



Q2 2023

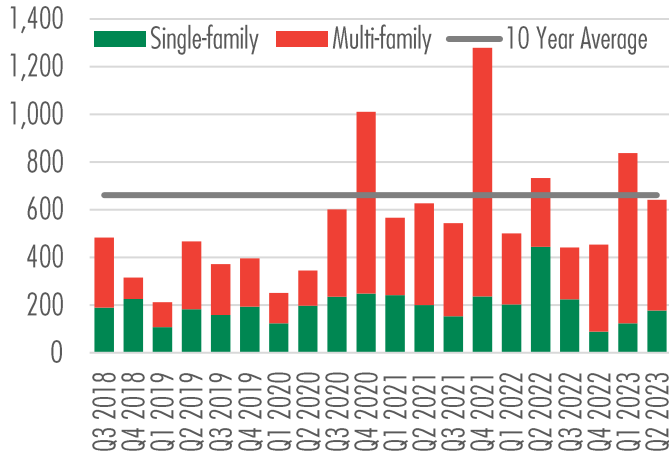
# SASKATOON NEW HOUSING MARKET OVERVIEW

August 2023





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

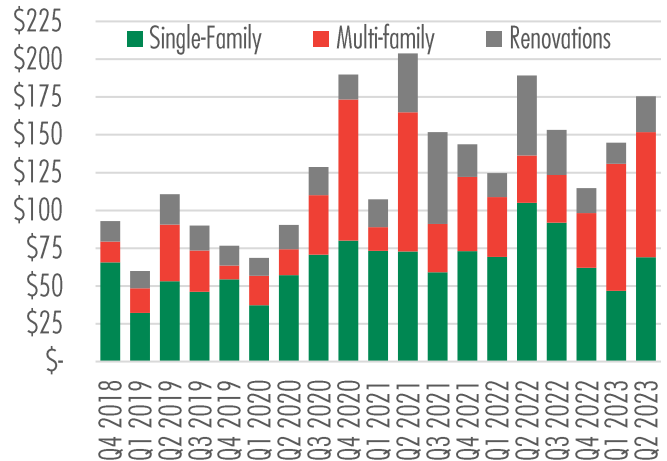


Source: Saskatoon & Region Home Builders Association

Saskatoon's new housing sales persist below the 10-year average, a trend exacerbated by increasing interest rates. While sales showed a sluggish pace in the first half of the year, they gained momentum during the spring months. However, sales across each month in the second quarter continue to lag behind their respective ten-year averages. In Q2 2023, a total of 320 new home sales were recorded, a 15% decrease compared to the same period in 2022. All property types experienced declines in sales, with apartments experiencing the most pronounced drop of 41.3%.

The prevailing sales pattern revolves around single-family homes falling within the \$350,000 to \$600,000 price range. Prospective buyers often adopt a wait-and-see approach, opting to wait in anticipation of a decline in interest rates. However, this reduction has failed to materialize. Buyers are hesitant to make a move unless compelled by specific circumstances. This sentiment extends even to homeowners with some equity, who are satisfied with their existing low mortgage rates and thus opt to remain where they are. The main obstacle in acquiring a new home lies in the monthly cashflow aspect, given the elevated interest rates, rather than the purchase price or downpayment.

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



Source: Saskatoon & Region Home Builders Association

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



**320 New Home sales in Q2 2023**  
15.3% decrease vs Q2 2022



**642 Building permits in Q2 2023**  
12.4% decrease vs Q2 2022



**2,540 Units under construction in June 2023**  
3.1% increase vs June 2022



**276 Completed and unabsorbed units as of June 2023**  
41.5% increase vs June 2022

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



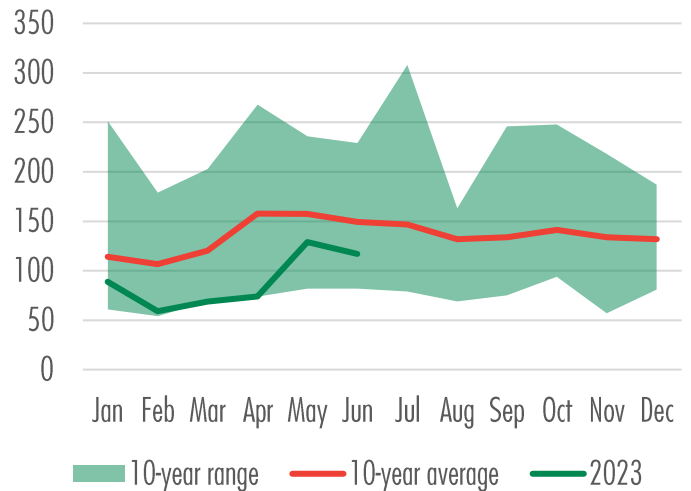


Furthermore, it is unlikely that interest rates will decrease in the upcoming months. On July 12, 2023, the Bank of Canada raised its policy interest rate by 25 bps for the second consecutive month. The decision to increase rates yet again reflects the central bank's determination to address inflation head on. Resilient economic growth and sticky inflation are putting pressure on central banks to maintain higher interest rates for longer periods. Originally expected to return to target by the end of 2024, the central bank now anticipates inflation will fall to 2.0% around mid-2025. Ultimately, the Bank's future policy moves will be driven by the current and expected path of inflation. Yet rates could stay higher for longer.

To ensure lasting economic and housing demand, Saskatoon must focus on retaining residents. The city's population has grown robustly due to international migration, primarily attracting young working-age individuals that help address job vacancies. However, the challenge remains as residents relocate to other parts of the country. Five consecutive years of domestic migration losses offset a quarter of the population gains from international migration. Many newcomers don't establish long-term roots, after obtaining permanent residency or citizenship, many move to destinations like Alberta and British Columbia.

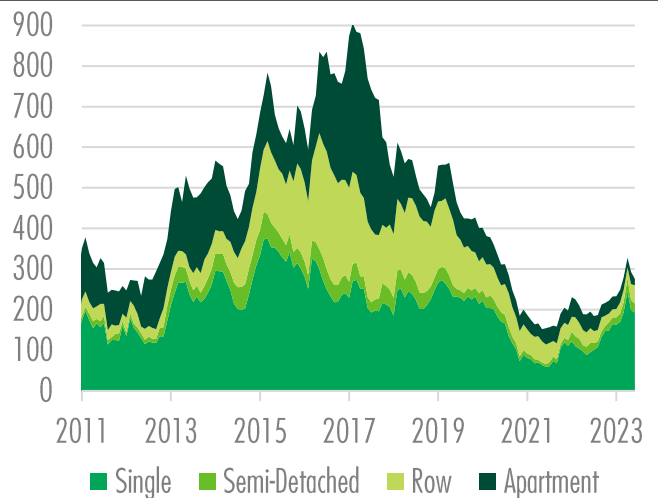
The market continues to show stark contrast between multi-family and single-family unit construction. Q2 2023 recorded the highest number of units completed since 1990, with 1,053 completed in that quarter. This represents a 5.2% increase compared to the same quarter last year, and an impressive 86.2% surge over the ten-year average. However, apartment units accounted for 71.0% of these deliveries. In contrast, completion of new single-family homes experienced a 25.5% decline compared to the ten-year average. Q2 2023 saw the issuing of 642 new construction building permits, amounting to a total value of \$151.7 million. This indicates a decline of 12.41% in the number of permits. However, the number of permits is 2.9% below the 10-year average. The overall value of building permits increased 11.3% from last year, reflecting higher construction prices rather than a significant shift in the type of units built.

**FIGURE 4: NUMBER OF NEW CONSTRUCTION RESIDENTIAL SALES**



Source: Canada Mortgage and Housing Corporation

**FIGURE 5: HISTORICAL INVENTORY OF COMPLETED AND UNABSORBED UNITS**

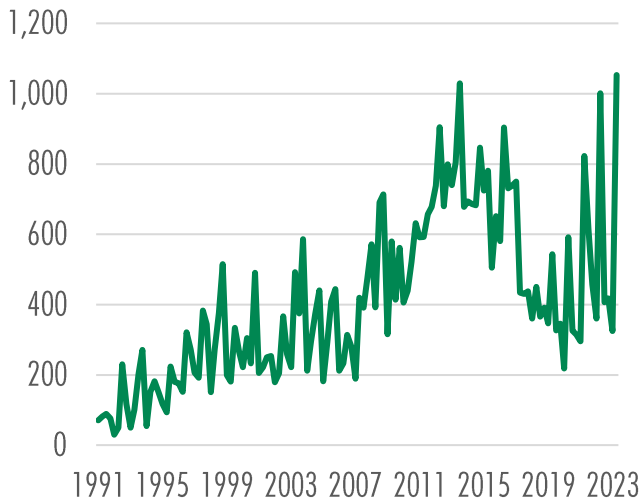


Source: Statistics Canada





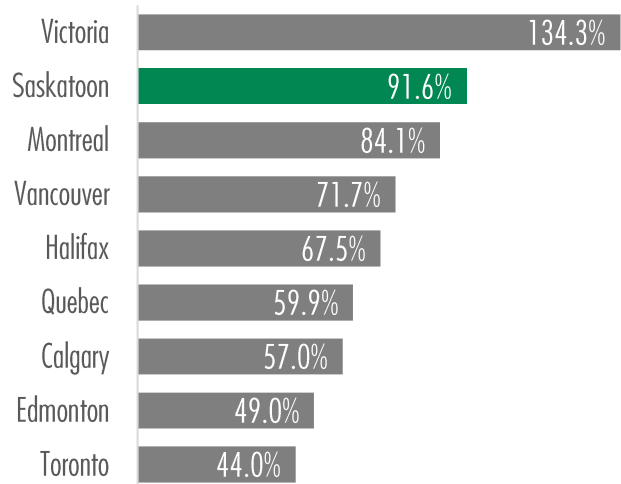
**FIGURE 6: QUARTERLY NEW HOUSING COMPLETIONS**



Source: Canada Mortgage and Housing Corporation

Many builders are now exploring opportunities in the rental market, marking a notable shift away from single-family construction. This switch is exemplified by the 60.1% decline in the number of permits issued for single-family homes in Q2 2023 compared to Q2 2022. Conversely, multi-family building permits experienced a significant uptick of 60.9% during the same period. Like any other rental market, Saskatoon has experienced fluctuations, yet the city has consistently delivered stable returns over the long term. In contrast to major urban centres like Toronto and Vancouver, where rent has surged rapidly, Saskatoon's growth has been relatively modest over the last 5 years. However, spanning the long term, Saskatoon has showcased remarkable results in new construction apartments, boasting the second-highest rent growth among major Canadian cities. Over a span of 20 years, Saskatoon achieved an impressive 91.6% increase in rent, second only behind Victoria.

**FIGURE 7: NEW CONSTRUCTION APARTMENT RENT GROWTH 2002-2022**



Source: Canada Mortgage and Housing Corporation

Looking ahead, the Saskatoon new housing market is likely to maintain the current level of activity, but the possibility of a sales decline persists. High interest rates will continue to be the main drag in the market over the short-term and consumption is expected to decelerate. The full impact of higher interest rates could start to affect individuals more significantly as they grapple with increased interest payments while servicing their debt. To stay competitive, builders are likely to consider strategies like smaller units, simplified specs, and more streamlined production homes to improve cost-efficiency. Additionally, a continued shift toward the rental market is anticipated. Historically, Saskatoon has been a contrarian market, often performing well when other parts of the Canadian economy slow down. This is particularly relevant now, as major urban centers such as Toronto and Vancouver are experiencing economic downturns.



*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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