

THE REINSCORE

RATING REAL ESTATE INVESTMENT MARKETS ACROSS CANADA

Fort Saskatchewan



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Economy

On the outskirts of northern Edmonton, Fort Saskatchewan function as the gateway to Alberta's Industrial Heartland and is a key transportation link for rail and truck. This accessibility is important not only for those who live in the area, but for businesses looking for a place to locate. Having excellent access to move their goods and people around increases their market competitiveness. What once were empty fields on the south sides of Highways 15 and 21 are now home to new housing developments and business parks. Over 425 commercial and industrial companies call the city home¹. Businesses want to locate in areas where they can operate less expensively and more efficiently and Fort Saskatchewan is certainly a place that excels in these areas, giving it an advantage over other locations.

Located in oil-rich Alberta, Fort Saskatchewan is home to many upgrading and refining facilities for Alberta's oil sands². Located just outside Fort Saskatchewan, the Scotford Refinery and Chemicals plant processes synthetic crude oil from Alberta's oil sands and employs 1,500 people³. Dow Chemical operates a petrochemical facility on 2,128 acres in Fort Saskatchewan⁴. The complex is one of the largest in Canada and employs over 1,000 workers. The city will see an influx of people moving into the region for work as oil and gas activity continues to ramp up.

Mining is another major industry that supports the Fort Saskatchewan economy. Sherritt Gordon Mines started construction on a \$25-million nickel refinery in Fort Saskatchewan in 1952 and has been located in the city ever since. The company employs 740 workers in Fort Saskatchewan⁵.

Alberta is Canada's leading producer of petrochemicals, the majority of which are located in Joffre and Fort Saskatchewan. Fort Saskatchewan sits on a layer of salt beds that stretches all the way into the neighbouring

province of Saskatchewan. Many of the industries located in the city are involved in removing various chemicals and gases stored within the salt beds. Major players in the region include Agrium Inc. which currently employs 650 workers in Fort Saskatchewan and Sherritt⁶. This industry provides Fort Saskatchewan with some needed economic diversity and ensures the city will not be as negatively impacted as some other Alberta communities in times of economic turbulence.

Outlook

One look at the number of infrastructure projects currently in the works in Fort Saskatchewan and it's clear that the city's rapid growth is bound to continue into the next decade. Implementation of new drilling methods in tight oil plays across the province, as well as new provincial royalty incentives, have increased drilling activity and production in Alberta⁷. According to CAPP's 2014 Crude Oil Forecast, total Canadian crude oil production will increase from 3.5 million barrels per day in 2013 to 6.4 million barrels per day by 2030⁸. As a manufacturing base for major oil companies, Fort Saskatchewan will continue to see job creation in the energy services, manufacturing, and transportation sectors.

Fort Saskatchewan's industrial sector will continue to grow to support oilsands and agriculture activity. Range Road 223, Fort Industrial Estates is set to become an extension of the Eastgate Industrial Park and is currently for sale. More lots will eventually be available to the northeast, and are currently classified as Industrial Reserve (IR) lands⁹. The city is planning an eventual annex of land from nearby Strathcona County¹⁰, which will lead to increased opportunities for residential, commercial and industrial development. As new job opportunities are created, we will see more residents begin to work within the city instead of traveling to Edmonton for work.

Housing

Rental Market

Five consecutive years of decreasing vacancy rates in Metro Edmonton (1.4% 3rd Quarter 2014) have caused average rents in the city to increase dramatically while continued high levels of immigration have meant that some people simply aren't able to find a unit available for rent. Many have turned to the communities surrounding the centre including Fort Saskatchewan.

The demand for real estate in Fort Saskatchewan has increased over the last few years due to the sheer number of people moving into the city. Vacancy rates in the city have begun to decrease despite the number of new units being added to the existing rental inventory. And good news for investors – the city commands a higher average rent than Edmonton. The table above outlines the average rental rate by the housing type and number of bedrooms.

Average Rents in Fort Saskatchewan			
# of Bedrooms	Average Price	Lowest Price	Highest Price
House			
2	\$1,730	\$1,195	\$2,400
3	\$1,980	\$1,200	\$2,800
4	\$2,063	\$1,795	\$2,200
Basement Suite			
1	\$1,039	\$800	\$1,400
2	\$1,350	\$1,350	\$1,350
Townhouse			
2	\$1,848	\$1,550	\$2,400
3	\$1,614	\$1,395	\$1,750
Condo/Apartment			
1	\$1,224	\$595	\$1,695
2	\$1,491	\$1,200	\$2,995
3	\$2,200	\$1,750	\$2,650

Source: www.rentboard.com (October 2014).

Sales Activity

The continued creation of new jobs in Fort Saskatchewan has led to an increase in the number of sales and the average price of real estate within the city. The table on the following page outlines sales activity in Fort Saskatchewan over the last couple of years. As you can see, demand for housing outstrips supply, leading to an average price increase of \$50,000 in the last three years!

Fort Saskatchewan's vast reserves of gases and minerals ensure that the city's petrochemical industry will continue to grow. Central Alberta's petrochemical industry currently employs 1,600 people and each job is estimated to create a spin-off of approximately 2.5 jobs in the local economy. As research continues into the use of off-gases from bitumen upgrading as an additional feedstock, Fort Saskatchewan's access to the oil sands will prove increasingly important¹¹.

Fort Saskatchewan's proximity to gas-rich northern Alberta makes the city more prone to the cyclical nature of the oil and gas industry. However, the city is by no means a one-industry town and should continue to diversify in the coming years, providing an economic cushion for investors. There is a lot of money to be had in the Fort Saskatchewan real estate investment market if you perform your due diligence and go in with a long-term view.

Demographics

Population Growth

According to the last Federal Census (2011), the population of the City of Fort Saskatchewan was 19,051. This represented a population increase of 12.3% from 16,967 in 2006¹². With a population growth of 14% between 2001 and 2006¹³, the city has witnessed a growth of nearly 27% over the last decade. The 2014 municipal census results report that the population currently sits at 22,808, which marks a 19.05% increase since the 2011 federal census¹⁴.

The city's rapid growth is expected to continue over the next decade. The city is expected to have a population of 34,896 by 2025¹⁵. This is great news for investors. New employment opportunities have and will continue to draw people to the area, people who need a place to live. In turn, housing values and rents will continue to climb.

Median Age

Fort Saskatchewan is getting younger! Since 2006, there has been a noticeable increase in the proportion of young adults ages 20 to 39 living in the city, bringing the average age down. The city's median age dropped to 35.4 in 2011 (from 36.4 in 2006)¹⁶. The city has become a haven for many young families moving to the Edmonton region to work but wanting to live somewhere with a small-town feel. A young population means good things for a city: there are more services geared to young people and young families, which will attract even more young families to the area. Younger age groups have more movement in the housing sector, meaning they move in and out of homes (renting, buying, and selling) as their life stage changes. This means more potential renters for investors and more buying and selling as these people age, stimulating the housing market.

A younger age group also tends to consume more goods and services, which stimulates the local economy.

City of Fort Saskatchewan Sales Activity January - June			
	2014 YTD	2013 YTD	2012 YTD
Single Family Detached			
Total Sales	299	293	256
Average	\$428,962	\$408,425	\$392,724
Median	\$419,000	\$400,000	\$385,750
Condominiums			
Total Sales	69	94	60
Average	\$242,721	\$211,320	\$219,794
Median	\$229,900	\$206,304	\$208,500
<i>Source: Edmonton Real Estate Board.</i>			

Recent Residential Developments

Residential building activity in Fort Saskatchewan has trended up in recent years. In 2013, the city witnessed 498 homes begin construction, an increase of 48.7% from 335 in 2012. In 2013, 223 single-family homes started and 275 multi-family units began construction¹⁷. As of June 2014, the city had already seen 212 homes begin construction, up 7.6% from the same time period in 2013¹⁸.

New residential projects in the City of Fort Saskatchewan include the Forest Ridge housing project, currently under construction at 13 Cranberry Bend. Sales for available units start in the \$350,000s. Southpointe is a new housing and townhouse community currently under construction at Allard Way and Calvert Wynd. Sales for available units range in price from the low \$300,000's to over \$400,000¹⁹.

Residential building permits are a reaction to demand in the past. What is important is to see if supply is keeping up with demand. A glut of inventory can diminish values and rents, giving renters and buyers 'too much' to choose from from an investor's point of view, while too little can cause prices to rise as buyers compete for housing. Currently, it seems as though demand in Fort Saskatchewan is outstripping supply, leading to a rise in both housing prices and average rent. Current economic conditions support job growth in Fort Saskatchewan and we should see housing demand remain high in the mid-term future.

Infrastructure

While growth is positive for a city, a rapid increase in population can strain a city's existing infrastructure and capital budget. As Fort Saskatchewan's population continues to grow, the city's leadership must ensure that infrastructure keeps up with resident demands. Infrastructure is important to meet the needs of the residents. People will leave a city that does not have the capacity to educate its children, mend its ill-stricken, or manage its crime. Hospitals, schools, emergency services, as well as water, sewer, and roads are of paramount importance. We have outlined a list of important infrastructure projects that were recently completed or are currently under construction in Fort Saskatchewan:

- City Centre Square project to relocate all Civic Administration services and the city's library to one 67,000 square foot facility – (December 2013)²⁰
- New municipal building and RCMP Station to handle the next decade of population and employment growth - \$10.5 million (January 2015)²¹
- Expansion of Westpark Reservoir to accommodate continued growth of Westpark and Southfort neighbourhoods - \$5 million (2014-2015)²²
- Sportsplex Renovation and Expansion (Proposed for 2015)²³
- Jubilee Recreation Centre Renovation and Expansion - \$7 million (2015-2016)
- New Elk Island Public Schools Regional Division K-9 school with a current capacity of 500 students and ability to meet the needs of 800 students²⁴

Transportation

A transportation project that will have a huge impact on Fort Saskatchewan is the northeast portion of the Anthony Henday Ring Road. Construction of the final portion of the Edmonton Ring Road is underway, with completion of Northeast Anthony Henday Drive scheduled for fall 2016. This transportation improvement benefits not only residents but makes it even more attractive for businesses to locate here, once again creating jobs and increasing the coffers of the local economy.

For information on which neighbourhoods may receive a positive price impact from these transportation improvements, download the Edmonton Transportation Effect [here](#).

Public Transit

The City of Fort Saskatchewan currently offers residents commuter bus service via Edmonton Transit. Route 178 links Fort Saskatchewan commuters to the LRT system (Clareview Station) in north Edmonton²⁵. In April 2014, the City of Fort Saskatchewan launched its own transit with two bus routes: Route 582 will provide service to Westpark, Pineview and the Southfort area to the Dow Centennial Centre, while Route 583 will run through Bridgeview, downtown and Sherridon to the Dow Centre, where riders can connect with Route 198 to the Clareview LRT Station in Edmonton. The new routes are part of a pilot project and will run until December 2015. If the project gets the official green light following the pilot run, it will be built into the city's operating budget²⁶.

Political Climate

Unlike other provinces in Canada, there are no controls on the amount of rent increases in Alberta. Rent may be increased if there has not been a rent increase within the previous 365 days or since the start of the tenancy, whichever is later.

The City of Fort Saskatchewan has six single-family residential zoning districts, each with specific regulations regarding development. As part of its affordable housing strategy, the City of Fort Saskatchewan allows secondary suites to be constructed in four of these six districts. However, uptake of secondary suites in the community has been limited. The city is considering offering incentives to promote secondary suites as a viable form of affordable housing within the city²⁷. This is great news for investors! The city is taking a pro-active approach to its population growth and is actually encouraging rental units.

Development office is difficult to deal with, you can often assume that they will be the same for potential employers looking to move into the region. The Fort Saskatchewan Economic Development team is friendly and helpful. However, their website could use some improvement as it is currently riddled with dead links. We recommend calling the office directly in order to get the information you are looking for.

Business Incentives

Fort Saskatchewan is currently running two incentive programs to attract businesses or investors. The Storefront Program provides support to commercial business owners in rehabilitating their storefronts to revitalize the commercial areas and enhance the livability of neighbourhoods. The Retail Curbside Enhancement Program helps businesses improve the appearance of commercial areas within city limits through beautification partnerships between the business community and the City of Fort Saskatchewan²⁸.

Economic Development

This is a key consideration for investors. If the Economic

Investment Rating

Economic Risk	11/12
Yield Growth Potential	10 /12
Local Politics Conducive to Business	8/8
Access to Transportation	6/8
Investor’s Insights	8/10
Total	43/50

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