

Construction intentions go up in Q1 2016

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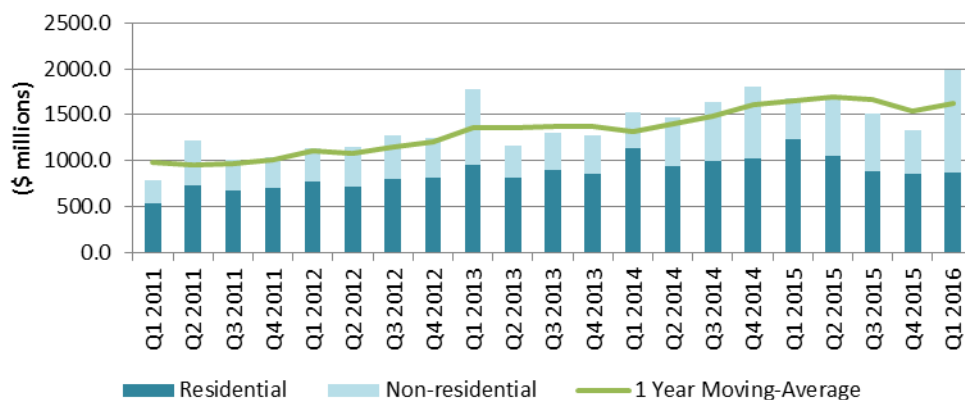
Construction intentions in the **Edmonton Census Metropolitan Area (CMA)** rebounded in the first quarter (Q1) of 2016 after declining for two consecutive quarters.

Builders in the Edmonton CMA took out permits worth \$2 billion in Q1 2016, which is a 50% increase from the \$1.3 billion permit values seen in Q4 2015. Year over year, the value of building permits was up by 18% in Q1 2016 when compared to Q1 2015. Construction intentions rose on a quarterly basis due to increased building permit values taken out in the non-residential sector. On a year-over-year basis, construction intentions rose significantly in the non-residential sector but dropped in the residential sector.

In the residential sector, building permits increased marginally by 1% in Q1 2016 to \$868 million from \$863 million in Q4 2015. However, year over year, residential building permit values were down by 29% in Q1 2016 from \$1.2 billion in Q1 2015. On a quarterly basis, builders were less intent on building multi-unit dwellings while intentions to build single-unit dwellings were virtually unchanged. On an annual basis, builders were less intent on building both single- and multi-unit dwellings.

A quarterly increase in permit values in the non-residential sector of 143% in Q1 2016 (from \$462 million in Q4 2015) drove the overall increase of permit values in Edmonton. Increases in commercial permits, up 240% quarter over quarter, were the primary factor in driving up permit values while the industrial, institutional and government sectors experienced modest gains. Annually, there was a similar upward trend of building permit values in the non-residential sector with a 149% increase from Q1 2015 to Q1 2016. This trend was driven by significant increases in permit values in the commercial and institutional and governmental sectors, which outweighed the decrease in permit value in the industrial sector.

Value of Building Permits - Edmonton CMA



In **Alberta**, overall construction intentions were down both on a quarterly and yearly basis by 14% and 12% respectively. This decrease was driven by fewer intentions to construct residential dwellings, especially multi-unit dwellings, which led to a 34% drop in permit values in the residential sector in Q1 2016 from \$2.4 billion in Q4 2015 and a 38% drop in Q1 2016 from \$2.6 billion in Q1 2015.

Construction intentions in the non-residential sector rose both quarterly and yearly. Quarterly, higher construction intentions in the industrial and commercial sectors offset the drop in construction intentions in the institutional and governmental sectors. Yearly, all three non-residential sectors experienced gains in construction intentions, leading to a 34% year-over-year increase. Overall, \$3.6 billion in permit values was taken out in the province in Q1 2016.

Nationally, the value of residential and non-residential building permits issued by municipalities across **Canada** was down by 2% quarter over quarter. On a yearly basis, permit values remained unchanged from those of Q1 2015. Permit values were down in the residential sector by 6% quarter over quarter and down by 3% year over year, while permit values in the non-residential sector were up by 5% quarter over quarter and up by 4% year over year.

Value of Building Permits - Edmonton CMA, Alberta and Canada

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q1 2015 ^r (Jan-Mar)	Q2 2015 ^r (Apr-Jun)	Q3 2015 ^r (Jul-Sep)	Q4 2015 ^r (Oct-Dec)	Q1 2016 ^p (Jan-Mar)	Quarter over Quarter	Year over Year
Edmonton CMA	1,681.5	1,659.0	1,515.5	1,325.6	1,992.2	50%	18%
Residential	1,229.6	1,059.0	889.6	863.0	868.5	1%	-29%
Non-Residential	451.9	600.1	625.9	462.7	1,123.7	143%	149%
Alberta	4,110.9	4,315.1	4,104.7	4,222.4	3,624.0	-14%	-12%
Residential	2,625.0	2,393.6	2,375.6	2,482.1	1,635.3	-34%	-38%
Non-Residential	1,485.9	1,921.4	1,729.1	1,740.3	1,988.7	14%	34%
Canada	20,726.4	21,665.0	21,650.9	21,097.7	20,629.7	-2%	0%
Residential	13,013.6	13,186.2	13,653.6	13,496.5	12,640.8	-6%	-3%
Non-Residential	7,712.8	8,478.8	7,997.3	7,601.2	7,988.9	5%	4%
Source: Statistics Canada, CANSIM Table No: 026-0006 P – preliminary; r – revised							

Significance

Declining oil prices continue to affect Edmonton's residential sector, especially multi-unit housing. The combination of decreased demand for new single- and multi-unit housing, high multi-unit inventory levels and increased rental vacancy rates is continuing to affect construction intentions at the residential level. This trend will continue unless oil prices rebound, which will, in turn, attract migrants into the city who will absorb the inventory and lower rental vacancy rates.

Construction intentions in the non-residential sector were very positive in Q1 2016, especially in the commercial sector. Firms are taking advantage of the slowdown in the economy, low interest rates and available labour to construct new facilities or improve existing facilities.

Limitations

The value of building permits provides a glimpse into the performance of the building construction sectors. Building permits indicate an intent to build but do not always result in immediate construction. The value of building permits issued by municipalities also tends to spike periodically. The significance of these trends should be interpreted in the context of other economic indicators.

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