CW SASKATOON RESEARCH

MARKETBEAT REPORT

SUBURBAN OFFICE Q4 2024

	YoY CHANGE	12-MO. FORECAST
7.38% VACANCY RATE	▼	▼
94,277 NET ABSORPTION, SF	▲	▲
$20.34 ASKING RENT, PSF *Overall, All Property*	▲	▲

ECONOMIC INDICATORS
OCTOBER 2024

	YoY CHANGE	12-MO. FORECAST
235,700 EMPLOYMENT SASKATOON, SK	▲	▲
5.2% UNEMPLOYMENT RATE SASKATOON, SK	▼	▼
6.8% UNEMPLOYMENT RATE CANADA	▲	▲

Source: Statistics Canada, CREA

OVERVIEW

In 2024, Saskatoon's suburban office market saw a 2nd consecutive year of near-record leasing activity with 94,277 square feet of year over year absorption. The combined total absorption of 2023 and 2024 is 224,000 square feet, resulting in the vacancy rate dropping from 12.22% in Q4 2022 to 7.38% Q4 2024--a 40% reduction within two years. Both Suburban and downtown office space are exhibiting strong leasing activity, but built-out suburban office space is leading tenant demand as of Q4 2024.

NET RENTAL RATES

Net rental rates are holding steady. Class A suburban office space rates remain unchanged at $26.46 PSF, Class B at $18.34 PSF, and Class C increased 6% year over year to $13.90 PSF. Both downtown and suburban markets show a preference for finished or built-out space. Shell space has been significantly slower to lease or transact from 2023-2024, and tenants are willing to pay a premium for finished or move-in ready space.

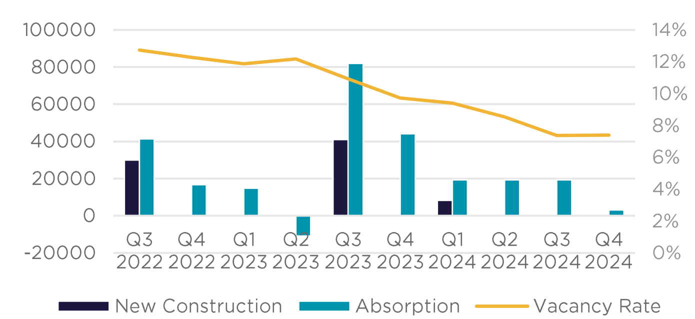
SUBURBAN OFFICE VACANCY

In 2023, Class C office space demand surged, with a 922 (9.22%) basis point drop in vacancy year over year. This trend continued in 2024, but with limited Class C space, it shifted to Class B. In 2024, the Class B suburban office vacancy rate fell 48% from 10.23% (Q4 2023) to 5.05% (Q4 2024). Class A space vacancy slightly increased from 9.95% (Q4 2023) to 13.68% (Q1 2024), mainly due to Cameco vacating 1131 Ave W S. However, strong leasing activity in other suburban buildings reduced the Class A vacancy rate to 10.66% by Q4 2024.

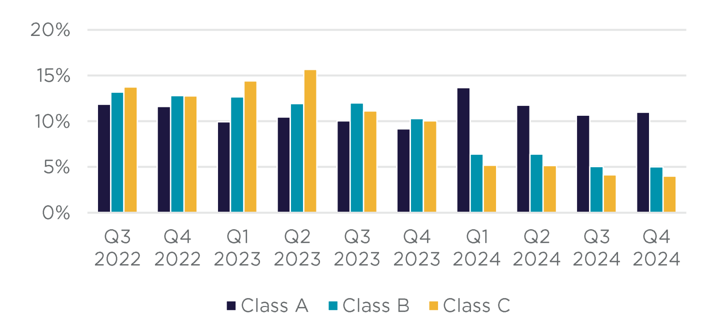
ADDITIONAL TRENDS

Office tenants are moving toward budget and simplicity/immediacy. From 2023-2024, suburban office spaces under 10,000 square feet with built-out space experienced 2.6 times more leasing velocity within 14 months than shell office space. Suburban office spaces in all three asset class categories have a similar likelihood of leasing if built-out and under 6,000 SF.

SUBURBAN SUMMARY



VACANCY RATE



DETAILED STATISTICS ON PAGE TWO

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SUBMARKET STATISTICS

BUILDING CLASSIFICATION	TOTAL	VACANT	VACANCY RATE	NET ASKING RATE	OCCUPANCY COST
CLASS A	1,664,612	177,612	10.67%	$26.46	$11.23
CLASS B	1,161,377	58,843	5.07%	$18.34	$9.33
CLASS C	862,015	35,603	4.13%	$13.90	$7.92
NORTH TOTAL	**272,058**	**272,058**	**7.38%**	**$20.34**	**$9.79**

KEY SUBURBAN OFFICE LEASE TRANSACTIONS 2024

PROPERTY	SUBMARKET	TENANT	SQ FT	QUARTER
446 2ND AVE N	CITY PARK	NEWFIELDS CANADA	27,000	Q2 2024
203 WELLMAN CRES	STONEBRIDGE	ASSOCIATED ENGINEERING	17,312	Q4 2024
450 2ND AVE N	CITY PARK	VIRTUS GROUP	7,660	Q4 2024

KEY SUBURBAN OFFICE SALE TRANSACTIONS 2024

PROPERTY	PER SQUARE FOOT	BUYER	SQ FT	QUARTER
1114 22ND ST W	$134	MARK & FABIO HOLDINGS LTD.	15,625	Q2 2024
1132 COLLEGE DR	$432	102174859 SASKATCHEWAN LTD	18,407	Q1 2024
1221 8TH ST E	$297	CATTERALL & WRIGHT LIMITED	4,032	Q2 2024

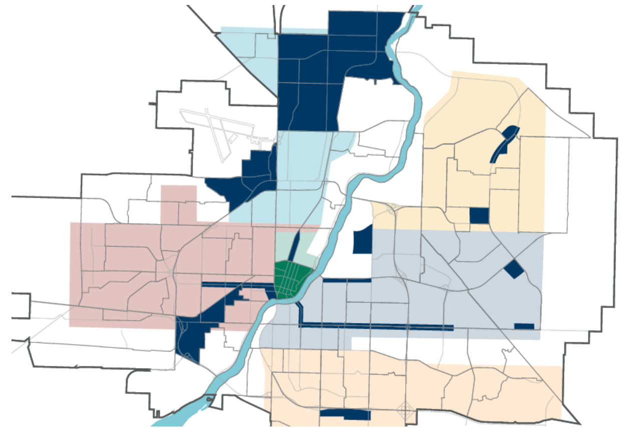
KEY SASKATCHEWAN HIGHLIGHTS

In early 2022, when potash reached a record high of $1,202 USD/Ton, Saskatchewan potash producers made key announcements and investments. K+S announced in May to double production at Bethune mine, Nutrien committed to increasing production by 40% by 2025, and BHP Billiton accelerated Jansen mine Phase One with a $5.7 billion USD planned investment. In 2024, potash prices stabilized from the 2022 peak and are trading 36% above the 10-year average at $278 USD/Ton.

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

From August 2023 to March 2024, uranium has experienced significant gains in value. NextGen Energy Ltd is seeking approval for a uranium production facility 130 kilometers north of La Loche, Saskatchewan. When complete, NextGen expects the Rook I Project to account for 23% of global uranium production.

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



CONTACT

SCOTT FRIESEN SIOR
PRESIDENT / BROKER
+1 306 934 3377
scott.friesen@cwsaskatoon.com

DUNCAN MAYER
RESEARCH MANAGER
+1 306 934 3377
duncan.mayer@cwsaskatoon.com

CUSHMAN & WAKEFIELD Saskatoon

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