



## MARKET OVERVIEW & FORECAST

In 2005, Saskatchewan commemorated its centennial. Saskatchewan's vision for the this century creates a plan that sets out actions for sustained growth on four strategic fronts to propel the province into a new century of growth and opportunity: expansion and development of traditional economic sectors creating a diversified economy; extension of the success in research and innovation; enhancement of the province's competitive advantages; and the broadening of the economy, workforce, and employment opportunities. These ongoing initiatives will require bold leadership in order to seize the opportunities the province can provide.

The province of Saskatchewan benefited significantly in 2005 from higher energy prices and increased demand. Strong domestic demand resulted in solid GDP growth for the City of Regina in 2004 and this continued throughout 2005. Employment growth is forecast to accelerate once again during 2006, allowing personal incomes to rise and consumer demand to remain relatively strong, driving up retail sales activity. The economy is forecast to expand by 2.6% during 2006.

Declining housing starts recorded in 2005, and forecast for 2006, will be more than offset by a strong non-residential construction sector. New developments in Regina include the recently announced Canadian Police Research Centre, which will establish Regina as a world leader in research on public safety and security. In addition, the Regina Research Park, adjacent to the University of Regina, has been tentatively selected to be the site of the new \$26.7 million provincial health laboratory. Completion is slated for March 2008.

## OFFICE MARKET HIGHLIGHTS

The Regina office market remains competitive with an overall vacancy rate of less than 6.0%. Anticipated provincial and federal government office lease renewals in 2006 will continue to put downward pressure on vacancy levels. The ongoing demand from Regina's economic industry clusters, including environmental and information technologies, steel, manufacturing, finance and insurance, film and multimedia, and agri-business will also contribute to this decline in 2006.

## INDUSTRIAL MARKET HIGHLIGHTS

Industrial vacancy has remained in the 3.0% range over the past few years and 2005 was no exception, resulting in modest rental rate increases for small to medium sized properties. For the first time in several years, numerous blocks of space in excess of 100,000 square feet were available for lease or sale.

Serviced land is trading for \$60,000 to \$100,000 per acre. Rental rates remain at \$3.50 to \$4.00 for single user facilities and \$4.50 to \$8.00 for flex and office industrial space.

One factor, which may have a positive impact on the industrial market in the near term, is the dramatic increase in energy prices experienced in 2005. If higher prices continue, there may be increased demand for distribution and warehousing facilities in Regina.

## INVESTMENT MARKET HIGHLIGHTS

Regina's investment market was very active in 2005 with REITs the predominant purchaser of properties. The demand for product has driven down cap rates significantly. For example, in 2004 a typical office building would have traded at a cap rate above 11.0% whereas in 2005 that same building would have traded below 10.0%. In addition, sellers of industrial product have also enjoyed cap rates below 10.0% thanks to increased investor demand.

For 2006, the investment market is anticipated to remain strong as REITs and out of province investors are expected to remain active.

## RETAIL MARKET HIGHLIGHTS

The retail environment in Regina continues to show stable growth now that the new retail big box sectors have been established. The northwest Regina and east Victoria Avenue retail developments are continuing at a steady pace. Over 500,000 square feet of new retail development is expected to open in 2006.

Retail vacancy rates are projected to remain in the 7.0% range during 2006, with enclosed shopping malls keeping this average up. Regional malls continue to struggle to maintain their market share while the remaining community retail shopping centers are either de-malling or redeveloping to present more of a service sector atmosphere to the shopping public.

The retail outlook is positive for Regina for 2006 and there is optimism that new retailers will be attracted to areas of the city with established or developing power centres.

### REGINA MARKET AT A GLANCE

POPULATION  
**200,000**

OFFICE INVENTORY  
**3.2 million sf**

OFFICE VACANCY  
**5.5%**

CBD CLASS A VACANCY  
**4.1%**

INDUSTRIAL INVENTORY  
**14.5 million sf**

INDUSTRIAL VACANCY  
**3.0%**

