



Q2 2022

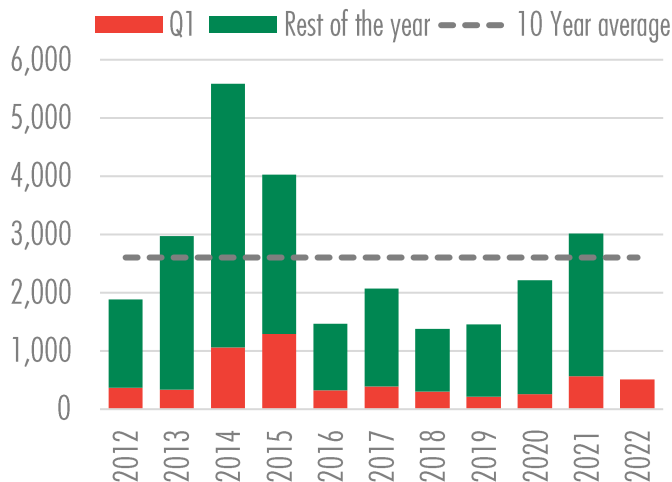
# SASKATOON NEW HOUSING MARKET OVERVIEW

MAY 2022





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

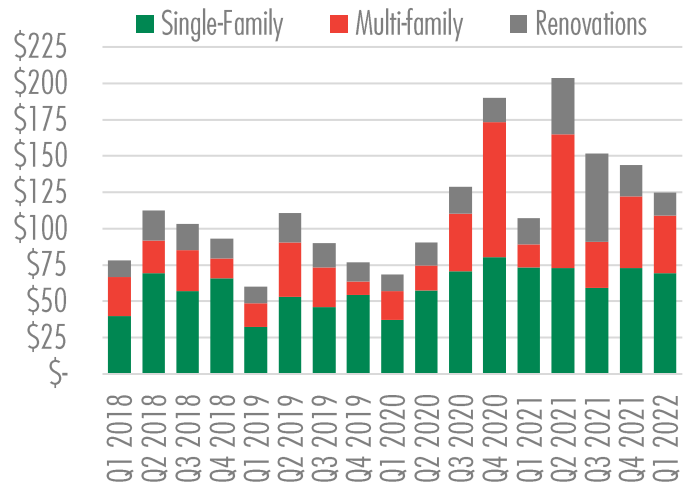


Source: Saskatoon & Region Home Builders Association

Saskatoon’s new housing market experienced a temporary increase in sales during the first quarter of 2022 as buyers jumped into the market ahead of rising interest rates. There were 267 new home sales in Saskatoon during Q1 2022, representing a 22.5% increase compared to the same period in 2021. The strong year-over-year growth reflects the poor state of the market in 2021 rather than record shattering demand. Activity remains slow with transactions 33.0% below the 15-year average sales in the first three months of the year between 2007 and 2022.

The region’s resale market has experienced strong momentum which has led to rapidly rising home prices and an erosion of housing affordability in Saskatoon. However, the new housing market is far from a building boom. Builders are unlikely to provide any meaningful supply relief in the short-term. Having applied for 501 permits for new building construction in Q1 2022, this represents a 11.5% decline compared to Q1 2021 and a 23.0% decrease compared to the 10-year average. Additionally, both the number of new single-family and multi-family permits are down year-over-year.

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



Source: Saskatoon & Region Home Builders Association

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



**267 Residential sales in Q1 2022**  
22.5 % increase vs Q1 2021



**501 Building permits in Q1 2022**  
11.5% decrease vs Q1 2021



**2,330 Units under construction in March 2021**  
3.2% increase vs March 2021



**210 Completed and unabsorbed units as of March 2022**  
28.0% increase vs March 2021

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

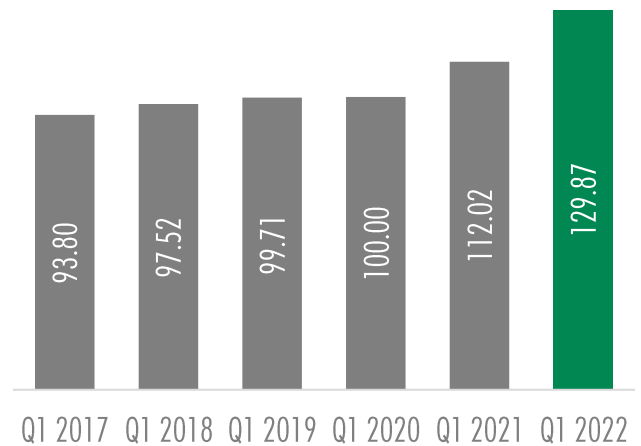




Builders' biggest challenge is the compression of profit margins as construction costs have dramatically escalated. Despite a decline in the number of new housing building permits, the value of permits increased 22.3% to \$108.9 million in Q1 2022 compared to the same period in 2021. According to the most recent data published by Statistics Canada, the cost of construction for new residential buildings in Saskatoon in Q1 2022 increased by 15.9% compared to the same period last year. This is almost 3 times the overall inflation rate in Saskatchewan, which reached a 30-year high at 5.7% in March 2022. Costs have increased dramatically since the beginning of the pandemic. To put this into perspective, \$100,000 worth of work by a home builder in Q1 2020 will require \$129,866.41 to be completed in Q1 2022 (see figure 4).

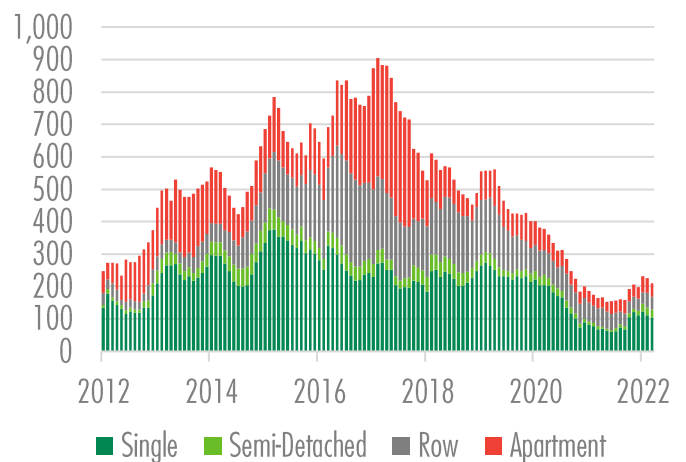
Spec construction is still happening, albeit at a slower pace. Some inventory has seen strong early pre-sales. As of March 2022, there were 210 completed but unabsorbed homes, representing a 57.7% decline compared to the 10-year average. Given the limited inventory for sale, relatively affordable new homes are likely to experience bidding wars. However, it has become increasingly difficult to properly price a home thanks to increasing construction costs. Instead, many buyers are likely to be shocked by new home prices. To mitigate increases in prices and product shortages, builders are pre-ordering materials as much as they can, but it is difficult to predict where delays in material will occur as these changes often fluctuate. Rising prices have made it very difficult for some builders to recover prices. Many builders chose to withhold inventory under construction until later stages of construction which may provide more cost certainty, however, this struggle has resulted in some liquidity issues for construction companies.

**FIGURE 4: RESIDENTIAL CONSTRUCTION INFLATION – Q1 2022 = 100%**



Source: Canada Mortgage and Housing Corporation

**FIGURE 5: COMPLETED & UNABSORBED NEW HOUSING INVENTORY**

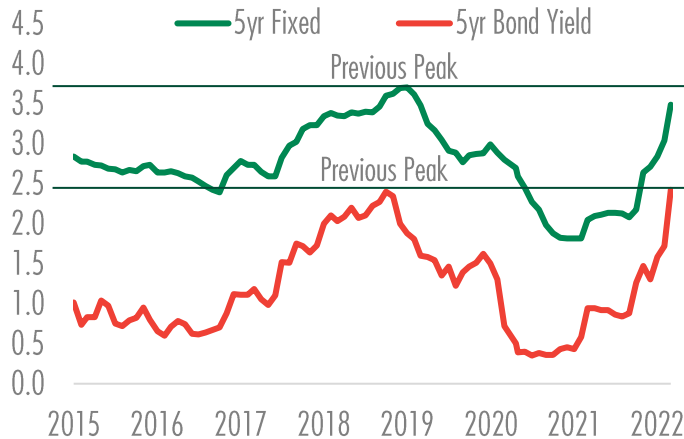


Source: Canada Mortgage and Housing Corporation





**FIGURE 6: BOND AND MORTGAGE INTEREST RATES %**



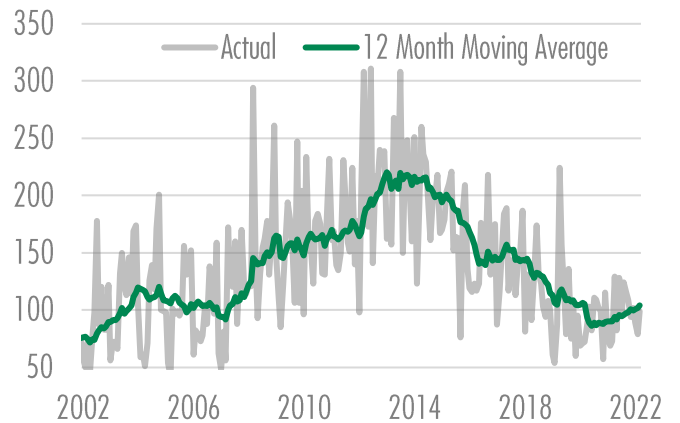
Source: Bank of Canada

On April 13, 2022, The Bank of Canada increased its benchmark interest rate to 1.00% by an outsized 50 basis points in an effort to control increasing runaway inflation. This is the largest single increase since May of 2000. Several economists expect further rate increases over the summer as the Central Bank Governor identified the desire to get back to a more neutral policy rate between 2% and 3%. Mortgage rates have rapidly increased in response to the Bank of Canada and are now at a 5-year high and likely to continue to increase. While not the norm, financing has become an issue for some buyers in Saskatoon.

Housing was a major theme in the recent 2022 federal budget with 29 new housing related measures announced. This includes supply-boosting initiatives, speculation curbing measures, and new support for buyers. Whether these proposed actions will support affordability is yet to be seen as many of these measures will take some time to implement.

Looking ahead, sales are likely to experience some turmoil in the spring of 2022. April experienced a sales weakness as many buyers

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



Source: Canada Mortgage and Housing Corporation

fast-forwarded their purchase to February and March ahead of the interest rate increases. Additionally, the month of May traditionally sees a decline in sales. On the supply side, many of the current issues are likely to persist. In the medium term, supply chains have not recovered from recent havoc and many more months are likely to transpire before the chaos subsides. Additionally, construction activity will likely continue to be subdued as builders face uncertainty from rising costs and interest rates.

Despite this, Saskatoon's future is bright. According to recent census data, over half of the province's population is under 40 years old with Saskatoon having one of the largest relative shares of millennials in the country. In spite of rising home prices, Saskatoon is one of the most affordable real estate markets in Canada where the possibility of owning a single-family home is well within reach of young families. Additionally, there are multiple existing proposed developments such as the new Downtown Event and Entertainment District (DEED) which will continue to improve the vibrancy of the city and stimulate further population growth.



*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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Saskatoon & Region  
**Home Builders'**  
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