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Office vacancies rise, industrial market tight 2011 expected to be good for investment properties

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Winnipeg's office and industrial markets are headed in opposite directions, according to the latest market report from CB Richard Ellis Ltd.

The commercial real estate firm said in its fourth quarter office and industrial trends report that Winnipeg's downtown office vacancy rate rose by nearly a full percentage point between the fourth quarter of 2009 and the final quarter of 2010 -- 8.9 per cent compared to 8.0 per cent.

And the industrial vacancy rate fell by a similar amount, dropping to 3.8 per cent from 4.9 per cent.

Derek Chartier, president of the firm's Winnipeg office, said Thursday it basically boils down to supply and demand. There is a stronger demand right now for industrial space than for office space. And there's also less industrial space available than office space.

"It's hard to get a lot of head-office interest (in office space) in our market," he said. "So there is no big demand."

But while a vacancy rate of 8.9 per cent is less than ideal, Chartier said, "It is not an alarmingly high number."

He predicted the office vacancy rate will level off or possibly even decline a bit this year.

He said it's difficult to predict what will happen with the industrial vacancy rate. But he predicted the tight market conditions should lead to some new industrial buildings being built this year.

He also predicted 2011 will be another good year for sales of investment properties in Winnipeg. "There were a significant number of multi-family residential investment transactions in the market (in 2010). In 2011, we anticipate investors will continue to have an appetite for investment product."

Nationally, CB Richard Ellis said Canada's office vacancy rate dropped over the past year thanks to improving economic fundamentals. It was 9.4 per cent at the end of the fourth quarter of 2010, compared with 9.9 per cent a year earlier.

Some market observers predicted a glut of vacancies in Canada's major business centres in 2010, but it didn't happen, said John O'Bryan, vice-chairman of the real estate company. Most office markets in Canada remained stable or saw a slight decrease in their vacancy rate.

But CB Richard Ellis expects more positive news for 2011.

"We've had good news over the past 12 months with respect to interest rates, housing trends and employment gains, with many companies announcing plans for expansion," O'Bryan said.

-- with files from Postmedia News

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