

Winnipeg

Population	Office vacancy	Industrial inventory
706,700	5.7%	75.6 million sq ft
Office inventory	CBD Class A vacancy	Industrial vacancy
17 million sq ft	6%	3.5%



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Given a lack of serviced industrial land within the city limits, the market is reacting by developing a number of industrial parks in rural communities on the outskirts of Winnipeg. For example, Sobeys recently announced it would be developing a new 380,000 square foot distribution centre in the satellite community of Headingly to take advantage of lower costs and excellent geographic location.

One of the most significant events this past year was Sun-X Properties selling its portfolio of 46 buildings to British Columbia Investment Corporation (bcIMC). Sun-X was by far the largest industrial landlord in Winnipeg with approximately 2.2 million square feet of inventory. Anticipate the 2008 market to remain very healthy given the high level of diversity within the economy, and the number and scope of capital projects still underway.

Market overview

Winnipeg's economy is firing on all cylinders, expanding by 3.7% in 2007, representing the third strongest growth among Canadian cities. For 2008, Winnipeg's economy will again exceed the national average, with a forecast of 3.5% growth. Employment increased by 2.0% in 2007 resulting in an unemployment rate of 5%. A tight labour market in a number of industries continues to be a concern.

After a record year for building permits and construction activity, the construction outlook remains strong. Building permit values rose 11% in the second quarter alone, led by continuing strength in the residential market. Growth in personal disposable income per capita is projected to increase nearly 5% for 2007, well above the national average. The manufacturing sector in Winnipeg has remained relatively stable compared to other markets across Canada.

Office market

Office vacancy rates remained fairly static in 2007 at 5.7% overall with a modest decrease experienced in the Class A market. There is some new construction underway, which is anticipated to add roughly 200,000 square feet to the market. This does not include the 690,000 square foot new Manitoba Hydro headquarters, which is intended for its own

use and scheduled for mid 2008 occupancy. This should not have a major impact on market vacancy as Manitoba Hydro is expected to continue to utilize its existing head office on Taylor Avenue.

Demand for office space is driven primarily by business services and the public administration sector. With the continued strength of the Winnipeg economy and the renewed excitement of the business community, anticipate new tenants coming to town to capitalize on the advantages the city has to offer. Look for a heightened sense of awareness in 'green' buildings from landlords and tenants alike.

Industrial market

Geography seems to play a key factor in the Winnipeg industrial market with mature industrial parks containing low clear height product and older infrastructure feeling the most impact. Demand for distribution facilities remains high with the continued realization of Winnipeg's strategic position within the continent. All levels of government are doing what they can to address transportation infrastructure issues to ensure that the city's competitiveness is not compromised.

Investment market

The investment market continues to attract buyers looking to achieve slightly elevated cap rates indicative of secondary markets. There were two fairly major transactions in 2007. Crown Realty Partners, along with Artis REIT, purchased the Winnipeg Square/Commodity Exchange Tower located at the famous intersection of Portage and Main for approximately \$102.5 million. In addition, bcIMC purchased the Sun-X Industrial Portfolio mentioned above for an estimated price of \$175 million.

The appetite for quality investment product is expected to continue into 2008 with the stability of the Winnipeg economy an important consideration to both institutional and private equity investors.

Retail market

Retail sales in Winnipeg have been solid, growing by an estimated 6% in 2007. The southwest quadrant of the city continues to be a focal point for major retailers with Costco recently unveiling their third Winnipeg location. At the same time Polo Park, the pre-eminent shopping centre in the city is undergoing a further expansion and the former site of the Winnipeg Arena is preparing for an estimated \$30 million retail/commercial development.