



# WINNIPEG MANITOBA



**MB MARKET:** Colliers has one office in Manitoba. The Manitoba Retail team leased more than 250,000 square feet of retail space in 2012.

## Year-End Retail Market Report

### CANADIAN MARKET OVERVIEW

The Canadian economy soldiers on despite the ongoing uncertainty surrounding the Euro zone debt crisis and the spectre of the U.S. fiscal cliff. The effect of these destabilizing influences has been to temper Canadian businesses spending on equipment and new hires, with this hesitancy beginning to manifest as softer demand. The coming year looks to be similar in terms of economic performance, with the East versus West divide remaining in place. Western markets have seen solid absorption and rent growth for office and industrial property, while eastern markets experience softer occupier demand and rent conditions. Canadian markets are well positioned for a period of softer demand, with national vacancy rates in the single digits for office, retail, and industrial property. Looking forward the current pipeline of office developments is distributed across several years and is not a cause of great concern during 2013. Retail development has been well balanced with demand and looks to continue on that path, with stable occupancy projected for 2013.

#### MARKET INDICATORS

	2011	2012
VACANCY	◀▶	◀▶
NET ABSORPTION	◀▶	◀▶
NEW SUPPLY	▲	▲
NET RENT	▲	▲



Winnipeg Skyline



Stable economic growth is predicted for the Manitoba economy over the next two years.

### WINNIPEG'S YEAR-END RETAIL HIGHLIGHTS

- ▶ Winnipeg's retail vacancy rate at the end of 2012 was 3.63%.
- ▶ Increased interest in the Winnipeg market by U.S.-based retailers.
- ▶ Slow and steady rise in net rents and additional rents in the Winnipeg market.
- ▶ Canada attractive market for U.S. retailers due to its low square footage per capita of shopping centre space.

## Overview Cont'd.

### WINNIPEG OVERVIEW

Manitoba's economy performed moderately well in 2012, with the province's real GDP expanding by 2.3% according to the Survey of Major Economic Forecasters. This pace of growth is expected to continue in the short-term with an increase of 2.2% forecasted for 2013 and 2.4% in 2014. Much of the growth in 2012 can be attributed to the agricultural sector's strong performance which was propelled by favourable growing conditions throughout the province. In 2013, expect the agricultural sector to continue to perform well, albeit with more tempered growth. As the United States' economy continues its recovery, increasing demand for exports should lead to increased output by Manitoba manufacturers in 2013.

With Manitoba's population growing by over 15,000 people over the last year, the province is seeing a period of sustained and incremental growth that is outpacing the national average. Unemployment in Manitoba currently sits at 5.4% which is well below the national average of 7.3% and third lowest amongst provinces. Looking ahead to 2013, the Winnipeg economy can expect to experience an increase in business investment which should help the city sustain its pace of economic growth over the short- to mid-term.

### VACANCY

The retail market in Winnipeg ended 2012 with 3.63% vacancy, down 0.17% since mid-year. With a tight market available space is at a premium in the Winnipeg CMA. Within the retail sector, the city's Power Centres continue to feature the lowest vacancy rates at 0.40% followed by the Community class inventory at 3.55%. Regional Malls are operating at 3.64% vacancy and the Neighbourhood grade retail inventory features a 4.78% vacancy rate. The sub-market with the highest vacancy through 2012 was Strip Centres which led the retail sector with 7.19% vacancy.

The tight retail market has helped facilitate a steady increase in rental rates. Although climbing, it is not anticipated that rental rates or additional rents will see dramatic increases over the next few years and we can expect measured growth in both of these market indicators.

### COLLIERS RETAIL INDEX

Class	Number of Buildings	Total SF	Vacancy SF	Vacancy Rate
Community	16	1,980,627	70,378	3.55%
Neighbourhood	41	2,546,310	121,619	4.78%
Power Centre	11	3,252,120	12,887	0.40%
Regional Mall	7	3,743,055	136,120	3.64%
Strip Centre	94	2,169,199	155,948	7.19%
<b>Total</b>	<b>169</b>	<b>13,691,311</b>	<b>496,952</b>	<b>3.63%</b>

Vacancy Rate/Class - Winnipeg Market 2012\*

**Source for all economic data:** December 2012 issue of Manitoba Economic Highlights <http://www.gov.mb.ca/finance/pdf/highlights.pdf>

**Source for mall space per capita data:** Colliers International Retail Report Canada - Spring 2012 Edition

**Source for GDP data:** Murray MacNeil: "Losing steam, but near the top," Winnipeg Free Press (18 January 2013)

\*Data provided by Colliers International's Retail Index for the City of Winnipeg.



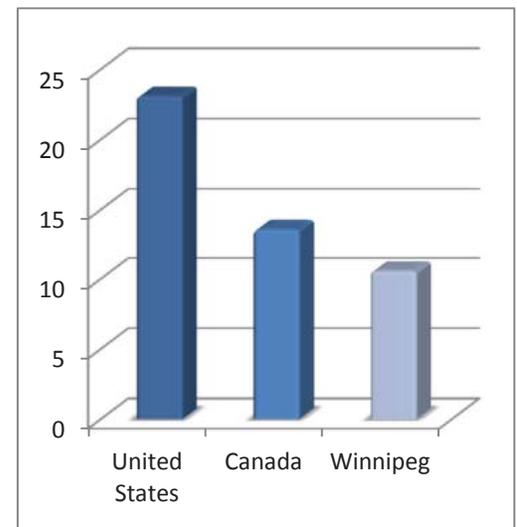
Grand Opening of Ikea at the Seasons of Tuxedo

## NEW DEVELOPMENT

Southwest Winnipeg is seeing a considerable expansion of its retail inventory with the development of new power centres such as the Seasons of Tuxedo which is located on the busy intersection of Kenaston Boulevard and Sterling Lyon Parkway anchored by IKEA's entry into the Winnipeg market. The development has capacity for nearly 1.5 million square feet of retail space on just under 200 acres of land. Cabela's has joined IKEA and is building a 77,000 square foot store on site to serve the growing residential population in the southwest Winnipeg. Although the Seasons of Tuxedo will add significant inventory to Winnipeg's retail market, it will likely have no effect on vacancy rates in the city as most of the tenants are new entrants to the market or are expanding their presence in the city by adding additional outlets. Coinciding with

this retail development is the increased attention that the Winnipeg market is receiving by United States based retailers. Companies such as: Target, Lowe's, Marshalls, Bed Bath & Beyond, Victoria's Secret, Dollar Tree, and Petsmart have all been identified as companies that have entered, or have interest in expanding into the Winnipeg market. In 2013, Target will be the first of these major US retailers to make a major impact in the city, as it takes over and renovates select Zellers stores in the Winnipeg market. Target will be following the same blueprint that Walmart Canada used to establish itself in the Canadian market in the 1990s following its purchase of the Canadian retailer Woolco and its subsequent conversion of those outlets into Walmart stores.

Retail Floor Space Per Capita



This graph illustrates the difference in retail square footage space per capita between the United States and Canada.

## Development Cont'd.

American retailers are attracted to the Canadian market because Canada features only 14 square feet of shopping center floor space per capita, compared to over 23 square feet in the United States <sup>1</sup>. Canadian shopping centres are also outperforming their American counterparts on a sales per square foot basis, with Canadian malls averaging \$580 of sales per square foot; compared with \$309 per square foot in the US. With a strong Canadian Dollar, US retailers are continuing to turn their focus north of the border and are looking to expand into the underserved Canadian market. Especially in cities like Winnipeg – which features even less square feet per capita of retail space than other major metropolitan centres in Canada – US retailers will be aggressive with plans of Canadian expansion for the foreseeable future. This will put increased pressure on established Canadian retailers to compete for the finite amount of consumer dollars in the retail market.

## FRANCHISE RESTAURANTS REMAIN ACTIVE

Major US based retailers are not the only companies looking at establishing/expanding their presence in the Winnipeg market; franchise restaurants have been one of the most active sectors in 2012. Franchises such as: Famous Dave's, Woody's, Five Guys, Papa John's, Taco Del Mar, Pizza Pizza, and Papa Murphy's have all begun to make inroads into the Winnipeg market. One of the primary factors in limiting this type of development in the city is the lack of appropriate space for quick serve restaurants in the current market inventory. Developers and landlords have begun to re-merchandise existing properties or develop new sites to accommodate demand in the restaurant sector.

<sup>1</sup> Data according to Colliers International's the Retail Report Canada – Spring 2012 Edition

## NEW DEVELOPMENTS

Shopping Centre	Area of City	Type
Seasons of Tuxedo	Southwest	Power Centre
Polo North	Polo Park	Mixed Use
Stadium Redevelopment	Polo Park	Power Centre
Shoppes of St. Vital	Southeast	Neighbourhood
Portage Avenue and Rouge Road	West	Strip Centre
Main Street and Ridgecrest Avenue	North Main	Strip Centre
Safeway at Peguis and Henderson	North Henderson	Community
Sage Creek Village Centre	Southeast	Community
CentrePoint	Downtown	Mixed Use
Kildonan Green	East	Community

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- \$1.8 billion in annual revenue
- 1.25 billion square feet under management
- More than 12,300 professionals

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