

Intentions to build decline in Q3 2015

November 6, 2015

Construction intentions in the **Edmonton Census Metropolitan Area (CMA)** dropped in the third quarter (Q3) of 2015 following strong activity levels seen in Q2 2015.

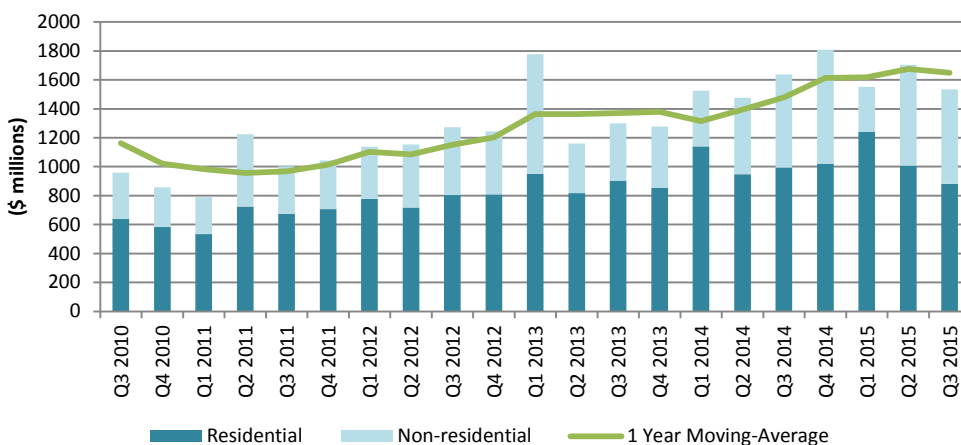
Builders in the Edmonton CMA took out permits worth \$1.5 billion in Q3 2015, which is a 10% decrease from the \$1.7 billion level seen in Q2 2015. Year over year, values of building permits decreased by 6% in Q3 2015 from the \$1.6 billion activity level reached in Q3 2014.

Contraction of Edmonton's residential building sector was the main contributor to the loss in permit values in Q3 2015. The loss experienced in both single and multi-family construction intentions was 12% quarter over quarter bringing the total permit value to \$881 million in Q3 2015.

On a year-over-year basis, construction in the residential sector also saw a downward trend. There was an increase in construction activity for multi-family units; however, it was not large enough to offset the decline in construction for single-family units, which led to an 11% loss of building permit values from Q3 2014 to Q3 2015.

The value of non-residential building permits in the Edmonton CMA decreased by 6% on a quarterly basis: to \$653 million in Q3 2015. Although permit values grew in commercial and industrial sectors, these gains were not large enough to offset the significant decrease in institutional and governmental sector permit values.

Value of Building Permits - Edmonton CMA



Source: Canada Mortgage Housing Corporation

Driven by gains in industrial and institutional and governmental sectors, the values of building permits in the non-residential sector increased by 1% on an annual basis. These gains were large enough to offset a decline in permit values in the commercial sector.

In Alberta, construction intentions in the residential sector increased slightly in Q3 2015 while non-residential permits decreased modestly. Permit values in Q3 2015 totaled \$4.2 billion, a 6% loss when compared to Q2 2015. This loss in permit values was mainly driven by decreased construction intentions in the industrial, commercial, institutional and governmental sectors. The same downward trend in building permit values is also observed on an annual basis: the loss in permit value was 13% due to decreased construction intentions in both the residential and non-residential sectors.

Nationally, the value of residential building permits issued by municipalities across **Canada** increased by 6% while non-residential permits decreased by 8% quarter over quarter. The same trend holds year over year, with increases in permit values in the residential sector and a decrease in permit values the non-residential sector.

Value of Building Permits - Edmonton CMA, Alberta and Canada

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q3 2014 (Jul-Sep)	Q4 2014 (Oct-Dec)	Q1 2015 ^r (Jan-Mar)	Q2 2015 ^r (Apr-Jun)	Q3 2015 ^p (Jul-Sep)	Quarter over Quarter	Year-over-Year
Edmonton CMA	1,638.7	1,808.9	1,551.5	1,705.3	1,534.7	-10%	-6%
Residential	994.4	1,021.0	1,240.0	1,006.8	881.4	-12%	-11%
Non-Residential	644.3	787.9	311.5	698.5	653.3	-6%	1%
Alberta	4,783.6	4,625.3	3,796.6	4,447.0	4,163.7	-6%	-13%
Residential	2,763.5	2,758.8	2,642.4	2,302.4	2,350.0	2%	-15%
Non-Residential	2,020.1	1,866.5	1,154.7	2,144.7	1,813.8	-15%	-10%
Canada	23,012.5	21,125.4	19,306.4	22,367.1	22,457.4	0%	-2%
Residential	13,469.4	13,200.6	12,685.2	13,079.0	13,921.0	6%	3%
Non-Residential	9,543.1	7,924.8	6,621.3	9,288.1	8,536.4	-8%	-11%
Source: Statistics Canada, CANSIM Table No: 026-0006 P – preliminary; r - revised							

Source: Canada Mortgage Housing Corporation

Significance

The recent decline in oil prices and lower net migration into the Edmonton CMA has resulted in an easing of demand for single-family and multi-family housing. Building intentions at the residential level are expected to slow down until oil prices start trending upward and net migration increases.

Edmonton's construction sector is expected to hold up well for the remainder of 2015. However, activity will decrease in 2016 reflecting changing macroeconomic conditions such as slower economic growth in the region, slower population growth due to fewer job opportunities and more stable income levels. This anticipated decline will be primarily driven by multi-family residential construction.

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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