



New Housing Market Analysis

Q2 | 2020



New Home Sales

▼ 272

Value of Building Permits

▼ 90.5 Million

Single Family Housing Permits

▲ 197 Units

Multi-Family Housing Permits

▼ 148 Units

Unabsorbed Inventory

▼ 311 Units

Under Construction

▼ 1270 Units

*Arrows indicate change from 2019

Figure 1: Value of building permits

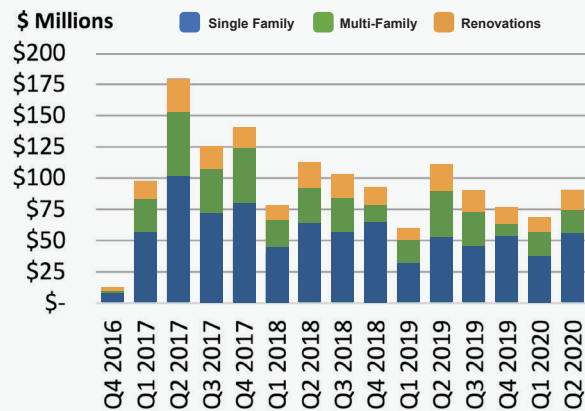
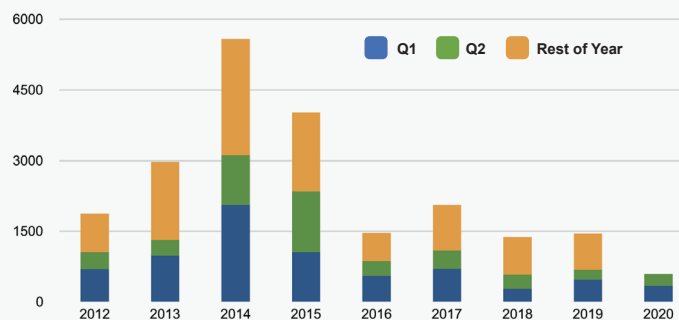


Figure 2: Number of building permits



Source: Saskatoon & Region Home Builders' Association



Figure 3: Building permits statistics

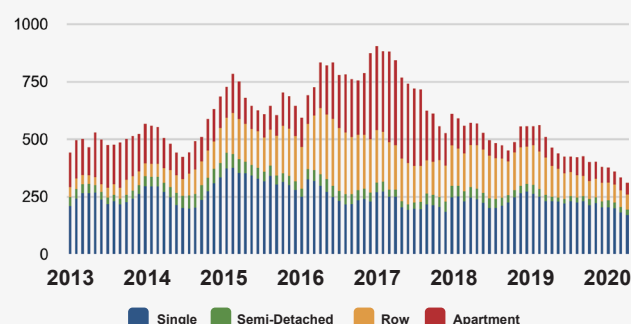
Location	Single Family	Multi-Family	Renovations	Total
Number of Permits				
Saskatoon	158	138	746	1,042
Warman	12	0	71	83
Martensville	9	8	44	61
RM of Corman Park	16	2	21	39
Osler	0	0	2	2
Prince Albert	2	0	4	6
Total	197	148	888	1,233
Value of Permits (000s)				
Saskatoon	\$41,796,000	\$16,041,000	\$11,735,000	\$69,572,000
Warman	\$2,961,000	\$0	\$1,136,000	\$4,097,000
Martensville	\$2,012,000	\$650,000	\$885,000	\$3,547,000
RM of Corman Park	\$6,564,000	\$490,000	\$1,346,000	\$8,400,000
Osler	\$0	\$0	\$10,000	\$10,000
Prince Albert	\$3,867,000	\$0	\$989,000	\$4,856,000
Total	\$57,200,000	\$17,181,000	\$16,101,000	\$90,482,000

Source: Saskatoon & Region Home Builders' Association

The Saskatoon and region new housing market fared the COVID-19 shutdown better than expected. Sales declined in line with expectations but there remains a sense of optimism on the horizon. There were 272 new home sales in Q2 2020, a 45% decline compared to Q2 2019, and this largely due to a decline on the multi-family side. Single family sales posted a 6% increase during the same period. Saskatchewan has been one of the most successful provinces in its fight against COVID-19 as most of the region's economy has re-opened. Additionally, the provincial government is readying itself to spend over \$700-million to help with challenges created by the pandemic.

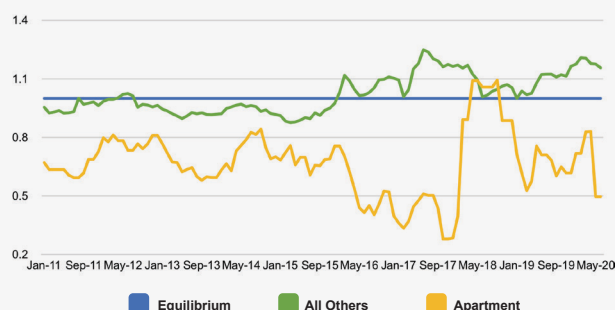
Saskatoon's economy was firing on all cylinders between 2011 and 2014. Builders ramped up construction, but housing demand failed to materialize as global commodity prices tumbled and with it, household incomes. Although the city's new housing market was oversupplied for several years, Saskatoon continues to attract, house and employ people at record levels. In 2019, there were approximately 128,000 housing units in the region, while population growth was estimated at 2.2%. This implies that, excluding replacement units, Saskatoon required 2,800 additional dwellings to keep pace with the growth. The region is likely to experience new housing shortages in the short to medium term as there has been an insufficient supply of new housing stock to keep up with household growth.

Figure 4: Unabsorbed inventory vs absorption rate



Source: Canada Mortgage and Housing Corporation

Figure 5: Sales to new deliveries ratio

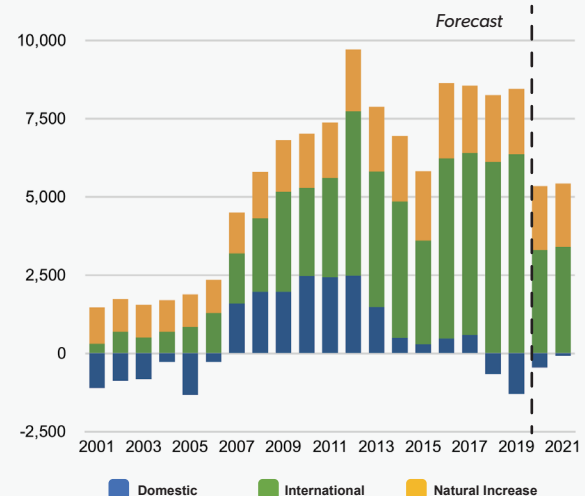


Source: Canada Mortgage and Housing Corporation & Saskatoon & Region Home Builders' Association

* Number of new home sales per new dwelling delivered to the market

The inventory of completed but unsold homes is rapidly declining and is now well below the 20-year average as demand continues despite the pandemic. As of June 2020, there were 311 completed but unsold homes. This represents a 33% decline compared to the same period in 2019. There were \$90.5 million worth of building permits in the region in Q2 2020. This represents a decline of 18% compared to the same period last year. Excluding renovations, new construction topped 345 permits issued in the second quarter of the year. While, construction of multi-family units has slowed down, single-family construction has picked up in 2020. Year-to-date, the region registered 321 permits, a 10% increase compared to the same period last year.

Figure 6: Saskatoon CMA - components of population growth



Source: The Conference Board of Canada

Figure 7: Saskatoon's historical population growth



Source: Statistics Canada and The Conference Board of Canada

The pandemic will have long reaching impacts on all aspects of our lives, including the way we think about living spaces. Households are re-evaluating their housing needs based on the rise and success of the virtual workplace as well as the health risks that come with living in high-density areas. These factors are likely to positively impact housing demand in Saskatoon. Interest rates are near historic lows which provides opportunities for those looking to buy. However, access to loans in the short term could be somewhat difficult as financial institutions have tightened credit. Despite preapprovals, lenders are concerned with applicants' job security and in multiple cases have been known to require a letter of employment no more than 2 weeks old.



Immigrants have been an essential part of Saskatoon's prosperity and an important source of housing demand. Between 2010 and 2019, over 66,000 new residents moved to the City of Bridges and its surrounding communities. Of those, 72% were individuals born outside the country. The economic impact of COVID-19 is expected to reduce the number of newcomers to the region. Also, the population of international students is expected to decline in the short-term as universities push for online learning during the pandemic. The Conference Board of Canada expects a 48% decline in international migration to the region in 2020. Also, negative domestic migration is expected for the foreseeable future as some jobseekers leave the province in search of employment opportunities.

Despite the current state of the economy, Saskatoon is still a very desirable destination for immigrants. Saskatchewan offers the easiest route to Canadian Permanent Residency. The region is also well-known for welcoming and accepting minorities. The city already has a diverse ethnic population, allowing newcomers to connect with a new community as soon as they arrive. Saskatoon is also one of the most affordable cities in the country. Additionally, the University of Saskatchewan is one of the most inexpensive post-secondary schools in the country.

Saskatoon's multi-family rental market has been a bright spot for builders in the region. Purpose-built rental vacancy rate declined to 5.6% in 2019 and is close to the 10-year average (5.3%). The city's strong rental demand is boosted in part by its young demographics. Saskatoon has the highest relative share of millennials from any major metro in the nation, with 34% of the population between the ages of 20 and 34. This group tends to rent, for both lifestyle and financial implications. There has been a flight to quality among tenants in the purpose-built rental market where more and more renters choose to move to new buildings. Demand for new builds, especially in core areas has been particularly strong. Renters are willing to pay higher rents for upgraded spec finishes and added amenities.

COVID-19 has been a reality for Canadians going on 6 months now. Financial institutions have provided support with varying types of payment deferrals. At both federal and provincial levels, billions of dollars have gone towards stimulating the economy and protecting businesses and individuals from the worst. However, these solutions are temporary. Saskatoon's unemployment rate is expected to remain near historical highs, as the economic challenges brought by low commodity prices continue. Additionally, uncertainty continues with a potential second wave of COVID-19 which could further dampen future housing demand and create short-term turmoil.



Despite the level of uncertainty brought by the pandemic, there are currently more houses being sold than are being delivered to the market. Even with reduced immigration to the region, we could see supply challenges in the future. This is an important notice for governments and service providers to keep a sharp eye on what's coming on the horizon. Reducing red tape and focusing on high turn around times to allow certified builders to meet demand will be crucial over the next few months.

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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 saskatoonhomebuilders.com While some publications are only available to professional members of the sector, many are also available to the public.

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