Saskatchewan

Saskatoon & Region Home Builders' Association

Regina & Region Home Builders' Association

New Housing Market Overview

Q1 | 2021

Produced in partnership by:

The Saskatoon & Region Home Builders' Association and **The Regina & Region Home Builders' Association**

Saskatchewan Overview

Although the pandemic caused labour disruptions and supply shortages, these had little impact on building activity across the province. Housing starts were up 4% in the first two months[1] of Q1 this year compared with last year while the median price of a single-family home increased 1.2%. Completions also increased 54% across the province, suggesting a resilient market.

Government continues to stimulate economy
The pandemic hit the provincial economy, causing GDP to shrink 4.2% in 2020 and leading to job losses in a number of industries. The provincial government's 2020-2021 budget is projecting a $2.6B deficit while providing additional support to the health, public safety, and education, as well as introducing measures to help support economic growth. The New Home PST Rebate and the Saskatchewan Home Renovation Tax Credit are being continued.

Although the deficit will further increase the province's debt, government debt is projected at 18.2% of GDP which is one of the lowest levels in Canada. Overall, policy measures by both the federal and provincial governments has helped to keep the real estate market strong and boosted confidence.

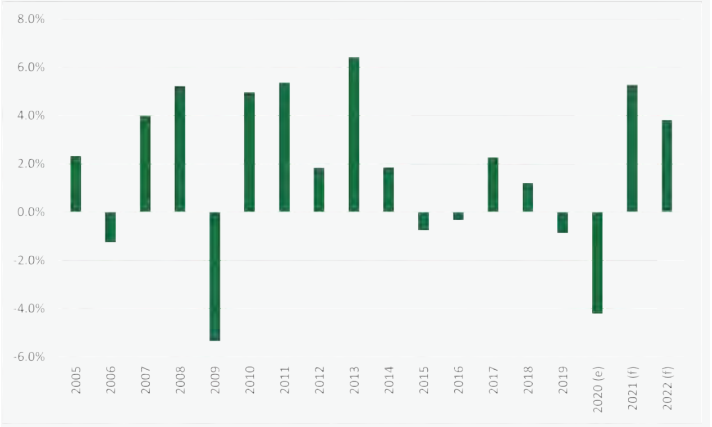
Analysts are projecting growth of 5.3% in 2021 and 3.8% in 2022 as people continue to be vaccinated and as the global economy returns to normal. This continued growth is good news for home builders as consumers continue to upgrade their housing.

As the pandemic progressed and people continued to work from home, housing preferences began to change. More consumers began seeking lower-density single-family neighbourhoods, and a number of current renters sought to become homeowners. While it's still too early to tell whether this shift is a sustainable trend, in the short-term, it's certainly going to affect what people expect and need from their homes.

In its budget, the federal government also announced the introduction of interest-free loans to help homeowners improve the energy efficiency of their homes which should help to increase renovation spending.

[1] At the time of this report, data for March 2021 were unavailable, so only the first two months of 2020 were used for comparison.

Figure 1: SASKATCHEWAN GDP GROWTH | Percentage



Saskatchewan GDP Growth (Statistics Canada, BNS, BMO, CIBC, RBC, TD)

Lumber shortage
COVID continues to affect production at lumber mills resulting in reduced supply. At the same time, demand for lumber continues to grow as homeowners seek to complete renovation projects and builders seek to meet demand for housing. As a result, lumber prices continue to rise (up 19.6% from December 2020 to March 2021) and could add over $30,000 to the price of a new home.

Figure 2: HISTORIC LUMBER PRICES | $USD

Source: NASDAQ

Saskatchewan Overview

Major cities see population growth

Overall, the province saw a 0.1% increase in its population[2] from Q1 2020 to the end of the current quarter. Regina saw its population increase 1.1% and Saskatoon saw its population increase 1.5%, while the population outside of Regina and Saskatoon shrank 1.4%. This suggests that despite the recent "exodus" from cities that was expected due to COVID, people are in fact moving to larger centres and will spur greater housing demand there.

[2] The population of those aged 15 and older has been used since these figures are reported monthly for Regina, Saskatoon, and the province (with the Labour Force Survey) while the total population is only reported on a quarterly basis for the province.

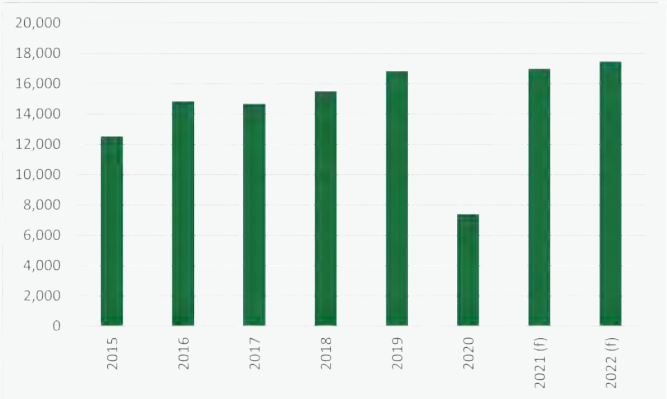
Immigration

Immigration continues to be critical to Saskatchewan's population growth which is a factor in housing demand. As a result of border restrictions due to the pandemic, immigration to the province was down 53.3% in 2020 compared with a year earlier. In January 2021, however,[3] immigration was up 4.0% year-over-year.

Although we should be cautious with only one month of data, it seems that immigration is starting to return to pre-pandemic levels. Furthermore, with federal immigration targets being increased for 2021 and 2022, we should expect this driver of housing demand to pick up and be a boon to homebuilders.

[3] At the time of this report, IRCC only had immigration data available for January 2021.

Figure 3: TOTAL SASKATCHEWAN IMMIGRATION



Source: Immigration Refugees and Citizenship Canada

Calls for market intervention

In response to rising home prices and fears that the Canadian real estate market is "overheating", regulators are considering market intervention to help curtail demand. The Office of the Superintendent of Financial Institutions (OFSI) is proposing to raise the minimum qualifying rate for uninsured mortgages to 5.25 percent beginning June 1st.[4]

Housing demand is likely to increase temporarily as buyers enter the market before the new regulations come into effect, but then fall off as the new regulations make it harder for buyers to obtain mortgage financing.

The full impact of OFSI's proposal on housing demand isn't known at this time, but it is expected to reduce demand from current levels. This fall in demand is likely to also negatively impact homebuilders.

[4] Although this move is intended to help ensure the stability of the financial system, it will also impact the housing market.

Employment

The pandemic has led to higher unemployment overall, with the average unemployment rate for Q1 2021 in Saskatchewan at 7.6% compared with 6.3% in Q1 2020. Regina's unemployment rate stood at 7.9% in Q1 compared with 6.7% in 2020 and the labour force shrunk 2.1% while in Saskatoon, the unemployment rate stood at 8.0% compared with 6.5% last year and the labour force shrunk 1.2%.

Despite these trends, people continue to be optimistic about the future. By the end of March 2021, 62.6% of those surveyed by Nanos Bloomberg in the prairie region felt that their jobs were at least somewhat secure while 79.8% felt that real estate values would stay the same or increase.

This is good news for home builders and the real estate market in general as consumers' home buying decisions are heavily influenced by their employment prospects and their expectations about the real estate market.

Supply

Despite higher unemployment and a smaller labour force, the resale home market continues to be strong with year-to-date sales in 2021 up 71.9% while inventory levels have been steadily falling. This suggests a supply shortage which should help to fuel demand for new construction.

Regina & Region Overview

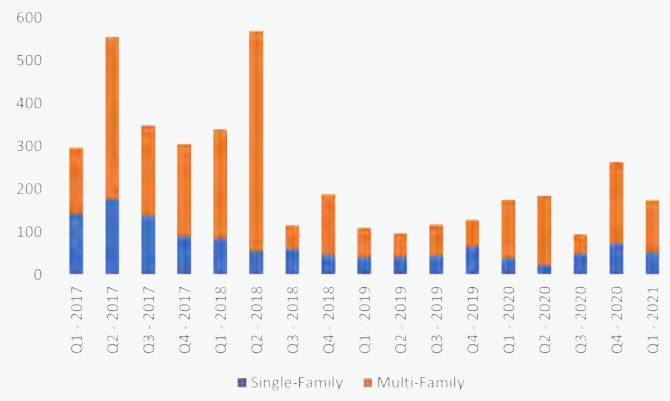
Change in housing preferences
Demand for new housing in Regina grew compared with last year. For the first two months of Q1 2021, there were 79 new construction home sales, up 33.9% from the same period last year. New single family and new apartment sales were up 23.3% and 175.0% respectively while sales of new semi-detached and new row homes were down 75.0% each.

There were 175 new construction building permits issued in Regina in Q1 of this year, with a total value of $25.0M. This represents a 0.6% decrease in the number of permits (and a 3.8% decrease in the value of permits) compared to the same period last year. Single-family homes represent 30.9% of the permits issued during the quarter.

With COVID restrictions in place, renovation activity was expected to increase, and this was the case in Regina, with 325 renovation permits issued in Q1 (up 36.6% from last year) valued at $7.3M. Although the value of renovation permits increased 45.3%, part of this increase is likely due to increased materials costs.

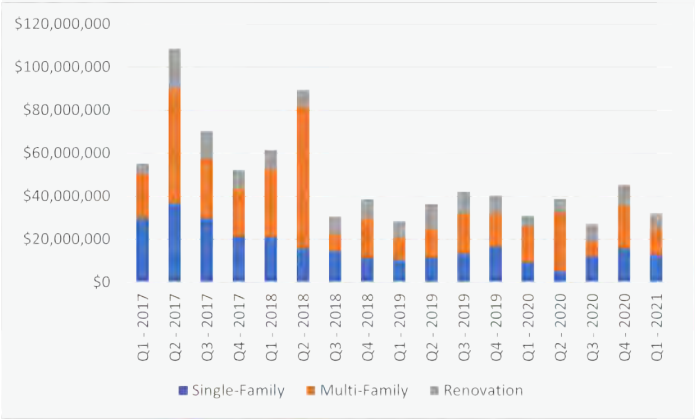
There were 606 homes under construction as of February 2021 (a 26.0% increase from last year). The number of row homes under construction fell 6.8% while the number of single family homes, apartments, and semi-detached homes under construction were all up (13.1%, 44.4%, and 162.5% respectively).

Figure 4: NUMBER OF BUILDING PERMITS - Regina CMA



Source: Regina & Region Home Builders' Association

Figure 5: VALUE OF BUILDING PERMITS - Regina CMA



Source: Regina & Region Home Builders' Association

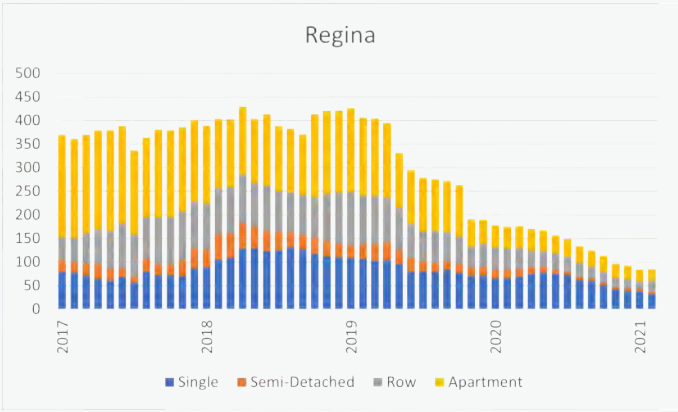
Regina & Region Overview

Rapid absorption of inventory
The inventory of completed but unsold new homes continues to decline. As of February 2021, there were 85 units available (well below the 5-year and 10-year averages of 286 and 279), down 51.4% from last February. Strong demand combined with declining supply has led to a rapid absorption of inventory and an increase in prices.

Increased international migration is anticipated to grow as the Greater Regina Area and the Province re-opens from the pandemic. Single-family and multi-unit starts will continue increase over the next two years. It will be critical that the industry be able to ensure that land supply (serviced lots) are available to meet that need. It is important the Greater Regina Area not find its self in an supply demand imbalance that is plaguing so many City's in our nation. Regina has an amazing ability to provide many housing options and this ability to do so needs to be preserved, as it is one of our competitive advantages as a City and region.

Stu Niebergall
President and CEO,
Regina Region Home Builders' Association

Figure 6: MONTHLY UNABSORBED INVENTORY - Regina CMA



Source: Canada Mortgage and Housing Corporation

Single-Family
$12.49 million

Semi-Detached
$3.75 million

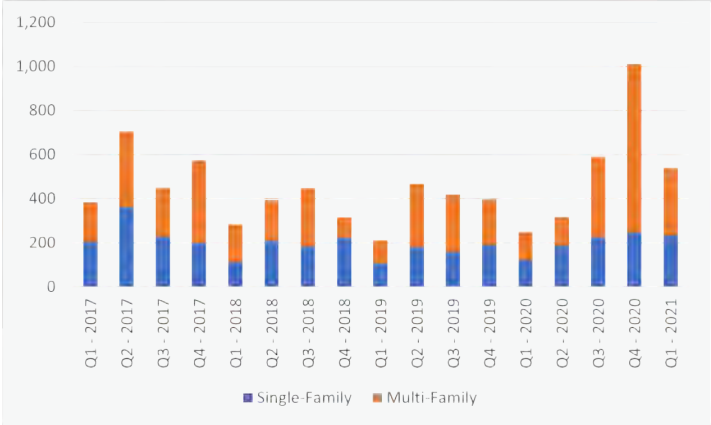
Townhouses
$2.83 million

Apartments
$5.9 million

Source: Regina & Region Home Builders' Association

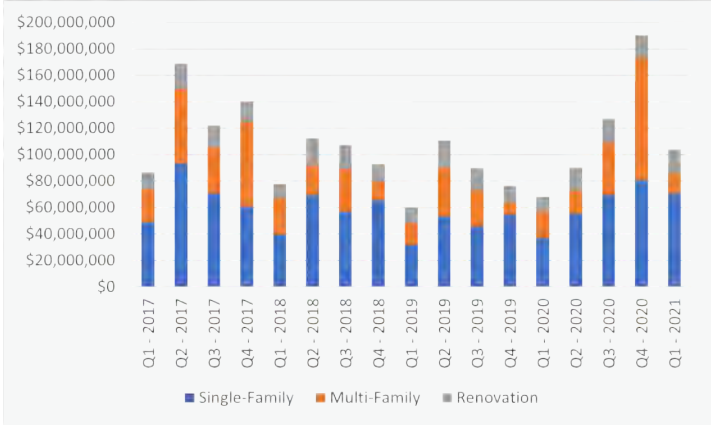
Saskatoon & Region Overview

Figure 7: NUMBER OF BUILDING PERMITS | Saskatoon CMA



Source: Saskatoon & Region Home Builders' Association

Figure 8: VALUE OF BUILDING PERMITS | Saskatoon CMA



Source: Saskatoon & Region Home Builders' Association

Demand for new housing in Saskatoon fell compared with last year. For the first two months of Q1 2021, there were 145 new construction home sales, up 3.6% from the same period last year. Compared with 2020, new single family home sales were up 2.6%, semi-detached and row home sales were up 12.5% each, and new apartment sales were up 300.0%. There were 540 new construction building permits issued in Saskatoon in Q1 of this year, with a total value of $86.0M. This represents a 114.3% increase in the number of permits (and a 51.4% increase in the value of permits) compared to the same period last year. Single-family homes represent 43.5% of the permits issued during the quarter.

There were 1,012 new construction building permits issued in Saskatoon in Q4 of this year, with a total value of $173.6M. This represents a 156.2% increase in the number of permits and a 173.1% increase in the value of permits compared to the same period last year. Single-family homes represent 22.4% of the permits issued during the quarter. For 2020, a total of 2,171 building permits were issued, a 45.3% increase over 2019, and the total value of permits issued for the year were up 49.1% compared with 2019.

Saskatoon & Region Overview

Supply challenges
The inventory of completed but unsold new homes continues to decline. As of February 2021, there were 175 units available (well below the 5-year and 10-year averages of 526 and 528), down 54.1% from last February. Strong demand combined with declining supply has led to a rapid absorption of inventory and an increase in prices.

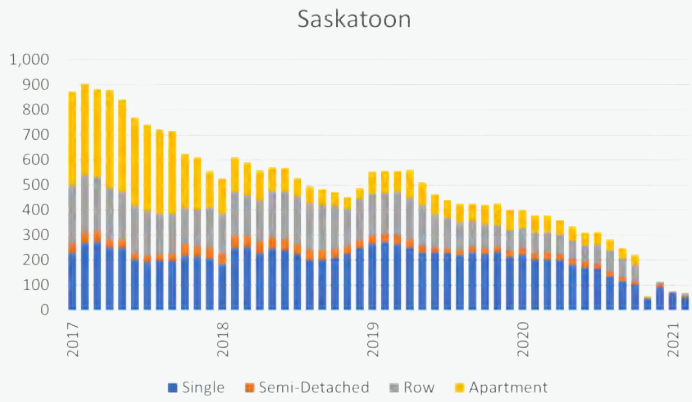
An increase in both new housing starts and permits for home renovations year to date compared to 2021 indicates strong consumer confidence in the economic outlook for the province. Demand for new housing and upgrades is driven by anticipated immigration, as well as consumer awareness of the deficiencies in their existing homes after a year of many working from home. Although material supply shortages and increased pricing are delaying or cancelling some projects, overall consumers are moving forward with plans to invest. As a consumer it can be difficult to know where to start when considering a build or renovation. For peace of mind, we recommend working with a certified Builder or Renovator member of SRHBA.

JASON YOCHIM
CEO, Saskatoon & Region Home Builders' Association

With COVID restrictions in place, renovation activity was expected to increase, and this was the case in Saskatoon, with 517 renovation permits issued in Q1 (up 37.1% from last year) valued at $17.8M. Although the value of renovation permits increased 55.2%, part of this increase is likely due to increased materials costs.

There were 2,014 homes under construction as of February 2021 (a 32.3% increase from last year). The number of row homes, single family homes, apartments, and semi-detached homes under construction were all up (17.7%, 30.1%, 33.8%, and 66.7% respectively).

Figure 9: MONTHLY UNABSORBED INVENTORY - Saskatoon CMA



Source: Canada Mortgage and Housing Corporation

Residential Construction Sector

The Regina & Region and Saskatoon & Region Home Builders' Associations are the professional associations that represent residential construction - through both new construction and renovation.

The Associations serve businesses involved in the housing sector and provide the only professional certifications available for home builders and renovators. They are the expert voice invested in bringing insight to public policy makers on matters that affect affordability, quality and choice of housing in our province, and work collaboratively with stakeholders and governments to get us there.

Monthly Compilation

The Association is the only body that compiles permit reports for the residential sector. It collects this data from many municipalities in order to understand the market activity specifically for residential construction and provide this market knowledge to professionals in the field. It collects permit data for the construction of single-family homes, multi-family homes and renovation work from the following municipalities:

- City of Regina
- City of Saskatoon
- City of Warman
- City of Martensville
- City of Prince Albert
- Rural Municipality of Corman Park
- Town of Osler

Quarterly Analysis

On a quarterly basis, the Associations provide an analysis of the new housing sector to provide market intelligence to decision makers, stakeholders and members of the public. The housing sector is a pillar of a healthy economy and the new home sector is a pillar to a growing economy. Keeping our province informed on the impact of improving housing affordability will also ensure stability and sustainability of a growing economy.

Publications

SRHBA publications and online tools can be found at ***saskatoonhomebuilders.com*** and at ***mynuhome.ca***. While some publications are only available to professional members of the sector, many are also available to the public.

RRHBA publications and on-line tools, including the New Home Locator and Lifetime Cost Calculator can be found at ***reginahomebuilders.com***. Information and research on 'Building a Better Regina' can be found at ***smartergrowthregina.com***.

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