

# Office Market Snapshot

## WINNIPEG, MANITOBA

Downtown		
CLASS A		
19.1%	vacancy rate 18.7% in Q2 2023	↑
\$20.85	avg. net rent per sq. ft.	↔
\$18.01	avg. add'l rent per sq. ft.	↔
33,076	sq. ft. of absorption in the quarter	↑
CLASS B		
20.3%	vacancy rate 15.0% in Q2 2023	↑
\$14.87	avg. net rent per sq. ft.	↔
\$14.41	avg. add'l rent per sq. ft.	↓
-89,494	sq. ft. of absorption in the quarter	↓
CLASS C		
23.0%	vacancy rate 22.4% in Q2 2023	↓
\$13.03	avg. net rent per sq. ft.	↑
\$11.16	avg. add'l rent per sq. ft.	↓
1,841	sq. ft. of absorption in the quarter	↑

Suburban		
CLASS B		
7.5%	vacancy rate 8.3% in Q2 2023	↓
\$15.24	avg. net rent per sq. ft.	↑
\$9.24	avg. add'l rent per sq. ft.	↓
31,412	sq. ft. of absorption in the quarter	↑

Total market vacancy rose by 20 basis points (bps) this quarter while downtown vacancy rates increased by 60 bps. The highest vacancy can be found in the downtown Class C submarket where landlords are faced with the question of whether to upgrade existing office space or consider re-purposing the building for residential use.

The average asking net rental rate in the downtown core, fell to \$16.16 per sq. ft. this quarter, down from \$16.24 per sq. ft. in Q2 2023 as rising vacancy and weak tenant demand continue to drive down rents. Downtown rents have fallen by 1.1% over the past four quarters.

Sublet space now comprises 10.0% of total vacancy which has nearly tripled over the past four quarters yet has only now risen to the historical average. For comparison, at the end of 2007, sublet space comprised 32.0% of vacancy.

The suburban vacancy rate fell 80 bps from 8.3% to 7.5% and is now down to pre-pandemic levels as tenants continue to prefer space outside of the downtown core where gross rents are lower, for higher quality, newer office space.

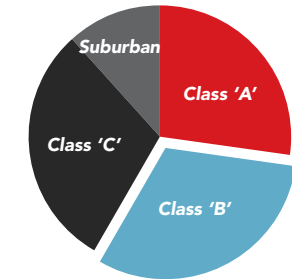
The most significant transaction this quarter was Wawanesa Insurance's sale of 200 Main Street and an associated surface parking lot at 165 Fort Street, to the Manitoba Metis Federation. Wawanesa is preparing to move into their new head office tower at True North Square in early 2024.

Increased tenant activity can be found in the market in the form of Requests for Proposals (RFP's). The issuance of these RFP's is an indication that tenants are beginning to make final decisions regarding their office space requirements after years of analysis.

### OUTLOOK

There has recently been an increase in return-to-office mandates across the United States. We expect this trend will extend to Canada in Q4 2023 and the Winnipeg office market will begin to stabilize. Tenants will continue their flight to quality and the re-purposing of older, downtown Class B and Class C office towers to residential multifamily will continue as all levels of government seek to grow housing stock and grow the population of downtown Winnipeg.

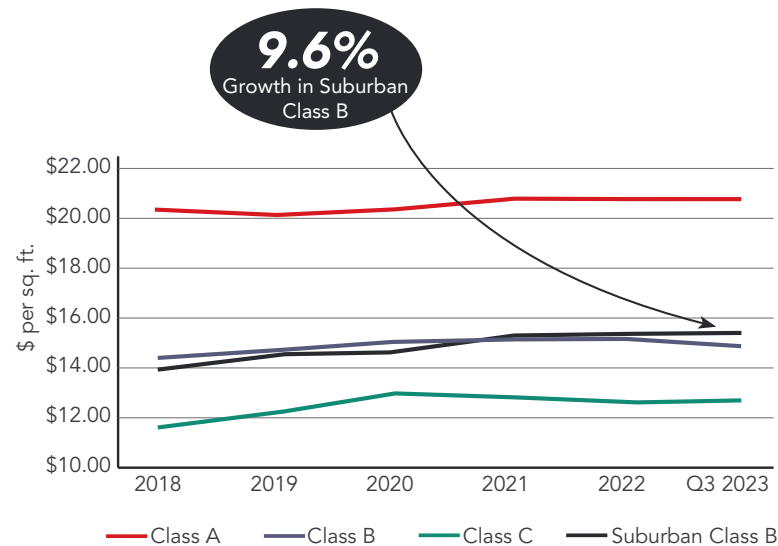
### VACANCY BREAKDOWN



### CONSTRUCTION



### AVG. ASKING NET RENT BY CLASS



### KEY MARKET INDICATORS

TOTAL INVENTORY	12.3M (sq. ft.)
MARKET VACANCY	17.2% (up from 17.0%)
DOWNTOWN VACANCY	20.7% (up from 20.1%)
AVG. ASKING NET RENT	\$16.05 (per sq. ft.)
UNDER CONSTRUCTION	300,000 (sq. ft.)
ABSORPTION IN THE QUARTER	-23,165 (sq. ft.)

### MARKET VACANCY RATE VS AVERAGE NET RENT

