

SASKATOON & REGION

Economic Overview & **New Housing Market Analysis**

Q2 | 2019



Saskatoon & Region
Home Builders'
Association



NEW HOUSING MARKET ANALYSIS

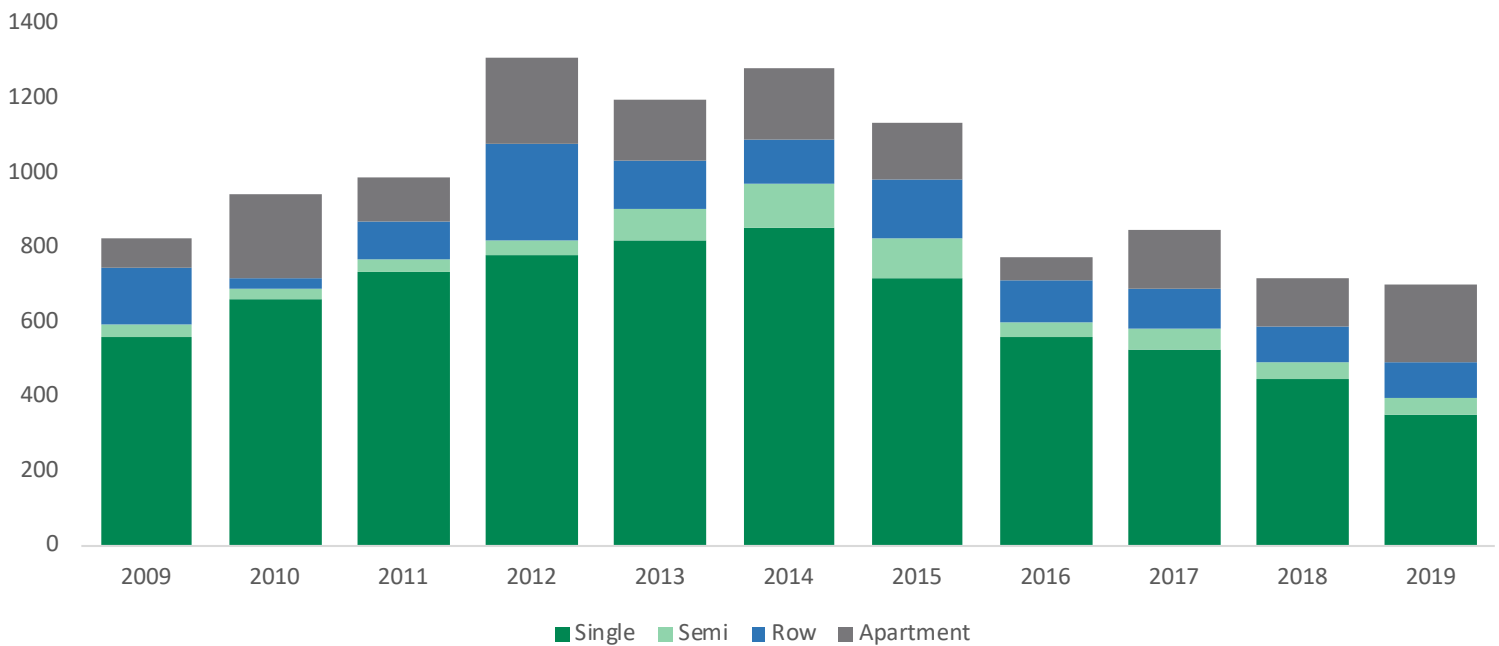
“The new housing market continues to experience pressure from government policies and with the average price of a home continuing to decline in Saskatoon, it adds yet another layer of pressure onto entrepreneurs in the development and residential construction sector. While the number of companies pulling permits has declined again this year with less than half of certified professional home builders pulling permits for single family homes, the good news is the industry has proven incredibly resilient against some particularly challenging times. This is an excellent time to invest in a new home.”

-Chris Guérette, CEO, Saskatoon & Region Home Builders' Association

DEMAND

The Saskatoon housing market is showing signs of stability as demand is increasing with a 9% year over year growth in total sales. In both total sales and new housing absorption, apartment sales are leading growth. Apartment absorptions were 65% higher in the first half of 2019 compared to the first half of 2018. While mortgage stress test rules are still in effect, low interest rates and decreasing prices are benefiting buyers.

Figure 1: Saskatoon CMA YTD absorbed units (Jan – Jun)



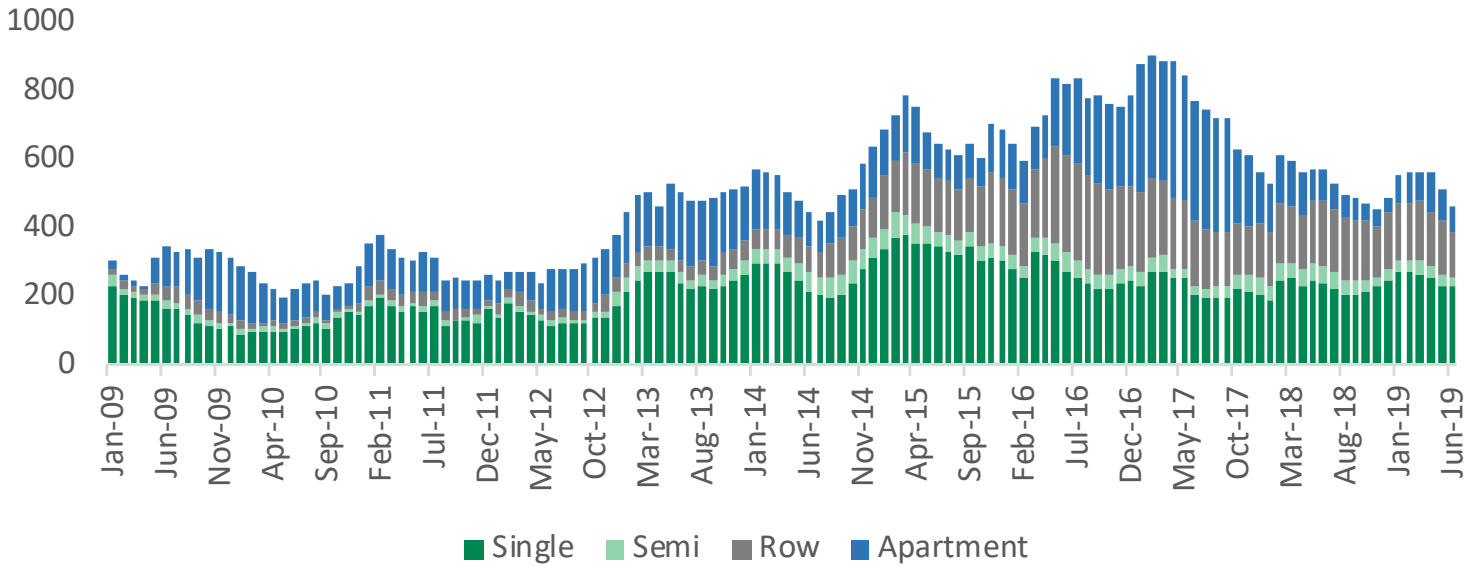
Source: Canada Mortgage and Housing Corporation

SUPPLY

While unabsorbed housing inventory remains high compared to historical levels, there is a decline of year over year inventory of 18% in June 2019. Likewise inventory under construction is down 10%.

NEW HOUSING MARKET ANALYSIS

Figure 2: Saskatoon CMA unabsorbed inventory



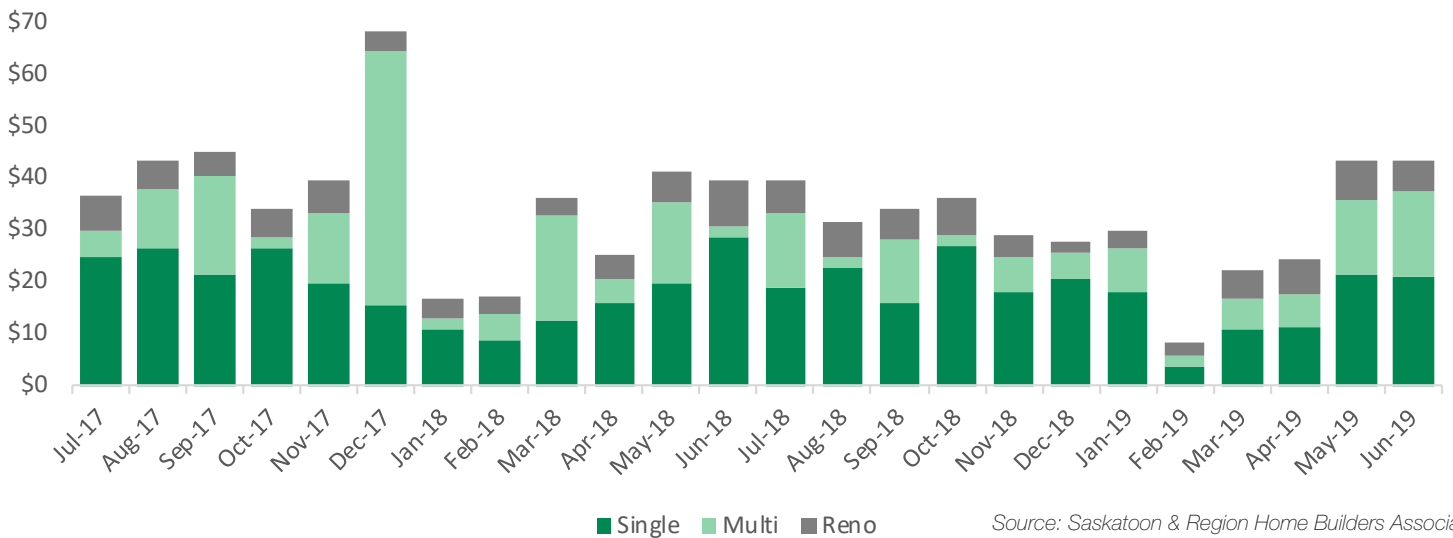
Source: Canada Mortgage and Housing Corporation

BUILDING PERMITS

\$171 million worth of building permits were issued in the first half of 2019. This was a 2.6% decline from 2018, with a stronger May and June potentially making up for the slower first quarter. Single family permits fell 11%, but multi-family and renovation permits grew 9% and 6% respectively.

There were 1,859 building permits issued in the Saskatoon Region, with 1,276 being issued in the second quarter. So far in 2019 this represents a 2.1% decrease compared to the same period last year. Single family home permits declined 10% and renovation permits declined 12%. Multi-family home permits made up for these declines with a 67% increase.

Figure 3: Saskatoon CMA value of building permits (millions)



Source: Saskatoon & Region Home Builders Association

ECONOMIC OVERVIEW

Figure 4: Saskatoon CMA economic indicators

	2018	2019F	2020F
Real GDP Growth	2.19%	2.26%	1.65%
Population	322,568	329,084	335,994
Annual % Change	2.21%	2.02%	2.10%
Unemployment Rate	6.63%	5.95%	5.90%
Income per capita	\$49,837	\$50,440	\$51,653
Inflation	1.38%	1.41%	1.43%

Source: Conference Board of Canada

“Economic indicators for Q2 2019 show continued stability in the local economy. While employment remains fairly flat unemployment has stayed near the 6% mark, falling from recent years of higher rates. External factors like international trade relationships remain important to watch. Canada/China relations effect Saskatchewan agriculture exports and we continue to await the unknown outcome of the USCMA agreement. This adds another layer of uncertainty to economic forecasts.”

-Alex Fallon, President & CEO, SREDA

INTERNATIONAL TRADE

With the Saskatoon economy closely tied to the success of commodity markets, international trade relationships are becoming increasingly important to watch. Impacts of new and future trade agreements including the USMCA add a level of uncertainty to our export reliant economy. Most recently our region has felt the impact of Canada's relations with China. In addition to the Canola ban, China's agriculture export restrictions on Canada have been expanded to include the limiting of soybean and pea exports, and most recently there has been a suspension of meat product exports to China.

EMPLOYMENT

Employment in the Saskatoon CMA has been fairly flat in 2019, compared to the strong gains seen in the first half of 2018. Year over year employment gains in the first half of 2018 were driven by employment across many sectors. In 2019 service producing sectors (ie. retail & wholesale trade, professional services and education) are seeing comparable growth, but the goods producing sector (ie. commodity production, construction, and manufacturing) is seeing a decline. While job growth might not be as strong, unemployment has remained around the 6% mark this year, low in comparison to recent years.

ECONOMIC OVERVIEW

Figure 5: Saskatoon CMA y/y job growth (%)

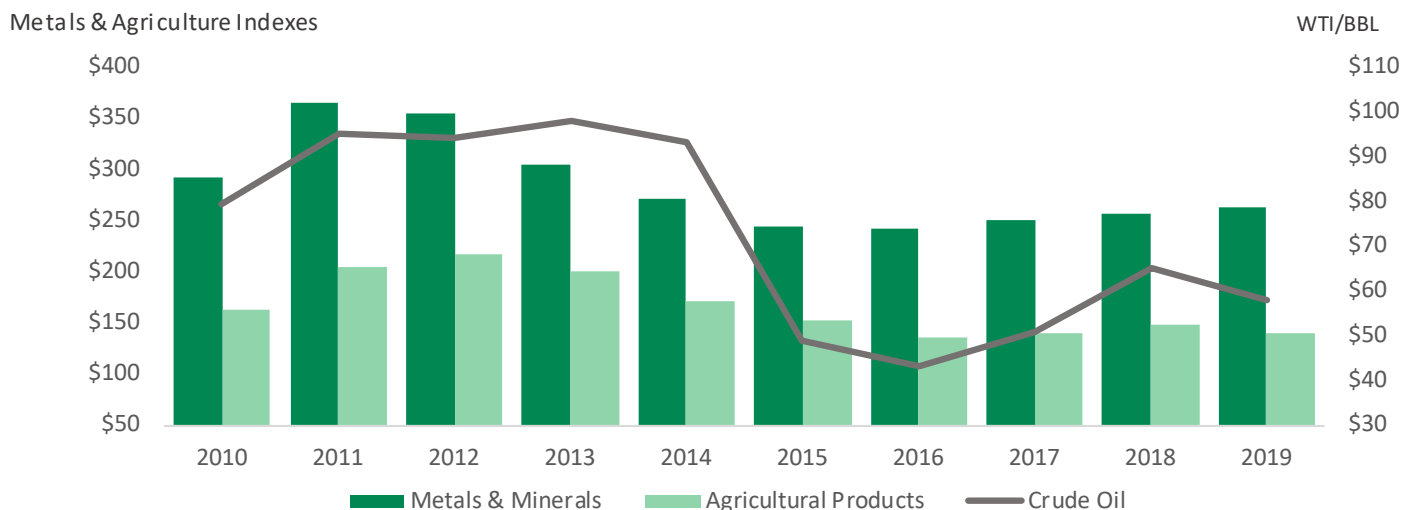


Source: Statistics Canada Table: 14-10-0097-01

COMMODITIES

The outlook for mining in our province is mixed. Uncertainty in the uranium market remains. The current situation is difficult, with the indefinite shutdown of the McArthur River mine and a decline in uranium sales. There is however, some positive news following the US's recent decision not to impose trade regulations on nuclear fuel imports. These tariffs would have drastically effected the bottom line of Saskatchewan based uranium companies. Potash sales, on the other hand, bolster primary production sectors with continued growth of 39% in Q1 2019.

Figure 6: Commodity prices



Source: BMO Capital Markets