



Q3 2023

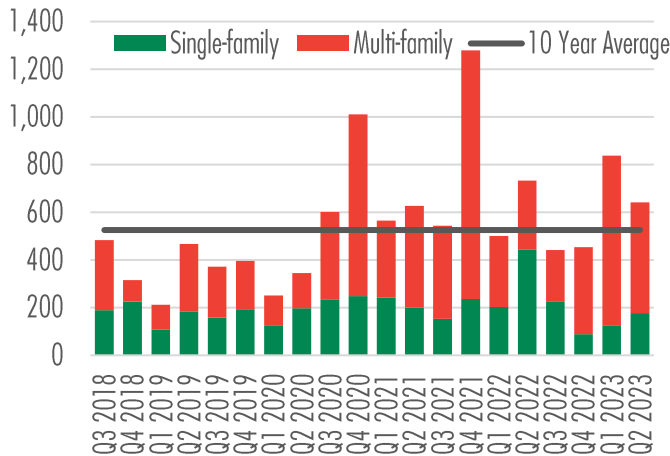
# SASKATOON NEW HOUSING MARKET OVERVIEW

November 2023





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

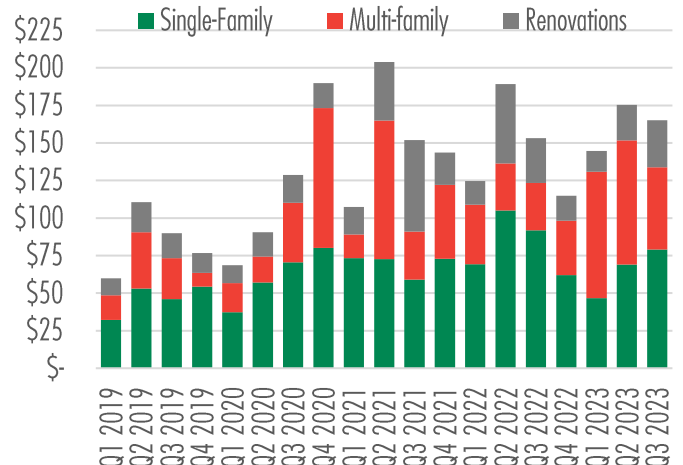


Source: Saskatoon & Region Home Builders Association

Saskatoon experienced an uptick in new home sales, totalling 359 units in Q3 2023. This represents a 39.7% increase compared to Q3 2022. Q3 2023 recorded the highest sales for any third quarter since 2018, reflecting a positive trend in the local housing market. Builders observed a modest increase in showroom activity, with September being a standout month, although overall activity has since slowed. Moreover, sales continue below the 20-year average by 13.6%.

The impact of higher interest rates has led to a prevailing sense of caution among buyers. Many are waiting on the sidelines, holding off on real estate decisions until interest rates stabilize. Activity is predominantly driven by buyers with existing equity, while first-time homebuyers have almost disappeared. Many remaining buyers are resetting their expectations and considering townhomes over single-family houses, recognizing the advantages of early entry into the real estate market for building equity.

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



Source: Saskatoon & Region Home Builders Association

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



**359 New Home sales in Q3 2023**  
39.7% increase vs Q3 2022



**588 Building permits in Q3 2023**  
33.03% increase vs Q3 2022



**2,851 Units under construction in September 2023**  
5.4% increase vs September 2022



**231 Completed and unabsorbed units as of September 2023**  
8.5% increase vs September 2022

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





In Q3 2023, Saskatoon builders obtained the issuance of 588 new housing building permits, a 33.03% increase compared to the same period in 2022 and an 11.8% rise from the 10-year average. Yet there are notable differences between the purpose-built rental and homeownership sectors. Builders focusing on homeownership products have become more cautious due to a rise in inventory levels. In the spring of 2023, demand slowed leading to 16 months of inventory (between available and under-construction homes), a level not seen since 2014. To address this, builders have slowed new supply, reducing the months of inventory to under 14.3 months in September 2023. In terms of the absolute number of available units, there were 231 completed but unsold new housing units during the same period, representing an 8.5% increase from 2022 but still 30.1% below the historical average.

The provincial government, in its recent throne speech, has reinitiated the PST rebate program for purchasers of new, unoccupied homes. This rebate can save buyers up to 42% on the Provincial Sales Tax for homes valued up to \$450,000, with reduced savings for homes between \$450,000 and \$550,000. Additionally, the Secondary Suite Incentive grant will provide 35% of the cost to build a new secondary suite to a maximum of \$35,000. These programs serve multiple purposes. They make new homes more affordable by reducing costs and also offer additional income opportunities through secondary suites, helping homeowners transition into their new homes. Additionally, they help increase the available rental supply in the market. These initiatives provide a much-needed boost to a housing market segment that has seen limited positive news in recent years, instilling confidence and optimism in both buyers and home builders.

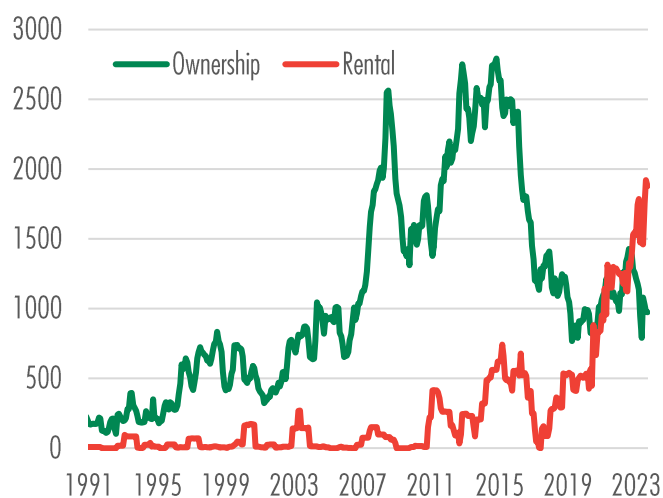
Multi-family construction continues to experience significant growth, with a 79.7% increase in building permits compared to the same period in Q3 2023. During the quarter, multi-family construction accounted for 66.3% of all building permits. In August 2023, the number of rental units under construction reached an all-time high of 1,921. The upcoming rental projects represent 11.1% of Saskatoon's total rental inventory in 2022. A potential rental market oversaturation is an ongoing concern. Despite the city's robust population growth and low vacancy rate, Saskatoon has a history of sudden increases in vacancy rates during periods of rising inventory, as was seen in the '80s, mid-2000s, and more recently in 2014-2015. Developers are thus taking a cautious approach, carefully evaluating potential projects to ensure long-term occupancy.

**FIGURE 4: MONTHS OF INVENTORY**  
12 months moving average



Source: Canada Mortgage and Housing Corporation

**FIGURE 5: UNITS UNDER CONSTRUCTION BY INTENDED MARKET**

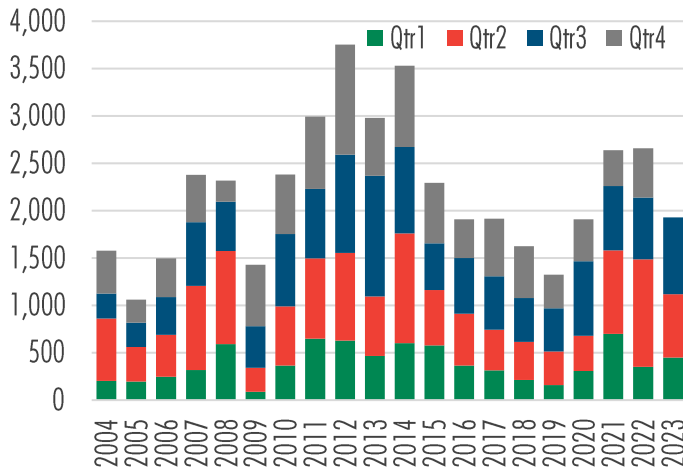


Source: Statistics Canada





**FIGURE 6: SASKATOON'S HOUSING STARTS**



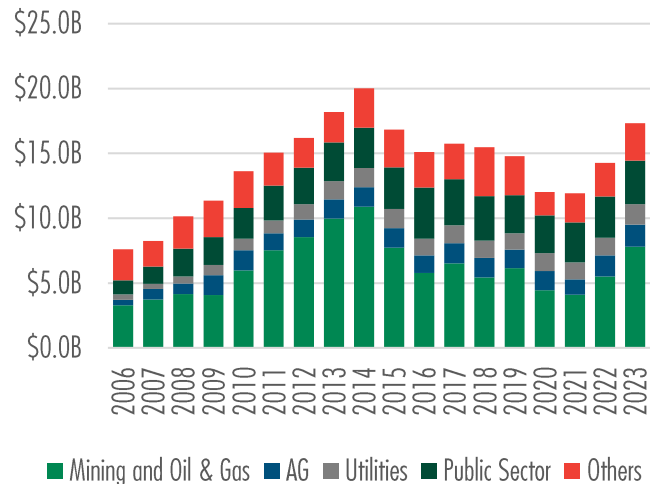
Source: Saskatoon & Region Home Builders Association

Some homeownership-focused builders are transitioning into the rental market, which is seeing growth, although such shifts are not common. The recent federal government announcement eliminating GST on purpose-built rental housing is expected to boost this sector further. However, it's worth noting that only a handful of developers in Saskatoon are engaged in the rental market, with five developers accounting for 72.1% of the multifamily building permits in 2023.

Elevated interest rates have presented a notable challenge for Saskatoon's new housing market. While the Bank of Canada maintains its willingness to raise rates if necessary, it also acknowledges the slowing economic momentum caused by past rate hikes, potentially suggesting the peak of the rate-hiking cycle. In their latest meeting, the Central Bank maintained the interest rate at 5.00%, despite some uncertainty in the economic outlook. Given rising recession risks and high household debt in Canada, rate cuts may be considered in the future, but the final decision will depend on evolving economic conditions.

As winter approaches the housing market is expected to slow down. Higher interest rates in Saskatoon mainly impact homeowners' cash flow rather than causing negative equity, and the city still maintains an affordable

**FIGURE 7: SASKATCHEWAN CAPITAL EXPENDITURE FORECAST**



Source: Statistics Canada

housing market, with lower home values mitigating the effects of rising interest rates. However, Saskatoon's economy is poised for continued growth, driven by a substantial business investment. In 2023, capital expenditures are expected to reach \$17.3 billion throughout the province, marking the third-highest investment volume, surpassed only by figures from 2013 and 2014. This significant investment is expected to create a profound ripple effect, particularly due to the remarkable year-over-year growth projected for 2023, which is set to be the largest on record. The mining industry, led by BHP's ambitious Jansen project, is a key driver of this growth. BHP has greenlit an additional \$6.4 billion investment for the second stage of the Jansen potash project, located 140 kilometres east of Saskatoon, further expanding mining and processing facilities. Notably, Jansen Stage 1 is already 32% complete, with the first production scheduled for late 2026. This project's impact extends beyond its immediate operations, as approximately 80% of the expenditure is channelled into Canadian-based suppliers, contractors, and local workforce resources. While there will be long-term growth for the region, the results of such investments often take time to fully materialize.



*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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