



2023

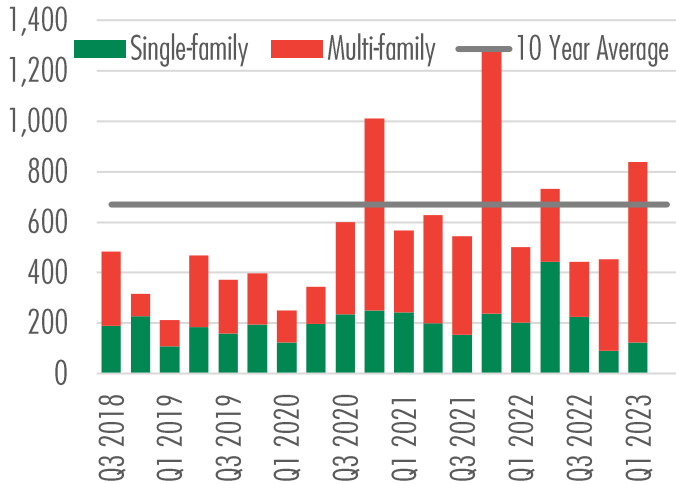
SASKATOON NEW HOUSING MARKET OVERVIEW

May 2023





FIGURE 1: NUMBER OF BUILDING PERMITS – Excludes Renovations

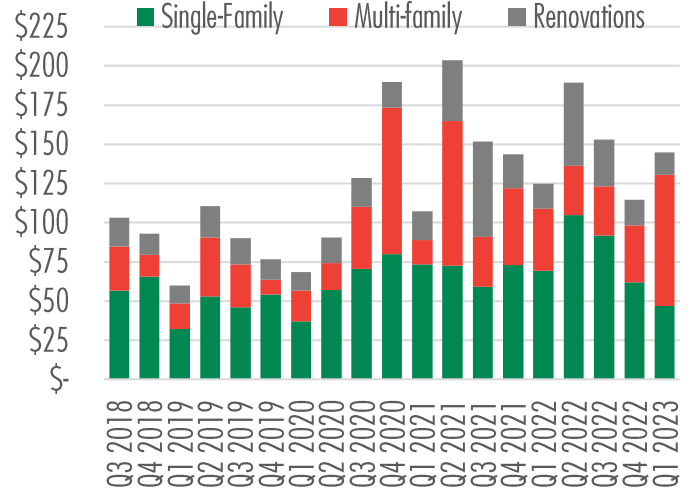


Source: Saskatoon & Region Home Builders Association

Saskatoon's new housing market struggled to gain momentum in Q1 2023, with sales having their third slowest quarter in the last 15 years. Only 217 new homes were sold during the first quarter, representing an 18.7% decline compared to the same period last year and a significant 48.0% decline compared to the 20-year average sales. March was the slowest month for sales activity in the past 16 years. Despite the sluggish sales, there was an increase in touring activity during March, which may indicate that buyers are regaining confidence in the market. While it remains to be seen how fast this increased interest will translate into more sales, it is a positive sign for the future of Saskatoon's housing market.

The Bank of Canada has paused interest rate increases and maintained the key rate at 4.5% for the past two months due to a slowdown in annual inflation. The Consumer Price Index (CPI) also continues to decline, falling from 5.2% in February to 4.4% in March 2023. However, the Bank is still concerned about bringing inflation down to its target, and officials have considered raising interest rates even further, pending more evidence. Economists believe that the Bank will reduce interest rates towards the end of 2023 or early 2024. This could potentially lead to further drops in mortgage rates in the short term.

FIGURE 2: VALUE OF BUILDING PERMITS \$ Millions



Source: Saskatoon & Region Home Builders Association

FIGURE 3: QUARTERLY NEW HOMES QUICK STATS



217 Residential sales in Q1 2023
18.7% decrease vs Q1 2022



838 Building permits in Q1 2023
67.3% increase vs Q1 2022



2,923 Units under construction in March 2023
25.5% increase vs March 2022



280 Completed and unabsorbed units as of March 2023
33.3% increase vs March 2022

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



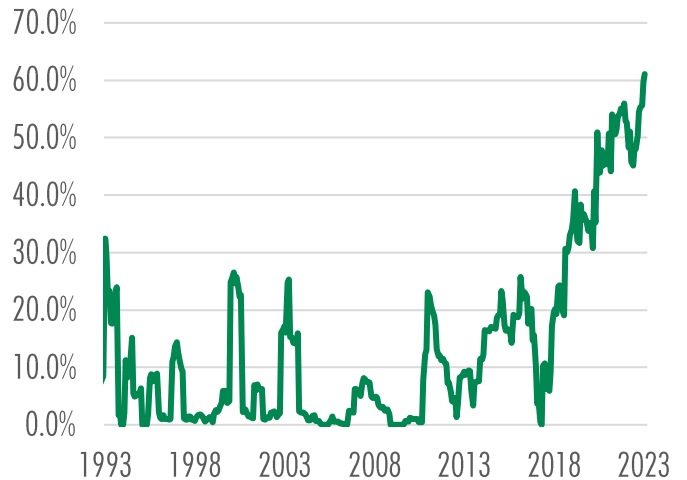


Saskatoon's new housing market is experiencing pent-up demand across all categories, as buyers who were hesitant to enter the market last year are now making their move. The stabilization of interest rates is expected to have a positive impact on the market going forward. However, first-time buyers are struggling due to affordability concerns, as higher interest rates increase overall monthly mortgage payments. Higher-end custom builds are currently the main source of activity for builders. This segment of the market is somewhat immune to higher interest rates as buyers are typically older families with higher equity or no mortgage at all, as well as younger professionals who have relocated to Saskatoon with significant equity in their homes from strong price appreciation in their local markets.

Builders in Saskatoon applied for 838 new construction permits in Q1 2023. This represents a 67.3% increase compared to Q1 2022. New housing starts and units under construction also grew by 26.9% and 25.5%, respectively, in the same period. However, this strong growth reflects the weakness of the 2021-2022 market and not the strength of 2023. Many developers have decided not to service land in Saskatoon at all this year due to weak market conditions. Builders are focusing on custom builds rather than spec homes, as prices for new housing have not increased despite rising construction costs. As a result, the price differential between newly built and resale single-family homes has widened to its highest on record.

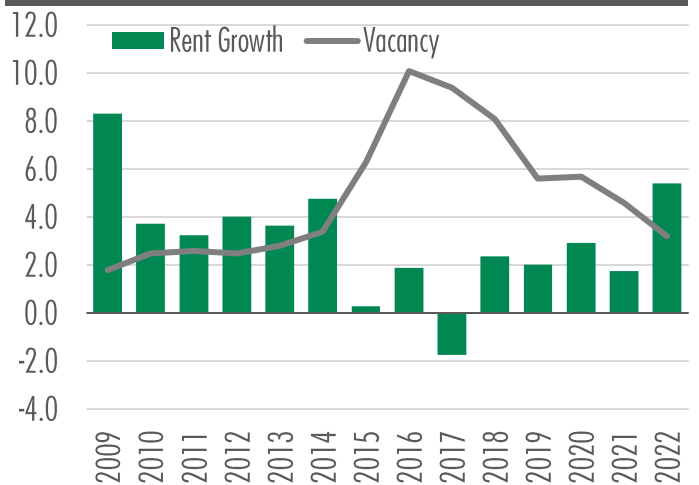
Local homebuilders continue to focus on multi-family properties, as these property types represented 85.2% of new building permits in Q1 2023. Saskatoon's rental market is booming, with a record 61.1% of all housing units under construction in March 2023 slated for rental. The rental market has seen an improvement in its fundamentals, marked by a consecutive 6-year decline in vacancy rates and hitting a 9-year low of 3.2%. In addition, the market experienced the highest rent growth in 14 years, with a growth rate of 5.4% in 2022.

FIGURE 4: PERCENTAGE OF INVENTORY UNDER CONSTRUCTION FOR RENT



Source: Canada Mortgage and Housing Corporation

FIGURE 5: RENTAL MARKET FUNDAMENTALS - %

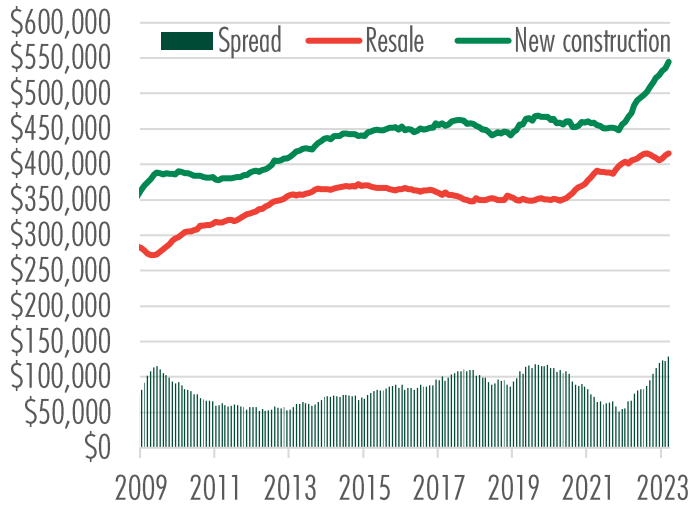


Source: Canada Mortgage and Housing Corporation





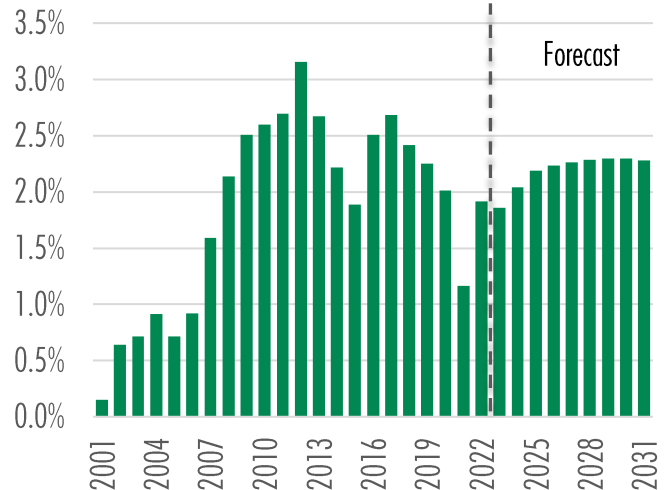
FIGURE 6: NEW AND RESALE PRICE - SINGLE-FAMILY HOMES



Source: Statistics Canada

The new housing market is likely to face obstacles, but will gradually move towards a balanced state, with long-term demand supported by strong regional fundamentals. Despite the current uncertainty in the global macroeconomic environment, such as a possible recession or further interest rate increases, activity for builders will continue over the short-term with existing projects currently under construction. Over the medium and long-term, Saskatoon's economy is likely to outperform as the Conference Board of Canada is forecasting the city to grow faster than other Canadian cities in 2023, supported by robust commodity markets and improved crop conditions. Small business confidence has also improved at the start of the year, in line with other economic indicators.

FIGURE 7: SASKATOON POPULATION GROWTH FORECAST



Source: Statistics Canada

Saskatoon's expected economic growth will attract more people to the city, leading to a surge in demand for rental and ownership housing. In fact, Oxford Economics is forecasting a population increase of 40,630 people between 2023 and 2028. As the region's population continues to grow, the real estate market will experience sustained growth despite the slowdown in 2022-2023. Saskatoon's affordable housing, low taxes, excellent amenities, and high quality of life will continue to fuel housing demand. Moreover, with a scarcity of rental options, more people may be inclined to invest in homeownership, adding to the need for housing supply. To maintain the region's growth and prosperity, policymakers must support the regional homebuilders to ensure adequate housing capacity.



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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