



Q4 2021

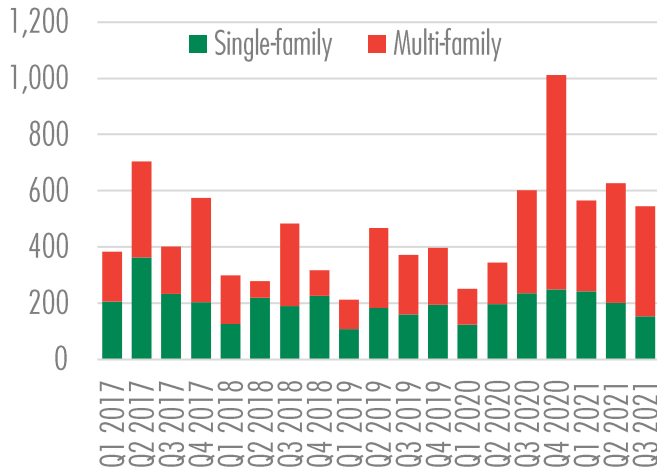
SASKATOON NEW HOUSING MARKET OVERVIEW

DECEMBER 2021





FIGURE 1: NUMBER OF BUILDING PERMITS

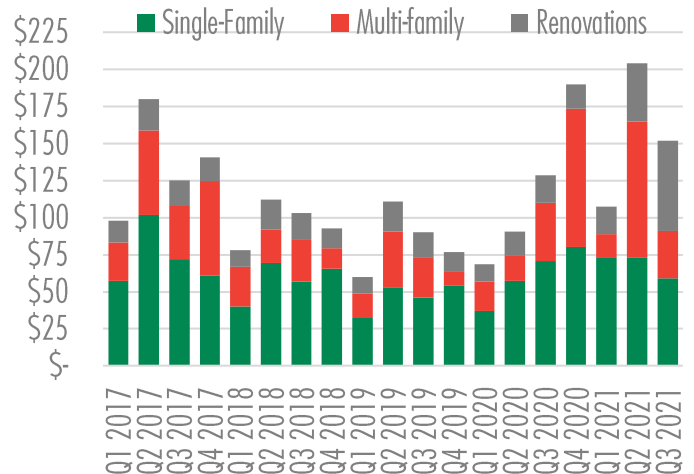


Source: Saskatoon & Region Home Builders Association

Fundamentals for Saskatoon’s new housing market are improving after a rocky 2021. There were 336 new housing units sold in Q3 2021. This represents a 4.7% increase compared to the same period in 2020. Saskatchewan’s capital city has seen a recovering economy driven by strong demand and rising prices for key commodities. The business and professional sectors have also shown remarkable resiliency with solid growth from the tech sector. Additionally, Saskatchewan’s consumers returned in full force, pushing retail sales to historical highs this summer. In Q3 2021, home builders in the region applied for 544 new dwelling building permits. This represents a 9.5% decrease compared to Q3 2020. This is due to a 35.0% drop in the number of single-family home permits.

Labour shortages are one of the largest issues facing the home builders in the region. Employers are having a difficult time finding qualified labour. In Q2 2021, Saskatoon registered a historical number of job vacancies, with 6,695 unfilled positions.

FIGURE 2: VALUE OF BUILDING PERMITS
\$ Millions



Source: Saskatoon & Region Home Builders Association

FIGURE 3: QUARTERLY NEW HOMES QUICK STATS



336 Residential sales in Q3 2021
4.7% increase vs Q3 2020



544 Building permits in Q3 2021
9.5% decrease vs Q3 2020



2,418 Units under construction in September 2021
59.3% increase vs September 2020



158 Completed and unabsorbed units as of September 2021
36.3% decrease vs September 2020

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

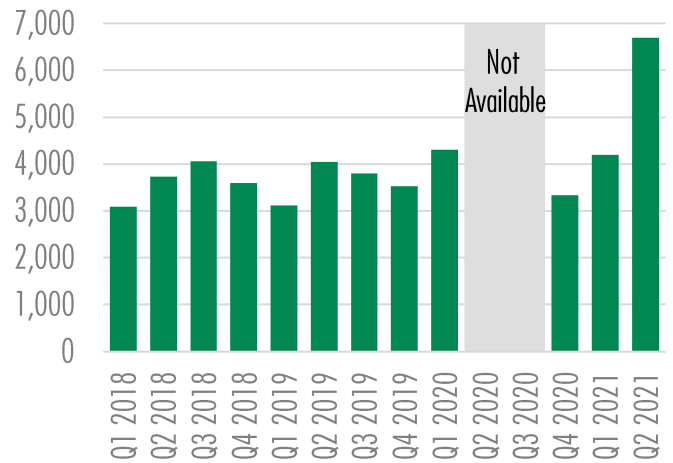




The city's unemployment rate was 6.4% as of November 2021, just below the national average at 6.5%. Saskatchewan has seen several large recent investments. This includes the recently approved \$7.5 billion stage 1 development of the Jasen potash mine, which could require up to 3,500 jobs during the construction phase. Additionally, the 2021-22 provincial budget has committed \$3.1 billion in capital projects. While these are good for the economy it is likely to put additional pressure on labor demand, particularly construction workers. The industry has seen a steady decline in the size of its labour force. This has been driven by retirements and a diminishing appeal of the trades in newer generations in favour of university degrees. To address this, the provincial government announced the 'Hard-To-Fill Skills Pilot program', which will enable employers to recruit workers overseas to help ease the labour shortages.

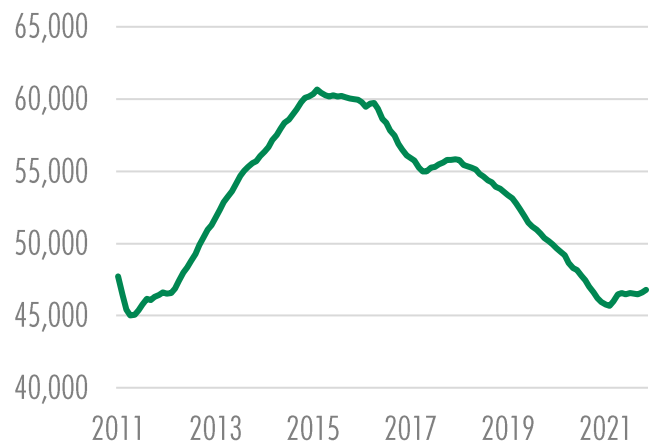
Homebuilders are also grappling with supply chain challenges. First came the global pandemic, which shutdown factories to contain the spread of COVID-19. Next came a massive increase in demand for goods which skyrocketed prices of construction inputs, such as lumber. This was followed by a shortage of shipping containers and transportation fleets. This pushed the cost of shipping from Asia to the prairie province from under \$2,000 to close to \$18,000 per container. Now, the recent atmospheric river has effectively cut-off the Vancouver port from the rest of the continent. While the port has not been directly affected by the flooding, rail and land transportation capacity has been severely impacted. All these issues continue to impact construction timelines and costs for builders. The average length of construction for a new single-family home in Saskatoon was 8.3 months in Q3 2021, up from 7.7 months. However, it is not uncommon for possession of a new home to be delayed up to a year for some projects.

FIGURE 4: SASKATOON'S JOB VACANCY RATE



Source: Statistics Canada

FIGURE 5: SASKATCHEWAN CONSTRUCTION LABOUR FORCE

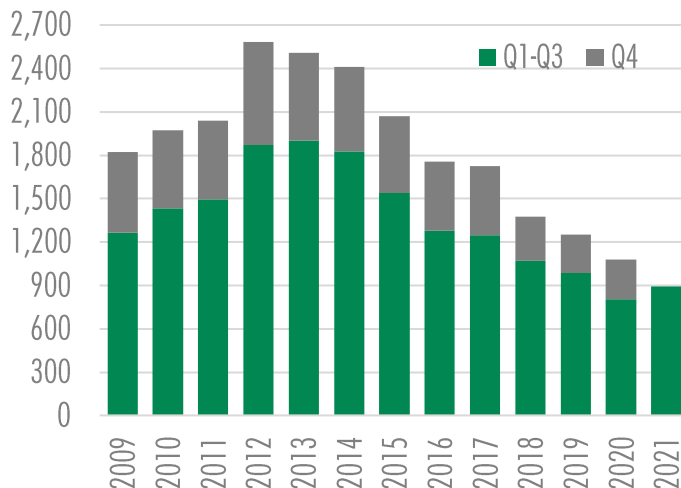


Source: Statistics Canada





FIGURE 6: NEW HOME SALES

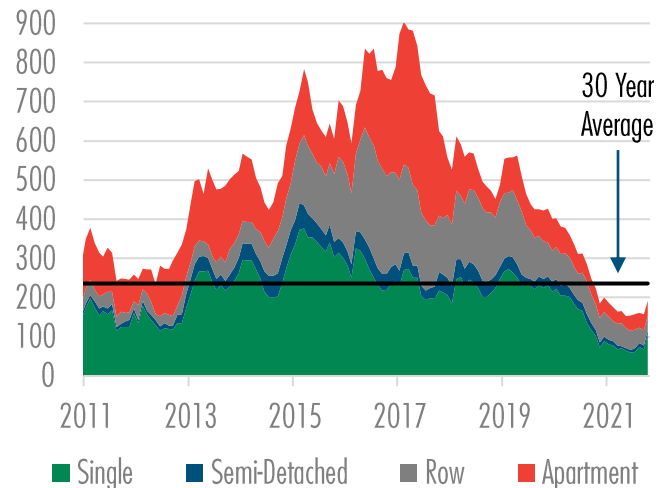


Source: Canada Mortgage and Housing Corporation

Like the resale market, the new home market is experiencing an inventory shortage. The number of homes available in the market has dipped well below the 30-year average. As of September 2021, there were only 158 homes completed but unabsorbed in Saskatoon. This represents a 36% decline compared to the same period in 2020 and an 82% fall compared to the all-time-high in February 2017. As of September 2021, there were 2,418 dwellings under construction. Multifamily leads the charge with over 1,390 units under construction. However, 86% of these are slated for the rental market. The region has seen a strong decline in overall vacancy rates and robust demand for newer generation rentals.

Despite some of the recent challenges, the new home industry remains optimistic. The economy is firing on all cylinders and Saskatchewan is likely to lead the country in economic growth throughout 2022. This is

FIGURE 7: NEW HOUSING UNABSORBED INVENTORY



Source: Canada Mortgage and Housing Corporation

making developers feel confident in bringing new supply on spec, which was almost non-existent in 2021. Volatility in materials supply and shortages in labour are translating into construction inflation. For now, homebuilders have absorbed most of the cost increases by reducing margins as many of the contracts were slatted during early stages of the pandemic. In Q3 2021, the average single family home price in Saskatoon was \$474,870. This represents a 1.8% increase compared to the same period last year. However, home prices are likely to rise in response to increase costs. Additionally, The Bank of Canada has signaled its intentions to raise interest rates in the short term as the slack in the economy is absorbed, while both inflation and employment are quickly rising. This is likely to pull housing demand in Saskatoon to the present, as buyers rush for mortgage pre-approvals amid upcoming rate increases.



The Saskatoon & Region Home Builders' Association is invested in bringing insight to public policy decision makers on matters that effect the residential construction industry, while connecting our members with opportunities.

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