

Winnipeg Free Press - PRINT EDITION

Rents bound to rise, say leasing companies

By: **Murray McNeill**

Posted: 11/18/2011 1:00 AM | Comments: 0 (including replies)

LOCAL leasing agents had a message Thursday for Winnipeg renters of all stripes: If you want newer, better buildings in this city, be prepared to pay for it.

The agents told a Building Owners and Managers Association luncheon local rents need to increase dramatically to offset the soaring cost of new construction.

One agent -- Don White of Colliers International -- said tenants will need to pay 30 to 50 per cent more to step up to new state-of-the-art premises. And that goes for all types of new commercial buildings -- office, industrial, retail or apartment blocks.

That means Class A office tenants who are used to paying gross rents of \$30 per square foot will need to pay \$40 to \$45 for space in a brand-new building, he said. Similarly, industrial tenants now paying an average of \$6 per square foot will need to fork out \$10, and apartment dwellers paying \$850 per month will need to cough up \$1,050 to \$1,100.

Some local tenants have already accepted this new reality, according to Martin McGarry, president of DTZ Barnicke Winnipeg and Wayne Sato, an office-leasing specialist with Cushman & Wakefield.

They cited three recent examples where local companies -- Stantec, Western Financial Group and Stuart Olson Dominion Construction -- signed 15- or 20-year leases at substantially higher rental rates in exchange for a developer building them a new office building that meets their specific needs.

McGarry said that in the 10 years prior to this year, Winnipeg was lucky to see one new build-to-suit project in a single year. And he predicted others will soon follow suit, as quality space in existing buildings becomes harder to find.

"It's not that anybody wants to pay it, but they're running out of options."

The agents said reluctance on the part of most tenants to pay higher rents is one of the reasons there's been so little new office or industrial development in the city in recent years.

Although there's been plenty of new retail development, that's because retailers have been willing to pay higher rents to get the space they want in the locations they want, said Michael Stronger, a commercial leasing specialist with Shindico Inc. He said they know if they have that, they'll do well. And if they do well, they can afford higher rents.

The agents attributed the increase in build-to-suit projects to a growing sense of optimism about the city's future. The population is growing, it has an NHL hockey team once again, and there's been a wave of high-profile new developments in the city over the last five years.

The Canadian Museum for Human Rights, the new airport terminal, Manitoba Hydro's new downtown office tower, the new football stadium, the new IKEA store, and the revitalization of the downtown are some of the examples they cited.

murray.mcneill@freepress.mb.ca

Find this article at:

<http://www.winnipegfreepress.com/business/rents-bound-to-rise-say-leasing-companies-134104633.html>

Check the box to include the list of links referenced in the article.