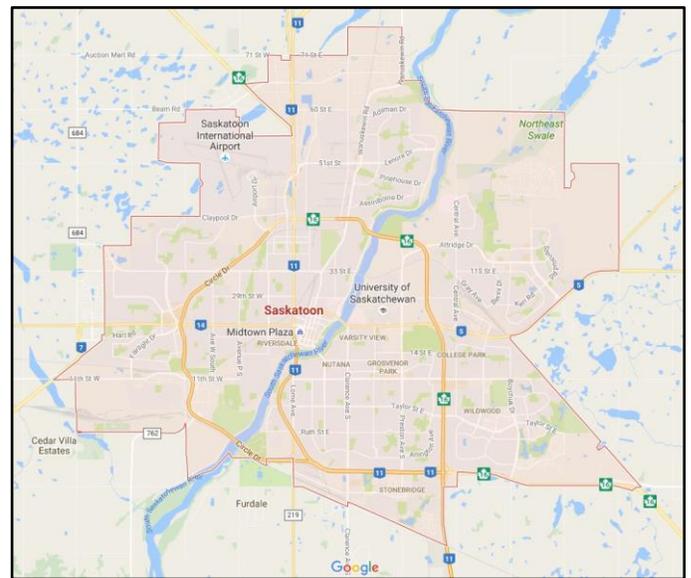


Saskatoon is the most populated urban centre within the province of Saskatchewan, with a central location that is favorable to transportation and the economics of this region. Saskatoon Regional Economic Development Association (SREDA) has estimated the population of Saskatoon City Municipal Area (CMA) at 324,033 for Quarter 3 of 2017. The City of Saskatoon is estimating a civic population of approximately 271,000 residents at July 1, 2017. Saskatoon has a largely diversified economy with a wide range of products and services in demand from around the world. With a steadily growing population and infrastructure, abundant natural resources, research and development, it has economic importance for the country, and is one of Canada's fastest growing cities according to Statistics Canada.

## CITY MAP



## Real Estate Market

Saskatoon experienced prominent real estate growth starting in 2007 coinciding with a more rapidly growing population, which expanded the suburban areas to include neighborhoods such as Stonebridge, The Willows, University Heights, Rosewood, Blairmore, Hampton Village, Evergreen, Brighton, and the extension of Parkridge. The Saskatchewan Region Association of Realtors reports an average housing price of \$324,000 at December of 2017, and the housing market data for 2017 indicates that the average house price has been declining since 2015. This is not surprising given the slower economic conditions over the past two years.

There were 3,491 single-detached dwelling and multifamily unit sales in 2017, compared to 3,719 transactions in 2016. Overall sales volume, at roughly 1.6 Billion for 2017, is down by 9% from 2016. The decrease of sales in 2017 was largely a result of decreased economic growth for the region, and a larger inventory of housing. New mortgage lending rules effective

January 1<sup>st</sup>, 2018, in conjunction with slightly higher interest rates will likely result in further downward pressures for 2018, all other factors being equal. Saskatoon reached \$725,521,000 in building permits in 2016 (2017 data is not yet available), a significant decrease from the previous record of \$1,088,500,000 set in 2013 according to the City of Saskatoon Building Standards Branch.

In March 2012, City council outlined the Strategic Plan 2012-2022 and the Integrated Growth Plan for the re-orientation of transportation planning, community planning, and building processes in Saskatoon. The City, in conjunction with private developers, initiated the process of developing low-income housing projects in various parts of the city to alleviate the shortage of rental accommodation created by a growing population. The trend to re-invest and refurbish older rental properties coupled with an increase in new condominium and rental designed developments in the past few years have contributed to a rising supply and a steady increase in Saskatoon's vacancy rates. Although down from a 10.3% apartment vacancy rate in 2016; Saskatoon still has one of the highest vacancy rates in major Canadian cities and is currently estimated at 9.3% by CMHC.

The annual business profile report indicates that 1,190 new business licenses were issued in 2016 (2017 data not yet available). A total of 10,800 licenses were issued with 6,276 representing commercial/industrial businesses. The report for 2016 indicated there was a 1.32% increase in the number of licensed business over the previous year. Commercial/Industrial businesses continue to make up 58% of all businesses and home-based businesses make up 42%<sup>1</sup>.

## **Resource Markets**

Agricultural continues to be the dominant economic contributor to Saskatchewan's economy, and this sector has shown strong growth in recent years in response to global economics and healthy commodity prices. In addition, Saskatoon is an ideal central location for distribution and logistics and is associated with various grains, livestock, oil and gas, potash, uranium, gold, diamonds, coal and their spin off industries. Saskatoon's location provides a gateway for these industries for several reasons. Employees are able to travel by air to northern mines, and goods can be transported to northern mines through a diverse road network. Saskatoon is also a central location in Western Canada for access to west coast ocean ports serving international markets.

Saskatoon houses the international head offices for the world's largest publicly traded uranium company, Cameco. The newly formed potash company, Nutrien Ltd. (merger

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<sup>1</sup> [https://www.saskatoon.ca/sites/default/files/documents/community-services/planning-development/business-license-mapping-research/business-license/business-profiles/business\\_profile\\_annual\\_report\\_2016.pdf](https://www.saskatoon.ca/sites/default/files/documents/community-services/planning-development/business-license-mapping-research/business-license/business-profiles/business_profile_annual_report_2016.pdf)

between Potash Corporation and Agrium) will operate head offices in both Calgary and Saskatoon. Areva Resources Canada Inc. is also headquartered in Saskatoon, and BHP Billiton, the world's largest vertically integrated mining company, relocated its Canadian head office to Saskatoon from Vancouver in 2011. The move reflects well on Saskatoon, which could be the primary business centre for mining and related businesses. The Jansen mine project, which has the potential to become the world's largest potash mine, has put the development of the mine project on hold, until such time as a partner can be found. There is also the potential for the project to cease completely until potash prices rebound. BHP reports shaft completion at 70%.

Potash prices remain low entering 2018. Potash Corporation had layoffs in 2017, which followed the indefinite shut down of its New Brunswick mine in 2016. K+S Potash Canada, on the other hand, saw a completion of the Legacy Project, now renamed the Bethune mine, and this facility saw an official opening in May of 2017, reflecting the trend of modestly increasing economic indicators within the potash industry.

Uranium is continuing a downward trend in commodity prices, starting after a market peak in 2007, and a collapse in 2011 due to the Fukushima disaster in 2011. Cameco announced 500 layoffs and suspension of its Rabbit lake mine in April 2016 due to an oversupply of uranium around the world. In 2017, this trend continued, and saw the temporary suspension of operations at both McArthur River and Key Lake, both located in northern Saskatchewan. Prices; however, did see a boost in late 2017.

## **Industrial Market**

The Saskatoon industrial real estate sector stabilized considerably and showed some indications of a market that is a bit over-saturated with supply at the moment. Both ICR Commercial Real Estate (ICR) and Colliers International of Saskatoon have published quarterly industrial market reports that compile and examine data related to industrial real estate.

In the ICR report, notable indicators include an overall industrial space inventory of 23.68 million square feet, and an 8.1% vacancy rate. According to their data, there was negative absorption for the first three quarters of the year, at -29,978 square feet. The study also illustrates industrial vacancy levels in Saskatoon reached a low of near 2% in or around 2007, and vacancy has followed a cyclical upward trend which peaked in 2016 at just over 9%. Two Thousand Seventeen appears to be declining by a full percentage point or more, to the 8% mark. The highest vacancy neighborhood of Saskatoon is again the CN Industrial, which has a 29.4% vacancy level due to large spaces available in a relative small grouping of buildings. The Southwest appears to have the lowest vacancy level, at 3.4%, but this neighborhood is one of the older industrial neighborhoods in the city, and typically dominated by owner occupied

type of space. Other neighborhoods show vacancy ranging from 5.6% to 10.3%. which at the lower end are considered better indications of stabilization, and with some of the higher vacancies in areas where new construction is adding to the overall inventory.

The Quarter 3 2017 report published by Colliers International of Saskatoon estimates Saskatoon's overall industrial vacancy rate at 6.99%, an overall inventory at 22.9 million square feet, and absorption at around 200,000 square feet for the quarter. Most of these market indicators show improvement from the previous study conducted in quarter 1. Vacancy is shown as being down by 0.7 percentage points, inventory is up by approximately 50,000 square feet, and net absorption is down, but still in positive territory. Also of interest from the Colliers report is the suggested change in rental rates, which from their analysis, went down from an average of \$9.50 per square foot, to \$8.50 per square foot. The lowering of rents is thought to be one of the key reasons why leasing activity increased in 2017, as landlords adapted to the market conditions in order to fill available space. The Colliers report also indicates that 110,000 square feet of industrial space is under construction for 2017. This is down somewhat from previous year's levels of construction, and may serve to help stabilize industrial vacancy levels, going forward.

The City of Saskatoon is the primary supplier and developer of serviced industrial land. As of the January 2018 search date, The City currently lists 25 individual parcels of land available for sale in the Marquis Industrial area. Land sizes range from 0.96 acres to 9.25 acres, averaging 2.57 acres, and totaling 63.98 acres. Zoning is IH – Heavy Industrial for all but two parcels, with one of the smaller sites is zoned IL1- General Light Industrial, and one site is zoned IL2 and located on Arthur Rose Avenue.

Industrial land prices from the City are generally in the \$525,000 per acre range for parcels less than 2 acres, with some of the land on higher-exposure roadways being priced at around \$600,000 per acre. The price is lower on the larger parcels, and those around 4 acres or more are around \$480,000 per acre. Better exposed sites are selling at a 10%-15% premium for their superior exposure, with sales along Faithfull and Millar Avenues, as well as, 71<sup>st</sup> and 60<sup>th</sup> Streets illustrating this.

### **Office Market**

The downtown office market has reached a transitional phase after several years of large-scale expansion with notable developments and record low vacancy rates. The city is now amidst a surplus of inventory and higher vacancy due to office developments being completed in the downtown area over the last six years, totaling over 400,000 square feet. In addition, the relocation of the City Police to a new facility has left the downtown in somewhat of a state of adjustment. The new construction projects may have temporarily met the need of the

expanding downtown office market as there is a noticeable softening in the market.

Competition with the suburban market may be an issue for the CBD office market attributable to differences in parking costs and availability, according to Colliers. The first phase of construction on the River Landing Parcel Y began in 2016, which consists of a mixed use hotel, residential condominium, and office space. The office component will consist of 400,000 square feet of Class AAA; 155,000 square feet of that in phase 1 of the project. There are other proposed projects in the downtown including a LEEDS Class A 75,000 square foot office tower on the corner of 20<sup>th</sup> Street East and 4<sup>th</sup> Avenue South, and the World Trade Centre, a nine storey building on the corner of 22<sup>nd</sup> Street East and 3<sup>rd</sup> Avenue South. Saskatoon City council approved the lift of a height restriction in the future development for the North Prairie City Centre towers consisting of two office/retail/residential mixed use buildings reaching 30 stories on the corners of 22<sup>nd</sup> Street East and 3<sup>rd</sup> Avenue South and 22<sup>nd</sup> Street East and 4<sup>th</sup> Avenue South.

The downtown and suburban office market experienced a slight recovery in 2017 with the first positive net absorption in three years and vacancy rates declining slightly. In addition to the 378,244 square feet of direct vacant space, Colliers is reporting an additional 15,800 square feet of sublease space available in the Central Business District.

Construction in the Suburban market has persisted through 2015 and 2016 with approximately 170,000 square feet of proposed construction in the Cornerstone Commons of Stonebridge, in four phases. However, 2017 saw no new supply added to the suburban market. As with the Downtown office market, the suburban office market has also seen a slight decline in vacancy rates and is expected to remain steady into 2018. Additional proposed suburban development in the Holmwood area shows plans for a business park similar to Stonebridge.

## **Retail Market**

Rental rates have remained stable throughout 2017, with no changes in rates seen in 2016. The vacancy rates saw a decline in 2017 over 2016 which is largely attributed to the full or partial lease of the two Target stores that closed in 2015. Additional large footprint buildings are the main contributors to the current vacant space.

The River Landing project is still progressing with the Farmer's Market continuing to draw people to the area of Riversdale. The development of the new Remail Art Gallery is designed as a 125,000 square foot, four-storey gallery. It began construction in 2013 and opened in the fall of 2017.

The Banks development broke ground in 2014. This development includes four buildings made up of commercial and residential space. Plans to revitalize the Riversdale Business area as part of the River Landing Phase II included the Streetscape Improvement Project which has attracted new businesses as well as existing businesses such as Bike Universe, Doug's Spoke & Sport, and Brunsdon Lawrek and Associates, which have moved to 20<sup>th</sup> Street West. In recent years, a number of new businesses have opened including Collective Coffee, Thrive, Anthology, Green Ark, 9 Mile Brewery, Odd Couple and a number of other restaurants.

Downtown continues to be the most desirable location for retail, however, has experienced a slight increase in vacancy in 2017.

The new Blairmore Shopping Centre continued to expand throughout 2015 with the opening of Staples and the 130,000 square foot Lowe's facility. The City has sold the balance of the commercial land in the area. The Blairmore centre now serves a number of communities surrounding it with expectations of a new 40 acre power centre development west of the current Smart Centre becoming available later in the near future. The south end of the Kensington neighborhood is also the location of a number of commercial enterprises including a 33,000 square foot Save On Foods that opened in 2017.

Stonebridge continues its high level of development with the 143,000 square foot retail development at the corner of Preston Avenue and Circle Drive now completed. The 78,000 square foot Sobey's opened in the fall of 2014 with grocery and liquor stores along with a 170,000 square foot Shopper's Drug Mart and Canadian Brewhouse. Additionally the 50,000 square foot Ironwood retail/office development on the southeast corner of Preston and Cornish Road is mostly leased.

Phase 5 of the retail development in the Preston Crossing area is largely completed, west of Old Navy. This has added 109,000 square feet on 8.80 acres to the existing 600,000 square feet of retail space in the area, according to Colliers. New subdivisions, Rosewood and Holmwood (Brighton) are also marketing retail space. Rosewood has amended the concept plans to include 90 acres of retail zoned land and 2016 saw the opening of a second Costco within the Meadows development of Rosewood. A retail development on a 230,000 square foot site has begun in the Holmwood area. An additional 900,000 square feet of retail space is proposed across McOrmond Drive.

## **University of Saskatchewan**

Innovation Place was founded in 1980 and now has almost 130 agriculture, information technology, environmental, life sciences, medical, and biotechnology industries. The combined firms employ more than 3,300 people in 19 buildings in a park setting. The Canadian Light Source synchrotron became operational in 2004, bringing a number of high paying research jobs to Saskatoon and encouraged companies to establish research facilities here. The International Vaccine Centre (InterVac) was occupied in early 2008 which added 160,000 square feet to the VIDO building. The University received \$33.1 million dollars in federal funding in 2016 to complete the Collaborative Science Research Building and other infrastructure improvements.

The largest employer in Saskatoon is the University of Saskatchewan in conjunction with Innovation Place and has a student body of over 21,000 students. The University has undergone numerous developments in the last 3 years. Place Riel, the campus' front door, recently completed an expansion of 78,436 square feet. The campus student resident expansion project created 800 student beds in four five-storey buildings completed in September 2012 and one more residence opened in January 2013 providing over 200 beds for graduate students. The campus student residences house an estimated 12% of the student population, up from 6% prior to the expansion. In 2013, the university negotiated a long-term land lease agreement which has resulted in the first stages of construction on a 203-room, 10-storey hotel development near Griffiths Stadium. The development's operations will be split into a Holiday Inn Express wing and a Staybridge Suites wing to be completed in 2018.

## **Summary**

With the slump in oil prices over the past few years, an impact was felt in the fiscal budget of the Saskatchewan Government. Budget cuts in the first half of 2015 were seen in the education and hospital groups. The Saskatchewan Government is in the process of amalgamating the province's 12 health regions into one health authority, with the process starting at the end of 2017. P3 partnerships have gained in popularity in the region to keep the momentum of developing infrastructure. In Saskatoon, the construction of a North bridge is underway with the support of the P3 partnership program as well as nine new schools in the province, of which four are located in the City of Saskatoon.

In summary, the wide diversification of regional resources in mining, manufacturing, and research areas, has led Saskatoon to be one of the fastest growing cities in Canada. More detail on the city and the individual real estate markets can be gained from visiting our web page at '[www.brunsdonlawrek.com](http://www.brunsdonlawrek.com)' or by contacting our company directly for copies of our market overviews or real estate studies.