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Doug McKay, director of commercial development for Longboat Development Corporation, stands outside the MTS Centre in Winnipeg, the new hockey arena and home to the Winnipeg Jets. Across the street, Longboat's Centrepoint project is under construction.
for The Globe and Mail

WINNIPEG

Jets effect heats up Winnipeg's commercial real estate market

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"If you build it, he will come."

The memorable motto from *Field of Dreams*, urging Kevin Costner's film character to build a baseball diamond on his Iowa farm, could just as easily describe Mark Chipman's vision. More than a decade ago, the chief executive officer of True North Sports and Entertainment proposed building an arena in downtown Winnipeg.

At the time the notion that a new arena would bring back the National Hockey League following the Jets' departure for Phoenix in the 1990s seemed as preposterous as – well – building a ball diamond in a Midwest cornfield, hoping the 1919 Chicago Black Sox would reappear.

Mr. Chipman's story has a Hollywood ending, too. The MTS Centre was built and the Jets, also owned by True North, came back in 2011 to play in the new $133.5-million, 15,000-seat arena.

Moreover, the NHL's return has sparked a commercial real estate boom downtown. New development – an unfamiliar sight in the city's downtown since the 1980s – is becoming commonplace, says the head of the city's arm's-length development agency, Centre Venture Development Corp.

Today, the downtown is in the midst of a commercial development renaissance with more than $1.2-billion in projects completed, under way or planned, says Ross McGowan, CEO of Centre Venture.

"There is tremendous confidence in large part because of the NHL's return," he adds.

Even prior to big league hockey's return, downtown development had generated national interest in part because Manitoba's slow-but-steady economy didn't experience a recession in 2008-09 like many other provinces, Mr. McGowan says.

"Running parallel to that was a renaissance, the result of a pretty solid development strategy that was focused, involving a lot of public investment laying the groundwork."

Manitoba Hydro Place, the Canadian Museum for Human Rights and the Convention Centre expansion are just a few of the recent downtown mega-projects dependent on public funds. Even the MTS Centre received substantial public support, including $40-million of taxpayer money.

"So the plan to revitalize downtown was percolating along, but then the Jets' announcement was an affirmation," Mr. McGowan adds.

Now large-scale private sector projects – unheard of for decades – have also returned, helping to drive up property values.

Winnipeg was the third-fastest growing commercial real estate market in the country, posting a 16.8-per-cent return for 2012 compared with the national average of 14.1 per cent, according to a report commissioned by the Real Property Association of Canada.

"We're on a good roll," says Ken Yee, senior vice-president with Cushman & Wakefield, a commercial realtor.

Office leasing costs for Class A space in downtown have doubled in some instances from about $15 or $17 a square foot to between $25 and $30, he says.

Leasing space has become a lot easier because national firms, which overlooked the city's downtown in the past, are giving it a second look, Mr. Yee adds.

"Prior to the Jets – even though the arena was there – not a lot of national chains were banging on the door to be downtown."

It's a much different situation today. The downtown's largest, new private development –

Centrepoint – had four full-price bids from national restaurant chains for a 9,000-square-foot space facing the MTS Centre, he says.

“That kind of activity was not there prior to the Jets’ announcement.”

Even a project of Centrepoint’s scale – exceeding $100-million – would have been much riskier without the NHL, says Doug McKay, director of commercial development for Longboat Development Corporation.

The developer is the driving force behind Centrepoint, which includes an Alt boutique hotel, five stories of office space and an adjoining condominium project called the Glass House. In addition, Longboat has another $100-million-plus proposal for the south side of the MTS Centre, featuring an outdoor plaza and giant video screen to broadcast games, tentatively called So/Po, short for “south of Portage.”

“For us there’s no doubt about the NHL’s effect,” Mr. McKay says.

Toronto-based Milestones restaurant had the winning bid for the prime spot in the Centrepoint project, while a successful local restaurateur will open an Asian-Mexican fusion cantina, Chino Libre, in an adjacent 4,000-square-foot space.

“We own a restaurant in River Heights called Pizzeria Gusto and really noticed a change in attitude when the Jets returned,” says Bobby Mottola, president of Gusto Group, owner of the upper-middle-class neighbourhood restaurant, named one of Maclean’s 50 best restaurants in Canada. “It seemed like overnight the mindset about being in Winnipeg in the winter months got better.”

So too did prospects for a downtown restaurant.

Mr. Mottola says the concept for a new eatery had been on their back burner for years, but once the NHL returned, the decision to go downtown became a “no-brainer.”

“Prior to the Jets returning, the arena was very busy,” he says, adding the Manitoba Moose, an American Hockey League team, played there, and the arena was booked most other nights with concerts.

Yet the NHL draws a consistent full house – more than 15,000 people – during the winter, and it’s a demographic typically with more disposable income than AHL fans, he says.

“It takes it to another level.”

While an immense source of pride for Winnipeggers, the Jets have also raised Winnipeg’s profile nationally, attracting out-of-province developers, including Fortress Real Developments Inc.

The Toronto-based developer is finalizing plans for a multiuse project within a block of the MTS Centre, worth about $150-million.

“Winnipeg was on our radar before the Jets,” says Jawad Rathore, its CEO and president.

The city’s designation of the 11-block area surrounding the arena as SHED (Sports, Hospitality and Entertainment District), offering financial incentives for high-density development, certainly made the numbers attractive before the NHL, but the Jets reinforced their interest, he says.

Even existing commercial properties have become hot commodities. Last summer Investors Real Property Fund closed a multimillion-dollar deal, purchasing two office towers within a minute's walk of the MTS Centre.

Portfolio manager Graham Zakaluk says the investment is the first in downtown Winnipeg for the home-based fund with more than $4-billion in assets invested across Canada.

"Were the Jets *the* factor?" he asks. "When you take everything into consideration and the fact these properties are a short walk to the MTS Centre, having them here doesn't hurt."

More than anything, the NHL brings warm bodies on cold winter nights on a regular basis – a reason to be downtown that wasn't always there before, Mr. Rathore says.

This is crucial in building vital communities, he adds. Although a handful of condo developments in the area in the past few years has struggled to find a steady market, now developers, such as Fortress, believe activity has reached a tipping point, and a new generation will look at working, playing and living downtown as a viable option.

"You have to give people a reason to go downtown," Mr. Rathore says. "This truly is a case of, 'If you build it, they will come.'"

Downtown Winnipeg, by the numbers

– 72,000 people work downtown every day

– 40,000 students attend school

– 16,000 people live downtown

– 130,000 people reside within a seven-minute drive of downtown

– One million annual visits to the MTS Centre; 13th busiest venue in North America

– $1.2-billion in investment in the past 13 years

– 5,000 new office workers downtown since 1999

– 24 million shoppers annually

Centrepoint facts and figures:

– Total footprint: about 370,000 square feet

– Includes 154-suite Alt boutique hotel, a Milestones restaurant and a new concept restaurant called Chino Libre, both with patios

– 100,000 square feet of office space, with engineering firm Stantec as the primary tenant

– Condominium development, the Glasshouse tower, 160 units

– Development partners: Artis REIT and Toronto-based Urban Capital Property Group

– Parkade with 400 stalls

– Estimated cost: about $100-million-plus

Source: Centre Venture Development Corp.

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