

HOUSING MARKET OUTLOOK

Saskatoon CMA



Canada Mortgage and Housing Corporation

Date Released: Fall 2007

New Home Market

Single starts reach historical high

Single-detached starts will finish the year near 1,600 units in 2007, backing off slightly to 1,500 starts in 2008. (see Figure 1) This year's housing starts represent a historical high not surpassed since 1979 when 1,763 single-detached starts were recorded. Rapid job growth, wage gains, and surging migration are the major contributing factors to the rise in single housing starts. A scarcity of

resale listings is also contributing to the robust level of single-detached demand.

Single-detached absorptions have kept up with the vigorous pace of single starts. In the fall, absorptions were running 29 per cent above the rate of absorptions at this time in 2006. Average absorptions will reach in excess of 70 units monthly, the highest rate of absorptions on record.

Figure 1

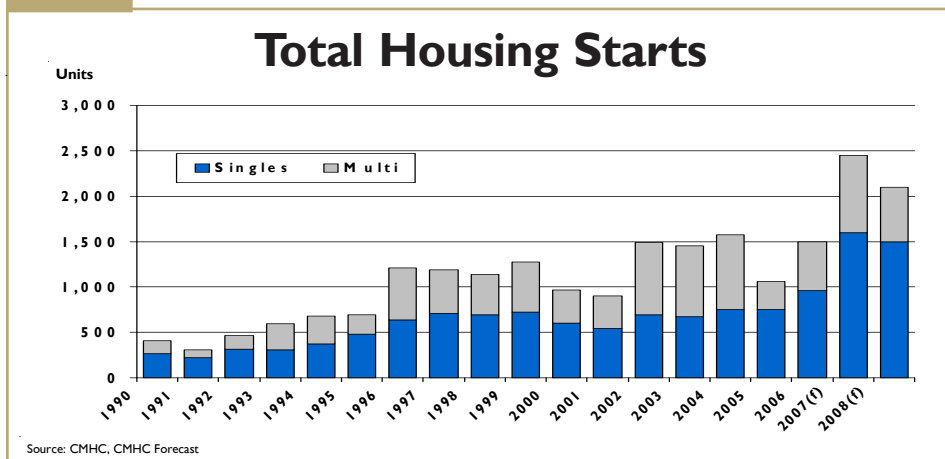


Table of contents

- 1-2 New Home Market
- 3 Resale Market
- 4 Rental Market
- 4-5 Economic Overview
- 5 Mortgage Rate Outlook
- 6 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View print, download or subscribe to get market information e-mailed to you on the day it is released. New! CMHC's electronic suite of national standardized products is now available for free.

The supply of single-detached homes (defined as units under construction and units completed and unoccupied) is sufficient to last almost 13 months, compared to between six and seven months at this time last year. This apparent over-supply is due to the large number of units under construction, though the majority are already sold. As a result, this should decline as single units are completed and occupied later this year and early 2008.

The elevated level of starts in 2007 and scarcity of skilled trades people have contributed to an extraordinary number of units under construction. Recently, close to 1,000 single-detached units were recorded at various stages of construction. This is the highest monthly level of construction activity recorded since 1983.

Average price of new housing units up more than 15 per cent annually

The average selling price in 2007 for new singles will reach \$275,000 and \$300,000 in 2008. Rising labour costs combined with higher land development costs will be the primary contributors to the upswing in average price. Lengthy building periods due to labour shortages will continue to plague the industry and further contribute to price increases.

Rapid cost escalation is causing a shift in the share of sales occurring above \$200,000, which is skewing the average price upwards. Price ranges above \$200,000 all saw an increase in the number of absorp-

tions while lower price ranges saw declines. Absorptions in the \$250,000 to \$299,999 range, for example, have captured more than 20 per cent of the total absorptions in 2007, up from 16 per cent in 2006.

Statistics Canada's New House Price Index (NHPI), where detailed specifications pertaining to each house remain the same between two consecutive periods, will increase by 30 per cent in 2007, moderating to 12 per cent in 2008.

Condominium apartments for empty-nesters dominate multiple activity

Our forecast calls for 850 multiple starts (including semi-detached, row, and apartment units) in 2007, falling to 600 units in 2008 (see Figure 1). This represents a 58 per cent increase in 2007 compared to 2006 and a 29 per cent decline in 2008 compared to the 2007 forecast.

In 2007, the apartment housing form will dominate multiple starts and will surpass the number of units started in 2006. Row housing, after staging a comeback in 2006, will greatly exceed the volumes recorded in that year and semi-detached units will also top the 2006 performance, although by a lesser amount than that seen for the other multiple housing forms. Most of these multiples will be condominium tenure designed for the empty-nesters and seniors market, as they offer such features as elevators and underground parking.

In 2007, 130 multiple rental units will be started representing the highest number of rental starts since 2003. Some of these rental starts are being built as affordable housing units under the Province's Centenary Housing program which is co-funded by the Federal government and the Province of Saskatchewan. Others are being built as a new phase of existing senior's projects. These particular units do not represent an increase in the supply of private sector rental housing as they are not available to the general market.

Supply of multiple units highest since 1985

Based on the most current data, the supply of multiple units stands at close to the 900 unit mark, which is approximately double the amount recorded last year at this time. This is the highest level of supply recorded since October 1985. By the end of 2007, we forecast that the average monthly supply will be in excess of 700 multi units, 42 per cent above the 2006 average monthly supply. As with the single-family market, completions have been slow due to the lack of skilled construction workers contributing to the escalation in supply.

Most of these units are in the construction stage and the bulk of these (about 475 units at the time of writing) are apartment style. More than 60 of these units are being built as affordable housing or are part of an existing senior's project and will be occupied quickly upon completion. The rest of these are condominium units under construction. These condominium apartment units should be absorbed quickly upon

completion as the majority are presold.

In the case of row units, almost all have been started since the last quarter of 2006. As they were started so recently, most of these units are in the early stages of construction. Signage at many projects indicates that they are sold out, so we anticipate most units will be absorbed swiftly upon completion thus reducing supply by early 2008.

Price of apartment condominiums to escalate in 2007 and 2008

At the close of 2006, over 30 per cent of the apartment condominium absorptions that took place in that year were in the \$140,000 to \$159,999 price range and 29 per cent were absorbed at selling prices in the \$160,000 to \$179,999 range. The average price for new apartment condominiums was \$158,059.

Based on more recent year-to-date data, there has been considerable escalation in the average price of these apartment style units reaching in excess of \$233,000. Demand has been strong and pricier projects are entering the absorption stage. Production cost pressures, detailed earlier in this report, will add further to the average new condominium price.

Demand for serviced lots 'exceptional'

Major land developers have told us that demand for serviced residential

lots has been exceptionally strong so far this year and continues to be very strong going into the fall season. While servicing plans were accelerated by all land developers in Saskatoon, demand exceeded the development industry's capacity for servicing. Development plans for 2008 are expected to continue at an accelerated level in order to meet expected strong demand throughout 2008.

Resale Market

Resale market sales balloon in 2007 and fall back in 2008

Listings will define market

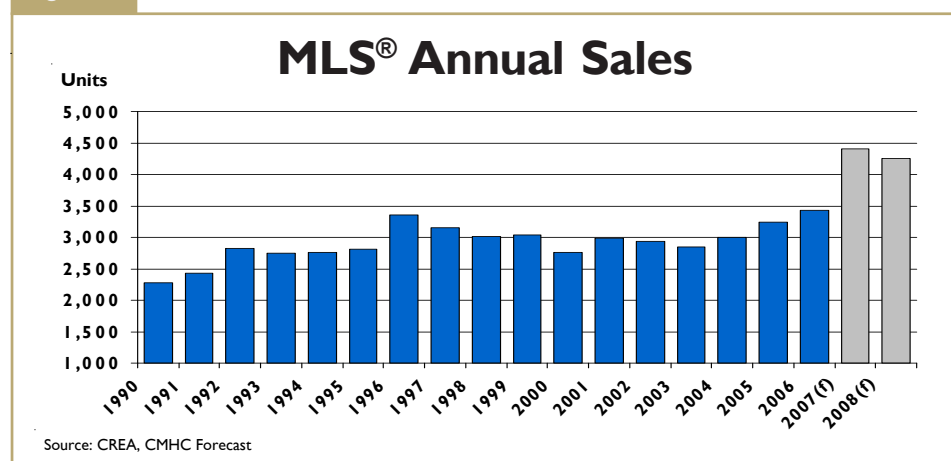
Saskatoon's resale market will see a 28 per cent increase in sales in 2007, making that year the highest number of sales on record. Although sales will moderate somewhat to 4,250 units in 2008, this will still be a historically high level of resale transactions in Saskatoon. (See Figure 2)

As seen in the new home market, demand for resale housing has been supported by in-migration, rising weekly earnings, and other favourable labour market conditions. Also contributing to the elevated level of sales has been demand from investors seeking to take advantage of the potential for short term gains. Solid equity growth from the past few years is providing owners an opportunity to refinance and upgrade their homes.

Despite a continued rise in active listings, sales will fall off somewhat in 2008 due to rapidly escalating prices and weaker speculative demand. Speculative investment dollars flowing from neighbouring provinces is already beginning to slow.

In the last few months, listings have started to increase as empty-nesters and seniors move into newly constructed condominiums and others take possession of their new single-detached units. Listings are also rising as speculators seek to dispose of their investments. According to fall data, the inventory of active listings has risen by almost 25 per cent on a month-to-month basis. The season-

Figure 2



ally adjusted trend is up six per cent. The trend for new listings is also up, suggesting the rise in active listings will continue.

Although the sales-to-active listing ratio is showing some signs of easing, this statistic remains high at the time of writing this report and remains firmly in the sellers' market zone.

The local real estate association reports the fall year-to-date average number of days a single-detached property is listed prior to sale has declined to only 19 days compared to the year-to-date figure of 32 days at this time in 2006. With more listings heading into 2008 and cooling demand, expect homes to take longer to sell.

Average resale price increases 45 per cent in 2007

Record demand and listings shortages leading to bidding wars and sales above list price have resulted in the average price increasing by 45 per cent in 2007 to \$232,500. This will far surpass the previous record increase of 11.5 per cent set in 1997. The forecasted increase in 2008 of 14 per cent will be modest by comparison, but will still be among the highest gains on record. Higher listings and buyer resistance to higher prices will result in weaker price gains in 2008.

Rental Market

Average vacancy rate falls in 2007 and 2008

CMHC forecasts an average vacancy rate of 2.5 per cent in the October 2007 survey, declining further in 2008 to 2.2 per cent. The average vacancy rate will vary widely across the city, with some areas seeing an average rate of less than one per cent.

CMHC has identified a number of reasons for the decline in average vacancy rate from the 3.2 per cent recorded in the October 2006 survey. The most important factors are expanding employment and wages which have led to increased in-migration and rental household formation. Some projects that were suffering from deferred maintenance have also been rehabilitated, increasing their appeal and leading to declines in turnover and vacancy. As mentioned, escalating homeownership costs will also prevent some renters from making the move toward a home purchase.

Lack of housing for students and condominium conversions have become major issues in the city to such an extent that the City of Saskatoon has encouraged homeowners to provide legal suites in their homes. The City advises that the proportion of condominium conversions to the rental stock is minimal and some of the buyers of converted units are investors who return the unit to the rental market. Furthermore, developers advise that some of the newly-built, lower-priced condominium units will also be purchased by investors who intend to make them into rental units. Such indirect additions will prevent the vacancy rate from slipping below forecast levels.

Robust rent increases in 2007 and 2008

Our forecast calls for an increase of \$32 in the two-bedroom monthly average rent in 2007 and a more modest increase of \$25 bringing the average rent for a two bedroom suite to \$665 in 2008. These forecasts are for increases in average rents only and actual rental increases will vary widely across the city. Historically, owners implement cosmetic and rehabilitation improvements accompanied by rent increases.

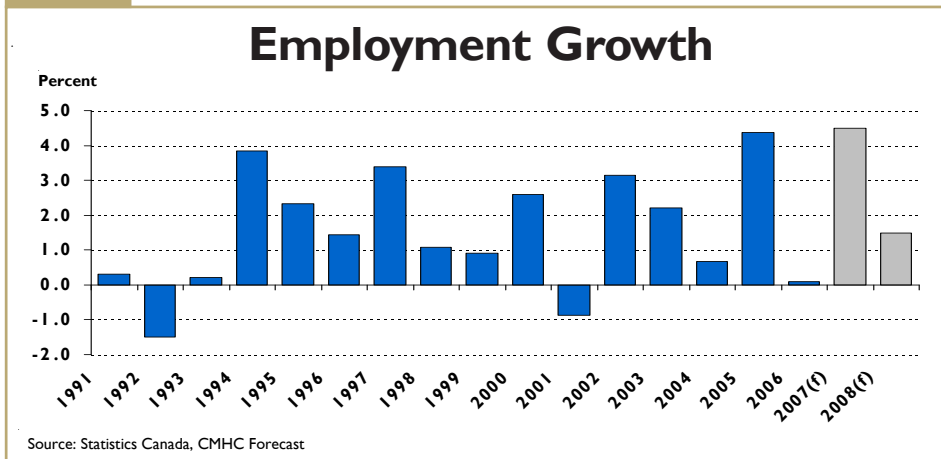
Economic Outlook

Employment growth driving housing demand

CMHC is forecasting vigorous growth in average employment this year with 7,200 additional employed. Saskatoon will far out-distance all other centres in Saskatchewan in terms of job gains. In 2008, employment will moderate to a still outstanding growth of 2,000 additional jobs although we may expect the 2007 job increase to continue to affect housing demand in future years. (See Figure 3) The unemployment rate will slip to 4.2 per cent in 2007 and 4.0 in 2008.

Construction projects at the University of Saskatchewan, retail expansion and municipal infrastructure projects will boost construction employment considerably, though the strongest job growth will be centred in the service sector. Employment in the retail trade sector and educational service sectors have been the top gainers in 2007.

Figure 3



Turning to employment growth by age groups, the 15 to 24 age range has seen the most increase and, as expected for this age group, employment gains in part-time positions dominate. This suggests that job gains will have more impact on rental and first-time home buyers rather than the move-up market.

On the other hand, average weekly earnings have been rising rapidly, especially in higher paid industries such as construction, professional, scientific and technical services and

health care to name a few. These positive gains will have beneficial impacts on both the resale and new home ownership markets.

Net migration will see a substantial burst in 2007, as migrants are attracted to the multitude of job opportunities and relatively lower cost of living. Net migration will moderate in 2008 but remain firmly in positive territory in keeping with increasing in-migration and lower out-migration numbers for the province as a whole.

Mortgage Rate Outlook

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Looking for more details? Subscribe to CMHC's Housing Market Outlook Canada report and Housing Market Outlook reports for major centres.

| Forecast Summary Saskatoon CMA Fall 2007 | | | | | | | |
|--|---------|---------|---------|---------|-------|---------|-------|
| | 2004 | 2005 | 2006 | 2007f | % chg | 2008f | % chg |
| Resale Market | | | | | | | |
| MLS [®] Sales | 2,999 | 3,246 | 3,430 | 4,400 | 28.3 | 4,250 | -3.4 |
| MLS [®] New Listings | 4,695 | 4,908 | 4,637 | 4,900 | 5.7 | 4,900 | 0.0 |
| MLS [®] Average Price (\$) | 132,549 | 144,787 | 160,577 | 225,000 | 40.1 | 250,000 | 11.1 |
| New Home Market | | | | | | | |
| Starts: | | | | | | | |
| Single-Detached | 753 | 751 | 959 | 1,600 | 66.8 | 1,500 | -6.3 |
| Multiples | 825 | 311 | 537 | 850 | 58.3 | 600 | -29.4 |
| Starts - Total | 1,578 | 1,062 | 1,496 | 2,450 | 63.8 | 2,100 | -14.3 |
| Average Price (\$): | | | | | | | |
| Single-Detached | 199,877 | 213,464 | 239,365 | 275,000 | 14.9 | 300,000 | 9.1 |
| Median Price (\$): | | | | | | | |
| Single-Detached | 187,435 | 198,177 | 219,687 | | - | | - |
| New Housing Price Index (% chg.) | 5.4 | 5.6 | 9.1 | 30.0 | - | 12.0 | - |
| Rental Market | | | | | | | |
| October Vacancy Rate (%) | 6.3 | 4.6 | 3.2 | 2.5 | - | 2.2 | - |
| Two-bedroom Average Rent (October) (\$) | 580 | 584 | 608 | 640 | 5.3 | 665 | 3.9 |
| Economic Overview | | | | | | | |
| Mortgage Rate (1 year) (%) | 4.80 | 5.80 | 6.30 | 6.86 | - | 7.19 | - |
| Mortgage Rate (5 year) (%) | 6.05 | 6.30 | 6.45 | 7.02 | - | 7.41 | - |
| Annual Employment Level | 121,100 | 126,400 | 128,000 | 133,700 | 4.5 | 135,700 | 1.5 |
| Employment Growth (%) | 0.7 | 4.4 | 1.3 | 4.5 | - | 1.5 | - |
| Unemployment rate (%) | 6.2 | 5.0 | 4.4 | 4.2 | - | 4.0 | - |
| Net Migration | 459 | -378 | -286 | 1,300 | - | 1,000 | |

MLS[®] is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is now available for free on CMHC's website. You can now view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1 800 668-2642.

©2007 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at <mailto:chic@cmhc.gc.ca>; (613) 748-2367 or 1 800 668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.



NEW MARKET ANALYSIS REPORTS

Subscribe Now!

December 2007

- Enhanced coverage of the secondary rental market
 - Rental Market Reports – Major Centres

Subscribe

June 2007

- Spring Rental Market Survey Results
 - Rental Market Report – Canada and Provincial Highlights
 - Rental Market Statistics
- Renovation and Home Purchase Report

Subscribe

Subscribe

Subscribe

May 2007

- Housing Market Outlook – Canada and Regional Highlights Reports
- Northern Housing Outlook Report

Subscribe

Subscribe

Throughout 2007

- Coverage of additional centres:
 - Abbotsford
 - Kingston
 - Peterborough
 - Barrie
 - Guelph
 - Brantford

More

Find out More!

CMHC has enhanced its suite of surveys and analytical reports to better serve you. Visit www.cmhc.ca/housingmarketinformation regularly to find out more about our product updates and to subscribe to our FREE electronic reports.