

HOUSING MARKET OUTLOOK

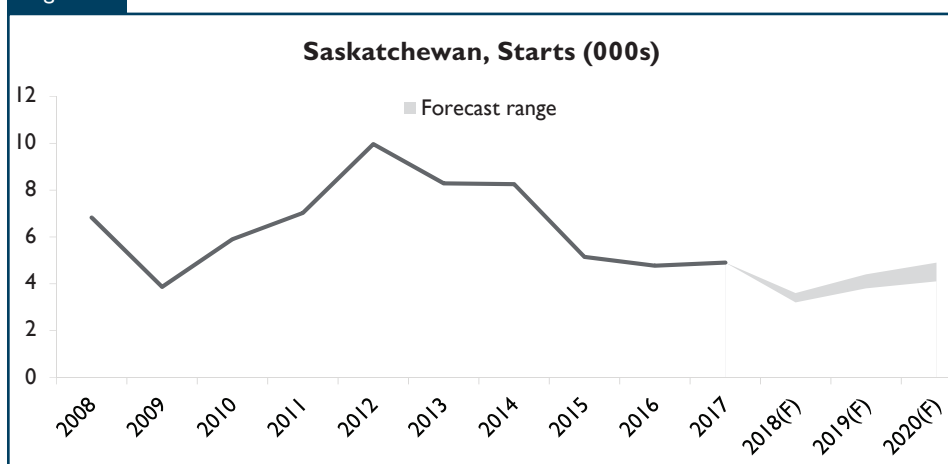
Saskatchewan



CANADA MORTGAGE AND HOUSING CORPORATION

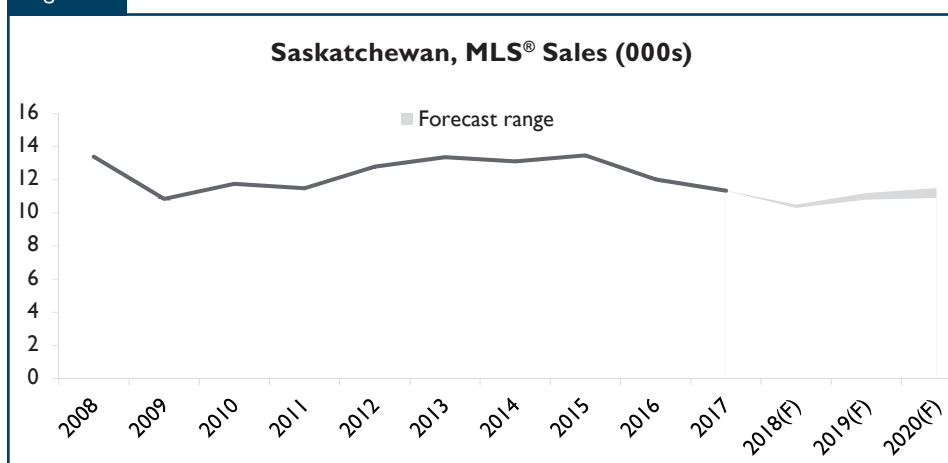
Date Released: Fall 2018¹

Figure 1



Source: CMHC F): Forecast

Figure 2



Source: CMHC F): Forecast

Improving economic conditions in Saskatchewan will support housing demand

Provincial employment growth continues to be sluggish, following two years of recession. However, employment opportunities are expected to increase over the next two years with steady economic growth. Soft labour market conditions this year have held back growth in consumer spending and impacted migration flows. Saskatchewan's population growth in 2018 is projected to have slowed from last year primarily due to negative inter provincial outflows. As Saskatchewan's economy generates more employment opportunities, net interprovincial migration is expected to improve. International migration will continue to support new household formation and population growth.

¹ The forecasts and historical data included in this document reflect information available as of October 5, 2018.

Declining inventory to support modest gains in provincial housing starts

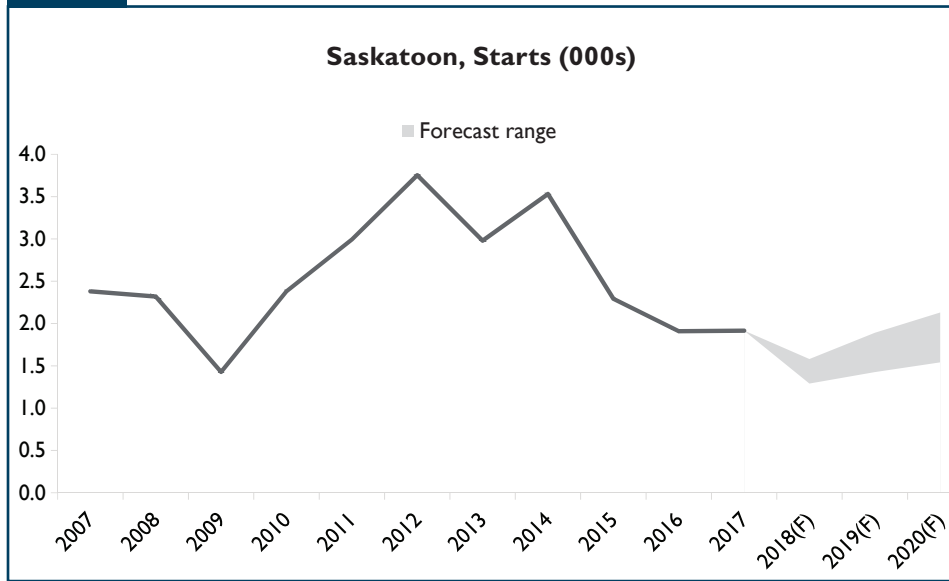
In the provincial new home market, inventories are elevated as the number of absorbed new homes has trended lower since 2015. In response to elevated inventory levels and slower demand, builders in Saskatchewan have responded by sharply reducing housing starts this year. This is expected to reduce inventory and stabilize pricing. The New Housing Price Index for Saskatchewan has been about one per cent lower this year compared to last year. Both single-detached and multi-family units are projected to be lower this year. A reduction of inventory this year should pave the way for some increase in housing starts over the forecast period. However, housing starts will remain below the pre-recession level of activity achieved in 2014.

Housing starts in the Saskatoon CMA forecast to increase modestly through 2020

Slower economic growth, increasing net outflows of migrants to other provinces, rising mortgage rates and rising construction costs have moderated demand for new housing units in 2018. Next year, continued employment growth, firmer oil prices, and a lower inventory of new homes will support a modest recovery in housing starts. Further gains in residential starts are forecast for 2020 as growth in the local economy gathers momentum.

Both single-detached and multi-family starts in the Saskatoon CMA are forecast to rise over the two-year horizon. Neighbourhood expansion efforts in the city's northeast end will support gains in single-detached construction in

Figure 3



Source: CMHC F): Forecast

2019 and 2020. However, the level of overall production in both years is expected to remain significantly below that achieved in 2014, prior to the recession. In the multiples sector, affordability concerns due to rising interest rates will help shore up production of lower-priced options such as townhouses and condominium apartments.

Regina housing starts will begin to recover later in 2019

After a strong performance in 2017, total housing starts in the Regina CMA are set for a significant decline in 2018. Weak employment growth and higher mortgage rates have combined to reduce consumer buying power, which has moderated demand for new housing units this year. In addition, Provincial Sales Tax (PST) charges implemented on construction services, new home warranty, home insurance, input costs of land and its infrastructure have increased construction costs and prompted homebuilders to scale back production. Nonetheless, a modest recovery in residential construction

is forecast for 2019, based on expected gains in employment and higher oil prices. Further gains in residential starts are expected in 2020 as economic conditions continue to improve.

Elevated inventories of newly constructed single-detached units have significantly slowed the pace of starts this year. However, single-detached starts are forecast to post modest gains over the next two years as employment and population growth increase. In the multi-family sector, affordability concerns entail more favourable prospects for the production of lower-priced dwelling options such as townhouses and condominium apartments, which will increase in 2019 and 2020.

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Resale market conditions in Saskatchewan to become more balanced

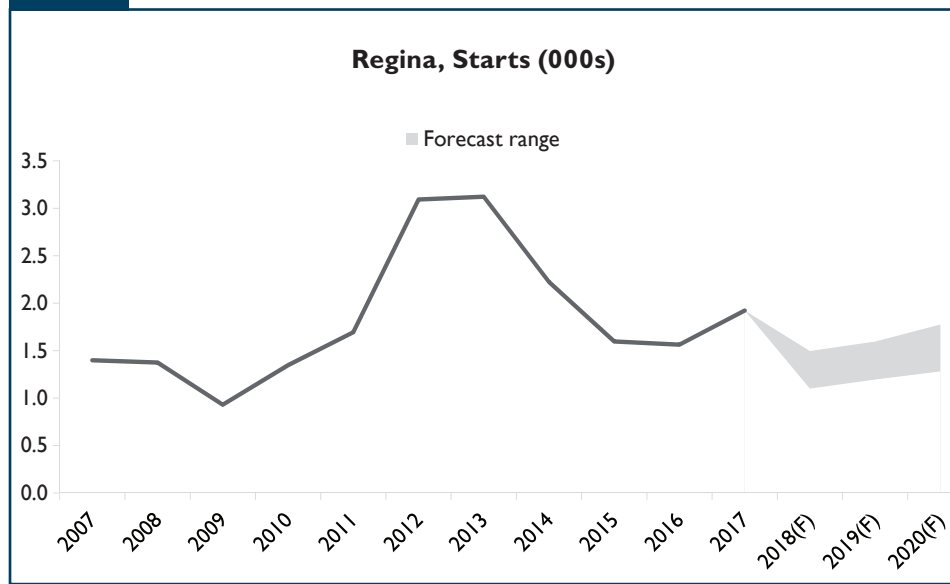
Housing market conditions across Saskatchewan continued to favour the buyer in 2018. The market balance indicator, the sales-to-new listings ratio has averaged below 40% for most of this year, indicative of a high level of supply relative to demand. Buyers' market conditions have put downward pressure on resale house prices in Saskatchewan. Nonetheless, Saskatchewan's economy is expected to expand over the forecast period, but at a moderate rate. Over the next two year, market conditions are projected to gradually become more balanced.

After four years of declines, MLS® sales are projected to stabilize and gradually increase in 2019 and 2020. With some firming in resale demand and market conditions, the average MLS® price in Saskatchewan is expected to begin stabilizing after generally trending lower since 2015. Tighter credit market conditions and rising mortgage rates will create some headwinds for sales growth. With demand growth muted, price growth in Saskatchewan over the next two years will also likely be muted and below the inflation rate.

Saskatoon's MLS® sales are forecast to rebound in 2019, and gradually increase in 2020

Existing home sales in Saskatoon's broader market are on pace to decline for a fourth consecutive year in 2018. In 2019, continued job growth and slightly higher total immigration will support a stabilisation and then some growth in MLS® sales. A continued improvement in economic conditions will result in further gains

Figure 4



Source: CMHC F): Forecast

in 2020. Nonetheless, rising mortgage rates over the forecast period will remain a constraining factor on resale activity.

As is the case provincially, persistent buyer's market conditions since the last recession have kept downward pressure on house prices in Saskatoon. As such, resale prices are expected to decline further in 2018, before posting modest gains in 2019 and 2020. A key risk to the recovery in residential prices over the next two years would be a decline in fundamentals such as employment, income or population growth.

MLS® sales in Regina set for modest gains in 2019 and 2020

MLS® sales are forecast to decline in 2018 before regaining some ground in 2019 and 2020. A combination of weak employment growth, tighter credit market conditions, rising interest rates, and declining migration has moderated resale demand this year. Moving forward, rising employment and continued

population growth will lend support to modest gains in total resale transactions in Regina's market during each of the next two years.

Market balance has continued to favour buyers over sellers, which has kept downward pressure on resale home prices in Regina's broader market. As such, the average MLS® price is forecast to decline further in 2018, before posting modest gains in 2019 and 2020. A key downside risk to our forecast on existing home prices over the next two years would be a deterioration in fundamentals such as employment, income or population growth.

Provincial rental vacancy rate to stabilize and then move lower

Vacancy rates in Saskatchewan have been elevated since the last recession. An expanding rental universe at the same time demand ebbed has elevated vacancy rates in Saskatchewan. As net migration improves and employment increases over the forecast period, rental

vacancy rates are expected to gradually stabilize and then move lower. In an elevated vacancy environment, rents are expected to remain relatively stable and then gradually increase.

Saskatoon's rental vacancies will trend lower but remain elevated

Rental demand in the Saskatoon CMA is expected to strengthen throughout the forecast period, supported by continued employment and population growth. As a result, the purpose-built apartment vacancy rate will trend lower in 2018 and through 2020, but remain elevated by historical standards. While rental starts have moderated in the past couple of years, an elevated supply in the competing secondary

rental market will provide renter households with alternatives to the purpose built rental market. The average two-bedroom rent is forecast to stabilize and move modestly higher through 2020. With elevated vacancy rates, property managers and landlords will be limited in how much they can increase rental rates throughout the forecast period.

Rental vacancies in the Regina CMA forecast to gradually decline

The vacancy rate in the Regina's purpose-built rental market is forecast to decline throughout the forecast period, but remain elevated by historical norms. Rental demand is expected to remain resilient and supported

by continued population growth and by more households choosing to rent as interest rates rise. Nonetheless, the significant increase in rental supply over the past few years will limit the decline in the apartment vacancy rate through 2020. The average two-bedroom rent is forecast to increase modestly over the next two years. An elevated apartment vacancy rate will mitigate the degree to which property managers and landlords are able to increase rental rates in 2019 and 2020.

Forecast Summary Saskatchewan Fall 2018									
	2015	2016	2017	2018(F)		2019(F)		2020(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	2,414	2,768	2,629	1,500	1,700	1,600	2,000	1,800	2,400
Multiples	2,735	2,007	2,275	1,600	2,000	2,000	2,600	2,000	2,800
Starts - Total	5,149	4,775	4,904	3,200	3,600	3,800	4,400	4,100	4,900
Resale Market									
MLS® Sales	12,019	11,343	11,059	10,300	10,500	10,800	11,200	10,900	11,500
MLS® Average Price(\$)	302,137	300,280	293,818	285,000	291,000	286,500	295,300	289,500	298,900
Economic Overview									
Mortgage Rate(5 year)(%)	4.67	4.66	4.78	5.00	5.60	5.40	6.20	5.50	6.50

	2015	2016	2017	2018(F)	2019(F)	2020(F)
Rental Market						
October Vacancy Rate (%)	6.0	8.0	8.3	7.2	6.5	6.1
Two-bedroom Average Rent (October)(\$)	1,092	1,104	1,098	1,102	1,109	1,123
Economic Overview						
Population	1,135,977	1,153,590	1,168,057	1,180,205	1,195,311	1,211,807
Annual Employment Level	573,700	568,500	567,600	568,400	573,200	581,200
Net Migration	6,675	11,036	7,377	5,205	7,300	8,500
Average Weekly Earnings (\$)	971	1,000	998	1,020	1,040	1,061

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

Rental Market: Corresponds to universe of privately initiated rental apartment structures of three units and over. Historical and forecast values are an aggregate roll-up of the Census Metropolitan Area (CMA) historical data and forecasts from each province.

The forecasts (F) included in this document are based on information available as of 5th October 2018. (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 (2018-2020).

Forecast Summary Saskatoon CMA Fall 2018									
	2015	2016	2017	2018(F)		2019(F)		2020(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,000	1,092	1,078	690	760	745	850	865	995
Multiples	1,293	817	837	600	820	680	1,040	675	1,135
Starts - Total	2,293	1,909	1,915	1,290	1,580	1,425	1,890	1,540	2,130
Resale Market									
MLS® Sales	5,083	4,692	4,480	4,330	4,410	4,490	4,650	4,580	4,820
MLS® Average Price(\$)	346,711	343,497	336,703	324,100	327,900	327,800	332,600	336,500	344,100
Economic Overview									
Mortgage Rate(5 year)(%)	4.67	4.66	4.78	5.00	5.60	5.40	6.20	5.50	6.50

	2015	2016	2017	2018(F)	2019(F)	2020(F)
Rental Market						
October Vacancy Rate (%)	6.5	10.3	9.6	7.7	7.0	6.5
Two-bedroom Average Rent (October)(\$)	1,087	1,100	1,082	1,085	1,093	1,108
Economic Overview						
Population	305,010	314,769	323,809	330,259	336,809	343,759
Annual Employment Level	169,700	168,300	170,100	174,000	177,300	180,400

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

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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 (2018-2020).

Forecast Summary Regina CMA Fall 2018									
	2015	2016	2017	2018(F)		2019(F)		2020(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	513	667	665	340	445	365	485	415	550
Multiples	1,084	896	1,258	760	1,050	830	1,110	865	1,225
Starts - Total	1,597	1,563	1,923	1,100	1,495	1,195	1,595	1,280	1,775
Resale Market									
MLS® Sales	3,332	3,407	3,270	2,930	3,125	3,005	3,260	3,080	3,415
MLS® Average Price(\$)	315,779	316,624	316,201	297,800	308,225	300,690	312,750	305,000	319,900
Economic Overview									
Mortgage Rate(5 year)(%)	4.67	4.66	4.78	5.00	5.60	5.40	6.20	5.50	6.50

	2015	2016	2017	2018(F)	2019(F)	2020(F)
Rental Market						
October Vacancy Rate (%)	5.4	5.5	7.0	6.6	6.0	5.6
Two-bedroom Average Rent (October)(\$)	1,097	1,109	1,116	1,120	1,127	1,140
Economic Overview						
Population	240,583	247,192	253,220	257,470	262,320	267,470
Annual Employment Level	138,000	139,300	140,800	140,900	142,800	145,000

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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 5th October 2018. (L)= Low end of range. (H)= High end of range.

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Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2018-2020).

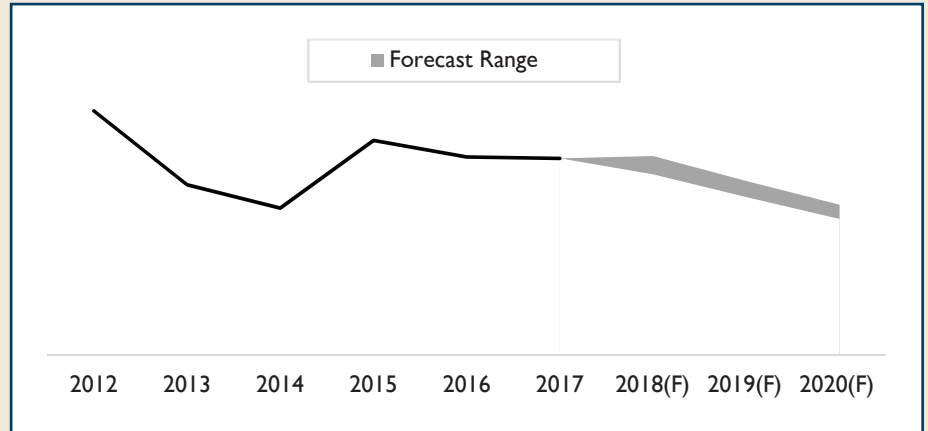
Methodology for forecast ranges

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
- 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
- Housing Market Indicators
- Mortgage and Debt Data
- Rental Market Data

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