2019 Regina Real Estate Market Presentation to Association of Regina REALTORS® Inc.

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My last update was February 15, 2018. First, I want to thank all the REALTORS® who support our firm. On March 1, 2016 we merged with a Saskatoon appraisal firm and in May 2017 the three appraisers from Pinnacle and Dustin Cross joined us. We now have 21 appraisers in the two offices including 10 in Regina. We also have one research coordinator in each office. We cover the whole province. We do appraisals of residential, industrial, commercial, multifamily, investment and agriculture properties.
The more deals you do the busier we are giving us more sales data.

1) Regina Residential

- Harder to qualify for mortgage due to new rules has not helped. Condos are the weakest part of the market. Generally weak market overall.
- Total active residential listings within the city of Regina excluding conditional sales:

	Single Family	Condominium	Total
Feb 13/19	846	327	1173
Feb 14/18	840	336	1176
Feb 15/17	677	299	976
Feb 21/16	775	311	1,086
Feb 8/15	738	296	1,034
Feb 11/14	-	-	804
Feb 1/13	-	-	573

2) Apartments

- Few sellers but there are buyers in spite of rising vacancy and lower rents. Vacancy rate according to CMHC was 1.8% Oct 2013, 3.0% Oct 2014, 5.4% Oct 2015, 5.5% Oct 2016, 7.0% Oct 2017 and Oct 2018 7.7%, although many property managers think it is higher. There are only a few new construction rental units still to hit the market. Could be slightly higher vacancy rates in the future.
- Many properties are reducing rents due to rising vacancy. The peak for rents was probably spring 2013.
- Highest walkup sale we had was $135,000 per suite, 5.63% capitalization rate, for 126 suites at 4730 Pasqua in Aug 2014. Most apartments today would be in the $100,000 to $120,000 per suite range for 12 suites or larger and 5.0 - 6.0% capitalization rates. The capitalization rates have gotten lower as rents decreased but sale prices didn't decline as much. 4 and 6 suite apartments sell

for higher prices per suite. However we have seen some low sales just recently. 12 suite Rosemont $70,833/suite, all 2 bedrooms and $83,333/suite for 12 suites (11-2 beds) in Assiniboine East. Due to rising vacancy and downward pressure on rents I don't expect higher prices for apartments in 2019. An older south end hi-rise apartment sold for $170,213/suite (5.24% cap rate) in April 2016 called Rainbow Towers adjacent to Southland Mall and it needed work.

3) Retail

- Latest surveys 3 – 5% depending on whether Sears vacancy is included. New developments rent for $25 - $32 psf plus operating costs. Older malls start at $15 psf. Capitalization rates no higher than 7.0% and we have had sales as low as 6.0%. Alpine Village Mall at 100 Albert Street sold in the fall of 2018 for $5,375,000, 6.29% capitalization rate $202 psf. There are more buyers than sellers.
- In east Regina there is a new retail area called AURORA developing on the south side of Victoria Avenue just west of CTV with Costco as the anchor. Also a new 20 acre retail development at Arcola Avenue & Chuka Boulevard. Grasslands in southwest Regina still has land to develop and northwest Regina will have land available adjacent to the auto dealerships called Capital Crossing and also north of the dealerships including Diefenbaker Drive area.

4) Office

- The overall vacancy rate is currently near 13%. Substantial new construction and decreased demand are the cause. New construction rents are $30 - $36 psf depending on interior finish. Existing buildings are (plus or minus) Class A $23 psf, Class B $15 psf and Class C $12 psf although landlords are offering more inducements (free rent, improvement allowances) to maintain these rents. Demand by investors is good if occupancy is good. Cap rates 6.0-7.0%. There is a real concern about the Regina office market should the Government of Canada the Government of Saskatchewan vacate space in the future. Dream REIT sold 5 Regina office buildings in 2017 with capitalization rates over 7.0%. They were a motivated seller, so the capitalization rates were relatively high.

5) Warehouse / Industrial

- Vacancy is near 5%. New construction rents $12 maybe $14 psf depending on size and interior finish. Existing buildings $9 - $12 psf. Rents are declining.
- Cap rates 7 – 8% and new would be 6.75% or less.
- Sale prices for existing buildings approx. $100 psf plus land value.

6) Land

- Servicing Agreement Fees charged by the City of Regina are rising which has resulted in lots in new subdivisions priced at $4,400 FF which is $198,000 for a 45 ft wide lot. Multifamily land at near or just under $1.0 million per acre although weak demand for multi land.

- Commercial prices have been rising due too scarce supply $1.3 - $1.6 million per acre and Carl Jr's site on Victoria East $1,950,000 per acre. Ford dealer on Broad Street adjacent to cemetery $1,800,000 per acre. 4550 Albert Street former PetroCan $2.2 million per acre, $50 psf but only 29,194 sf. Another South Albert Street sale will be over $50 psf for 1.69 acres.
- Global Transportation Hub: $256,000 per acre.
- Ross Industrial Park: Sold out but reselling for near $500,000 per acre.
- Raw land for residential subdivision: We had 3 sales at $112,000 - $136,000 per acre but with downturn in residential market it is difficult to justify those prices today. Maybe $75,000 per acre is more appropriate.
- Raw land sales in Sherwood and Edenwold RM's for development about $10,000 -$30,000 per acre.
- Servicing Agreement Fees (SAF) charged by City of Regina in 2019 is $178,875 per gross acre but now only $59,625 per acre for industrial. This is just a tax and City also offloads more costs to developers. There will be no cheap serviced lots in the future.
- Melcor hasn't started their new industrial subdivision to east of Fleet Street across from Ross Industrial. Has not been feasible due to high servicing costs but may now be feasible due to reduced SAF for industrial.

6) Farmland

- Still demand by farmers and investors. Regina heavy clay $3,000 - $3,500/acre.

7) Hotels/Motels

Simply a tough market throughout Saskatchewan due to over-building and weaker demand for rooms.

Looking Ahead

Interest rates still are low but the commodity price decline is a problem. There has been some recovery in potash and uranium but not much new hiring after many jobs shed. Still very little product for sale and there are buyers. Lots of money in the world looking for investments. Generally, I expect continued levelling off on prices and cap rates. Affordable real estate prices make us more competitive with Alberta and other provinces.