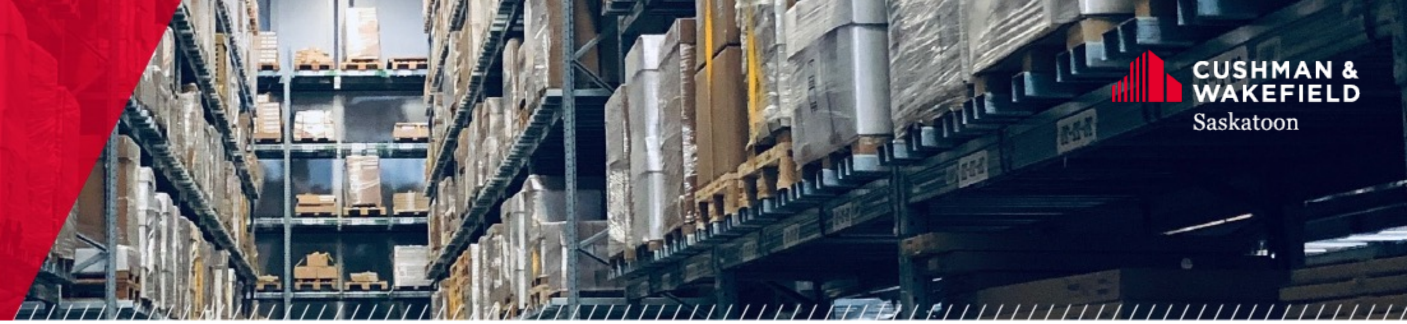
CW SASKATOON RESEARCH

MARKETBEAT REPORT

INDUSTRIAL INVESTMENT 2022-2023



CUSHMAN & WAKEFIELD
Saskatoon

	YoY CHANGE	12-MO. FORECAST
8.30% AVG 2024 CAP RATE *Industrial Saskatoon*	▲	—
6.95% PRIME RATE	▼	▼
2.50% VACANCY RATE *Industrial Saskatoon*	—	▲

ECONOMIC INDICATORS
JUNE 2024

	YoY CHANGE	12-MO. FORECAST
225,600 SASKATOON, SK EMPLOYMENT	▲	▼
5.3% SASKATOON, SK UNEMPLOYMENT RATE	▲	▲
6.1% CANADIAN UNEMPLOYMENT RATE	▲	▲

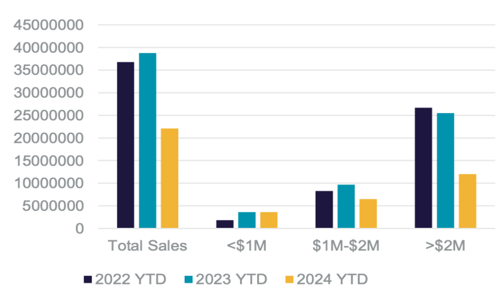
Source: Statistics Canada

SASKATOON INDUSTRIAL INVESTMENT OVERVIEW

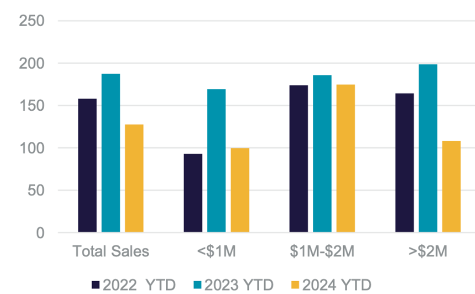
Mid 2021, Saskatoon's industrial vacancy rate began to fall significantly moving from 6.3% Q2 2021 to 3.28% Q2 2022 and has remained below 3.0% through 2023 and into 2024. As of Q2 2024 the vacancy rate is 2.51%, which has left industrial tenants limited options for expansion, contraction or relocation. From 2022 to Q2 2024 eighty-eight industrial buildings in Saskatoon sold for a total of $196.47 million dollars, and during this period the average sale price was $2.32 million. 2023 was a strong year for industrial property sales accounting for 47 transactions totaling $95.36 million, in contrast 2022 saw 30 transactions totaling $79 million. 2024 has been a slow year for industrial transactions, comparing Jan to July of both 2022 and 2023, 2024 is nearly half the value of transactions at $22 million (Q2 2024), compared to $36.7 million (Q2 2022), and $38.7 (Q2 2023).

Despite the prime interest rate reaching 7.2%, 2023 observed record transaction milestones for industrial properties. In 2023 the average sale price per square foot for industrial properties reached $185 PS and the average capitalization rate was 6.96%. The year 2023 appears to be an anomaly when compared to 2022 where the average sale price per square foot was $158 PSF (capitalization rate 7.90%) and 2024 at an average of $128 PSF (capitalization rate 8.30%). The reason for 2023 as an outlier is due to demand for industrial space during that year, where buildings were transacting above normal expectation by owner/user industrial purchasers looking to secure their own real-estate for their operational needs. 2024 appears to be a more predictable year with industrial properties transacting as pure investments at capitalization rates that are within reason given the prevailing lending rates.

TOTAL SALES JANUARY-JULY



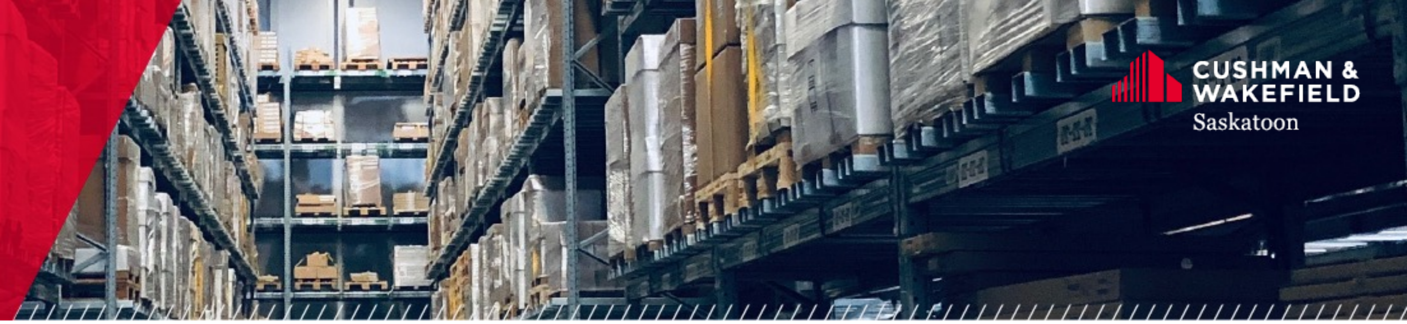
SALE PRICE JANUARY-JULY (PSF)



CANADIAN INTEREST RATES

During the Covid-19 pandemic 2020 - 2022 the Canadian Prime Rate dropped 150 basis points to 2.45%--the lowest recorded interest rate since the depression era of the 1930's. However, from February 2022 to October 2023 the Canadian Prime Rate increased 475 basis points to 7.20%, the Prime Rate has decreased slightly in 2024 to 6.95% and is expected to fall slightly within the next 12 months. As a result of increased cost of borrowing, transaction volumes subsided for pure investment properties in 2023. For most asset types there was an adjustment period between vendors who maintained pre-2022 expectations and purchasers who are faced with present lending values.

In 2024 we are observing investment transactions that align with the present reality and pure investment industrial properties are now transacting for returns between 6.76% - 8.50%.



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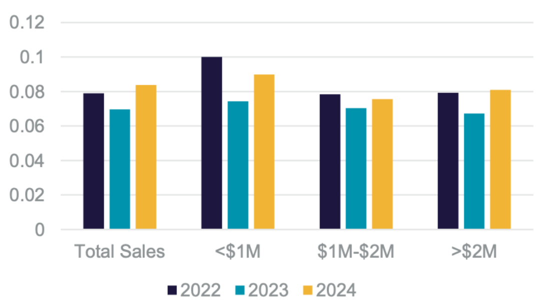
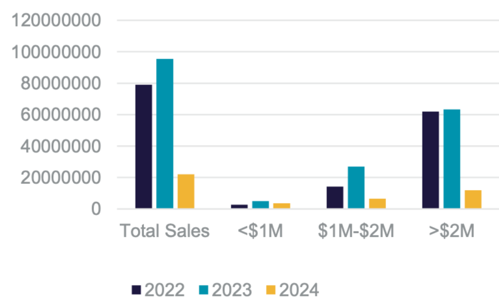
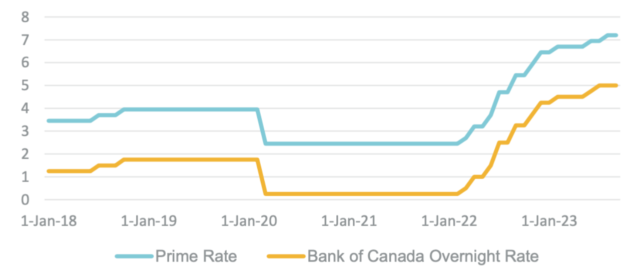
AVERAGE CAP RATE FULL YEAR



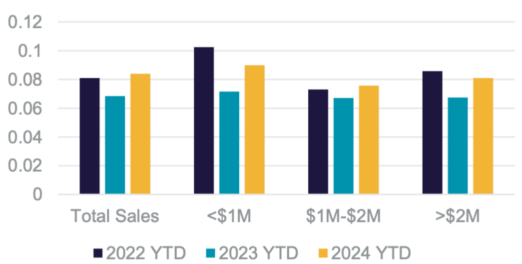
TOTAL SALES FULL YEAR



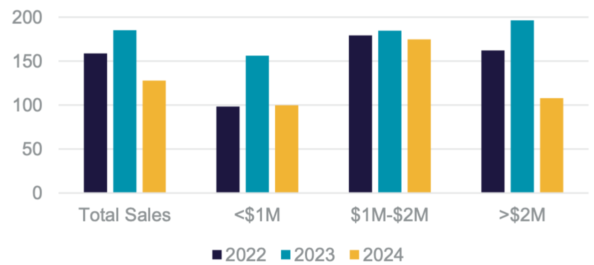
BANK OF CANADA INTEREST RATES 2018-2023



AVERAGE CAP RATE FULL YEAR



TOTAL SALES FULL YEAR



TRANSACTIONS

PROPERTY	USE	UNITS/SF	P/UNIT (SF)	CAP RATE	SALE PRICE	SALE DATE
1502 Quebec Ave	Industrial	111,095	$108	8.10%	$12,000,000	June 21, 2024
802 57th St E	Industrial	13,958	$125	7.57%	$1,750,000	January 30, 2024
507 45th St E	Storage	4,825	$207	6.77%	$1,000,000	July 3, 2023
859 58th St E	Industrial	12,680	$177	6.76%	$2,250,000	September 6, 2023
3935 Burron Ave	Industrial	16,000	$181	6.64%	$2,890,000	September6, 2023

FORECAST

The real estate investment market in Saskatoon has stabilized through 2024 as investors and potential vendors adjust to market conditions. The industrial market remains tight with little vacancy. There is 272,000 square feet of industrial supply under construction with asking rates above the average asking price for these new buildings. The success of the properties presently under construction will likely dictate the appetite for further industrial investment activity in 2025.

FOR AN IN-DEPTH MARKET REVIEW FOR SASKATOON, CONTACT OUR OFFICE AT INFO@CWSASKATOON.COM

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Saskatoon

CUSHMAN & WAKEFIELD SASKATOON

A LOCAL FIRM WITH GLOBAL REACH

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