Research &
Forecast Report

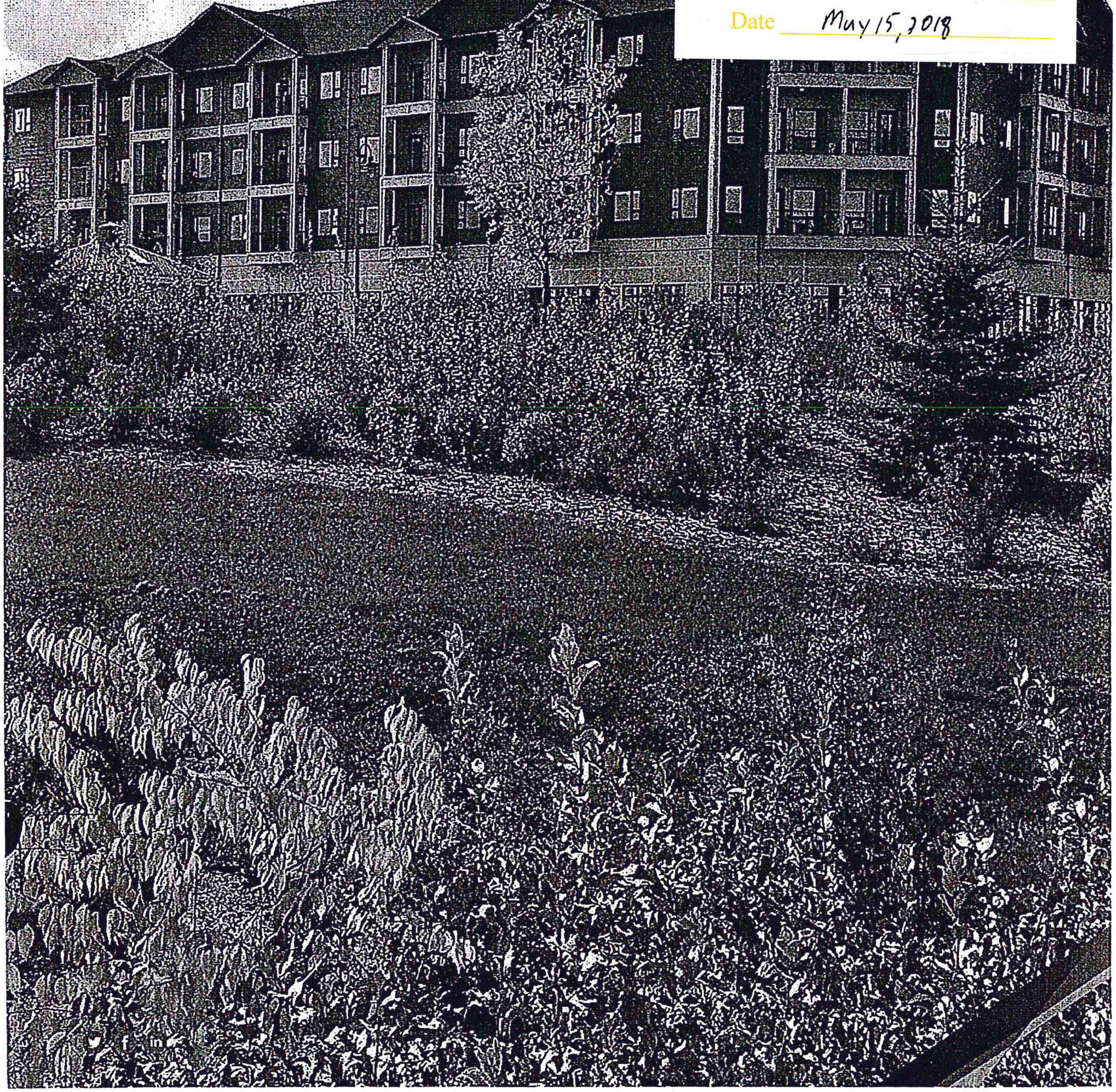
# SASKATOON MULTIFAMILY MARKET

2018

Colliers
INTERNATIONAL

Accelerating success.

HUS 40128
Tabled by Chair
Date May 15, 2018



## Multifamily Trends

The multifamily market exhibited signs of recovery through 2017. Despite the addition of purpose-built apartment buildings entering the market, vacancy decreased from a high of approximately 18 percent in 2016 to 14 percent in 2017. The unprecedented high vacancy in 2016 resulted in an unparalleled decline in average monthly rental rates and this trend has continued into 2017. Landlords of older apartments are now competing on price against new or renovated buildings.

### New Development

In October 1990, there were 19,414 purpose-built rental units in the Saskatoon market. This number has steadily declined to 13,790 units by 2008 due to the effects of the condominium conversion boom. From 2010 to 2018, more than 1,491 units of purpose-built multifamily entered the market with an additional 172 units nearing completion. New inventory has increased the standard for rental units in the City and tenants continue to make the flight to quality. New buildings offer improved amenities, premium finishes, modern layouts, and, in some cases, underground parking. As such, new inventory is typically leasing at an accelerated rate to that of existing inventory.

### Vacancy Rates

Between 2015 and 2016, vacancy increased from 4 percent to a record 18 percent. However, during 2017, vacancy has steadily declined to approximately 14 percent. Much of the decrease is the result of an increase in incentives, a reduction in monthly rental rates, and a mild resurgence of the local economy. It is important to note that the phenomenon is unique to Saskatoon and is not occurring on the same scale throughout major markets in western Canada.

### Rental Rates

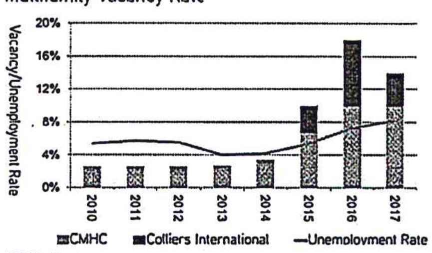
Rates have dropped by approximately 14 percent or more than $150 for a two-bedroom unit. Some of the newer developments are achieving above market rents for their units, but landlords of older or less competitive stock who initially used incentives to attract or retain tenants are now having to cut rental rates. Although market conditions remain historically weak, the reductions in rental rates will likely continue for older inventory.

### Investment Activity

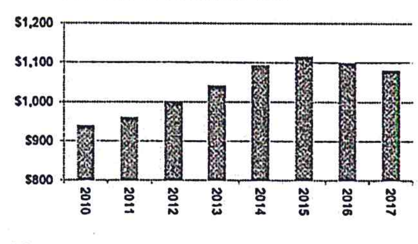
In 2017, multifamily accounted for more than half of all investment activity primarily due to the debt default of the New Summit Portfolio which was assumed by the lenders. This acquisition accounted for $126 million, or 90 percent of all multifamily that transacted in 2017. The remaining $14 million was a variety of local private investments.

When the acquisition of the New Summit Portfolio is removed, the average sale price of multifamily buildings drops from an average $109,000 per unit to $100,000 per unit. This drop in average price per door is the result of a fall in rental rates and high vacancy rate.

### Multifamily Vacancy Rate




### Multifamily 2-Bedroom Rental Rate



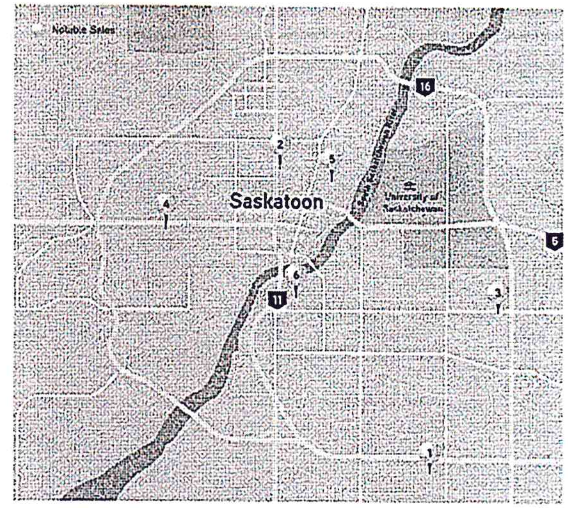





### Forecast and Economic Factors

While there are indications that the multifamily market is improving from late 2017, there is still a significant gap between Saskatoon's vacancy rate and the national average.

Existing properties have the advantage of location providing improved access to major institutions such as the University of Saskatchewan or Saskatchewan Polytechnic and superior access to transit services. Properties without the advantage of location may require additional incentives or upgrades to compete with the influx of new multifamily to the market. Interest rates are likely to rise in the near future and this will further apply upward pressure on capitalization rates through the foreseeable future.




**Notable Sales**

| ADDRESS | SITE AREA (AC) | NUMBER OF UNITS | PRICE PER UNIT | SALE PRICE |
|---|---|---|---|---|
| 1. 241 Willis Road | 3.21 | 172 | $163,572 | $28,134,328 |
| 2. 840 Idylwyld Drive North | 2.99 | 77 | $194,805 | $15,000,000 |
| 3. 3105 7th Street East | 0.38 | 24 | $103,167 | $2,476,000 |
| 4. 1919 22nd Street West | 0.48 | 27 | $81,481 | $2,200,000 |
| 5. 305 Queen Street | 0.24 | 22 | $78,000 | $1,716,000 |
| 6. 218 Main Street | 0.17 | 12 | $97,000 | $1,164,000 |