



## Economic Overview & New Housing Market Analysis

Q4 | 2019



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## New Home Sales

▼ **124** -9.0%

## Value of Building Permits

▼ **18.1 Million** -4.7%

## Housing Starts

▼ **303 Units** -18.6%

## Unabsorbed Inventory

▼ **87 Units** -17.8%

## Under Construction

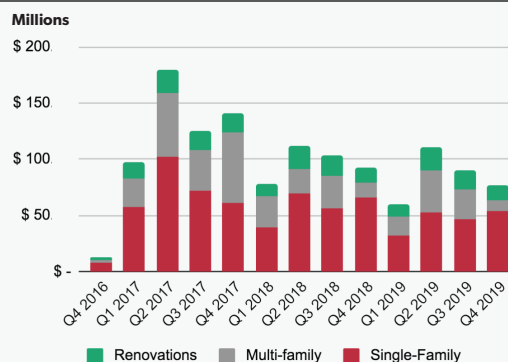
▼ **271 Units** -16.0%

\*Arrows indicate change from 2018

The Saskatoon and region professional home builders showed resilience once more in 2019 after another tough year. The long-awaited economic recovery failed to materialize trailing on trade wars and sluggish demand for the region's commodity exports. Additionally, Saskatchewan households continue to feel the burden of recent public policies such as the mortgage stress test, the PST on new housing construction, and increasing fees at the municipal level.

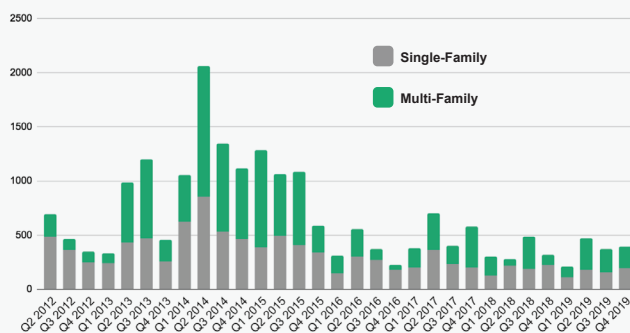
Saskatoon's economy was held hostage to external factors that pushed the region's economic growth into a recession in 2019. The volatility from the White House resident led to several tariffs. The escalation of trade and political tensions with China was followed by a ban on several key commodity exports to the Asian giant. Furthermore, 2019 was a difficult year for Saskatchewan farmers. To top it off, the CN Rail strike disrupted the already constrained supply chain for Saskatchewan commodity exports. However, there were green shoots in the economy. The region has seen 23 consecutive months of job creation on the heels of strong education, business and professional service sectors. Additionally, wage growth is slowly accelerating.

Figure 1: Value of Saskatoon building permits



Source: Saskatoon & Region Home Builders Association

Figure 2: Number of building Permits



Source: Saskatoon & Region Home Builders Association



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Figure 3: 2019 Saskatoon & Region Home Builders Association building permits statistics

Location	Single-Family	Multi-Family	Renovations	Total
<b>Number of Permits</b>				
Saskatoon	523	597	1946	3,066
Martensville	9	26	111	146
Warman	25	21	151	197
Osler	1	0	6	7
RM Of Corman Park	50	0	84	134
Prince Albert	10	20	63	93
<b>Total</b>	<b>618</b>	<b>664</b>	<b>2,361</b>	<b>3,643</b>
<b>Value of Permits (000s)</b>				
Saskatoon	\$143,799	\$76,166	\$69,312	\$289,277
Martensville	\$11,143	\$1,469	\$1,273	\$13,885
Warman	\$8,211	\$4,056	\$5,400	\$17,667
Osler	\$257	\$0	\$44	\$301
RM Of Corman Park	\$29,786	\$0	\$7,167	\$36,953
Prince Albert	\$2,011	\$7,932	\$2,456	\$12,399
<b>Total</b>	<b>\$195,207</b>	<b>\$89,623</b>	<b>\$85,652</b>	<b>\$370,482</b>

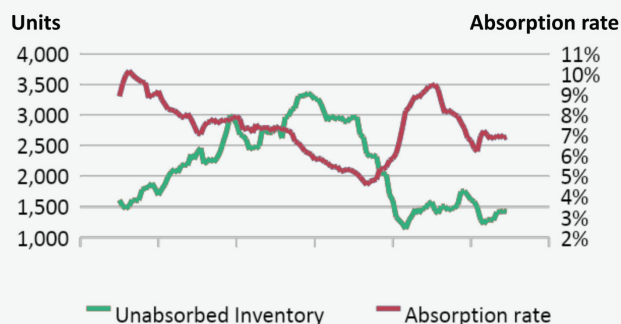
Source: Saskatoon & Region Home Builders Association

New housing absorption in the Saskatoon CMA dropped to 1,250 units in 2019, the seventh consecutive year on decline and the lowest sales volume since 2006. Builders continue to adjust to the new reality. In 2019 3,643 building permits worth \$370.5 million were issued in the regions of the Saskatoon & Region Home Builders Association (SRHBA). These figures represent declines of 9.7% and 4.7% respectively compared to 2018. Although the overall number and dollar value of building permits declined, there are notable differences across property types and regions.

Demand for single family dwellings continues to be scarce. None of the SRHBA regions posted growth on the number of building permits for single family homes. While Saskatoon posted a sharp 14.4% year-over-year reduction on the number of single-family permits in 2019, the decline in secondary markets was more painful. Prince Albert posted an 88.2% decline during the same period.

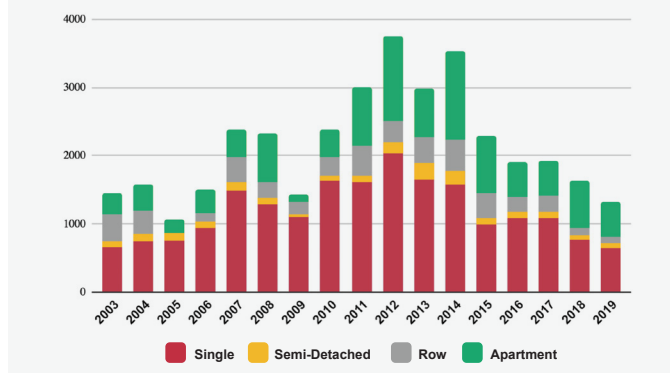
The economic challenges brought on by struggling commodity driven industries have most acutely affected Saskatchewan's secondary and tertiary markets, leading many job-seekers from within these markets to relocate to major centres like Saskatoon or to leave the province.

Figure 4: Unabsorbed inventory vs absorption rate



Source: Canada Mortgage and Housing Corporation

Figure 5: Saskatoon CMA housing starts

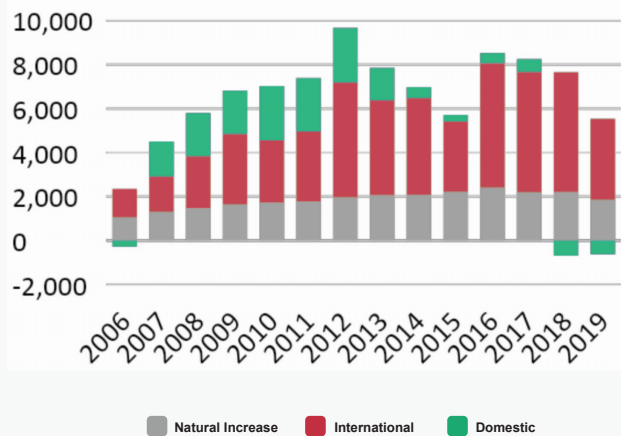


Source: Canada Mortgage and Housing Corporation

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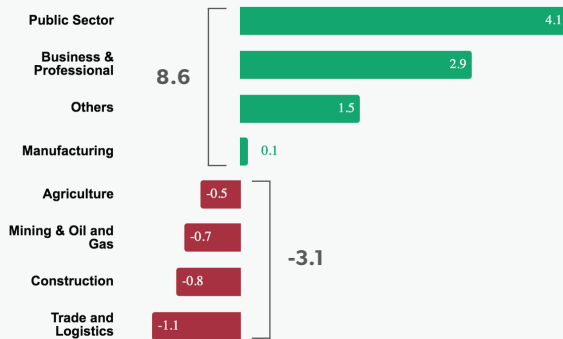
Demand for more affordable housing made multi-family housing the bright spot for home builders in 2019, particularly in the City of Saskatoon. Additionally, in the face of uncertain economic conditions, families have turned to the rental market which further fueled multi-family demand. There were 664 multi-family building permits in the SRHBA region which represents a 17.5% increase compared to 2018. It is also important to note that the vibrancy in downtown is gaining momentum. The new BRT transit routes, the potential \$370.0 million new arena and convention center as well as the proposed \$132.9 million Saskatoon Public Library central branch will further the redevelopment potential in the core

Figure 6: Saskatoon CMA - components of population growth



Source: The Conference Board of Canada

Figure 7: 2019 Saskatoon CMA job growth by industry (000s)



Source: Statistics Canada

Going forward, 2020 housing demand is expected to show slight improvements driven by a moderate recovery in the economy and cheap borrowing costs. The inventory of new but unabsorbed housing has declined substantially from 2017 heights yet, professional builders are expected to continue to be cautious with new housing starts. According to the Conference Board of Canada, Saskatoon's economy is expected to bounce 1.6% in 2020. The construction of the Trans Mountain Pipeline has begun which will provide relief to Saskatchewan oil producers. However, the project completion is estimated to take 36 months. While Saskatoon is slowly diversifying into value-add industries, commodity exports will continue to be the main driver of the economy.



*We knew 2019 was on track to be one of the slowest years for new home construction in Saskatchewan. Seeing the numbers makes it that more real. We will continue to work with our governments for action to revive Saskatchewan's stagnant new housing market. We can start by considering ways to foster growth by getting people moving through the housing continuum again.*

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