

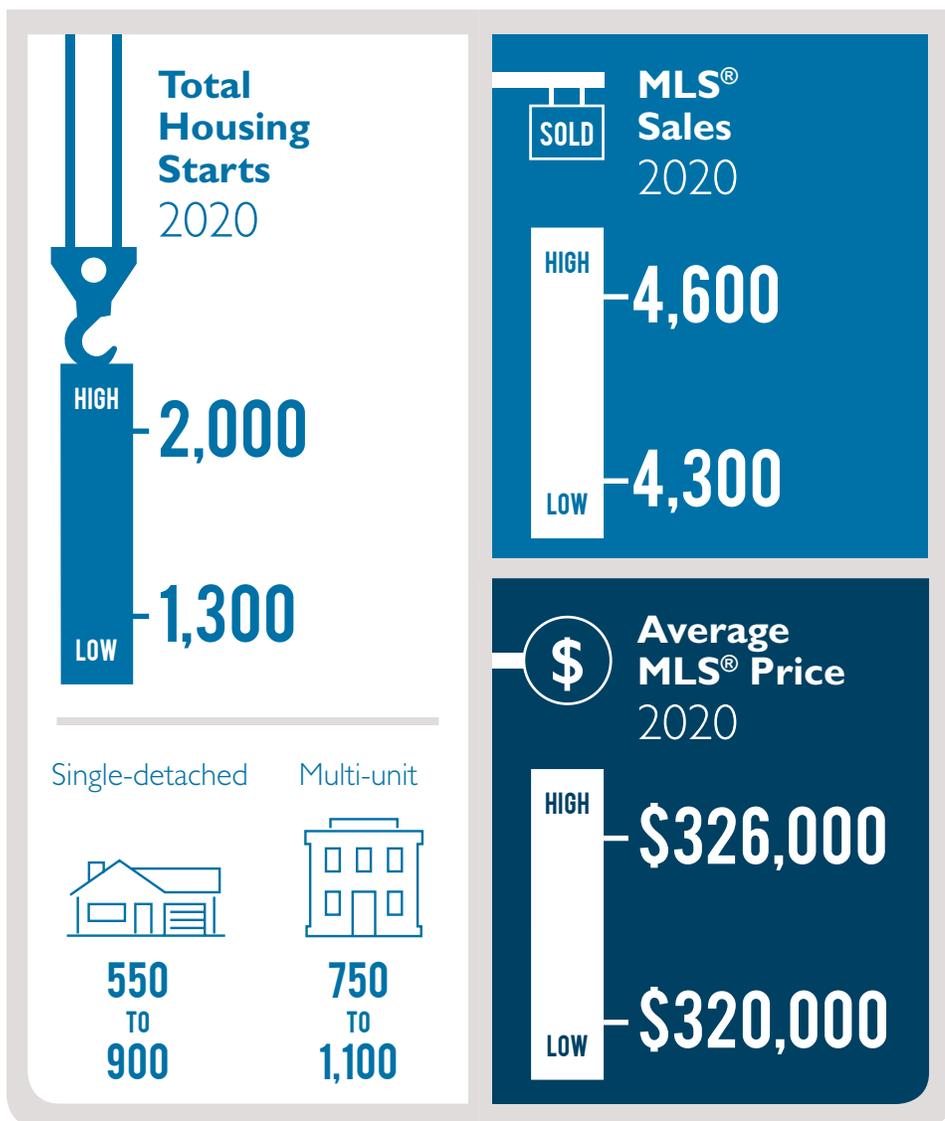
HOUSING MARKET OUTLOOK

Saskatoon CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019¹



Residential starts to end much lower in 2019, but post gains in 2020 and 2021.

“Following declines in 2019, housing starts will recover over the next two years but remain below their 2014 peak. Demand for new and resale homes will be supported by continued growth in fundamentals such as employment, income, and population. Meanwhile, both sales and prices for existing homes are expected to increase modestly over the forecast period.”

Goodson Mwale
Senior Analyst

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

Highlights

- Housing starts will recover over the forecast period, but remain below their 2014 peak.
- Gains in existing home sales will continue, but price growth will be subdued.
- Rental apartment vacancies will trend lower through 2021.

Housing starts will recover on continued growth in fundamentals

Residential starts will end the year lower before increasing in 2020 and 2021. This represents a downward revision to our forecast for 2019 since last fall as higher construction costs, rising interest rates and regulatory impacts have had a far greater moderating effect on housing demand than previously anticipated. Nonetheless, both single-detached and multi-family starts will recover from their recent lows and post gains over the next two years, supported by continued growth in employment, income and population. That said, overall production will remain below pre-recession peaks.

Neighbourhood expansion efforts in the northeast, southeast, west and outlying areas of the city will support single-detached starts over the forecast horizon. Meanwhile, affordability challenges in the homeownership market will shift demand more towards lower-priced housing options such as condominium apartments and townhouses. Given the comparatively smaller inventory of newly completed apartment condominiums on the market, we expect overall construction in the multi-family sector to outpace single-detached starts as we move into 2020 and through 2021.

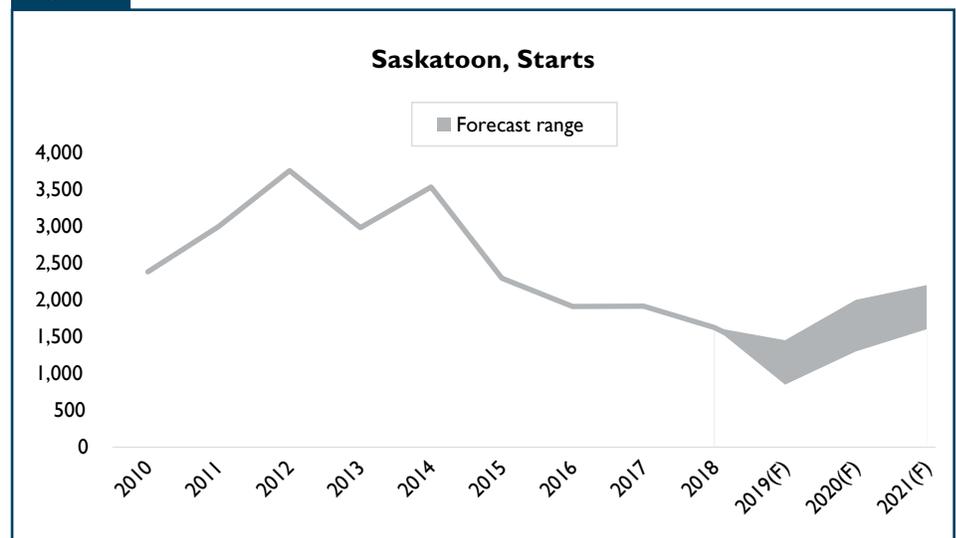
There are notable downside risks to our forecast. For one, housing demand is being supported by strong employment growth in the service-producing sector, which has more than offset the job losses in the goods-producing sector. A marked deterioration in the global outlook for key commodities could further decrease employment in the latter. This would result in a higher overall unemployment rate and a net loss of migrants to the city. In this scenario,

housing starts could come in closer to the lower range of our forecast for the next two years.

Resale market activity is recovering, but gains in sales will remain modest

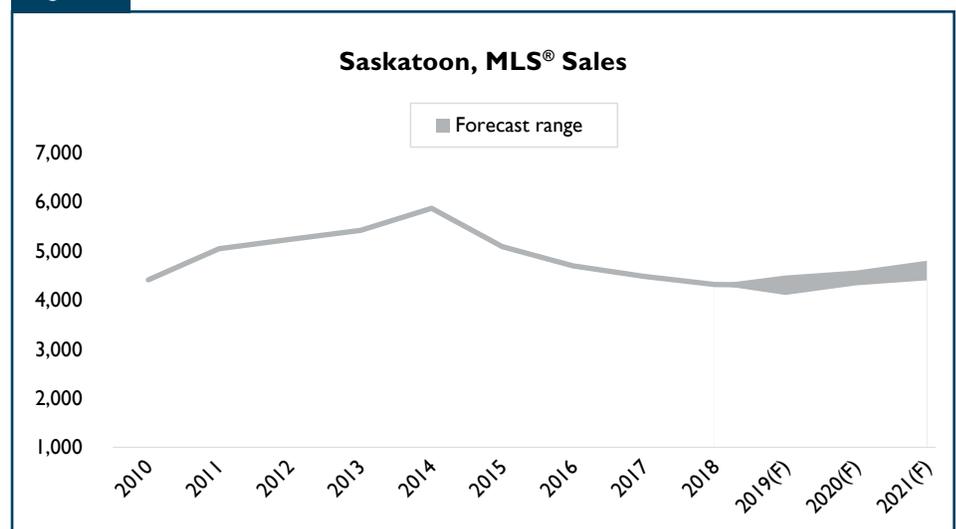
Existing home sales will increase modestly throughout the forecast period. MLS® sales picked up pace during the first eight months of 2019, and will end the year higher than in 2018. Given rising interest rates and

Figure 1



Source: CMHC
(F): Forecast

Figure 2



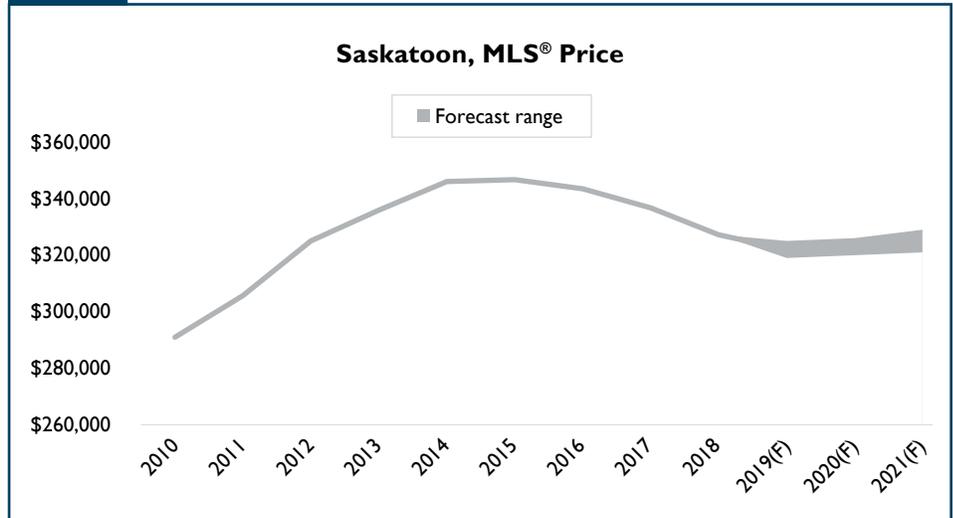
Source: CREA
(F): Forecast

tighter mortgage qualifying rules, demand for more affordable units in the condominium segment of the market has strengthened and provided an upswing to resale activity. In addition, sales of single-family homes have firmed up as labour market conditions have improved. Moving forward, existing home sales will increase further through 2021, supported by continued growth in fundamentals such as employment, income and the young adult population. However, we expect gains in resale activity to remain modest over the forecast horizon.

With resale supply still elevated relative to demand, residential prices will end the year slightly lower than in the previous year before stabilizing in 2020. A shift towards more balanced conditions will allow for a modest increase in resale prices in 2021.

A key risk to increasing sales and prices would be a pronounced slowdown in employment or income growth. Similarly, a significant reduction in total net migration would decrease population growth and dampen housing demand. This would pull sales and prices closer to the lower ranges of our forecast.

Figure 3



Source: CREA
(F): Forecast

Strengthening rental demand will push the vacancy rate lower

Rental apartment vacancies are expected to trend lower over the forecast period. Demand for rental accommodation will be supported by continued growth in economic and demographic fundamentals such as employment, income and population. In addition, rising costs

of homeownership will delay some renter households' entry into the homeownership market. As such, rental demand will increase slightly faster than supply, which will put downward pressure on the vacancy rate. With vacancies moving lower, rental rates are anticipated to increase over the forecast horizon, albeit at a moderate pace.

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>

Forecast Summary Saskatoon CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,092	1,078	778	450	750	550	900	700	1,000
Multiples	817	837	848	400	700	750	1,100	900	1,200
Starts - Total	1,909	1,915	1,626	850	1,450	1,300	2,000	1,600	2,200
Resale Market									
MLS® Sales	4,692	4,479	4,314	4,100	4,500	4,300	4,600	4,400	4,800
MLS® Average Price(\$)	343,497	336,703	327,248	319,000	325,000	320,000	326,000	321,000	329,000
Economic Overview									
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)
Rental Market						
October Vacancy Rate (%)	10.3	9.6	8.3	7.3	6.8	6.0
Two-bedroom Average Rent (October)(\$)	1,100	1,082	1,110	1,115	1,120	1,126
Economic Overview						
Population	307,345	315,598	322,568	328,800	335,300	342,200
Annual Employment Level	168,300	170,100	174,800	178,800	180,800	182,900

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).

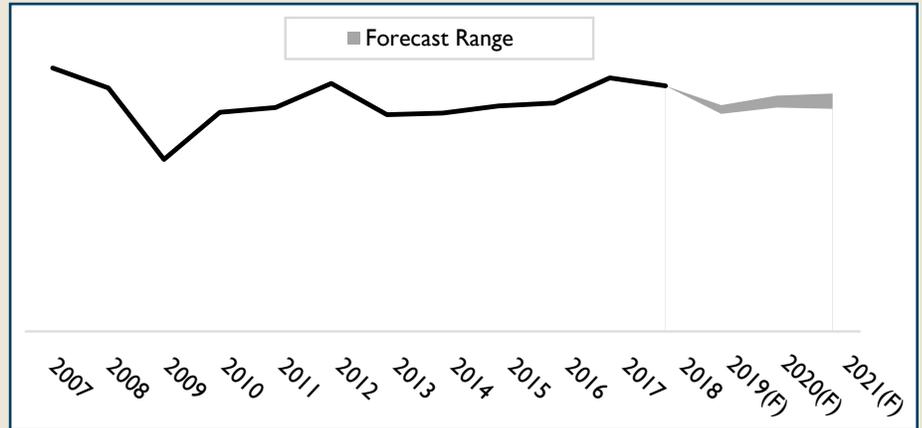
Methodology for forecast ranges

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 Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

DATA TABLES AVAILABLE ONLINE

- Funding and Securitization Data
- Household Characteristics
- Housing Market Data
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