

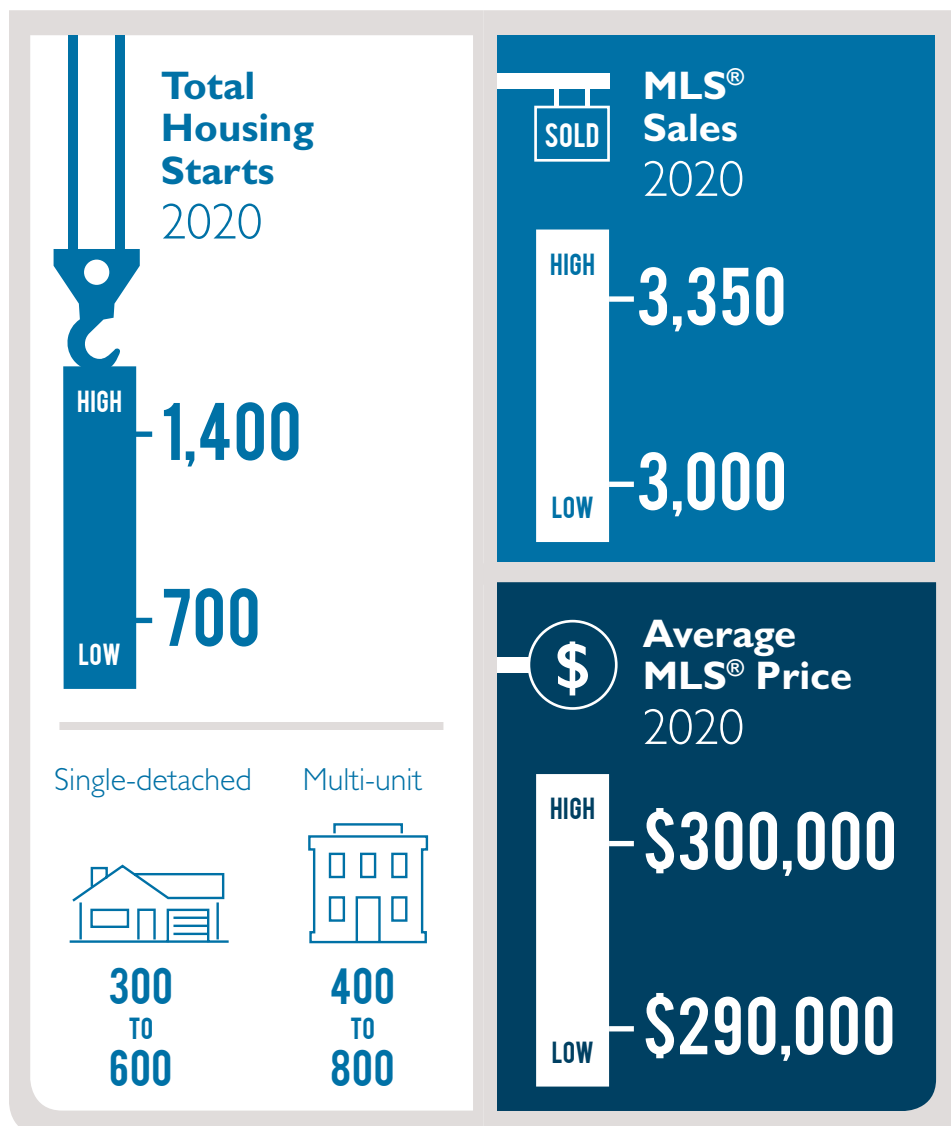
# HOUSING MARKET OUTLOOK

Regina CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019<sup>1</sup>



**Housing activity is expected to slow in 2019, and moderate from 2020 to 2021.**

“Housing starts are projected to decline before posting a moderate recovery once market fundamentals improve. Stronger demand in the resale market will support an increase in sales, while house prices will continue to see limited growth.”

**Heather Bowyer**  
Senior Analyst

<sup>1</sup> The forecasts and historical data included in this document reflect information available as of September 12, 2019.

## Highlights

- After restrained growth in 2019, housing starts will rebound in 2020 as market fundamentals improve.
- As resale demand strengthens, sales are expected to increase, however average price growth will be limited.
- Vacancy rates to increase in 2019 as new supply to the market outpaces rental demand for existing units.

## New home market: Housing starts to pullback before posting moderate recovery

Total housing starts in the Regina Census Metropolitan Area (CMA), are expected to decline in 2019, following a moderation of housing starts in 2018. Through the first eight months of 2019, total housing starts have fallen 62.3% compared to the same time period in 2018. Demand in the new home market has weakened as a result of the slow pace of economic recovery. Specifically, employment growth has been lagging, especially among full-time jobs, causing some affordability challenges. On the supply side, higher construction costs and elevated inventories in the new and resale housing markets will contribute to a contraction of housing starts in 2019. However, total housing starts will rebound in both the single-detached and multi-family segments over the next two years. As builders and developers have eased production, inventory levels and total units under construction have been scaled back significantly, supporting a gradual rise in housing starts.

Construction of single-detached units are expected to pick up as an improving employment outlook and population growth will contribute to new household formations and increased demand. On the multi-family side, new construction will be supported by favorable demand for lower priced housing options such as condominiums and townhomes rather than rental apartment units as elevated vacancy rates may limit production levels for this tenure type.

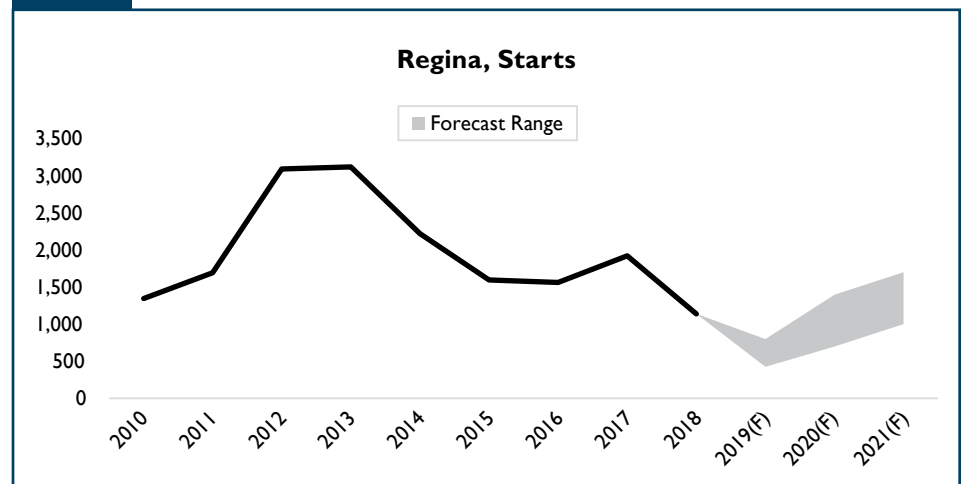
Risks to the forecast for total housing starts include a slower than expected economic recovery and tightening credit market conditions. If employment growth in Regina is concentrated in the part-time sector rather than in full-time positions, new household formations and housing demand may fall. As well, tighter credit market conditions will reduce buying power for households and could contribute to lower demand. This would push the starts forecast to the lower bounds.

## Existing home market: Resale demand will improve while average prices still recovering

After two consecutive years of decline, MLS® sales are forecast to increase in 2019. The resale market in the Regina CMA has been characterized by weak employment growth, tighter credit market conditions, and lower levels of interprovincial migration, contributing to a softening in housing demand. As economic conditions are expected to recover, employment levels and income growth will improve. This will support a recovery in housing demand and an increase in sales over the next several years. However, sales volumes will remain lower than historical norms due to slower employment and population growth compared to recent years and rising mortgage rates.

The average MLS® price is projected to decline in 2019 compared to 2018, and would represent the third consecutive year of declining prices.

Figure 1



Source: CMHC  
(F): Forecast

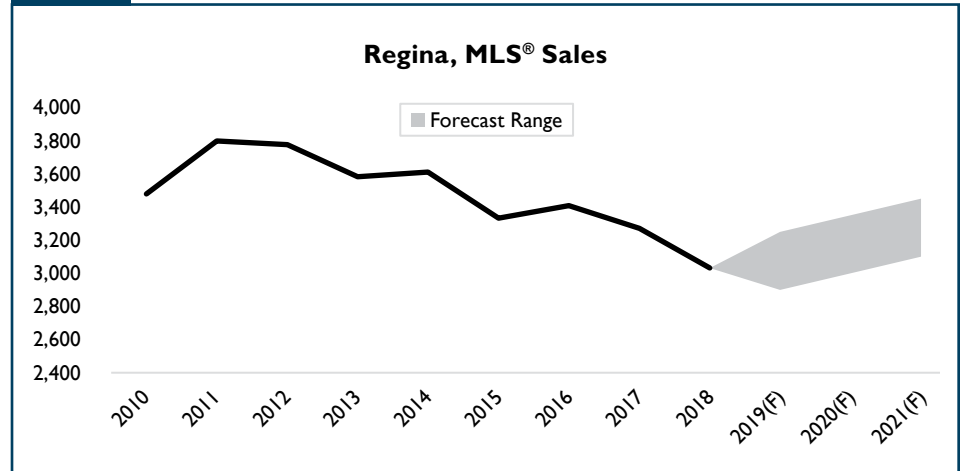
Persistent buyers' market conditions and the shift in resale demand to lower priced homes has put downwards pressure on prices. Prices will continue to post marginal decreases in 2020 before rebounding in 2021 as improving fundamentals move the market towards more of a balanced state.

While the Regina CMA is expected to see positive housing demand over the next several years, risks to the outlook include weaker than expected job growth from weak commodity prices and higher than expected mortgage rates. As well, if interprovincial migration levels move lower, and more individuals leave Regina than in recent years, this could affect population growth and overall housing demand. These factors could cause resale market activity to trend towards the lower bound of the forecasts.

### Rental market: New supply to put upwards pressure on vacancy rates in the short-term

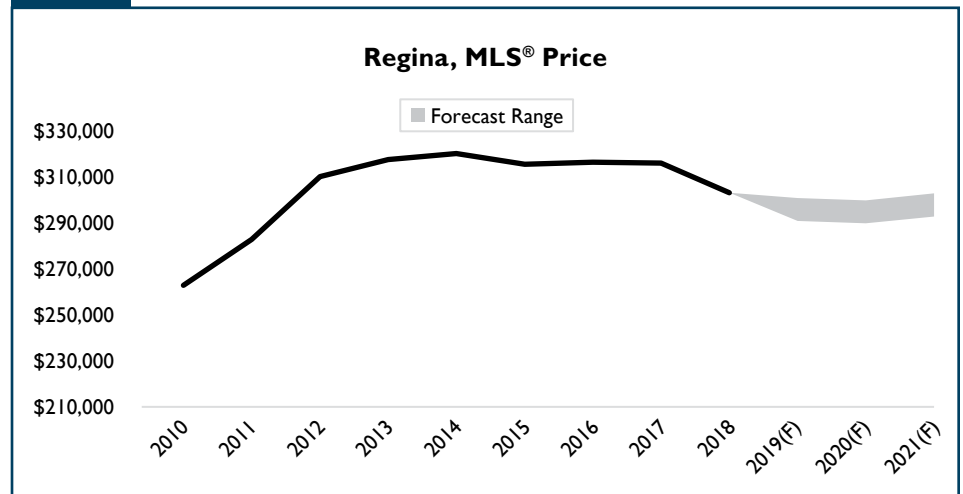
The apartment vacancy rate in the Regina CMA has been elevated over the past several years, and is expected to increase further in 2019. A large number of newly completed rental units in 2018 will cause new supply to outpace demand, pushing the vacancy rate higher. However, new supply to the rental market and rental construction activity have been slowing so far this year. As fewer units enter the market, the level of overbuilding<sup>2</sup> that currently exists should improve, putting downwards pressure on vacancy rates in 2020 and 2021.

Figure 2



Source: CREA  
(F): CMHC Forecast

Figure 3



Source: CREA  
(F): CMHC Forecast

The average two-bedroom apartment rent will decrease in 2019 as an elevated vacancy rate will limit the growth in the rental rate. Rental demand in Regina will be supported by population growth and positive international immigration levels. In the labour market, youth employment levels, or the population aged 15 to 24,

have been rising in 2019 which will contribute to the formation of new renter households. These factors, together with falling vacancy rates, will help to stabilize the average rent over the next several years.

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

<sup>2</sup> As defined by the CMHC's [Housing Market Assessment](#) in the third quarter of 2019.

Forecast Summary Regina CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
<b>New Home Market</b>									
<b>Starts:</b>									
Single-Detached	667	665	352	200	350	300	600	400	700
Multiples	896	1,258	787	225	450	400	800	600	1,000
Starts - Total	1,563	1,923	1,139	425	800	700	1,400	1,000	1,700
<b>Resale Market</b>									
MLS® Sales	3,407	3,270	3,030	2,900	3,250	3,000	3,350	3,100	3,450
MLS® Average Price(\$)	316,624	316,201	303,345	291,000	301,000	290,000	300,000	293,000	303,000
<b>Economic Overview</b>									
Mortgage Rate(5 year)(%)	4.66	4.78	5.27	5.00	5.60	5.40	6.20	5.50	6.50

	2016	2017	2018	2019(F)	2020(F)	2021(F)
<b>Rental Market</b>						
October Vacancy Rate (%)	5.5	7.0	7.7	8.2	7.3	6.6
Two-bedroom Average Rent (October)(\$)	1,109	1,116	1,130	1,120	1,125	1,130
<b>Economic Overview</b>						
Population	245,245	251,602	257,337	261,600	266,300	271,200
Annual Employment Level	139,300	140,800	140,400	141,900	142,600	144,000

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 12th September 2019. (L)= Low end of range. (H)= High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2019-2021).

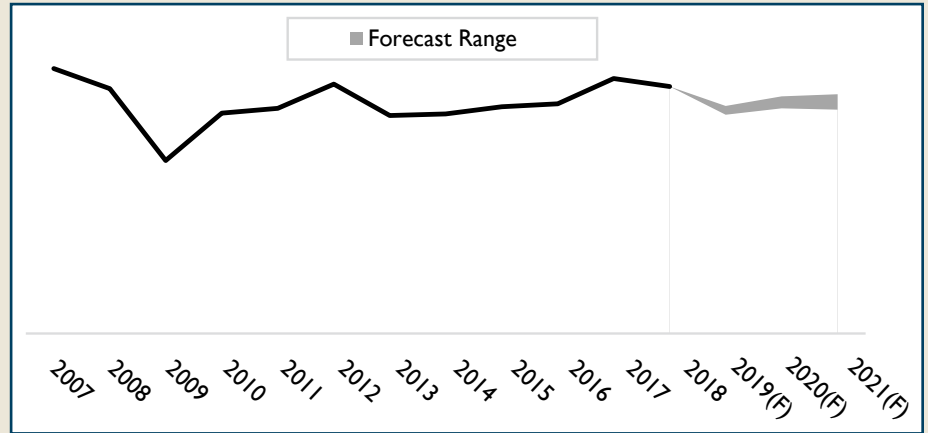
## Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation\* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.



\* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

## DEFINITIONS AND METHODOLOGY

### **New Home Market**

Historical home starts numbers are collected through CMHC's monthly [Starts and Completions Survey](#). Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

### **Dwelling Types**

#### **Single-Detached Start:**

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

#### **Semi-Detached Start:**

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

#### **Row (or Townhouse) Start:**

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

#### **Apartment and other Starts:**

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

### **Intended Market**

#### **Freehold Start:**

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

#### **Condominium (including Strata-Titled) Start:**

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

#### **Rental Start:**

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

#### **Average and Median Single Detached Home Prices:**

Are estimated using CMHC's [Market Absorption Survey](#), which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

#### **New Home Price Indexes:**

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

## Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

### MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

### MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

## Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

### Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

### Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

## Economic Overview

**Labour Force** variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

### Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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- Housing Market Outlook, Canada and Major Centres
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- Rental Market Reports, Major Centres
- Seniors' Housing Reports
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