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## BUSINESS

Winnipeg Free Press - PRINT EDITION

# Industrial projects pick up steam

## Demand spurring new construction

By: **Murray McNeill**Posted: 07/11/2011 1:00 AM | [Comments: 0 \(including replies\)](#)[PRINT](#)[E-MAIL](#)

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One of the city's leading industrial developers is jumping back into the construction game after spending 2010 on the sidelines.

Terracon Development Ltd. recently began work on a new 45,000-square-foot warehouse/office complex in its Tuxedo Business Park on Kenaston Boulevard.

Michael Falk, the Winnipeg firm's development manager, said the company decided to proceed with the new development after landing the Composites Innovation Centre as its anchor tenant.

As reported last week, CIC is leaving its 6,000-square-foot research facility in the University of Manitoba's Smartpark later this year and moving into a 21,000-square-foot space in the Terracon building.

Although the building's remaining 24,000 square feet remain unleased, Falk said Terracon is talking with two other prospective tenants.

"Hopefully by September we'll have that wrapped up," he said.

Normally one of the city's most active industrial builders, Terracon sat out last year because of weak demand for new space. It was the first year since 2002 that it hadn't done at least one new project.



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*KEN GIGLIOTTI / WINNIPEG FREE PRESS Michael Falk of Terracon Development Ltd. sits at its Tuxedo Business Park, where a crane marks the site of a new 45,000-square-foot building.*

Falk blamed the weak demand on the 2008-2009 global recession, which prompted many firms to put expansion plans on hold. And although demand began to pick up in 2010, he said the rebound wasn't strong enough to warrant moving ahead with a new project.

"But now there's enough demand to give us hope. It's not strong and it's not overwhelming, but there is hope," he said. "And hopefully 2012 will allow us to continue (with more developments)."

One of the most likely projects for next year is a new 24,000-square-foot, multi-tenant, quasi-retail building for the firm's Tuxedo Business Centre at Kenaston Boulevard and Sterling Lyon Parkway.

Another is some new retail development for the front of Tuxedo Business Park. The only two tenants there now are a Goodlife Fitness Centre and a Tim Hortons coffee shop, and Falk said he'd love to attract a restaurant, hotel and some medical/professional offices.

"We're taking a very slow and deliberate approach. We want it (the retail development) to enhance the park, not take over the park."

Terracon isn't the only industrial developer putting up a building this year.

A & S Homes is also proceeding with Phase III of its Sterling Lyon Business Park development on Lorimer Boulevard. That involves construction of a 55,000-square-foot building that can be leased as either warehouse, office or retail space.

Daniel Serhal, the local architect who designs A & S's industrial buildings, said work is expected to get underway this fall and should be complete by next spring.

Serhal, who owns Daniel Serhal Architecture, said A & S doesn't have any tenants signed up for its Phase III building, although discussions are ongoing with several interested parties.

But he noted the 37,000-square-foot Phase II building, which was built last year, is about 90 per cent leased. So that's given A & S the confidence to move ahead with Phase III.

In addition to the Phase III building, A & S is also adding about 8,000 square feet onto its 35,000-square-foot Phase I building. Serhal said that should be complete within the next month.

Vancouver-based Bentall Kennedy (Canada) LP was also hoping to build a new office or industrial building this year in the city. But a company official said recently it's waiting to land an anchor tenant before it proceeds.

Falk said he's a little surprised the demand for new space isn't stronger, especially in light of the relatively low vacancy rate.

In his recently released mid-year commercial real estate report, Royal LePage Dynamic Real Estate leasing agent Wayne Johnson pegs the vacancy rate in investment buildings at 6.4 per cent. That's well below where it was tracking between 2002 and 2007, when it climbed as high as 10.5 per cent.

Johnson said there is a least a \$4-a-square-foot spread between the going rate for a lot of existing industrial buildings -- \$5.50 to \$6 -- and the rate for new space -- usually \$10 and up.

He and Falk said there likely won't be a lot of new rental properties being built until the gap narrows, or more tenants become willing to pay the higher rates.

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)

Vacancy rate remains low

Here is a comparison of the vacancy rates in investment industrial buildings in Winnipeg over the last 10 years:

Year Vacancy rate (%)

2002 8.6

2003 8.9

2004 8.6

2005 9.9

2006 10.5

2007 9.0

2008 6.1

2009 6.6

2010 6.5

2011 6.4

-- Source: The Johnson Report

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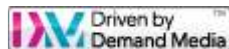
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