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BUSINESS

Winnipeg Free Press - PRINT EDITION

Office-building market on fire

Low supply, big demand driving up city prices

By: Murray McNeill

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A combination of tight supply and strong demand are driving up selling prices for some suburban Winnipeg office buildings to record highs, industry officials say.

Two shining examples of this trend are the Commissionaires Manitoba building at 50 Stafford St. and the Rischuk Park Realty Ltd. building at 1365 Grant Ave., both of which recently sold for more than \$200 a square foot. And in the case of the Rischuk building, it was \$260.



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"The prices of those buildings are unprecedented," said Joe Diner, a veteran commercial real estate agent with CB Richard Ellis Winnipeg and the buyer's agent in the Rischuk Park Realty deal.

"We've had many examples of (office) buildings in River Heights that sold in the past for \$100 per square foot.

"But we're now looking at two to two and a half times that amount."



KEN GIGLIOTTI/ WINNIPEG FREE PRESS [Enlarge Image](#)

KEN GIGLIOTTI / WINNIPEG FREE PRESS Graeme Rowswell sold the Commissionaires Manitoba building for more than \$200 a square foot. Below, one of the building's two private garden areas.

(KEN GIGLIOTTI/ WINNIPEG FREE PRESS)

Diner also noted there were eight competing offers for the Commissionaires building -- something he hasn't seen before with a local office building.

And most of them, including one he submitted on behalf of a client, were for more than the asking price. The listing agent for the Stafford Street building -- Graeme Rowswell of G.T. Rowswell Realty Leasing Co. -- wouldn't reveal the selling price because the deal won't officially close until the fall when the new owner, a local investment firm, takes possession.

But he confirmed it sold for more than \$200 a square foot.

Diner said demand for single-tenant office buildings is strong throughout the city and there's no reason to think that will change any time soon.

But he and Rowswell said it's particularly strong in mature neighbourhoods in the southwest quadrant -- areas like River Heights, Tuxedo, Fort Garry and Charleswood.

"It's called location, location, location," Rowswell said, noting the southwest is in the midst of a retail and residential construction boom.

"Anything in the southwest part of the city is like diamonds in the rough."

Diner said office buildings are in big demand in the older neighbourhoods because there's no vacant land available in the newer ones.

And even if there were, the cost of buying the land and constructing a new office building would be out of reach for most smaller firms. So an existing building is their only real option if they're looking to own rather than lease.

Diner said a lot of the demand for these smaller buildings is coming from firms in the legal, accounting, financial services and medical-services sectors.

Their owners realize that with interest rates at historically low levels and rental rates creeping up, it's often cheaper to buy than to rent. Plus, real estate is seen as a good investment.

Being in the suburbs is also appealing because parking is more readily available and it's closer to where they and many of their customers live, he said.

While the southwest is the real hot spot right now, industry officials say office buildings in other parts of the city are also attracting plenty of interest from prospective buyers. Unfortunately, demand is outpacing supply.

"There is definitely the demand, but there is just nothing available," said Gail Auriti, an office and industrial sales and leasing specialist with DTZ Barnicke Winnipeg.

And when a good building becomes available, it sells right away, Auriti said.

She said the Winnipeg Construction Association's 7,941-square-foot building at 290 Burnell St. sold as soon as it hit the market in March. The buyer happened to be Commissionaires Manitoba, which had been looking for bigger quarters.

Rowswell confirmed Commissionaires Manitoba had its eye on the Burnell Street building for some time, and jumped on it when it hit the market.

Auriti said the WCA got its asking price for the building -- \$1.29 million, or about \$162 a square foot. She said it had already purchased a 30,050-square-foot office building at 1447 Waverley St. for about \$3.2 million, or about \$106 a square foot.

The Rischuk Realty building took about six months to sell, but Diner said that's because the asking price -- \$684,900 -- was high by Winnipeg standards and owner Rusty Rischuk was willing to wait until he got what he wanted.

Rischuk, whose firm is downsizing, said he wasn't in a rush to sell and was confident he'd get close to his asking price. He said it's a solid building -- it used to be a Royal Bank branch -- it's in a desirable location and it had good parking.

He said some prospective buyers tried to low-ball him, but he didn't bite. Diner said Rischuk's instincts proved to be right.

"The asking price was a bit of a shock when it first hit the market. But it was not a wrong number."

Know of any newsworthy or interesting trends or developments in the local office, retail or industrial real estate sectors? Let real estate reporter Murray McNeill know at the email address below, or at 697-7254.

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