

## Building permits decline in Q4 2018

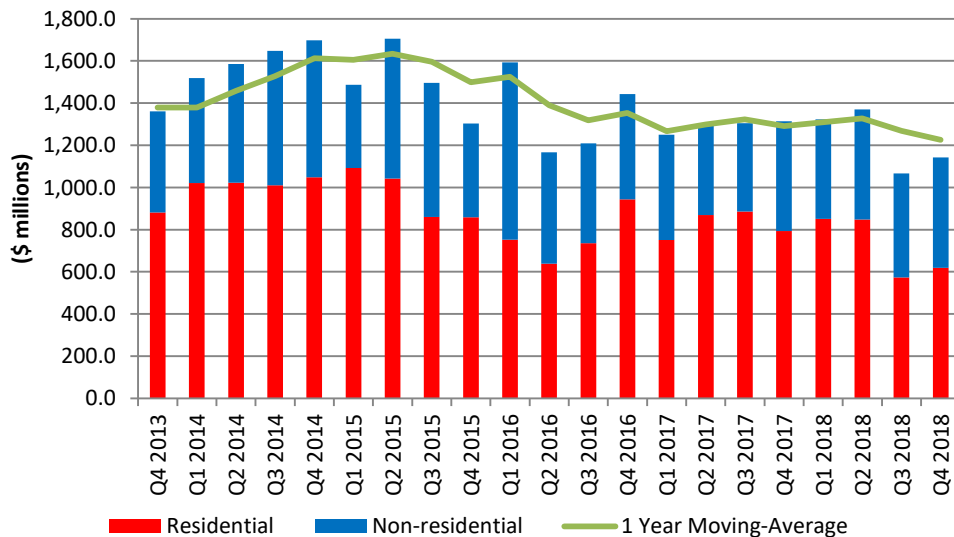
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Construction intentions in the **Edmonton** Census Metropolitan Area (CMA) rose in the last quarter of 2018 compared to Q3 2018 with higher permit values for both residential and non-residential buildings. However, construction intentions were lower year-over-year in Q4 2018. Residential and non-residential builders in the Edmonton CMA took out permits valued at \$1.1 billion in Q4 2018, representing an increase of 7.1 per cent quarter-over-quarter but a decline of 13.1 per cent year-over-year.

Residential building permit values rose almost eight per cent quarter-over-quarter in Q4 2018. Permit values were higher for both single and multiple dwellings. Non-residential building permit values gained 6.2 per cent in Q4 2018 from the previous quarter. Permit values for commercial and institutional and governmental buildings saw an increase, which more than offset a decline for industrial buildings.

Permit values for residential buildings in the Edmonton CMA dropped 22 per cent in Q4 2018 compared to the last quarter of 2017. Both single dwelling and multiple building permit values were lower year-over-year in Q4 2018 though the reduction in single dwelling permit values was more pronounced at almost 32 per cent. On the non-residential side, the value of building permits inched almost one per cent higher year-over-year in Q4 2018. Though industrial building permit values were cut by almost 67 per cent year-over-year in Q4 2018, gains in the remaining two segments more than offset the decline.

**Value of Building Permits - Edmonton CMA**



Source: Statistics Canada, Table 34-10-0066-01; seasonally adjusted

In **Alberta**, total building permit values in Q4 2018 were slightly higher quarter-over-quarter but lower compared to Q4 2017. Residential permit values were almost three per cent higher in Q4 2018 compared to the previous quarter with gains in both the single and multiple components. Despite this gain, residential permit values were 17.5 per cent lower year-over-year in Q4 2018, reflecting weakness in both the Edmonton and Calgary CMAs. On the non-residential side, building permit values in Q4 2018 were relatively unchanged quarter-over-quarter. Year-over-year, permit values for non-residential buildings were 8.1 per cent higher largely due to commercial building permits which more than offset lower permit values for institutional and governmental buildings.

The total value of residential and non-residential building permits issued by municipalities across **Canada** in Q4 2018 was up four per cent on a quarter-over-quarter basis and almost five per cent year-over-year. Compared to the third quarter of 2018, residential construction intentions in Q4 2018 rose three per cent in value, largely due to higher multiple building permit values. On the non-residential side, building permit values were almost six per cent higher quarter-over-quarter as a gain in commercial building permit values more than offset declines in the remaining two components (industrial and institutional and governmental).

**Value of Building Permits - Edmonton CMA, Alberta and Canada<sup>1</sup>**

	Seasonally Adjusted Value (\$ millions)					% Change	
	Q4 2017 (Oct-Dec)	Q1 2018 (Jan-Mar)	Q2 2018r (Apr-Jun)	Q3 2018r (Jul-Sep)	Q4 2018p (Oct-Dec)	Quarter-over- Quarter	Year-over- Year
Edmonton CMA	1,313.5	1,323.3	1,370.3	1,065.9	1,142.0	7%	-13%
Residential	793.8	851.8	848.5	573.6	619.2	8%	-22%
Non-Residential	519.7	471.5	521.8	492.3	522.8	6%	1%
Alberta	3,425.9	3,644.8	3,602.9	3,118.4	3,171.6	2%	-7%
Residential	2,081.1	2,363.9	2,129.0	1,671.3	1,717.9	3%	-17%
Non-Residential	1,344.7	1,280.9	1,474.0	1,447.2	1,453.6	0%	8%
Canada	24,146.2	24,725.3	24,468.2	24,267.5	25,269.0	4%	5%
Residential	14,910.0	15,875.5	15,949.8	15,054.5	15,518.7	3%	4%
Non-Residential	9,236.2	8,849.9	8,518.3	9,213.0	9,750.3	6%	6%
	Source: Statistics Canada, Table 34-10-0066-01 p – preliminary; r - revised						

<sup>1</sup> Statistics Canada has adjusted their methodology to seasonally adjust the building permits data. As a result, historical data from 2011 onwards have been revised.



## Significance

The year-over-year pullback in residential construction intentions in the Edmonton CMA is reflective of a well-supplied existing home market and elevated supply levels in the new home market. For 2018, residential building permit values were 22 per cent lower compared to 2017. Construction intentions for non-residential buildings are still volatile. However, commercial building permit values continue to show signs of improvement with an annual gain of almost 38 per cent in 2018. Moving forward, the level of construction activity in 2019 is expected to be little changed from 2018.

## 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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