

Construction intentions move up in Q3 2016

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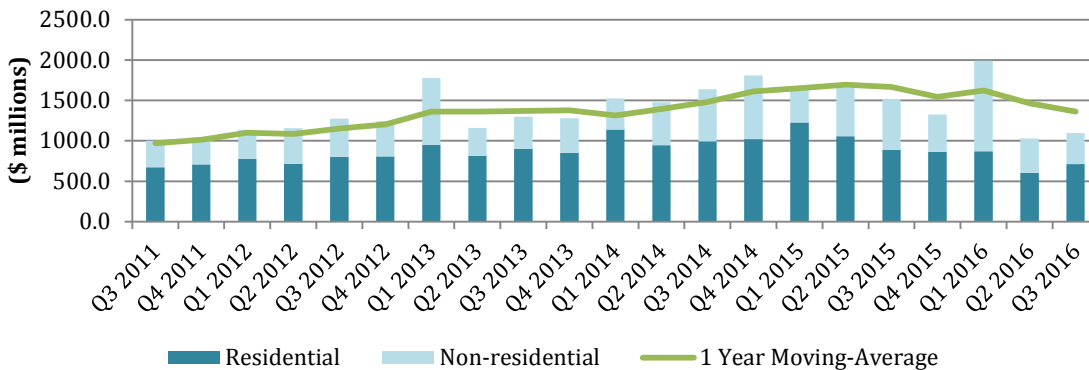
Construction intentions in the Edmonton Census Metropolitan Area (CMA) increased in the third quarter (Q3) of 2016, following a sharp drop in intentions in the second (Q2) of 2016.

Builders in the Edmonton CMA took out permits worth \$1.1 billion in Q3 2016, which is a 6.4% increase from the \$1 billion permit values seen in Q2 2016. Year-over-year, the value of building permits was down by 28% in Q3 2016 when compared to Q3 2015. Construction intentions rose on a quarterly basis due to increased building permit values taken out in the residential sector. In contrast, the value of non-residential permits was down. A downward trend in building permit values was observed on a year-over-year basis with construction intentions falling in both the residential and non-residential sectors.

In the residential sector, building permits increased by 17% in Q3 2016 to \$710 million from \$607 million in Q2 2016. Year-over-year, residential building permit values decreased by 20% in Q3 2016 from \$890 million in Q3 2015. Builders' intentions to build both single- and multi-unit dwellings were up on a quarterly and annual basis.

Building permit values in the non-residential sector dropped by 9% in Q3 2016 from \$626 million in Q3 2015. Decreases in commercial permits, down 10% quarter-over-quarter, were the primary factor in driving down permit values. Annually, there was a similar downward trend of building permit values in the non-residential sector with a 38% decrease from Q3 2015 to Q3 2016. Building permit values for the industrial sector rose by 75% year-over-year. However, this increase did not offset the 52% decrease in permit value in the commercial sector and 39% decrease in permit value in the institutional and government sector.

Value of Building Permits - Edmonton CMA



In Alberta, overall construction intentions were up 6% on a quarterly basis. Year-over-year the value of building permits issued in the province was down 24%. The quarterly increase was driven by higher intentions to construct in both the residential and non-residential sector. Quarterly, higher construction

intentions in the industrial and commercial sector offset the drop in construction intentions in the institutional and governmental sectors. Overall, \$3.1 billion in permit values was taken out in the province in Q3 2016.

The value of residential and non-residential building permits issued by municipalities across Canada was up by 4% quarter-over-quarter. On a yearly basis, permit values were down 4%. Permit values in the residential sector were up by 3% 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 down by 3% year-over-year.

Value of Building Permits - Edmonton CMA, Alberta and Canada

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q3 2015 ^r (Jul-Sep)	Q4 2015 ^r (Oct-Dec)	Q1 2016 ^r (Jan-Mar)	Q2 2016 ^p (Apr-Jun)	Q3 2016 ^p (Jul-Sep)	Quarter-over -Quarter	Year-over -Year
Edmonton CMA	1515.5	1325.6	1992.7	1027.6	1096	7%	-28%
Residential	889.6	863	871.7	608.8	710.4	17%	-20%
Non-Residential	625.9	462.7	1121.0	418.8	385.5	-8%	-38%
Alberta	4104.7	4222.4	3624.4	2963.3	3129.2	6%	-24%
Residential	2375.6	2482.1	1639.8	1621.6	1767.0	9%	-26%
Non-Residential	1729.1	1740.3	1984.6	1341.6	1362.2	2%	-21%
Canada	21650.9	21097.7	20682.9	20106.1	20819.5	4%	-4%
Residential	13653.6	13496.5	12649.9	12822.9	13238.9	3%	-3%
Non-Residential	7997.3	7601.2	8033.0	7283.2	7670.6	5%	-4%
Source: Statistics Canada, CANSIM Table No: 026-0006 P – preliminary; r - revised							

Significance

Lower oil prices continue to affect construction intentions in Edmonton's residential and non-residential sectors which are reflected in marked year-over-year declines. The improvement apparent in the third quarter results need to be interpreted with caution as it may reflect a temporary increase reflecting builder's response to upcoming changes in the building code. This may lead to a pullback in permit values in the last quarter of 2016.

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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