

REAL ESTATE INVESTING IN CANADA

SASKATOON

ECONOMIC FUNDAMENTALS



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EXECUTIVE SUMMARY

SASKATOON, S.K.



Source: <https://pixabay.com/en/sunset-saskatoon-landscape-370244/> Author: james_nagarbaul

With all the talk surrounding major real estate markets such as Vancouver or Toronto, many times emerging smaller markets fly under the radar and go dismissed. These markets can serve as ideal places for investors seeking affordable real estate yet real estate that has real potential for growth. Saskatoon is one of these smaller markets that is poised for growth and very well may be making headlines on real estate articles across the country in the near future.

Commonly referred to as the “City of Bridges” due to the many bridges that connect both sides of the city over the Saskatchewan River, Saskatoon is the largest and fastest growing city in Saskatchewan. The city serves as an economic hub for surrounding regions, containing all the major amenities one looks for when seeking an ideal place to live. These amenities include: The University of Saskatchewan; home to over 21,000 students, over 200 parks for citizens to enjoy, and a plethora of tourism attractions. Population wise, Saskatoon is home to a younger population, with the median age being the lowest of all census metropolitan areas (CMAs) in Canada. Saskatchewan is also one of the fastest growing provinces over the last five

years and is expected to maintain a steady annual growth rate of 2.0 per cent in coming years which is essential for economic growth, especially in major cities with relatively low population densities.

It’s quite fair to say a dip in the Saskatchewan economy in 2016 had a tremendous effect on Saskatoon’s economy; however, it was not as severe as expected. According to RBC Royal Bank, the 1.0 per cent drop in Saskatchewan’s GDP was considerably less than expected and the economy is recovering well in 2017. Furthermore, in 2018, Real GDP and employment growth is expected to be among the best in Canada. For strategic investors these are foundational components that must be fully assessed when in search of a thriving economy, as described in REIN’s Long-Term Real Estate Success Formula.

Considered the primary engine of the Saskatchewan economy, Saskatoon is one of the premier economic hubs in Western Canada. With municipal and provincial governments introducing business incentives and encouraging growth across all sectors, Saskatoon really is an ideal environment for those looking to expand or even start their investment portfolio.

SASKATCHEWAN

PROVINCIAL OVERVIEW



Saskatchewan's economy has traditionally been associated primarily with agriculture; however, in recent times the economy has seen great diversification as a wide range of sectors have flourished. Agriculture has taken a backseat to other sectors such as the energy, finance, and healthcare sectors. In fact, 60 per cent of the gross domestic product (GDP) is now produced in the services-producing sector, with the finance/insurance/real estate and mining/petroleum sectors being the largest direct contributors; showing some divergence from the province's traditional means of GDP growth.

When oil prices started to decline in 2014, later reaching a twelve year low in late 2015, the Saskatchewan economy felt the full effects. This had a tremendous impact on employment and, in turn the real estate market, as net migration numbers started to drop, primarily due to people migrating to other provinces. However, since early 2016, oil prices have been on a

steady incline with 2017 and 2018 forecasts showing oil production rebounding at 4.5 per cent and three per cent respectively. The province's nine per cent growth in exports in 2017 is also expected to be led by the energy sector. This is great news for an economy that's heavily reliant on oil as oil prices are one of its key economic drivers.

Although considering current GDP growth, the economy currently may not be ranked very high, the major financial institutions such as RBC Royal Bank forecast Saskatchewan to rank among the provincial leaders in growth come 2018. RBC Royal Bank forecasts the province's Real GDP growth to be 1.8 per cent through 2017 and 2.3 per cent in 2018. In addition, with job creation trending up and the employment rate forecasted to improve throughout 2017 and 2018, economic conditions in the province are looking bright in the near future.

T A B L E O F C O N T E N T S

EXECUTIVE SUMMARY	3
SASKATCHEWAN PROVINCIAL OVERVIEW	4
TABLE OF CONTENTS	5
METHODOLOGY	6
INTRODUCTION	8
ANALYST INSIGHT	9
GDP.....	9
EMPLOYMENT	10
POPULATION	11
HOUSING MARKET	12
SUPPORTING KEY DRIVERS	15
UPDATING STATISTICS	19
WHAT'S NEXT	20

METHODOLOGY

THE REAL ESTATE INVESTMENT NETWORK

Many sources were consulted in order to provide the most comprehensive information. These include a variety of research reports published by Canadian Mortgage and Housing Corporation (CMHC), Statistics Canada's most recent census information available at time of printing (2011), Multiple Listing Service (MLS), Craigslist, Kijiji, Canadian Home Builders' Association, City Economic Development, the provincial government, and City and Regional Real Estate Boards. Additionally, real estate investors, who were well acquainted with particular cities and towns, were consulted to provide 'real time' and 'on the street' experiences that may be more applicable than government statistics can provide. This triangulation of data collection is anticipated to provide the reader with the most comprehensive information to form their investment strategies.

Please note that there may be inconsistency in some variables due to the different methods of data collection between many of these agencies. This is largely due to the parameters used to define each of the variables, that is, rental income may be based on all apartments or just one or two bedrooms, depending on the information available. Sale prices may be averages (the total value of sales divided by the total number of sales) or medians (half of the houses sold were worth more and half were worth less), or may include all sales or only new homes for example. The authors have taken these data inconsistencies into account when completing their analysis for this report. Where possible, sources are cited for cross reference.

Although some statistics will quickly become outdated in this fast paced market, we have provided resources for the reader to cross check and update numbers, rates, and prices. Each reader should ascertain his or her risk tolerance, access to finances, investing style, and particular factors such as their own location, as part of the city's fit for investment purposes.

These data are merely a synopsis of the demographic and statistical data available. For a more comprehensive look at particular city, please consult the source documents and the town's Economic Development Office.



Source: <https://www.flickr.com/photos/clsresoff/5675494299/>
Author: CLS Research Office

Remember, with every real estate purchase, investors must do their due diligence by thoroughly and independently researching and verifying all the information available on the town and even more specifically the property itself. No matter how hot the market, there will always be properties that don't do well. The way to avoid owning one of these underperformers is to follow a proven investment system that forces you to ask the tough questions while ignoring market hype and misinformation.

To make it easier to predict what is going to occur in their local real estate markets, investors and homebuyers can use the formula shown at the bottom of the next page. Long term increasing prices of real estate stem from economic (GDP) growth. Without economic growth a real estate market is not sustainable. Sure there can be upward and downward shifts not attributed to economic growth, (such as when the governments meddle), but these are just short term unsupported shifts.

To become a strategic investor, it is imperative that one understands the real estate cycle and its phases. To determine these phases, key drivers are analyzed and

scored. It is important to understand market conditions indicated by key drivers are not set in stone; however, key drivers do allow strategic investors to gain crucial insight on current and future market trends. A simpler way to understand it is: GDP Growth = Job Growth = (12 months later) Population Growth = Increased Rental Demand = Decreased Vacancies = Increased Rents = (18 months later) Property Purchase Demand = Increase in Property Prices.

Sustainable real estate price increases occur approximately 18 months after a region's economy begins to grow and they drop approximately 18 months after the economy in a region begins to shrink. This formula works both ways, over roughly the same time lines.

As an investor or home buyer, it is critical that you consider the underlying economic structure propping up your region and confirm that it has long term sustainability. Identifying regions with a well-structured and well supported future must remain your number one priority.

This method analyzes each city through five categories, including:

1. GROSS DOMESTIC PRODUCTS (GDP)

- ➔ Key contributing industries
- ➔ GDP growth rate
- ➔ Key economic industry drivers

2. EMPLOYMENT

- ➔ Job growth rate
- ➔ Top employers by industry

3. POPULATION

- ➔ Population growth rate
- ➔ Median age
- ➔ Migration rate

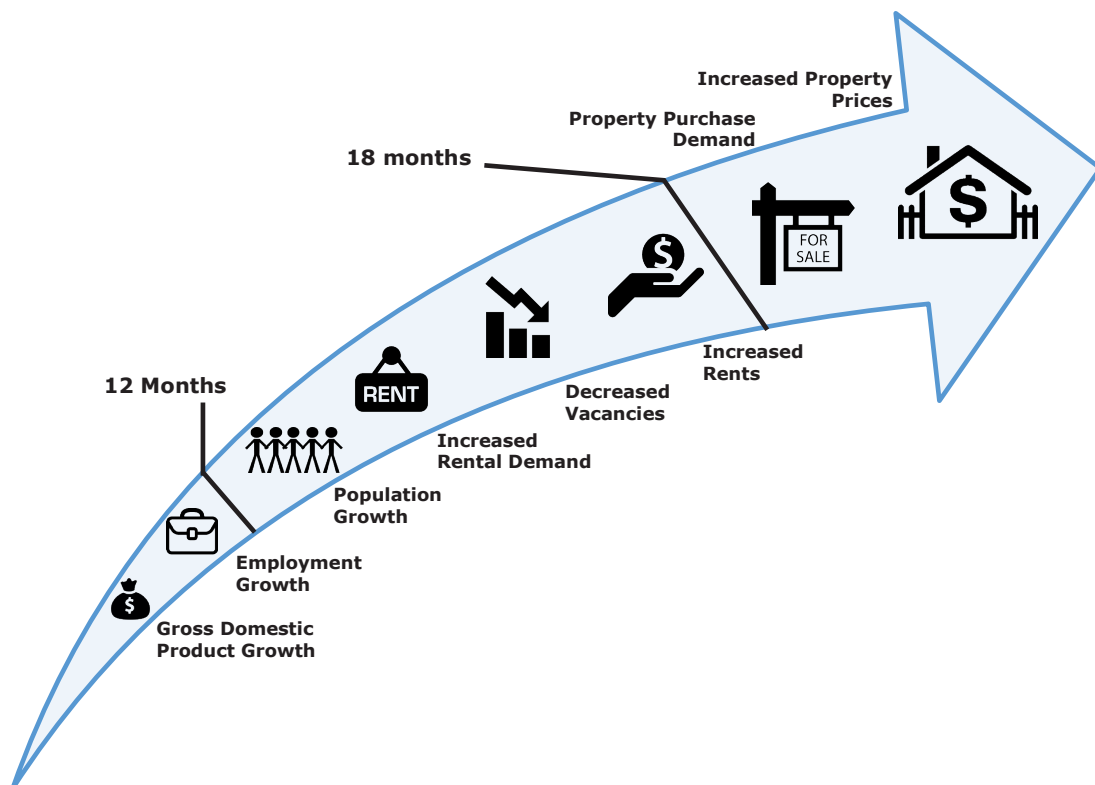
4. HOUSING MARKET

- ➔ Rental demand
- ➔ Vacancy rates
- ➔ Rent rates
- ➔ Property purchase demand
- ➔ Property prices

5. SUPPORTING KEY DRIVERS

- ➔ Infrastructure
- ➔ Accessibility
- ➔ Public transit
- ➔ Political climate
- ➔ Tax rates
- ➔ Business incentives
- ➔ Secondary suites
- ➔ Rental rules
- ➔ Post-secondary education

THE LONG TERM REAL ESTATE SUCCESS FORMULA





Source: <https://www.plickr.com/photos/clsresoff/5675502251/> Author: CLS Research Office

SASKATOON

An attractive and vibrant city

Saskatoon is Saskatchewan's largest city. It is home to a thriving business sector, growing population, and has positioned itself as an "attractive and vibrant" city that is the primary engine of the Saskatchewan economy. The city is ready to grow and prosper, and it's becoming an even more appealing place for investors due to the diverse economy, low unemployment, rising incomes, and a rapidly developing real estate market.

Saskatoon has seen steady GDP largely thanks to the services industry, and with it, has come a steady stream of population increases. Most recently in 2016, the city's population hit a total of 246,376 (Stats Canada, 2016 Census), and previous trends would highlight that upwards of 65 per cent of this growth

may be coming from international migrants. The city is attractive to migrants, as home prices are relatively affordable in comparison to other major census areas across Canada, as the median home sale price was just \$335,000 in July 2017 (CMHC).

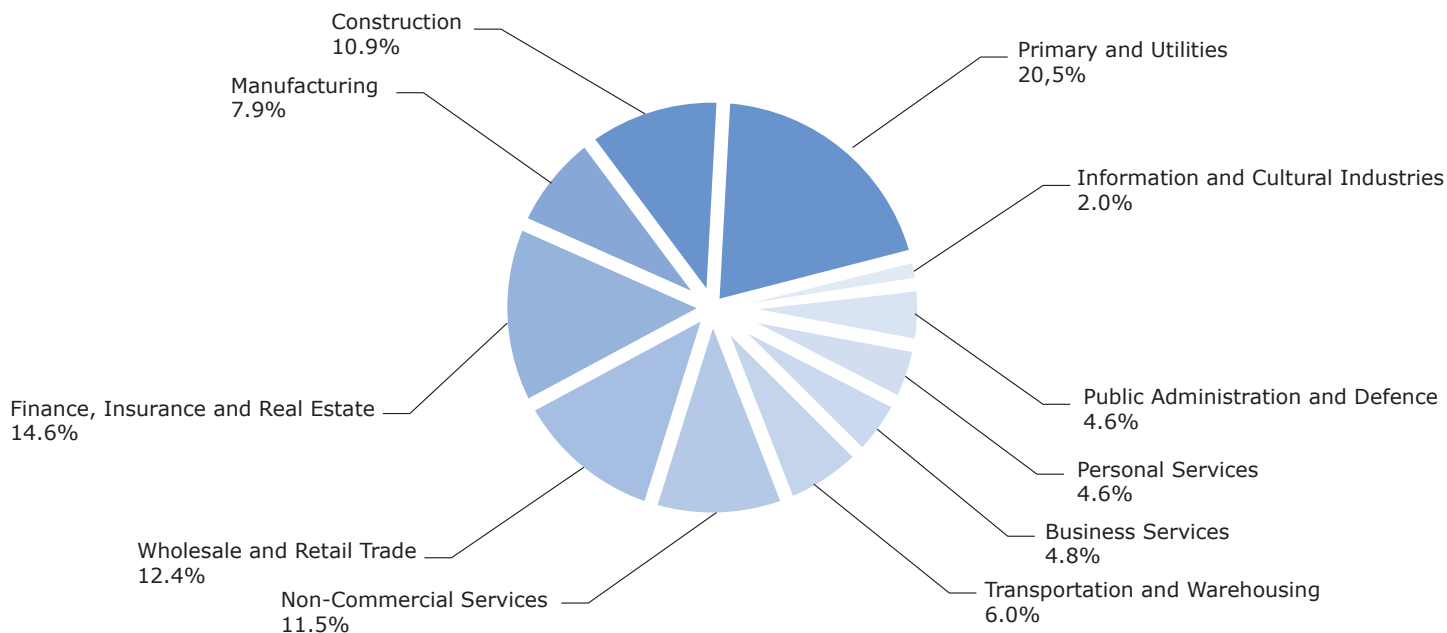
Not only does Saskatoon offer affordable housing despite being a key economic hub of Western Canada, but the city is also very future-oriented, this is demonstrated by strategic plans in place such as the city's forward-thinking Economic Outlook Plan. The plan is progressive, and has begun to attract new business to the area. Population growth, strategic planning, and a diversified demographic base are just a few of the signs that point Saskatoon straight into long-term Real Estate success.

"Saskatoon, being the largest and most economically diverse city in Saskatchewan, continues to lead in a province hit by lower energy prices. Its economic diversity has helped to buffer the downtrend that many other cities in this energy focused provinces have experienced. This diversity has also helped cushion the housing and commercial real estate market from dramatic downturns that have been witnessed in other Western Canadian cities, which has proven positive for real estate investors and home owners in Saskatoon. However, we can't help but notice that the longer the negative trend in energy prices the more difficult it will be for the Saskatoon housing market to enjoy its advantage. This means that inevitable slowdowns in purchase and rent demand will be occurring despite the best efforts of local and provincial governments. For investors, they must be even more pro-active in the management of their portfolios during these next couple of years. The Provincial government in Saskatchewan continues to create economic incentives and an atmosphere to assist in the protection and attraction of jobs into the province but are fighting a rising tide. Despite the downturn, however, major growth or increase in property or rental demand is not expected until energy markets turn around."

The underpinning of nearly all real estate markets is the Gross Domestic Product (GDP) churning away. Simply put, GDP is used to keep track of how an economy is doing. It is a measure of the value of all final goods and services produced in an economy in a given period of time. GDP fuels the job market, industry, corporations, and the self-employed creating the jobs that bring the people who are in need of a place to live.

The City of Saskatoon states that its GDP mid-year of 2016 was \$17.23 billion¹. The bulk of this GDP (60 per cent) comes from the services producing sector, which provides 8,329 of the 10,800 licenses businesses in the region². *Primary and Utilities* was the largest contributor to the city's GDP, providing 20.5 per cent of the total. The second largest contributing industry was made by the *Finance, Insurance and Real Estate industry*, making up 14.6 per cent of the total. Of interest, is that Saskatchewan, as a province, has the second lowest GDP to debt ratio indicating that the Saskatchewan is proficient at producing and selling goods/services in a manner that pays off current debts but minimizes the incurrence of future debt³. This is a good indicator of the health and future of the province as it allows more security and a larger cushion in case of economic turmoil.

Percentage of GDP by Industry, 2015

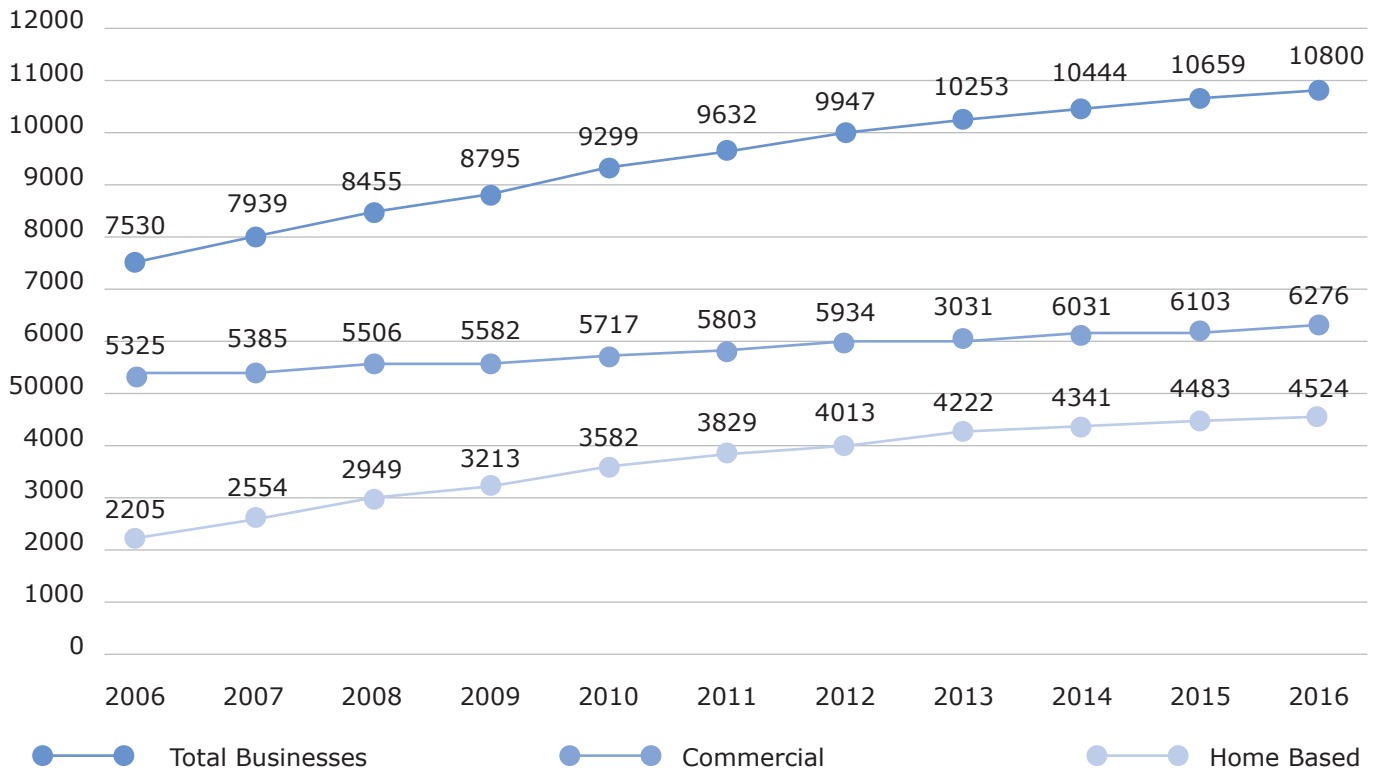


Source – Source: Saskatoon Strategic Trends 2016

Delving deeper into the services-producing sector, Trade (Wholesale & Retail) leads the way with 2,078 licensed businesses in the region. The GDP will continue to rise as the number of total businesses in the region

continues to rise. The following Total Businesses graph demonstrates the strong business growth in the city over the past decade. Consistent business growth shows signs of strong economic growth and potential.

Total Businesses (2006-2016)



Source: Saskatoon Business Profile 2016

EMPLOYMENT

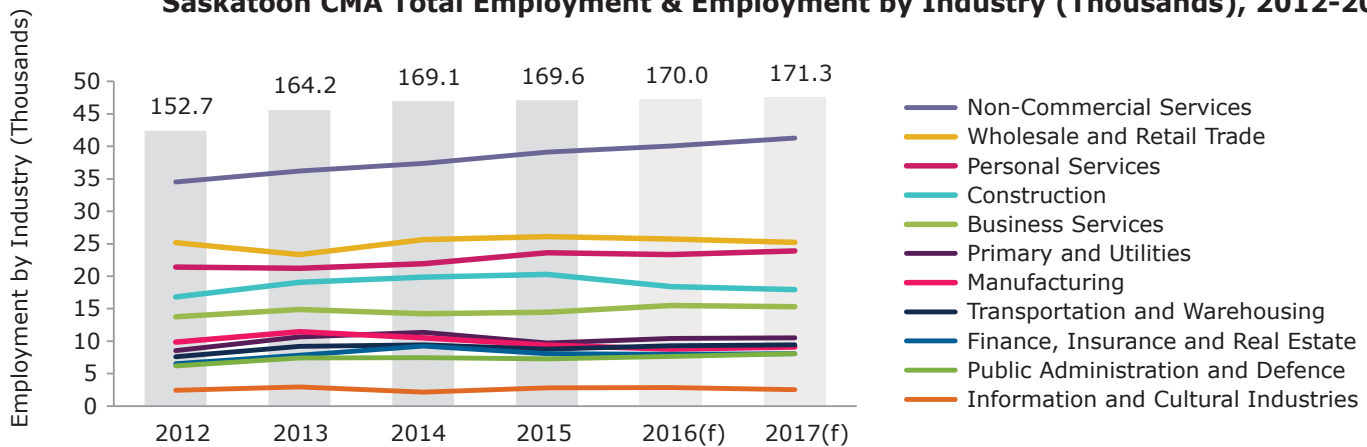
The most recent statistics from Statistics Canada show that unemployment in the area sits at 8.1 per cent in June 2017 which is a 2.2 per cent increase from June 2016; however on a month to month basis unemployment is slightly decreasing. These figures represent a total percentage of the current labour force, not the entire population. This higher rate in 2017 is slightly higher than the national average for the same period of 6.6 percent. In RBC Royal Bank's June 2017 provincial outlook for Saskatchewan as a whole, they expect to see unemployment growing through 2017 and then decreasing again in 2018. This is expected as job creation and GDP growth is anticipated to see much improvement in 2018.

The non-commercial services sector leads all industries for most employment. These are services such as education, healthcare, and social assistance. Total employment by industry is shown in greater detail on the following graph.

Top three employers are⁴:

- Saskatoon Health Region
- University of Saskatchewan
- Saskatchewan Institute of Applied Science and Technology

Saskatoon CMA Total Employment & Employment by Industry (Thousands), 2012-2017(f)



Source: Saskatoon Strategic Trends 2016

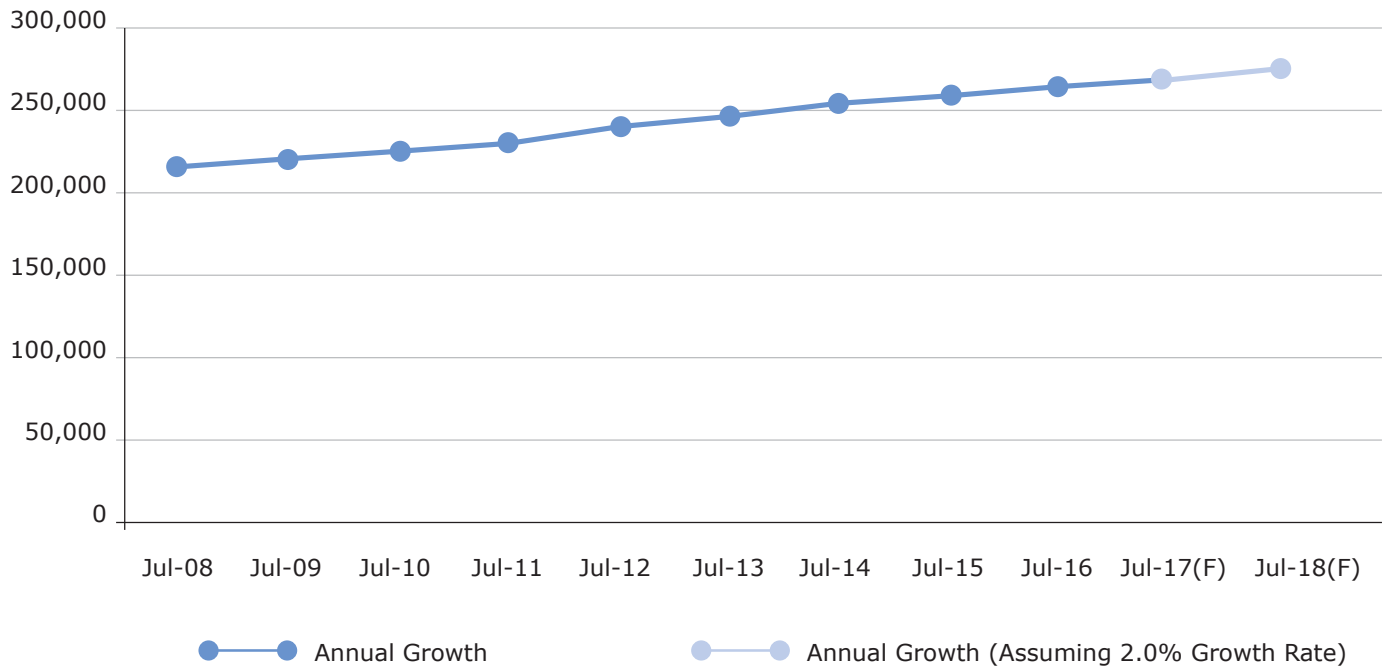
POPULATION GROWTH

According to the last Federal Census in 2016, Saskatoon had a population of 246,376. This represents a 10.86 per cent increase from the previous 2011 census⁵. Saskatoon has seen fast growth in recent years and it shows no signs of slowing down. The city has averaged a growth rate of 2.9 per cent since 2009. In fact, the most recent statistics from the Stats Canada census concludes from 2011-2016 Saskatoon experienced a 12.5 per cent overall growth in population which is ranked third among all census metropolis areas

(CMAs) in Canada⁶. Going forward Saskatoon is forecasted to maintain an approximate 2.0 per cent yearly population growth rate which exceeds Canada's average population growth rate of 0.9 per cent. When it comes to provincial population change, the most recent 2016 statistics state it at 1.2 per cent which is not quite as high as Saskatoon's, but still exceeds the country's average⁷.

Steady population growth means that there is a continuous flow of people into the city, bringing business, money, and jobs. All of these people moving into the city and migrating throughout the city need places to live so the population growth rate contributes to increased demand in the real estate market.

POPULATION GROWTH AND RATE OF CHANGE



Source: City of Saskatoon and Statistics Canada

MIGRATION RATE

It is also important to explore a city and province's migration statistics when evaluating an area's population growth potential. Interprovincial migration has contributed to the largest change in population, however in recent years it has not been the leading factor in Saskatchewan's population increase. Looking at the most recent statistics available in 2017, people leaving the province was greater than new entrants; however, the province still gained a net of 2,297 people due to immigration heavily overshadowing interprovincial losses⁸. Looking more specifically at the city of Saskatoon, trends are almost identical as most recent official data from 2015 shows the gain in international migration heavily outweighing the interprovincial losses. The large majority of the net loss through interprovincial migration is to Alberta as oil prices are recovering. Going forward, losses through interprovincial migration are expected to occur yet the population will continue to rise through other means such as immigration and natural growth.

Net Migration to the Saskatoon CMA, 2010-2015



Source: Saskatoon Strategic Trends 2016



Source: https://commons.wikimedia.org/wiki/File:Beautiful_Downtown_Saskatoon.jpg Author: dsim249

MEDIAN AGE

With a median age of only 34.8, Saskatoon leads all census metropolitan areas (CMAs). As of July 1, 2015 the median age of the city was 34.8. This is well below the national average of 40.5. A young population means that more services like education, child-care, and facilities will be geared towards younger families. This is important because it has been proven that the more infrastructure and services that are geared towards this cohort, the higher the propensity of this demographic to be attracted to the region. What does this mean for real estate investors? Younger populations typically translate to increased GDP, economic activity, creation of jobs, attracting more people, and this all contributes positively to a growing city and a healthy real estate market.

HOUSING MARKET

RENTAL MARKET

After partially recovering from the plummet in oil prices in late 2015, the housing market in Saskatoon along with the rest of the Prairie Provinces started to pick up. However, a problem that later became more prevalent in Saskatoon was overbuilding which ultimately led to overvaluation. The CMHC Housing Market Outlook reports that multi-units started to become more popular in 2015 and supply sky rocketed in 2016. Due to this overage, multi-unit residential property construction will be limited in the coming years, and more specifically in 2017 single-detached housing will be favoured for construction⁹.

VACANCY RATES

Experts consider a three per cent vacancy rate to be a benchmark figure when comparing vacancy rates across a timeline. It is the figure where the market is balanced and comparing rates against it can be a fairly good indicator of rental market conditions. In late 2016, the vacancy rate topped 10 per cent, demonstrating just how critical this high vacancy problem was getting in Saskatoon¹⁰. A CMHC report shows that the degree to which vacancy rate increases are occurring is much higher in urban centres such as Saskatoon¹¹. Vacancies in urban areas seem to be more volatile as urban centres are often more directly affected by booms and slumps. In the case of Saskatoon, vacancy rate increases are likely due to the over-building of not only purpose-built rental apartments but also expansion of secondary rental markets. With this oversaturation of the rental market and not enough tenants to fill them, vacancy rates continue to rise. For strategic investors, it is important to understand that overbuilding does not last forever. When building becomes no longer profitable, the number of housing starts should stabilize/decrease, thus bringing down inflated vacancy rate.

CMHC also forecasted that vacancy rates would peak mid-late 2016 and steadily decline throughout 2017 and 2018. Turns out, this is not the case. No official current, (as of 2017), vacancy numbers have been produced as of yet, but experts estimate vacancy rates hit a peak of around 16 -18 per cent late January to mid-February of this year¹². This may seem staggering, but it is not unrealistic when you consider that overbuilding is a problem that still persists in the market despite the market having a plentiful supply already.

However, currently the Saskatoon housing market is showing significant signs of improvement. As a result, this estimated vacancy rate of 16-18 per cent might very well be improving, but it is still far from the optimal figure of three percent.

RENT RATES

As you can imagine, a market oversaturated with homes leads to a greater number of units available for rent. This favours the tenant, as in this case, they have more options to choose from and even a greater degree of bargaining power. Where there is abundant supply, there is decreased demand, meaning demand for rental properties is low, thus driving down rent rates. The following table shows the average rent rates for various bedroom rentals in the month of June 2017:

Rental Rates	Low	High	Average
1 Bedroom	\$675	\$750	\$713
2 Bedroom	\$775	\$1,850	\$1,062
3 Bedroom	\$450	\$1,875	\$1,364
4+ Bedroom	\$2,150	\$2,450	\$2,300

Source: Average Housing Rent Rates from Rentboard.ca

As we see above, the price discrepancy between one, two, and three bedroom rentals is relatively consistent at about \$300. However, once the three bedroom threshold has been exceeded, we are entering full house territory thus the price dramatically increases. A recent top 10 most/least expensive rental cities in Canada report by Rentseeker indicates Saskatoon falls just outside the top 10 most expensive cities to rent in despite demand being very low¹³. A possible explanation for this is the over-building problem that is still prevalent as newer homes tend to rent for more. From this it is reasonable to conclude that rentals are overvalued and eventually rent prices would have to fall to bring the rental market to equilibrium.

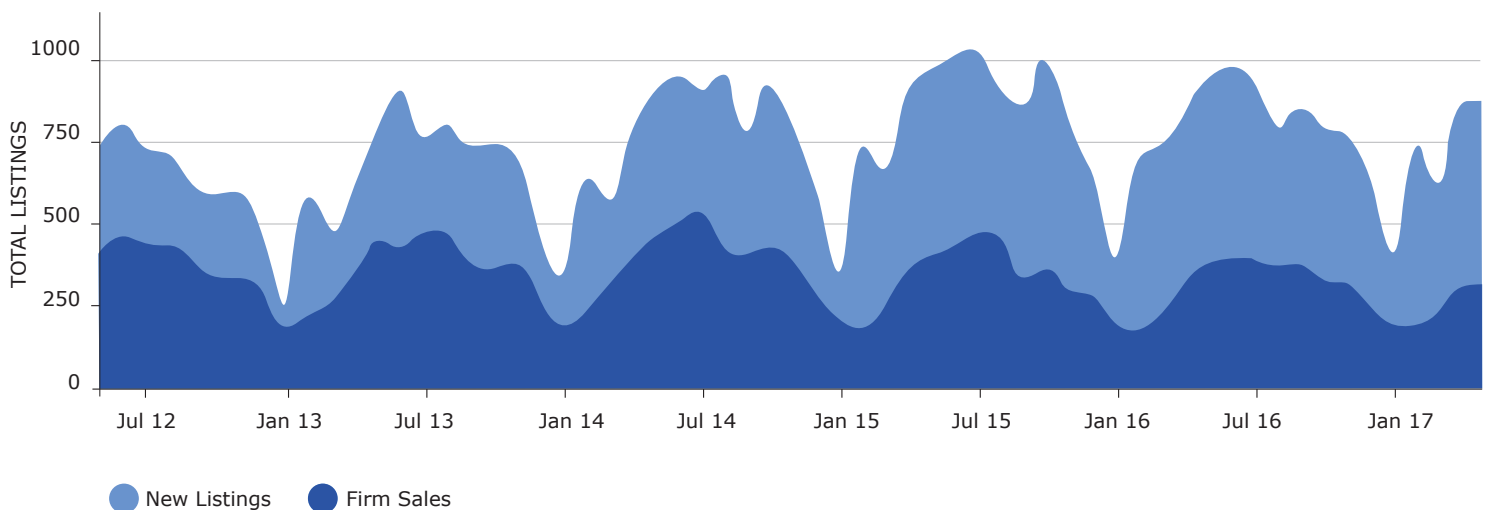
PROPERTY PURCHASE DEMAND

As a strategic investor it is important to consistently monitor property prices to get a good idea of where the market is in the real estate cycle. Property prices are one off the most readily available key drivers. Although predicting them can be difficult, interpreting them based on current and past trends is a sound way to get another indication of where the market is headed.

Saskatoon is recently being referred to as a buyers' market. This is a term that many of us in other major Canadian cities do not see appear often with real estate prices continuing to rise with no end in sight. However, the situation in Saskatoon is unique. Over-building along with other factors, mainly the decline in oil prices throughout 2014 and then again in late 2015 have led to buyers having a much greater selection of homes to choose from. In turn, this leads to buyers having greater negotiating power. What's unique about the situation in Saskatoon is, despite the oversaturated market, properties are still selling for 97.2 per cent of their asking prices which is incredible considering market conditions¹⁴. This is likely the effects of the major Canadian real estate boom that we are in the midst of.

The number of sales is also a key driver that can serve as an indicator of how much activity there is in the current market. Alone it is not enough to conclude if a market is doing well, but it can give us a good indication of where the market is headed by analyzing trends. In Saskatoon, past trends have been very consistent showing peaks and troughs lining up almost perfectly according to the months of the year. The graph below shows Saskatoon Region Association of Realtors' (SRAR) five year market trend of new listings versus listing sold:

Saskatoon City: 5 Year Total Residential Sales vs. New Listings



Source: The Saskatoon Region Association of REALTORS (SRAR) and Trenlii Analytics

This graph shows the number of listings reaching a yearly low around every January and peaking around every July. Listings sold also follows this trend as expected. However, the important factor to consider is the magnitude of these swings. The variance is much greater in new listings compared to listings sold, resulting in a much higher percentage of new listings being sold around January compared to July. This means currently we are just in the midst of an influx of listings on the market and from current trends we can see the increase in demand is proportional in accordance to the five year trend.

PROPERTY PRICES

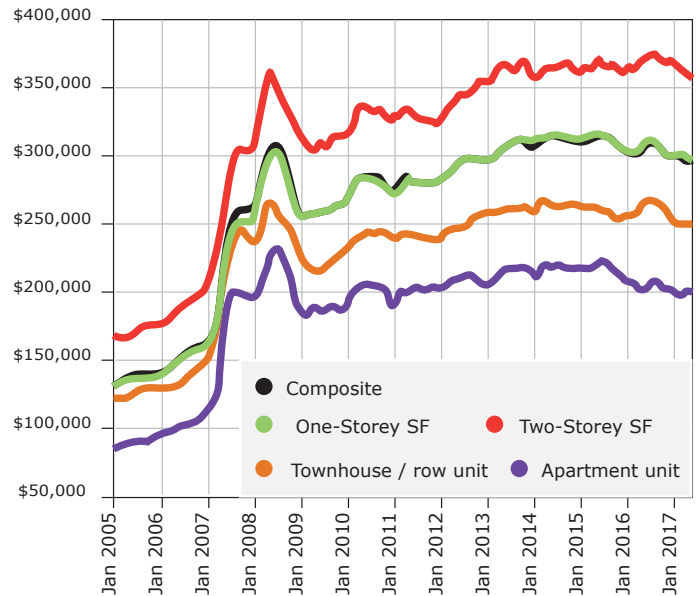
As of January 2017, the average selling price of a house in Saskatoon was \$335,121. This figure was down from the end of 2016, however, most recently in July of 2017, the year-to-date average selling price of a home was stated at \$346,371. With vacancy rates reaching record high levels and overbuilding still prevalent, this is quite the oddity. Interestingly, this does conform to an on-going trend that's been occurring in the past five years within Saskatoon. House prices have been shown to peak around July. While it is not guaranteed that house prices will continue to increase in this manner, it is not unreasonable to assume that they will continue to peak around July especially given the rebounding of oil prices and how crucial they are to the success of the provinces economy.

HOUSING PRICE INDEX (HPI)

Another key statistic to consider when looking at an investment area is the Housing Price Index. Instead of measuring goods and services like the Consumer Price Index (CPI), the MLS® HPI measures the rate at which housing prices change over time taking into account the type of homes sold.

Furthermore, to ensure the highest consistency when comparing time periods, we use HPI Benchmark prices. The following time graph shows the yearly change in HPI benchmark prices.

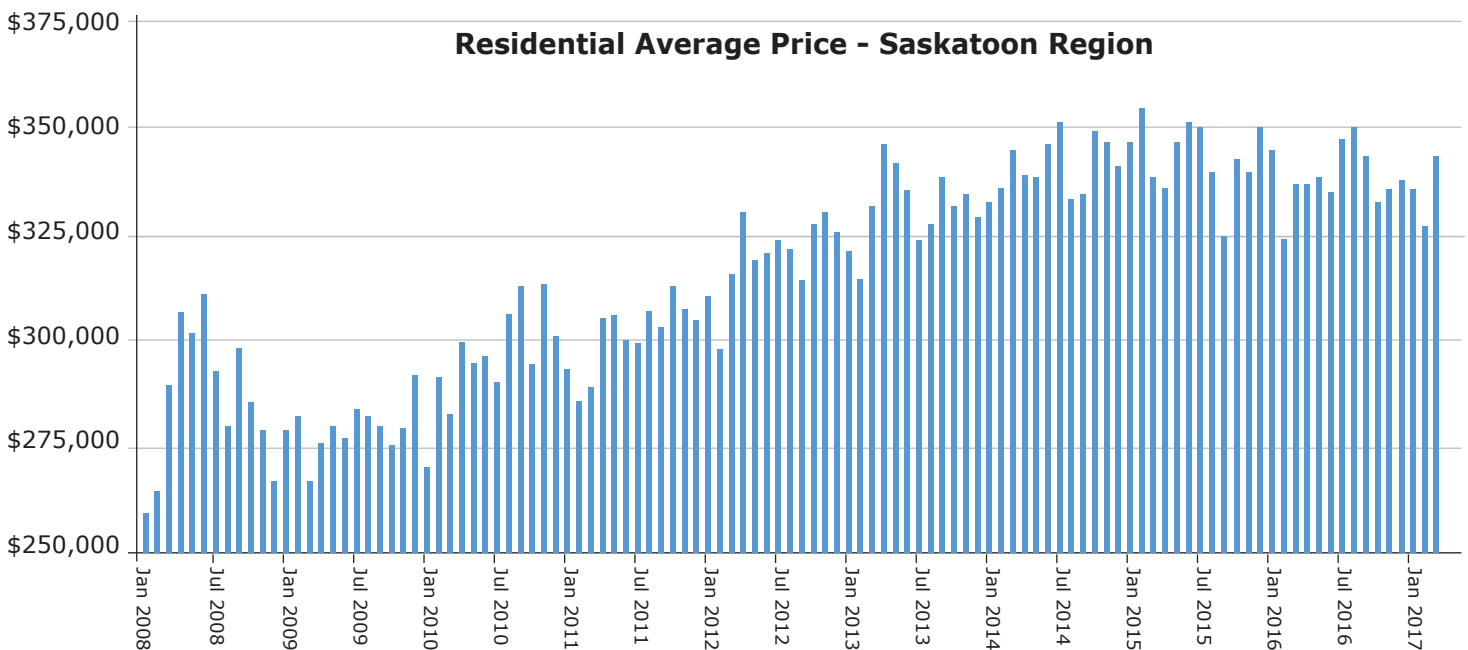
MLS® HPI Benchmark Price - Saskatoon



Source: The Canadian Real Estate Association

We see that benchmark prices for each property type have been increasing and decreasing at a relatively proportional rate to each other. Delving more deeply into the graph, we can deduce that benchmark prices tend to hit mini-peaks mid-way between each calendar year which substantiates the fact that summer is typically the time real estate prices peak in Saskatoon. Although trends are not guaranteed to hold true, as a strategic investor it is important to consider the likeliness of an event occurring given that it has been occurring in a similar fashion for an extended period of time.

Residential Average Price - Saskatoon Region



Source: The Canadian Real Estate Association



Source: https://commons.wikimedia.org/wiki/File:Saskatoon_John_G._Diefenbaker_International_AirportTowerBldg.jpg Author: SrdMesh

SUPPORTING KEY DRIVERS

INFRASTRUCTURE

In most recent years, Saskatoon has seen a steady increase in population and this trend seems to be on-going especially with net migration rates looking healthy. As populations increase, so must the level of infrastructure to accommodate the needs of the growing population. Governing bodies must ensure that infrastructure is constantly being built and improved to meet the growing demand. In the case of Saskatoon, there is evidence that this is being done.

The City of Saskatoon does an excellent job at both outlining and understanding the status of the city's current infrastructure. In fact, they have a rating standard they use to determine the city's current status in terms of key civic infrastructure. They rate themselves as "B level service" which equates to "Maintaining bridges, roads, sidewalks, water lines, and sewer lines so they are improving every year." To maintain a B level of service, continual investment is needed. This is something that's sustainable for the city as funding has been consistently increasing and is projected to continue. This increase in funding is also expected to eliminate the accumulation of maintenance work by 2023¹⁵. After this hurdle is conquered, income funds can be directly funneled into infrastructure expansion.

Accessibility – Land

Saskatoon is located in the center of Saskatchewan, with the South Saskatchewan River passing right through the heart of the city. This river is one of the major Canadian rivers and is a largely utilized water source for Southern Alberta and Saskatchewan¹⁶. Saskatoon is commonly referred to as the "Bridge

City" due to the sheer number of bridges passing over the South Saskatchewan River connecting both sides of the city to each other.

Saskatoon is also a hub connecting to many highways, meaning it is a passing/connecting route for many. With the major highways being Highway 16 which directly links the city to Edmonton and Winnipeg and Highway 11 which leads directly to Regina, land accessibility to Saskatoon is relatively simple.

Furthermore, both major national railways, Canadian Pacific Railway and Canadian National Railway have strong establishments in Saskatoon. They serve Saskatoon as vital arteries, facilitating the movement of key energy, metal and agricultural commodities.

Accessibility – Air

The Saskatoon John G. Diefenbaker International Airport, more commonly referred to as Skyxe Saskatoon airport (YXE) is located just outside of the city centre and is one of the larger Canadian airports. The airport is home to over 40 businesses (including government agencies) which employ over 1,800 people and contribute \$414 million to Saskatoon's total GDP. In April 2015, expansions were done to the airport increasing its annual capacity to two million passengers. Furthermore, the city plans to capitalize on its low airfare prices with the end goal of becoming Canada's premier low cost airport¹⁷. With landing and terminal fees being some of the lowest amongst major Canadian airports, it is becoming an increasingly popular destination for major airline companies.

However, the airport does not pride itself on cost-efficiency alone. In 2016, it was named the best airport in North America by Airport Council International (ACI) in the under two-million passenger category¹⁸. With a quality airport like Skyxe, which is built to accommodate growth, accessibility to Saskatoon via airway is a strength the city can leverage.

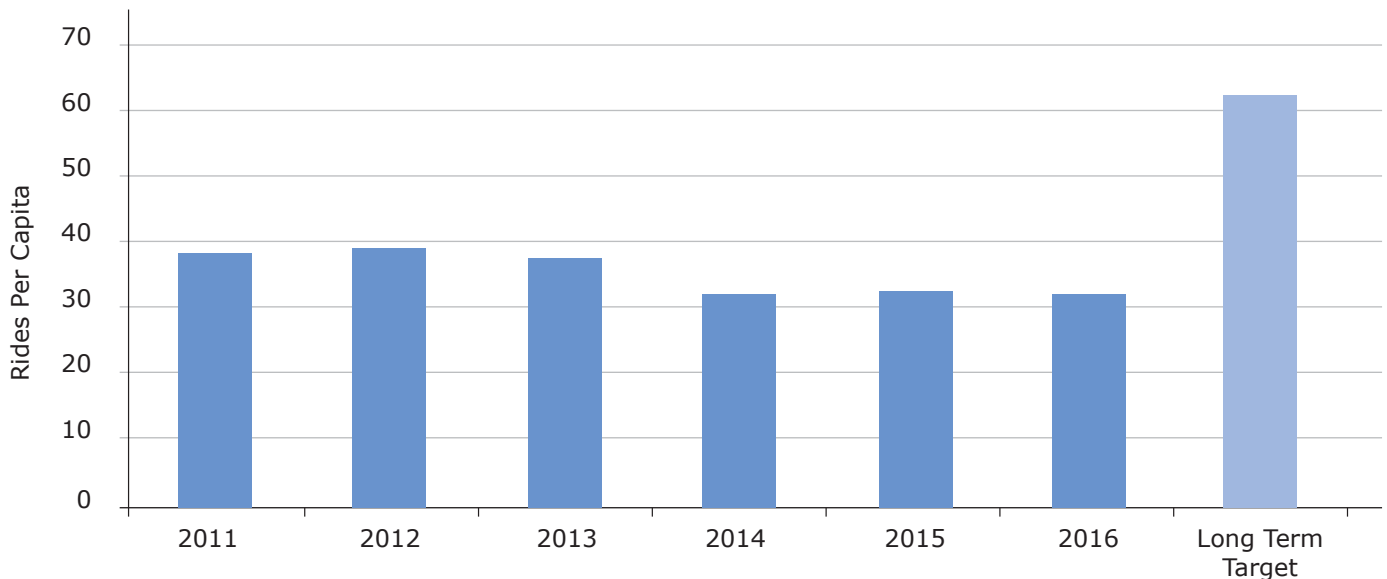
Public Transit

Saskatoon has an efficient public transit with routes spread-out through all parts of the city as well as separate university and high school routes. Saskatoon Public Transit is a division of the City's Transportation and Utilities Department. They provide service to nine million people annually¹⁹. There are 34 different routes throughout the city and over 1,650 stops providing ready accessibility to transit. Currently, there are no plans for rapid transit or light rail in the area although a potential rapid bus transit has been discussed to help speed the flow across the city. The city is also planning ahead; demonstrated by the completion of the new transit facility which was completed in late 2016. This 450,000-square-foot facility contains 27 maintenance bays and has the capacity to house 224 buses. It's estimated that this new transit facility will accommodate for the next 10-15 years of transit growth that will occur in the City of Saskatoon²⁰.

Official City of Saskatoon numbers show that transit ridership has decreased over the past few years; however, this may be due to the increase in cycling options and new bike routes. The city has a long-term goal of increasing the transit ridership per capita number to 62. Although this number seems aspirational as of now, the city has much of the foundational transit infrastructure already in place along with a detailed plan on how to reach this figure in future years.

The city is also constantly improving the transit system, making major changes if needed. The most recent of these major changes was in June 2016, when the city announced changes to 22 of the routes. Minor route changes are constantly being made to improve the efficiency of the system, demonstrating that the transit system is ever-adapting to a changing demographic and its needs. To see more about the changes, visit the city's transit page at: <https://transit.saskatoon.ca/>

Transit Ridership Per Capita



Source: City of Saskatoon



Source: https://commons.wikimedia.org/wiki/File:Down_Town_Terminal_Saskatoon_Transit.JPG Author: SriMesh

POLITICAL CLIMATE

Political climate is generally indicative of how open for business a city is: do they encourage revitalization, development, and business? It ranges from how attractive does the city make it for new businesses (are there incentives, tax breaks, low mill rates?) to what are their policies and bylaws affecting rental real estate such as secondary suite legislation and rent control in addition to what the Province imposes.



Saskatoon has been a long-time supporter and encourager of growth and development, building on its strategy of “A Culture of Continuous Improvement”. This approach shows in the city’s new model of service delivery called Service Saskatoon. Launched in April 2016, the initiative focuses on modifying how the city delivers front line services, responds to requests, and improves delivery into the future. Having a well-developed plan to service citizens and business gives incentive to new business and immigration to occur, because citizens know how well they will be treated by the government.

The city of Saskatoon has many separate plans for growth but they all fall under the “Growth to Half a

Million” Plan. This growth plan focuses on recognizing what needs fixing or improvement, and laying out ideas on how to fix it to ensure the city remains attractive for both existing and new residents. This plan revolves around six key themes which the city believes, when pieced together, create a growth plan that covers all areas that need to be addressed.

For citizens, and those potentially considering Saskatoon as their home or for investment property, the city has a new Active Transportation Plan in place, which focuses on ways to provide more transportation choices throughout the city, all of which are designed to be human powered transport²¹. This plan is a great example of how the city encourages forward-thinking, and is creating new, innovative ways to continuously improve.

Investors seeking opportunity in Saskatoon should check with the city for present and future development plans. They have useful information regarding bylaws, zoning, and tax incentives.

TAX RATES

The property tax collected in Saskatoon is divided up into three categories²²:

- Education Taxes for the School Boards (Makes up for 40 per cent of total)
- Municipal Taxes for the City of Saskatoon (Makes up for 54 per cent of total)
- The Saskatoon Public Library (Makes up for six per cent of total)

Each of these taxing authorities has its own set rate which is also contingent upon property type. The following table shows the variance of tax rates between property types, separated into these three categories:

The city of Saskatoon also states: “For 2017, Residential/condominium and multi-residential taxable assessments are 80 per cent of the assessment values while commercial/industrial taxable assessments are 100 per cent of the assessment values.” While commercial/industrial percentage of values stay the same, residential incurs an increase of 10 per cent from the past year to ensure property owners are being treated fairly and to promote economic growth²³.

2017 Tax Rates (Displayed on Tax Notices)	2017 City	2017 Library	2017 Education
Residential/Condominium	0.0058668	0.0006083	0.0041200
Multi-Residential	0.0059147	0.0006132	0.0041200
Agricultural	0.0075184	0.0007795	0.0014300
Commercial/Industrial	0.0075184	0.0007795	0.0062700
Resource/Pipeline	0.0075184	0.0007795	0.0096800
Private Recreational Hangars	0.0044727	0.0004637	0.0062700

Source: City of Saskatoon Tax Rates Website

BUSINESS DEVELOPMENT AND INCENTIVE

The city of Saskatoon has quite an extensive array of programs when it comes to offering incentives to encourage development and attract more business to the city. The Saskatoon Regional Economic Development Authority (SREDA) is the main administrator of these developments, offering tax abatements to encourage business development and long-term job creation²⁴. To be considered for tax abatement, a business must meet the following requirements:

- ➔ Invest at least \$500,000 in plant, land, and/or leasehold improvements
- ➔ Show that your business will create new full-time jobs
- ➔ Be a legally incorporated business involved in one of the following industries:
 - Energy
 - Oil and Gas
 - Mining
 - Manufacturing
 - Processing
 - Telecommunications
 - Transportation and Logistics
 - Data processing
 - Technology

Furthermore, the city offers programs such as the Mortgage Flexibilities Support Programs (MFSP) which helps builders and developers by offering a five per cent non-repayable down payment grant (of which the city contributes one per cent) to eligible buyers that are purchasing homes in designated development areas. Other programs include: The New Rental Construction Land Cost Rebate Program, which can grant builders up to a \$5,000 capital grant per unit and the HeadStart on a Home Programs which can help finance construction of entry-level homes.

For the full detailed list of incentive programs for builders and developers, visit: <https://www.saskatoon.ca/business-development/development-regulation/developers-homebuilders/incentives-builders-developers>

From the emphasis on new business development, it is quite apparent that the city of Saskatoon is heavily in favor of business growth and expansion. As a real estate investor, a city that is attractive for businesses is great because new businesses bring people to the area, people who need places to live, thus resulting in growth of the city's real estate market.

Secondary Suites

For real estate investors, properties containing secondary suites are always a welcomed feature as they not only provide the opportunity for extra rental income, but also reduce the impact of vacancies as it provides owners with multiple streams of income. This is especially important to consider in a market such

as Saskatoon where vacancy rates have been greatly fluctuating in recent years.

Fortunately, the city of Saskatoon has leading edge policies with regards to secondary suites. There are rebates for building and plumbing permit fees, along with a portion of Legalizing an Existing Suite (LES) Occupants fee for completed secondary suites²⁵. The city states they "encourage the creation of new secondary suites as well as the legalizing of existing secondary suites. If you have a spare room, we also encourage you to consider taking in a student as a boarder". In order to be eligible for the rebate of permit fees, you must contact the Community Standards Division.

Rental Rules

Housing in Saskatoon, like all Saskatchewan cities, is governed by the Office of Residential Tenancies which acts in compliance with The Residential Tenancies Act (2006) and The Residential Tenancies Regulations (2007). In terms of rental increases, this is where the Saskatchewan differs from provinces such as British Columbia or Ontario which have maximum set yearly rental increases. The Provincial Government of Saskatchewan does not limit the maximum allowable rental increase on periodic tenancies. Note, no increases are allowed on a fixed-term lease unless both the tenant and landlord come to an agreement. This is great for investors who want to optimize their rental cash flow in alignment with true market rates.

For a rental increase to be valid, an official one year notice of rent increase must be issued²⁶. However, for members of the Saskatchewan Landlord Association Inc. (SKLA), this notice only needs to be given six months in advance. Being a member of the SKLA offers other benefits such as discounts from SKLA member services, reports on market conditions, exclusive access to SKLA tenant registry, and other tenancy education resources²⁷.

For a full overview of tenant and landlord rights in Saskatchewan, visit: <http://tenantrights.ca/facts/saskatchewan#name-of-acts>

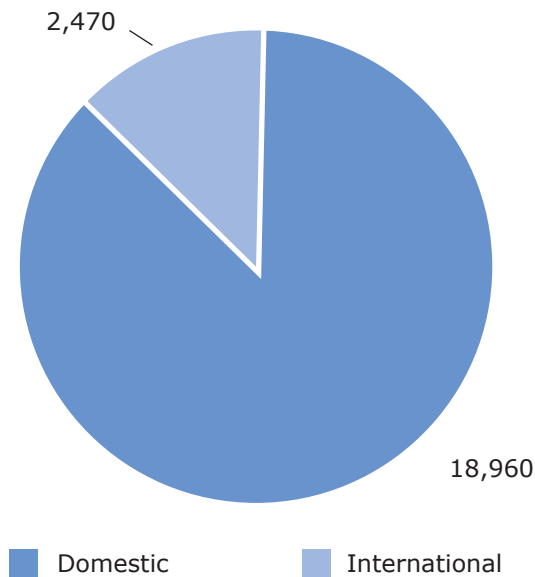


Source: https://commons.wikimedia.org/wiki/File:Beautiful_Downtown_Saskatoon.jpg Author: dsim249

POST-SECONDARY EDUCATION

The existence and option of post-secondary institutions serves many purposes when it comes to real estate. Not only does it keep its residents from leaving to pursue college, it attracts new people to the area; it creates jobs at all levels of salary and lends to the brain trust and creativity of its residents, which has an undeniably good impact on quality of life. Students are large consumers of housing and move frequently, creating vitality in the housing market. Additionally, employees of the university need places to live.

Student Demographic - 2016/2017



Source: University of Saskatchewan

Most important to the economic stability criteria is that people seek education in both good and bad economic times, which insulates a housing market.

The University of Saskatchewan is a member of the U15 group of Canada's top research universities "offering unique facilities such as the Canadian Light Source, Canada's only synchrotron, VIDO-Intervac, one of the world's most advanced containment level 3 vaccine research and teaching facilities, and the Global Institute for Water Security."

It is currently home to 21,441 students²⁸. 2,470 of these students come internationally from over 100 countries demonstrating diversity. The school also offers on-campus housing for students although the supply is limited.

For more information, visit www.usask.ca

UPDATING STATISTICS

It is important to remember that the real estate housing market is constantly changing year by year, month by month, and day by day. As the market changes, so do the numbers that come with it. Sales prices, vacancy rates, and rent rates all adjust to follow along with the market. It is important that you are always keeping your numbers as up to date as possible and the following are sources to refer to:

CMHC

The CMHC is the leading housing market research company in Canada, and publishes annual reports on housing markets across Canada. Their research includes National, Provincial and Regional levels; rental reports, forecasts, sales prices and economic indicators to name a few.

<https://www.cmhc-schl.gc.ca/en/index.cfm>

CITY ECONOMIC DEVELOPMENT

Most cities have an economic development department or officer focused on forward movement in their city. These divisions are an incredible source of up to date city information, including demographic facts and tax rates, growth information, policies, and incentives. They also provide key insights into ongoing and future projects in the city.

<http://sreda.com/>

STATISTICS CANADA

Statistics Canada is consistently studying the Canadian population, providing a great information for a basis to compare cities from across the country. With the major 2016 census soon to be released, a vast amount of new information will be available for the public to access.

<http://www.statcan.gc.ca/eng/start>

THE LANDLORD AND TENANT BOARD (LTB)

It is crucial to stay up-to-date on rental rules and be aware of any changes that may be occurring in legislation. For more information on rules and regulations regarding the tenancy in Saskatchewan, visit the The Office of Residential Tenancies (ORT) site:

<https://www.saskatchewan.ca/government/government-structure/boards-commissions-and-agencies/office-of-residential-tenancies>

And for the official Landlord and Tenant Act, visit: <http://www.publications.gov.sk.ca/freelaw/documents/English/Statutes/Statutes/L6.pdf>

WHAT'S NEXT?

Now that you have a firm understanding of the economic foundation of real estate in this city and have updated any necessary numbers through the sources available, continue on the REIN Property Ladder. Contact REIN to find out about the next steps on the ladder.

The Economic Fundamentals are one piece of the Property Goldmine Scorecard that helps to inform your investing decisions. These are the fundamental keys that affect the value, both current and future, of every piece of real estate. Sophisticated investors drill deeper to get the facts, moving from the best place to invest in the country, to the province, to the city, to the neighbourhood, to the specific property. The Property Goldmine Scorecard is the analysis tool that will get you all the information you need before analyzing the specific property and making the purchase.

Contact REIN to get more information if you don't already have access.

Please remember that not all properties in a great area will do well; conversely some properties in questionable areas will do well. The economic fundamentals give you a good level of risk awareness in order to move to the next level of research.

The economic fundamentals found on the REIN's Long-Term Real Estate Success Formula give you the indicators you need to feel secure in your investment choice; note that it is important to keep an eye on your chosen city or town because the arrow goes both ways. REIN monitors what is going on across the country and interprets what the early indicators signal. For more information on how else REIN can help you, contact our office.

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