

# Saskatchewan

Saskatoon & Region  
Home Builders'  
Association



Regina & Region  
Home Builders'  
Association



## New Housing Market Overview Q3 | 2020



Produced in partnership by:

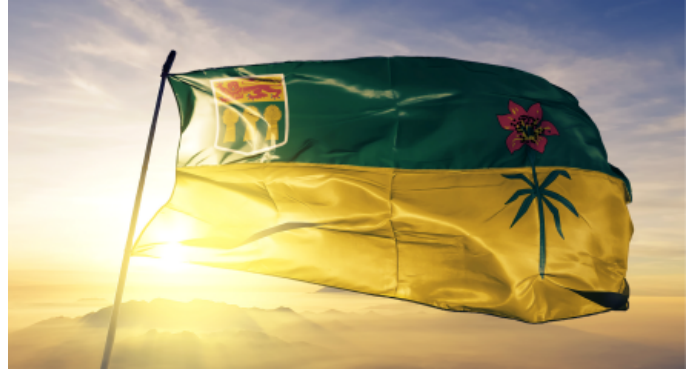
**The Saskatoon & Region Home Builders' Association** and **The Regina & Region Home Builders' Association**



## Saskatchewan Overview

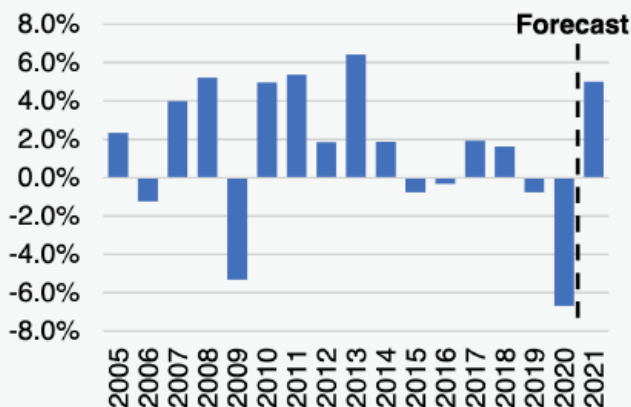
At the onset of the COVID-19 pandemic, a total downfall of Saskatchewan's real estate market was expected. Fortunately, the reality is far removed. While new home construction continues to be below the 10-year average, Saskatchewan home builders will see the first year of growth since 2016. Demand for new homes has increased, as people are spending most of their time at home. The pandemic, coupled with the rise of remote workers, has dramatically shifted housing preferences. People who transitioned to working from home have realized a desire for space and upgrades.

The Government of Saskatchewan has also implemented policy changes that will further improve building activity. The Provincial Sales Tax Rebate for New Home Construction provides a rebate of up to 42% of the PST paid on the purchase of new homes below the \$450,000 mark. Additionally, the Home Renovation Tax Credit will allow homeowners to claim 10.5% of eligible costs of home improvements.



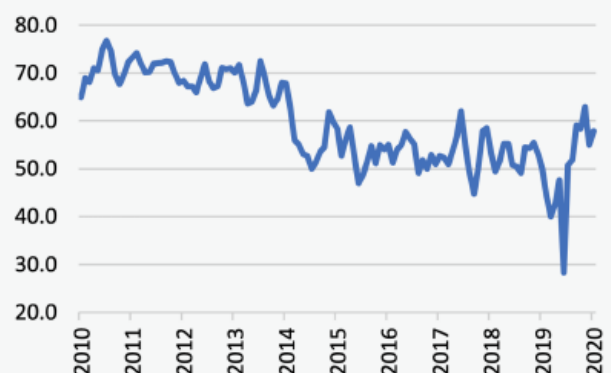
While Saskatchewan's economy is expected to decline 6.7% in 2020, there is room for optimism. Several economic indicators have seen a V-shaped recovery, and many are now ahead of their pre-recession levels. Additionally, the provincial government has committed \$7 billion to infrastructure and capital expenses in the next 2 years which will further support economic recovery.

Figure 1: SASKATCHEWAN GDP GROWTH | Percentage



Source: Statistics Canada & Government of Saskatchewan

Figure 2: SASKATCHEWAN SMALL BUSINESS CONFIDENCE | Index

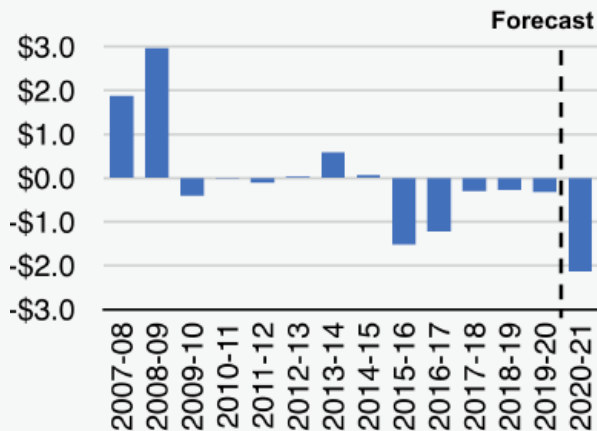


Source: Canadian Federation of Independent Business



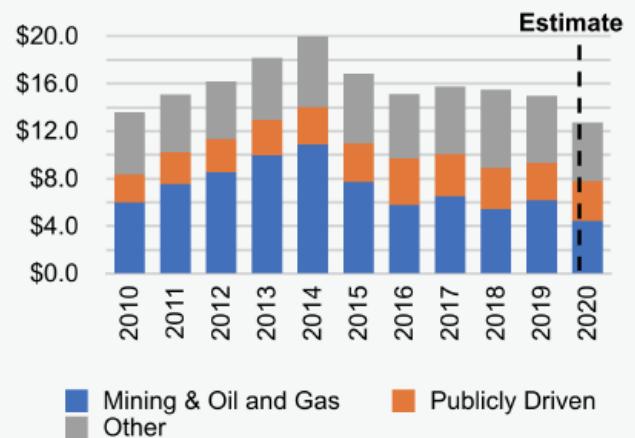
## Saskatchewan Overview

Figure 3: PROVINCIAL BALANCE | \$ Billions



Source: Government of Saskatchewan

Figure 4: SASKATCHEWAN INVESTMENT | \$ Billions



Source: Statistics Canada

For the 2020-21 budget, Saskatchewan is expecting a \$2.1 billion deficit, the largest in modern history. The fiscal impact from COVID-19 has compounded with a \$700 million decrease in commodity royalty revenues compared to last year. Coming into the pandemic, Saskatchewan had the second lowest debt to GDP ratio across the country, and even with this historic deficit it is expected to have the lowest ratio in Canada. The province also has the second highest credit rating among all provinces. This is important for accessing low-cost debt in the market.

With president elect Joe Biden set to take office, changes to Canada-US relations can be expected, though much is speculative at this point. There should be immediate market certainty following Biden's win, but how the economy will fare long term will depend on how he chooses to implement his economic agenda.

Biden's environmental plan would see heavy investments in green energy. The fate of the billion-dollar Keystone XL project remains unknown. Biden vowed early in his campaign to scrap the pipeline that would bring Canadian crude oil to Gulf Coast refineries. Biden would also ban all drilling and fracking on federal land. If the US does begin a serious transition away from oil and gas, this could create opportunities for Saskatchewan investment and Canadian crude exports. Oil giants like Shell and BP announced that peak global oil demand has been reached. Despite this, there is still considerable demand for fossil fuels, particularly in developing countries. Saskatchewan energy producers are among the lowest cost producers in North America, most of which turn a profit below \$50/bbl WTI. Saskatchewan companies would be expected to continue to embrace technology and become more efficient, allowing them to improve margins.



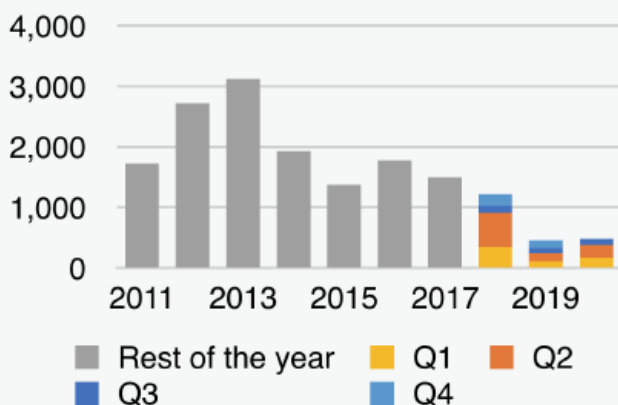
## Regina & Region Overview

Demand for new housing in Regina continues to be depressed compared to last year as households continue to exercise caution. There were 131 new construction home sales in Q3 2020. It is encouraging to see single-family home sales rise 34.5% in Q3 against Q2. However, demand is expected to temper over the coming months with the second wave of COVID-19.

There were 96 new construction building permits issued in Regina in Q3 of this year. This represents a 7.9% increase compared to the same period last year. Single-family homes represent 52% of these permits issued during the quarter. Sentiment is improving for builders, not due to a massive increase in demand in 2020 but rather a poor base from 2019.

The inventory of completed but unsold new homes continues to decline, dipping below the 20-year average for the first time since 2013. As of September 2020, there were only 125 units available. Excluding apartments, less than two years ago the city had a historic number of new construction homes for sale. Demand, combined with a sharp decline in supply, lead to a rapid absorption of inventory.

Figure 5: HISTORICAL BUILDING PERMITS - REGINA CMA



Source: Regina & Region Home Builders' Association

The region is already seeing new supply shortages. However, demand will likely be temporarily subdued in direct correlation with the second wave. The number of overall homes currently under construction continues to decline with 476 units under construction as of September 2020, a 4.8% year over year decrease. For single-family, there was a 10.4% increase compared to last year, and for row housing and apartments a 66.7% and 20.2% decline, respectively.

Figure 6: Q3 2020 VALUE OF BUILDING PERMIT STATS



### Single-Family

\$12.05 million  
-26.4% year-over-year



### Semi-Detached

\$816,692  
+43.5% year-over-year



### Townhouses

\$5.3 million  
-58.3% year-over-year



### Apartments

\$819,952  
-16.1% year-over-year

Source: Regina & Region Home Builders' Association



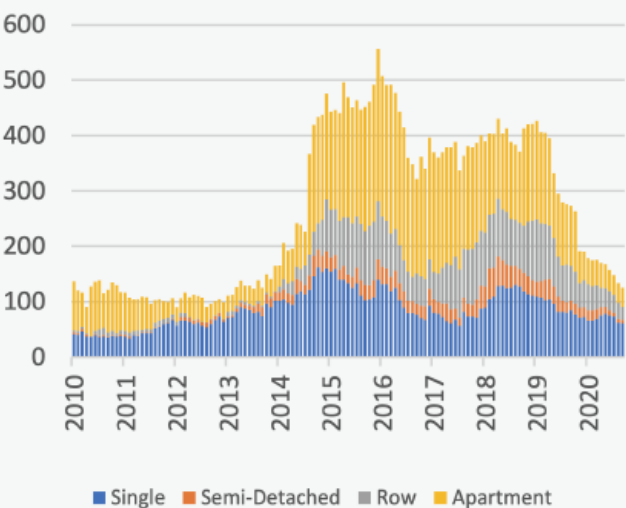


Regina & Region Overview

Despite the relative economic stability that Regina enjoys, the city was feeling the sting of low prices for key commodities. The region has not recovered the jobs shed throughout the pandemic with 4,000 jobs lost from October 2019 to 2020, the majority in the hospitality, business and professional sectors. A recent survey of executives by the Regina Chamber of Commerce points to a long slow climb to recovery. While most businesses report their conditions have worsened this fall, the same majority believe the worst is over. The city recently unveiled its 10-year plan for economic growth, aiming to mold the prairie capital as “Canada’s Most Vibrant City”. Most notably, the plan includes diversification of the economy and building up the existing renewal energy and agriculture sectors.

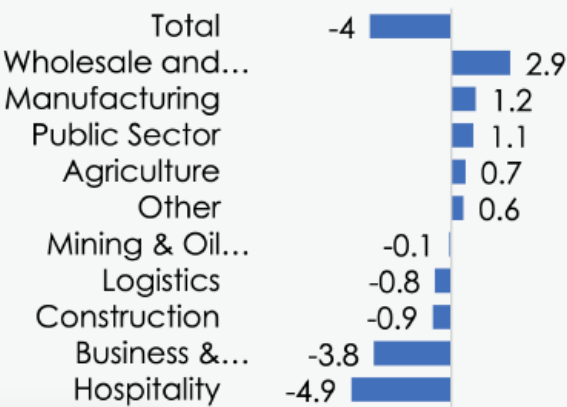
Now more than ever is the best time to purchase a home in Regina. Prices have found a floor as certified builders are operating at margins. However, prices will likely increase inline with rising constructions costs. The Canadian Home Builders’ Association recently published the Municipal Benchmarking study comparing fees and process on housing affordability, ranking Regina as best in the nation. The study looked at 23 housing markets across Canada in 2019 & early 2020. Regina’s excellent standing, highlights the impressive collaborative efforts of the City of Regina and the Home Builders’ Association, showing a community that fosters economic progress and prosperity.

Figure 7: MONTHLY UNABSORBED INVENTORY - Regina CMA



Source: Canada Mortgage and Housing Corporation

Figure 8: REGINA’S EMPLOYMENT BY INDUSTRY  
000’s jobs, October 2020 vs October 2019

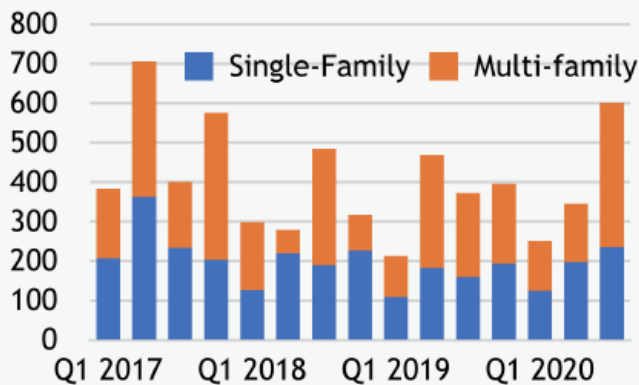


Source: Statistics Canada



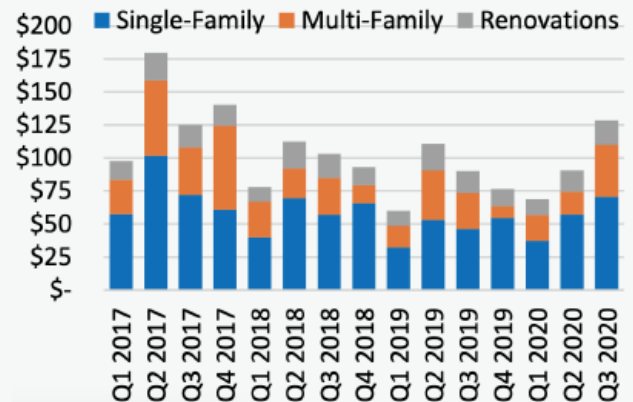
## Saskatoon & Region Overview

Figure 9: SRHBA NUMBER OF BUILDING PERMITS



Source: Saskatoon & Region Home Builders' Association

Figure 10: SRHBA VALUE OF BUILDING PERMITS



Source: Saskatoon & Region Home Builders' Association

The market for new homes in Saskatoon saw a solid bounce in transactions during the third quarter of 2020 following the COVID-19 slowdown in the spring. There were 321 sales in Q3 2020, a 10.7% increase compared to the same period last year. Consistent with the shift in preference for more space, single family home transactions increased 35.1% during the same period. The inventory of completed but unsold homes is rapidly declining and continues to be below the 20-year average. As of September 2020, there were 248 completed but unsold homes. This represents a 20.2% decline compared to the same period in 2019. Shortages in supply could lead to increases in prices over the foreseeable future.

Certified builders are reporting 2020 to be one of their best years ever. Despite rising costs, many certified builders are seeing strong year over year growth. While encouraging, it is a sign of the recent poor state of the residential construction industry. There were \$128.6 million worth of building permits in Saskatoon and region in Q3 2020. This represents a staggering 43.0% increase compared to the same period last year. Excluding renovations, there were 601 new construction permits issued in the third quarter of the year. Single family and multi-family new building permits posted 47.8% and 71.8% year over year increases.

Multi-family construction continues to be boosted by demand for new purpose-built rentals. The city's strong rental demand is driven by its youthful demographics. Saskatoon has the highest relative share of millennials from any major metro in the nation, with 31.9% of the population between the ages of 20 and 39. Demand for new builds, particularly in core areas has been strong.



## Saskatoon & Region Overview

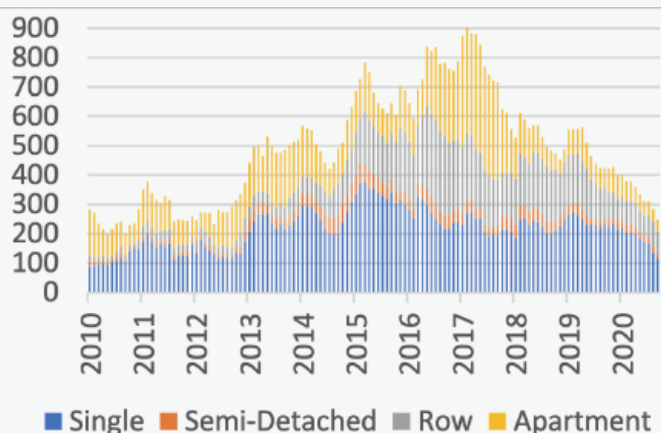
There has been a flight to quality among tenants where an increasing number choose to move to new buildings, with a willingness to pay higher rents for upgrades. Despite economic uncertainty, Baydo Development Corp. is continuing with its \$100-million, 426-unit Baydo Towers project. Meridian Development Corp. intends to appeal the rejection of its application for a development permit to build the 112-unit tower. Alternatively, Highpoint, a development near Broadway Bridge, has been put on hold.

Inspired by the additional time spent at home, many households have embarked on extensive renovation work. There were 906 renovation permits in Q3 2020, a 10.75% increase compared to the same period in 2019. While increasing costs could slow down this sector, renovations represent an area of growth for certified builders of the region thanks to the pandemic and the recently announced provincial home renovation tax credit.

Saskatoon's economy continues to suffer the effects of the pandemic. Between October 2020 and October 2019, the region has lost over 4,700 jobs, mostly in retail, tourism and hospitality sectors. On the positive, the city has seen strong growth in the private sector, particularly business and professional industries. Released days before the pandemic struck, SREDA's plan has four pillars for economic growth in the region: natural resources, innovation, Indigenous economic reconciliation, and making Saskatoon known as Canada's "most livable mid-sized city."

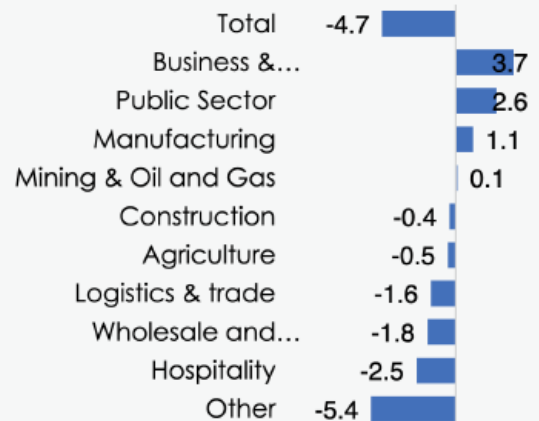
Although interprovincial migration to the city has dramatically slowed, Saskatoon's population will continue to grow, bolstered by international and intercity movement. Housing fundamentals are expected to improve as activity in the service sector, infrastructure projects, and increased stability in the energy sector continue to attract new migrants to the city.

Figure 11: MONTHLY UNABSORBED INVENTORY - Saskatoon CMA



Source: Canada Mortgage and Housing Corporation

FIGURE 12: SASKATOON EMPLOYMENT BY INDUSTRY  
000's jobs, October 2020 vs October 2019

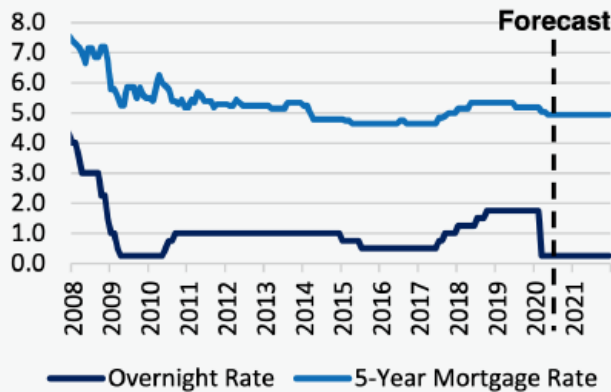


Source: Canada Mortgage and Housing Corporation



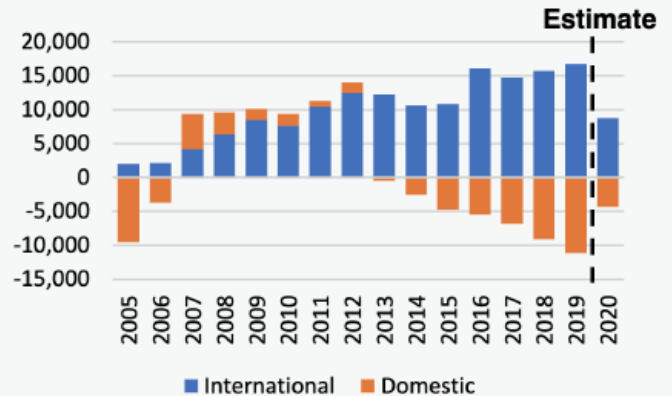
## Saskatchewan Overview

Figure13: INTEREST RATES - Percentage



Source: Bank of Canada & Statistics Canada

Figure 14: SASKATCHEWAN HISTORICAL MIGRATION



Source: Conference Board of Canada

Going forward, there remains considerable short-term uncertainty. COVID-19 cases remain low, but infection rates are surging throughout Saskatchewan. The second wave of the virus could lead to another round of mandatory business shutdowns which would dampen the recovery of the region's real estate market.

Mortgage rates are at a record low, which will continue to stimulate housing demand. A second wave of lockdowns could create upward pressure on rates as lenders will likely face liquidity issues similar to the beginning of the pandemic. However, the Bank of Canada has demonstrated its willingness to provide stability to the financial markets. The Central Bank's Governing Council has stated that interest rates will remain at current levels until at least 2023.

Migration is one of the key drivers for growth in Saskatchewan's housing market. Overall migration in 2020 will decline by 40% compared to the 5-year average. However, the slowdown is expected to be temporary with a strong bounce back in 2021. Canada's new goals for immigration may be lofty – 400,000 immigrants annually from 2021-2023 – but these numbers will be crucial to supporting the weakened economy.

Canada may see some competition from the south, as the Biden administration plans to expand visa entries for highly skilled workers, undoing the strict immigration policies enacted under Trump. However, Saskatchewan still boasts the desirable traits newcomers look for, such as stable politics and society, a well-established, positive attitude towards immigration, and thriving multicultural communities. Saskatchewan is already considered one of the best immigration destinations in the country and offers the easiest pathway to Canadian Permanent Residency.

The pandemic has forced industries that were resistant to change to evolve and embrace technological changes. Saskatchewan has always been at the forefront of technology. The energy sector pioneered improvements like EOR and carbon capture and storage. There has been an increase in the use of AI, data mining and drones to increase agricultural productivity.

Over the short term, the provincial economy is facing challenges however, long term fundamentals remain strong.





## Messages from our CEOs

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*For most of us, we are spending more time at home. Many households are using and perceiving their homes in a new way, and often, if that doesn't translate into a move, it means renovations. While increasing costs could slow down the market, renovations represent an area of growth for Saskatoon. Thanks to the pandemic, our new certified renovator professional designation, and the recently announced provincial home renovation tax credit, renovation work will be an increasingly important sector to residential construction this year.*

### CHRIS GUÉRETTE

CEO, Saskatoon & Region Home Builders' Association



*I cannot help but notice that in the communities where our industry has a strong working relationship with the municipality, housing tends to be more affordable and attainable, supply is much closer to demand, and the housing market is more balanced. The Home Building Associations in Saskatchewan continue to facilitate strong relationships between the Municipality, Community Developers and New Home Builders.*

*It is a great time to build a new home in vibrant new communities, with great new amenities, while our Certified Professional Home Builders have lots of options and interest rates are at an all-time low. Today's new homes are full of the latest technology, more eco-friendly and energy efficient than ever before.*

*Let's keep Regina growing.*

### Stu Niebergall

President and CEO,  
Regina Region Home Builder's Association



## Residential Construction Sector

The Regina and Saskatoon & Region Home Builders' Association is the professional association that represents residential construction - through both new construction and renovation.

The Associations serve 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 Regina
- 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

SRHBA publications can be found on our website at [saskatoonhomebuilders.com](https://saskatoonhomebuilders.com) While some publications are only available to professional members of the sector, many are also available to the public.

RRHBA publications and on-line tools, including the New Home Locator and Lifetime Cost Calculator can be found at [reginahomebuilders.com](https://reginahomebuilders.com). Information and research on 'Building a Better Regina' can be found at [smartergrowthregina.com](https://smartergrowthregina.com).

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