



Q2 2024

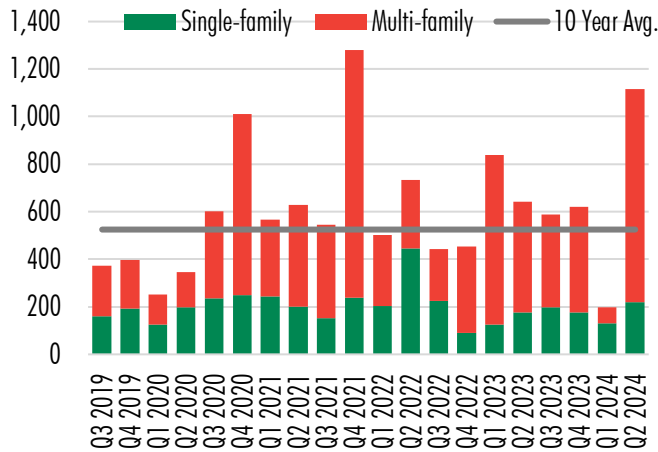
# SASKATOON NEW HOUSING MARKET OVERVIEW

AUGUST 2024





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

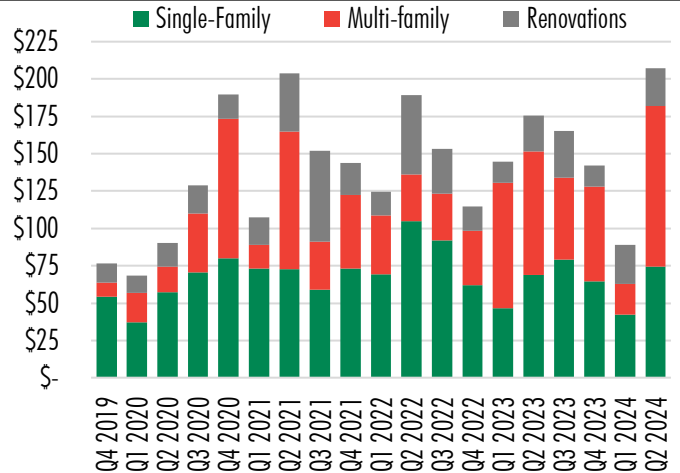


Source: Saskatoon & Region Home Builders Association

The Saskatoon new housing real estate market has experienced a slowdown in activity, driven more by buyer psychology than pure market fundamentals, amid the onset of the interest rate loosening cycle. Q2 2024 recorded the slowest sales pace for a second quarter since 2006, excluding 2020 when the pandemic caused an almost complete shutdown of the economy. There were 289 new home sales in Q2 2024, marking a 9.7% decline compared to the same period in 2023. This decline was primarily driven by a significant drop in multifamily unit sales, with apartment sales plummeting by 88.9% and row home sales falling by 37.1%.

In Q2 2024, there were 451 new housing starts, a 32.9% decline compared to the same period last year. This decrease was a result of a halt in condo apartment construction. Developers are struggling to make proformas work for new projects due to the large capital commitments, long construction periods, higher financing costs and increased hurdle rates needed for internal approvals. Additionally, weaker demand is compounding the issue. Buyers face higher financing constraints and are opting to stay on the sidelines rather than settle.

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



Source: Saskatoon & Region Home Builders Association

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



**289 New Home sales in Q2 2024**  
9.7% decrease vs Q2 2023



**1,116 Building permits in Q2 2024**  
73.8% increase vs Q2 2023



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



**171 Completed and unabsorbed units as of June 2024**  
38.0% decrease vs June 2023

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



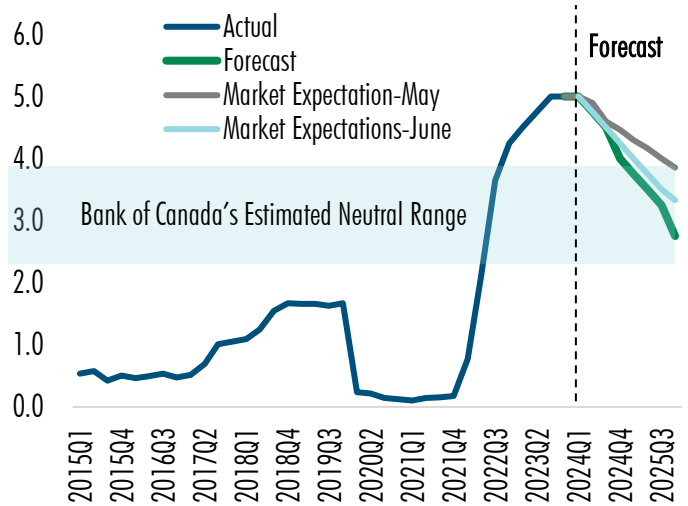


Despite the slowdown, builders expect a slight increase in activity over the medium to long term. In Q2 2024, they applied for building permits to build 1,116 new housing units, a 73.8% increase from the same period in 2023 and a 113% rise compared to the 10-year average. Multifamily permits continue to dominate future activity, driven by the strength of the multi-family market and changing demographics in Saskatoon. Despite federal measures to reduce immigration, the Bank of Canada projects that the government may not achieve its goal of lowering the share of temporary residents over the next three years. Since this goal was set in March, the share of non-permanent residents (NPRs) has increased. Many of these NPRs in Saskatoon are entering the housing market through rentals, which are currently facing a vacancy crunch.

The Canadian economy is in a cycle of lowering interest rates, with the Bank of Canada cutting the policy rate to 4.50%. More cuts are expected, potentially bringing the rate to 4.00% by year-end, depending on summer economic data. Lower rates may entice buyers off the sidelines and increase transaction velocity in the long term. However, in the short term it could cool the market, as buyers delay purchases, waiting for even lower rates while saving for larger down payments.

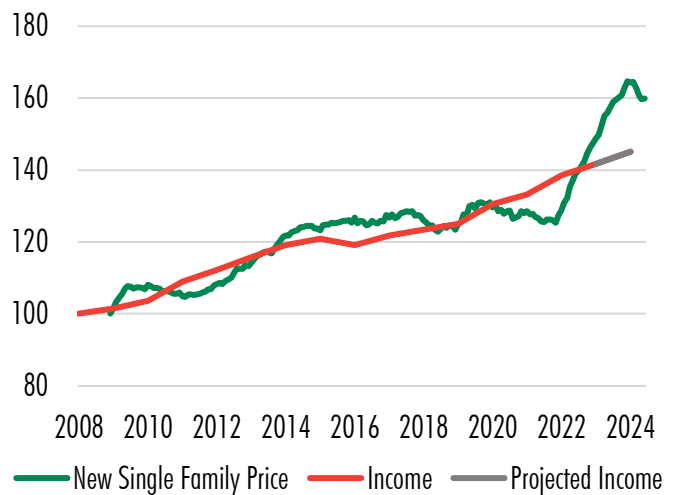
While interest rates play a role, affordability concerns are at the heart of buyer hesitancy. Historically, new home price growth and family incomes in Saskatoon have tracked closely for the past 20 years. Yet, between 2022 and 2024, new home prices surged rapidly due to higher construction costs, as well as increased financing costs for builders and developers. Buyers deferring their purchase for 12 months into the summer of 2025 in hopes of increased incomes and decreased prices and mortgage rates are unlikely to be better off.

**FIGURE 4: BANK OF CANADA POLICY RATE FORECAST**



Source: BCREA Economics

**FIGURE 5: INCOME VS NEW HOME PRICE GROWTH – 2008 = 100%**



Source: Canada Mortgage and Housing Corporation & Statistics Canada





**FIGURE 6: SAVINGS FROM DEFERRING HOME PURCHASE TO 2025**

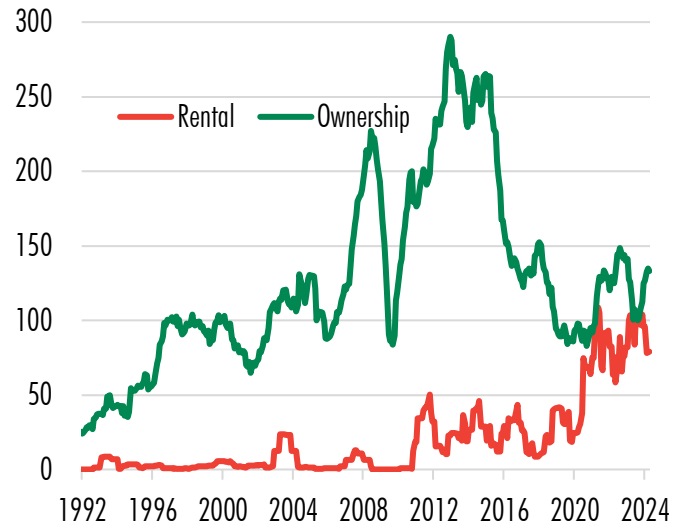
Year of Purchase	2024	2025
Purchase Price	\$575,501.00	\$604,763.88
Amortization (Years)	30	30
10% downpayment	\$57,550.10	\$60,476.39
PMI (4%)	\$20,718.04	\$21,771.50
<u>Total Borrowing</u>	\$538,668.94	\$566,059.00
Interest rate	4.75%	4.25%
<b>Monthly Payment</b>	<b>\$2,794.93</b>	<b>\$2,772.37</b>
Repayment of principal	\$8,381.10	
Appreciation	\$29,262.88	
<b>Total Equity after 1 year</b>	<b>\$37,643.98</b>	

Source: Saskatoon & Region Home Builders Association

New home prices in Saskatoon have increased by an average of 5.1% annually over the past 30 years. Assuming this growth continues into 2025, and based on the average price for a new home with a 30-year amortization, a buyer delaying their purchase might only see a \$22.55 decline in monthly mortgage payments from a 50 basis point drop in interest rates. This amounts to \$8,119.64 in savings over 30 years. Alternatively, these buyers are likely to miss out on over \$37,643.98 in equity from home price appreciation and principal repayment savings.

As fall approaches, little is expected to change in the Saskatoon new housing market. The affordability gap will continue to influence buyers' decisions, leaving them torn between buying now or waiting

**FIGURE 7: HOUSING STARTS BY INTENDED MARKET – 12 month moving average**



Source: Canada Mortgage and Housing Corporation

for conditions to improve. This uncertainty will be compounded by ongoing declines in interest rates and the potential impact of the upcoming U.S. presidential elections, further clouding the economic outlook and adding to buyer hesitation.

Over the long term, Saskatoon will benefit from a strong commodities outlook. Potash, now the top export, is driving economic growth, and ongoing construction at the Jansen mine will boost both investment and employment. Additionally, rising uranium production and higher agricultural output will sustain high levels of expenditure, further supporting both the job market and the new housing market in the years to come.



*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.*

## CONTACT

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