

Construction intentions continue to decline in Q4 2015

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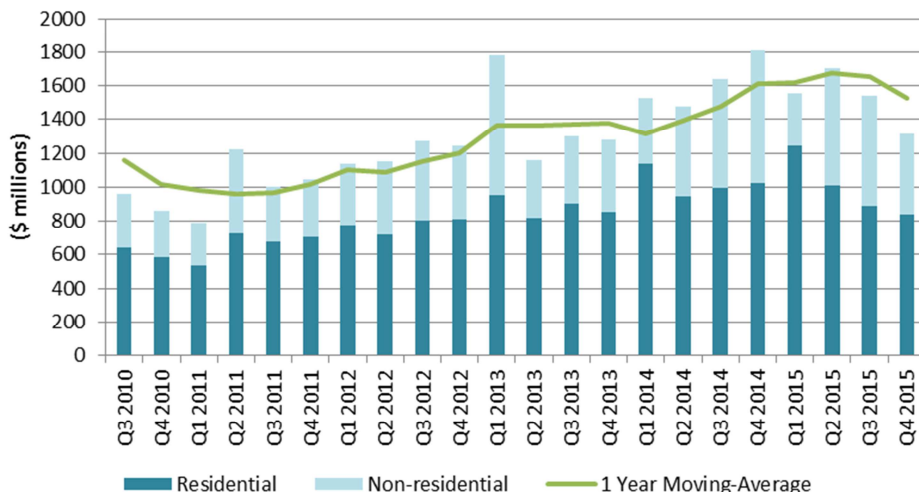
Construction intentions in the **Edmonton Census Metropolitan Area (CMA)** dropped for the second consecutive quarter in the fourth quarter (Q4) of 2015.

Builders in the Edmonton CMA took out permits worth \$1.3 billion in Q4 2015, a 14% decrease from the \$1.5 billion level seen in Q3 2015. Year-over-year, the value of building permits was down by 27% in Q4 2015 from the \$1.8 billion of activity level reached in Q4 2014. Construction intentions were down in both the residential and non-residential sectors on an annual and quarterly basis.

In the residential sector, building permits decreased by 6% in Q4 2015 to \$838 million from \$890 million in Q3 2015. Similarly, in a year-over-year comparison, building permit values were down by 18% in Q4 2015 from \$1 billion in Q4 2014. On a quarterly and annual basis, builders were more intent on building multi-unit dwellings and less intent on building single-unit dwellings over the course of 2015.

Contraction in Edmonton's non-residential building sector mainly contributed to the loss in permit values in Q4 2015 due to a decline of intent to construct in both the industrial and commercial sectors. Building permit values were up for institutional and governmental sectors, but these gains were not large enough to offset the decrease in building permit values in both industrial and commercial sectors. Building permit values in the non-residential sector were down by 27% quarter-over-quarter, bringing the total permit value to \$476 million in Q4 2015. Annually, there was a similar downward trend of building permit values in the non-residential sector with a 40% decrease from Q4 2014 to Q4 2015.

Value of Building Permits - Edmonton CMA



Construction intentions in the residential sector in Alberta were up in Q4 2015 while non-residential permits were down. Permit values in Q4 2015 totalled \$4.3 billion, a 3% increase when compared to Q3 2015. Higher construction intentions in the institutional and governmental sectors were not large enough to offset lower construction intentions in the industrial and commercial sectors. Annually, permit values were down by 7% due to lower construction intentions in both the residential and non-residential sectors.

Nationally, the value of residential and non-residential building permits issued by municipalities across Canada was down by 7% quarter-over-quarter. Year-over-year, permit values in the residential sector were up by 3% while permit values in the non-residential sector were down by 7%.

Value of Building Permits - Edmonton CMA, Alberta and Canada

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q4 2014 (Oct-Dec)	Q1 2015 ^r (Jan-Mar)	Q2 2015 ^r (Apr-Jun)	Q3 2015 ^r (Jul-Sep)	Q4 2015 ^p (Oct-Dec)	Quarter over Quarter	Year-over-Year
Edmonton CMA	1,808.9	1,551.5	1,705.3	1,534.8	1,314.4	-14%	-27%
Residential	1,021.0	1,240.0	1,006.8	890.5	838.0	-6%	-18%
Non-Residential	787.9	311.5	698.5	653.3	476.1	-27%	-40%
Alberta	4,625.3	3,796.6	4,447.0	4,183.3	4,302.4	3%	-7%
Residential	2,758.8	2,642.4	2,302.4	2,369.2	2,553.1	8%	-7%
Non-Residential	1,866.5	1,154.7	2,144.7	1,814.2	1,749.3	-4%	-6%
Canada	21,125.4	19,306.4	22,367.1	22,464.4	20,898.0	-7%	-1%
Residential	13,200.6	12,685.2	13,079.0	13,930.0	13,532.6	-3%	3%
Non-Residential	7,924.8	6,621.3	9,288.1	8,533.8	7,365.4	-14%	-7%
Source: Statistics Canada, CANSIM Table No: 026-0006 P – preliminary; r – revised							

Significance

The effects of declining oil prices over the course of 2015 are now impacting building intentions in the Edmonton CMA. The demand for new single- and multi-unit housing has eased as net migration into the Edmonton CMA region declines due to lower economic opportunities. This has lowered construction intentions in the residential sector, especially for single-unit homes.

Building intentions at the residential level are expected to slow, with multi-unit family slowing down the most, until oil prices start trending upward and net migration increases. Similarly, building intentions in the non-residential sector are expected to continue to cool off, especially in the commercial sector where vacancy rates are on the rise.

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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