipeg's labour market remains strong with the province's unemployment rate sitting at 5.0%, slightly below the national unemployment rate of 5.5%. Interest rates continue to be a large topic of conversation. September 2023 saw a hold in the rate remaining at 5.0%. All eyes are on the fourth quarter of 2023 as two interest rate announcements remain for 2023 on October 25th and December 6th. The 5-year borrowing rate has increased and now sit in and around 7%. Higher interest rates have slowed transaction volume across all asset classes.

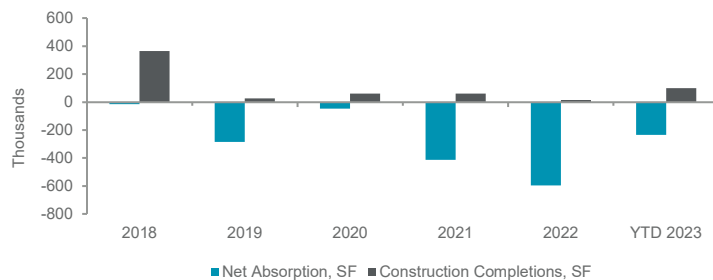
SUPPLY & DEMAND

Winnipeg's office market vacancy sits at 12.0% for the third quarter of 2023 and is notably a tenant's market. There has been a shift in conversation from WFH (Work From Home) to RTO (Return To Office), as landlord's try to understand the hybrid work models. Although this has been a conversation throughout 2023, "hybrid" remains a buzzword in the office market. Tenants are right-sizing as many downsize and adapt to a new model. Winnipeg's office market has not seen large deals in some time. Notably, in the Suburban market, 7,498 square feet (sf) was leased to an office group utilizing and industrial-flex asset, and a 17,500-sf sublease transacted on Empress Street in the Polo Park Shopping Centre node. Smaller office transactions are being completed; however, units continue to come back to market as groups downsize or give up units entirely upon renewal.

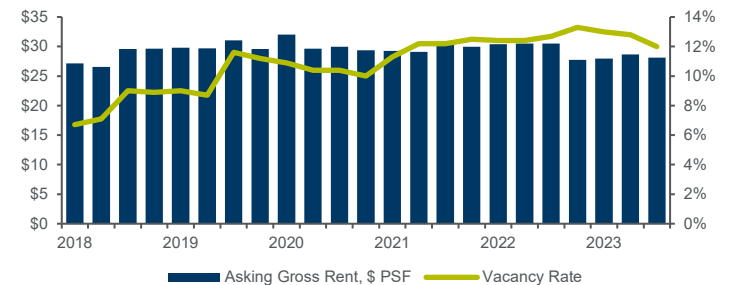
PRICING

Average asking net rents were largely unchanged through the third quarter of 2023. Winnipeg's CBD saw a slight reduction in net rents with an average asking net rent of \$15.88 per square foot (psf), while the Suburban market stayed flat quarter-over-quarter (QOQ) with a net rent of \$16.22 psf. As the office market continues to struggle the rents have remained relatively unchanged throughout 2023. Despite the lack of activity, it is not expected the market will see any major rent reductions overall. As tenant's look to sublease space due to restructuring, the market may experience a drop in sublease rates, as tenant's look to recover partial rents, saving from a total rent loss until their term ends.

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	37,764	312,436	10.8%	-9,138	-29,976	\$19.69	\$38.36
Class B CBD	4,021,435	2,453	481,728	12.0%	-10,866	2,151	\$15.48	\$28.72
Class C CBD	5,713,136	70,242	649,208	12.6%	-53,107	-78,882	\$13.69	\$25.48
CBD Totals	12,972,243	110,459	1,443,372	11.9%	-73,111	-106,707	\$15.88	\$30.06
Class A Suburban	1,361,073	2,600	265,992	19.7%	540	-30,389	\$23.17	\$33.54
Class B Suburban	4,455,655	28,812	350,725	8.5%	-33,129	-86,506	\$15.83	\$24.22
Class C Suburban	2,980,924	12,366	402,025	13.9%	2,150	-10,943	\$13.00	\$22.64
Suburban Totals	8,797,652	43,778	1,018,742	12.1%	-30,439	-127,838	\$16.22	\$25.70
WINNIPEG TOTALS	21,769,895	154,237	2,462,114	12.0%	-103,550	-234,545	\$16.02	\$28.14

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SF (+/-)	TYPE
276 Portage Avenue	CBD	9,260	Lease
1170-1172 St. James Street	Non-CBD	8,550	Lease
262 McPhillips Street	Non-CBD	5,358	Lease
1420-155 Carlton	CBD	3,578	Lease
166 Meadowood Dr	Non-CBD	2,750	Lease

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SF	PURCHASER TYPE
117 Victor Lewis Drive	Non-CBD	9,800	Investor
1111 Portage Avenue	Non-CBD	10,107	Investor
1863 Portage Avenue	Non-CBD	4,480	Investor

KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	CLASS	SF	OWNER/DEVELOPER
Wawanesa Tower	CBD	A	336,000	True North Development
Red River Business Park	Non-CBD	A	100,000	ICI Properties
567 St Anne's Road	Non-CBD	A	9,560	Avison Young

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