

## Building permits decline in Q3 2018

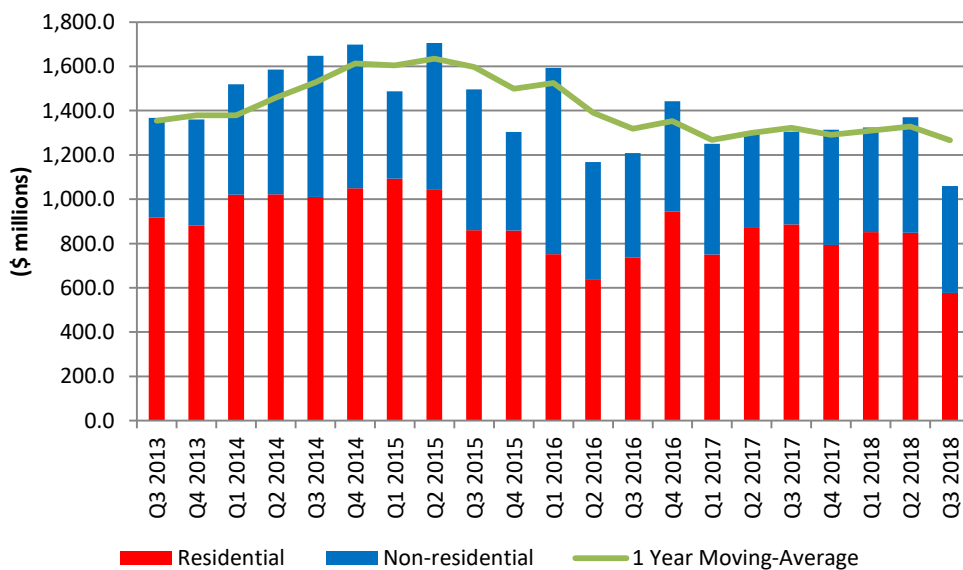
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Construction intentions in the **Edmonton** Census Metropolitan Area (CMA) declined in the third quarter of 2018 compared to both Q2 2018 and Q3 2017. Residential and non-residential builders in the Edmonton CMA took out permits valued at almost \$1.1 billion combined in Q3 2018, representing declines of 23% quarter-over-quarter and 19% year-over-year.

The year-over-year decline in third quarter total building permit values was due to a 35% drop in residential building permit values which more than offset a 15% year-over-year gain in non-residential building permit values. Both single and multiple building permit values recorded significant year-over-year reductions in Q3 2018 of 36% and 34%, respectively. Non-residential building permit values were higher year-over-year in Q3 2018 due primarily to a 42% increase in the commercial component.

Residential building permit values were 32% lower in Q3 2018 on a quarter-over-quarter basis. The reduction was driven by both single and multiple building permit values with both components posting double-digit decreases in Q3 2018. On the non-residential side, the value of building permits was almost 8% lower in Q3 2018. Though institutional and governmental building permit values edged 1.3% higher in Q3 2018, the modest gain was more than offset by lower industrial and commercial permit values.

**Value of Building Permits - Edmonton CMA**



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

In **Alberta**, total building permits in Q3 2018 were lower compared to both Q2 2018 and Q3 2017. On a quarter-over-quarter basis, residential permit values were about 21% lower in Q3 2018 with reductions in both the single and multiple components. Similar to Edmonton, non-residential construction intentions in Alberta were lower in Q3 2018 compared to Q2 2018 as an almost 32% gain in the institutional and governmental component was more than offset by lower industrial and commercial building permit values.

The total value of residential and non-residential building permits issued by municipalities across **Canada** in Q3 2018 was down about 1% on a quarter-over-quarter basis but recorded a marginal uptick compared to Q3 2017. Compared to the second quarter of 2018, residential construction intentions in Q3 2018 were almost 6% lower due to reduced single and multiple building permit values. On the non-residential side, building permit values rose almost 8% as a modest downtick in commercial building permit values was more than offset by gains 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	
	Q3 2017 (Jul-Sep)	Q4 2017 (Oct-Dec)	Q1 2018 (Jan-Mar)	Q2 2018r (Apr-Jun)	Q3 2018p (Jul-Sep)	Quarter-over- Quarter	Year-over- Year
Edmonton CMA	1,305.4	1,313.5	1,323.3	1,370.3	1,059.2	-23%	-19%
Residential	886.2	793.8	851.8	848.5	576.5	-32%	-35%
Non-Residential	419.3	519.7	471.5	521.8	482.6	-8%	15%
Alberta	3,742.2	3,425.9	3,644.8	3,602.9	3,129.9	-13%	-16%
Residential	2,127.9	2,081.1	2,363.9	2,129.0	1,685.8	-21%	-21%
Non-Residential	1,614.3	1,344.7	1,280.9	1,474.0	1,444.1	-2%	-11%
Canada	24,085.8	24,146.2	24,725.3	24,468.2	24,188.3	-1%	0%
Residential	14,889.7	14,910.0	15,875.5	15,949.8	15,026.9	-6%	1%
Non-Residential	9,196.1	9,236.2	8,849.9	8,518.3	9,161.4	8%	0%
	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 pullback in residential construction intentions in the Edmonton CMA is reflective of a well-supplied existing home market and still elevated supply levels in the new home market. Though building intentions in the non-residential sector remain volatile, the commercial component is showing signs of improvement with it being the only component ahead on a year-to-date basis as of Q3 2018. For the balance of 2018, the level of construction activity in the Edmonton CMA is expected to remain little changed from 2017. However, based on recent trends in building permit values, there may be weaker construction activity in the first quarter of 2019.

## 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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