

HOUSING MARKET INSIGHT

Saskatoon CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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"Condominium ownership has become increasingly popular among young adults and seniors in both Saskatoon and Regina housing markets. The emergence of one-person households and couples without children has supported demand for condominiums, as has the rise in international migration. However, elevated inventory of ownership units will weigh on new construction over the near term."



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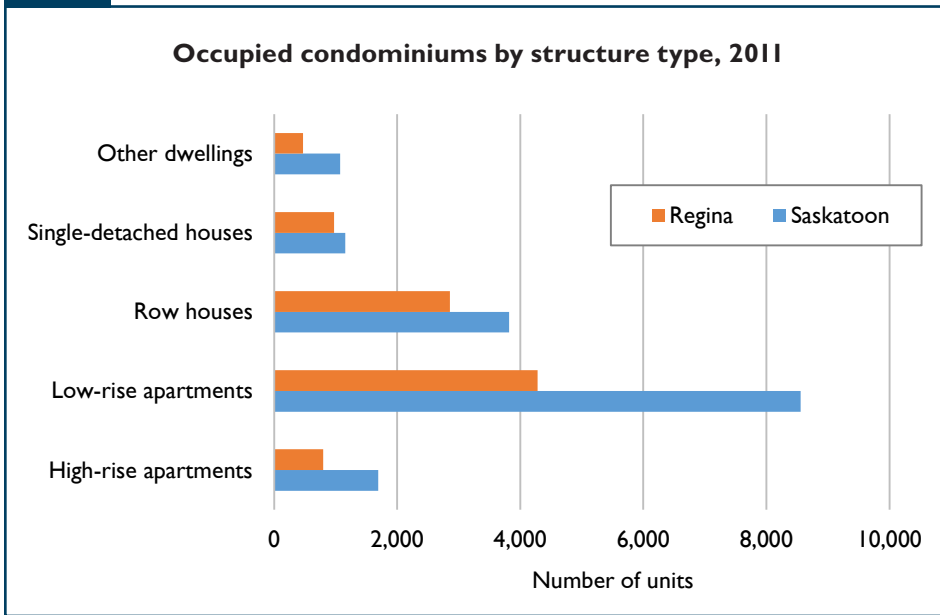
The Evolution of the Condominium Market in Saskatoon and Regina

The condominium market in Saskatoon and Regina has evolved over time and accounts for a large share of the growth in homeownership in these two Census Metropolitan Areas (CMAs) over the past decade. The emergence of condominiums in these markets reflects demographic, economic and societal changes such as increasing immigration, declining household size, changing household characteristics, and an aging population. Condominiums are popular with seniors and young adults due to their affordability and lower maintenance by the owner, compared to a single-detached house. They also provide additional rental supply for international migrants, the younger population and non-family households. In both Saskatoon and Regina, apartments and townhouses have been the dominant type of condominiums in recent years. They have helped provide an entrance to the homeownership market and an option for households looking to downsize. After a high level of construction, condominium starts in Saskatoon and Regina will be limited by elevated inventory in the ownership market in 2016 and 2017.

"Condominium" refers to type of ownership not structure

The term "condominium" refers to the legal form of ownership where purchasers of individual units also share ownership of common areas. A condominium can be of any structure type such as an apartment,

Figure 1



Source: CMHC, adapted from Statistics Canada (National Household Survey)

row house, single-detached or semi-detached unit. The operating and maintenance costs of the common elements of the condominium property are shared among the unit owners via condominium fees.

Legislation governing condominiums can vary across provinces in Canada. In some jurisdictions, condominium corporations are legally required to have a reserve fund. In Saskatchewan, all condominium developments are governed by the Condominium Property Act, 1993. Since the 1993 legislation, amendments have been introduced in recent years to address issues around insurance, dispute resolution and consumer protection, as well as condominium conversions¹.

Low-rise² condominium apartments are the dominant type

In both Saskatoon and Regina, low-rise condominium apartments have been the dominant type and were the majority of occupied condominiums in 2011, followed by row houses. Demands from strong population growth in Saskatoon and

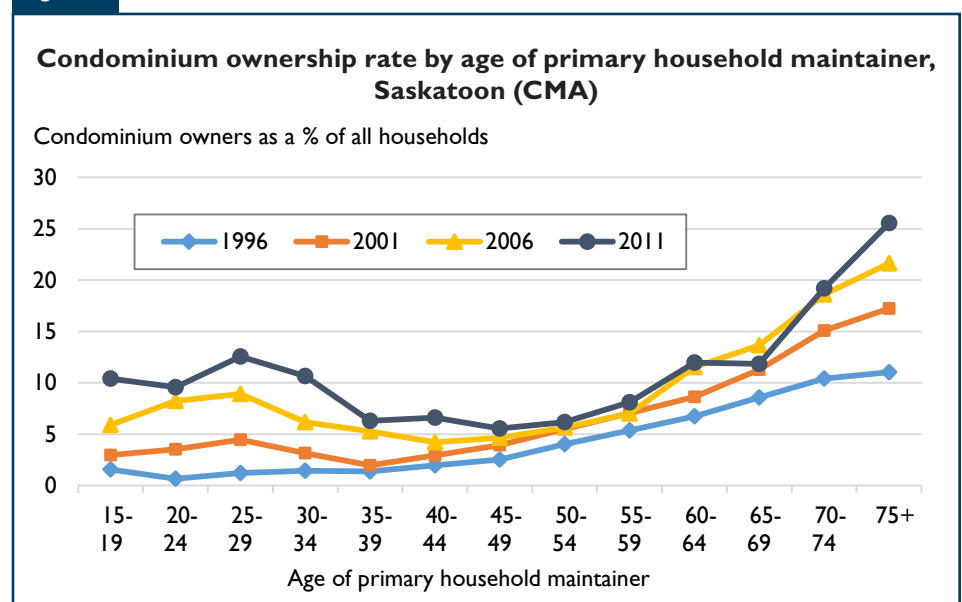
Regina experienced over the past decade have spurred the development of new residential neighbourhoods, mostly located outside the downtown core areas. The frequent use of wood frame during construction, as opposed to the more expensive steel and concrete frame, has favored low-rise over high-rise condominiums

in these communities³. High-rise construction is typically found in very central real estate, where the cost of land is higher and needs to be spread over many buyers, while much of the new development is occurring in areas with less expensive land than in the downtown core. Among newly built structures, low-rise apartments accounted for the majority, if not all, of ownership condominiums constructed in Saskatoon and Regina between 2012 and 2015.

Condominiums increasing total homeownership rates

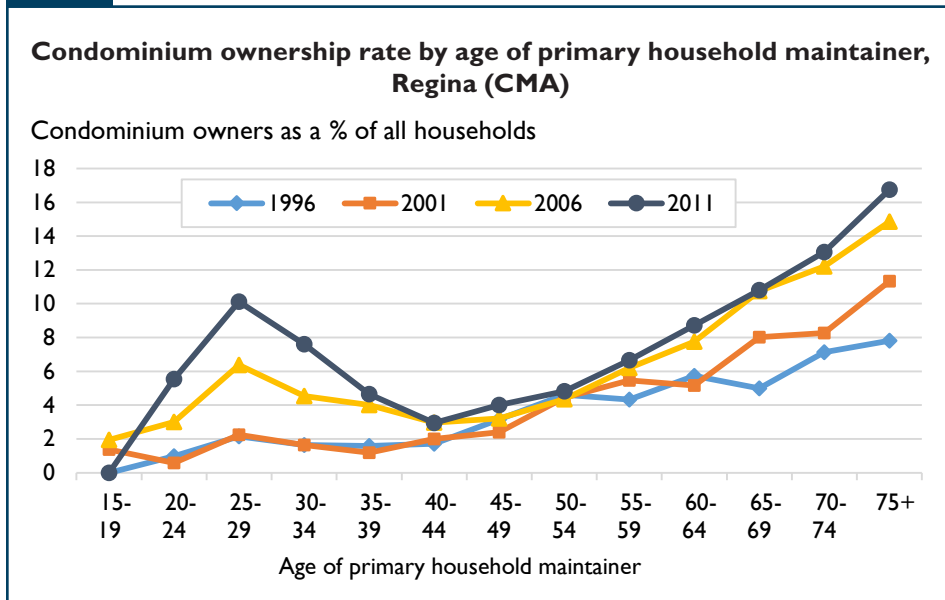
Homeownership rates have been on the rise in Saskatoon and Regina over the past decade and a half. In 2011, 69 per cent of the 104,290 total households in the Saskatoon CMA lived in owner-occupied dwellings, up from just over 61 per cent in 1996. In the Regina CMA, the homeownership rate increased to 71 per cent in 2011 from 66 per cent in 1996. In both CMAs, growth in owner-occupied condominiums helped increase the homeownership rates over this period. Nearly 40 per cent of the total increase

Figure 2



Sources: Statistics Canada, censuses of population, 1996 to 2006 and National Household Survey, 2011
Data from the 2011 National Household Survey may not be comparable to those from earlier censuses.

Figure 3



Sources: Statistics Canada, censuses of population, 1996 to 2006 and National Household Survey, 2011. Data from the 2011 National Household Survey may not be comparable to those from earlier censuses.

in homeownership in Saskatoon between 1996 and 2011 was due to growth in condominiums. In Regina, growth in condominiums accounted for 35 per cent of the increase in homeownership over the same period⁴.

Young adults and seniors helping growth in condominiums

More people are likely to live in a condominium today than in the past. While condominium ownership rates in Saskatoon rose in most age groups between 1996 and 2011, the increase was most notable among the younger and older population, as shown by the age of the primary household maintainer⁵. The trend was similar in Regina, where the condominium ownership rate also increased among young adults and seniors. In both urban centers, there was a prominent increase in the number of condominium owners between the ages of 20 and 34 years in 2011 from 2006. The same was true among people aged 70 and above, who also represented the highest share of condominium ownership in 2011.

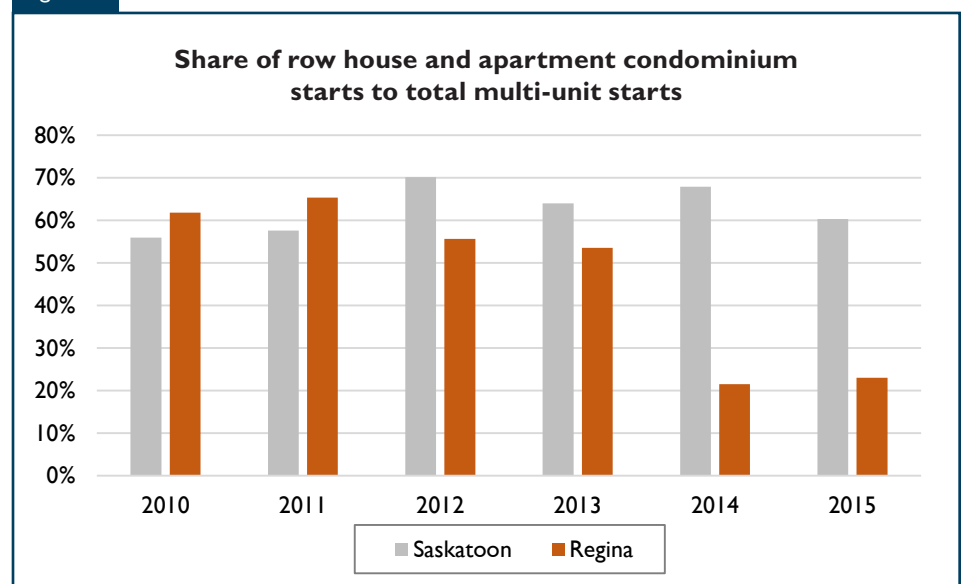
The popularity of condominiums among seniors is unsurprising, given their relative affordability and reduced maintenance. In addition, condominiums can provide on-site amenities and potential access to public transit and other desirable attractions and services that often appeal to a wider demographic, especially the younger households.

Rising share of condominiums in new construction

The share of condominiums in new construction has also risen in Saskatoon and Regina over the past several years. Of the dwellings built between 2001 and 2011 in the Saskatoon CMA, 32 per cent were condominiums, up from 30 per cent between 1991 and 2000. In the Regina CMA, 30 per cent of new housing units constructed between 2001 and 2011 were condominiums, compared to 24 per cent of total starts between 1991 and 2000⁶. In the years between 2012 and 2015, the share of condominiums starts to total housing starts was 34 per cent in Saskatoon and 26 per cent in Regina.

There were 788 condominium starts in Saskatoon and 259 in Regina in 2015 intended for the ownership market. Ownership apartment and row house condominiums accounted for more than 60 per cent of total multi-unit starts in Saskatoon last year. In Regina, the proportion declined to 23 per cent in 2015,

Figure 4



Source: CMHC, Starts and Completions Survey

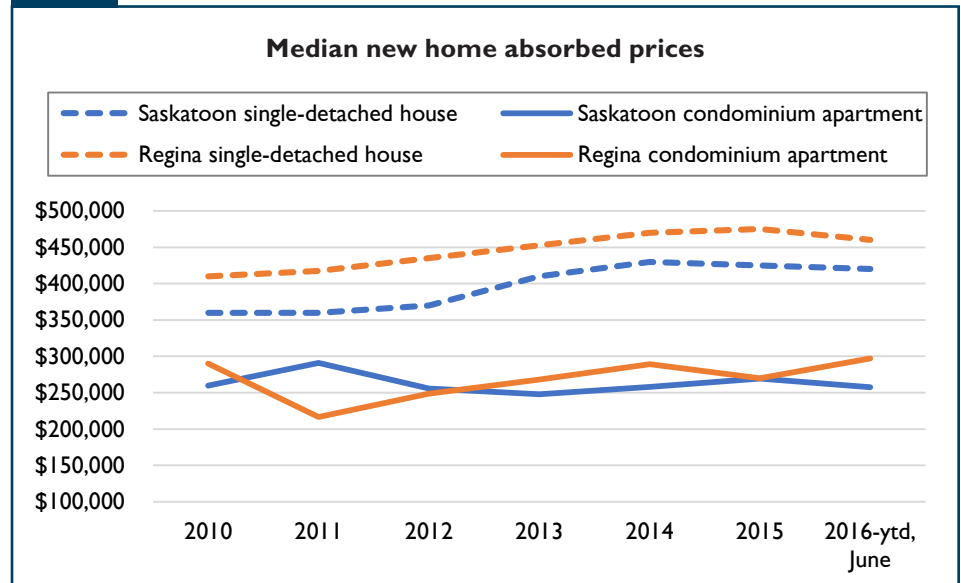
from more than 50 per cent in 2012 and 2013. The reduction reflected builders' efforts to manage high inventory in the face of slowing demand. Meanwhile, more than 65 per cent of the total 1,084 multi-unit starts in the Regina CMA last year were units intended for the rental market.

Rental condominiums providing additional supply to households

Not all condominiums are occupied by owner households. According to the 2011 National Household Survey, 31 per cent of all the 16,290 condominium dwellings in the Saskatoon CMA were rented units. In the Regina CMA, 29 per cent of the 9,410 condominiums were occupied by renter households⁷.

In addition to purpose-built rental apartments, rental condominiums have provided an alternative to people looking to rent rather than own their own home. CMHC conducts a Secondary Rental Market Survey, which collects information on rented condominium apartments in major centers. In the October 2015 survey, the universe of condominium apartments in Saskatoon increased nearly seven per cent to 10,576 units from October 2014. The survey also identified 2,184 units as rental, up from 2,155 in the previous year. In Regina, the condominium universe increased 7.8 per cent to 6,908 units from 6,404 in the October 2014 survey. The number of condominiums identified as rental totaled 1,876 units, up from 1,582 in the previous survey. In both CMAs, the vacancy rate in investor-owned and rented condominiums increased from the previous year as supply rose while rental demand declined. Despite this moderation in rental

Figure 5



Source: CMHC, Starts and Completions Survey

demand, condominiums remain an attractive option for renter households, particularly in newer and trendier neighbourhoods⁸.

Affordability driving up condominium demand

The gap between the median prices of a single-detached home and a condominium unit in both Saskatoon and Regina has remained wide in recent years. Part of this is due to the smaller square footage of condominiums relative to single-family units, as well as the availability of entry-level priced condominiums on the market aimed at first-time homebuyers. Another reason is due to higher supply than demand of newly-built condominiums on the market, which has kept downward pressure on prices.

Given that a condominium generally has lower mortgage carrying costs than a single-detached home, some renters have taken advantage of the current historically low interest rates and have become home owners.

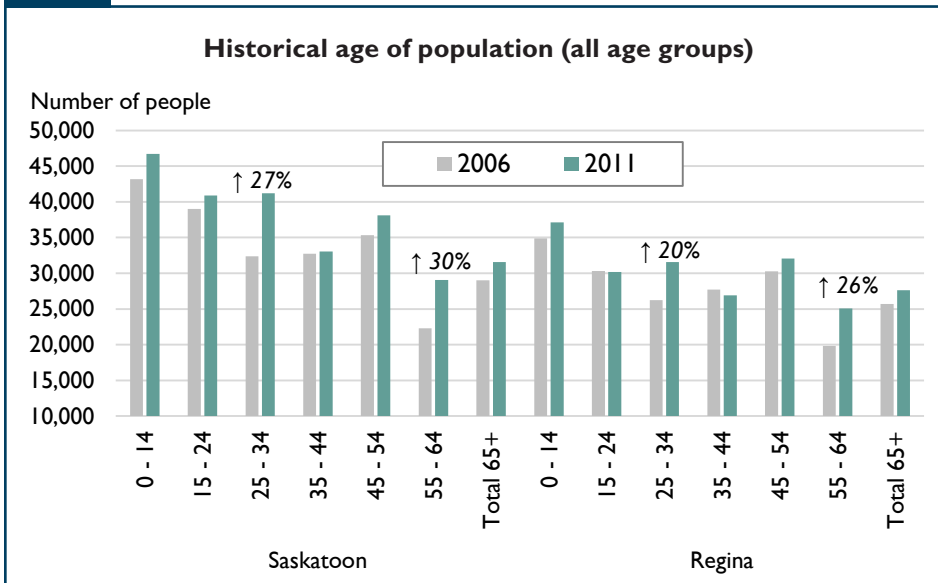
In addition, condominiums have provided an alternative for empty-nesters looking to reduce their maintenance costs⁹.

Emergence of condominiums reflects demographic, economic and societal changes

Population Growth and Immigration

Saskatoon and Regina have both experienced faster population growth over the past decade, averaging 3.0 per cent and 2.5 per cent, respectively, in the last five years alone. In both centers, the fastest growth between 2011 and 2006 was in the 55-64 age group, followed by individuals between 25 and 34 years old. A greater part of this increase in population growth is due to rising immigration. Strong economic growth in Saskatchewan, particularly after the 2008-2009 financial crisis, created employment opportunities, which in turn attracted workers from

Figure 6



Source: CMHC, adapted from Statistics Canada (Census of Canada and National Household Survey)

other regions in Canada. In addition, a consistently greater number of newcomers to the province have come from other countries, with the majority of these migrants settling in Saskatoon and Regina. The increase in household formation¹⁰ arising from higher net migration has been one of the factors driving multi-unit construction in both CMAs since 2011-2012.

Rental condominiums also appeal to newcomers. Longitudinal studies have shown that new immigrants tend to rent first upon arrival before purchasing their first home a few years later. The rise in international migration has supported rental demand for traditional units and for condominiums in Saskatoon and Regina over the past few years. Evidence also shows that once settled and earning an income, newcomers who become homeowners are more likely to choose condominiums than non-immigrant homeowners due to their affordability.¹¹

Shrinking Household Size

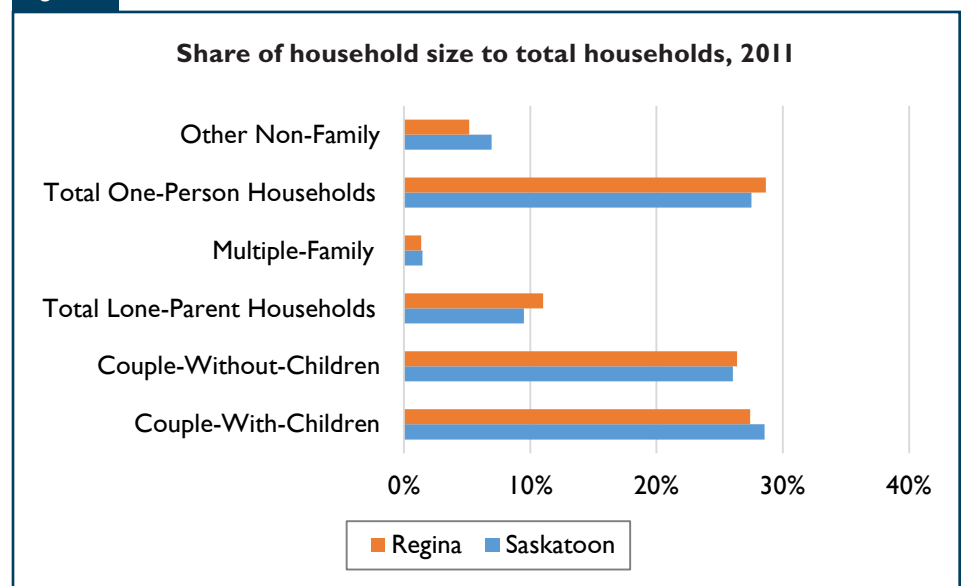
Condominium markets in Saskatoon and Regina have also benefited from the shrinking size of households over time. In 2011, one-person households and couples without children¹² made up more than 60 per cent of all

households in both Saskatoon and Regina. A combination of factors could be behind this gradual shift from larger households to smaller ones such as lower fertility rates, couples choosing to have children late in their professional career, and an aging population. For young professionals in one-person households or couples without children, condominiums generally provide a less expensive alternative to homeownership than a single-detached home.

Aging Baby-boomers and Echo generations¹³

The aging of baby-boomers and echo generations is a potential boon to condominium markets in Saskatoon and Regina - to the extent that this process supports growth in the number of one-person households and couples without children, which are the dominant household types living in condominiums. The appeal of condominiums to seniors has already been discussed above. However, it is

Figure 7



Source: CMHC, adapted from Statistics Canada (Census of Canada and National Household Survey)

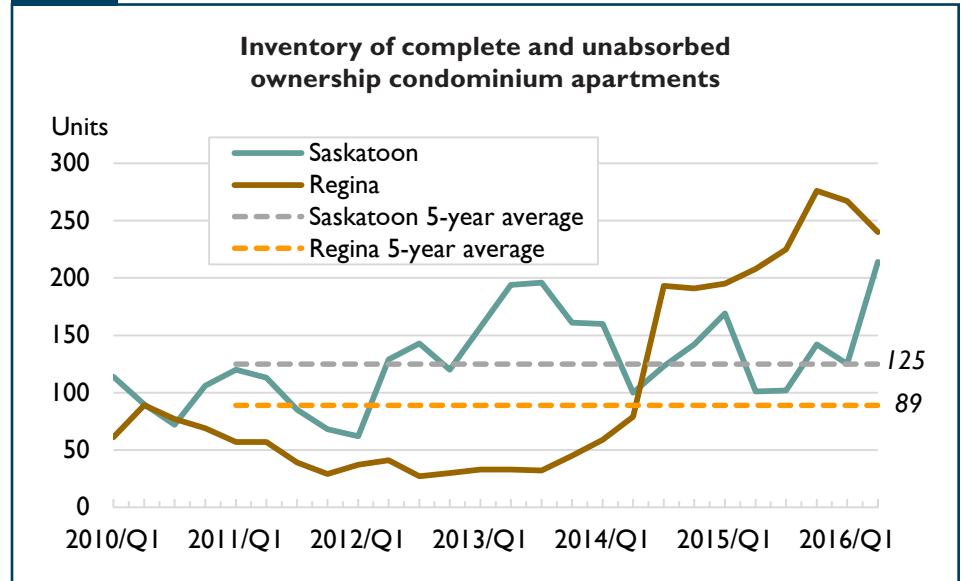
Where band housing is present, total dwelling counts are larger than the sum of owned and rented dwellings. Family households include at least one census family (a couple with or without children or a lone-parent family). These households may include members who are not part of the census family.

important to note that demand for condominiums by seniors could also be tempered by an affinity to remain in the family home or the need for assisted living in seniors' housing due to health reasons.

Elevated supply to weigh on market in the near term

While demand for ownership condominiums has increased significantly in Saskatoon and Regina over the past several years, supply has increased even faster. Slower growth in employment and net migration in the last two years has moderated housing demand in both markets, leading to a significant reduction in multi-unit construction. Despite the reduction, the inventory of complete and unabsorbed condominium apartments in Saskatoon's ownership market was up more than double at 214 units in June 2016, and considerably above the five-year average of 125 units. This was also the highest inventory level since the early 1990s. Similarly, row house condominium inventory was at historic levels in May and June of this year, rising 80 per cent to 281 units in June 2016 from the previous year. In terms of geography, the majority of the apartment and row house condominium inventory in June was located within newer neighbourhoods in the Northeast areas of Saskatoon. In Regina's case,

Figure 8



Source: CMHC, Starts and Completions Survey

Last data point: 2016Q2

apartment condominium inventory in the ownership market rose 14 per cent at the end of June 2016 from June 2015. At 240 units, this was above the five-year average of 89 units that builders have held on hand. By contrast, inventory of row house condominiums declined 42 per cent year-over-year to 56 units in June 2016, even as builders continued to focus on offloading their unsold new units. A vast majority of row house and apartment condominium inventory in June was located within neighbourhoods in the East and Central zones of Regina.

Moving forward, we expect elevated inventory to constrain condominiums starts in both Saskatoon and Regina, which will weigh on overall multi-unit construction in these two markets in 2016 and 2017. CMHC's forecast range for multi-unit starts in Saskatoon is from 720 to 1,080 units in 2016, and from 780 to 1,170 units in 2017. In Regina, multi-unit starts are forecast to be between 690 units and 720 units in 2016, and between 730 units and 770 units in 2017¹⁴.

ENDNOTES

- ¹ Details about the Act can be found at:
<https://www.saskatchewan.ca/government/news-and-media/2014/june/13/changes-to-condo-property-act>.
- ² Low-rise represents structures with less than five storeys, while high-rise structures are those with five levels or more.
- ³ Most low-rise residential structures in Saskatoon and Regina are constructed using wood frame, which is cheaper per square foot than framing with steel and concrete. The current building code allows up to a maximum of four storeys when using wood frame. The 2015 National Building Code framework, which will allow up to six storey wood frame construction, is expected to be adopted by the Province of Saskatchewan in mid-2017.
- ⁴ See CMHC's Canadian Housing Observer, 2013, Chapter two.
- ⁵ A household maintainer is the person or one of the people in the household responsible for the major household payments such as the rent or mortgage. Where more than one person in a household claims responsibility for such payments, the primary maintainer is the first person listed on the census form as a maintainer.
- ⁶ See Statistics Canada, National Household Survey, 2011, focus on geography series, condominium by period of construction, Saskatoon CMA.
- ⁷ See Statistics Canada, National Household Survey, 2011, focus on geography series, condominium by period of construction, Regina CMA.
- ⁸ See CMHC's Rental Market Report for both Saskatoon and Regina CMAs, October 2015.
- ⁹ For a quick reference to the pros and cons of condominium ownership, see CMHC's Canadian Housing Observer, 2013, chapter two.
- ¹⁰ Household formation refers to the year-over-year percentage change in the number of households. It is a key driver of long-term demand for new housing and new home construction.
- ¹¹ See Longitudinal Survey of Immigrants to Canada: Process, progress and prospects. Catalogue no. 89-611-XIE. Ottawa: Statistics Canada, 2003. See also CMHC's Canadian Housing Observer 2014, chapter six.
- ¹² For complete documentation of census concepts, including structure types and other housing content, see Statistics Canada's dictionaries at <http://www12.statcan.gc.ca/census-recensement/2011/ref/dict/index-eng.cfm>, and <https://www12.statcan.gc.ca/nhs-enm/2011/ref/dict/index-eng.cfm>.
- ¹³ Canadian baby-boomers refers to the population born between 1946 and 1965. The echo generation refers to the children of the baby-boomers, born between 1972 and 1992. See Generations in Canada: Age and Sex, 2011 Census (Ottawa: Statistics Canada, 2012), no. 98-311-X2011003.
- ¹⁴ For a comprehensive discussion on the underlying supply and demand factors impacting CMHC's forecast for housing starts in the Saskatoon and Regina CMAs, see Housing Market Outlook reports at:
<https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?lang=en&cat=63&itm=47&fr=1469484564011> and also at:
<https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?lang=en&cat=63&itm=45&fr=1469484598387>.

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