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Downtown offices hot property

Commercial real estate market held back by lack of space

By: **Murray McNeill**
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The MTS buildings at Main Street and Pioneer Avenue. (BORIS MINKEVICH / WINNIPEG FREE PRESS ARCHIVES)

The local office market had one of its best years in recent memory in 2011 as the city's commercial real estate industry continued to benefit from a growing sense of optimism about the city's future.

"It's a great time for real estate, especially in the downtown," said Wayne Sato, vice-president of office leasing and sales for Cushman & Wakefield in Winnipeg. "I think there's just a huge amount of confidence in the market. There's a different attitude, especially with respect to downtown Winnipeg."

Sato said there were at least 10 office-leasing deals this year for more than 22,000 square feet each. They included one for nearly 80,000 square feet (Western Financial Group taking space in the Polo North office/retail complex under construction at Polo Park) and another for 71,000 square feet (Manitoba Housing and Community Development's deal for space in the soon-to-be-redeveloped Canada Building on Donald Street).

"I can't even remember the last time we had that many big deals in a single year," Sato said, "and I've been at this for 20 years plus."

And it wasn't just big government deals that were getting done in 2011, Sato said.

There was also plenty of private-sector leasing.

Sato said a combination of things is helping to inject new life into Winnipeg's once-sleepy office market, including some exciting new real estate developments unfolding in the downtown. It's becoming the "it" place to be for a growing number of businesses.

Another is the return of an NHL hockey team to the city. Sato

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Manitoba Housing and Community Development signed a deal to lease 71,000 square feet in the Canada Building on Donald Street. (KEN GIGLIOTTI / WINNIPEG FREE PRESS ARCHIVES)

said that's also helped to fuel that growing optimism about the future of Winnipeg and the city's once-beleaguered downtown.

"We're starting to refer to it as the Jets effect," he said.

John Pearson, a commercial broker/developer and retail specialist with Shindico Realty Inc., said the city's retail sector is also benefitting from the return of the Jets and all of the high-profile real estate developments that have been unfolding in the city over the last few years.

He cited the Canadian Museum for Human Rights, the new airport terminal and the new football stadium as examples of the kinds of mega-projects putting Winnipeg in a new light and helping to attract new retail, restaurant and hotel chains to the city.

"There's a renewed sense of energy and enthusiasm about our city... And it just makes it a lot more appealing for people to be transferred to Winnipeg and for our kids to stay here."

Although Winnipeg's retail sector has seen a tremendous amount of growth over the past 10 years, Pearson said this year showed there's still room for more.

"It was slow, steady growth... not rapid expansion. But I think the optimism is there to move forward with other new, large projects," he said, including the IKEA/Seasons of Tuxedo development in southwest Winnipeg and the pending redevelopment of the football-stadium site at Polo Park.

Industry officials said 2011 will also go down as another good year for the industrial and investment-buildings sectors of the commercial real estate market.

"Certainly there have been some good (leasing) deals that happened this year," said Tom Derrett, an industrial specialist with Colliers International and chair of the commercial division of the Winnipeg Realtors Association.

He cited a deal that saw J.R. Stephenson Manufacturing Ltd. lease more than 65,000 square feet in a refurbished building at 1245 Border St. as a leading example.

Even new industrial space is being leased, in spite of the higher rental rates it commands.

"It shows that if anybody has the guts to build, there are people out there who will rent it."

Derrett said the big thing holding back the industrial market right now is lack of properties for sale or lease. If there were more properties available, there'd be more businesses buying and renting space, he said.

It's the same problem in the investment-properties market, said Don White, executive vice-president of national investment services with Colliers International: plenty of potential buyers and too few sellers.

White said preliminary year-end numbers compiled by Colliers show there were about $382 million worth of sales transactions last year in the city. While that's a respectable number, it's down significantly from 2010's $575 million or 2007's $762 million.

White said the difference between this year and those two years was a dearth of big-ticket transactions. No major property portfolios came onto the market, and there was only one transaction valued at more than $50 million -- Artis Real Estate Investment Trust's purchase of the two MTS office towers at Main Street and Pioneer Avenue for $55.8 million.

"If there is a story of the year, it's that we've been supply-constrained," he said.

"I would say it was still a very active market... but sales volumes easily could have been stronger."

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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