

SASKATOON & REGION

Economic Overview & **New Housing Market Analysis**

Q3 | 2018



Saskatoon & Region
Home Builders'
Association



ECONOMIC OVERVIEW

The Saskatoon region is expected to reach 331,000 people in 2018, a **2.1% increase** compared to 2017. Immigration is the main source of growth, albeit at a slowing rate. Between 2018 and 2022, over 33,000 additional people are expected to call Saskatoon home.

The Saskatoon economy is projected to **expand by 2.0%** in 2018. The halt in construction of the Trans Mountain pipeline poses a risk to the regions growth. Nonetheless, there continues to be an economic recovery. The USMCA trade deal, formerly NAFTA, will provide certainty to local businesses who shelved expansion plans. Additionally, the CPTPP (Asia-Pacific) and CETA (EU) trade deals will increase access to markets for Saskatoon based companies.

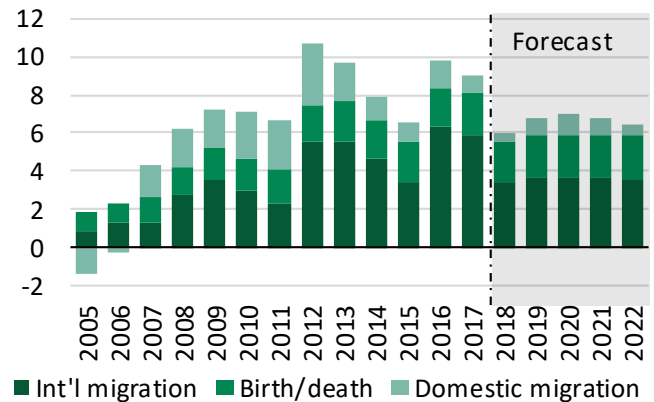
The Saskatoon region **lost 300 jobs** in September 2018. This breaks a seven month streak of consecutive year-over-year employment gains due to continued weakness in the energy, transportation and warehousing sectors.

Crop production has been weaker than anticipated as growth in some areas of the province is behind the five-year average. However, global demand for meat, oilseeds and plant-based protein is on the rise.

The global uranium market continues to be oversupplied pushing Cameco to indefinitely extend mine shut downs. However, uranium spot prices **increased 35%** between September 2017 and September 2018. The Potash industry has adapted to the low-price environment and production in the province continues to rise.

The price of Canadian crude **fell to a low of US\$19/bbl** on October 11, a US\$52 discount compared to US WTI oil prices. The unusually large discount was driven by refinery shutdowns. However, a difference in price will remain due to the lack of pipeline transportation capacity.

Figure 1: Saskatoon population growth (000s)



Source: Conference Board of Canada

Figure 2: Saskatoon region economic indicators

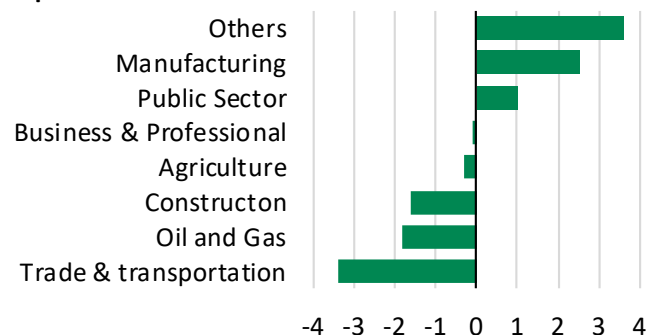
Trend	Period	Value	Y-o-Y % Growth
Saskatoon GDP	2018*	\$17.9B	2.0%
SK Oil production (M ³)	Jul-18	2.4M	1.2%
WCS (\$/bbl)	Oct-18	\$24.2	-40.1%
SK Potash production	Aug-18	\$559.1 M	36.3%
SK Uranium production	Aug-18	\$17.6 M	-86.7%
SK Farm cash receipts	Q1-18	\$4.1 B	-11.0%
SK Exports (\$Billion)	Aug-18	\$2.7 B	29.1%

* Forecast, B – Billion, M- Million

Source: Government of Saskatchewan & Conference Board of Canada

Figure 3: Saskatoon region job growth (000s)

September 2018



Source: Statistics Canada

NEW HOUSING MARKET ANALYSIS

Residential construction in the Saskatoon region continues to slow down. Sluggish economic growth, historical high rental availability, PST on construction, increases in interest rates and tightening mortgage regulations continue to weigh on the new housing market. There are, however, signs of improvement. The amount of new unsold homes decreased 46.5% from a high of 905 units in February 2017 to 484 units in September 2018.

For the first-time in 18 years, the number of new families in the Saskatoon region will outpace the amount of new housing construction in 2018.

Almost \$33.9 million worth of building permits were issued in the region during September 2018. This represents a 24% drop compared to the same period in 2017. Single and multi-family permits plunged 24% and 37% respectively.

433 residential building permits were issued in the Saskatoon region in September 2018. This represents a 11.6% increase compared to the same period last year, driven by a 44% increase in multi-family construction.



"The market continues to adjust to the higher inventory that came out of the boom from a few years ago, but more importantly, it's adjusting to a policy stacking issue: several government policies negatively impacting the residential housing market at once. Residential construction can be seen as an unofficial economic indicator, so factors that hinder its growth are also threatening jobs and the economic growth of our region. The good news is that there are signs of recovery around the corner." **Chris Guérette**, CEO, Saskatoon & Region Home Builders' Association

Figure 4: Saskatoon region new housing supply

September 2018		Single	Semi	Row	Apartment
Unabsorbed	Value	202	39	177	66
Inventory	YoY %	3%	22%	13%	-80%

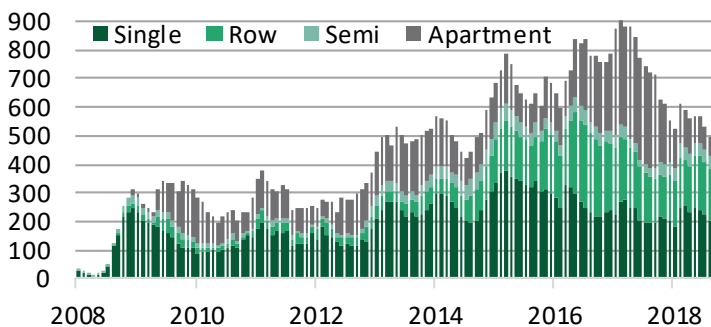
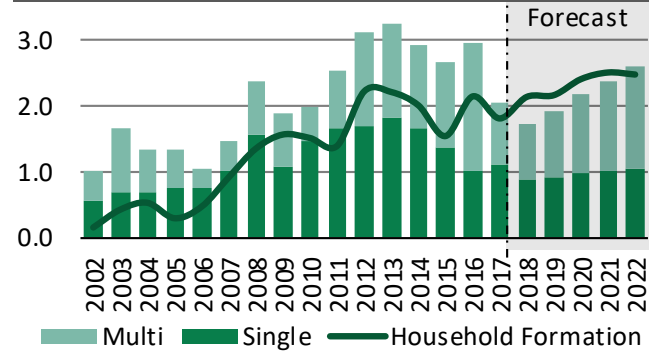
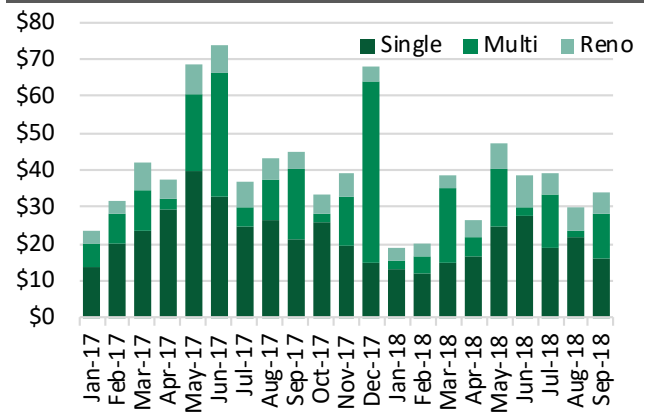


Figure 5: Saskatoon region household formation vs new housing supply (000s)



Source: Conference Board of Canada & own calculations

Figure 6: Saskatoon region value of building permits (\$ Million)



Source: Saskatoon & Region Home Builders' Association

Figure 7: Number of single family building permits in the Saskatoon region

