



REGINA

EXECUTIVE SUMMARY

- Declines in prices for crude oil, natural gas, potash and uranium and China's temporary ban on imports of canola and soybeans are impacting the provincial economy.
- These economic challenges coupled with export price volatility driven by political uncertainty in the U.S., China, Europe and Asia, have elevated concerns about the sustainability of Regina's economy.
- Regina's unemployment rate is currently 5.1% and expected to remain similar throughout 2020.

As trade tensions impact businesses' investment decisions and households' purchasing power, investors are expected to place increased emphasis on commercial real estate.

Regina's office vacancy rate ended 2019 at 12.4% – down 110 bps from year-end 2018 – but is expected to increase to 13.2% by year-end 2020. Several smaller lease transactions resulted in positive absorption during the first half of 2019, which caused a drop in the overall vacancy rate. Reductions in occupancy by government and the natural resources sector in 2020 as well as an overall contraction of leasing activity will result in an increase in vacancy. Average asking rental rates for vacant downtown and suburban space declined moderately during 2019. Class A net rates sit at \$30 per square foot (psf), class B at \$18 psf and class C at \$12 psf. Completion of the new 80,000-square-foot (sf) Conexus Credit Union head office building at 2375 College Avenue is expected by mid-2020. No other new office construction is anticipated.

The industrial market declined slightly during 2019 due to weaker-than-normal absorption of development land and building space. Market inventory stood at 23.8 million square feet in the third quarter of 2019 with a vacancy rate of 5.2%. Inventory will increase slightly in 2020 as new industrial construction is completed for preleased and owner-occupied build-to-suit buildings. Industrial construction activity is expected to slow in 2020 due to soft demand and lower asking rents for existing inventory. A slight increase in industrial vacancy is expected by year-end 2020. Morguard's TransLink Logistics Centre at the Global Transportation Hub leased 41,000 sf in its second LEED-certified building in the third quarter of 2019. Serviced land ranges from \$180,000 to \$450,000 per acre in the region, while net lease rates

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↓	→	↓
Vacant Space	↑↑	→	↑
Construction Levels	↓↓↓	→	↓↓↓
Leasing Volume	→	↑	→
Investment Volume	↓	→	↑

for new space range from \$10 psf to \$12.50 psf and existing space ranges from \$7 psf to \$10 psf.

The retail sector has been busy and market sentiment is generally positive. Rental rates ranged from \$18 psf to \$25 psf for existing space and \$32 psf to \$40 psf for new space in 2019 and are expected to remain stable for 2020. Numerous cannabis stores opened in the city during 2019, while private liquor stores continued to enjoy success. Costco entered the private liquor trade in the fourth quarter of 2019. Dream is

progressing with plans for its newest retail centre, The Runway in Harbour Landing, which is expected to start construction in 2020. Aurora and Acre 21's regional retail sites are expected to expand their tenant bases in 2020, while sites in the northwest are progressing at a slower pace than anticipated.

Investment activity is expected to increase in 2020 as building revenues, vacancy rates and cap rates have adjusted during the past number of years and property pricing is adjusting accordingly.

With hopes of strengthening trade relationships and increasing exports for agricultural products, oil, potash and uranium, the government of Saskatchewan is opening new international trade and investment offices in key markets. As trade tensions impact businesses' investment decisions and households' purchasing power, investors are expected to place increased emphasis on commercial real estate.

VACANCY RATES

Regina Year-End Office and Industrial Vacancy Rates

