SASKATOON
MARKETBEAT REPORT
CBD OFFICE Q1 2024

Cushman & Wakefield Saskatoon

	YoY CHG	12-MO. FORECAST
20.12% Vacancy Rate	▼	▼
57,293 Net Absorption, SF	▲	▲
$20.32 Asking Rent, PSF	▼	▼

Overall, Net Asking Rent

ECONOMIC INDICATORS
MARCH 2024

	YoY CHG	12-MO. FORECAST
201,500 Saskatoon, SK Employment	▼	▼
5.2% Saskatoon, SK Unemployment Rate	▲	▲
6.1% Canadian Unemployment Rate	▲	▲

Market statistics, new construction details, and key transactions on page two.

Saskatoon Overview

Saskatoon's office market as a whole continues to recover post COVID-19 with falling vacancy in both the CBD and in the Suburban markets. In Q1 2022 downtown office vacancy reached a near record high of 24.31% and over the past two years the vacancy rate has steadily declined by 419 (4.19%) basis points ending Q1 2024 at 20.12%. There are presently two trends persisting in Saskatoon's office market--a "move to (premium) quality" and a "move for budget". Tenants are opting for either top quality office space such as the Towers at River Landing or they are pursuing Class C space with an emphasis on price over quality. Expectations for office space has shifted considerably post COVID-19, and with work from home as an available alternative, amenities offered onsite are less important than cost for many tenants renewing or expanding in 2023/2024. Mid-tier office space which competes neither on cost or prestige is feeling the effect of vacancy as it does not fit either trend.

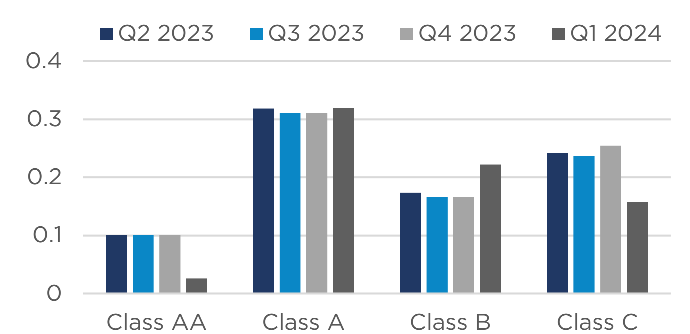
Move for Budget / Move to Quality

Through 2019-2022 there was significant tenant movement to Saskatoon's first AA Class office towers at River Landing. As a result of the movement to the RBC DS East and Nutrien Towers, older office towers in the CBD of Saskatoon experienced above average vacancy. Class C properties which are generally dated, trade less frequently, and generally have little to no debt, are recently offering net effective rates significantly below market. In 2023 some Class C office space advertised as low as $5.00 Net PSF while the market average in the CBD remained at $20.32 Net PSF.

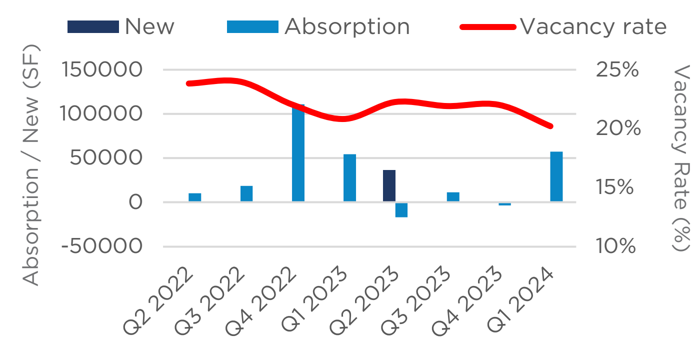
CBD Office Market

In March 2024 McKercher LLP announced their intention to relocate to the remaining vacancy at Nutrien Tower. As a result of the move, the direct Class AA office vacancy rate decreased from 10.1% to 2.6%. Class A CBD office has maintained a consistent vacancy rate of 31.94% from Q4 2022 to Q1 2024, the net asking rates for Class A space also remained consistent through this period at $25.29 PSF. Class B CBD office vacancy rate increased over the last quarter from 19.59% to 22.23%. Class C office space experienced the most significant reduction in the vacancy rate falling from 25.45% Q4 2023 to 15.78% Q1 2024. Significant lease activity occurred in 255 2nd Ave N, 201 21st St E and 133 3rd Ave N, all three buildings offered office space at a significant discount from the average net asking rate. The trend within the downtown office market is also occurring in the suburban office market where tenants are pursuing less expensive inventory.

CBD VACANCY RATES CLASS



CBD OFFICE SURVEY



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MARKET STATISTICS

CLASSIFICATION OF BUILDING	OVERALL VACANT (SF)	OVERALL SQUARE FOOT	VACANCY RATE	AVERAGE ASKING RATE (PSF)	AVERAGE OCC COSTS (PSF)
Class AA	10,068	390,329	2.58%	$33.50	$16.08
Class A	234,531	734,387	31.94%	$25.29	$15.47
Class B	240,041	1,076,000	22.31%	$19.92	$14.23
Class C	155,896	982,952	15.86%	$17.05	$12.62
CBD SASKATOON TOTALS	**640,536**	**3,183,668**	**20.12%**	**$20.32**	**$13.81**

KEY CBD OFFICE LEASE TRANSACTIONS 2023

PROPERTY ADDRESS	UNIT	TENANT	SF	QUARTER
211 19th St E	400/500	McKercher LLP	29,342	Q1 2025
255 2nd Ave N		Stantec	53,148	Q2 2024
122 1st Ave S	700/800	WCB	26,166	Q1 2023

CBD PROPERTIES FOR SALE

PROPERTY ADDRESS	COMMON NAME	SELLER / BUYER	SF	SALE PRICE
279 3rd Ave N	Sandbox Mutual Ins.	Sandbox Mutual Insurance Company	24,000	$5,500,000
374 3rd Ave S	McKercher Building	43094 Saskatchewan Corp	31,647	$10,500,000

KEY SASKATCHEWAN HIGHLIGHTS

In early 2022 potash producers of Saskatchewan made key announcements and investments--K+S announced in May to double production at Bethune mine. In June 2022 Nutrien announced their commitment to increasing their potash production by 40% by 2025, and BHP has accelerated their commitment to the Jansen mine Phase One and of the $5.7 billion USD planned investment; the largest single private investment in Saskatchewan's history, and as of 2022 more than $1.4 billion USD has been awarded in contracts with an additional $470 million CAD awarded to Indigenous business groups. Due to the strike at the Port of Vancouver during Q3 2023, Canadian potash exports have been constrained by logistical challenges and as a result Nutrien has lowered their projected global shipment range for 2023 to between 63 and 65 million tones.

Across Canada Saskatchewan accounts for 40% of total crop acreage at 37 million acres—more than Alberta and Manitoba combined. The primary agriculture crop in Saskatchewan is canola followed by spring wheat, and lentils. In recent years Saskatchewan's agriculture is growing from a raw good industry to a value-add industry.

For an in-depth market review for Saskatoon, give Scott a call.

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CUSHMAN & WAKEFIELD SASKATOON

A LOCAL FIRM WITH GLOBAL REACH

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