

## Strong decline in non-residential construction drives overall construction intentions down by 15%

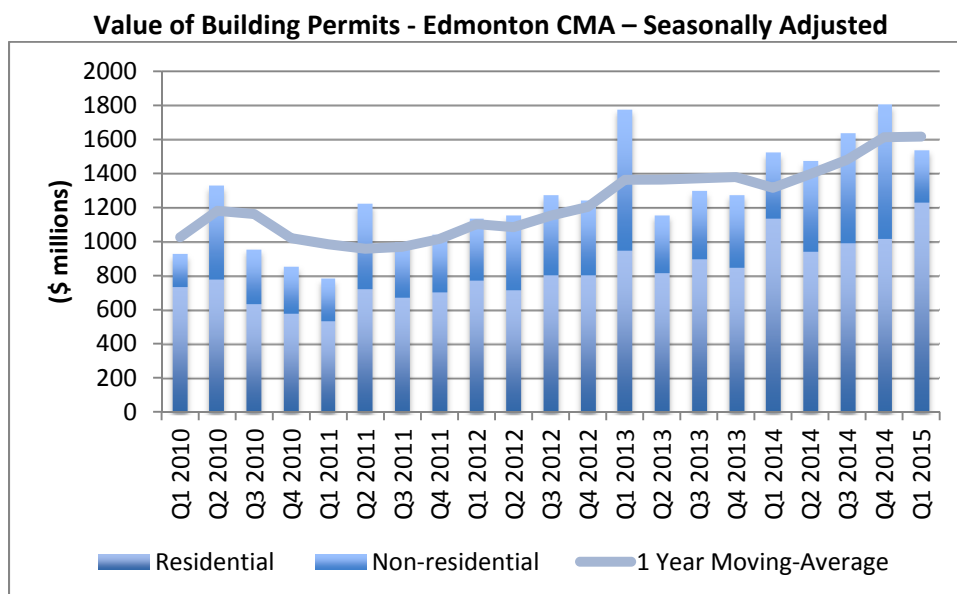
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Construction intentions in the **Edmonton Census Metropolitan Area (CMA)** declined in the first quarter (Q1) of 2015 following strong activity levels seen in the fourth quarter (Q4) of 2014. Builders in the Edmonton CMA took out permits worth \$1.5 billion in Q1 2015—a 15% decrease from the \$1.8 billion level seen in Q4 2014 on a seasonally adjusted basis.

Strong construction intentions for multi-family units brought Edmonton's overall **residential building permit values up by 21%** in Q1 2015 from the \$1 billion registered in Q4 2014. However, this increase was not strong enough to offset the loss in building permit values observed in the non-residential sector from Q4 2014 to Q1 2015.

**Non-residential building permits declined by 60%** from \$787 million in Q4 2014 to \$311 million in Q1 2015. This decline was mainly driven by a decrease in construction intentions in both commercial and institutional and government sectors.

On a long term basis, construction intentions in the Edmonton CMA continue to increase. Year over year, building permit values have risen in both residential and non-residential sectors by 1%.



Source: Statistics Canada, CANSIM Table No: 260006

At the provincial level, building permit values decreased in the short term with non-residential sector driving most of the decline. Overall, in **Alberta** building permit values decreased by 18% from \$4.6 billion in Q4 2014 to 3.8 billion in Q1 2015. In the non-residential sector, building permits declined significantly at all three levels: commercial, industrial and institution and government. A similar downward trend in building permit values was observed in both single and multi-family levels of the residential sector; although it was smaller in magnitude when compared to the non-residential sector.

The value of building permits issued by municipalities across **Canada** declined to \$19.2 billion in Q1 2015 from \$21.1 billion in Q4 2014, with both residential and non-residential values trending downward. On an annual basis, a similar downward trend is observed, but it is less pronounced with the non-residential sector contributing to most of the decline.

**Value of Building Permits - Edmonton CMA, Alberta and Canada**

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q1 2014 (Jan-Mar)	Q2 2014 (Apr-Jun)	Q3 2014 (July-Aug)	Q4 2014r (Oct-Dec)	Q1 2015p (Jan-Mar)	Quarter over Quarter	Year over Year
Edmonton CMA	1,525.90	1,477.20	1,638.70	1,808.90	1,542.60	-15%	1%
Residential	1,140.20	947.1	994.4	1,021.00	1,231.10	21%	8%
Non-Residential	385.7	530.1	644.3	787.9	311.5	-60%	-19%
Alberta	4,318.30	4,529.00	4,783.60	4,625.30	3,773.20	-18%	-13%
Residential	2,815.30	2,493.00	2,763.50	2,758.80	2,620.80	-5%	-7%
Non-Residential	1,503.00	2,036.00	2,020.10	1,866.50	1,152.40	-38%	-23%
Canada	19,607.70	21,186.50	23,012.50	21,125.40	19,186.90	-9%	-2%
Residential	12,224.00	12,097.60	13,469.40	13,200.60	12,620.20	-4%	3%
Non-Residential	7,383.70	9,088.90	9,543.10	7,924.80	6,566.70	-17%	-11%
Source: Statistics Canada, CANSIM Table No: 026-0006 P – preliminary; r - revised							

## Significance

Permit values, particularly for the non-residential segment, fluctuate significantly on a short-term basis. Therefore, developments in the building permit values should be interpreted in the context of long-term trends.

Given slower economic growth in Alberta, the expected outcome is a slowdown in construction in the short term. Construction intentions are lower in the non-residential sector than in the residential sector as investors and firms are holding off on expanding or investing in new buildings. In the long term, as the economy picks up so will construction intentions in the non-residential sector as businesses expand to accommodate more production.

In the case of Edmonton, both short-term and long-term building permit values increased in the residential sector driven by multi-family units. This upwards trend is expected to support the construction sector in the upcoming months.

## **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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