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## BUSINESS

Winnipeg Free Press - PRINT EDITION

# Overall office vacancy rate rises in city Fewer firms have their HQs in Winnipeg

By: **Murray McNeill**  
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Paul Kuzina, office lease specialist with CB Richard Ellice Chartier & Associates, says 2009 was a bad year for office leasing in Winnipeg.

The global recession put a choke hold on office leasing in Winnipeg in 2009, with one industry player describing it as the worst year since the late 1990s.

Although the final 2009 numbers won't be available until sometime next month, Colliers Pratt McGarry president Wayne Pratt said it was the easily the worst year in the last decade for office leasing.

"There was very poor... demand," Pratt said, adding it was a by-product of the global economic recession which led to some local branch office closings and a retrenching for many local companies.

Paul Kuzina, an office leasing specialist with CB Richard Ellice Chartier & Associates, said he wasn't sure if it was the worst year in a decade, but it was certainly one of the worst.

In its 2009 fourth-quarter office market report issued late last week, CB Richard Ellis said Winnipeg's market didn't escape the recession unscathed, even though the local economy weathered it better than most.

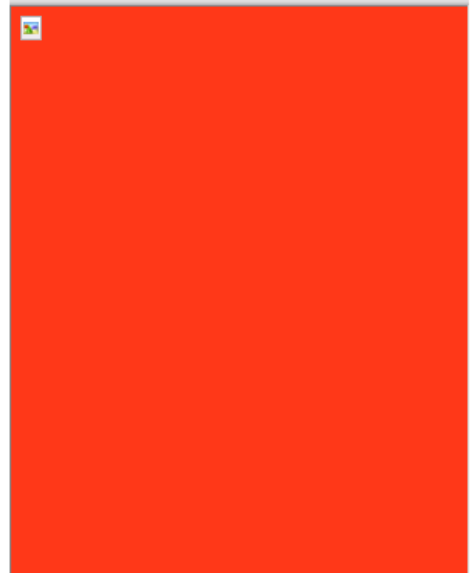
It said the city's overall office vacancy rate jumped from 5.6 per cent in the fourth quarter of last year (when the recession began to take hold) to 8.1 per cent in the final quarter of 2009. But even with the sizeable jump, it still had the third lowest overall vacancy rate among the 10 Canadian cities it surveyed for its report, the national firm said.

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Kuzina also said that corporate downsizing and a retrenchment by many local companies were the main reasons for Winnipeg's rising office vacancies. CB Richard Ellice said the rate for Class A office space jumped to 8.8 per cent from 7.1 per cent and the rate for Class B space climbed to 7.3 per cent from 5.4 per cent.

The skyrocketing cost of office renovations was also a deterrent, said Wayne Johnson, a commercial and leasing specialist with Royal LePage Dynamic Real Estate.

"People aren't moving around as much," said the author of the twice-yearly *Johnson Report* on commercial leasing in Winnipeg.

All three agents said they expect the local demand for office space to pick up next year as the local and global economies rebound and private sector firms start feeling more confident about expanding their operations. But they warned it won't be a dramatic improvement.

"We're not expecting it to be a great year," Pratt said.

Johnson said that pretty much sums up the performance of the Winnipeg market for the last eight years.

"Two thousand and one was probably the last good year we had," he said, noting it's the last time more than 400,000 square feet of office space was absorbed in a single year.

Up until then, 400,000 square feet a year was considered a normal volume of leasing for Winnipeg, he said. But since then, the market hasn't even been able to crack the 300,000-square-foot threshold.

"So maybe this (less than 300,000 square feet) is the new norm. They (the yearly totals since 2001) are not dismal. There's nothing terrible about them. They're just not very good."

Kuzina agreed it probably is the new norm because Winnipeg has fewer head offices now -- they tend to need lots of space -- and fewer new companies moving to the city.

"And I haven't seen any changes in our economy or any (market) dynamics that would change that," he said.

Aside from Manitoba Hydro's new downtown headquarters, Kuzina said there has also been little new office space added to the downtown in recent years. And soaring construction costs have a lot to do with that, as well.

He said developers would have to charge at least \$25 per square foot just to recover their construction costs and make a decent return on their investment. But the going rate for Class A downtown office space is still hovering at around \$16 to \$17 per square foot, which makes it economically unfeasible. Johnson said what new construction there is has mostly been occurring in the suburbs.

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 e-mail address below, or at 697-7254.

[murray.mcneill@freepress.mb.ca](mailto:murray.mcneill@freepress.mb.ca)

How the space is rented

Here is a summary of annual Class A to C leasing (in square feet) in Winnipeg over the last 10 years:

	Class A	Class B	Class C	Total
1999	31,987	246,000	198,337	476,326
2000	61,169	135,130	31,271	227,570
2001	210,931	190,827	29,690	431,448
2002	18,196	53,025	9,377	80,598
2003	82,214	160,579	37,465	280,258
2004	34,201	74,729	11,111	120,041
2005	118,922	134,173	7,578	260,673
2006	80,798	88,154	21,637	190,589
2007	75,583	30,206	25,419	131,208
2008	44,767	209,671	5,580	260,018

-- Source: The Johnson Report

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