



Saskatoon Region Economic Report | Q3 | 2008

- In mid-September, the Conference Board of Canada announced that the Saskatoon region would continue to be the fastest growing region in Canada. Led by gains in the Retail and Wholesale Trade and Construction Sectors, the region's gross domestic product (GDP) is projected to grow by 5.2 per cent in 2008.
- Approximately 2,000 more people were working in the Saskatoon region at the end of the third quarter of 2008 compared to a year ago. Since the population grew faster than the employment numbers, the region's unemployment rate increased over the past year.
- Residential construction investment in the Saskatoon region continued to exceed investment numbers reached last year. Permit values are higher in the region (+25%) compared to the same time frame in 2007, due to increased construction activity in the surrounding areas of the city.
- Investment in non-residential construction in the Saskatoon region has increased considerably compared to last year. Year-to-date, the value of non-residential investment in the third quarter of 2008 is up over 300 percent compared to 2007Q3. Investment in commercial and industrial buildings in the region are driving the market, as are upgrades to the Health Science Building on the University of Saskatchewan campus.

Table 1 | Key Results

	2008 Q3	2008 Q2	Quarterly		2007 Q3	Annual	
			Change	% Change		Change	% Change
Population (Age 15-64) ('000s)	197.4	195.6	1.8	0.9%	191.0	6.4	3.3%
Labour Force ('000s)	146.5	142.3	4.2	3.0%	144.2	2.3	1.6%
Employment ('000s)	139.8	136.8	3.0	2.2%	137.8	2.0	1.4%
Unemployment Rate (%)	4.6	3.9	0.7	16.9%	4.4	0.2	3.8%
Participation Rate (%)	74.3	72.8	1.5	2.1%	75.5	-1.2	-1.6%
Residential Building Permits (YTD)							
Saskatoon (\$,000s)	173,849	118,029	55,820	47.3%	173,255	594	0.3%
Surrounding Areas (\$,000s)	144,991	97,524	47,467	48.7%	79,380	65,611	82.7%
Non-Residential Building Permits (YTD)							
Saskatoon (\$,000s)	333,947	187,428	146,519	78.2%	101,954	231,993	227.5%
Surrounding Areas (\$,000s)	123,050	21,570	101,481	470.5%	7,154	115,897	1620.1%
Housing Starts (YTD)							
Saskatoon (Units)	1,474	1,124	350	31.1%	1,375	99	7.2%
Surrounding Areas (Units)	621	450	171	38.0%	505	116	23.0%
Average Home Sales Price (\$)	289,877	306,060	-16,184	-5.3%	246,827	43,049	17.4%
Existing Home Sales (Total Units)	1,122	1,528	-406	-26.6%	1,509	-387	-25.6%
Existing Home Listings (Avg./Month)	1,216	1,365	-149	-10.9%	900	316	35.1%
Consumer Price Index (2002=100)							
Consumer Price Index (2002=100)	118.1	117.6	0.5	0.4%	114.2	3.9	3.4%
Exchange Rate (CAD\$/US\$)	1.04	1.01	0.03	3.1%	0.97	0.07	7.0%
WTI Crude Oil Price (CAD\$)	123.60	126.08	-2.48	-2.0%	79.80	43.80	54.9%

YTD - Year-to-date

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Real Estate Market

Residential Building Permits

Residential construction investment in the Saskatoon region continued to exceed last year. Permit values are higher in the region (+25%) compared to the same time frame in 2007, due to increased construction activity in the surrounding areas of the city.

In the city, the value of permits for new single family dwellings are up (+5%) compared to the 2007Q3. Row housing construction and upgrades increased in 2008, however, investment in condo conversions in Saskatoon has decreased slightly. Surrounding regions continue to see higher investment in single-family dwellings and upgrades to existing houses.

Figure 1 | Residential Construction (Millions) - Year-to-Date

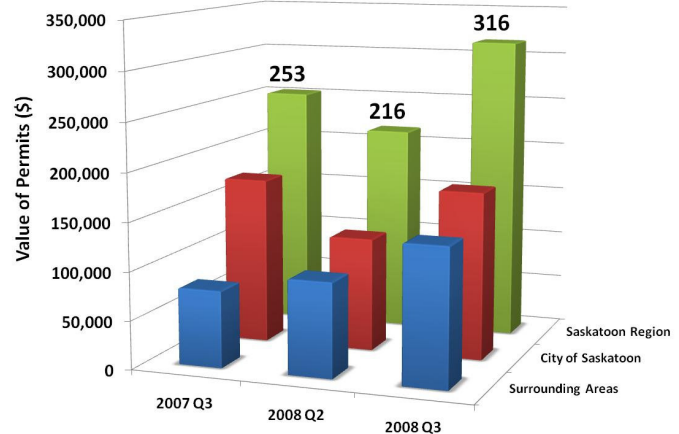


Table 2 | Value of Residential Permits (\$,000s) -Year to Date

	2008 Q3		2008 Q2		2007 Q3		Annual	
	Value	Change	Value	% Change	Value	% Change	Value	% Change
Saskatoon CMA	315,742	100,189	215,553	46.5%	252,635	25.0%	63,108	25.0%
City of Saskatoon	173,849	55,820	118,029	47.3%	173,255	0.3%	594	0.3%
Surrounding Areas	141,893	44,369	97,524	45.5%	79,380	78.8%	62,514	78.8%

New Housing Market

Confidence in the Saskatoon region residential market continues, as the substantial growth in 2008 housing starts suggests. At the end of 2008Q3, housing starts in the Saskatoon region exceeded 2007 levels by 11 per cent. However, different types of houses are being built in the region.

A majority of the growth in the region can be attributed to multiple-family housing starts (+38%). Single-detached dwelling starts are down compared to 2007 (-6%). New tax incentives for condominium owners and a low vacancy rate are attracting investment in multiple housing units in the region.

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

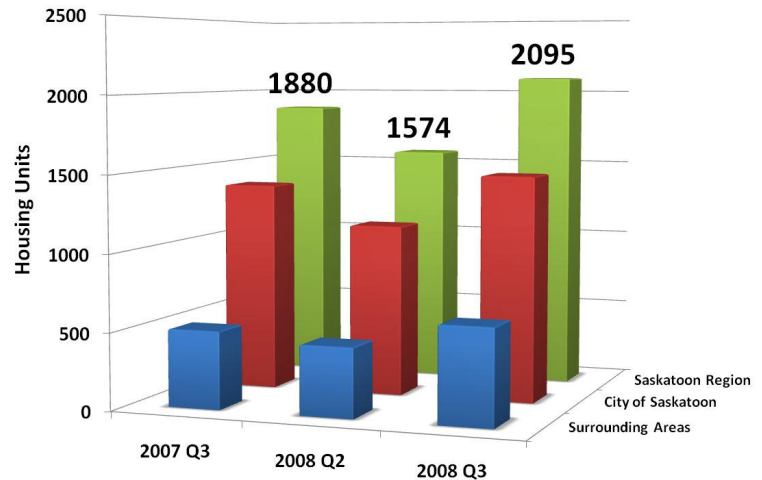


Table 3 | Housing Starts—Year-to-date

	2008 Q3		2008 Q2		2007 Q3		Annual	
	Value	Change	Value	% Change	Value	% Change	Value	% Change
Saskatoon CMA	2,095	521	1,574	33.1%	1,880	11.4%	215	11.4%
City of Saskatoon	1,474	350	1,124	31.1%	1,375	7.2%	99	7.2%
Surrounding Areas	621	171	450	38.0%	505	23.0%	116	23.0%

Existing Housing Market

Activity in the Saskatoon region's resale housing market is balancing out. Listings have increased while sales decreased, yet monthly sales levels are comparable to the five year trend. On an annual basis, there has been an 18% decrease in total sales, however, sales are 15% higher year-to-date than in 2006.

Figure 3 | City of Saskatoon Existing Housing Market

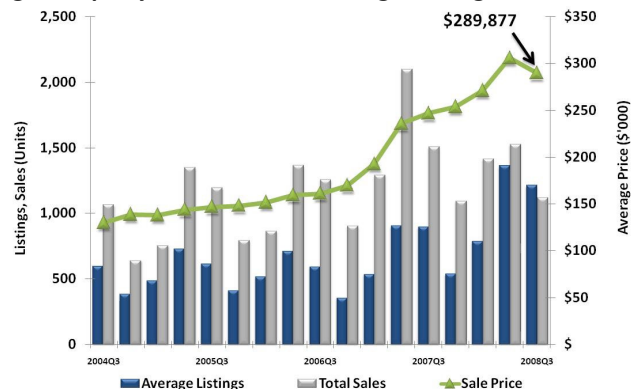


Table 4 | MLS Statistics

	2008 Q3		2008 Q2		2007 Q3		Annual	
	Value	Change	Value	% Change	Value	% Change	Value	% Change
Sales	1122	-406	1528	-27%	1509	-26%	-387	-26%
Listings	1216	-149	1365	-11%	900	35%	316	35%

Real Estate Market

Non-Residential Real Estate

Investment in non-residential construction in the Saskatoon region has increased considerably compared to last year. The value of non-residential investment in the third quarter of 2008 is up more than 300 percent compared to 2007Q3. Investment in commercial and industrial buildings in the region are driving the market.

Investment in assembly buildings boosted permit values significantly this past quarter, as construction began in September on the \$123 Million Health Science Building at the University of Saskatchewan began in September.

Non-residential construction in the surrounding areas of Saskatoon also saw a dramatic increase (+1540%) compared to 2007 Q3. This was due to an investment by PotashCorp to debottleneck and expand their production capacity in the region, and investment in buildings by transportation and manufacturing companies.

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

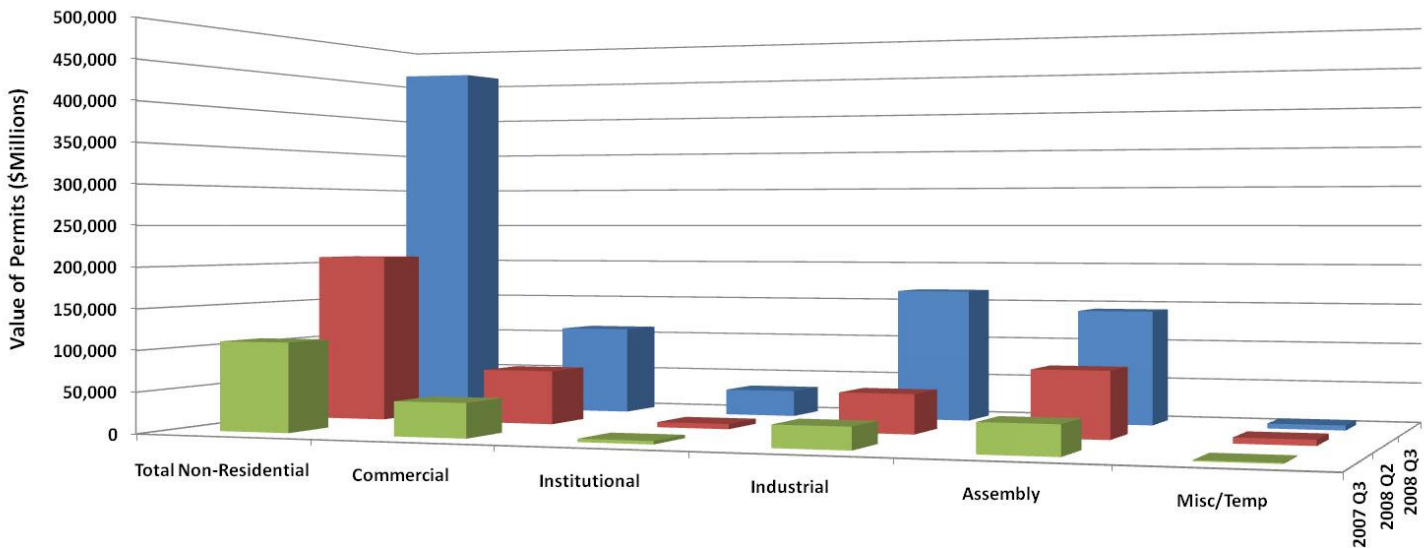


Table 5 | Value of Non-residential permits (\$000s) - Year-to-Date

	Quarterly				Annual		
	2008 Q3	2008 Q2	\$ Change	% Change	2007 Q3	\$ Change	% Change
City of Saskatoon							
Non-Residential	333,947	187,428	146,519	78.2%	101,954	231,993	227.5%
Commercial	101,155	59,993	41,162	68.6%	40,595	60,560	149.2%
Institutional	26,999	775	26,224	3383.7%	320	26,679	8337.2%
Industrial	65,497	44,893	20,604	45.9%	25,077	40,420	161.2%
Assembly	139,339	79,413	59,926	75.5%	35,480	103,859	292.7%
Misc/Temp	957	2,354	-1,397	0.0%	482	475	98.5%
Surrounding Areas							
Non-Residential	123,050	21,570	101,481	470.5%	7,154	115,897	1620.1%
Commercial	9,479	6,583	2,896	44.0%	1,142	8,337	730.0%
Institutional	5,600	5,600	0	0.0%	3,669	1,931	52.6%
Industrial	99,899	3,423	96,476	2818.5%	1,499	98,401	6566.6%
Assembly	2,918	1,233	1,685	100.0%	0	2,918	100.0%
Misc/Temp	5,155	4,731	424	9.0%	844	4,311	510.6%
Regional Total	456,997	208,998	248,000	118.7%	109,108	347,890	318.8%

Permit Highlights—2008 Q3

- Advanced Flooring Supplies Ltd* - Addition to Warehouse
- Bank of Montreal* - New Offices
- Concorde Group* - Add./Alter. to Warehouse
- Costco Wholesale Canada* - Alteration to Store
- Crossman Graphic Supply* - New Warehouse
- Dover Industries Limited* - Alteration to Manufacturing Plant
- Envirotec Services* - New Warehouse
- Kemco Holdings Inc.* - New Warehouse
- Investors Group* - Alteration to Offices
- Maple Leaf* - Addition to Manufacturing Plant
- Mid-West Development* - New Warehouse
- Oakville Investments Ltd* - Addition/Alterations to Warehouse
- Pillar Properties Corp* - New Warehouse
- Porter Holdings Inc* - New Warehouse
- RDK Transportation* - New Warehouse
- Saskatchewan Transportation Company* - Alteration to Transportation Facility
- Saskatoon Co-operative Assoc.* - New Gas Bar - Convenience Store
- Saskatoon Prairieland Exhibition* - Show Ring & Horse Barn
- Scotia Bank* - Alteration to Offices
- Shaw Cablesystems Ltd* - Alteration to Whse
- Standard Machine* - New Warehouse
- Star Egg Co Ltd* - Alteration to Factory
- Toys R Us (Canada) Ltd* - Alteration to Store
- U of S* - Academic Health Sciences Addition
- VJ Management* - New Four Points Hotel
- Wheatland Regional Library* - Add./ Alter.
- ZU.Com* - Alteration to Offices



Labour Market Review

Job Growth

Saskatoon and Saskatchewan's job market continues to perform well. Employment numbers in Saskatoon increased in the third quarter of the year, with 3,000 more people working in the region compared to the previous quarter. Seasonal jobs comprise a fair portion of the growth, and an increase in full-time positions (+6%) is somewhat offset by decreases in part-time positions (-16%). However, there was a net increase in jobs in the region during the past three months.

Year-over-year, regional and provincial employment numbers are up. The Saskatoon region realized an increase of 2,000 people working in 2008Q3 compared to 2007Q3. As population growth outpaces job growth in the region, the unemployment rate continues to rise, not due to a lack of jobs, rather that many new citizens are settling into the region and have yet to secure a job.

Labour Force Activity

The Saskatoon region's national and international exposure is helping to attract people. Labour force numbers continue to rise, yet there is still a significant amount of positions needing to be filled. Annually, the working age population increased by 3.3 percent (+6,400 people); three times the historical average population growth for the region. Participation rates have increased over the past three months—as is usually the case in summer—but are slightly lower than last year's rates. Again, this is likely due to migrating workers and their families who are in the midst of establishing themselves in the region before finding employment.

Due to higher than average migration levels, the number of unemployed individuals in the region has increased (+300). 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 Q3	2008 Q2	Quarterly		2007 Q3	Annual	
			Change	% Change		Change	% Change
Working Age Population ('000)	197.4	195.6	1.8	0.9%	191.0	6.4	3.3%
Labour Force ('000)	146.5	142.3	4.2	3.0%	144.2	2.3	1.6%
Employment ('000)	139.8	136.8	3.0	2.2%	137.8	2.0	1.4%
Full-Time ('000)	119.6	112.7	6.9	6.2%	116.3	3.3	2.8%
Part-Time ('000)	20.2	24.1	-3.9	-16.3%	21.5	-1.3	-6.0%
Unemployment ('000)	6.7	5.6	1.1	20.2%	6.4	0.3	4.7%
Not in Labour Force ('000)	50.8	53.3	-2.4	-4.6%	46.7	4.1	8.8%
Unemployment Rate (%)	4.6	3.9	0.7	16.9%	4.4	0.2	3.8%
Participation Rate (%)	74.3	72.8	1.5	2.1%	75.5	-1.2	-1.6%
Employment Rate (%)	70.8	69.9	0.9	1.3%	71.9	-1.0	-1.4%

Table 7 | Labour Force Statistics - Saskatchewan

	2008 Q3	2008 Q2	Quarterly		2007 Q3	Annual	
			Change	% Change		Change	% Change
Working Age Population ('000)	769.3	765.2	4.1	0.5%	752.3	17.0	2.3%
Labour Force ('000)	544.1	535.0	9.1	1.7%	530.2	13.8	2.6%
Employment ('000)	519.0	513.9	5.1	1.0%	505.8	13.2	2.6%
Full-Time ('000)	438.6	422.8	15.8	3.7%	425.0	13.6	3.2%
Part-Time ('000)	80.4	91.1	-10.7	-11.7%	80.9	-0.5	-0.6%
Unemployment ('000)	25.1	21.1	4.0	18.8%	24.4	0.7	2.9%
Not in Labour Force ('000)	225.2	230.2	-5.0	-2.2%	222.0	3.2	1.4%
Unemployment Rate (%)	4.6	4.0	0.6	16.0%	4.6	0.0	0.7%
Participation Rate (%)	70.7	69.9	0.8	1.1%	70.5	0.2	0.3%
Employment Rate (%)	67.5	67.2	0.3	0.4%	67.2	0.2	0.3%



Labour Market Review

Table 8 | Employment by Industry - Saskatoon

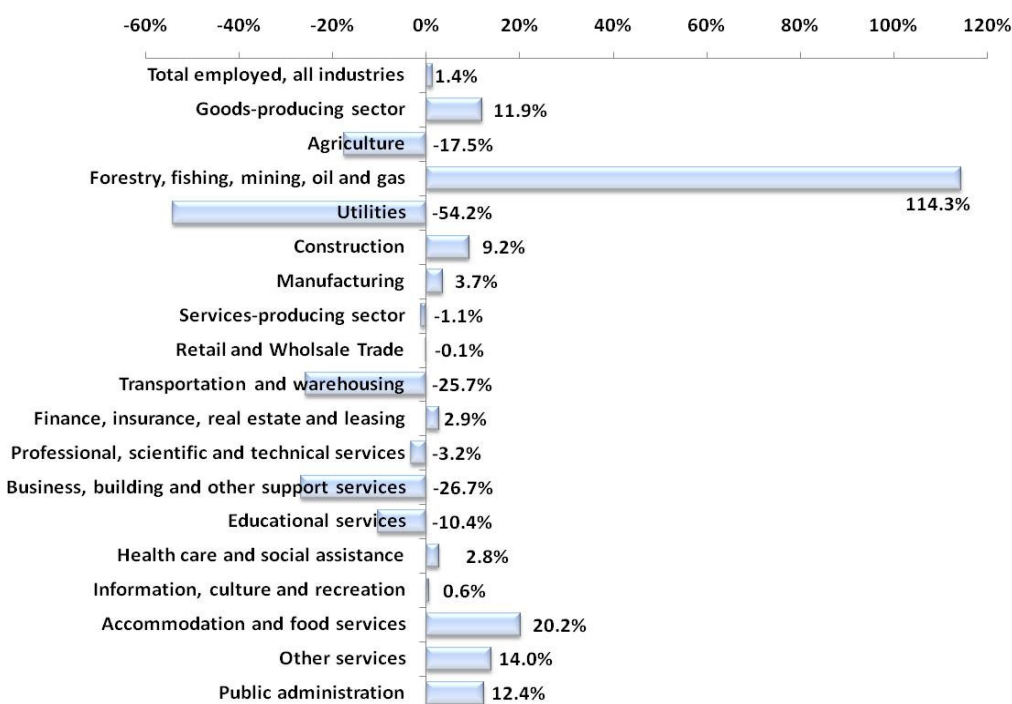
	2008 Q3	2008 Q2	Quarterly		2007 Q3	Annual	
			Change	% Change		Change	% Change
Total employed, all industries	139.8	136.8	3.0	2.2%	137.8	2.0	1.4%
Goods-producing sector	30.7	29.0	1.7	5.9%	27.4	3.3	11.9%
Agriculture	2.2	2.1	0.1	6.5%	2.7	-0.5	-17.5%
Forestry, fishing, mining, oil and gas	5.5	4.7	0.8	17.0%	2.6	2.9	114.3%
Utilities	0.4	0.6	-0.2	-38.9%	0.8	-0.4	-54.2%
Construction	10.3	9.3	1.1	11.5%	9.5	0.9	9.2%
Manufacturing	12.3	12.3	0.0	-0.3%	11.9	0.4	3.7%
Services-producing sector	109.2	107.8	1.4	1.3%	110.4	-1.2	-1.1%
Retail and Wholesale Trade	23.5	23.6	0.0	-0.1%	23.6	0.0	-0.1%
Transportation and warehousing	6.2	7.4	-1.3	-17.0%	8.3	-2.1	-25.7%
Finance, insurance, real estate and leasing	7.2	5.8	1.4	23.4%	7.0	0.2	2.9%
Professional, scientific and technical services	9.1	8.9	0.2	1.9%	9.4	-0.3	-3.2%
Business, building and other support services	3.6	3.2	0.4	11.5%	4.9	-1.3	-26.7%
Educational services	12.7	13.1	-0.4	-3.1%	14.2	-1.5	-10.4%
Health care and social assistance	17.2	17.3	0.0	-0.2%	16.8	0.5	2.8%
Information, culture and recreation	5.4	5.3	0.1	1.3%	5.3	0.0	0.6%
Accommodation and food services	9.9	9.8	0.1	0.7%	8.2	1.7	20.2%
Other services	6.5	6.4	0.2	2.6%	5.7	0.8	14.0%
Public administration	7.9	7.0	0.9	12.4%	7.0	0.9	12.4%

As was the case in the second quarter of 2008, the Goods-Producing Sector of the economy is driving a majority of the job growth in the Saskatoon region (+3,300 annually). The Forestry, Fishing, Mining and Oil and Gas (+2,900) sector is also a leading contributor to annual job growth, thanks to increased activity in the potash and uranium mining and exploration.

An higher exchange rate has not adversely affected employment in the regional Manufacturing sector (+400). A significant increase in the value of construction permits (up \$414 Million or 114%) is also creating more employment. The Construction sector (+900) realized an increase in employment for the third quarter in a row.

Annually, the Service-Producing Sector of the economy did not perform as well (-1,200). Although employment increased over the past quarter, it has not offset the decreases which occurred in late 2007 and early 2008. Transportation and warehousing employment has decreased, possibly caused by increased fuel prices. Increased tourism in the region helped create employment in the Accommodation and Food Service sector (+1,700). A slightly slower pace of residential real estate sales has not decreased employment in the Finance, Insurance, Real Estate and Leasing sector (+200), however, Business, Building and Other Support Services sector saw a decline in employment (-1,300).

Figure 5 | Annual Employment Growth by Industry—Saskatoon Region



Labour Market Trends

Figure 6.1 | Saskatoon Working Age Population —1998—2008

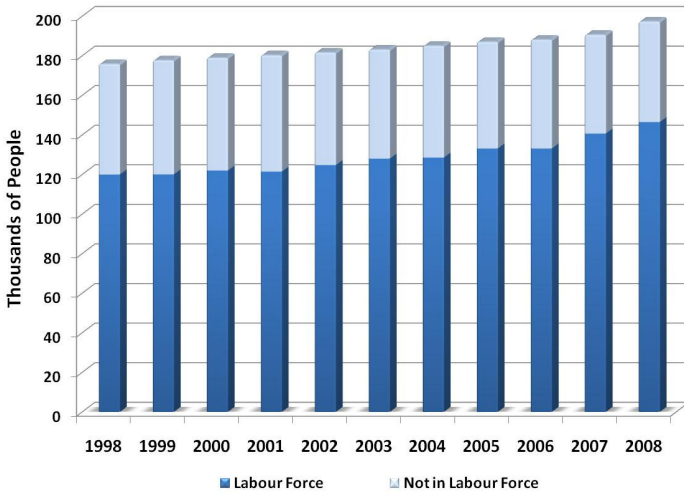


Figure 6.2 | Saskatoon Employment by Type—1998—2008

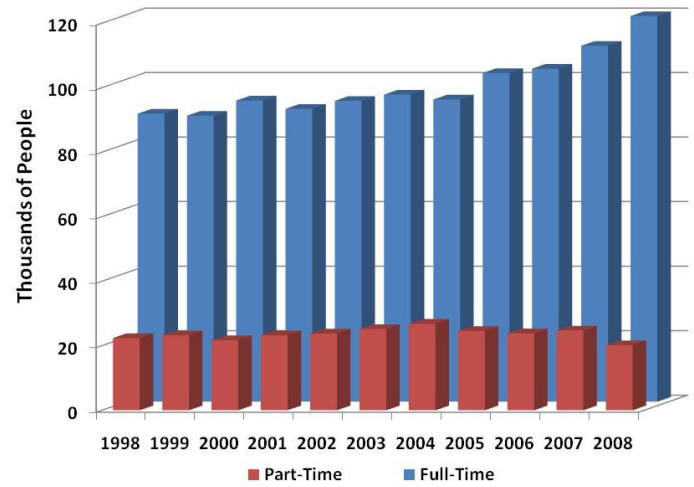


Figure 6.3 | Saskatoon Unemployment Rates - 1998-2008

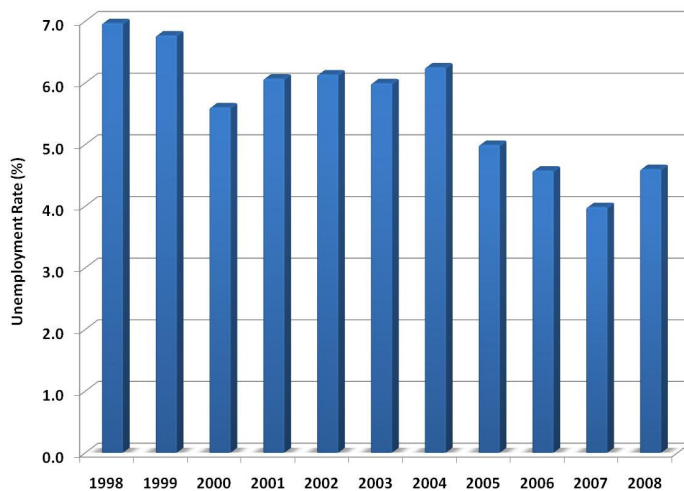


Figure 6.4 | Saskatoon Labour Participation Rates - 1998-2008

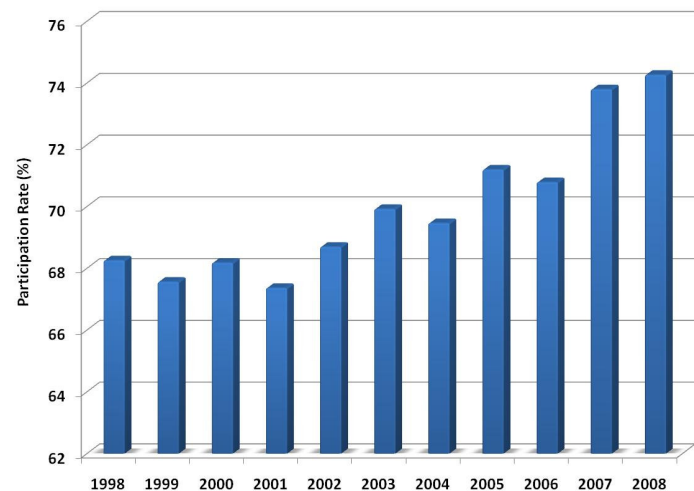
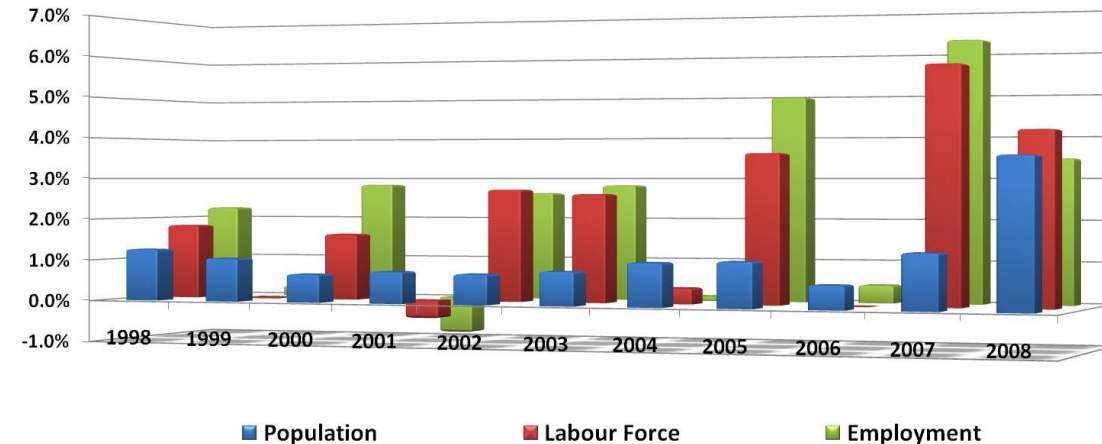


Figure 6.5 | Saskatoon Labour Market Growth Rates - 1998-2008



Financial Market Review

Prime Business Loan Rate

In September, the Bank of Canada announced it would maintain its target for the overnight rate at 3 per cent. The operating band for the overnight rate was unchanged, and the Bank Rate remained at 3 1/4 per cent. However, recent global developments resulted in the Bank of Canada deciding to follow suit with other central banks and lowered its target for the overnight rate by half a per cent.

In July, the Bank of Canada indicated that a sharp increase in commodity prices was a risk, and that these prices could be weaker than assumed. This has, in fact, materialized, and was largely due to the impact of slower global growth on the demand for energy. The Bank expects commodity prices to remain volatile due to tight inventories. The reduction in commodity prices has been a significant factor in the decline of the Canadian dollar against the U.S. dollar. Weaker global growth and the decline of the Canadian dollar will have opposing effects on the demand for Canadian goods and services.

In their September press release, the Bank of Canada indicated that Canadian domestic demand has slowed modestly but remains strong. Demand continues to be supported by financial conditions that remain significantly better than those in most other major economies and by income gains stemming from past improvements in the terms of trade. Overall, the level of economic activity is slightly lower than expected in July but still close to the economy's production capacity.

Exchange Rate

The Canadian dollar exceeded parity over the third quarter of 2008, due largely in part to strong resource prices. Exporting has remained strong in the Saskatoon region even with an annual increase in the exchange rate (+14%).

While the exchange rate has affected regions with high concentrations of manufacturing (such as Ontario), the Saskatoon region's manufacturing sector maintained its employment numbers over the past quarter and experienced a 4 per cent increase in annual employment.

Figure 8 | Prime Business Loan Rate

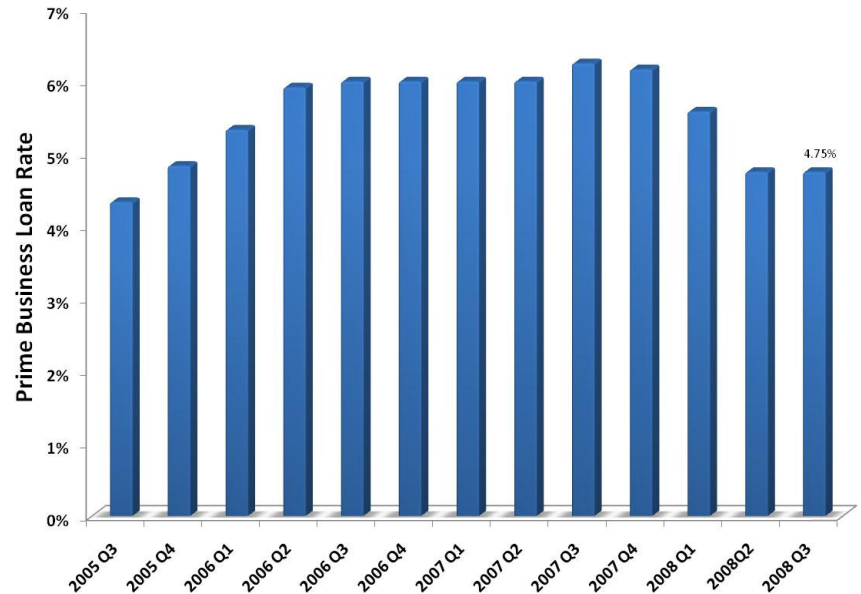
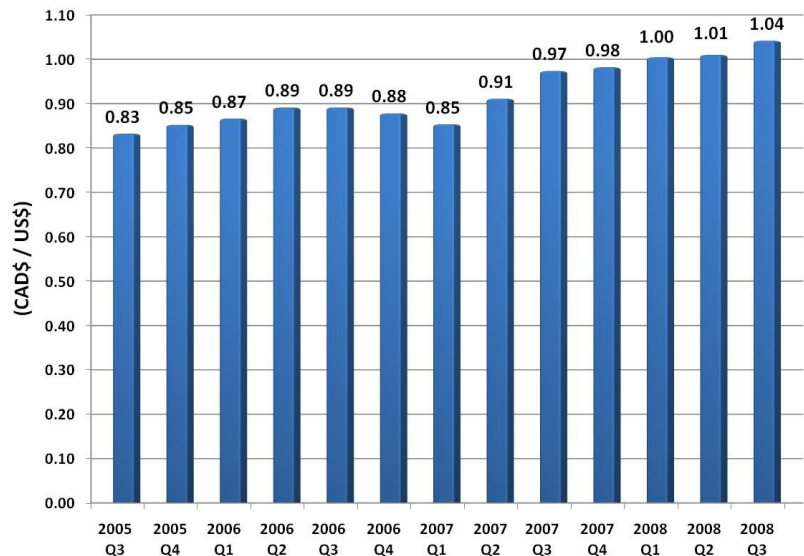


Figure 9 | Exchange Rate (CAD\$ per US\$)



Prices

Consumer Prices

Although the consumer price index rose by 3.4 per cent over the past year in the Saskatoon region, it is not the highest in the country. Accommodation prices were the primary cause of inflation in the region, as demand for owned accommodation in the region increased, and low vacancy rates created price pressures on rental accommodations. A stronger dollar has offset some of the inflation for consumers; 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 Q3	2008 Q2	Quarterly Change	2007 Q3	Annual Change
Saskatoon—All Items	118.1	117.6	0.4%	114.2	3.4%
Shelter	138.5	138.2	0.2%	128.4	7.9%
Rented Accommodations	116.6	114.3	2.0%	107.3	8.7%
Owned Accommodations	148.9	149.2	-0.2%	134.4	10.8%
Water, fuel and electricity	126.8	126.8	0.0%	129.3	-1.9%
Canada—All Items	115.7	114.5	1.0%	111.9	3.4%
Saskatchewan—All Items	117.0	116.2	0.6%	113.3	3.3%
Regina—All Items	116.4	115.3	0.9%	112.5	3.5%

New Businesses and Retail Sales

Saskatoon registered an additional 28 new businesses in the first nine months of 2008 compared the same period in 2007. Year-to-date, there were 765 new business licenses issued in the City of Saskatoon, as compared to 737 during the same timeframe in 2007.

The sectors which experienced the largest gains compared with 2007 Q3 were: Mining (+100%) — with new companies focusing on potash, oil, and support services for mining— Arts, Entertainment and Recreation (+75%), adding fitness and performing arts companies — and the Manufacturing sector (+11%) adding new businesses specializing in metal manufacturing, food processing, and wood product manufacturing.

Although the Professional, Scientific and Technical Services sector did not grow as fast as in 2007, it is experiencing significant growth in the Saskatoon region. Companies offering services such as accounting, engineering, computer systems design, and research and development have begun to mark the new business landscape in the region.

The Wholesale and Retail Trade sectors grew compared to the end of 2007Q3 (+28%). A majority of the sector's new businesses specializing in food, clothing, furniture and used vehicle and auto parts sales, continues to grow thanks to a strong local retail market.

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

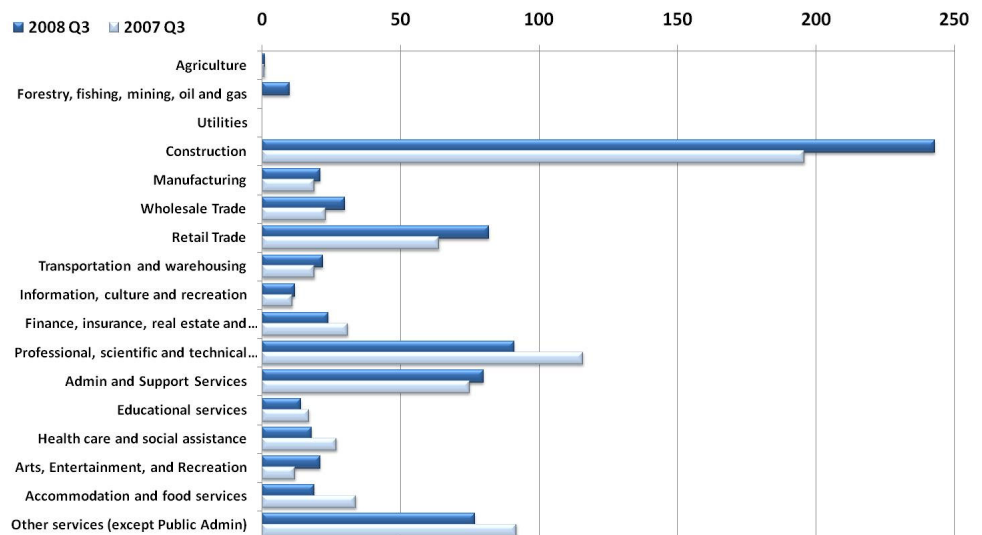
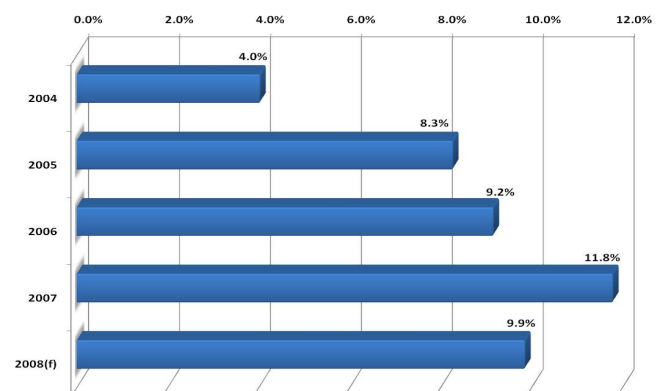


Figure 11 | Annual Retail Sales Growth—Saskatoon CMA



Gross Domestic Product

In mid-September, the Conference Board of Canada announced that the Saskatoon region would continue to be the fastest growing city in Canada. The region's gross domestic product (GDP) is projected to grow 5.2 per cent in 2008.

Goods Producing Industries (+4.8%)

As noted earlier in the report, the Saskatoon region has experienced significant increases in residential and non-residential construction. According to Statistics Canada, the third quarter of 2008 saw the Saskatoon region post the largest increase in non-residential construction investment in all Canadian cities compared to 2007Q3. The strong construction market (including a 25 percent increase in housing starts) helped the Construction Sector (+5.0%) lead all goods-producing sectors in growth.

Increased demand for agricultural products, oil, and minerals helped grow the Primary Industry Sector (+4.7%) over the past year. Increased commodity production and world demand for the region's goods will also drive growth in the Manufacturing Sector (+4.8%). Statistics Canada also released information recently showing Saskatchewan experienced the largest annual increase in manufacturing exports of all provinces in Canada.

Service Producing Industries (+5.3%)

The service-producing sectors are projected to add three times as much GDP to the Saskatoon region as the goods-producing sectors in 2008. Wholesale and Retail Trade will lead in dollar growth of Saskatoon's GDP (an additional \$121 Million), and the Transportation and Communication sector will post significant gains due to increased exporting and importing activity. Consumer confidence and increased demand for goods and services in the region also supported job growth and new-business start-ups in the Commercial Services sector (+4.9%), and the strong residential real estate market (construction and resale) is helping create substantial growth in the Finance, Insurance, and Real Estate sector (+4.8%).

Figure 12 | Growth of Gross Domestic Product by Industry—2008 Annual (Projection)

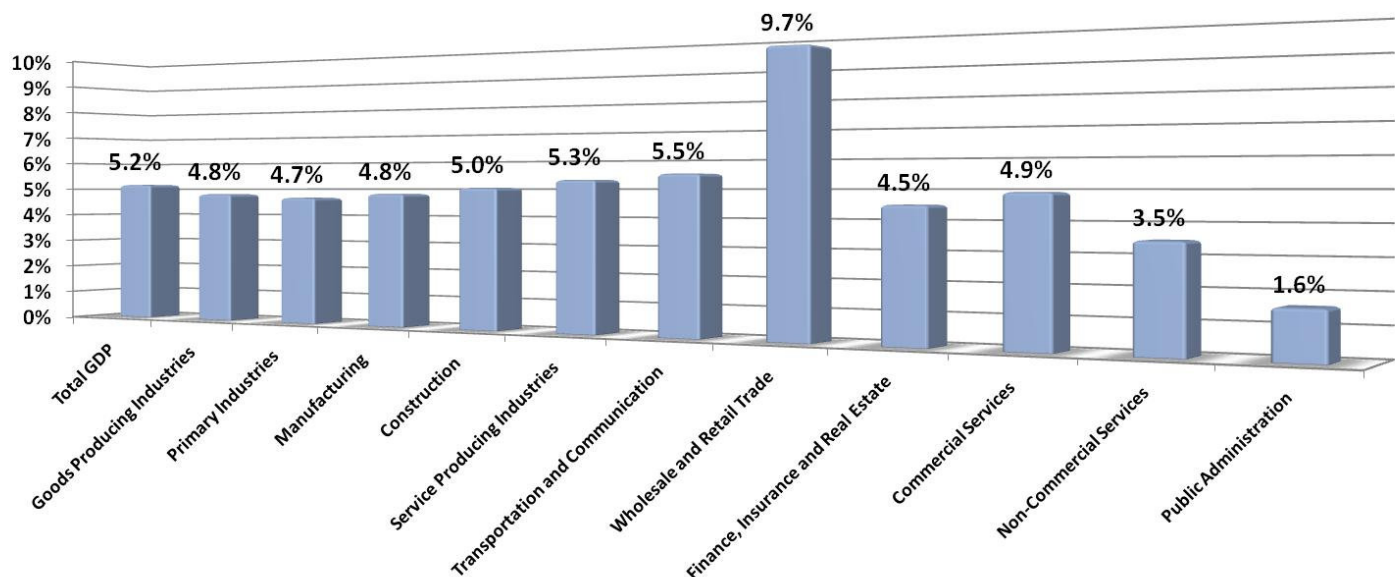


Table 11 | Projected Annual Gross Domestic Product (GDP) (\$Millions)

	2008	2007	Annual	
			Change	% Change
GDP	9654.9	9180.7	474.2	5.2%
Goods Producing Industries	2899.5	2766.5	132.9	4.8%
Primary Industries	1259.8	1203.5	56.3	4.7%
Manufacturing	1053.0	1004.5	48.5	4.8%
Construction	586.6	558.5	28.2	5.0%
Service Producing Industries	6755.5	6414.2	341.3	5.3%
Transportation and Communication	999.8	947.5	52.3	5.5%
Wholesale and Retail Trade	1373.9	1252.5	121.4	9.7%
Finance, Insurance and Real Estate	1559.8	1492.6	67.2	4.5%
Commercial Services	1053.7	1004.4	49.3	4.9%
Non-Commercial Services	1297.4	1253.8	43.6	3.5%
Public Administration	470.8	463.4	7.4	1.6%



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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)

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.

