



Q3 2024

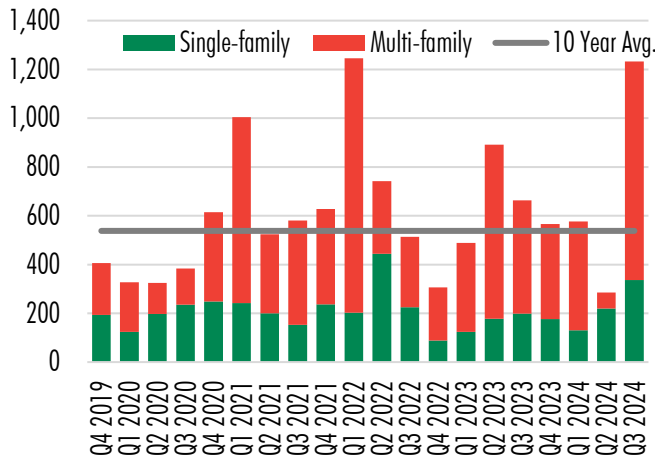
SASKATOON NEW HOUSING MARKET OVERVIEW

OCTOBER 2024





FIGURE 1: NUMBER OF BUILDING PERMITS – Excludes Renovations

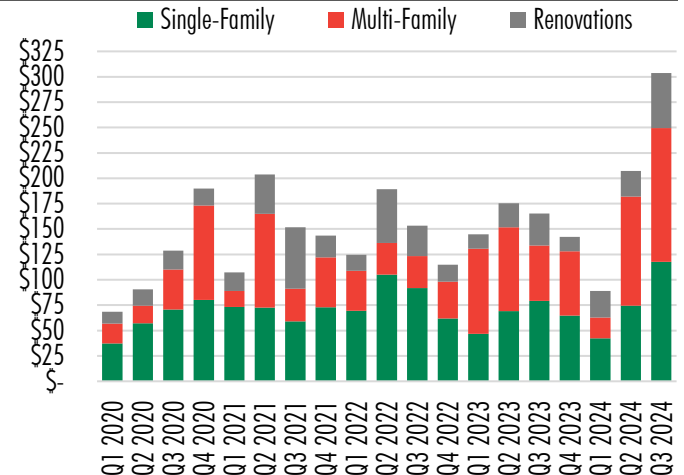


Source: Saskatoon & Region Home Builders Association

Sentiment in Saskatoon’s new housing market is improving, fueled by a strong economy and declining interest rates. While this has not yet resulted in a significant year-over-year increase in transactions, sales are gradually absorbing standing inventory, leading to a tightening of the market. In Q3 2024, there were 358 new home sales, almost identical to the same period in 2023 with just one less sale. Although the market picked up some momentum early in the summer, transaction activity slowed in the later months. Indicators suggest the market may have bottomed out, but overall sales growth has been slow, with only three of the past ten quarters showing an increase.

Declining interest rates are beginning to draw buyers back to the market, though transaction levels have yet to see a significant boost. Buyers remain cautious due to affordability concerns and pressure on disposable income. However, a slight sense of urgency is growing as inventory tightens, with completed but unsold new homes now at a 16-year low, with only 128 units available. Previously, buyers had more options in both resale and new markets, but choices are now increasingly limited in both segments.

FIGURE 2: VALUE OF BUILDING PERMITS \$ Millions



Source: Saskatoon & Region Home Builders Association

FIGURE 3: QUARTERLY NEW HOMES QUICK STATS



358 New Home sales in Q3 2024
0.3% decrease vs Q3 2023



1,236 Building permits in Q3 2024
110.2% increase vs Q3 2023



2,435 Units under construction in September 2024
20.5% increase vs September 2023



128 Completed and unabsorbed units as of September 2024
44.6% decrease vs September 2023

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





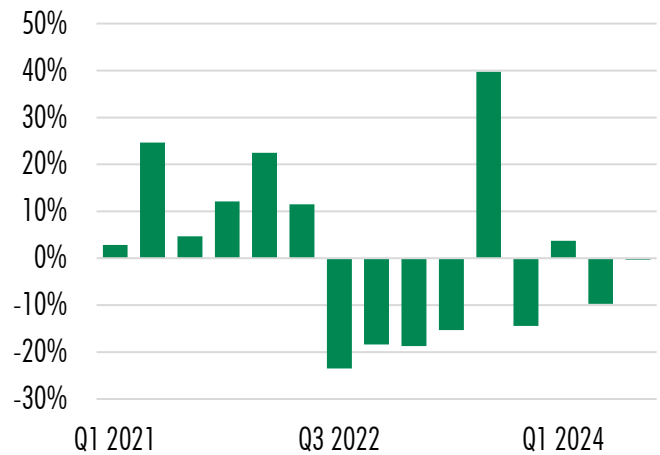
The tightening inventory has prompted builders to slowly ramp up the housing supply. In Q3 2024, there were 1,064 new housing starts, reflecting a 31.2% increase compared to the 10-year average. Year to date, the market has seen only 1,875 housing starts—a figure notably lower than the sharp increases recorded in 2012 and 2014. For four consecutive years, housing starts ranged from 2,231 to 2,671 units from January to September, which led to a peak in unabsorbed inventory in February 2017. The overbuild led to significant profit destruction in the market, with its effects still being felt today. Despite this, builders remain cautiously optimistic about Saskatoon’s economic outlook, as reflected by the surge of building permit applications in Q3 2024. 1,236 new dwelling permits were issued—an impressive 129.8% increase over the 10-year average. Most of this growth was driven by multi-family units, which rose by 172.8%, though single-family permits also saw a notable 61.6% increase. This quarter marked the second-highest number of new dwelling permits since 2012, signaling renewed confidence in the city’s housing demand.

Demand for apartments in Saskatoon remains strong, driven by the city's young demographics. With a median age of 37.2 and 22.1% of its residents aged 20-35, Saskatoon has one of the highest concentrations of young adults in the nation, many of whom prefer the convenience of urban, multi-family living. Additionally, a recent federal policy extending 30-year mortgage amortizations for first-time homebuyers and new builds, effective December 15, will enhance affordability in the market.

The preference for townhouses is also growing as households seek more affordable options amid rising interest rates and high home prices. Builders' intentions reflect this trend. Although the price gap between new and used single-family homes remains significant, the difference for row/townhomes has narrowed to about \$60,000, making them a more appealing choice. This is crucial during a housing shortage, allowing buyers to create the home they desire rather than settling. Additionally, the expanded 30-year mortgage amortizations will enhance the affordability in the new construction townhome market, where the average price in August was \$394,604. Further interest rate reductions will also contribute to improve affordability.

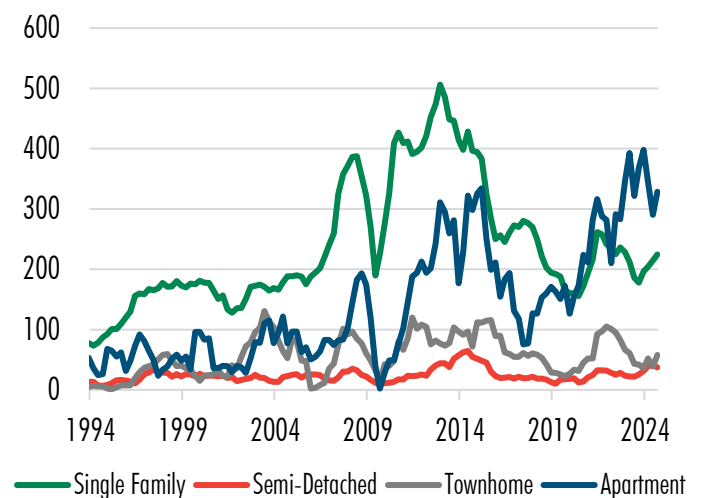
FIGURE 4: NEW HOME SALES GROWTH

Year-over-year



Source: Canada Mortgage and Housing Corporation

FIGURE 5: HOUSING STARTS BY DWELLING TYPE

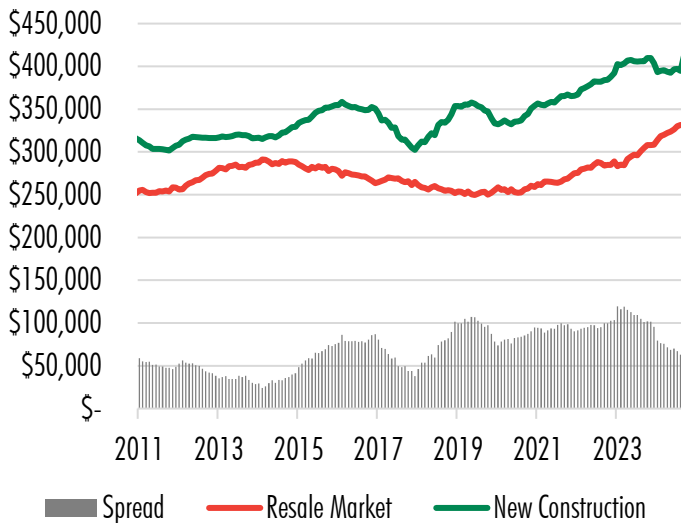


Source: Saskatoon & Region Home Builders Association





FIGURE 6: TOWNHOME PRICE DIFFERENTIAL NEW VS RESALE MARKET

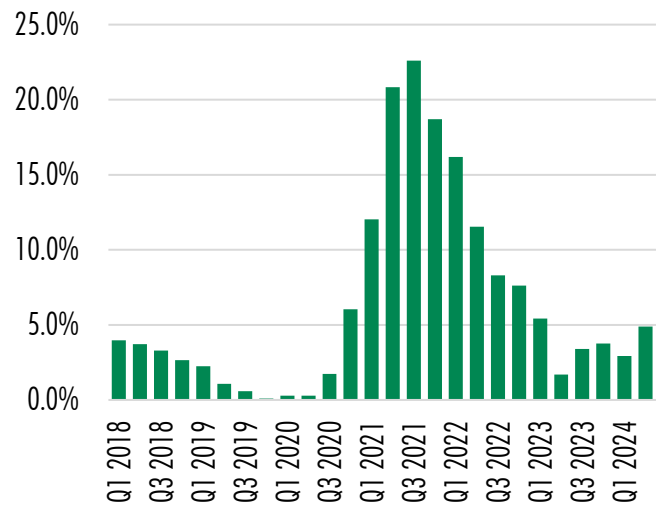


Source: Saskatoon & Region Home Builders Association

Saskatoon has experienced robust growth in non-residential investment, highlighted by the peak construction levels of the Jansen potash mine, which is now over halfway through Phase 1 and on track for a 2026 start-up. This surge in activity, along with significant multi-family developments currently underway, is placing considerable strain on the labor force available to home builders. Additionally, after several quarters of low inflation, Saskatoon's residential construction costs rose by 4.9% in Q2 2024.

The Bank of Canada cut its policy rate by 50 basis points to 3.75% in its October meeting, aligning with expectations and representing the largest rate cut since the early pandemic—an unusual and significant move outside a recession. The Bank's message is clear: "If the economy evolves broadly in line with our latest forecast, we expect to reduce the policy rate further. The timing and pace of further reductions will be guided by incoming information." This reduction coincides with a drop in headline

FIGURE 7: RESIDENTIAL HOUSING CONSTRUCTION INFLATION



Source: Statistics Canada

inflation to 1.6%, falling below the 2% target and the Bank's July forecast. The Bank is signaling a return to the neutral rate, estimated at 2.25–3.25%, in the coming months, although the exact timing will depend on forthcoming data.

Looking ahead, housing availability is expected to tighten further as builders remain cautious to not over-supply the market. Buyers will be carefully monitoring interest rates and decisions from the Bank of Canada. Despite considerable uncertainty stemming from conflicts in the Middle East, the U.S. election, a slowing Canadian economy, and the provincial election in Saskatchewan, the outlook for Saskatoon's economy remains positive, bolstered by strong economic indicators and solid commodity markets. Overall, Saskatchewan's economic fundamentals are well-positioned for continued growth this year.



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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