

Saskatoon & Region

Saskatoon & Region
Home Builders'
Association



New Housing Market Analysis

Q1 | 2020



Produced by
The Saskatoon & Region Home Builders' Association

April 28, 2020



New Home Sales

▲ 212

Value of Building Permits

▲ 68.6 Million

Housing Starts

▲ 307 Units

Unabsorbed Inventory

▼ 378 Units

Under Construction

▲ 1523 Units

*Arrows indicate change from Q1 2019

The beginning of 2020 was shaping up to be the year of recovery for Saskatoon home builders. Encouraging signs were popping up in every corner including growing new home sales, a decrease in the inventory of unsold new dwellings and even a select rebate on the PST of new homes. However, the recent pandemic has brought Saskatoon, and the world, to a halt.

There were 212 new home sales in the first quarter of 2020, a solid 5% increase compared to the same period last year. Demand for single family homes surged 10% during the same period. This is the first Q1 with a year-over-year sales increase since 2014. The stock of unabsorbed new homes decreased 32.1% in March 2020 compared to March 2019. The inventory of unsold housing is now the lowest since 2013. In Q1 2020 there were 251 new home and 387 renovation permits issued worth \$68.6 million within the region. The number of new home and renovation permits increased 18.4% and 6.9% respectively compared to Q1 2019. While the number of permits rose, the overall inventory of new homes under construction in the Saskatoon metro area climbed by a marginal 1.8% in March 2020 compared to the same period last year. Builders continue to be cautious on ramping supply to avoid new gluts of unsold inventory. While new homes are still transacting, April's housing market will likely be a quiet one as most buyers and sellers remain home to contain the spread of COVID-19.

"The COVID-19 pandemic is affecting the economy in ways no one could have predicted. While the first quarter of 2020 was one of recovery and exciting potential for the residential construction sector, the forecast for the remainder of the year will be very different and it's still too early to quantify. What is important, however, is to continually have those conversations about how to adjust the economy to this new COVID-19 reality so that a housing crisis is not added on top of our current public health crisis."

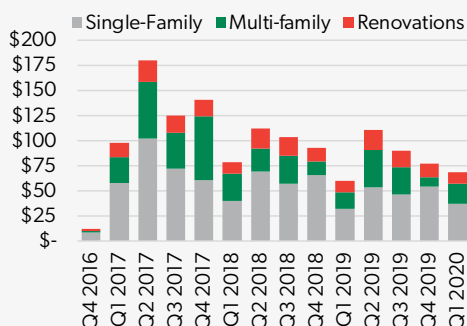
CHRIS GUÉRETTE
CEO, Saskatoon & Region Home Builders' Association



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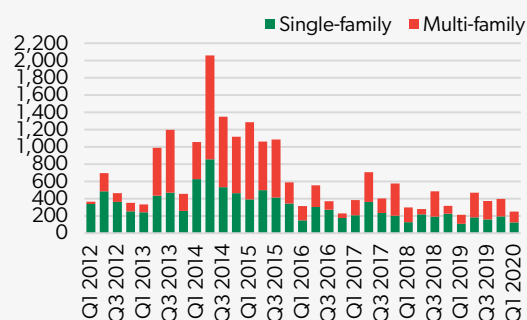


Figure 1: Value of Building Permits



Source: Saskatoon & Region Home Builders Association

Figure 2: Number of Building Permits



Source: Saskatoon & Region Home Builders Association

Figure 3: Q1 2020 Building Permit Statistics

Location	single family	multi-family	renovations	total
number of permits				
Saskatoon	109	125	337	571
Warman	3	2	22	27
Martensville	5	0	15	20
RM of Corman Park	6	0	7	13
Osler	0	0	1	1
Prince Albert	1	0	5	6
Total	124	127	387	638
value of permits				
Saskatoon	\$30,456,000	\$19,568,000	\$10,391,000	\$60,415,000
Warman	\$971,200	-	\$556,900	\$1,528,100
Martensville	\$1,150,000	-	\$271,903	\$1,421,903
RM of Corman Park	\$4,341,400	-	\$454,775	\$4,796,175
Osler	\$0	-	\$5,000	\$5,000
Prince Albert	\$319,000	-	\$119,000	\$438,000
Total	\$37,237,600	\$19,568,000	\$11,798,578	\$68,604,178

Source: Saskatoon & Region Home Builders Association

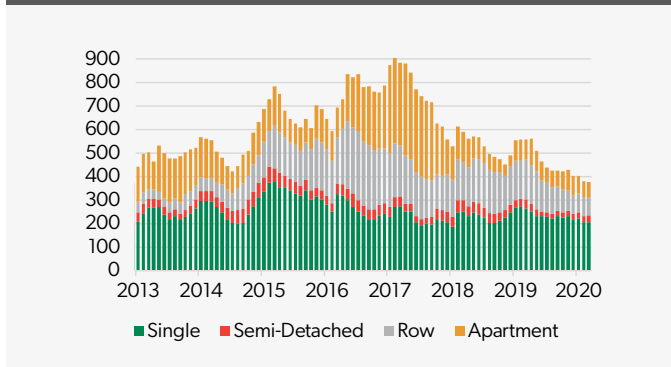
The Saskatoon economy is going to experience one of its worst economic slumps in 2020. Mandatory closure of all non-essential workplaces combined with the need of social distancing has severely impacted most businesses. Saskatchewan small business confidence hit at an all time low in March 2020 as cashflow dried overnight. Recent estimates from the Government of Saskatchewan expect that in 2020, the provincial economy will decline between 4.1% under the most optimistic scenario and up to 14.9% under the most pessimistic scenario. Saskatoon's unemployment rate shot up 1% between March 2020 and March 2019. Things are only expected to worsen, as April's jobless claims will likely be the highest number on record.

Saskatoon's economy will get a double whammy. Oil demand is expected to drop by 29 million barrels per day in April and by an average of 10 million barrels per day in 2020. This combined with increased supply from Russia and Saudi Arabia, both which were looking to increase market share, has pushed the price for Canadian oil down below zero for the first time in history. The lack of pipeline capacity and global storage for crude oil has pushed Canadian producers to pay buyers to take the oil off their hands. According to Rystad Energy oil production in Canada has already been slashed by at least 325,000 barrels per day and total curtailments are eventually expected between 1.1 million to 1.7 million bpd.

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Figure 4: Unabsorbed Inventory



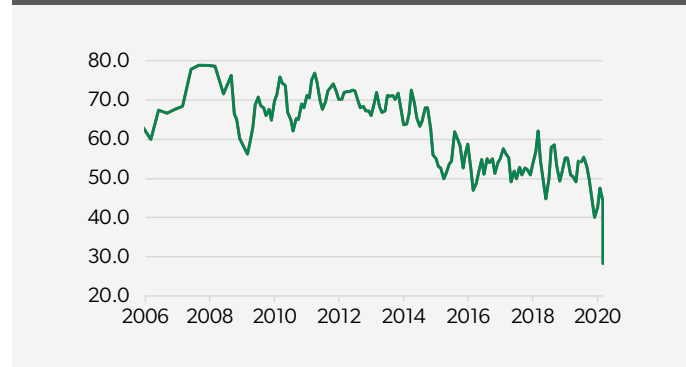
Source: Canada Mortgage and Housing Corporation

However, this recession is different as it is not caused by a structural change in the economy. While tourism, retail, accommodation and entertainment are major sectors employing people in Saskatoon, they are not the main economic drivers.

Although there is no indication of food shortages, governments will likely want to ensure food supplies. The Government of Canada has provided \$5 billion in lending for the sector. This combined with slight price increases for wheat, durum, peas, lentils, flax and even canola has renewed optimism among farmers. Additionally, China has lifted the ban for Canadian pork which weighed on Saskatchewan's agricultural sector.

Uranium prices have so far climbed 30% this year. Fears of Coronavirus outbreaks in remote communities has pushed to a halt a third of annual global supply, while demand from power plants has remained stable. Potash is also expected to see strong demand throughout 2020 as global population continues to rise, and so does the need to ensure future food production. The manufacturing sector might face uncertain demand from the energy sector. However, there will be some pent-up demand from current disruptions. It is likely that some firms will increase inventories in the short run as companies re-examine supply chains providing a boost in demand.

Figure 5: Saskatchewan Small Business Confidence

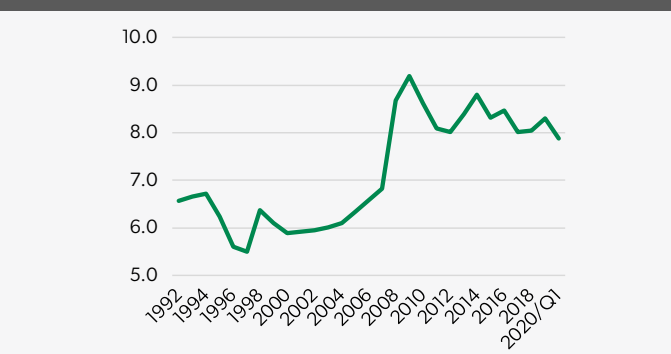


Source: Canada Mortgage and Housing Corporation

There has also been an unprecedented level of economic measures announced to date by all levels of government. The stimulus will not halt a recession but will ease the impact and provide a strong base for recovery. Additionally, the Government of Saskatchewan is well positioned to withstand financial pressures from the pandemic. Saskatchewan has one of the strongest balance sheets among the provinces with the second lowest debt to GDP ratio and the second highest credit rating in Canada. While the Saskatchewan energy sector faces a grim outlook, there is a small sliver of light. It is unlikely that this level of financial relief would have been available, had the only problem been a collapse in global energy prices. Households and businesses affected by today's slump in the oil patch are getting financial support to navigate the storm.

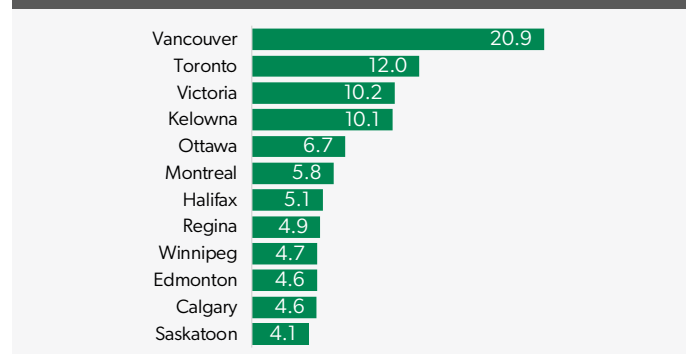
It is still too early to quantify the impact of COVID-19 on Saskatoon's new housing market. Activity is expected to resume once physical distancing rules are relaxed. Interest rates near historical lows will help re-activate the market. However, the length of business closures and the impact on employment and consumer confidence will set the tone for the balance of 2020. Additionally, Saskatoon's housing market is one of the most affordable among major cities in the country. The ratio of new single/detached home prices relative to income remains at a 10-year low. The main driver for housing demand is population growth. The city is one of the youngest metros with one of the highest fertility rates in Canada. Saskatoon population is expected to continue to grow, albeit at a slower rate, which will continue to drive housing demand.

Figure 6: Saskatoon CMA Average Home Price To Income Per Capita



Source: CMHC Housing Corporation & The Conference Board of Canada

Figure 7: 2019 Median New Single Family Home Price To Household Income Ratio



Source: CMHC Housing Corporation, Statistics Canada & Environics Analytics



Residential Construction Sector

The Saskatoon & Region Home Builders' Association is the professional association that represents residential construction - through both new construction and renovation - in Saskatoon and region. This region is defined as the northern half of Saskatchewan while the Regina & Region Home Builders' Association covers the southern half.

The Association serves businesses involved in the housing sector and provides the only professional certifications available for home builders and renovators. They are the expert voice invested in bringing insight to public policy makers on matters that affect affordability, quality and choice of housing in our province, and works collaboratively with stakeholders and governments to get us there.

Monthly Compilation

The Association is the only body that compiles permit reports for the residential sector. It collects this data from many municipalities in order to understand the market activity specifically for residential construction and provide this market knowledge to professionals in the field. It collects permit data for the construction of single family homes, multi-family homes and renovation work from the following municipalities:

- City of Saskatoon
- City of Warman
- City of Martensville
- City of Prince Albert
- Rural Municipality of Corman Park
- Town of Osler

Quarterly Analysis

On a quarterly basis, the Association provides an analysis of the new housing sector to provide market intelligence to decision makers, stakeholders and members of the public. The housing sector is a pillar of a healthy economy and the new home sector is a pillar to a growing economy. Keeping our province informed on the impact of improving housing affordability will also ensure stability and sustainability of a growing economy.

Publications

Our publications can be found on our website at www.saskatoonhomebuilders.com While some publications are only available to professional members of the sector, many are also available to the public.

Contact Info

Email: info@saskatoonhomebuilders.com

Address: #17-102 Cope Crescent |
Saskatoon, SK | S7T 0X2

Phone: (306) 955-5188