



**Saskatchewan  
Real Estate  
NEWSLETTER**

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**INSIDE  
THIS  
ISSUE**

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**PG. 1**

Farmland Market Update  
-Tim Hammond, Hammond Realty

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**PG. 3**

Value is in the eye of the CRE  
beholder  
- Kelly Macsymic, ICR Sales Associate  
and Stuart Commercial Business  
Manager

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**PG. 5**

Saskatoon home sales defy best cast  
predictions  
-Norm Fisher, Royal LePage Vidorra



**SASKATCHEWAN REAL ESTATE NEWSLETTER  
QUARTER 4, 2020**

Recreational sales activity up in 2020 (David Fortier, Fortier Mattila Appraisals) – Pg. 2

Canadian lumber prices skyrocket in 2020 (David Fortier, Fortier Mattila Appraisals) – Pg. 4

Beyond interest rates: 4 factors to consider when shopping for a business loan (BDC) – Pg. 6

COVID19 and the Virtual inspection (David Fortier, Fortier Mattila Appraisals) – Pg. 7

Battleford Mini-Storage 2020 Food Drive supporting Battlefords Food Bank – Pg. 8

Commercial Opportunity 2702-99<sup>th</sup> Street, North Battleford (\$1,500,000) – Pg. 9

## Farmland Market Update

November 2020

It has been an interesting ride since March 15, 2020 when the first COVID-19 measures were enacted. February, March, and April are typically the busiest months of the year for farmland transactions. There is naturally a rush to acquire farmland right before seeding commences and the production cycle starts. This year, however, the market lost all its momentum March 15. There was too much uncertainty. Buyers were reluctant to make any expansion decisions not knowing how COVID was going to impact them, their farm business, or the rest of the world. As a result, it was the quietest spring we have observed in decades. Based on the lack of activity and interest, it looked like the market could have been headed for a decline.

However, it did not take long after seeding was complete for the market to reaffirm food is a high priority, and you need farmland to produce food. The sales that typically occur in the spring still happened, they just transpired three months later than they historically have.

With interest rates and bond rates dropping, it has had three impacts on the Saskatchewan farmland market:

1. It is cheaper for farmers to borrow creating more demand from producers. Assuming all other things remain the same, producers can afford to pay more to purchase farmland.
2. The yield on farmland is more attractive compared to current bond or interest rates. Investors are more attracted to farmland than they have been in a while. They are willing to accept a 3.0% yield whereas before they were set on 4.0 to 4.5%. They have been actively competing and purchasing farmland over the past four months.
3. Farmers continue to retire but instead of selling their land, they are renting it out (see 2. above). They do not need the capital, just the yield or income. Farmland offers a competitive and low risk return. It is hard to argue with that logic.

Our current challenge is sourcing farmland listings. Farmers do not want to sell. The existing inventory is selling strong and not being replaced with new listings. This has created positive pressure on values. We believe the overall fundamentals of agriculture in Saskatchewan are solid, maybe more now than ever. If producers agree with us, that will be reflected in farmland value increases this winter.

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





## HAMMOND REALTY

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Saskatchewan's Ag Real Estate Professionals

# Recreational Sales Activity Up in 2020

By David Fortier, Professional Appraiser, Owner of Fortier Mattila Appraisals Inc



Starting in late spring of 2020 sales of recreational property across northwest Saskatchewan increased significantly. Why in the midst of increased economic uncertainty and the global COVID19 pandemic was there an increase in real estate sales activity?

- Pent up demand - March and April of 2020 were accompanied by a lot of anxiety, stress and uncertainty – whereas typically there would be an uptick in spring sales activity. As the area weathered the storm, purchasers who would have likely bought a property in March and April, if not for the pandemic, opted to purchase in May or June or July.
- Decreases to Interest Rates - Starting in July 2017 the Canadian Prime Overnight interest rate has been increased 5 times peaking at 1.75 in early 2020. However, due to the COVID-19 pandemic the rate has dropped down to 0.25%, as the Bank of Canada attempts to encourage economic activity. The current rates are the lowest rates on record, equaling those during the 2009 global financial crisis.
- Decreased alternative recreational opportunities – COVID19 travel restrictions between provinces and countries drastically reduced vacationing type opportunities for those who would otherwise travel. Somewhat of a work around was to purchase a recreational property out of province, which would allow you to travel to and from your own recreational property. Many couples and families who may have been considering purchasing a recreational property in the next few years opted to purchase this year instead of waiting.
- Increase in telecommuting – COVID19 pushed many to work from home. With some couples/families having the ability to have one or both work from home, people could work from home... from the lake. Some purchasers looked at this as good a time as any to buy a cabin and get a lot of use out of it this year.
- School/University Closures – Again COVID19 forced a number of schools/universities/colleges to close down prematurely meaning that kids/teens/young adults still living at home were once again living at home (24-7). Purchasing a recreational property became an opportunity for families to increase family time, make memories and make the most of being able to be together for a longer period of time. Furthermore as virtual education became more prevalent students were able to take classes remotely - again from the lake.
- Pricing – In many situations this spring/summer there was some uncertainty on behalf of sellers to which they were more open to offers than in previous months/years. Properties that had been listed on the high end were reduced and sold at more reasonable prices and at times even slightly discounted prices. The increase in sales ACTIVITY did not necessarily translate to increases in VALUES in many recreational communities across the province.

In closing it was certainly an interesting year for recreational property with activity slowing down to close out 2020.



*Cochin, SK  
via SureShot Drone Services*



# Value is in the eye of the CRE Beholder

There is one thing universal to commercial real estate transactions when it comes to investment buyers and sellers. Buyers want the highest cap rate they can find; and sellers want to challenge the market with the lowest cap rate it will withstand.

Often the value of the property lies somewhere in between.

## Buy high

A capitalization (cap) rate is the annual return on investment for a buyer. It's not hard to contemplate why buyers are desirous of purchasing properties with high cap rates. The more cash flow, the faster they can service the debt on the investment or improve their cash on cash towards the property.

The problem is this is pretty much the polar mentality of sellers.

## Sell low

Net income on an investment property doesn't change when negotiating a cap rate. The income is what the income is. For a seller, they are going to get a higher value for their real estate if they can entice a buyer at a lower cap rate. If you're like me, a visual is huge to understanding this concept: Let's say I have a building netting out \$100,000 per year after hard cost expenses are paid. At a 7 cap, that property would be valued at \$1,428,572. Shift that even half a point to a 6.5 cap though? The property increases in value to \$1,538,462. That \$110,000 difference is significant whether you're the buyer or seller.

## So why would anyone buy at low cap rates?

If the product has good tenants in a strong market, with favourable lease terms, there are buyers that are willing to take less return to secure the investment. Commercial real estate investing is no different than any other investment in that regard.

There are lower returns for investing deemed less risky.


## Cap rates vary by market and by type

Commercial real estate investing is all about how hungry you are for specific product types. This desire will, in many ways, be fuelled by your aversion to risk and [how much risk you think you can chew](#).


It's important to understand that there is nowhere definitive to reference cap rates necessarily. As brokers we can give you an idea of our opinion but it's often a range. Cap rates are a moving target that can shift over the course of a few months depending on the economic climate. I haven't seen it in my career, but there are brokers in our office that can recall the [good old days when cap rate were 12 per cent](#).

I'm sure we have several buyers that would be falling over themselves to get that type of return nowadays!

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



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## Canadian Lumber prices skyrocket in 2020

By David Fortier, Professional Appraiser, Owner of Fortier Mattila Appraisals Inc.

Beginning mid 2020 Canadian Lumber prices skyrocketed. According to the Government of Canada weekly North American Lumber Prices, the cost per thousand board feet for Eastern 2"x4"s increased from \$760 in February 2020, peaking at \$1700 in September 2020 (that's a 124% increase!), the price has since dropped down to \$1065 as of December. Consultation with local building contractor Lee Ganzert of HVR Construction indicated that the price for a standard 8 foot 2"x4" construction stud has went from \$3.41 on April 29, 2020 up to \$6.49 as of September 27, 2020, and sits at \$7.79 as of December 6, 2020 (up 128% from April!). Note that the retail price to the consumer is still high despite the bulk price dropping.

As per the same source OSB per thousand square feet increased from \$ 430 in February 2020, peaking at \$1260 in October 2020 (that's a 194% increase!), with the price dropping slightly to \$970 as of December. Per Lee Ganzert the cost for a 3/8 inch 4'x8' sheet of OSB has went from \$11.93 on April 29, 2020 up to \$32.95 as of September 27, 2019 (up a staggering 276%) – holding steady at this price as of December 6, 2020. Again the retail price to the consumer is holding strong despite the bulk price dropping.

This has caused some property owners to reconsider or hold off on some projects until prices come back down. Why have lumber prices increased so dramatically? As with any commodity – it's a matter of supply and demand:

### **Strong new construction activity**

Both in Canada and the United States, new housing starts were above economist expectations propped up by record low interest rates, and strong demand. CMHC estimates in Canada there were 274,394 housing units under construction as of the 2<sup>nd</sup> quarter of 2020, up from 260,586 as of the same time in 2019 (a 5.2% increase).

### **Increased renovation activity**

Due to the COVID19 pandemic, many homeowners opted to complete renovations to their properties, in an effort to spur a summer/fall sale, increase equity, and/or increase enjoyment of their property. In particular construction materials sought after for decks, fences, bathrooms were in very high demand.

### **Supply side issues**

Across North America lumber mills experienced work disruptions and supply chain issues due to pandemic lockdowns. The lumber industry in British Columbia, in addition to COVID19 related issues has been adversely influenced by increases in stumpage fees, pine beetle infestations, and wildfires. As per Statistics Canada, softwood lumber production in BC was down 21% year over year during the first 5 months of 2020. Canadian combined hardwood and softwood production as of June 2020 was 12% below 2019 production levels.

How long will lumber prices remain this high? Ultimately time will tell.



# Saskatoon home sales defy best-case predictions with six months of huge annual gains in 2020

Saskatoon home sales got out of the gate in fine form this year recording annual gains in unit sales of eight percent over the first quarter, in spite of growing COVID concerns.

I won't soon forget the sinking feeling I had when the Saskatchewan government declared a state of emergency in March and signaled the upcoming closure of local businesses.

March took care of itself as those who were midway through the process of selling and buying dug in to get themselves a home and a place to isolate themselves. April broke a 15-month streak of growth as unit sales fell a shocking 44 percent from the previous year. In May, residential sales were down 23 percent annually.

After two months of lockdown and experiencing extremely tight quarters with the family, all of whom were now at home, families became painfully aware of the shortcomings of their current home. If two adult partners needed to work from home and keep the kids busy at the same time, things had to change.

A decent selection of homes, extremely low-interest rates and a desire to exercise control in what felt like an out-of-control world fueled the market and drove massive growth for six consecutive months.

By the close of November, Saskatoon home sales had reached 3998 units, an increase of more than 17 percent compared to 2019.

Meanwhile, the number of homes for sale in the city has fallen significantly and is now at its lowest level since late 2014.

The most popular housing types and price ranges are now firmly in seller's market territory. 2020 will be the first year in five to record notable price gains. According to the MLS® Home Price Index, the price of a benchmark single-family home has risen 5.5 percent in a year. Townhomes and apartments are up 3.0 percent and 6.3 percent, respectively.

It's difficult to predict what's in store for housing going forward. No doubt, the financial fallout of a pandemic will have its way as we work to dig our way through it. Given that interest rates are likely to remain low, as is available housing, the first six months of 2021 should be strong. In a world that will undoubtedly undergo large scale change, few things are more stable and permanent than the land beneath our feet.



## Norm Fisher

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## Beyond interest rates: 4 factors to consider when shopping for a business loan

When you're looking for a [business loan](#), the interest rate is going to be a key consideration. But it's important to negotiate a loan that fits you and your business needs. Here are other issues to consider:

### 1. Loan term

How long a loan term is the lender willing to offer? Longer terms mean higher borrowing costs and that may be an expense you want to incur in case you run into cash flow problems.

### 2. Loan size

The percentage of your project's cost that your lender is willing to finance will determine your own investment. It may make sense to diversify your lending relationship with a second bank.

### 3. Flexibility

Have a frank discussion with your banker about what would happen if you were unable to make scheduled loan repayments. Find out if your bank would let you temporarily suspend principal repayments, if needed.

### 4. Collateral

You should know what assets you risk losing in case of a default, including personal assets.

## An asset as security

The bank will almost always want collateral, which can include your accounts receivable, pledges and liens (equipment and other fixed assets), inventory, real estate, personal guarantees and third-party guarantees.

Many of these considerations have to do with protecting your company's everyday cash—ensuring you can continue to fund the day to day operations of your company.

For more tips, download your free copy of our eBook [How to get a business loan: A guide to preparing a winning loan request](#)



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# COVID19 and the Virtual Inspection

By David Fortier, Professional Appraiser, Owner of Fortier Mattila Appraisals Inc.



As a result of the global COVID19 pandemic the real estate appraisal industry had to adapt quickly in order to prevent the spread of COVID19 whilst assisting in appraisals for financing, refinancing, resale, litigation, etc. At Fortier Mattila Appraisals Inc. staff were sent home to work remotely on March 21, 2020. At which point we reached out to stakeholders in the industry namely lenders, credit unions, lawyers, other appraisers, realtors to discuss alternative inspection methods to help flatten the curve, whilst still providing a CUSPAP compliant appraisal report. Our firm along with other appraisal firms across the country suggested modified inspections aided by technology would be the best alternative where health concerns preclude full inspections.

In late March to mid-April 2020, **virtual Inspections** became accepted by various financial institutions and clients across Canada. A **virtual inspection** typically involves the appraiser completing an exterior viewing of the property first, and then using video technology through skype, facetime, zoom, etc to tour the inside guided by the occupant. The appraiser will either take screenshots during the live video tour, or request that the occupant send digital photos of the rooms afterwards. If the appraiser is engaged to complete a FULL APPRAISAL on the property the appraiser will be completing the appraisal in the Full Form report with a direct comparison table complete with adjustments, with notes about the inspection type and appropriate assumptions added as well. These reports are fully compliant with the Appraisal Institute of Canada and the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

There are pros and cons to **virtual Inspections** obviously – and nothing replaces an appraiser physically inspecting the property themselves as they know exactly what they are looking for, and how those features influence marketability and market value. Furthermore in a residential appraisal report for instance the appraiser has dozens of specific items that they need to note and identify – which can be tricky to do when the occupant does not know the answers themselves. As a result we developed a client checklist which walks occupants through the different items the appraiser needs to know in order to complete the report:

[Click here to Download our Client Inspection Checklist](#)

Ultimately these **virtual inspections** are more work for both the occupant and the appraiser – however from a safety standpoint these inspections offer the lowest transmission risk to all parties.

Our appraisal team has completed a mix of full and **virtual inspections** thus far in 2020, with the expectation that trend will continue into 2021. We have created a COVID consent form which we request that occupants complete PRIOR to having the appraiser enter the premises. This consent form gives occupants the option of a FULL or **virtual inspection** and outlines the processes of each, as well as providing a client checklist for them to fill out.

[Click here to view our COVID19 Consent Form](#)

Each appraisal project is analyzed separately and the inspection type is determined by stakeholders including the occupant, client, appraiser and health authorities > With the appraisers trying to be as accommodating as they can to all concerned, and airing on the side of caution in all situations.

It is our expectation that with rising COVID19 numbers in Saskatchewan in December 2020 we will be completing more **virtual Inspections** in the immediate future.



# Battleford Mini-Storage

Owned by Fortier Mattila Appraisals Inc.

Aerial Photography  
via SureShot Drone Services



**Help us with our 2020 Battleford Mini-Storage Food Drive. Help us bring in a truckload of non-perishables to the Battlefords Foodbank on December 21, 2020. We're willing to accept non-perishable donations from anyone and everyone. New and existing Battleford Mini-Storage Tenants bring in a bag of non-perishables to get \$20 off your January 2021 rent. Please text 306-480-7740 prior to dropping off.**

## Location

Just off Highway #4 (1 block or 220 meters off the Highway) in the Battleford Industrial Park.

- From North Battleford  
(7 minutes)

- From Jackfish/Murray Lake  
(33 minutes to Cochin)

- From Turtle Lake  
(50 minutes to South Bay)

## Facility Features

Security: Chain link fenced compound with barbed wire topper, keypad entrance with automated door opener (open 6AM to Midnight), individual keycodes for each customer, LED exterior lighting, Security cameras with onsite and offsite management. Bring your own lock. Managers office onsite

Building Details: 2007 built, 8' ceiling, metal clad roof and exterior, gyproced interior with fire tape, concrete floor, Aluminum Roll Up Doors, ceiling light with automatic timer, no heat, no plug ins.

Container Details: NEW! 2019 built, 8' ceiling, specifically designed for self storage facilities. Metal hinged doors with foam guard, composite floor, metal roof and exterior. No heat, no electricity.

Outdoor Storage: Clearly marked outdoor compound storage stalls (12'x23'), (12'x26'), (14.5'x36') and (14.5'x50')

## Pricing & Terms

5'x8' (\$65\*) – for a walk in closet, smaller household goods

8'x12' (\$100\*) – for a 1-2 bedroom home, smaller apartment, business inventory or file storage

10'x10' (\$100\*) – for a 1-2 bedroom home, smaller apartment, business inventory or file storage

8'x19' (\$135\*) – for a 3 bedroom home, larger apartment, larger office, office furniture (no vehicles)

10'x20' (\$143\*) – for a 3 bedroom home, larger apartment, larger office, office furniture, small car or truck

Outdoor Storage (\$30\*) – secure outdoor compound storage for RV, Boat, Trailer. (must have valid plate)

*\*All prices subject to GST. Minimum 1 month term required. Completed Online Application (Click Apply Online Below) and payment due upfront. Rent due on 1st business day of each month. 7 days notice required for moving out. Accepting Debit, VISA, Mastercard, Cash, cheque, e-transfer (Pay over the phone, by mail, email, or in person)*

## Contact

Location: 461 – 16th Street West, Battleford, SK ( GPS: 52.731020,-108.316465)

Mailing: Po Box 3098, Battleford, SK S0M0E0

Phone: 1-306-937-2625 (10 AM-5 PM Monday-Friday) Emergency: 1-306-480-7740

Fax: 1-306-445-0455

Email: [bms@saskleasing.com](mailto:bms@saskleasing.com)

Website: [www.saskleasing.com/bms](http://www.saskleasing.com/bms)

[Click Here to Apply Online](#)



# Commercial Opportunity

## 2702-99<sup>th</sup> Street, North Battleford

Prime location!! This property boasts one of the highest traffic counts in The Battlefords. Located on Highway 4 North, former Hunter's Trailer and Marine, and later Phoenix Sports Inc., features 1.37 acres and the 20,860 square foot building. Many possibilities with this package from a car dealership to R.V. sales to a large retail outlet. Plenty of parking, great visibility and located on the Gateway to the North!

<b>MLS#</b>	SK823946
<b>Listing Agent</b>	Brian Lampitt – 306-441-6433
<b>Asking Price</b>	\$1,500,000
<b>Zoning</b>	C3A
<b>Frontage Feet</b>	245
<b>Site Size</b>	1.37 Acres
<b>Design</b>	1 Storey Steel Frame
<b>Year Built</b>	1983
<b>Building Sq.Ft</b>	20,860
<b>Basement</b>	Slab
<b>Parking</b>	Paved (50 stalls)
<b>Heating</b>	Floor Model Furnace / Air Conditioning



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