



Saskatoon Region Economic Report | Q4 | 2008

- For the second year in a row, the Saskatoon region was the fastest growing metropolitan area in Canada. GDP growth of 5.4 percent in 2008 led the country, with Mining and Wholesale and Retail Trade sectors all experienced significant growth.
- The Saskatoon region had 2,900 more people in the workforce at the end of 2008 compared to 2007 due to continued employment growth in the Mining, Construction and Retail Sales sectors. As the population grew faster than employment numbers, the Region experienced a slight increase in the unemployment rate.
- The value of building permits grew in 2008, and totals surpassed those of 2007 by 8 per cent. The City of Saskatoon had a large increase in commercial and industrial permits (+48% and +37% respectively), in addition to permits for new institutional buildings such as hospitals and other health care facilities. Investment in infrastructure also contributed to the increase in non-residential construction. Non-residential construction in the surrounding areas of Saskatoon rose 3 per cent compared to 2007 Q4. This was due to increased investment in the commercial, institutional and agricultural sectors.
- At the end of the year, housing starts achieved expectations set in early 2008. The region experienced declines in both single and multiple family housing starts compared to the 2007 Q4. The decrease in construction is due to homeowners taking their houses off the market, and developers of completed new houses working to reduce their existing stock of housing before undertaking any new construction.

Table 1 | Key Results

			Quarterly		Annual		
	2008 Q4	2008 Q3	Change	% Change	2007 Q4	Change	% Change
Population (Age 15-64) ('000s)	199.0	197.4	1.6	0.8%	192.3	6.7	3.5%
Labour Force ('000s)	145.0	146.5	-1.5	-1.0%	142.1	2.9	2.1%
Employment ('000s)	139.7	139.8	-0.1	-0.1%	137.2	2.5	1.8%
Unemployment Rate (%)	3.7	4.6	-0.9	-20.3%	3.5	0.2	5.8%
Participation Rate (%)	72.2	74.3	-2.1	-2.8%	73.9	-1.7	-2.3%
Residential Building Permits (YTD)							
Saskatoon (\$,000s)	202,924	173,481	29,443	17.0%	224,783	-21,859	-9.7%
Surrounding Areas (\$,000s)	160,345	144,436	15,909	11.0%	156,648	3,697	2.4%
Non-Residential Building Permits (YTD)							
Saskatoon (\$,000s)	405,677	333,947	71,730	21.5%	323,314	82,363	25.5%
Surrounding Areas (\$,000s)	151,764	123,165	28,598	23.2%	147,355	4,409	3.0%
Housing Starts (YTD)							
Saskatoon (Units)	1,589	1,474	115	7.8%	1,670	-81	-4.9%
Surrounding Areas (Units)	730	621	109	17.6%	710	20	2.8%
Average Home Sales Price (\$)							
Existing Home Sales (Total Units)	712	1,122	-410	-36.5%	1,099	-387	-35.2%
Existing Home Listings (Avg./Month)	656	1,216	-561	-46.1%	542	113	20.9%
Consumer Price Index (2002=100)							
Consumer Price Index (2002=100)	117.9	118.2	-0.3	-0.2%	114.1	3.8	3.3%
Exchange Rate (CAD\$/US\$)							
Exchange Rate (CAD\$/US\$)	0.83	0.96	-0.14	-14.1%	1.02	-0.19	-19.0%
WTI Crude Oil Price (CAD\$)							
WTI Crude Oil Price (CAD\$)	72.21	123.60	-51.39	-41.6%	89.68	-17.47	-19.5%

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Real Estate Market

Residential Construction

The Saskatoon region ended the year with an impressive amount of residential construction. While permit values are lower in the region (-4.8%) compared to 2007, it is well above the long term average. The fourth quarter of 2008 had lower levels of residential construction as owners of existing houses and completed new houses reduce their existing stock of housing before construction new homes. Fewer multiple housing starts and condo conversions in the City of Saskatoon compared to 2007 Q4 played a part in the slight drop in the value of residential permits (-4.8%). Nevertheless, the region continues to be a hotbed of residential construction activity.

Figure 1 | Residential real estate construction (\$000s) - Year-to-Date

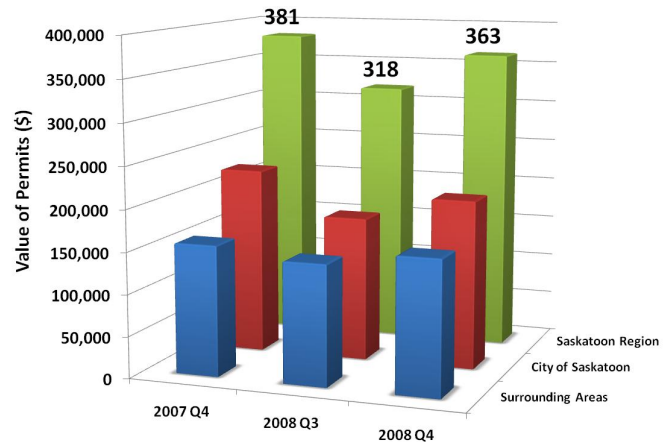


Table 2 | Value of Residential Permits (\$000s) - Year to Date

	Quarterly		Change	% Change	2007 Q4	Annual	
	2008 Q4	2008 Q3				Change	% Change
Saskatoon Region	363,269	317,917	45,352	14.3%	381,431	-18,162	-4.8%
City of Saskatoon	202,924	173,481	29,443	17.0%	224,783	-21,859	-9.7%
Surrounding Areas	160,345	144,436	15,909	11.0%	156,648	3,697	2.4%

New Housing Market

The fourth quarter of 2008 saw a significant decrease in housing starts in the Saskatoon Region, with numbers decreasing by 50% compared to the final three months of 2007. Regardless, 2008 nearly exceeded the housing starts record set last year.

A majority of the growth in the region can be attributed to multiple-family starts (i.e. apartments, townhouses). A lower vacancy rate in the Saskatoon CMA, and new incentives for construction of multi-family units, the Region's market is attractive for developers looking to invest in a solid market.

Figure 2 | Saskatoon Region Housing Starts—Year-to-Date

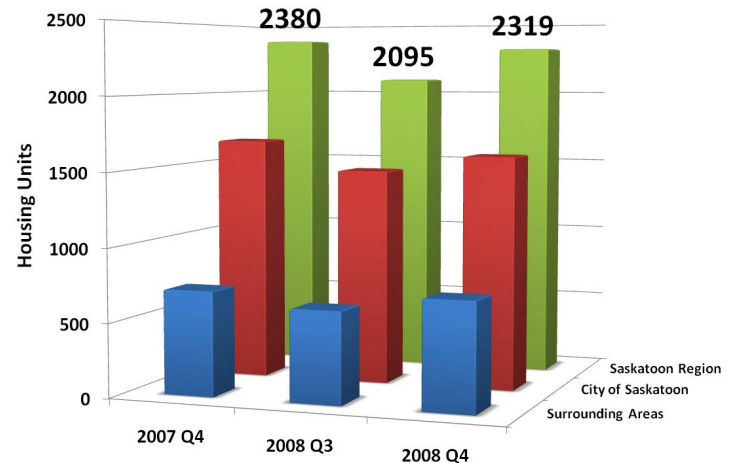


Table 3 | Housing Starts—Year-to-date

	Quarterly		Change	% Change	2007 Q4	Annual	
	2008 Q4	2008 Q3				Change	% Change
Saskatoon CMA	2,319	2,095	224	10.7%	2,380	-61	-2.6%
City of Saskatoon	1,589	1,474	115	7.8%	1,670	-81	-4.9%
Surrounding Areas	730	621	109	17.6%	710	20	2.8%

Existing Housing Market

While existing house sales and listings have declined over the past six months in the Saskatoon region, quarterly sales and listings are nearing the long term average. Housing prices have decreased during the past six months (-10%), and the market is moving to a more balanced position regarding sales and listings. A dwelling in Saskatoon cost \$276,739 at the end of 2008, settling slightly below the national average.

Figure 3 | City of Saskatoon Existing Housing Market



Table 4 | MLS Statistics

	Quarterly		Change	% Change	2007 Q4	Annual	
	2008 Q4	2008 Q3				Change	% Change
Sales	712	1122	-410	-37%	1099	-387	-35%
Listings	656	1216	-561	-46%	542	113	21%

Real Estate Market

Non-Residential Construction

Demand for new non-residential construction continued in the fourth quarter of 2008, and year-end totals surpassed those of the previous year by an impressive 18.4 per cent. Confidence in the region's commercial potential drove a majority of the gains, with new industrial construction playing an important role. Infrastructure projects in the City of Saskatoon such as a new mental health facility, an expanded Health Sciences building at the University of Saskatchewan, and an addition to the Royal University Hospital MRI facility have bolstered the value of permits in the region. The City of Saskatoon also invested in upgrades to the Water Treatment Facilities in the past three months.

Non-residential construction in the surrounding areas of Saskatoon also experienced an increase compared to 2007 (+3%). Increased demand for commercial services in rapidly growing towns surrounding Saskatoon as well as available land for industrial projects.

Figure 4 | Non-residential construction (\$000s) - Saskatoon Region—Year-to-Date

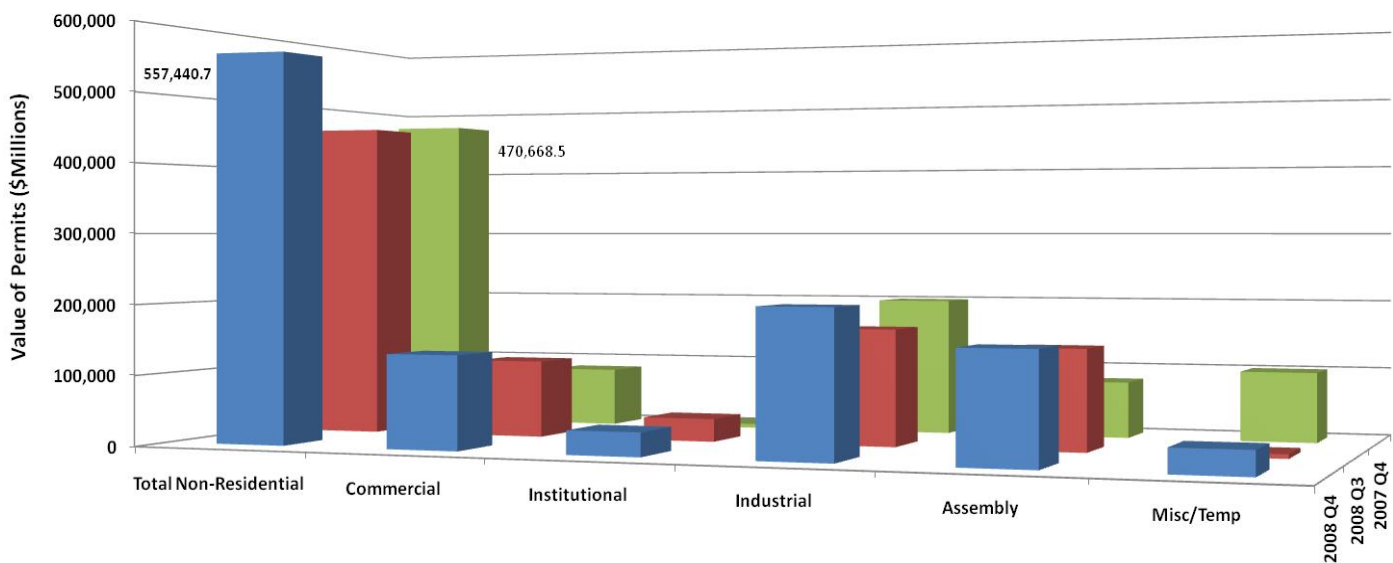


Table 5 | Value of Non-residential permits (\$000s) - Year-to-Date

	Quarterly				Annual		
	2008 Q4	2008 Q3	\$ Change	% Change	2007 Q4	\$ Change	% Change
City of Saskatoon							
Non-Residential	405,677	333,947	71,730	21.5%	323,314	82,363	25.5%
Commercial	119,986	101,155	18,831	18.6%	80,944	39,042	48.2%
Institutional	27,499	26,999	500	1.9%	790	26,709	3380.9%
Industrial	87,247	65,497	21,750	33.2%	63,502	23,745	37.4%
Assembly	150,161	139,339	10,822	7.8%	81,145	69,016	85.1%
Misc/Temp	20,784	957	19,827	0.0%	96,933	-76,149	-78.6%
Surrounding Areas							
Non-Residential	151,764	123,165	28,598	23.2%	147,355	4,409	3.0%
Commercial	12,416	9,774	2,642	27.0%	4,094	8,322	203.2%
Institutional	5,954	5,600	354	0.0%	4,833	1,121	23.2%
Industrial	116,896	99,719	17,177	17.2%	135,079	-18,183	-13.5%
Assembly	3,618	2,918	700	100.0%	0	3,618	100.0%
Misc/Temp	12,880	5,155	7,725	149.9%	3,349	9,531	284.6%
Regional Total	557,441	457,112	100,328	21.9%	470,669	86,772	18.4%

Permit Highlights—2008 Q4

- City of Saskatoon*—Upgrade to Credit Union Centre
- City of Saskatoon*—New Utility Building—UV Disinfection Facility (Wastewater Treatment)
- Garnett Industries*—New Warehouse
- Innovation Place*—Alteration to Offices
- Iron Mountain*—Addition to Warehouse
- Lake Placid River Landing*—New Site Development
- Oakville Investments*—New Warehouse
- Philom Bios*—Alteration to Mfg Plant
- Pow City Mechanical*—New Manufacturing Plant
- Prairie Machine & Parts Mfg*—Addition to Warehouse
- Saskatoon Prairieland Exhibition*—Alteration to Facilities (Wheatland B)
- Smart Centres*—New Strip Malls (x3)
- Stantec*—Expansion & Renovation to Offices
- Taiga Building Products*—Addition to Warehouse
- Titan Crane*—New Warehouse
- U of S Grain Innovation Lab*—Addition to Laboratory
- Victory Major Investments*—Addition to Warehouse
- Wright Construction*—New Warehouse
- Webb Surveys*—Addition to Warehouse



Labour Market Review

Job Growth

Employment numbers decreased slightly in the fourth quarter of the year, partially due to seasonal industries in the region such as agriculture and manufacturing, as well as a less active real estate market. A decrease in full-time positions (-5.4%) was offset by increases in part-time positions (+31%). The decrease in the unemployment rate over the past three months was due to a lower participation rate in the region, as fewer people actively search for work.

Year-over-year, regional employment numbers are up (+1.8%). The Saskatoon Region experienced an increase of 2,500 people working in 2008Q4 compared to 2007Q4. As population grew faster than employment numbers, the Region experienced a slight increase in the unemployment rate. For the tenth quarter in a row, the region posted positive job growth compared to the same time frame in the previous year.

Labour Force Activity

The Saskatoon region continues to be a popular destination for workers and their families, and population numbers continue to rise. This is beginning to help local employers adjust to the tight labour market. Annually, the working age population increased by 3.5 percent (+6,700 people); triple the historical average quarterly population growth for the region. Historically, participation rates decline in fall and winter months, and as such, the number of unemployed individuals in the region has dropped by 17.8 percent. There are still a considerable number of unfilled positions in the region, and as mentioned earlier in this report, increased construction activity will undoubtedly create increased demand for workers.

Table 6 | Labour Force Statistics - Saskatoon CMA

	2008 Q4	2008 Q3	Quarterly		2007 Q4	Annual	
			Change	% Change		Change	% Change
Working Age Population ('000)	199.0	197.4	1.6	0.8%	192.3	6.7	3.5%
Labour Force ('000)	145.0	146.5	-1.5	-1.0%	142.1	2.9	2.1%
Employment ('000)	139.7	139.8	-0.1	-0.1%	137.2	2.5	1.8%
Full-Time ('000)	113.2	119.6	-6.4	-5.4%	112.9	0.3	0.3%
Part-Time ('000)	26.5	20.2	6.3	31.0%	24.3	2.2	8.9%
Unemployment ('000)	5.5	6.7	-1.2	-17.8%	4.9	0.6	12.2%
Not in Labour Force ('000)	54.0	50.8	3.2	6.2%	50.2	3.8	7.5%
Unemployment Rate (%)	3.7	4.6	-0.9	-20.3%	3.5	0.2	5.8%
Participation Rate (%)	72.2	74.3	-2.1	-2.8%	73.9	-1.7	-2.3%
Employment Rate (%)	70.0	70.8	-0.8	-1.1%	71.4	-1.3	-1.9%

Table 7 | Labour Force Statistics - Saskatchewan

	2008 Q4	2008 Q3	Quarterly		2007 Q4	Annual	
			Change	% Change		Change	% Change
Working Age Population ('000)	772.0	769.3	2.7	0.3%	756.6	15.4	2.0%
Labour Force ('000)	539.8	544.1	-4.3	-0.8%	522.7	17.1	3.3%
Employment ('000)	521.6	519.0	2.6	0.5%	503.2	18.4	3.7%
Full-Time ('000)	426.1	438.6	-12.5	-2.9%	408.8	17.2	4.2%
Part-Time ('000)	95.6	80.4	15.1	18.8%	94.4	1.2	1.2%
Unemployment ('000)	18.2	25.1	-6.9	-27.4%	19.5	-1.3	-6.7%
Not in Labour Force ('000)	232.2	225.2	6.9	3.1%	233.9	-1.8	-0.8%
Unemployment Rate (%)	3.4	4.6	-1.2	-26.8%	3.7	-0.4	-9.8%
Participation Rate (%)	69.9	70.7	-0.8	-1.1%	69.1	0.8	1.2%
Employment Rate (%)	67.6	67.5	0.1	0.2%	66.5	1.1	1.7%

Labour Market Review

Table 8 | Employment by Industry (000's) - Saskatoon

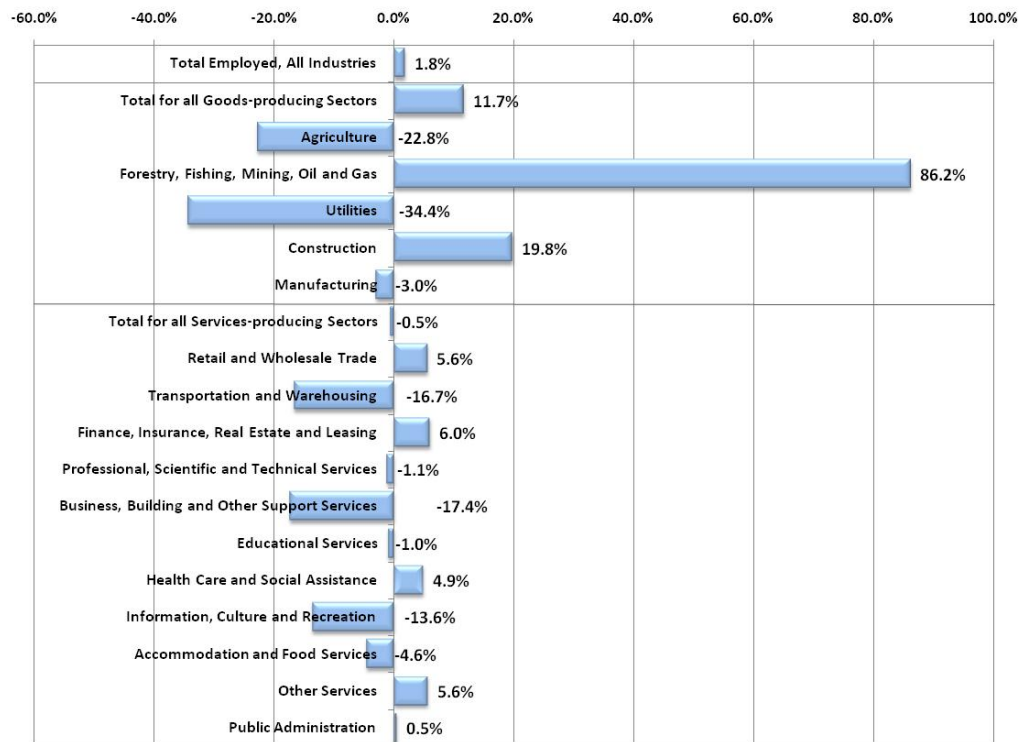
	Quarterly				Annual		
	2008 Q4	2008 Q3	Change	% Change	2007 Q4	Change	% Change
Total employed, all industries	139.7	139.8	-0.1	-0.1%	137.2	2.5	1.8%
Goods-producing sector	30.2	30.7	-0.5	-1.5%	27.1	3.2	11.7%
Agriculture	2.0	2.2	-0.2	-7.6%	2.6	-0.6	-22.8%
Forestry, Fishing, Mining, Oil and Gas	5.4	5.5	-0.1	-1.8%	2.9	2.5	86.2%
Utilities	0.7	0.4	0.3	90.9%	1.1	-0.4	-34.4%
Construction	11.1	10.3	0.8	7.4%	9.3	1.8	19.8%
Manufacturing	10.9	12.3	-1.4	-11.4%	11.2	-0.3	-3.0%
Services-producing sector	109.4	109.2	0.2	0.2%	110.0	-0.6	-0.5%
Retail and Wholesale Trade	22.6	23.5	-0.9	-3.8%	21.4	1.2	5.6%
Transportation and warehousing	6.3	6.2	0.2	2.7%	7.6	-1.3	-16.7%
Finance, Insurance, Real Estate and Leasing	7.6	7.2	0.4	5.6%	7.2	0.4	6.0%
Professional, Scientific and Technical Services	8.6	9.1	-0.5	-5.1%	8.7	-0.1	-1.1%
Business, Building and Other Support Services	3.3	3.6	-0.2	-6.5%	4.0	-0.7	-17.4%
Educational Services	13.8	12.7	1.1	8.9%	14.0	-0.1	-1.0%
Health Care and Social Assistance	18.7	17.2	1.5	8.5%	17.8	0.9	4.9%
Information, Culture and Recreation	5.5	5.4	0.1	2.5%	6.4	-0.9	-13.6%
Accommodation and Food Services	9.1	9.9	-0.8	-8.4%	9.5	-0.4	-4.6%
Other Services	6.9	6.5	0.4	5.6%	6.5	0.4	5.6%
Public Administration	6.9	7.9	-1.0	-12.3%	6.9	0.0	0.5%

The Goods-Producing Sector of the economy drove a majority of the job growth in the Saskatoon region in 2008 (+2,500 annually). With growth in the world demand for potash and uranium in, it is not surprising the Forestry, Fishing, Mining and Oil and Gas (+2,900) Sector is a leading contributor to the annual job growth. (Note to reader: Statistics Canada adjusted employment numbers in the region in 2008 with release of the 2006 Census data. As such, not all job growth in the Mining sector can be attributed to 2008).

As noted earlier in the report, the Saskatoon region saw a significant increase in the value of non-residential construction permits over the past year. As a result, the Construction Sector realized double digit percentage employment gains (+19.8%) in 2008. Saskatchewan lead the country in manufacturing export growth over the past year, and this demand helped maintain the Manufacturing Sector's employment levels in 2008.

Annually, the Service-Producing Sector of the economy faced challenges in 2008. Saskatchewan led the way in increases in retail sales across the country, and the Retail and Wholesale Trade Sector posted job gains (+1,200) over the past year, however, decreased demand for shipments affected the Transportation and Warehousing Sector (-1,300). Strong residential real estate sales in 2008 also created employment in the Finance, Insurance, Real Estate and Leasing Sector (+400).

Figure 5 | Annual Employment Growth by Industry



Financial Market Review

Prime Business Loan Rate

World financial markets took a turn in the final quarter of 2008. As U.S. housing prices decreased, and mortgage backed securities began to lose value, many U.S. banks faced liquidity problems, and could or would not issue credit. Stock derivatives and options also created challenges, and financial instability spread across the world very quickly.

Following the lead of most central banks in the world, the Bank of Canada reduced its prime lending rate by three quarters of a point. The hope for this move was to maintain liquidity and access to credit for Canadian businesses and entrepreneurs. The central bank cited a deteriorating outlook for the world economy as the reason for its decision.

Exchange Rate

While the Canadian dollar maintained or exceeded parity over the first three quarters of 2008, margin calls on the stock exchanges had to be met by brokers selling off commodities. Decreasing resource prices had a dramatic effect on the exchange rate during the last three months, as Canada's dollar is seen as an oil based currency.

Nevertheless, exporting has remained strong in the Saskatoon Region even with the Canadian dollar reaching parity over the past year. The Manufacturing sector can be adversely affected by exchange rate revaluations, however this is not the case. Employment in the Manufacturing Sector has not changed significantly over the past year.

One benefit of a lower exchange rate is that it will make the Saskatoon region's products more competitive internationally.

Consumer Prices

While the consumer price index rose by 3.3 per cent over the past year in the Saskatoon region, it is not the highest in the country. Regina experienced price increases of nearly 0.5 per cent more. Accommodation prices were the primary cause of inflation in the region, as demand for owned accommodation in the region increased throughout the year, and low vacancy rates created price pressures on rental accommodations. A stronger dollar has offset some of the inflation for consumers for first part of the year; however, labour shortages continue to drive up wages and that in turn will increase consumer prices in the region.

Table 10 | Consumer Price Index

	2008 Q4	2008 Q3	Quarterly Change	2007 Q4	Annual Change
Saskatoon—All Items	117.9	118.2	-0.2%	114.1	3.3%
Shelter	141.4	138.4	2.1%	131.1	7.9%
Rented Accommodations	121.1	117.2	3.3%	109.6	10.4%
Owned Accommodations	148.8	148.6	0.1%	138.7	7.2%
Water, fuel and electricity	137.4	126.8	8.4%	127.3	7.9%
Canada—All Items	114.3	115.7	-1.2%	111.8	2.2%
Saskatchewan—All Items	116.8	117.1	-0.2%	113.0	3.4%
Regina—All Items	116.5	116.5	0.0%	112.3	3.7%

Figure 8 | Prime Business Loan Rate

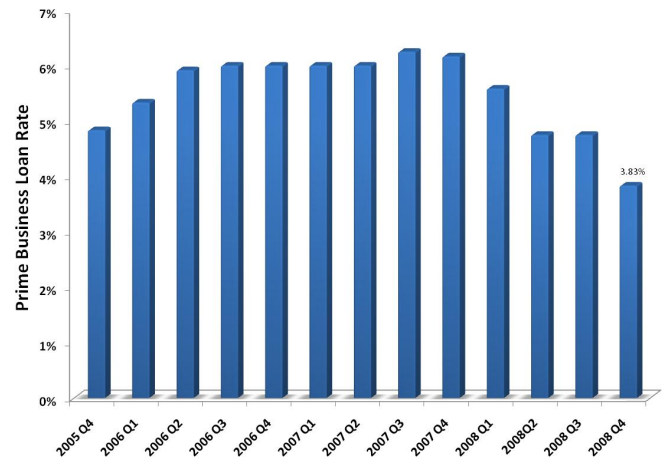
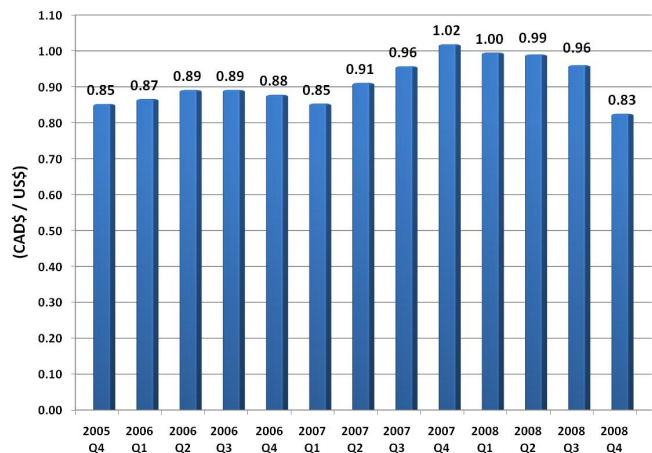


Figure 9 | Exchange Rate (CAD\$ per US\$)



New Businesses and Retail Sales

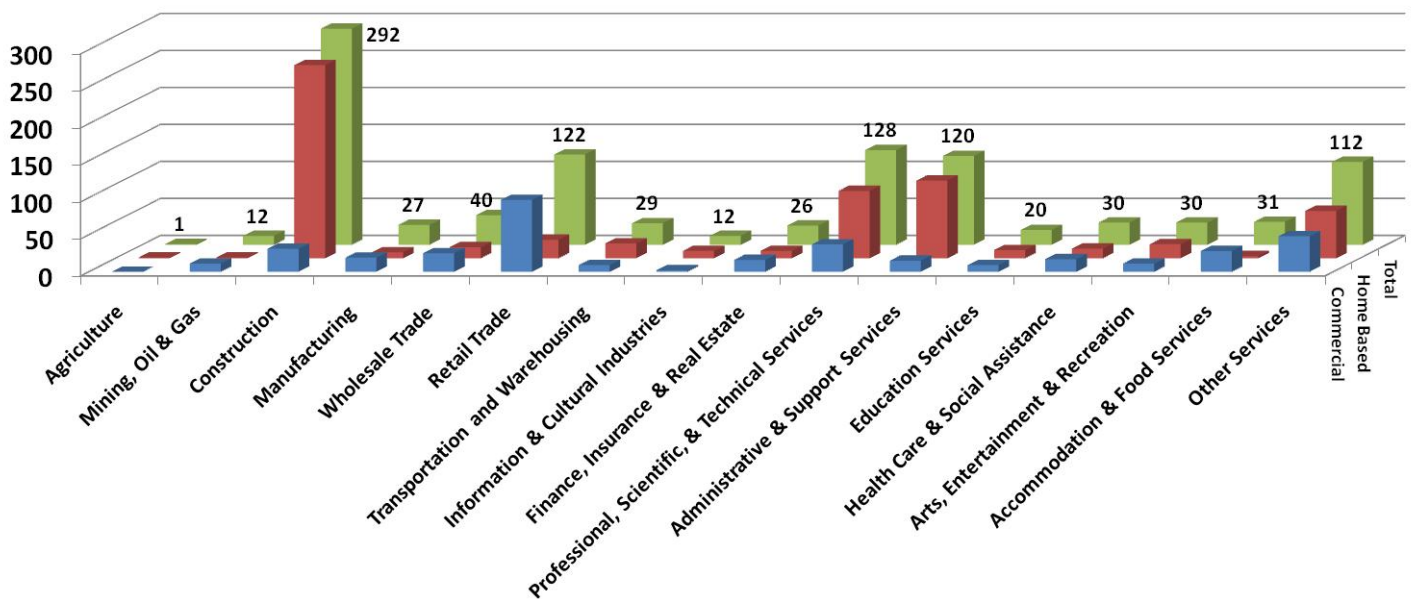
New Business Growth

New business growth in Saskatoon during 2008 exceeded the numbers from 2007. A total of 375 commercial business licenses and 657 home based business licenses were issued. Compared to 2007, the 1,032 new businesses licenses represents an 8 percent increase in licenses taken in the City of Saskatoon.

On the commercial side, the sectors that experienced the significant gains were Retail Trade (+97); Wholesale Trade (+25); and Mining (+11). The Construction Sector (+31) also drove new business growth in the region. The Professional, Scientific and Technical Services (+37) and Admin and Support Service (+15) Sectors, while not growing as fast as in 2007, are industries that continue to experience significant growth in the Saskatoon Region.

The Manufacturing Sector growth included businesses specializing in metal manufacturing food processing and printing and publishing. The Professional, Scientific and Technical Services and the Administrative and Support Services Sectors expanded with new companies offering computer technology and business management services, as well as research and development.

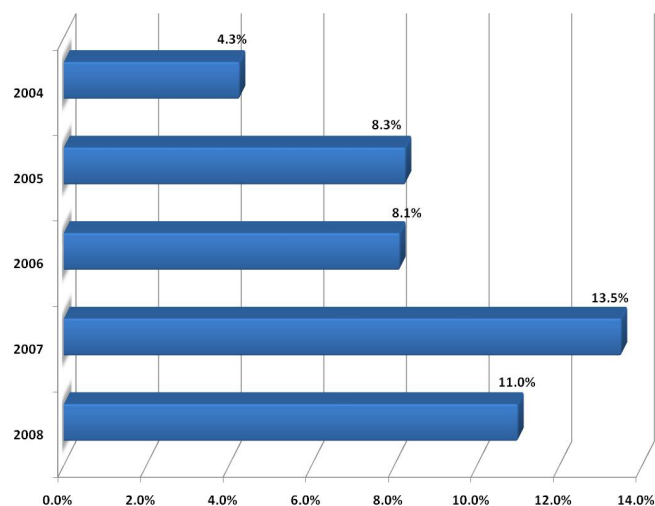
Figure 10 | New Business Licenses— Saskatoon—Year-to-Date



Retail Sales

Growth in the service-producing sectors can be attributed to increased retail sales in the Saskatoon region. Saskatchewan lead the country in retail sales growth in 2008, with the Saskatoon region posting the second year of double digit growth. Many new companies have plans to capitalize on the consumer confidence by considering their options for the Saskatoon region.

Figure 11 | Retail Sales Growth—Annual



Gross Domestic Product

Every sector in the Saskatoon region has grown over the last year. Gross domestic product (GDP) grew by 5.4 percent in 2008, as higher commodity prices and strong retail sales helped create growth in the region.

Goods Producing Sectors (+4.7%)

Increased agricultural, oil and mineral prices helped grow the region's Primary Industry sector (+9.1%) over the past year. Increased commodity goods production and world demand for Saskatoon Region produced goods also maintained the growth the Manufacturing Sector (+0.2%) experienced in 2007. Statistics Canada also released information that shows Saskatchewan experienced the largest annual manufacturing export increase in Canada.

Another significant increase in residential and non-residential construction in the Saskatoon region helped bolster the local economy. The Saskatoon region exceeded expectations and beat the record setting year of 2007 with the value of permits increasing by 8 per cent. A strong residential construction market also helped the Construction Industry (+3.1%) lead all sectors in growth.

Service Producing Sectors (+5.7%)

Nationally, retail sales in Saskatchewan have increased 12.9 per cent, the largest annual increase of all provinces. Increased demand for goods and services in the Region also supported job growth and new business start-ups, driving the Wholesale and Retail Trade sector to lead the region in GDP growth (+11.9%).

With the increases in construction, business start-ups and expansions, and increases in retail sales, the Saskatoon region is well on its way to another year of strong growth.

Figure 12 | Growth of Gross Domestic Product by Sector—2008 Annual

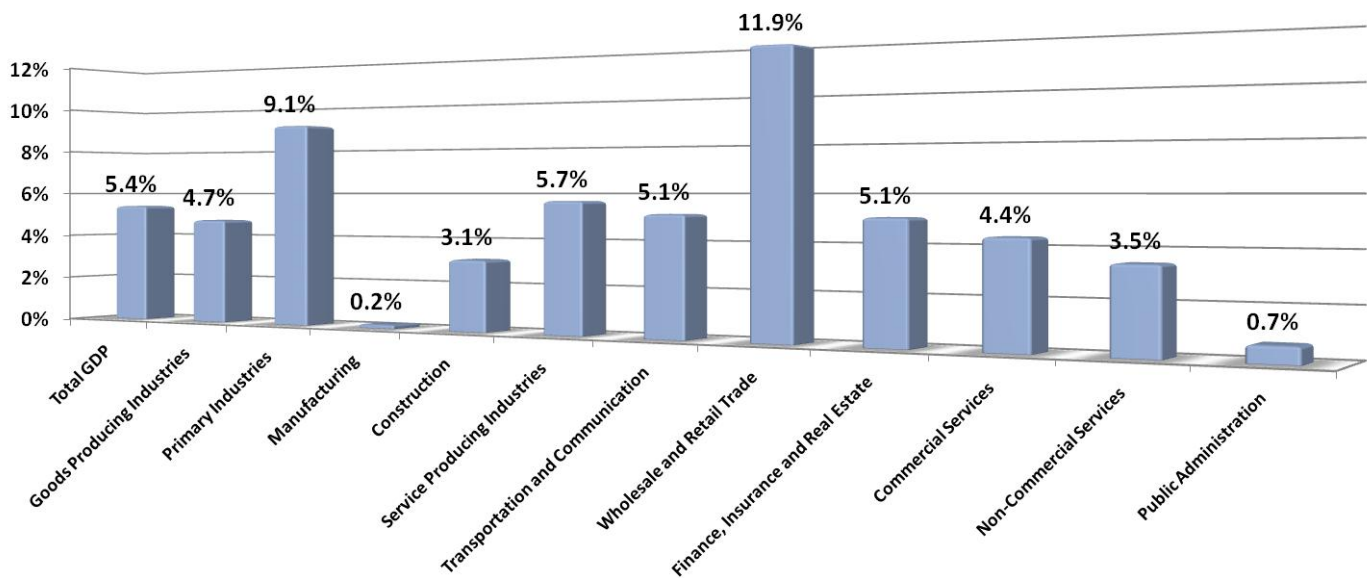


Table 11 | Projected Annual Gross Domestic Product (GDP) (\$Millions)

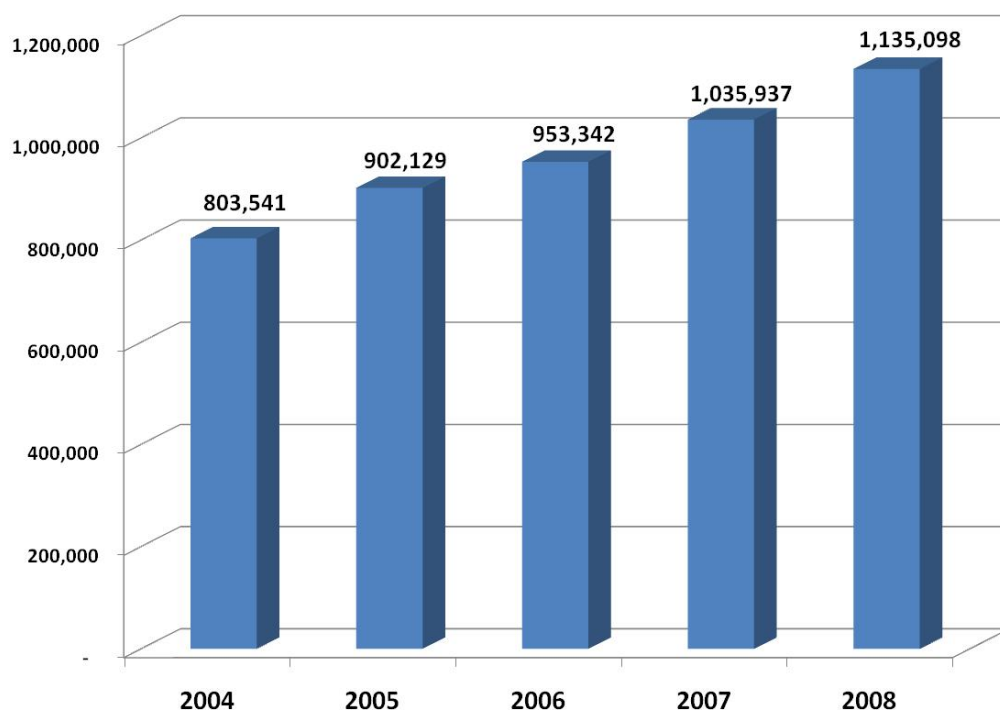
	2008	2007	Change	Annual % Change
GDP	9688.8	9193.0	495.8	5.4%
Goods Producing Industries	2949.0	2815.5	133.6	4.7%
Primary Industries	1372.5	1258.1	114.3	9.1%
Manufacturing	1002.0	1000.2	1.8	0.2%
Construction	574.5	557.1	17.4	3.1%
Service Producing Industries	6739.7	6377.5	362.3	5.7%
Transportation and Communication	960.4	913.4	47.0	5.1%
Wholesale and Retail Trade	1394.1	1245.4	148.7	11.9%
Finance, Insurance and Real Estate	1582.7	1506.3	76.4	5.1%
Commercial Services	1049.6	1005.6	43.9	4.4%
Non-Commercial Services	1289.7	1246.6	43.1	3.5%
Public Administration	463.2	460.0	3.2	0.7%

Airport Statistics

A new record was set for airport passengers at Saskatoon's John G. Diefenbaker International Airport, with 1,135,098 passengers traveling through in 2008. In spite of economic turmoil and declining air travel (on average 5% in North America), Saskatoon's airport had the busiest December ever, with the number of people traveling to or from Saskatoon by air increasing by 15.8% over the same time in 2007.

Over the past two years, air travel in Saskatoon has increased more than 19% and nearly 50% in the past 5 years.

Figure 13 | Saskatoon Airport Passengers — Annual



For more information on this report and other economic information on the Saskatoon region, please contact:

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Sources

Information presented in the *Quarterly Report* has been obtained from the following sources:

- Bank of Canada
- Canada Mortgage and Housing Corporation (CMHC)
- Canada Real Estate Association (CREA)
- City of Saskatoon
- Statistics Canada
- Conference Board of Canada
- Natural Resources Canada
- Rural Municipalities and Towns Surrounding Saskatoon
- Saskatoon Regional Association of Realtors (SRAR)
- Saskatoon Airport Authority

The **Saskatoon Regional Economic Development Authority (SREDA) Inc.** promotes economic development strategies that foster the attraction, retention, growth and expansion of opportunities in the Saskatoon Region.

