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MARKET OVERVIEW & FORECAST

Winnipeg's commercial real estate market enjoyed another brisk year with all segments of the market responding to the buoyant economy. Canada's leading economic forecasters predict that growth will be in the range of 3.0% for Manitoba in 2006. With its highly diversified economy, Manitoba rarely sees the kind of boom-and-bust cycles that many other provinces experience. It is this continuing level of stability that keeps the economy firing on all cylinders. Low interest rates and high consumer confidence levels continue to support increased housing starts and retail sales. Manitoba is predicted to be one of only two provinces to record an increase in housing starts in 2006.

Several major capital projects are now underway which will further bolster the non-residential construction sector in Winnipeg. Construction has started on the 690,000 square foot Manitoba Hydro downtown office building, which is expected to set new standards for "Green" buildings. The \$560 million airport redevelopment project scheduled for completion in 2009 is also underway. In addition, funding has been committed for the \$300 million Canadian Museum for Human Rights, slated for completion in 2010, which is expected to become an international tourist destination.

Manitoba and Ontario have signed a \$500 million hydroelectric deal, representing the first phase of a power grid linking the east and west. The resulting construction and operation will generate an estimated \$5.6 billion in economic activity in Manitoba over the next decade.

OFFICE MARKET HIGHLIGHTS

The Winnipeg office market has followed the national trend with a slight decrease in vacancy and appears poised to continue to strengthen as a result of favourable economic conditions. Canada Revenue Agency's lease of almost 50,000 square feet in the Commodity Exchange Tower and Great West Life's sublease of 37,000 square feet in the Air Canada building were significant contributors to the strengthening of the office market. Expect to see a slight tightening of the office market during 2006.

The Asper family (CanWest Global) recently announced plans for a new \$40 million broadcast centre for the northeast corner of Portage and Main. The 10-storey, 120,000 square foot building will connect to CanWest Global Place via a 2nd floor walkway, the exterior of which will contain outdoor electronic video screens reminiscent of Times Square. This announcement comes on the heels of Asper's recent purchase of the remaining 50.0% interest in the former TD Tower.

INDUSTRIAL MARKET HIGHLIGHTS

With a few larger industrial facilities coming to market, industrial vacancy appears to be on the rise. However, with tenant demand expected to quickly absorb these availabilities, the market appears ready for new construction of higher ceiling, contemporary industrial buildings. Overall, the Winnipeg industrial market reflects the stability of the city's economy with a vacancy rate still below 4.0%.

OlyWest announced in late 2005 the intent to construct a 300,000 square foot state-of-the-art pork processing facility in the St. Boniface industrial park with a targeted completion date of early 2008. Once fully operational the plant will employ over 1,100 workers and will be capable of processing 2.25 million hogs annually.

INVESTMENT MARKET HIGHLIGHTS

The appeal of a strong local economy and positive leverage continues to attract investment capital to Manitoba. Demand for all product types exceeds supply as both private and institutional investors continue to be active participants in the Winnipeg market. While institutional funds have been drawn to commercial, office, retail and industrial product, the local investment community has primarily focused on the multi residential and condominium markets. This increase in demand has resulted in a market characterized by lower cap rates, multiple bidders, and higher per square foot selling prices.

RETAIL MARKET HIGHLIGHTS

Retail sales in Winnipeg have remained extremely strong, providing fuel for a buoyant marketplace. The bulk of the newer retail development has located in the southwest quadrant of the city. Four major 30 to 50 acre sites on Kenaston have been developed and the new, 200 acre, Kenaston at Wilkes Development represents the prime opportunity for future retail. Cadillac Fairview recently purchased the Winnipeg Arena and has plans to demolish it in order to make room for additional retail opportunities adjacent to Polo Park Shopping Centre.

WINNIPEG MARKET AT A GLANCE

POPULATION	702,300
OFFICE MARKET SIZE	16.3 million sf
OFFICE MARKET VACANCY	6.2%
CBD CLASS A VACANCY	7.9%
INDUSTRIAL INVENTORY	75.7 million sf
INDUSTRIAL VACANCY	3.5%

