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Farmland Market Dynamics Shifting

November 2019

Farmland values in Saskatchewan have increased every year since 2001. Gross farm cash receipts swelled significantly over that period and as a result, farmland values increased with them. Based on our observations over the past six months, however, we predict this trend is about to change.

Some of the recent contributing factors to weaker demand are changes in commodity prices, uncertainty around global trade and very challenging weather conditions.

Observations we have made over the past six months:

- The inventory of farmland available for sale in the province is increasing and not selling as fast.
- There are more listing price reductions. Over the past decade an overpriced property would eventually sell once the market caught up to their target price. However, if a farm is currently overpriced sellers are forced to reduce their price in order to attract buyers and compete with other farmland listings. The market is slowly shifting from the buyer chasing the seller to the seller chasing the buyer.
- The inventory of farmland for sale in productive and historically strong market areas like Rosetown is increasing. Sellers are trying to achieve a bit higher price than the previous sale, but buyers aren't agreeing to it. It is a bit of a stalemate. If more farmland comes to the market, buyers will likely prevail.
- There are fewer buyers to work with at current prices and sales transactions are tougher to negotiate.
- Post 2019 harvest farmland auctions initial results are weak, selling lower than anticipated.
- More of our farmland listings are becoming debt adjustment related.
- Notices of Intent to Foreclose on farms were up 48.6% in 2018-19 over the previous period. The overall number is low relative to the late 1980s and early 1990s, however, this shift and trend is gaining momentum. Farm debt mediation in Saskatchewan is increasing.
- Politically, producers generally do not feel they or their industry are represented in Ottawa. This contributes to their overall cautious outlook.

We believe the overall fundamentals of agriculture in Saskatchewan are still solid, but the near-term outlook of producers has shifted from optimistic to cautious. That outlook will be reflected in farmland values this winter.

Tim Hammond, PAg, BSA, ([LinkedIn Profile](#))



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 <p>Tim Hammond Biggar, SK (306) 948-5052</p>	 <p>Kevin Jarrett Saskatoon, SK (306) 441-4152</p>	 <p>Dave Molberg Biggar, SK (306) 948-4478</p>	
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Saskatchewan's Ag Real Estate Professionals



Spotlight On: Jim Pattison Children's Hospital

By David Fortier, Owner, Fortier Mattila Appraisals Inc.

By the Numbers

Building Cost: \$285,900,000 (\$257 million from Province of Saskatchewan, remainder donations)

Equipment & Furnishings: \$46,600,000 via donations

Construction Cycle: 60 months start to finish

Building Size: 383,455 square feet

Inpatient beds: 176

Construction Hours: 1,600,000

Doctors: 72 full time physicians

Nearly 25 years after being first proposed, the Saskatchewan Children's Hospital is complete. The Jim Pattison Children's hospital is located next to the Royal University Hospital, Saskatoon Cancer Centre, adjacent to the University of Saskatchewan Campus.

A ceremonial ground breaking took place on September 25, 2014, with the facility originally expected to open in 2017. The hospital has pediatric emergency, surgery, pediatric inpatient, pediatric intensive care, maternal services, and neonatal intensive care. The hospital officially opened on September 29, 2019 with pediatric patients and maternal inpatients moved over from Royal University Hospital.

Jim Pattison, originally from Luseland, SK, made a \$50,000,000 donation to the hospital in May of 2017 – at which point the hospital was re-named the Jim Pattison Children's Hospital. The donation was the largest private donation ever in the province of Saskatchewan.

Midtown Common erases all signs of Sears

"I think we're eating in linens right now," I said casually to my mom recently. We were taking in the tastes offered by Midtown Common, the new Midtown Plaza food court located in the Sears vacancy. Any semblance of the historic retailer, however, has all but disappeared. The shopping space has been replaced with exposed concrete and a modern look. Basically everything Sears wasn't.

Change takes time

Sears closed their doors for good in January 2018 at the Midtown Plaza, Saskatoon's downtown interior mall. The vacancy as a whole was blocked off from the rest of the mall and I'd assume the demolition has been ongoing ever since. Rumours swirled around who would be replacing the estimated 160,000 SF tenancy. I predicted that they'd chop the space up and indeed, that's what has happened. Midtown Common has chewed up approximately 42,000 SF of the Sears second storey.

Second Floor – Midtown Plaza

The remainder of the second floor is currently blocked off, but I would expect it will be developed in the future. The main floor of the vacancy has been transformed just as dramatically.

Main Floor – Midtown Plaza

The natural existing corridor from the mall now extends into the Sears space (right through perfumes and make up!) and offers multiple tenant retail units. Shoppers has relocated to a newly demised unit that backs 20th St, basically in the old sleepwear and lingerie section.

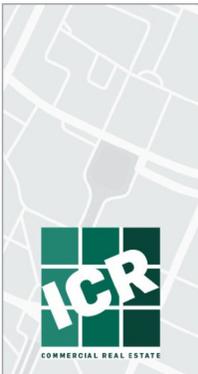
New look, new faces

Most of the existing tenants have moved up from the previous food court, which was located on the main floor of the Midtown facing towards Idylwyld Drive. There are five new vendors to the food hall, with room for 16 tenants in total. Having visited a few times now, I've tried newbies Mia Pasta (meh) and Pi Co (yum!). I'll pretend my decision to have KFC, which is new to Midtown, was because my 7-year-old niece wanted it. But that's a lie. We both did. I can confirm it was delicious as always. The old food court is already cordoned off for MEC's renovation, which will see 16,000 SF of retail with 4,000 SF for service shops and community rental space. MEC is expected to open in the spring of 2020.

City of Saskatoon pitches in support

The entire facelift to the mall and new food hall is estimated to be costing the Midtown owners \$80 million. This will be softened slightly by a tax abatement, only to the Sears portion of mall, from the City of Saskatoon. Though they have no policy in place, Council endorsed what will effectively be a five-year tax abatement worth approximately \$565,000 per year. Mall representatives estimate they draw 11 million visits per year.

Written by Kelly Macsymbic, ICR Sales Associate and Stuart Commercial Business Manager



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Is this HBC building worthless?

By David Fortier, Owner, Fortier Mattila Appraisals Inc.

When is a building worth nothing? Doesn't the land still contribute to the value? Not always.

Take for example the Hudson's Bay Company building at 450 Portage Avenue in Winnipeg, Manitoba. The building was constructed in 1926 and has 515,523 square feet of leasable space on six floors. When it was originally constructed it was the largest reinforced concrete building in Canada. However;

- Three of the six floors are permanently closed
- The cost of demolition may be more than the land value. Furthermore, the City of Winnipeg voted to give the department store heritage designation – meaning any buyer is unable to demolish it.
- The building has a reported tax liability of \$302,298
- Operating costs of the building surpass revenue generation
- Renovations for single tenant or multi-tenant occupancies are not financially feasible

A recent real estate appraisal completed by Cushman and Wakefield has reportedly factored in the above, and concluded that the property is practically worthless. While this is an interesting development, this can happen in situations where;

- Special purpose buildings exceed their useful lifespan
- Demolition costs are higher than land value
- Properties are contaminated
- Changes in land use (zoning, heritage status, etc.) prohibit redevelopment

HBC, a publicly traded company, voted in 2019 to be taken private. HBC then had 79 properties across North America appraised to determine asset value, including this one in Winnipeg.

Source: *Winnipeg Free Press*

Saskatoon Residential Market Update – Q4 2019

By Norm Fisher, Broker/Owner, Royal LePage Vidorra

I recently attended the Saskatoon Region Association of REALTOR's® Fall Outlook. The keynote speaker, Gregory Klump, Chief Economist for the Canadian Real Estate Association characterized 2018 as the “year that Saskatoon carved out the bottom of a challenging real estate cycle.” I couldn't agree more.

The Saskatoon real estate market found its peak in 2014 when 4,509 homes were sold through the Multiple Listing Service®. In early 2015, as oil prices fell through the floor, demand for housing slipped and four consecutive years of falling sales numbers followed. In 2018, MLS® sales bottomed out at 3329 units.

As the end of November approaches, local real estate trades already exceed those recorded through all of 2018. Year-to-date, 3392 residential properties have changed hands through the Multiple Listing Service® with a full month ahead of us to add to the tally. Based on current momentum, we should finish the year with roughly 3,625 homes sold.

Demand is greatest at the market's entry-level. Lower prices are encouraging first-time buyers to re-engage with the market and sales of small condos have increased the most. Prices in this category have fallen 20% from their peak. Many renters are beginning to see the value these properties offer and are now opting to own rather than rent.

As demand grows, supply has also fallen. Each month this year, the number of active listings, while still high by historical standards, has been at its lowest levels in five year's time. Today, there are roughly 1550 Saskatoon homes for sale, down nearly 200 from levels recorded at this time last year.

Even as demand grows and supply falls, home prices remain lower on a year-over-year basis. According to the MLS® Home Price Index, the price of a “benchmark” Saskatoon single-family home is down \$3,000 (1%) from last year. Apartment prices have dropped more than \$10,000 (6%). Townhomes are the standout category with prices increasing about a thousand dollars (0.5%) from this time last year.

While the resale market has gathered promising momentum through 2019, Saskatoon home builders continue to struggle. Impacted by the introduction of a provincial sales tax, and the “mortgage stress test” housing starts are expected to reach a 15 year low this year. That said, the surplus of completed and unoccupied condominiums has moderated significantly over the past few years and inventories have reached more sustainable levels. With any luck, 2019 will be the year that builders “carve out the bottom.”

Best wishes to you for a wonderful holiday season and a prosperous 2019.



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Norm Fisher is the Broker/owner of Royal LePage Vidorra, Saskatoon's first virtual real estate brokerage. He monitors and writes about Saskatoon's residential real estate market regularly on his blog a [TeamFisher.com/Blog](https://www.teamfisher.com/blog).



In the News: Interest Rates

By David Fortier, Owner, Fortier Mattila Appraisals Inc.

Lowest Interest Rates - To spur economic growth countries can opt to reduce interest rates in an effort to encourage lending and spending. Several countries in recent years have opted to set interest rates at or below 0%. Negative interest rates mean depositors pay money to save their money, contrary to depositors typically receiving a small amount of interest in return for saving. Central banks charge a fee to regular banks for holding their money, instead of paying them a small amount of interest – this is to encourage banks to put their money to a more productive use, such as lending it to people and businesses. In theory this creates a ripple effect by lowering borrowing costs and stimulating economic growth. Have negative interest rates worked? Not necessarily, as lending has not picked up significantly in Europe or Japan and GDP growth continues to struggle. The countries with the 5 lowest interest rates include:

Country	Interest Rate	Date Interest Rate Changed
21 Countries	0.00%	*21 European Countries including: France, Germany, Italy
Japan	-0.10%	January 2016, decreased from 0.0%
Sweden	-0.25%	December 2018, increased from -0.50%
Denmark	-0.75%	October 2019, reduced from -0.65%
Switzerland	-0.75%	January 2015, reduced from 0%

Highest Interest Rates – Some countries are opting to combat runaway inflation, currency devaluation by running high interest rates. The countries with the 5 highest interest rates include:

Country	Interest Rate	Date Interest Rate Changed
Argentina	63.00%	November 2019, decreased from 68%
Zimbabwe	35.00%	November 2019, decreased from 70%
Venezuela	27.95%	October 2019, decreased from 30.67%
Haiti	27.00%	June 2019, increased from 20%
Yemen	27.00%	September 2018, Increased from 15%

Canada - The Bank of Canada has kept interest rates at or near record low rates since the 2009 global financial crisis. The rate bottomed out when it reduced from 1.0% to 0.50% in July 2015. Starting in July 2017 the interest rate has been increased 5 times and is currently at 1.75% and holding. These recent changes were the first increases since 2011, with the interest rate currently at it's highest since December 2008. Slow economic growth in Canada, slow economic growth abroad, trade conflicts, restrained business investment, and commodity prices were referenced by the Bank of Canada which has a 2% inflation target. Canadian Interest rates peaked in February 1991 at 16%, and reached a record low of 0.25% in April 2009. Since 1990 the Canadian interest rate averaged 5.87%.

Source: Trading Economics – November 23, 2019



Source: Westleaf

Spotlight On: Thunderchild Cultivation

By David Fortier, Owner, Fortier Mattila Appraisals Inc.

By the Numbers

Building Cost: \$20,000,000

Building Size: 84,800 sq.ft in phase 1 PLUS 48,600 sq.ft. in phase 2 = 133,400 sq.ft. total

Grow Rooms: 20 grow rooms, approximately 1500 sq.ft. per room

Capacity: 7,300 kg / annum in phase 1 PLUS 7,300 kg / in phase 2 = 14,600 kg / annum total

Employment: 150 people from the local community

Thunderchild First Nation purchased 93 acres of land in 2017, near the recently developed Kramer Caterpillar Dealership on the west side of Battleford. In 2018 Thunderchild made an \$8 million investment with Westleaf Cannabis, making it the largest shareholder. Later in 2018 a \$20 million dollar building permit was filed for with the Town of Battleford for the new Thunderchild Cultivation facility.

The \$20 million dollar building permit would make this the largest private building permit registered in Battleford, larger than the Kramer Caterpillar Dealership (\$7 million), Leading Manufacturing Group Metal Tank Plant (\$6.7 million), and Battleford West Place (\$5.6 million).

Once the facility is completed and is licenced by Health Canada in 2020, it will be Westleaf's flagship facility for cannabis production. The facility will source product to feed Westleaf's extraction and processing facility located in Calgary.

Based in Calgary, Alberta, Westleaf is a vertically integrated company targeting British Columbia, Alberta and Saskatchewan. The company plans on opening approximately 50 retail locations by the end of 2020.

Westleaf is a publicly traded company traded on the TSX.V under the symbol WL.

Commercial Opportunity

View
TODAY



\$229,000



Renovated, Good Exposure, Full basement

Here is an opportunity for great office space, taking advantage of the high traffic location on 100th Street. (Nearly 13,000 vehicles per day). Site is zoned C1 allowing for various office or retail use and measures 25'x120' (3,000 sq.ft.) with on site paved parking at rear of building with space for 4 vehicles. Building was built in 1979, measures 25'x72 (1,800 square feet), concrete block construction, with full basement and with new monofoam roof installed September 2013. Building has been recently renovated including main level vinyl plank and linoleum flooring, baseboards, paint, LED lighting, air to air exchange, water heater, and window treatments. Current main floor configuration consists of 4 offices, 2 bathrooms, reception and conference areas with front and rear entrances to main floor and basement. Main floor has been occupied by the Battlefords-Lloydminster Member of Parliament for since 1997, and will be vacant December 31, 2019. Most recently rented for \$2,550/month gross+GST. Basement was also renovated and has 4 storage spaces + utility room, 3 basement storage spaces currently rented on a month to month basis. (Potential of \$460/month additional income generation from basement). Call for your private viewing. [Click HERE for more!](#)



Kevin Menssa

Better Homes and Gardens Real
Estate - The Battlefords

306-441-5960

MLS#	SK790857
Asking Price	\$229,900
Zoning	C1
Site Size	25'x120' (3,000 Sq.Ft.) Corner
Design	1 Storey Concrete Block Office/Retail
Year Built	1979
Sq.Ft	1800 Sq.Ft. Above Grade
Basement	1800 Sq.Ft. - Part Finished
Heating	Natural Gas Furnace, Central Air

Shop Saskatchewan
December 2019 Promotions

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\$25 off 1st month

USE CODE BMS19

**Expires January 31, 2020*

**Cannot be used with other coupons, promotions, or discounts. Limit 1 per customer. Terms and conditions apply*



December 2019 Pricing – before promo code

10'x10' - \$100/month + GST

10'x20' - \$143/month + GST

Battleford Mini Storage

461-16th Street West, Battleford, SK

1-306-937-2625

www.saskleasing.com/bms

\$50 off Spring 2020 bookings

USE CODE SSD19

**Expires January 31, 2020*

**Cannot be used with other coupons, promotions, or discounts. Limit 1 per customer. Terms and conditions apply*



Sure Shot Drone Services
1-306-441-3155

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www.sureshotdroneservices.com

30% off Spyware & Malware Cleanings

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