

CB RICHARD ELLIS

2009
Market Outlook
WINNIPEG



OUR MISSION STATEMENT

- :: Put the client first – always.
- :: Tailor our services to the client's needs.
- :: Think innovatively, but act practically.
- :: Help the client make the most informed business decisions.
- :: Deliver results.



WINNIPEG

Overview

The Winnipeg economy performed well in 2008. Provincial retail sales increased 9.2%, well above the 4.5% national average. Housing starts and the volume of building permits were healthy and are predicted to continue at current levels.

Office

Demand remained high in both the downtown and suburban areas. After finishing 2007 with vacancy at 9.2%, downtown vacancy rates fell to 5.6% in 2008. With little new supply expected in 2009, vacancy should remain low in the downtown market.

Asking net rental rents increased in 2008, in response to demand. These rates will continue to rise at the beginning of 2009 before they plateau in the latter half of the year. The downtown Class B office buildings saw the most activity in 2008 with several large leases, including Great West Life taking 60,000 SF at 444 St. Mary Avenue and Manitoba Public Insurance leasing 40,000 SF at Cityplace.

Industrial

As a result of a strong local economy, demand for industrial space remained high in 2008. The heavy industrial, construction and logistic sectors drove the activity, along with warehousing and mixed manufacturing users.

Vacancy rates fell to a low of 3.9% in the second quarter of 2008 before rising to 4.1% in the second half of the year. As a result of the high demand and limited new supply, average net rental rates rose to \$5.60 psf in 2008, up from \$5.21 at the end of 2007.

Retail

The retail sector was strong in 2008, particularly in the southwest, which saw a great deal of activity as Kenaston Common and Linden Ridge Shopping Centre continued to attract new tenants. Vacancy rates remain low, averaging 3.0% in 2008. The main challenge in retail leasing has been, and continues to be, the cost of new construction, which has averaged a 1.0% inflation rate per month. Rental rates have increased accordingly to reflect these rising costs. Projects under construction include the 117,000 SF Southglen Shopping Centre, 450,000 SF at Kenaston Common and 400,000 SF at Linden Ridge Shopping Centre.

Investment

Investor interest in the Winnipeg market remained steady in 2008 and market fundamentals are expected to remain stable in 2009. Although the debt and equity markets have recently experienced challenges, quality offerings attracted significant investor interest. Capitalization rates have risen slightly but remain relatively stable for quality product. These rates will likely rise in 2009 as the ability to finance transactions becomes more difficult.

Market Overview		
	2008*	2009**
Office		
Inventory (SF in millions)	9.5	9.5
Overall Vacancy Rate (%)	4.8%	5.2%
Overall % of Vacant Space for Sublet	23.1%	27.1%
Central Vacancy Rate (%)	5.6%	7.3%
Suburban Vacancy Rate (%)	2.4%	2.3%
Central Average Asking Net Rental Rate (psf)	\$13.40	\$13.75
Suburban Average Net Rental Rate (psf)	\$12.13	\$12.25
Total Average Asking Net Rental Rate (psf)	\$13.32	\$13.66
Total Absorption (SF in millions)	0.28	0.03
Total New Supply (SF in millions)	0.00	0.06
Industrial		
Inventory (SF in millions)	75.5	75.6
Availability Rate (%)	4.1%	5.0%
Average Asking Net Rental Rate (psf)	\$5.60	\$5.70
Average Asking Sale Price (psf)	\$56.30	\$57.00
Total Absorption (SF in millions)	0.27	-0.02
Total New Supply (SF in millions)	0.17	0.10

*projected
**forecasted



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GLOSSARY OF TERMS:

net absorption:

the change in occupied square feet from one period to the next.

net effective rent:

net rent minus the value of applicable tenant inducements.

net rent:

the quoted rental rate, not including taxes and operating costs.

net rentable area (nra):

the gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

occupied square feet:

net rentable area not considered vacant.

under construction:

buildings that have begun construction as evidenced by site excavation or foundation work.

vacancy rate:

vacant square feet divided by the net rentable area.

vacant square feet:

available net rentable area that is either physically vacant or immediately available.

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