



WINNIPEG

EXECUTIVE SUMMARY

- Winnipeg's commercial real estate market is expected to remain stable in 2020 with construction activity increasing in almost every asset class.
- Office tenants are showing a preference for higher-quality builds, forcing owners of older buildings to renovate and innovate in order to attract tenants.
- Winnipeg is catching the attention of U.S. retail chains, particularly food and beverage concepts.
- Winnipeg's industrial market has the highest leasing velocity as the pace of development increases to meet demand.

Winnipeg has long been known as a steady commercial real estate market. With its population gradually increasing, a growing number of projects are under construction in almost every asset class to meet an increase in demand; however, a sense of stability remains.

Winnipeg offers a diversified economy, including a manufacturing sector that features transportation, aerospace, energy, agribusiness and technology services along with a creative arts sector and tourism. Winnipeg remains a relatively stable commercial real estate market. A large amount of new construction in almost every asset class in 2019 resulted in new vacant inventory, the absorption of which will spill into 2020.

Mixed-use developments, including True North Square (TNS), a \$500-million investment in the downtown sports, hospitality and entertainment district (SHED), have been some of the most significant additions to the city in 2019. Another prominent example is The Refinery District, which is located south of Winnipeg, a 100-acre development that offers industrial, office, multi-family and retail space.

A new addition to the SHED was announced in the summer of 2019. Located near TNS, the 19-storey, 300,000-square-foot (sf) Wawanesa Tower will be home to 1,100 workers when completed in 2023. This building along with the new Scotiabank Tower will affect downtown Winnipeg's office market and likely force landlords of class B and C buildings to contend with higher vacancy and weakened rental rate growth. Owners of these often older assets are investing in improvements, renovations and adding amenities to counter this increase in the quality of the competition. Vacancy and rental rates are forecasted to continue rising steadily in 2020 with vacancy reaching 7.6% by year-end 2020.

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑	↑	↑
Vacant Space	↑	↑	↓ ↓
Construction Levels	↓ ↓ ↓	↑ ↑	↑ ↑ ↑
Leasing Volume	→	→	↑ ↑
Investment Volume	↑	↑	↑

Winnipeg's industrial inventory continued growing with new developments on serviced lots completed at CentrePort Canada. Two new buildings totalling 85,000 sf were also completed in Brookside Industrial Park in late 2019, while Freightliner's 78,000-sf facility remains under construction. Other developments underway include a 175,000-sf building by QuadReal, which will be ready for occupancy mid-2020 as well as Plessis Industrial Park, where plans call for five buildings totalling 262,000 sf. Other projects include South Landing Business Park and McGillivray Business Park. Industrial vacancy is forecasted to decline to 2.5% by the end of 2020 as supply is slowly starting to meet demand. Rents are expected to increase.

Winnipeg's retail market is experiencing a trend of new location openings by U.S. chains such as Popeyes Louisiana Kitchen, Planet Fitness and P.F. Chang's. Popeyes is expected to open four more locations throughout Manitoba with two further additions to the Winnipeg market. Planet Fitness plans two more locations in Winnipeg for a total of four locations. P.F. Chang's first Winnipeg location is currently under construction at Polo Park. Although new developments are meeting current demand, the former Sears and Target spaces continue to have a large lingering impact on Winnipeg's retail vacancy rate. Vacancy and rents are expected to increase throughout 2020.

Owners of lagging assets are investing in improvements, renovations, and added amenities to combat the increased and superior competition.

VACANCY RATES

Winnipeg Year-End Office and Industrial Vacancy Rates

