

Research &
Forecast Report

WINNIPEG INDUSTRIAL MARKET

Third Quarter 2018



Accelerating success.



Winnipeg Market Overview

Market Overview

The Winnipeg industrial market remains active despite the under supply of modern industrial buildings. The overall vacancy continued to decline reaching a level not seen since mid-2012. As quality inventory levels are appreciably reduced and industrial land within the city is difficult and costly to obtain, a noticeable influx of vacant land parcels for sale are emerging in the market in several locations surrounding the outskirts of Winnipeg’s Perimeter Highway. Tenant and owner operator demand for new generation buildings will drive interest in these parcels, however progress may be slowed due to high construction costs.

Vacancy & Absorption

Both the Southwest and East sectors experienced increases in their vacancies this quarter. The Southwest’s vacancy increased from 0.4% to 0.62 mainly due to the late entrance of over 50,000 square feet from 1370 Sony Place. After several quarters of slow, but consistently steady leasing in the East, the sector has experienced its first negative absorption quarter since 2016 Q4 and reported a vacancy rate climb from 2.5% to 2.8%.

Winnipeg’s Northwest sector was the only market to achieve positive absorption of 150,432 square feet as it decreased its vacancy rate from 3.8% to 3.5%. The Northwest market is appealing to tenants and owners with its developed amenities and lower asking net rents, as well

Market Indicators Relative to prior period	Market Q2 2018	Market Q3 2018	Trend
Vacancy	2.8%	2.7%	↓
Net Absorption	202,952	101,355	↓
Average Asking Net Rent*	\$6.90	\$7.01	↑
Average Additional Rent	\$3.22	\$3.29	↑

*Average Asking Net Rent calculated using a weighted average.

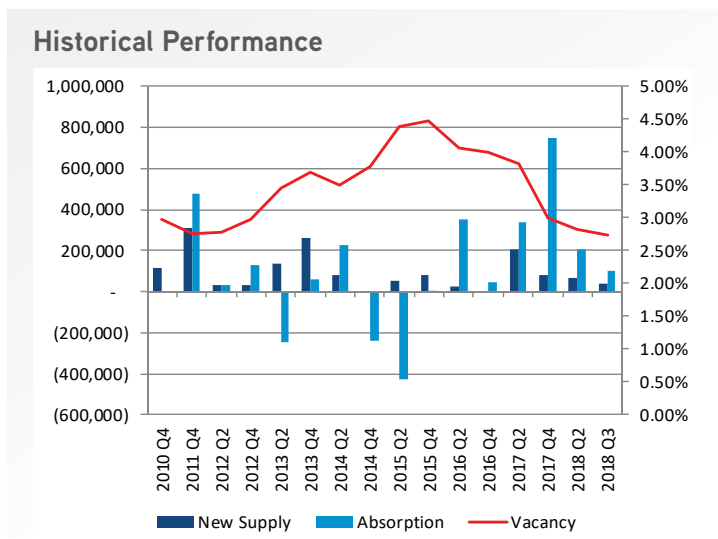
as having both the airport and CentrePort Canada situated within its boundaries.

Asking Net Rent

Winnipeg’s overall asking net rental rates continue to be stable with only a marginal increase from \$6.90/SF to \$7.01/SF in 2018 Q3. Asking rental rates in the Northwest and East sectors remained steady with only slight increases. However, with the limited vacancy in the Southwest market, its average has been skewed downward significantly to \$9.65/SF compared to \$13.21/SF last quarter due to a substantial vacancy available at a much lower rental rate than most buildings in the area. Asking rental rates for the Southwest are more likely to be found in the range of \$12.95-\$15.00/SF.

New Supply

A little over 40,000 square feet of new supply, predominantly in the East sector, was added to Winnipeg’s industrial market this quarter. All sectors in Winnipeg’s marketplace are expected to continue their growth as both developers and owners are investing in new projects. Over 450,000 square feet of industrial inventory is slated to enter the market or begin construction in 2019. Demand for modern industrial supply remains high. Although new opportunities for tenants are on the horizon, it will still be some time before supply will meet demand.



Winnipeg Northwest

The Northwest sector had a positive quarter with 150,432 square feet of positive absorption which decreased the vacancy rate to 3.5%. The attractiveness of lower rental rates, close proximity to the airport, and access to major transportation routes has enabled leasing and sales activity to remain solid.

The Northwest is expecting to add over 165,000 square feet to its inventory as both 19 and 20 Ronn Road are to be completed in 2019. However, pre-leasing has been strong and limited vacancy will be available once these buildings arrive in the marketplace.

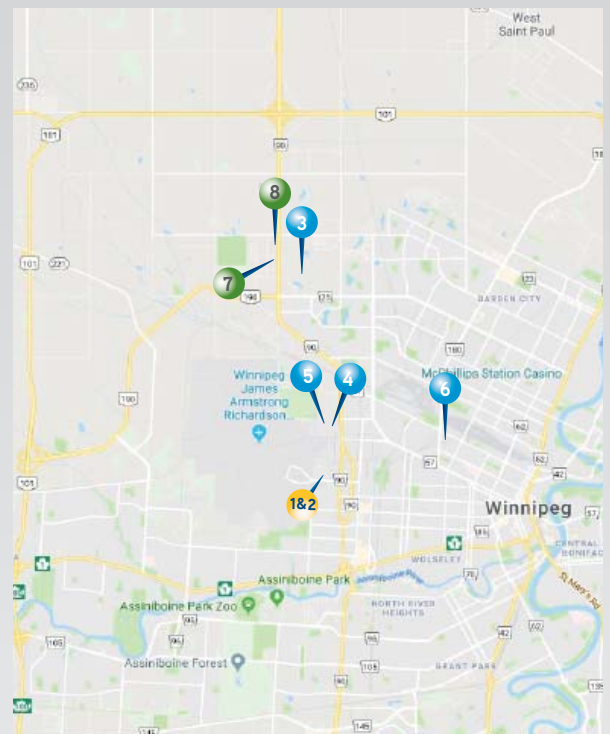
Trends

- Large industrial and institutional developments are facing protracted start dates due to high construction costs.
- New generation buildings with 24 ft. ceiling heights, clear span, and dock/grade loading are favoured by today's tenants.
- The Northwest sector, with its more abundant leasing opportunities, is benefitting from the high asking net rents of the Southwest sector as tenants look to secure more affordable spaces.

Summary Statistics

	2018 Q2	2018 Q3	Trend
Total Inventory	46,082,990	46,094,690	↑
Net Absorption	-15,822	150,432	↑
Vacancy Rate	3.8%	3.5%	↓
Average Asking Net Rent*	\$6.72	\$6.77	↔

*Average Asking Net Rent calculated using a weighted average.



● Notable Lease ● Notable Sale ● New Supply

Notable Lease Transactions

TENANT NAME - ADDRESS	TYPE	APPROXIMATE SIZE (SF)
1. Exchange Shared Services LP - Unit 14 - 1821 Wellington Avenue	Headlease	38,842 SF
2. Standard Aero Limited - Unit 23 - 1821 Wellington Avenue	Headlease	20,742 SF

Notable Sale Transactions

ADDRESS	PRICE	APPROXIMATE SIZE (SF)
3. 195 Discovery Place	\$6,000,000	28,277 SF
4. 1221 Sherwin Road	\$4,200,000	57,399 SF
5. 1240 Sherwin Road	\$2,100,000	18,810 SF
6. 1032 Logan Avenue	\$1,665,000	15,000 SF

Upcoming New Supply

ADDRESS	SIZE (SF)	COMPLETION
7. 20 Ronn Road	48,000 SF	Early 2019
8. 19 Ronn Road	120,000 SF	Fall 2019

Winnipeg Southwest

Winnipeg's Southwest market continues to feel the pinch of low vacancy and high net asking rents. Although vacancy has increased this quarter from 0.4% to 0.6% due to the late quarter entry of 1370 Sony Place with just over 50,000 square feet, this sector's vacancy is far below its Northwest and East counterparts.

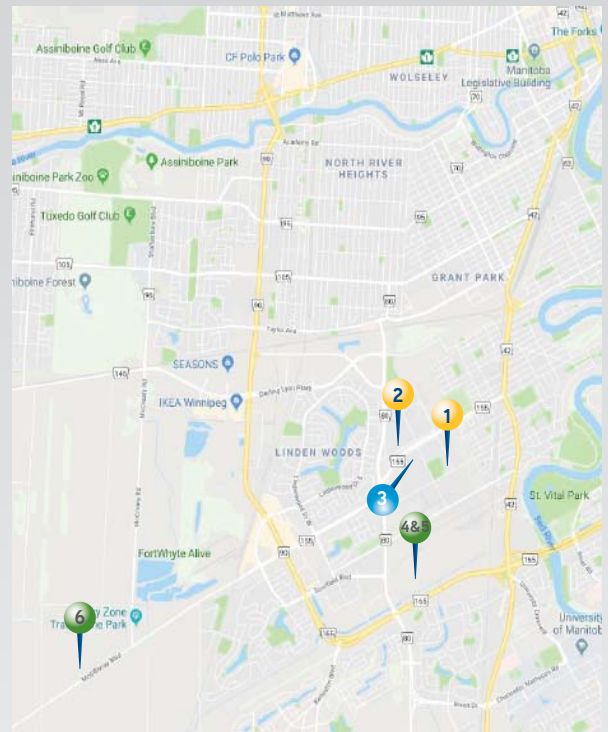
As the growth of southwest residential areas increases and lease rates climb, companies are left to determine if the convenience of the commute to their employees justifies the higher overhead costs incurred to remain in the area.

Trends

- > The drop in the Average Asking Net Rent in this quarter is attributed to a large vacancy at one building with a significantly lower rate. Asking net rents for new construction and modern inventory in this sector range between \$12.95-\$15.00/SF.
- > Though we have seen a subsequent increase in vacancy in the Southwest sector, the overall total vacant industrial space remains under 100,000 SF for the entire sector.
- > Landlords are looking to increase their rents on renewal. Though tenants wish to remain in the Southwest sector, the jump in renewal rates is causing some tenants to re-evaluate their location in the city.

Summary Statistics	2018 Q2	2018 Q3	Trend
Total Inventory	15,746,092	15,746,092	↔
Net Absorption	5,409	-33,705	↓
Vacancy Rate	0.4%	0.6%	↑
Average Asking Net Rent*	\$13.21	\$9.65	↓

*Average Asking Net Rent calculated using a weighted average.



● Notable Lease
 ● Notable Sale
 ● New Supply

Notable Lease Transactions

TENANT NAME - ADDRESS	TYPE	APPROXIMATE SIZE (SF)
1. Parker Hannifan Canada - 77 & 101 Irene Street and 1301/1305 Clarence Avenue	Renewal	106,905 SF
2. The Winning Combination Inc. - Unit B - 1595 Buffalo Place	Headlease	31,843 SF

Notable Sale Transactions

ADDRESS	PRICE	APPROXIMATE SIZE (SF)
3. 1530 Gamble Place	Undisclosed	426,643 SF

Upcoming New Supply

ADDRESS	SIZE (SF)	COMPLETION
4. Bishop Grandin Crossing - Spec Building	150,000 SF	2019
5. Bishop Grandin Crossing - Spec Building	60,000 SF	2019
6. 24 South Landing Drive	8,250 SF	Nov 2018

Winnipeg East

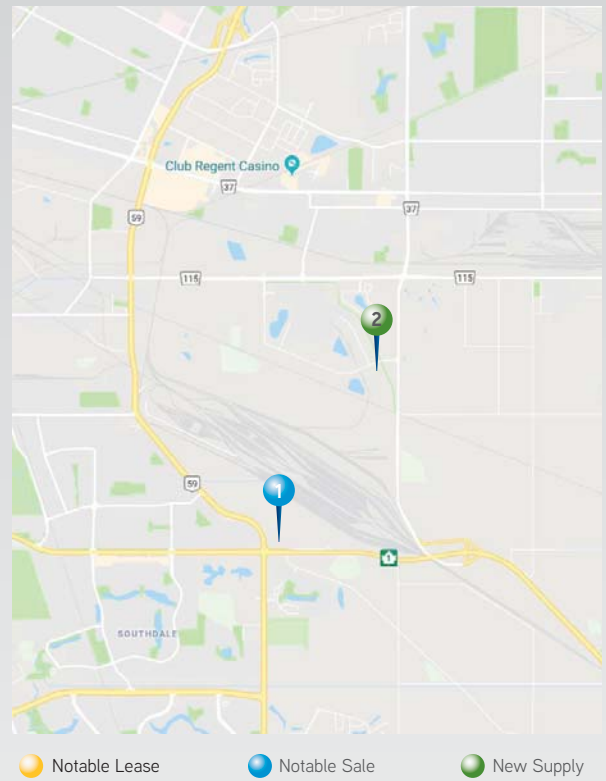
The East sector made strides in its efforts to bring quality inventory to its marketplace. The completed construction of 600 Camiel Sys Street, a 23,300-square-foot industrial building, and 615 Mission Street's Phase II 6,400-square-foot building, along with the soon to be finished 62,660-square-foot commercial condo building at 455 De Baets Street, have provided several new leasing opportunities. These newly constructed buildings are garnering attention from tenants looking for clean, modern spaces in the area.

Trends

- > Industrial leasing activity in the East sector remains sluggish compared to both the Northwest and Southwest sectors.
- > Both asking net rental rates and additional rents have remained stable in this sector for the past year. However, newly constructed buildings have asking net rents that lean more toward \$10.00/SF and higher.
- > Ample opportunities to lease units under 10,000 SF as 60% of the buildings in this sector have smaller vacant units.

Summary Statistics	2018 Q2	2018 Q3	Trend
Total Inventory	18,843,871	18,873,571	↑
Net Absorption	213,365	-15,372	↓
Vacancy Rate	2.5%	2.8%	↑
Average Asking Net Rent*	\$7.33	\$7.31	↔

*Average Asking Net Rent calculated using a weighted average.



Notable Lease Transactions

TENANT NAME - ADDRESS	TYPE	APPROXIMATE SIZE (SF)
There were no significant lease transactions this quarter in the East sub-market.		

Notable Sale Transactions

ADDRESS	PRICE	APPROXIMATE SIZE (SF)
1. 1331 Niakwa Road East	\$2,130,000	13,500 SF

Upcoming New Supply

ADDRESS	SIZE (SF)	COMPLETION
2. 455 De Baets Street	62,660 SF	Fall 2018

413 offices in 69 countries on 6 continents

United States: **145**

Canada: **28**

Latin America: **23**

Asia Pacific: **86**

EMEA: **131**

\$2.7B

US* in annual
revenue

2B

square feet
under management

15,400

professionals
and staff

*Based on 2016 results

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