

Q1 2021

Saskatoon

Industrial Market Report

Net Absorption

This Quarter	Previous Quarter
253.6K SF	-100K SF
12-Month Absorption	5-Year Quarterly Avg.
535K SF	390.4K SF

Vacancy

This Quarter	Year-over-Year
4.1%	▼ 219 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$10.55 PSF	▲ 7.2%

Development

Under Construction	New Supply
86K SF	0 SF

Sales

Sale Price Avg.	Year-over-Year
\$186 PSF	▲ 22.4%

*Weighted Average
Colliers McClocklin Real Estate Corp

Market Outlook

The industrial market across Canada remains strong despite the continued pressure of measures in place to prevent the spread of COVID-19. This trend is expected to continue due to the correlation between the industrial sector and the economy - GDP performance primarily. The Conference Board of Canada predicts growth of 2.0% in the first quarter of 2021 and 5.9% overall for the year, boding well for this asset class.

Saskatoon's industrial market remained stable to strong on a quarter-over-quarter basis and continues to be a key driver of recovery and growth. A favourable business tax structure, stable to good labour supply and available serviced land contribute to the strength of this asset class. Growth of the ag-industrial sector, including subindustries such as agri-food and agrochemical, is expected to drive demand for production and distribution space. Considering the distribution of the vaccine, strong business and development community, combined with global demand for our food, energy and resources, the outlook for the city is positive.

Vacancy has declined for the past couple of years, currently sitting at 4.1%, as limited inventory has been brought to market. This rebalancing of supply and demand has been timely given the pandemic, specifically for the spec-build industry. Vacancy rates are moving in a downward trend and should continue as demand in the market increases. Early

renewals, blend-and extend leases and general creativity in deal structuring have emerged as a trend to offset difficulties faced by tenants.

Average asking net rates have increased over the past couple years and currently sit at \$10.55 PSF. The deferral of new supply and lower vacancy rates will put upward pressure on average asking rent rates going forward, a trend that is anticipated to hold or increase through 2021. The separation in rental rates between less desirable product and newer inventory has increased. Deferred capital improvements, including mechanical (heating and ventilation) and lighting systems as well as lower roof height are key drivers of rate spreads. That said, there is a healthy supply of value-based product in the market.

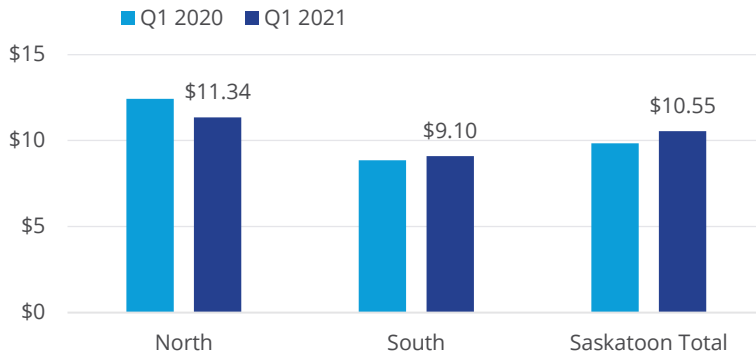
Sales activity has been sluggish due to limited inventory but demand remains strong. Cap rate compression will continue because of the overweight in demand versus available supply. There are opportunities for speculative buildings of 10,000 to 20,000 SF in size, which is showing strong potential for growth in the coming year. The cost of financing, despite lower risk tolerance by lenders, remains a positive trend to growth while supply chain challenges and impending increases in construction stand out as impediments. Getting in front of the upcoming demand by seizing these opportunities will be rewarded as the economy rebounds.

Accelerating success.

Market Overview

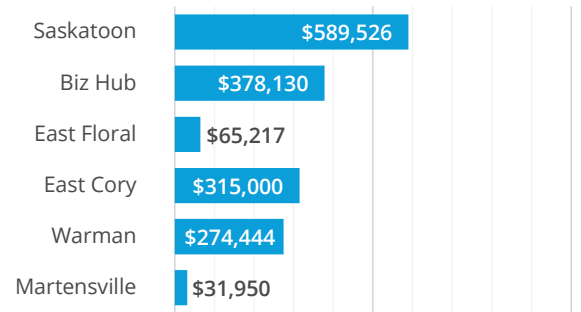
01 Rental Rates by Market

Weighted Average Asking Net Rent (PSF)



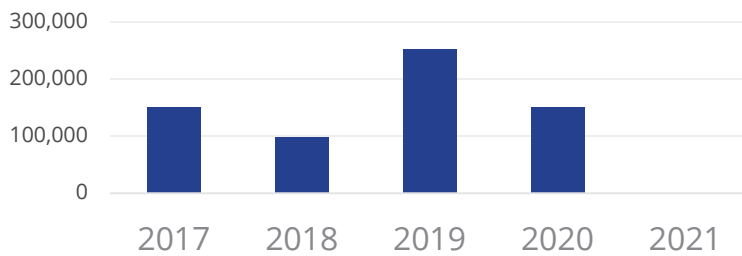
02 Land Asking Price by Market

Price per Acre



03 New Supply

Total Square Feet (SF)



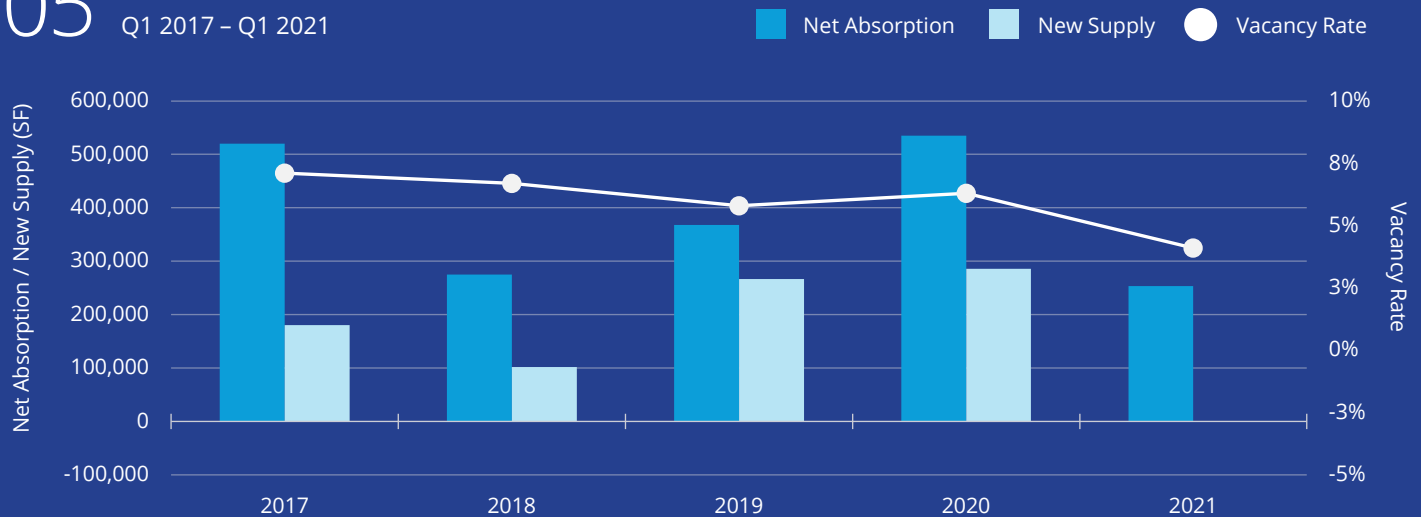
04 Average Asking Sale Price

By Building Type | Q1 2020 - Q1 2021



05 Historical Overview

Q1 2017 - Q1 2021



Market Statistics & Transaction Highlights

	North*	South*	Saskatoon Total
Total Inventory	10,002,297 SF	14,770,053 SF	24,772,350 SF
Direct Vacancy	606,241 SF (2.3%)	401,428 SF (1.7%)	1,007,669 SF (4.0%)
Sublease Vacancy	7,010 SF (63.4%)	4,050 SF (36.1%)	11,060 SF (0.04%)
Total Vacant Space	613,251 SF	405,478 SF	1,018,729 SF
Vacancy Rate (Current Q)	6.1%	2.7%	4.1%
Vacancy Rate (Previous Q)	5.4%	5.4%	5.5%
Net Absorption	63,585 SF	190,089 SF	253,674 SF
New Supply	0 SF	0 SF	0 SF
Under Construction	86,700 SF	0 SF	86,700 SF
Weighted Average Asking Net Rent (PSF)	\$11.34	\$9.10	\$10.55
Weighted Average Sale Price (PSF)	\$192	\$151	\$186

*North boundaries are defined by any industrial inventory north of Circle Drive and east of Highway 11. North sector includes areas commonly known as the North & Marquis Industrial sectors; the remainder of the industrial inventory within city limits is placed in the South sector.

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Farmer's Business Network Canada Inc.	142 English Crescent	Hudson Bay Industrial	Lease	16,250
NSC Minerals Ltd.	95, 97, 97A, 97B, 97C Cory Road	Corman Park	Lease	9,600
Intelcom Courier Canada Inc.	200 3718 Millar Avenue	Marquis Industrial	Lease	8,993
Great Western Saw Ltd.	B 2815 Cleveland Avenue	Hudson Bay Industrial	Lease	8,000
Clean Seed Capital Group	4010 Burron Avenue	Hudson Bay Industrial	Lease	7,980

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
2310 11 th Street West	SEDCO Industrial	82,764	\$7,825,000	101197862 Saskatchewan Ltd.	Public Investor
317 Edson Street	CN Industrial	35,590	\$4,500,000	Pratts Wholesale & Food Service	Public Investor
517 42 nd A Street East	North Industrial	9,120	\$757,500	E.P.W. Enterprises Inc.	Public Investor
161 Jessop Avenue	Sutherland Industrial	5,114	\$600,000	Redeemed Christian Church of God Saskatoon Inc	Public Investor

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