



Q1 2024

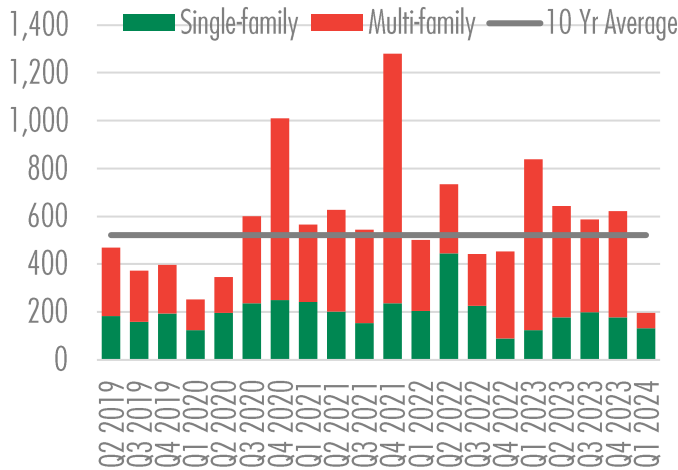
SASKATOON NEW HOUSING MARKET OVERVIEW

MAY 2024





FIGURE 1: NUMBER OF BUILDING PERMITS – Excludes Renovations

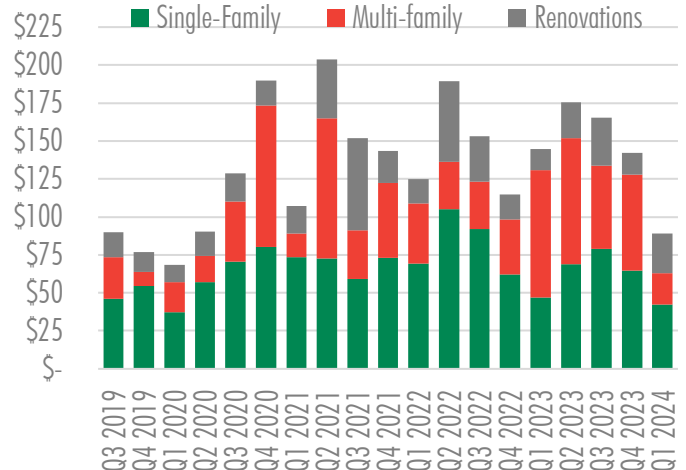


Source: Saskatoon & Region Home Builders Association

Saskatoon’s new housing market continues to show resilience despite facing continued challenges in 2024. The prospect of declining interest rates has prompted many buyers to adopt a wait-and-see approach. While January and February experienced a sluggish pace, March saw a return to closer-to-normal sales figures, hinting at a market finding its footing after a hesitant start to the year. The first quarter saw 225 new home sales, marking a 3.7% increase compared to the same period in 2023. Single-family homes drove the bulk of these transactions, comprising 88.0% of all sales. Despite this uptick, new home sales have remained lukewarm since 2019, falling short of expectations considering the region's population growth.

Saskatoon is one of the most affordable major metro cities in Canada. According to Zonda Urban Analytics, Saskatoon has a 26.4% ratio of mortgage payments to income for home purchase. This figure is less than half the national average and nearly 3.5 times lower than Toronto and Vancouver. Despite this, elevated borrowing costs are rendering home affordability increasingly difficult, even in historically accessible markets such as Saskatoon

FIGURE 2: VALUE OF BUILDING PERMITS \$ Millions



Source: Saskatoon & Region Home Builders Association

FIGURE 3: QUARTERLY NEW HOMES QUICK STATS



225 New Home sales in Q1 2024
3.7% increase vs Q1 2023



197 Building permits in Q1 2024
76.5% decrease vs Q1 2023



2,811 Units under construction in March 2024
10.1% increase vs March 2023



223 Completed and unabsorbed units as of March 2024
20.4% decrease vs March 2023

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





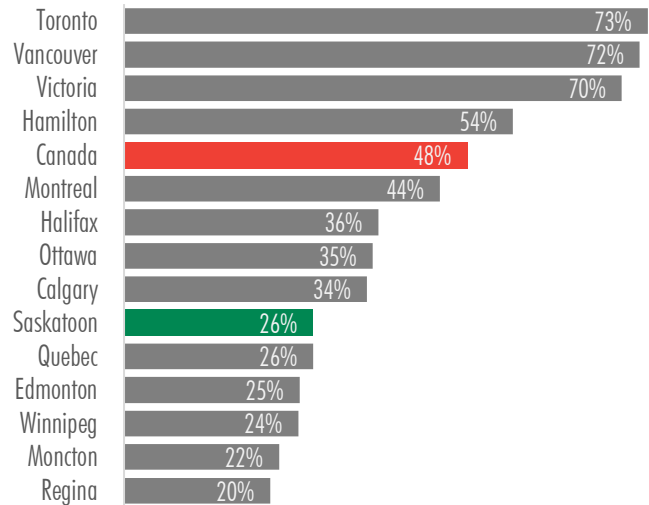
As both new construction prices and mortgage rates continue to rise, families face limited mobility in both rental and ownership markets, resulting in longer rental tenures. CMHC predicts further drops in rental vacancy rates in Saskatoon in 2024 due to rapid population growth driving up housing demand and costs. Moreover, the gap between construction inventory for rental properties versus owned homes continues to widen, with purpose-built rentals accounting for a record-high 68.1% of the inventory under construction as of March 2024.

Developers are not overbuilding as homes are not being sold as quickly as expected. In March 2024, there were 223 newly built housing units that were completed but not yet sold. The inventory of these unabsorbed units decreased by 20.4% compared to 2023, primarily due to fewer completed apartment units. Condo development in Saskatoon is limited, with most apartments intended for rental purposes.

Increased interest rates also presented obstacles for builders and developers in securing financing, resulting in a slowdown of construction activity. The increased number of apartment starts observed in 2023 is expected to slow down, as many of those projects secured financing before interest rates began to rise. In Q1 2024, homebuilders in Saskatoon and the surrounding region obtained 197 building permits for new housing construction, totaling \$62.8 million. This marks a significant decrease of 76.5% in the number of permits issued and 51.9% in the total value compared to the same period in 2023. This is the lowest number of new building permits recorded since at least 2012.

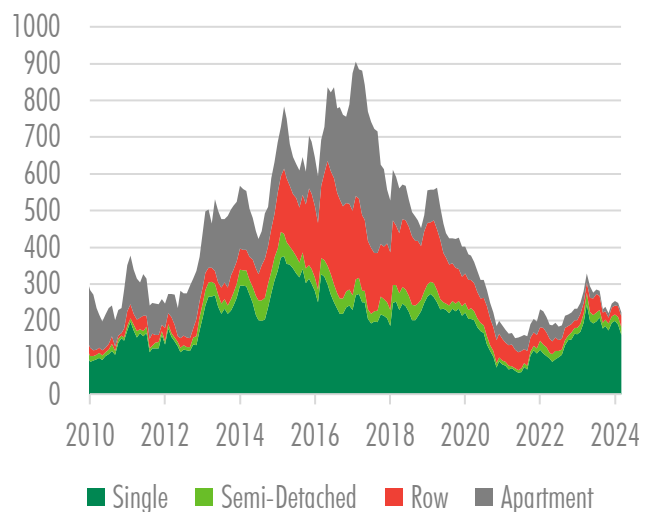
Despite headline inflation ticking up to 2.9% in March from 2.8% the prior month, the ongoing drop in Canadian core inflation has boosted expectations for a June rate cut. In fact, the implied probability of an upcoming interest rate cut recently surged from 60% to 75%. Unfortunately, the impact on retail mortgage rates might not be as significant in the short term as many believe, since current mortgage rates largely factor in these expected cuts from the Bank of Canada. At the start of 2024, financial markets foresaw 4-6 rate cuts. However, persistent inflation has led to an uptick in bond yields, which is a more tangible measure of debt for real estate. This indicates that higher interest rates may persist longer than initially predicted.

FIGURE 4: MORTGAGE PAYMENTS AS A PERCENTAGE OF INCOME



Source: Zonda Urban Analytics

FIGURE 5: COMPLETED BUT UNABSORBED NEW HOUSING

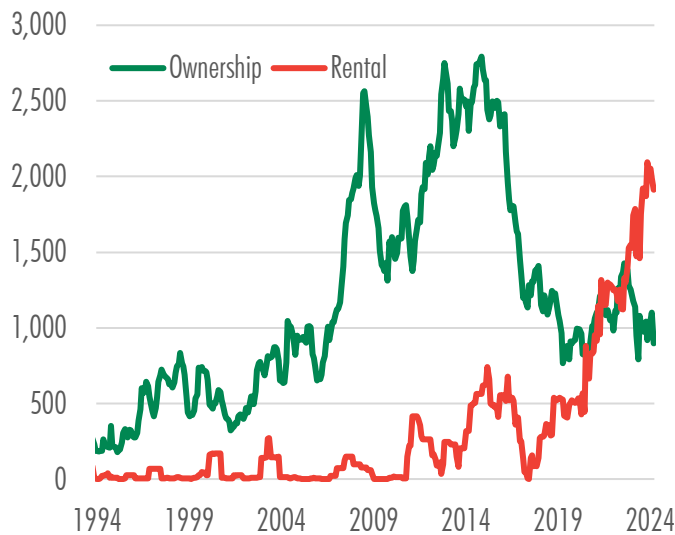


Source: Canada Mortgage and Housing Corporation





FIGURE 6: INVENTORY UNDER CONSTRUCTION BY INTENDED MARKET

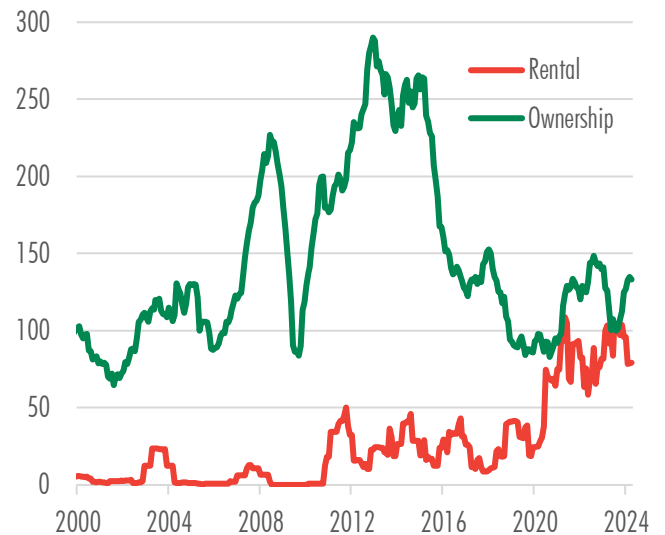


Source: Canada Mortgage and Housing Corporation

Over the past year, there were several policy announcements, that if implemented properly, could boost housing development in Saskatoon. In February 2024, under the Housing Accelerator Fund, The federal government agreed to provide \$41.3 million to remove barriers to faster housing construction. To access these funds, Saskatoon proposes changes such as allowing up to four dwelling units on all residential sites, permitting multiple-unit development near bus rapid transit stations, streamlining approvals for residential care homes and removing parking requirements citywide. These initiatives aim to speed up housing development and meet the city's growing needs.

The federal government has also unveiled Canada's Housing Plan to address the pressing need for affordable housing, especially for Millennials and Gen Z. The plan commits to unlocking 3.87 million new homes by 2031, ensuring that no Canadian spends more than 30 percent of their income on housing costs. To achieve this, measures include extending mortgage amortizations to 30 years for first-time buyers purchasing new builds, providing \$15 billion in additional loans for rental apartment construction, and leveraging public lands for affordable housing initiatives.

FIGURE 7: HOUSING STARTS BY INTENDED MARKET – Moving Average



Source: Canada Mortgage and Housing Corporation

With anticipated interest rate cuts and a thriving mining sector, the housing market is poised for gradual improvement throughout the summer, although not expected to surpass the 10-year average as affordability remains a key driver. The region's growing working-age population, fueled by immigration and further aided by a low unemployment rate creates solid potential for future demand. However, for sustained growth, it's imperative for population growth to translate into increased home sales, incentivizing developers to ramp up new supply gradually.

Looking ahead, there's cautious optimism for the Saskatoon new housing market as local fundamentals remain strong. The region's robust job market, boasting the highest job vacancy rate and lowest unemployment rate nationwide, is expected to boost employment and consumer spending. Additionally, favorable debt metrics coupled with relatively affordable housing contribute to an agreeable environment for economic growth. Notably, substantial investments in key sectors like mining, exemplified by BHP's commitment to the Jansen potash mine, are anticipated to further stimulate economic expansion and job creation in the province.



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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