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Big industrial sites hot properties

Major sales mark uptick in local sector's activity level

By: Murray McNeill

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WAYNE GLOWACKI / WINNIPEG FREE PRESS [Enlarge Image](#)

Gary Coleman (left) of Big Freight Systems and Gary Goodman at Big Freight's new \$7.5-million, 177,000-square-foot warehouse/office complex on Hutchings Street.

Larger industrial properties are becoming a hot commodity in Winnipeg, industry officials say.

"The demand for lease space has increased dramatically (and) the demand for sale space has remained high," Gary Goodman, an industrial real estate specialist with the Winnipeg office of Colliers

International, said. "We've been waiting around for a long time for things to heat up, and they just did."

Goodman said demand started to take off in the second half of 2011. And it's expected to remain strong as the local economy continues to grow and more companies look to expand their operations to upgrade to better facilities.

He said he's been involved in at least five major transactions in the last six months involving properties ranging in size from 35,000 square feet to 177,000 square feet.

The largest was a warehouse/office complex at 10 Hutchings St. that Big Freight Systems purchased late last year for \$7.5 million.

"A 177,000-square-foot-warehouse sale -- that doesn't happen very often," Goodman said.

The building had been leased by Paramount Storage, which Big Freight purchased out of receivership last summer. But Big Freight CEO Gary Coleman said it made more sense for the company to own the building than to rent it, so it purchased it from the owner -- Crystal Developers Ltd. -- in November.

Although it's been using the warehouse space since last summer, Coleman said the office space is still being renovated. That work should be complete by the end of this month, when the company's logistics and supply-chain solutions division moves in.

Goodman said the demand for lease space is coming from both local and out-of-province companies. But most of the buyers have been local operations.

He said low interest rates, a limited supply of available product and Winnipeg's strong economic outlook are also helping to fuel the demand for industrial space.

Peter Kaufmann, an industrial sales and leasing specialist with the Winnipeg office of CBRE Ltd., agreed Winnipeg's improving fortunes have been a factor.

"I think there's a general feeling of optimism," Kaufmann said. "Our city is finally having its day in the sun."

He said Winnipeg's inland-port development (CentrePort Canada) is also helping to generate new industrial activity, particularly in the northwest quadrant of the city.

But it's not just that area that's benefiting, he said, noting he recently helped to negotiate a new 10-year lease for a 32,000-square-foot industrial building in central Winnipeg. Because the deal hasn't closed yet, he wouldn't say which property it was or who leased it.

Kaufmann said it's not just large industrial properties that are in demand these days.

"There's lots of interest for all different sizes of properties."

He predicted the heightened demand will lead to more speculative building in 2012 -- something Winnipeg hasn't seen a lot of in recent years. He said it should give a few developers the confidence to proceed with a project even before they've signed any tenants.

Crystal properties did that in 2009 with a 35,000-square-foot warehouse/office building at 71-77 Bannister Rd. But the building sat empty for more than a year after it was completed.

But Goodman noted it's one of the properties that was snapped up during the recent market rebound. Star Produce Ltd., a Burnaby-based fruit and vegetable distributor, has leased the entire building for the next five years, he said.

Star Produce officials could not be reached for comment.

Realtors have said one of the things holding back new construction is a reluctance on the part of many industrial tenants to pay the higher rental rates new buildings require -- in the range of \$9 to \$11 (net) per square foot versus the usual \$5 to \$6 for older space in the city.

Kaufmann said that attitude is changing as more companies realize they have no choice if they want modern, high-quality space in a particular area of the city.

"If you can't find an existing building (that's suitable), then you have to pay (the higher rates)."

He said the difference in costs usually isn't as great as some might think because there are savings to be realized in a newer, more energy-efficient building.

"There are probably savings of one dollar per square foot on utility costs and probably another dollar per square foot on maintenance costs."

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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Larger deals

show demand

HERE are some of the new sales and leasing transactions from the last six months:

"Ú The sale of a 177,000-square-foot warehouse/office building at 10 Hutchings St. to Big Freight Systems for \$7.5 million.

"Ú A five-year lease for 100,000 square feet of space in a warehouse complex at 1450 Mountain Ave., also by Big Freight Systems. The space had previously been leased to Paramount Storage, which went into receivership last year.

"Ú A five-year lease for a 35,000-square-foot warehouse/office building at 71-77 Bannister Rd. The new tenant is Burnaby-based fruit and vegetable distributor Star Produce Ltd.

"Ú The conditional sale of a 2.1-hectare property on Fife Street that includes a 15,000-square-foot warehouse. That property also had been leased to Paramount Storage.

"Ú A tentative offer to lease a 50,000-square-foot warehouse at 959 Keewatin St. Terms of the deal have not been disclosed. The building was previously leased to Rosedale Transport.

-- source: Gary Goodman/Colliers International

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