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Saskatoon costs remain competitive, study says

Real estate prices limited factor in business relocation decisions

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Business groups may complain education property taxes aren't being reduced fast enough and the soaring cost of real estate dominates every coffee klatch in town, but an outside study says Saskatoon remains a pretty competitive place to run a business.

The conclusion of the latest KPMG international Competitive Alternative study shows Saskatoon retains its cost advantage within Western Canada and is still holding its own against comparatively sized cities in the U.S. Midwest.

For Canada as a whole, however, cities have lost considerable advantage since the last survey was done two years ago, mainly due to the rise of the Canadian currency.

The KPMG cost index found Saskatoon's location costs have risen 3.9 points in the past year. Costs in Calgary, Vancouver and Edmonton have risen more dramatically -- as high as 7.3 points for Calgary and Vancouver.

Saskatoon's cost index now stands at 96.7 compared to a baseline of 100 assigned to the United States. In the past two years, four Canadian cities have seen their costs soar above the U.S. baseline index, including Vancouver at 104.2 and Calgary at 102.0.

Alan Migneault, CEO of the Saskatoon Regional Economic Development Authority (SREDA), says the study confirms Saskatoon is a competitive place within Canada and ranks third in the North American midwest region, behind only Oklahoma City, Okla. and McAllen, Texas.

Migneault says people in Saskatoon may think the city has lost its edge with real estate prices going up so dramatically in the past year, but that isn't the story in comparing the city to other locations.

"It's a hard (argument) to make when you're talking to a local audience because house prices and land costs certainly hit them in the face," he said Thursday. "But when you look at it from the perspective of the companies we try to attract to the region they don't look at it like that.

"They look at it from 'Where else can we go in the world?' That's why this KPMG report is so good for us because it helps us demonstrate we are very competitive globally."

There are 27 individual items that make up the index such as labour, land costs, transportation, utilities and financing on the cost side. The KPMG study also looks at non-cost factors such as labour availability, infrastructure, regulatory climate and quality of life.

Saskatoon gets particular high marks in being a competitive place to locate businesses in the sectors of research and development, including biotechnology, and the software industry, including design and web/multimedia development.

The city was also competitive among different manufacturing sectors, including chemical, pharmaceutical, electronics and telecommunications.

David Dube of Concorde Group, one of the largest developers of commercial property in the province, says the study underlines the confidence the company has in the ability to lure new companies to the large industrial park, known as Biz-Park, being built this year along Highway 16 West. Dube echoed Migneault in saying local perceptions of real estate costs are different from what potential investors are saying about the city.

"They will consistently tell us that we're probably the lowest cost jurisdiction in a desirable location in the West for both fully serviced and lightly serviced land," he said. "There's just been a tremendous amount of interest in the province and particularly Saskatoon.

"Everyone seems to be finding a need to be here and when they do they find commercial land is significantly less expensive than other jurisdictions."

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