



Q1 2022

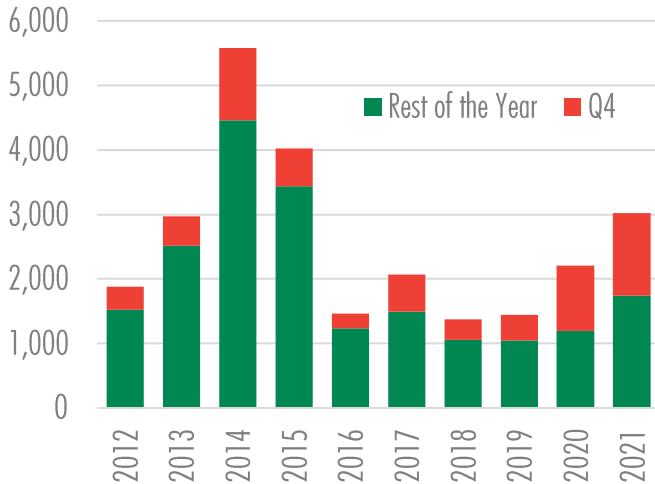
# SASKATOON NEW HOUSING MARKET OVERVIEW

FEBRUARY 2022





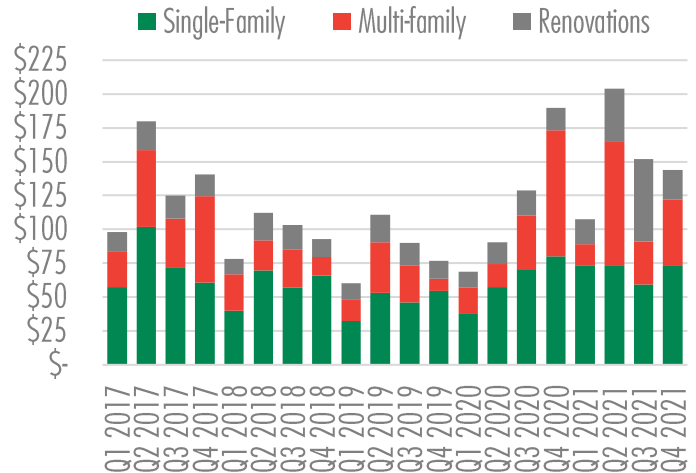
**FIGURE 1: NUMBER OF BUILDING PERMITS – Excludes Renovations**



Source: Saskatoon & Region Home Builders Association

Like the rest of the country, Saskatoon is facing an imminent housing shortage in 2022. Demand for housing has improved over the past few months. The region's economy is nearly back to where it was pre-pandemic, and better in some areas. Many buyers, unable to find the right home in the re-sale market are turning to new construction as a feasible alternative. For the first time since 2012, Saskatchewan's capital city experienced positive new home sales growth in 2021. There were 1,198 sales in 2021, compared to 1,077 in 2020. Builders have slowly increased supply yet, new construction capacity is not able to rise as quickly as demand. Companies are reporting trouble filling job vacancies. Saskatoon has lost skilled workers to other provinces after years of declining construction activity. Labour availability is a growing concern which would require proactive planning to train and retain workers. Local builders, who make the lion's share of construction companies in Saskatoon, have been focused on pre-sale work. Many of the large national builders, who contributed to the quick rise in supply in 2015-2017, are somewhat absent in the market. These groups are focused on expanding in other parts of the country. While some builders are slowly talking about spec development, most are focused on shovel ready plans instead. Companies continue to be averse to the added risk to build on spec.

**FIGURE 2: VALUE OF BUILDING PERMITS \$ Millions**



Source: Saskatoon & Region Home Builders Association

**FIGURE 3: QUARTERLY NEW HOMES QUICK STATS**



**1,198 Residential sales in 2021**  
11.2% increase vs 2020



**3,016 Building permits in 2021**  
36.6% increase vs 2020



**2,340 Units under construction in December 2021**  
26.1% increase vs December 2020



**198 Completed and unabsorbed units as of December 2021**  
1.0% decrease vs December 2020

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

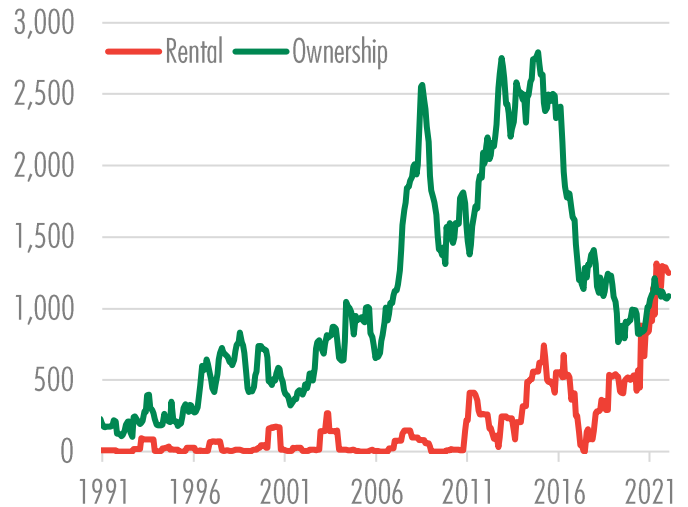




The region has seen a recent uptick in construction. In 2021, the Saskatoon and region home builders applied for 3,016 building permits. This represents a 36.6% increase compared to 2020 and a 15.9% increase compared to the 10-year average. As of December 2021, there were 2,340 units currently under construction, a 26.1% increase compared to December 2020. However, this time is different. For the first time on record, the amount of purpose-built rentals under construction has surpassed the number of those intended for ownership. New rental projects have experienced a much more favorable access to capital and financing over the past few years. Newer generation apartments have seen a strong performance with vacancy rates for buildings built after 2000 reaching 2.2% in 2021, down from 12.8% in 2016. The development of new rentals is a positive sign for the economy but homeownership, creates a sense of community and roots households for longer.

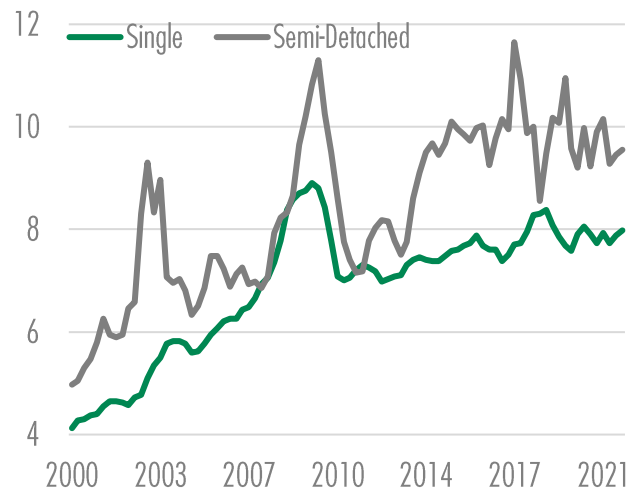
Scarcity in materials is an ongoing concern that forces builders to pre-purchase product and place orders months before construction begins. Builders have also mitigated shortages by substituting products for what is available now, instead of waiting months for the original requirement. Ongoing red tape is another factor that has slowed down the delivery of much needed housing supply in the region. The pandemic has sent many government employees' home, which has bottle necked permit processing times. This compounds with more stringent requirements to include additional architectural approvals and energy efficiency reviews. The delays have contributed to the lengthening of housing construction. In Q4 2021, the average number of months to build a dwelling was 7.7, an 11.6% increase compared to Q4 2020. Pandemic-related supply chain disruptions continue to impact home builders in the region. Consumer inflation has made recent headlines, yet the increase is marginal compared to the rising construction costs, which have escalated close to 25% in 2021. However, prices have recently shown signs of stabilization. In Q4 2021, Saskatoon's residential construction prices increased by 18.5% compared to the same period of 2020.

**FIGURE 4: INVENTORY UNDER CONSTRUCTION BY INTENDED MARKET**



Source: Canada Mortgage and Housing Corporation

**FIGURE 5: MONTHS OF CONSTRUCTION**  
12 month moving average

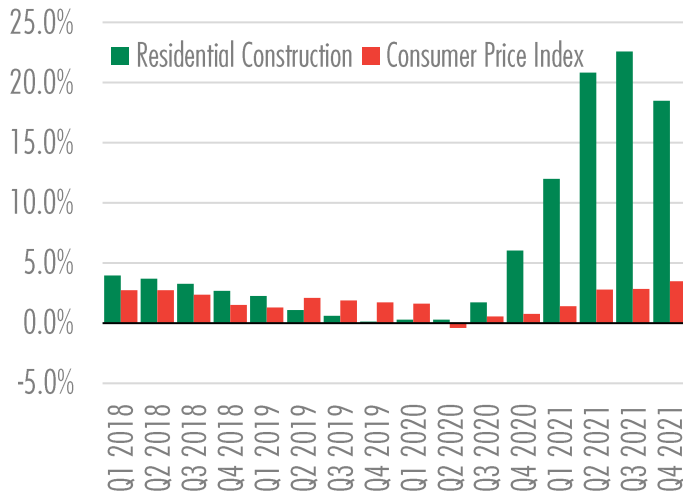


Source: Statistics Canada





**FIGURE 6: SASKATOON'S INFLATION**

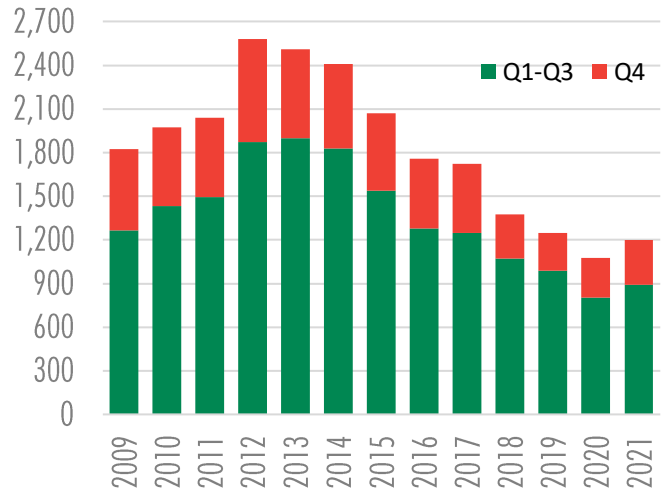


Source: Statistics Canada

The Bank of Canada is changing its tone and announcing its intentions to move away from the low interest rate policy that supported the economy throughout the pandemic. The move is in response to increasing price pressures, with inflation reaching 5.1% in January of 2022. This is the highest level in over three decades. Financial markets are anticipating an aggressive climb on interest rates with a total of 4 interest rate hikes in 2022, with the first one expected in March. Historically, rising interest rates are likely to cause declining home sales. The presence of a mortgage stress test could imply a departure from historical norms. However, rising rates will impact affordability in Saskatoon. Homebuyers will qualify for smaller mortgages and will have a larger portion of their monthly payments to service interest.

The oil and gas industry continues to be a major driver of Saskatoon's economy. Western Canadian Select, the benchmark price for Canadian oil, has risen close to the \$79.69/USD per barrel mark at the time of this writing. This is the highest price for Canadian crude since 2014, a period of unprecedented economic expansion in Saskatchewan. Beyond oil and gas, Saskatoon continues to lead in all forms of

**FIGURE 7: ABSORBED HOMEOWNER AND CONDOMINIUM UNITS**



Source: Canada Mortgage and Housing Corporation

innovation. The region has a buoyant tech sector, which has been a catalyst of growth. Additionally, the \$12 billion Jansen Potash Mine, the largest investment ever in the province, is expected to provide a significant boost to the region's economy.

According to RBC, Saskatchewan is expected to lead the nation in 2022 with 5.6% economic growth and Saskatoon is expected to outperform. The city's unemployment rate has recovered to 4.8% in January 2021, and the number of active businesses has surpassed pre-pandemic levels. The strong economic prospects along side the affordable housing market are fundamental to help attract and retain young people. Public policy is critical in encouraging a healthy housing supply in a period of volatility. The recent PST rebate on new home construction has been a crucial tool supporting local home builders. The rebate has provided certainty to developers allowing them to invest in future housing supply, while helping affordability in Saskatoon. The City of Saskatoon and the Provincial government should continue to ensure the affordable advantage continues to accommodate future growth in the region.



*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.*

## CONTACT

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Saskatoon & Region  
**Home Builders'**  
Association

