

2019 DEVELOPMENT ACTIVITY REPORT



March
2020

Planning and Development Department

An overview of development activity for 2019 and trend analysis for historical activity in the City of Spruce Grove.

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Cover: Spruce Grove Protective Services Building, 2019

INTRODUCTION

The Planning and Development Department tracks a variety of development activities in the City for the purpose of providing growth information to Council and other stakeholders. Included in the permits tracked are building and development permits, which are common measurements used to track economic vitality and growth in communities. It is useful for communities to monitor trends in permitting levels to determine their economic health, as well as to examine the impact of external forces on growth and development.

Growth in Spruce Grove has generally been stronger than average for the Capital Region for the past decade, but that has changed in the past four years where growth has tracked at an average for the region. The region has experienced a cooling off period for the past four years following the unprecedented growth of the previous decade. Demand in the homeownership market continues to soften as unemployment remains relatively high and the inflation-adjusted personal disposable income declines. Administration is anticipating the current development trends to continue into the next year, driving down oversupply of lots and units on the market, aiming to find a balance between supply and demand.

The following pages contain analysis of the growth trends for the past decade (2009-2019), focusing specifically on activity in 2019. This report provides an overview of building permit and development permit information. In addition, compliances and other permits are tracked in order to provide a more accurate picture of the total activity taking place in the Planning and Development Department.

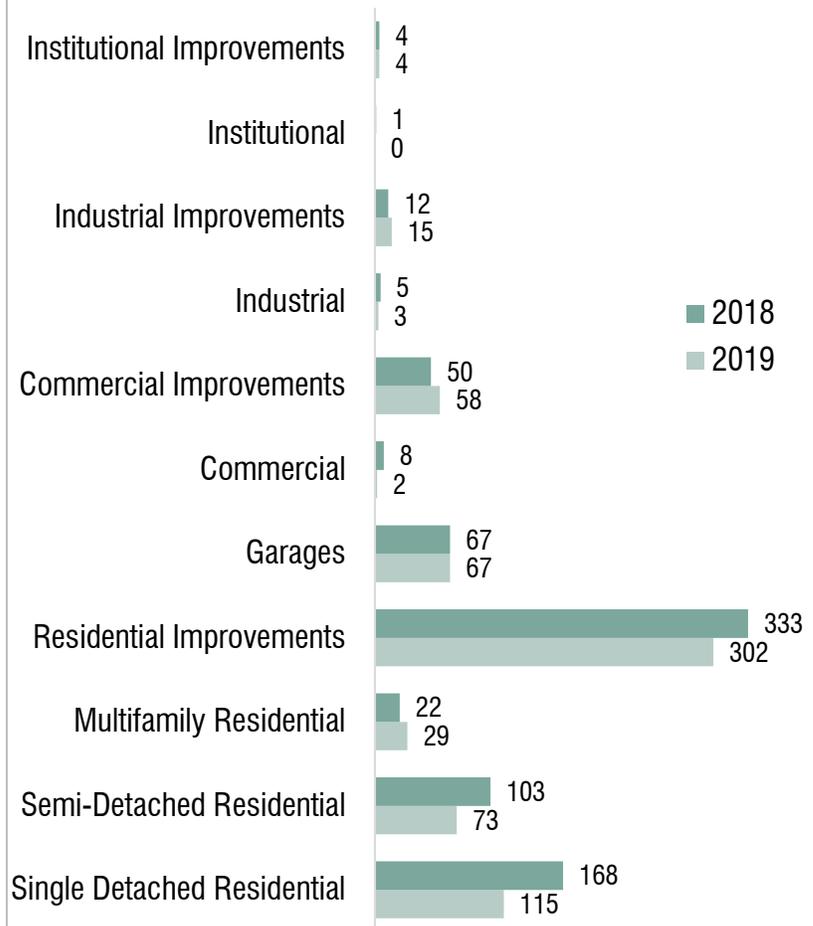
BUILDING PERMITS

Spruce Grove issued 668 building permits in 2019, a 15.7% decrease from permit activity in 2018. This drop in permitting activity was observed across the Edmonton Census Metropolitan Area (CMA).

(Source: Quarterly Economic Update – Feb 2020, City of Edmonton)

Figure 1 details the volume of building permits issued by type, and compares the volume for the past two years. Decreases in

FIGURE 1: VOLUME OF BUILDING PERMITS BY TYPE (2018-2019)



permitting were largely due to lower number of new residential and commercial construction starts. Commercial improvements were marginally higher than 2018, while residential improvements were marginally lower than 2018.

Overall, about 88% of the permits issued in 2019 were for residential construction, including new dwellings, improvements and garages. This percentage split between residential and non-residential construction permits is similar to that observed in 2017 and 2018.

New dwelling units permitted in 2019 decreased by 26% from 2018, and represents the lowest permitting level in the past decade since 2010 (**Figure 2**). The main reason for the decrease remains the absence in major multifamily projects, including no new apartment units constructed in over four years. Low density residential construction has also decreased by 30% relative to 2018.

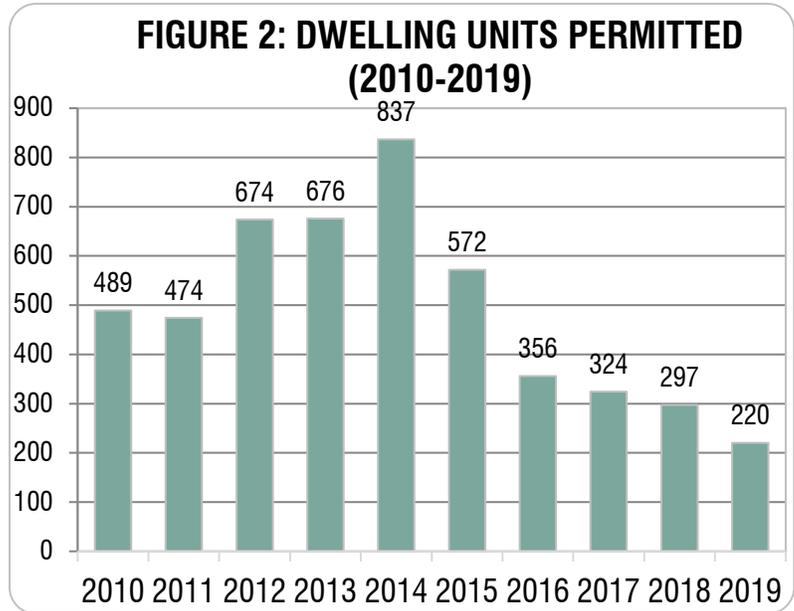
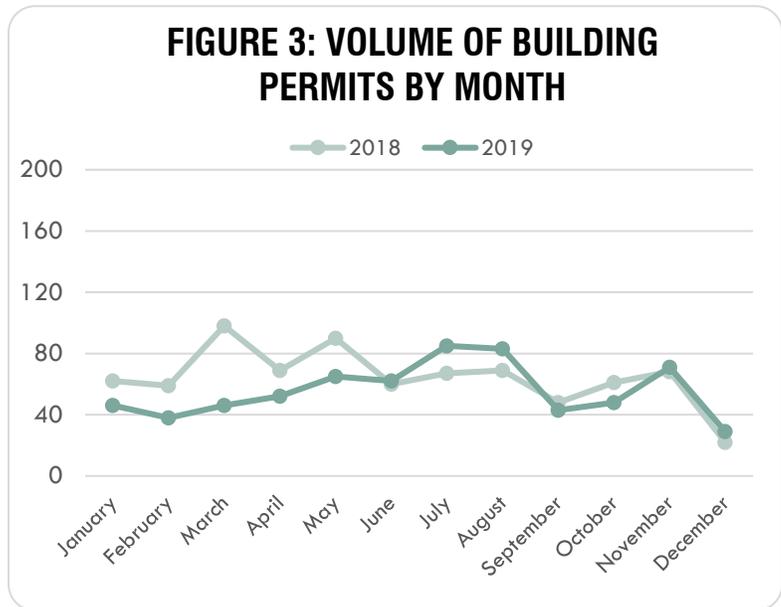


Figure 3 depicts the volume of building permits by month in 2019, which saw a gradual pattern of increase in the first half of the year, followed by fluctuations in the second half.

In the non-residential sector, the City saw three new industrial buildings in 2019, compared to five in 2018. Typical years see three to four new industrial buildings.



The total building permit valuation for new industrial construction in 2019 was \$6.8 million, where the average value of each industrial permit, was almost 3 times the average value of an industrial permit in 2018, reflecting the development of higher quality and larger structures in the industrial areas.

Industrial activity related to industrial improvements increased to 15 permits in 2019, compared to 12 permits in 2018, while also driving up the value of each improvement permit relative to 2018.

After a surge in building permits issued for new commercial structures in 2017 and 2018, permits for new commercial construction dropped from 8 in 2018 to two in 2019. The value of the two new commercial buildings also dropped by 63%, reflecting smaller size commercial retail units (CRU) found in commercial areas such as Westwind.

To get a better context of permitting levels for 2019 relative to recent trends, **Figure 4** depicts the total number of building permits issued over the past decade. Permitting levels dropped by 15% in 2019, relative to the year before, the lowest level in the past decade.

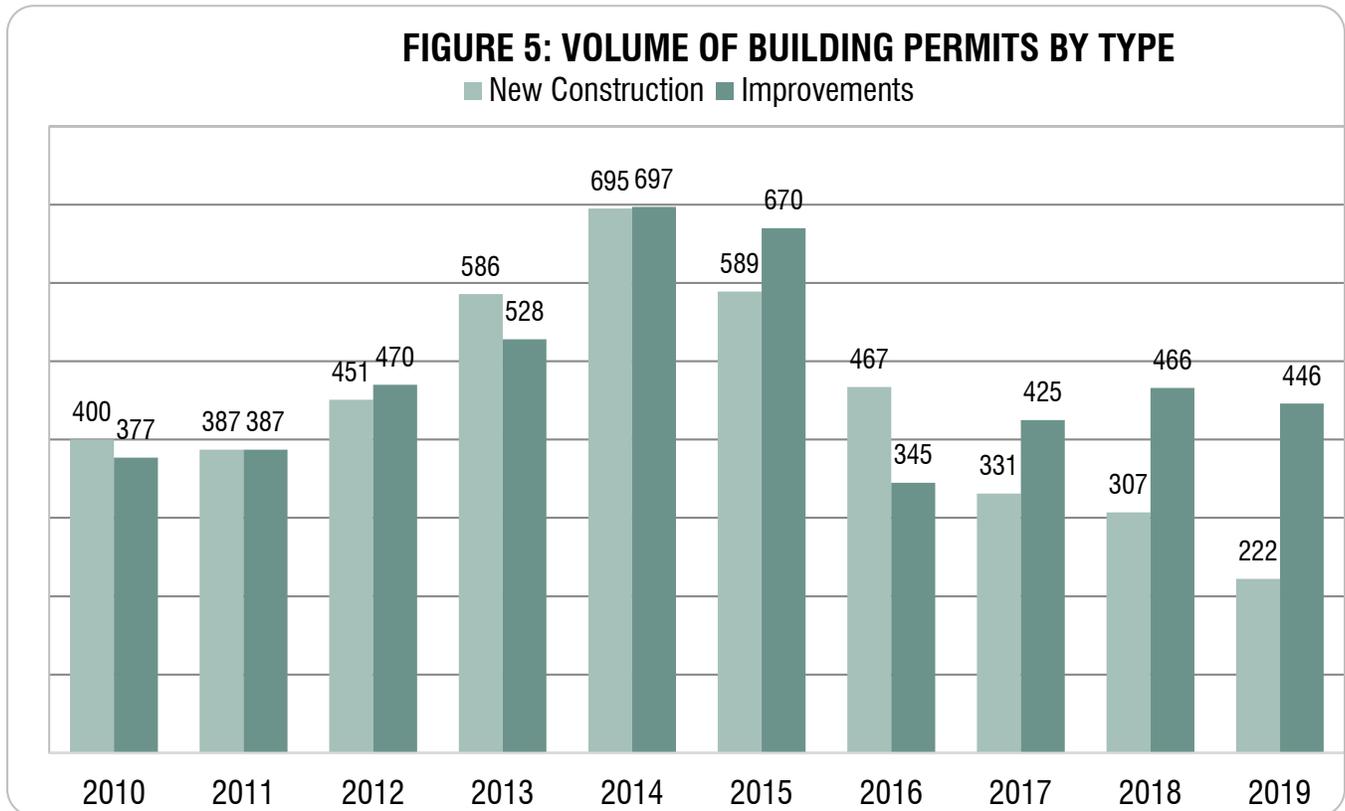
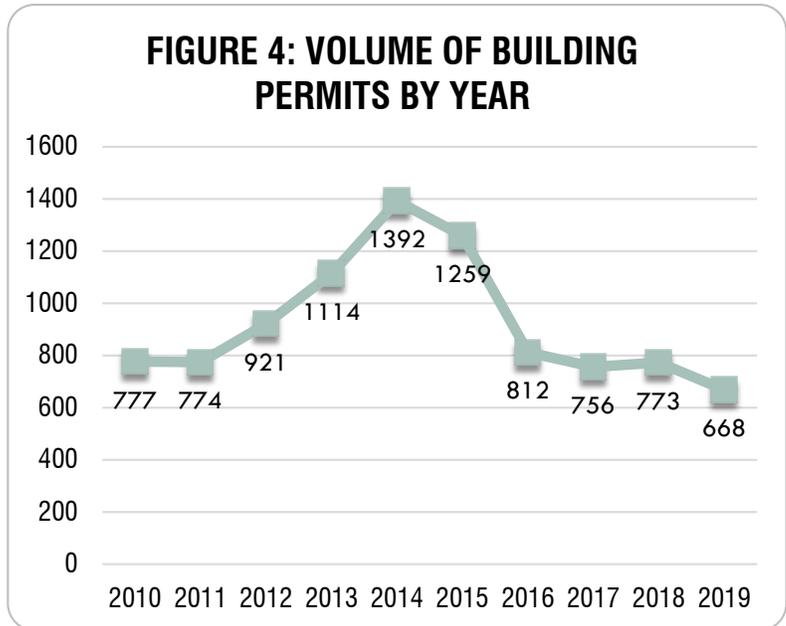
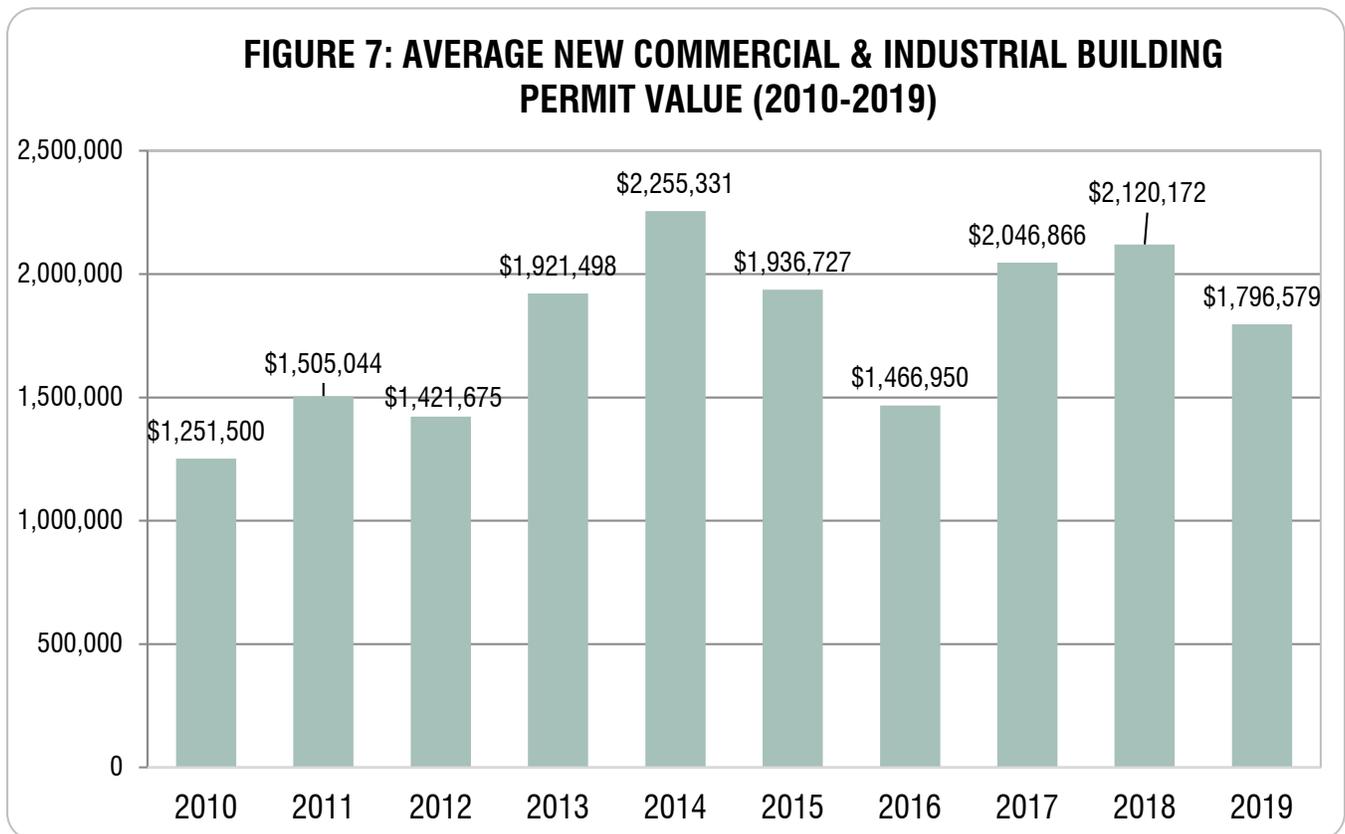
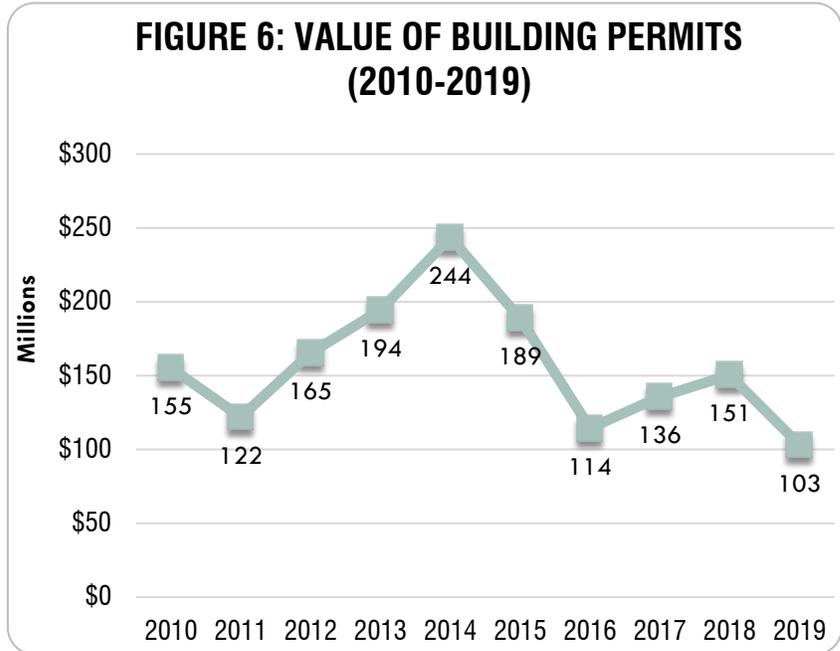


Figure 5 provides additional detail regarding the historic split between new buildings and improvements. The decline in permitting levels in the past three years affected new developments to a greater degree than improvements.

Looking closer at investment trends over the past decade, the value of permits is largely correlated with permitting levels (**Figure 6**), although building values are bouncing back faster than permitting numbers from recent declines.

Figure 7 demonstrates the value of the average industrial and commercial building permit over the past 10 years. In reviewing the investment trends over the past few years, the average value of new commercial and industrial buildings has been generally higher in recent years compared to historic investment values earlier in the decade. This reflects the development of larger, higher quality structures.



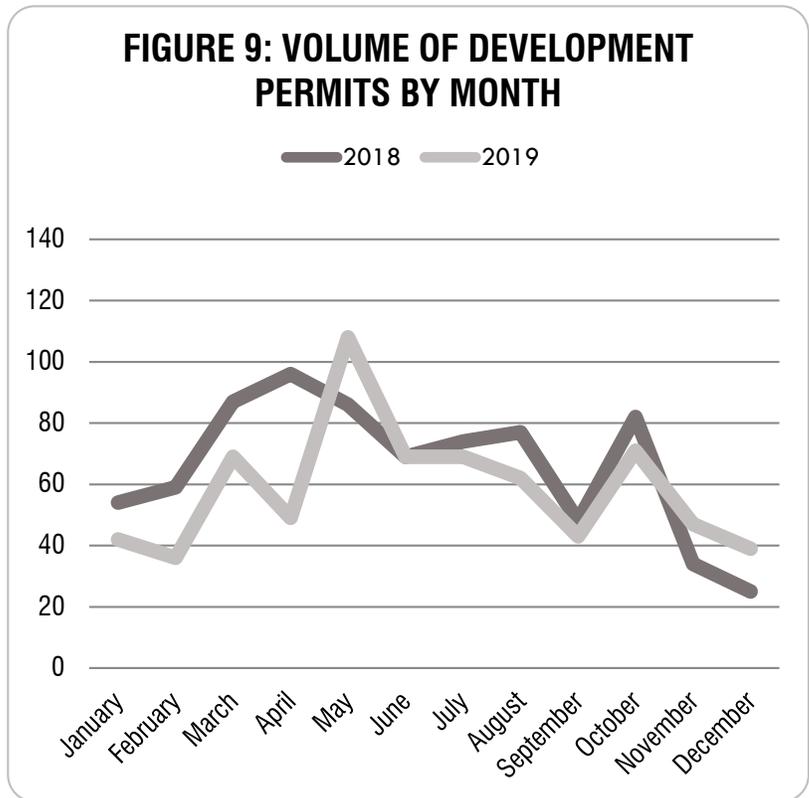
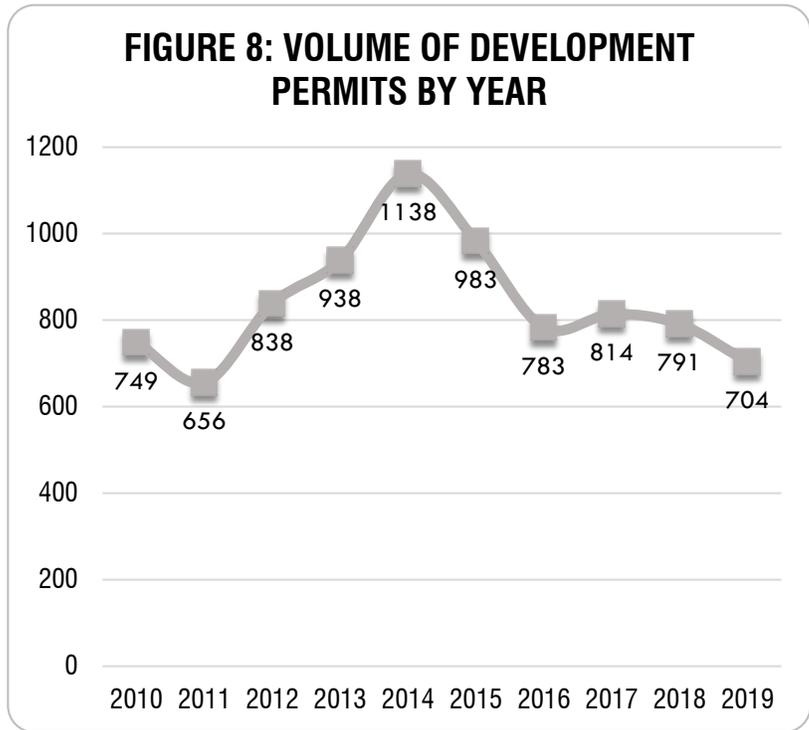
DEVELOPMENT PERMITS

Figure 8 illustrates the trends in the volume of development permits issued over the last ten years. Development permit activity in 2019 was down approximately 12% from 2018. The minor difference between building permit and development permit activity levels is due to the ability to issue a single development permit for several structures on a lot, while separate building permits are required for each structure on a property, as well as for changes of use or tenant improvements.

The next factor under examination is the volume of development permits issued on a monthly basis. **Figure 9** compares the trend for number of permits issued by month for 2018 and 2019. The pattern for the first half of 2019 was atypical with lower levels of permits issued, followed by a rebound in the month of May. The second half of the year shows patterns that are typical of development activity for the region, where higher activity levels occur during the warmer months.

Figure 10 (next page) provides the breakdown of residential development permits issued by type. The chart is dominated by residential improvements made to existing residences, followed by single detached and semi-detached. Generally, the development permit numbers echo what we have already seen with building permits.

Figure 11 shows the breakdown of non-residential permits by type issued in 2019. Commercial and



industrial improvements cumulatively comprised 85% the of non-residential development permits issued in 2019. These permits are largely for tenant improvements and approvals required for new uses.

FIGURE 10: VOLUME OF RESIDENTIAL PERMITS BY TYPE (2019)

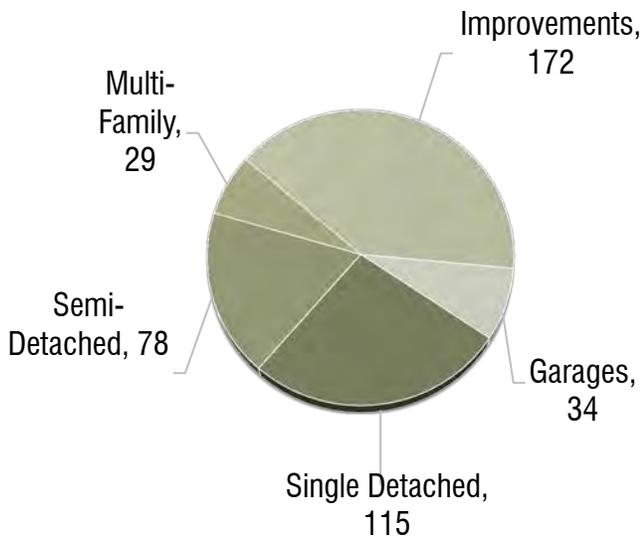
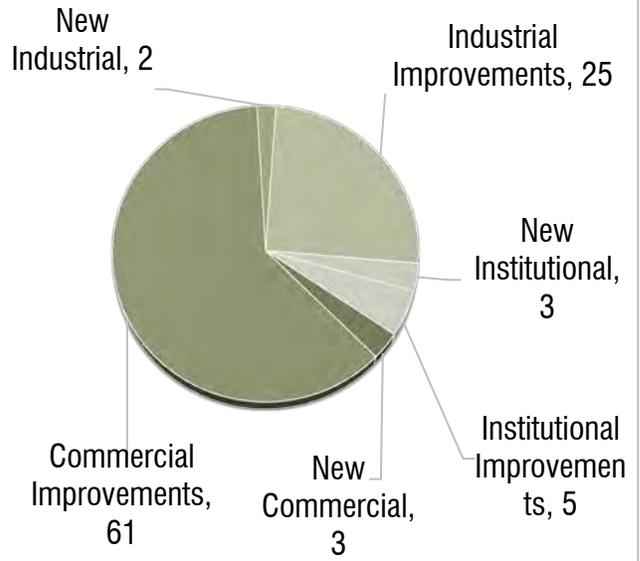


FIGURE 11: VOLUME OF NON-RESIDENTIAL PERMITS BY TYPE (2019)

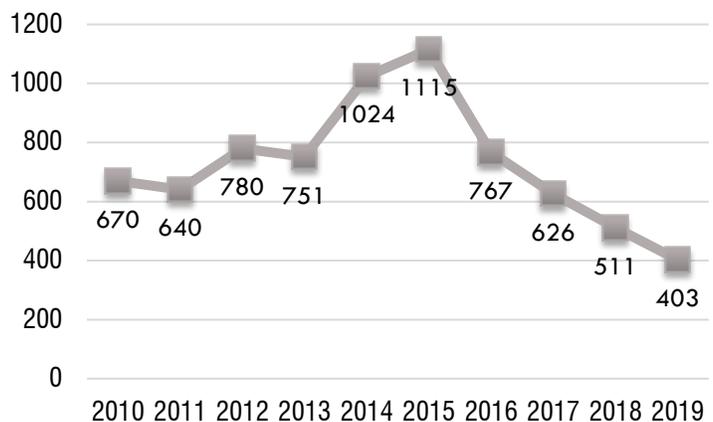


Development permits for permanent signs saw a decrease from 64 in 2018 to 46 permits in 2019, which corresponds with the lower level of new commercial development in 2019. Temporary sign permits remained at par with 105 permits in 2019 compared to 109 in 2018.

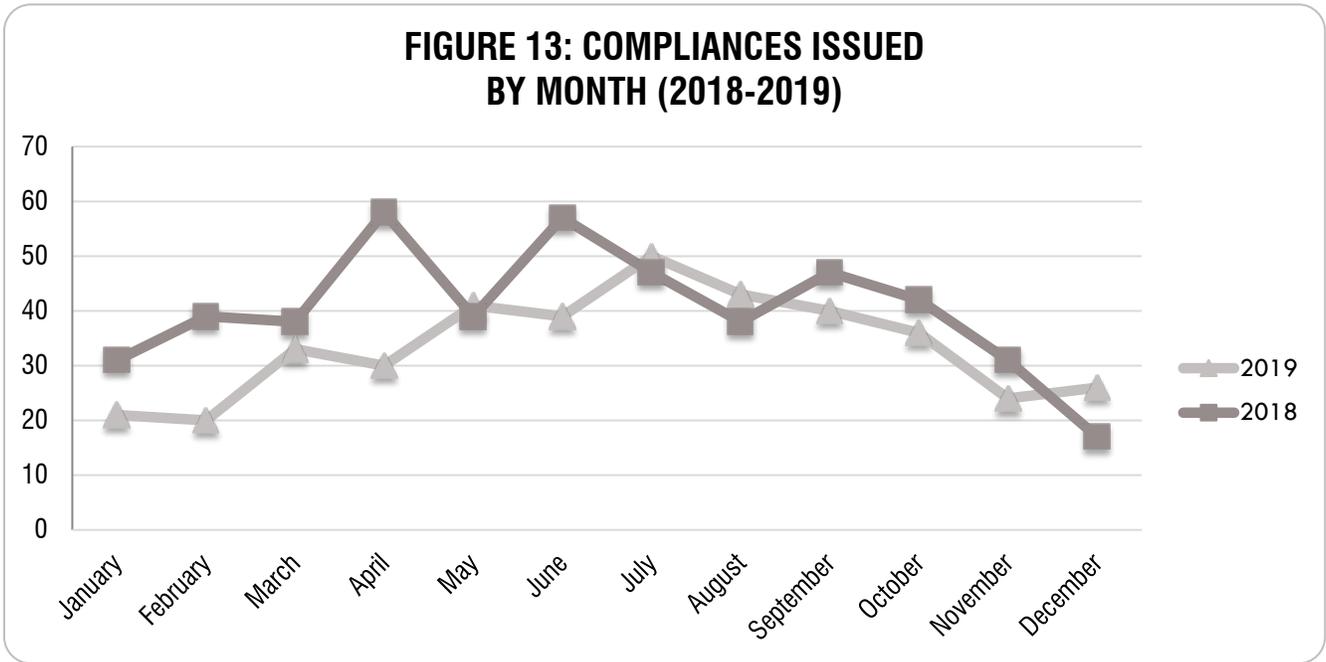
OTHER PERMIT ACTIVITY

The City of Spruce Grove provides compliance requests as a service to residents during real estate transactions, as a safeguard for purchasers who want confirmation that the residence conforms to City bylaws. Compliance requests can be used as an indicator for residential transaction activities in the community, although a shift with some homebuilders to providing title insurance instead of a compliance certificate has resulted in a weaker correlation than in previous years. In 2019, there were 403 compliance decisions issued, down 21% compared to 2018

FIGURE 12: COMPLIANCES ISSUED BY YEAR (2010-2019)

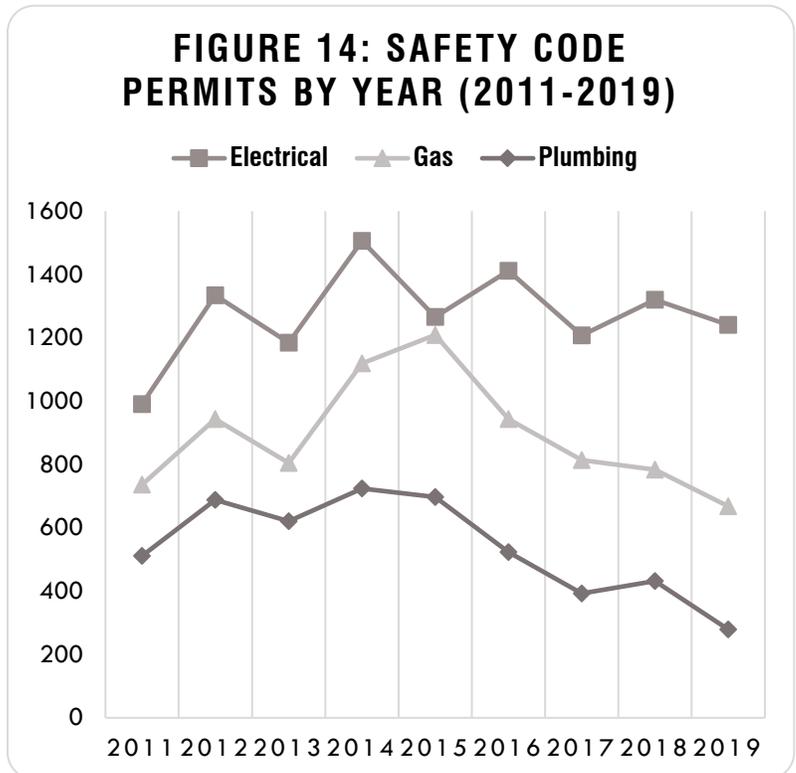


(which was similarly down by 18% from 2017). Compliance requests are now at the lowest activity point since 2010 (**Figure 12**).



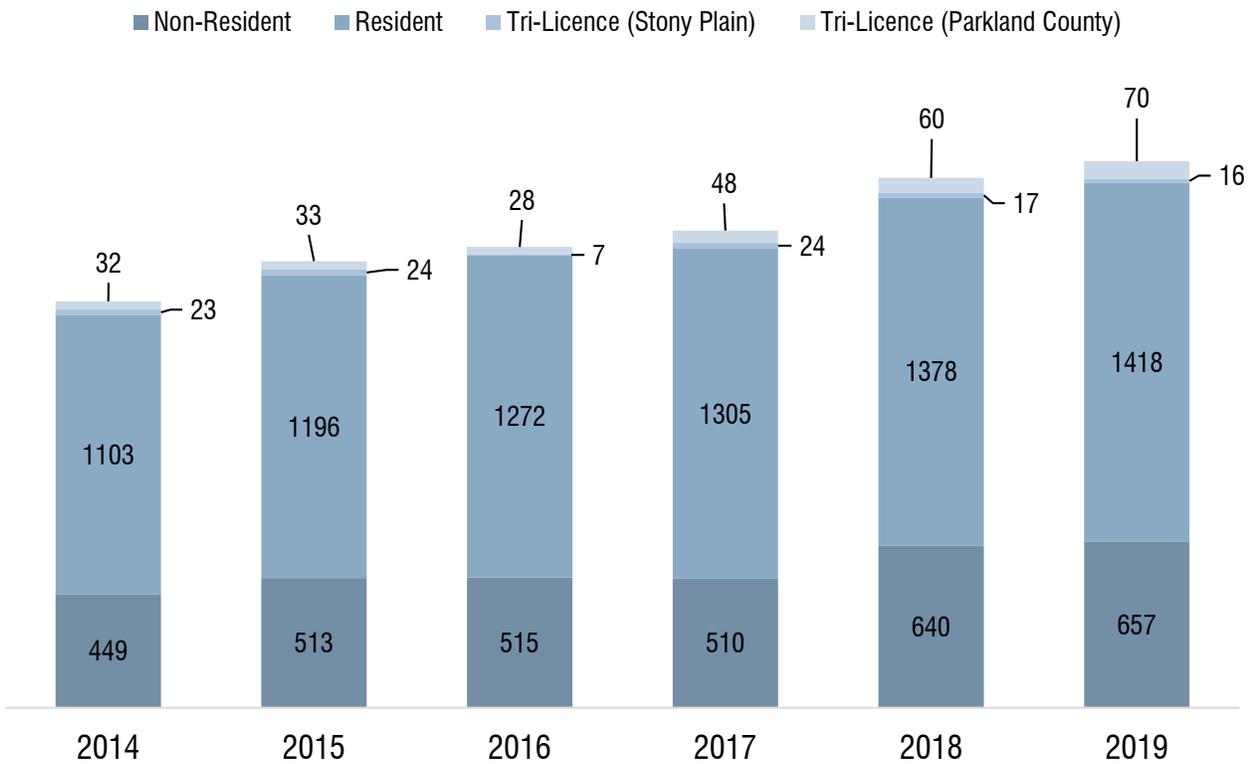
Looking closer at the Compliance request activity patterns of the past two years as shown in **Figure 13**, activity levels were taking wild swings in 2018, whereas 2019 has been closer to historic patterns with a steady rise in spring, with peaks in summer and a declining activity thereafter.

The City has been tracking Safety Codes Permits (other than building permits) since 2011, which is depicted in **Figure 14**. We can see in this figure the number of electrical permits is higher than plumbing and gas. This generally occurs because new construction often requires two electrical permits, where only one is required in the other two disciplines.



Overall, the City of Spruce Grove issued 2,188 permits for electrical, plumbing and gas in 2019, a 14% decrease over 2018 activity.

FIGURE 15: BUSINESS LICENCES BY TYPE (2014-2019)



While the City has been tracking business licences for a number of years, a major change was made to the system in 2013, resulting in a new business licence database. As part of the process update, Administration found that data up to 2013 was inaccurate. Therefore, business licence activity in **Figure 15** begins in 2014. In 2019, the City saw an overall 3% increase in the total number of business licences issued, compared to 2018.

Spruce Grove had a total of 2,161 active businesses operating in the City limits in 2019, of which 1,418 were resident businesses (meaning the business is physically located in Spruce Grove). Resident business licences were up by 3% in 2019, compared to the year previous.

There were also 657 non-resident businesses, which are businesses located in another municipality that are providing a service within Spruce Grove. Non-resident business licences were also up by 3% compared to the year previous.

Finally, there were 86 Tri-Municipal licensed businesses working within Spruce Grove, which are businesses located within Stony Plain or Parkland County that opted for a licence to provide services in all three municipalities.

HOUSING STARTS AND POPULATION

In order to provide some regional context for Spruce Grove’s growth, housing data released by the Canada Mortgage and Housing Corporation (CMHC) is reviewed each year and compiled as part of this report. **Figure 16** shows the number of new housing starts in a number of communities in the Edmonton Region. Housing starts are different than building permits, as housing starts are determined by the pouring of a foundation as per CMHC. As some building permits do not result in construction, housing starts are the most dependable information source for growth analysis.

In 2019, there were 217 housing starts in Spruce Grove, an 18% decrease from 2018. Housing starts remain subdued in the region, with the exception of City of St. Albert and Town of Stony Plain, where housing starts were significantly higher in 2019.

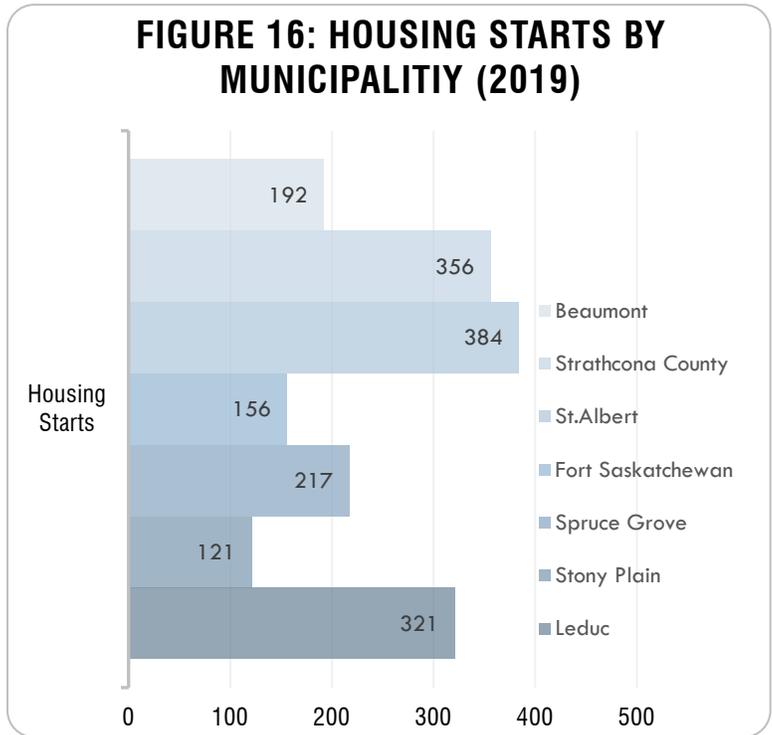
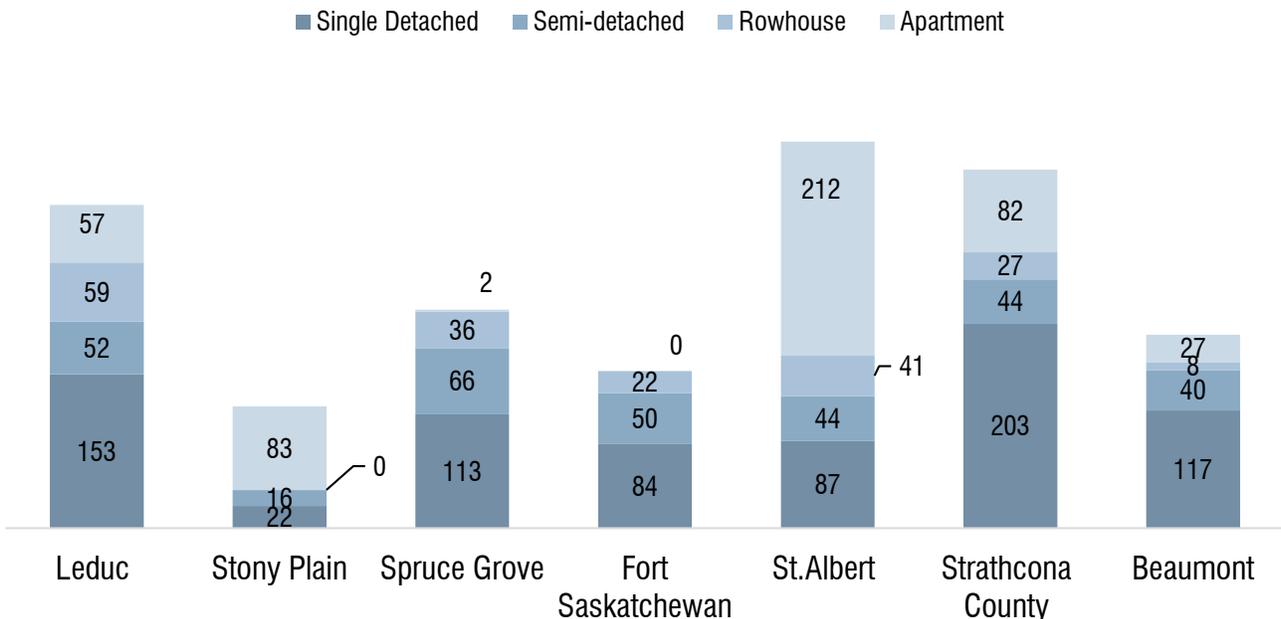
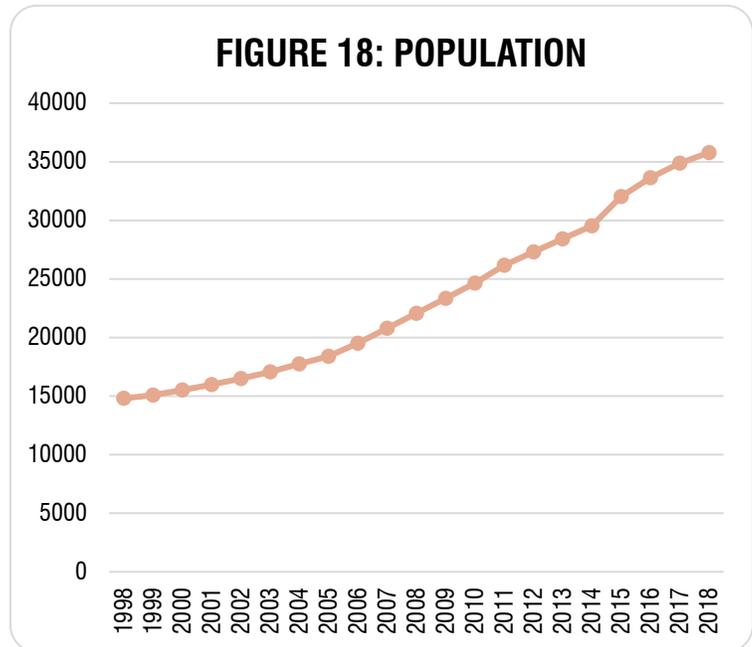


FIGURE 17: REGIONAL HOUSING STARTS BY DWELLING TYPE (2019)



Looking closer at the composition of the housing starts by reviewing unit types in **Figure 17** (previous page), one can see that the lower number of starts in Spruce Grove and Fort Saskatchewan are due to the lack of new apartment development in 2019, while the market share of low density units in Spruce Grove although down by 26%, seems appropriate comparatively to regional peer municipalities.

The City completed a successful municipal census in 2018, reporting a population of 35,766. The population growth in 2018 was approximately 2.6%, which is below the average growth rate for the past 20 years (**Figure 18**). There are no new updates to the municipal census information since 2018.



CONCLUSION AND 2020 OUTLOOK

The 2019 development trends in the City of Spruce Grove largely mirror those found in the Edmonton Census Metropolitan Area. With some recovery of commercial and industrial developments in 2018, overall the development activity was weak. With relatively high unemployment rates in the region, demand for new housing continues to soften.

Going into 2020, development trends are expected to continue, with muted growth in the residential sector and improvements to residential, commercial and industrial developments will continue as property owners try to position properties for sale or to accommodate the changing needs of businesses in light of the volatile market conditions.