

Saskatchewan

Saskatoon & Region
Home Builders'
Association



Regina & Region
Home Builders'
Association



New Housing Market Overview

Q4 | 2020



Produced in partnership by:

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



Saskatchewan Overview

Resiliency in housing

Although the pandemic caused labour disruptions and supply shortages which resulted in lower building activity of new housing across the province (a 6.9% year-over-year¹ drop in starts and a 27.8% drop in completions), this was partially offset by an 8.2% increase in the median price of a new [single-family] home. Renovation construction was in high demand, and the resale housing market was also quite strong. Thus, despite gloomy expectations for the real estate market in the face of the COVID pandemic, the Saskatchewan real estate market has been quite resilient.

As the pandemic progressed and people continued to work from home, housing preferences began to change. More consumers began seeking lower-density single-family neighbourhoods, and a number of current renters sought to become homeowners. While it's still too early to tell whether this shift is a sustainable trend, in the short-term, it's certainly going to affect what people expect and need from their homes.

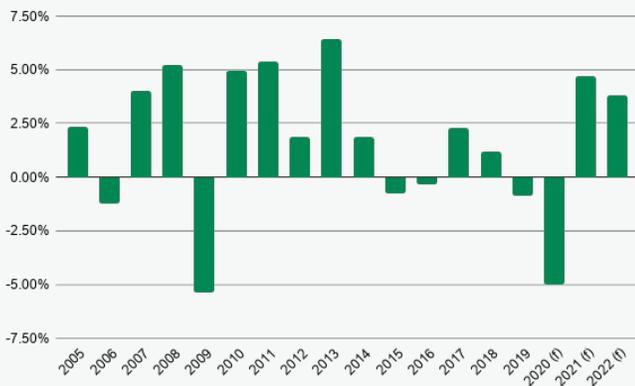
¹ At the time of this report, data for December 2020 were unavailable, so only the first 11 months of 2019 were used for comparison.



Lumber shortage

With demand for lumber being higher than supply, we've seen a spike in lumber prices. This is mostly due to a shortage of wood fibre and mills having lower rates of production due to COVID restrictions. These higher prices are adding a significant cost to construction and renovations, eroding affordability further.

Figure 1: SASKATCHEWAN GDP GROWTH | Percentage



Source: Statistics Canada, BMO, BNS, RBC, TD

Figure 2: HISTORIC LUMBER PRICES | \$USD



Source: NASDAQ Historical Lumber (LBS) Price



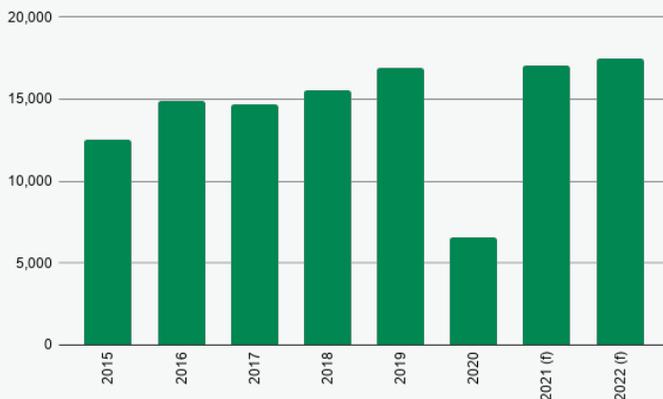
Saskatchewan Overview

Immigration

Migration is critical to Saskatchewan's population growth which is a factor in housing demand. Although COVID reduced immigration to the province by 53.1% compared with 2019², the federal government has increased its immigration targets for 2021 and 2022. As a result, immigration levels are expected to return to pre-pandemic levels. Furthermore, with demand continuing to exceed supply, this small drop in immigration levels will only have a modest impact on overall housing demand.

² At the time of this report, IRCC only had immigration data available to October 2020, so only the first 10 months of 2019 were used for comparison.

Figure 3: TOTAL SASKATCHEWAN IMMIGRATION



Source: Immigration Refugees and Citizenship Canada

Government stimulates the economy through housing

The government introduced the New Home PST Rebate and the Saskatchewan Home Renovation Tax Credit in 2020. These measures should help encourage consumers looking for a new home or who want to upgrade an existing home, helping to stimulate the economy.

For the 2020-21 budget, the government is projecting \$16.2B in spending (providing additional support to the health, education, tourism, and municipal sectors) while revenues are projected at \$14.2B. Part of the government's deficit is due to tax cuts aimed at helping businesses recover from earlier effects of the pandemic. These actions are helping to boost consumer and business confidence which will have help to provide broad support to the economy, ultimately helping to stimulate new and renovation construction.

Although Saskatchewan's economy is expected to fall 5.0% in 2020, Statistics Canada data suggests that people's net worth increased by over \$600B in the first six months of the pandemic. As vaccines continue to be deployed, restrictions should be eased, bringing greater optimism for recovery going forward as consumers are able to spend some of the wealth that they've accumulated. Analysts are projecting growth of 4.7% in 2021 and 3.8% in 2022.

Interest rates

The average rate for a 5-year fixed mortgage has continued to fall since Q3 which has helped to further stimulate housing demand. And while the Bank of Canada has ruled out negative interest rates to help stimulate the economy in the wake of a second COVID wave, some have speculated that micro cuts could be used. Combined with previous rounds of fiscal stimulus, these micro cuts could continue to stimulate modest demand in the housing market.



Regina & Region Overview

Change in housing preferences

Demand for new housing in Regina continues to decline compared with last year. For the first two months of Q4 2020, there were 90 new construction home sales (down 35.3% from the same period last year). Single-family and row home sales increased 27.0% and 52.4% respectively in the first two months of Q4 2020 compared with the same period in 2019 while semi-detached and apartment sales were down 25.0% and 93.2% respectively, helping to confirm the recent change in housing preferences.

There were 265 new construction building permits issued in Regina in Q4 of this year, with a total value of \$35.5M. This represents a 103.8% increase in the number of permits (and a 11.1% increase in the value of permits) compared to the same period last year. Single-family homes represent 27.9% of the permits issued during the quarter. For 2020, a total of 1,259 building permits were issued (a 74.4% increase over 2019) and the total value of permits issued for the year were up 3.6% compared with 2019.



Single-Family

\$15.62 million



Semi-Detached

\$5.7 million



Townhouses

\$2.4 million

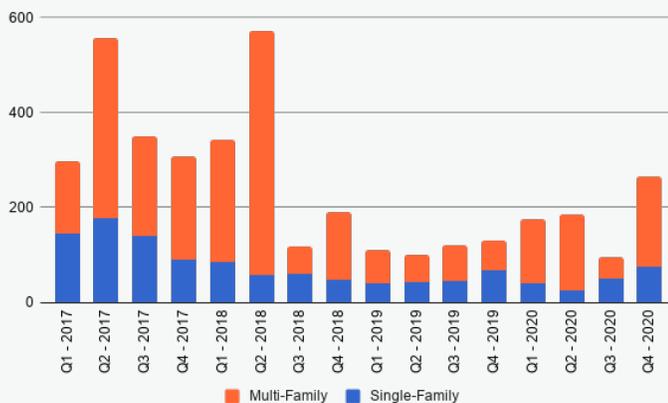


Apartments

\$11.70 million

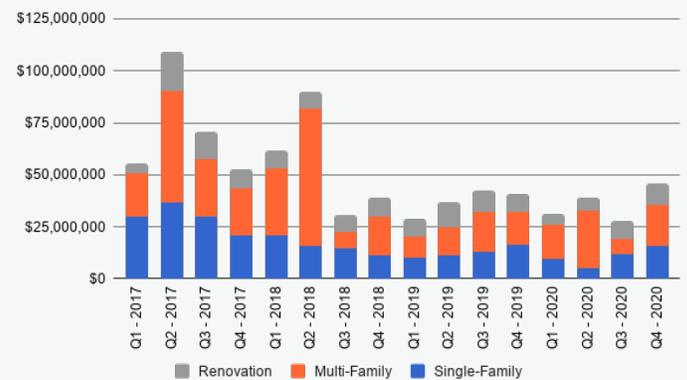
Source: Regina & Region Home Builders' Association

Figure 4: NUMBER OF BUILDING PERMITS - Regina CMA



Source: Regina & Region Home Builders' Association

Figure 5: VALUE OF BUILDING PERMITS - Regina CMA



Source: Regina & Region Home Builders' Association

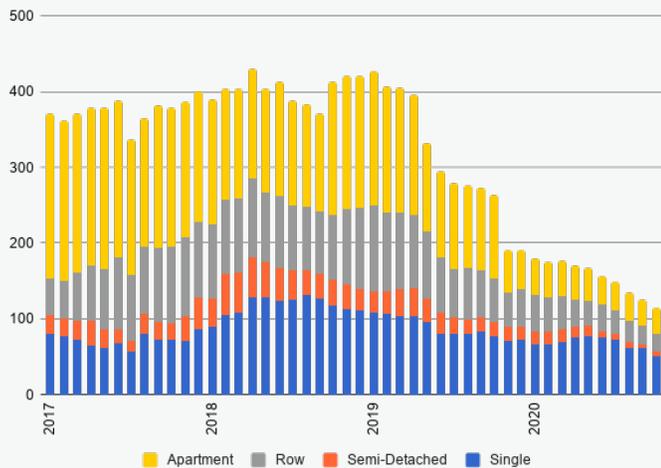


Regina & Region Overview

Rapid absorption of inventory

The inventory of completed but unsold new homes continues to decline. As of November 2020, there were only 96 units available (well-below the 5-year and 10-year averages of 394 and 175), down 49.7% from last November. Strong demand combined with declining supply has led to a rapid absorption of inventory and an increase in prices.

Figure 6: MONTHLY UNABSORBED INVENTORY - Regina CMA



Source: Canada Mortgage and Housing Corporation

Renovations

Although the pandemic was expected to lead to an increase in the number of renovations taking place due to the stay-at-home directives, renovation activity in Regina didn't increase dramatically. There were 378 renovation permits issued in Q4 (down 1.8% from Q4 of last year) valued at \$10.0M. Although the value of renovation permits increased 18.0%, part of this increase is likely due to increased materials costs. For 2020, the number of renovation permits fell 13.4% compared with 2019, and the value of renovation permits also fell 22.8%.

Population growth

With Regina's population increasing 1.3% over 2020, the region continues to see supply shortages. Although demand may fall temporarily with rising COVID case counts, overall housing demand increased once restrictions were removed, and we could see the market repeat this behaviour. The number of overall homes currently under construction continues to increase with 538 units under construction as of November 2020, a 20.1% year-over-year increase. For single-family and semi-detached, there was a 2.1% and 30.8% respective decline compared to last November, while there was a 32.0% and 73.8% increase in row housing and apartments.



The pandemic changed where and how we live, work and play unlike any time in recent history. Some of the changes will be temporary once the vaccine is fully distributed, while others will be more permanent. As an example the normalization of work-from-home is expected to remain at least somewhat permanent, and that has far-reaching implications for housing, our City's growth plan and the economy.

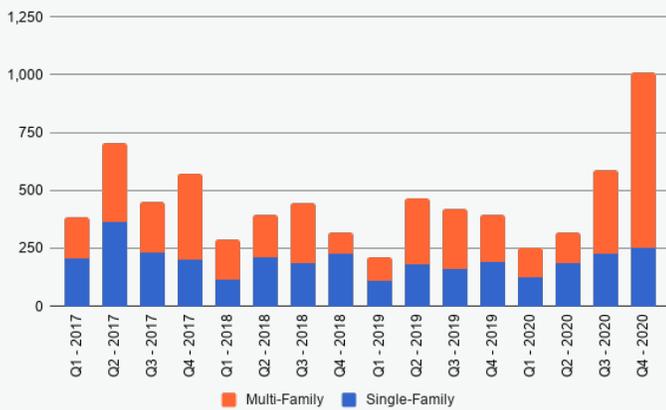
Stu Niebergall

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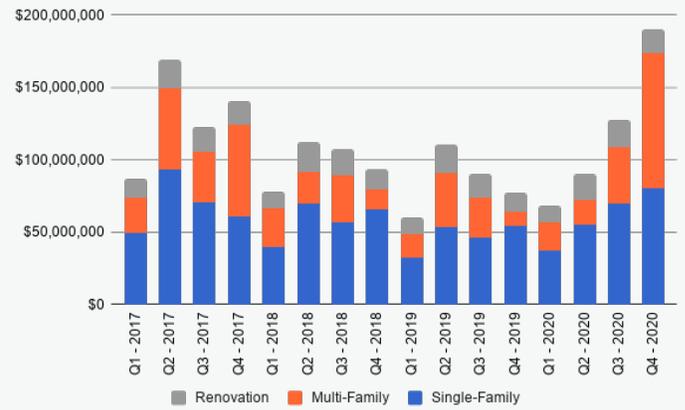
Saskatoon & Region Overview

Figure 8: NUMBER OF BUILDING PERMITS | Saskatoon CMA



Source: Saskatoon & Region Home Builders' Association

Figure 9: VALUE OF BUILDING PERMITS | Saskatoon CMA



Source: Saskatoon & Region Home Builders' Association

Change in housing preferences

Demand for new housing in Saskatoon continues to decline compared with last year. For the first two months of Q4 2020, there were 157 new construction home sales, down 6.0% from the same period last year. Single-family and semi-detached home sales increased 6.0% and 350.0% respectively in the first two months of Q4 2020 compared with the same period in 2019. Row homes and apartment sales were down 33.3% and 77.8% respectively, helping to confirm the recent change in housing preferences.

There were 1,012 new construction building permits issued in Saskatoon in Q4 of this year, with a total value of \$173.6M. This represents a 156.2% increase in the number of permits and a 173.1% increase in the value of permits compared to the same period last year. Single-family homes represent 22.4% of the permits issued during the quarter. For 2020, a total of 2,171 building permits were issued, a 45.3% increase over 2019, and the total value of permits issued for the year were up 49.1% compared with 2019.



Saskatoon & Region Overview

Supply challenges

The inventory of completed but unsold new homes continues to decline. As of November 2020, there were only 185 units available (well-below the 5-year and 10-year averages of 640 and 487), down 56.7% from last November. Strong demand combined with declining supply has led to a rapid absorption of inventory and an increase in prices.

Increase in renovation activity

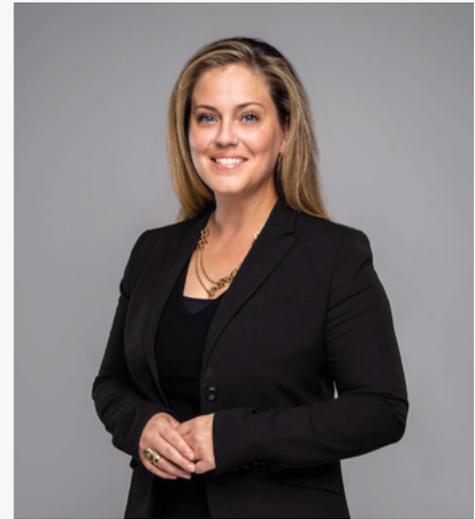
With Saskatoon's population increasing 1.6% over 2020, the region continues to see supply shortages. Although demand may fall temporarily with rising COVID case counts, overall housing demand increased once restrictions were removed, and we could see the market repeat this behaviour. The number of overall homes currently under construction continues to increase with 1,845 units under construction as of November 2020, a 29.0% year-over-year increase. Single-family, row homes, and apartments saw 19.3%, 37.2%, and 36.6% increases respectively, while semi-detached saw a 2.9% decline.

Figure 10: MONTHLY UNABSORBED INVENTORY - Saskatoon CMA



Source: Canada Mortgage and Housing Corporation

With Saskatoon's population increasing 1.6% over 2020, the region continues to see supply shortages. Although demand may fall temporarily with rising COVID case counts, overall housing demand increased once restrictions were removed, and we could see the market repeat this behaviour. The number of overall homes currently under construction continues to increase with 1,845 units under construction as of November 2020, a 29.0% year-over-year increase. Single-family, row homes, and apartments saw 19.3%, 37.2%, and 36.6% increases respectively, while semi-detached saw a 2.9% decline.



It's clear that the pandemic had an impact on housing, not only in terms of activity but bringing a recent change in housing preferences. What will be key in 2021, will be keeping a sharp eye on supply and on the possible erosion of affordability.

CHRIS GUÉRETTE

CEO, Saskatoon & Region Home Builders' Association



Residential Construction Sector

The Regina & Region and Saskatoon & Region Home Builders' Associations are the professional associations that represent residential construction - through both new construction and renovation.

The Associations serve businesses involved in the housing sector and provide 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 work 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 Associations provide 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 and online tools can be found at saskatoonhomebuilders.com and at mynuhome.ca. 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. Information and research on 'Building a Better Regina' can be found at smartergrowthregina.com.

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