

Winnipeg Free Press - PRINT EDITION

# The province as a tenant? Nah

## City landlords ignore requests for leasing deals

By: Murray McNeill

Posted: 10/3/2011 1:00 AM | Comments: 0 (including replies)


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*KEN GIGLIOTTI / WINNIPEG FREE PRESS The Brick & Fine Furniture Building on Lombard is among those in the running for a provincial government lease.*

Some of the juiciest government leasing deals to hit the market in recent years drew surprisingly few bids, real estate industry officials say.

Last spring, the provincial government announced it was looking for three new office sites in or near downtown Winnipeg and asked landlords and developers to submit their proposals.

One of the requests for proposals (RFPs) was for 71,700 square feet of office space for Manitoba Housing and Community Development, which one industry source described as a "huge" deal because of the square footage and the length of the lease -- 20 years.

But sources said it attracted only five proposals, which one described as a shockingly low number.

"They were probably expecting double that," he said, noting a provincial request two years ago for 42,000 square feet of downtown office space garnered nine offers.

And sources said the other two requests each attracted only three offers. One was for 32,600 square feet of space for the Child and Family Services Division and Manitoba Family Services and Consumer Affairs, and the other was for 19,800 square feet for Manitoba Entrepreneurship, Training and Trade.

Because of pre-election blackout rules on government announcements, the provincial government is being tight-lipped about the RFPs.

All it would confirm in a recent email was all three RFPs -- it called them "invitation to offer documents" -- closed last month. It wouldn't say when it expects to announce whether it has accepted any of the proposals, or even how many proposals it received.

"As an evaluation of the submissions is continuing, it would be inappropriate to provide any specifics on the submissions received," the email stated.

Most of the agents representing the landlords who submitted proposals also declined to comment while the offers are under review.

However, industry sources said six landlords submitted proposals, and the government indicated it expects to announce a decision during the first week in January. The industry sources offered several possible explanations for the low number of responses.

One said some landlords are still upset with the government's handling of the 2009 RFP. He said they invested a lot of time and money in preparing their proposals for that contract, which involved 42,000 square feet for Manitoba Infrastructure and Transportation. And they felt it was a complete waste because the province rejected all nine bids, saying it felt the rents were too high.

"That left a bad taste in a lot of people's mouths," the source said. "I think this time, a lot of landlords were reluctant to take that risk (that the government might reject all of these proposals). And there is also more optimism now that there are other tenants in the market."

However, that same source also said he'd be shocked if the province rejects all of the proposals this time around. If it does, it might get an even more tepid response the next time it issues an RFP.

"I think they're really going to have to try and do everything they can to make it work. I think they were sent a message this time with the response they got."

However, another industry source said it was likely the conditions attached to the RFPs, not what happened two years ago, that led to the low number of bids.

He said the largest RFP called for 150 parking stalls to be included in the deal, which automatically disqualifies a lot of downtown office buildings -- especially when the landlord would have to guarantee those stalls for the next 20 years at a specified cost.

And the smallest RFP called for a minimum of 6,600 square feet of ground-floor space, he said, which also eliminates a lot of buildings.

Morguard Investments Ltd. is one local property manager which has a fair bit of vacant space in a number of its downtown buildings, but didn't bid on any of the three contracts. But that's because its space didn't meet the province's requirements, not because it was upset about what happened two years ago, said Karen Lund, general manager of Morguard's Winnipeg office.

"When you've got that kind of tenant... for a 20-year lease, you're going to go after it (if you have the right type of space)," she said.

Joe Diner, a local commercial sales and leasing specialist with C.B. Richard Ellis, confirmed he submitted bids for all three contracts on behalf of the owners of the former Brick's Fine Furniture building at 111 Lombard Ave.

Diner wouldn't discuss the details of the United Equity Group's proposals, or of any of the other bids.

But he said any criticism of the government's handling of the 2009 RFP is unwarranted because it had the right to reject all of the proposals if it felt they didn't meet its needs.

UEG bid on that leasing deal, as well, and Diner said it wasn't a waste of time because much of the information it compiled for that RFP was used in preparing these new proposals.

"So it wasn't a wasted exercise. It was a valuable exercise."

He said he's got his fingers crossed his client will have better luck this time.

"If we get all of them, I'll throw a party. If we get two of them, I'll buy lunch. If we get just one of them, it

will be hotdogs at one of the downtown hotdog stands!"

Know of any newsworthy 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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The contenders

Buildings industry sources say are vying for one or more of three provincial leasing contracts:

The Brick's Fine Furniture building, 111 Lombard Ave. The owner plans to upgrade the six-storey, 118,000-square-foot heritage building to LEED-silver energy-efficiency standards as soon as it lands an anchor tenant. Its owner bid on all three contracts.

The Canada Building, 352 Donald St., just north of Ellice Avenue. The top four floors in the seven-storey, 84,000-square-foot building are currently unoccupied. Its owner also bid on all three contracts.

The former Motor Vehicles Branch building at 1075 Portage Ave. Its owners bid on two of the three contracts.

The Former Reiss Fashions building on the northwest corner of King Street and McDermot Avenue. The seven-storey heritage building is owned by Bedford Investments Ltd., which also owns the new parkade that opened last year on the southwest corner of King and Bannatyne Avenue.

The Four-storey Direct Focus Marketing building at 315 Pacific Ave.

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