

SASKATOON & REGION

Economic Overview & **New Housing Market Analysis** Q1 | 2019



Saskatoon & Region
Home Builders'
Association



ECONOMIC OVERVIEW

Saskatoon economic growth continues to be subdued due to turmoil in the resource sector. Real GDP is expected to grow by 1.9% in 2019, below the 2.0% national average. Canadian energy producers continue to be under pressure due to the limited pipeline capacity. Weak uranium markets have led to the indefinite closure of Cameco's McArthur River mine. Additionally, China's ban for Canadian canola will put some pressure on the province's agricultural sector.

Saskatoon has seen a boom in cannabis, food manufacturing and high technology companies. The city's economy is slowly diversifying into value-added sectors. Demand for new talent has created high-paying jobs which, combined with the region's affordability, safety and high overall quality of life, are attracting newcomers, particularly from outside of Canada.

Saskatoon's economy continues to see solid employment gains with 14 consecutive months of positive year-over-year job growth. The region added almost 7,200 jobs in March compared to the same period last year. Most of the gains have been driven by full time employment, particularly in the professional business service sectors.

While population growth has slowed down, Saskatoon is projected to be the third fastest growing major metro in Canada in 2019 just behind Toronto and Calgary. **On a relative basis, the region has the largest share of millennials among major cities in Canada with 34% of the population between the ages of 20 and 34.**

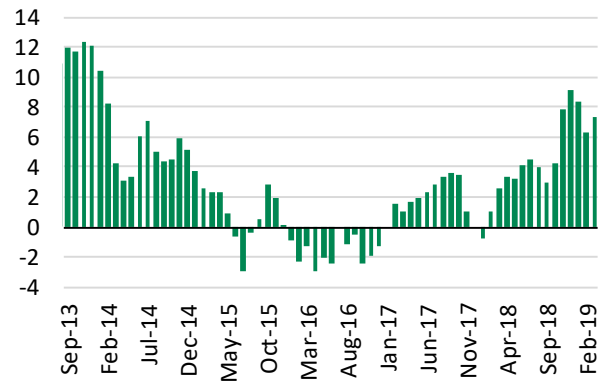
Potash prices remain well below historical highs. However, global demand is expected to increase driven by a growing population, particularly in development countries. There are multiple mining projects currently under construction in Saskatchewan, including the K3 mine and the Jansen mine.

Figure 1: Saskatoon CMA Economic Indicators

	2018	2019F	2020F
Real GDP Growth	1.84%	1.93%	1.88%
Population (Millions)	330,334	335,949	342,417
Annual % Change	2.01%	1.70%	1.93%
Unemployment Rate	6.98%	6.90%	6.80%
Income Per Capita	\$50,373	\$50,798	\$52,131
Inflation	1.38%	1.40%	1.43%

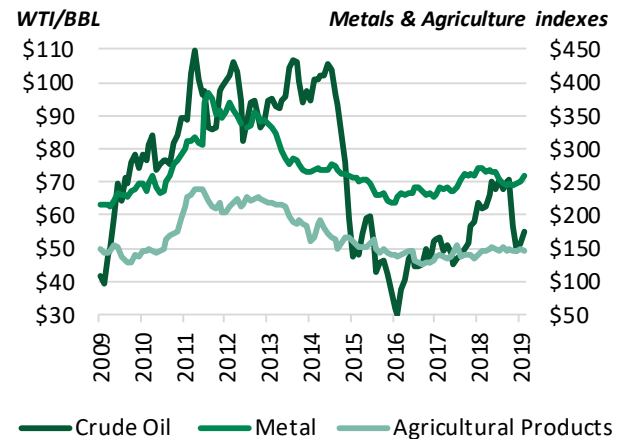
Source: Conference Board of Canada

**Figure 2: Saskatoon CMA job growth (000s)
Year-over-Year**



Source: Statistics Canada

Figure 3: Commodity Price



Source: BMO Economics

NEW HOUSING MARKET ANALYSIS

Soft economic conditions have dampened new home sales in the Saskatoon region. Additionally, changes in government policies, including the mortgage stress test, have exacerbated the slowdown. CIBC research found that 2018 mortgage values decreased due to a decline in the number of borrowers as opposed to smaller mortgages. Also, a recent report by RBC shows that the stress test is the biggest contributor to home sales declines in Saskatchewan. There were 202 new homes absorbed in 2019. This represents a 36% decrease compared to the same period in 2018.

While the inventory of completed but unsold new homes remains well above the 10-year average, the overall available stock declined 38% in March 2019 compared to the historical highs of March 2015.

Almost \$59.5 million worth of building permits were issued in the first quarter of 2019. This represents a 23.8% decline compared to the same period last year. Single and multi-family home permits decreased 20.1% and 39.1% respectively, while the value of renovation permits fell by 0.5%.

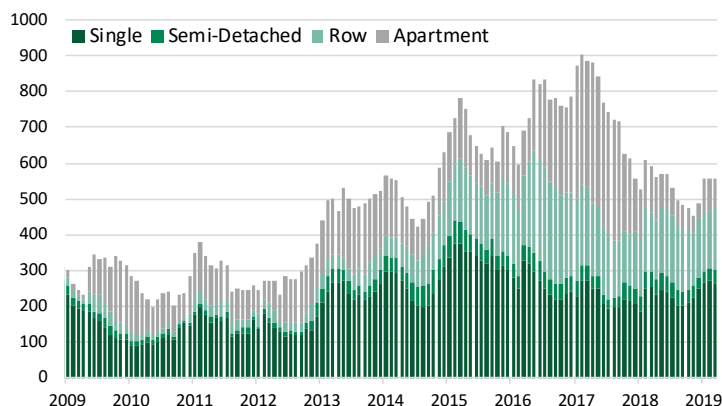
574 residential building permits were issued in the Saskatoon region in the first quarter of 2019. This represents a 22.5% decrease compared to the same period last year. This was mainly driven by a 39.9% decrease in single-family homes.

Figure 4: Saskatoon region new housing supply

Q1 2019		Single	Semi	Row	Apartment
Unabsorbed Inventory	Value	803	104	501	261
	YoY %	17%	-26%	1%	-36%
Under Construction	Value	1403	124	308	2,862
	YoY %	-24%	-30%	-48%	61%

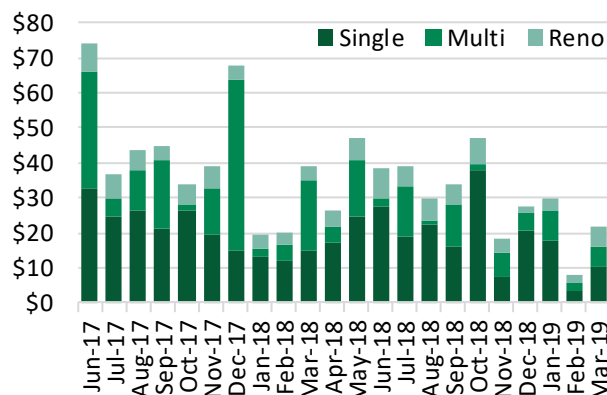
Source: Canada Mortgage and Housing Corporation

Figure 5: Unabsorbed Inventory



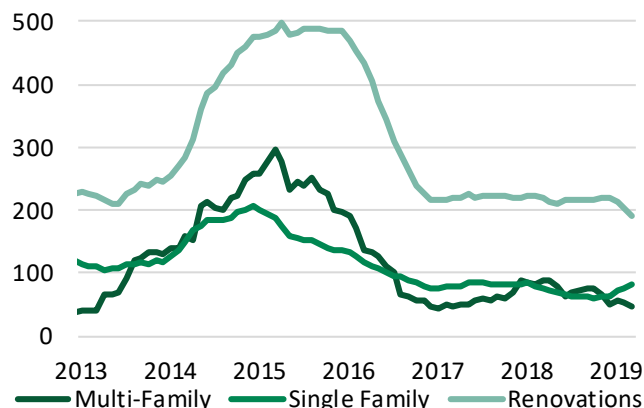
Source: Canada Mortgage and Housing Corporation

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



Source: Saskatoon & Region Home Builders Association

Figure 7: Saskatoon region number of building permits - 12 month moving average



Source: Saskatoon & Region Home Builders Association