2018 DEVELOPMENT ACTIVITY REPORT

February 2019

Planning and Development Department

An overview of development activity for 2018 and trend analysis for historical activity in the City of Spruce Grove.

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Cover: Emergency Services Building, 2018

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 two years where growth has tracked at an average for the region. The region has experienced a cooling off period for the past few years following the unprecedented growth of the previous decade. Administration is anticipating development growth to slowly increase over the next few years as economic factors improve.

The following pages contain analysis of the growth trends for the past decade (2009-2018), focusing specifically on activity in 2018. 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.

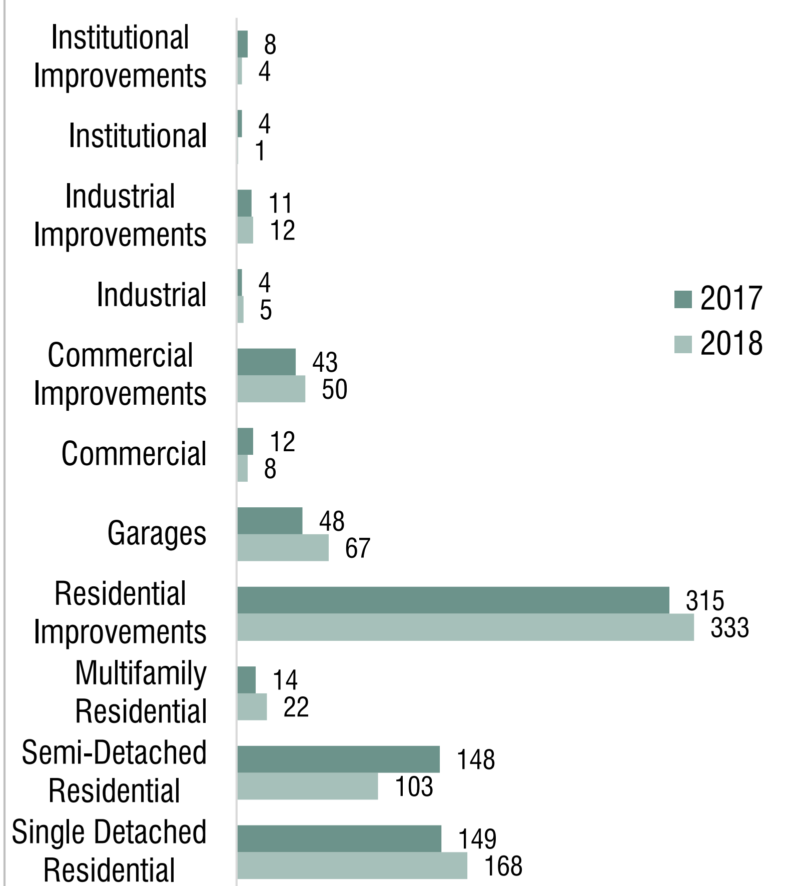
BUILDING PERMITS

Spruce Grove issued 773 building permits in 2018, a 2.2% increase from permit activity in 2017. Increases in permitting were largely due to residential improvements such as decks, finished basements, and garages, or tenant improvements for non-residential development.

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

Overall, about 89% of the permits issued in 2018 were for residential construction, including new dwellings, improvements and garages. This percentage is the same as in 2017.

FIGURE 1: VOLUME OF BUILDING PERMITS BY TYPE (2017-2018)



Residential construction activity saw a substantial correction in 2015 and 2016, after an inexplicably robust year in 2014. Based upon CMHC absorption data, the residential market is still working through available housing inventory. New dwelling units permitted in 2018 decreased by 8.3% from 2017, and represents the second lowest permitting level in the past decade **(Figure 2)**. The main reason for the decrease remains the absence in major multifamily projects, including no new apartment units constructed in over three years. Low density residential construction has remained muted but relatively steady over the past few years.

FIGURE 2: DWELLING UNITS PERMITTED (2009 - 2018)

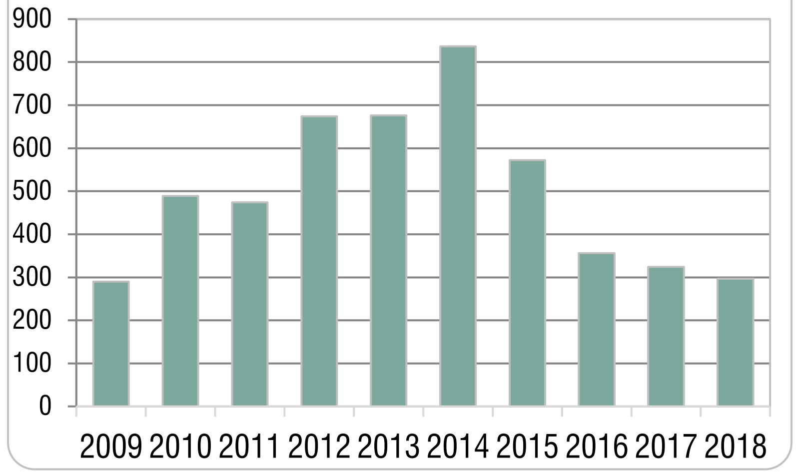
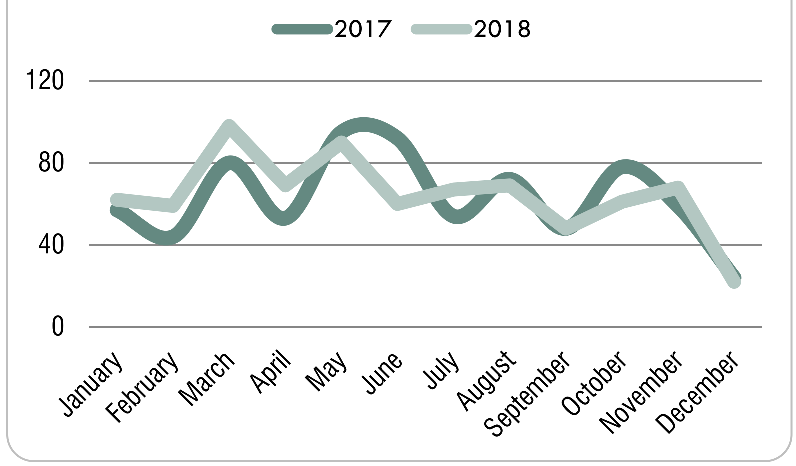


FIGURE 3: VOLUME OF BUILDING PERMITS BY MONTH



In the non-residential sector, the City saw five new industrial buildings in 2018, compared to four in 2017. Typical years see three new industrial buildings. The total building permit valuation for new industrial construction remained steady with 2017 at approximately $3.6 million. Industrial activity related to improvements increased from 11 to 12 permits in 2018 from 2017; however, the valuation of improvements was a fraction of the previous year. Overall, there were more permits taken out last year for industrial buildings and improvements, but the value of each permit declined.

After a surge in building permits issued for new commercial structures in 2017, permits for new commercial construction dropped from 12 in 2017 to eight in 2018. That said, the value of the eight new buildings increased by 15%. This reflects the larger, higher quality commercial structures permitted in 2018 such as redevelopment in the City Centre and the new anchor grocery store in Westwind. The number of commercial improvements increased by 16% in 2018 from the previous year on higher valuations.

Figure 3 depicts the volume of building permits by month in 2017 and 2018, which saw typical seasonal fluctuations.

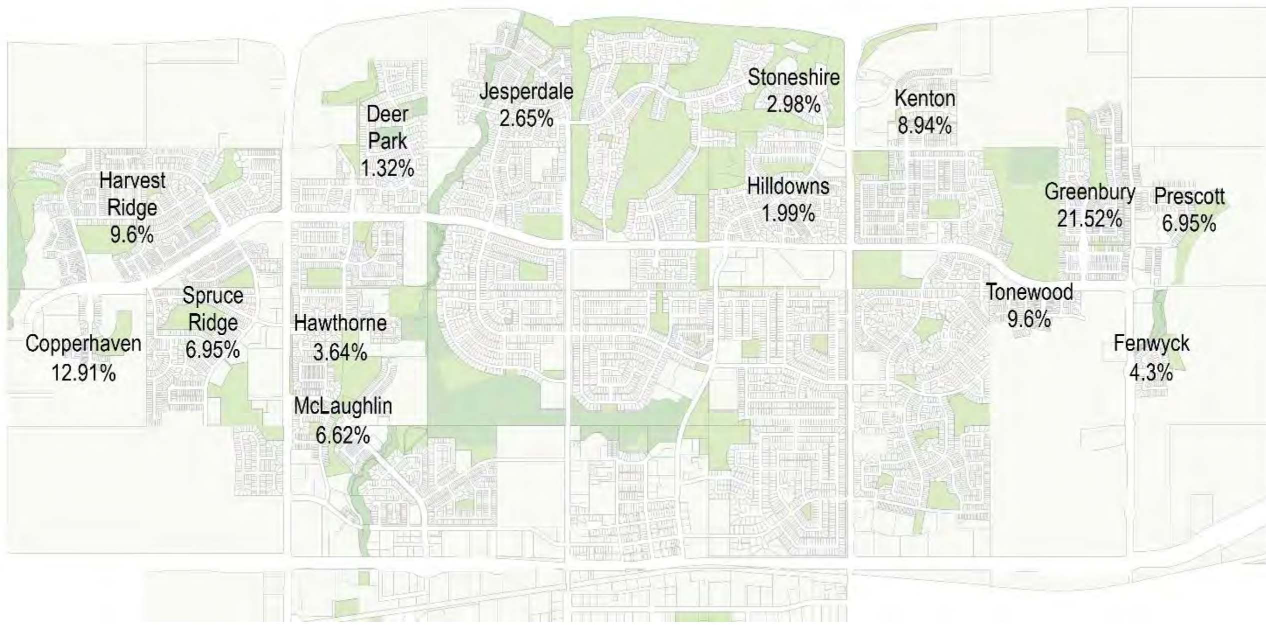


Figure 4 illustrates the housing units permitted in Spruce Grove in 2018 by neighbourhood. The percentages include all unit types: single detached, semi-detached, and multifamily dwellings. The highest percentage of building permits for new units occurred in Greenbury in 2018, with the new Copperhaven neighbourhood coming in second.

To get a better context of permitting levels for 2018 relative to recent trends, **Figure 5** depicts the total number of building permits issued over the past decade. One can see that 2017 was the low of the recent pullback, and 2018 saw a slight increase in permitting. Overall permitting levels in 2016 to 2018 are similar to pre-boom levels and are considered a sustainable growth rate. Another consideration, which unfortunately wasn't flagged in 2016, was that the City changed the building permit procedure for rowhousing products in 2016, allowing multiple units to be approved under one permit. As an example, 188 rowhouse units were approved in 2015 under 188 different building permits. So while a reduction of overall permits would still occur from 2015, the number is not as extreme as originally thought due to administrative changes.

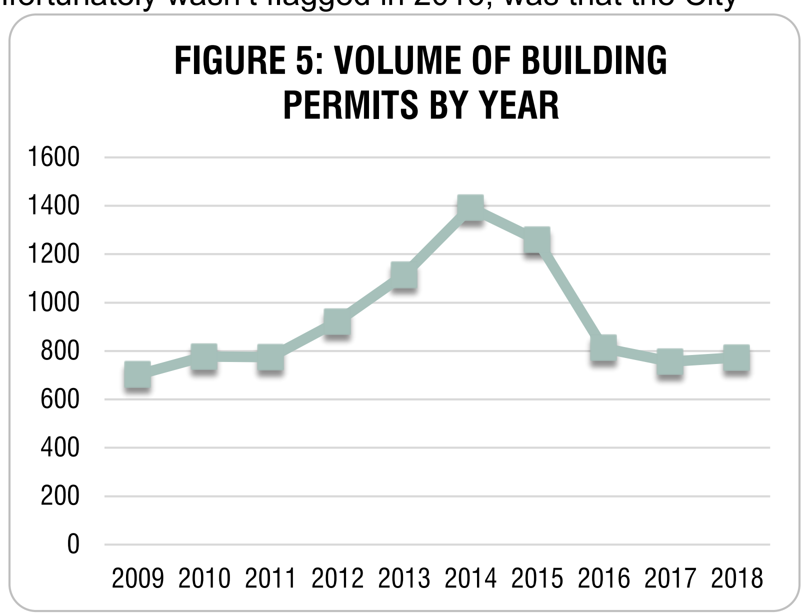
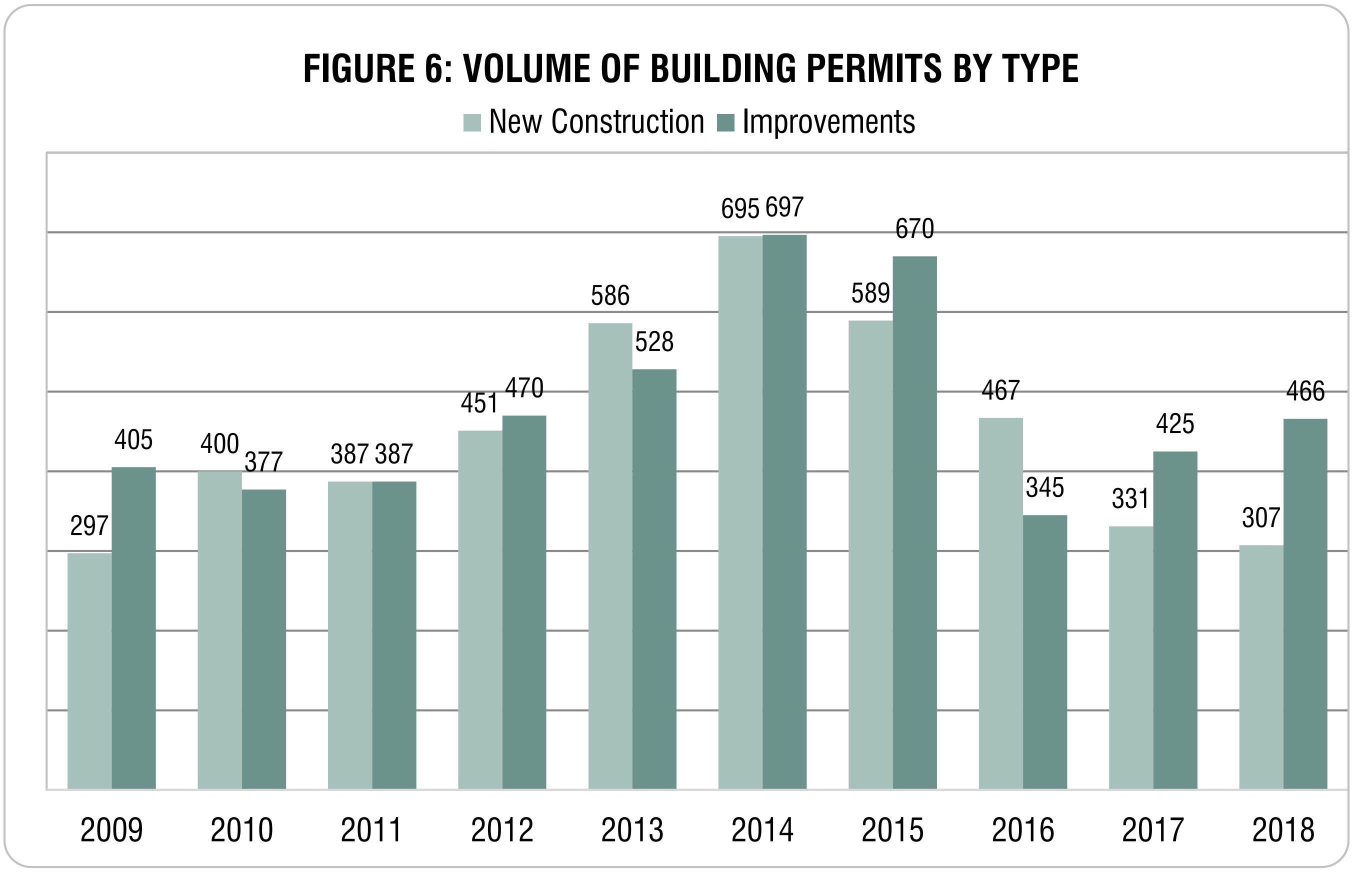


Figure 6 (next page) provides additional detail regarding the historic split between new buildings and improvements. As one can see,

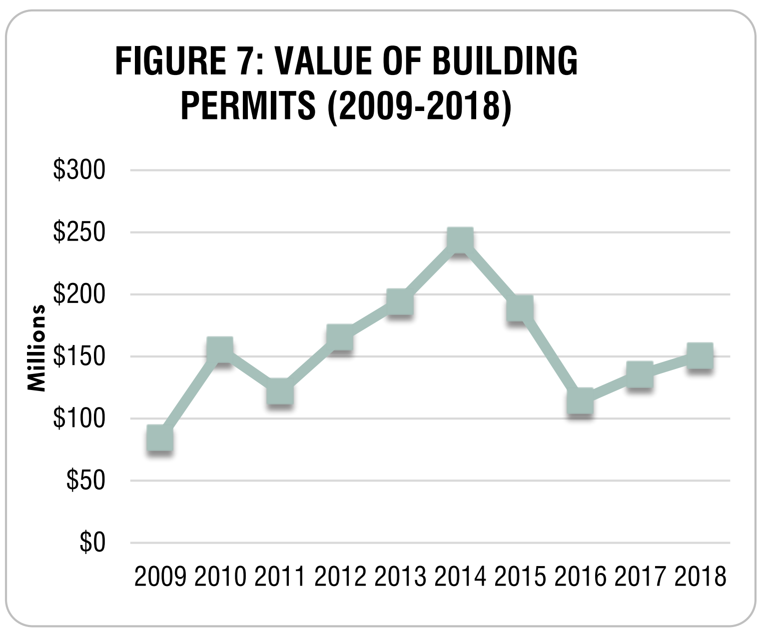


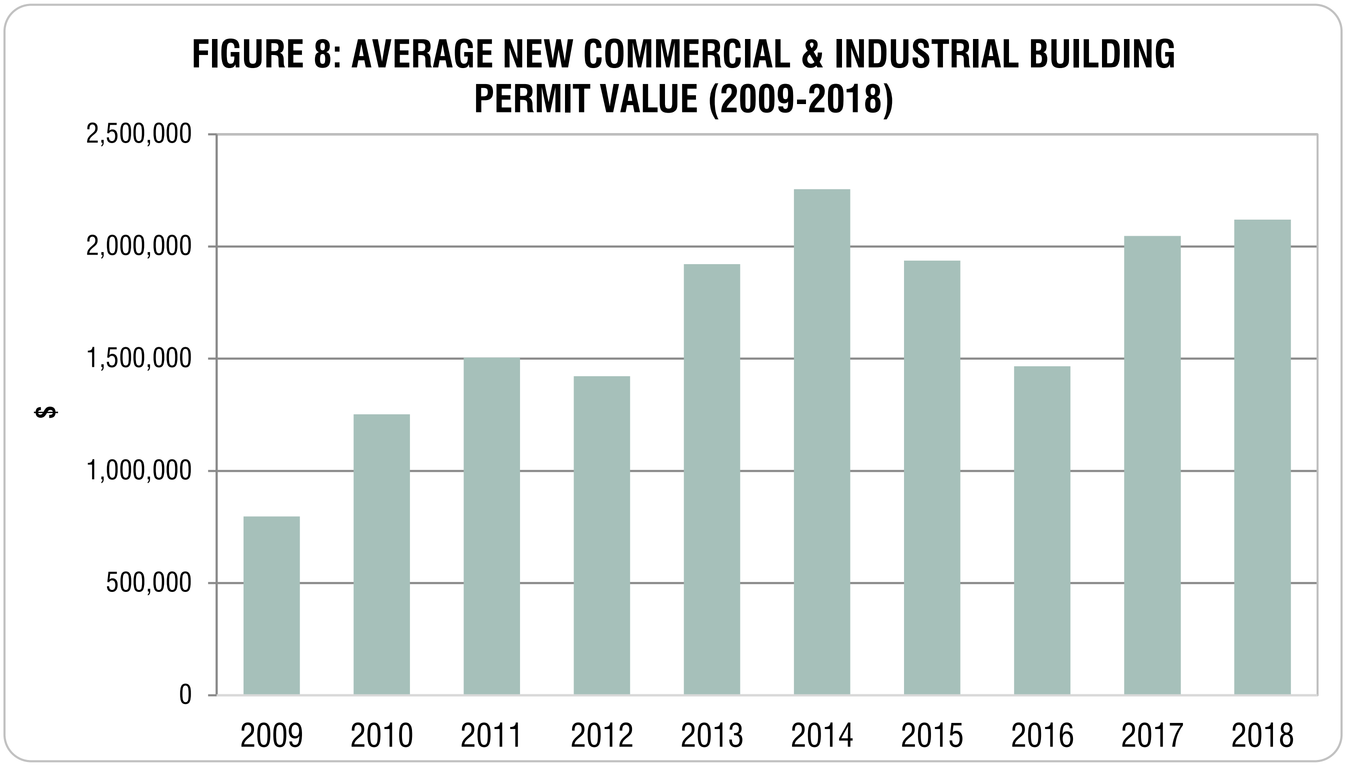
the decline in permitting levels in the past two years affected new development to a greater degree than improvements.

Looking closer at investment trends over the past decade, one can see that the value of permits is largely correlated with permitting levels **(Figure 7**), although building values are bouncing back faster than permitting numbers from recent declines.

Figure 8 (next page) demonstrates the value of the average industrial and commercial building permit over the past 10 years.

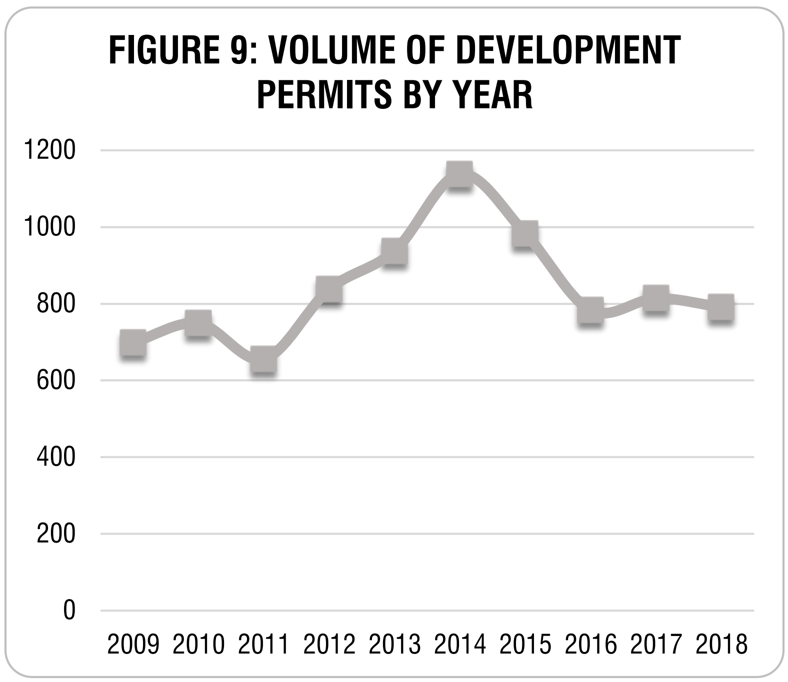
In reviewing the investment trends over the past few years, the average value of new commercial and industrial buildings has been generally higher in recent years compared to historic investment values earlier in the decade. This reflects the development of larger, higher quality structures.





DEVELOPMENT PERMITS

Figure 9 illustrates the trends in the volume of development permits issued over the last ten years. Development permit activity in 2018 was down approximately 2% from 2017. 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 10** (next page) depicts the number of permits issued by month for 2017 and 2018. The pattern shown is typical of development activity for the region, where higher activity levels occur during the warmer months. Activity in 2017 and 2018 follows this typical pattern, with the exception of sudden downturn in September and rebound in October.

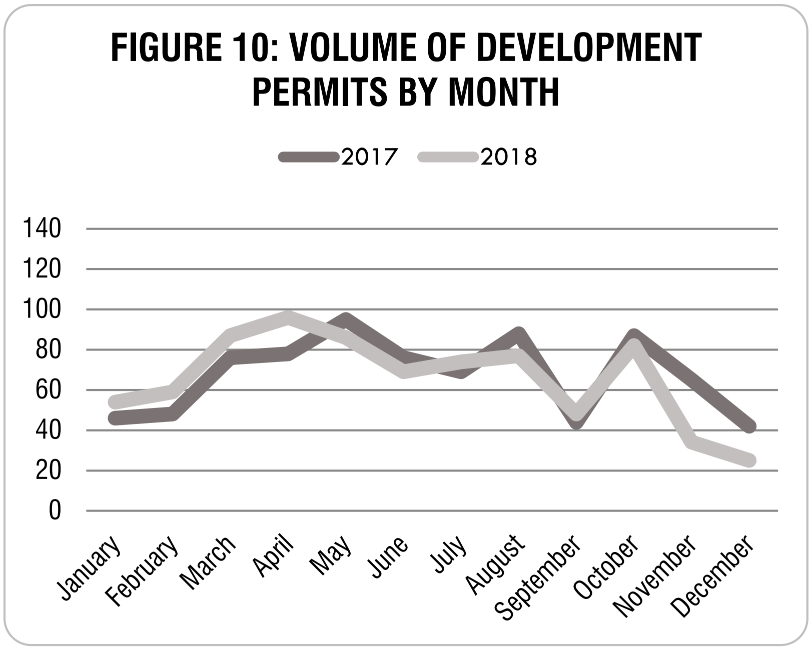
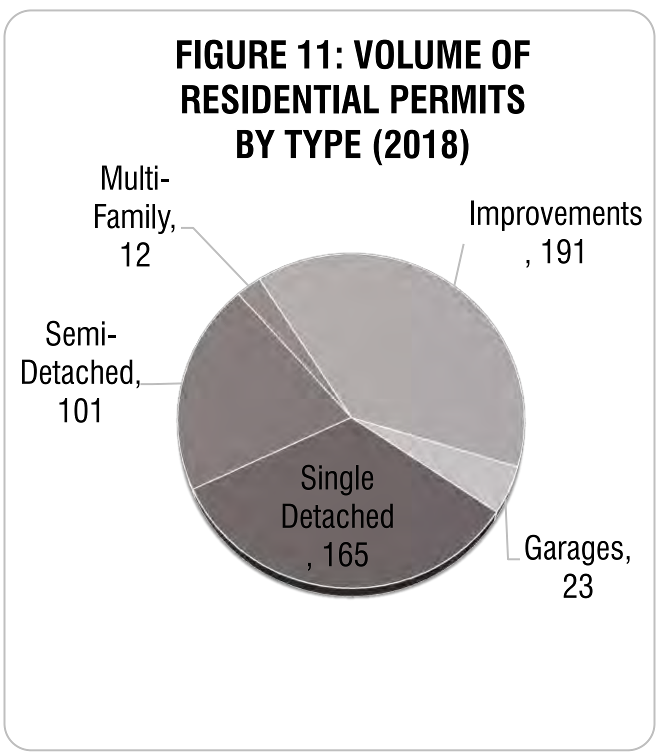
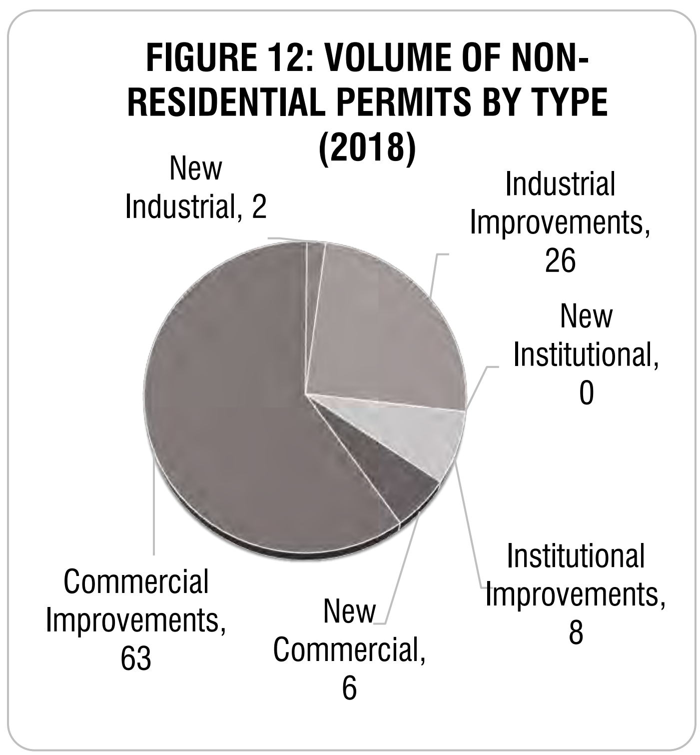


Figure 11 provides the breakdown of residential development permits issued by type. The graph is dominated by residential improvements made to existing residences, followed by single detached and semi-detached. Generally, the development permit numbers echo what we have already seen with building permits.

The breakdown of non-residential permits issued in 2018 by type is examined in **Figure 12**. Again, the trends seen earlier with building permits are evident here, with commercial and industrial improvements comprising the largest percentage of development permit approvals. These permits are largely for tenant improvements and approvals required for new uses.

Development permits for permanent signs saw a marked increase from 30 in 2017 to 64 permits in 2018, which makes sense given the number of new commercial structure built in the past couple of years. Temporary sign permits decreased slightly from 115 to 109 applications.





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 2018, there were 626 compliance decisions issued, down 18.4% compared to 2017 (which was also down the same percentage from 2016). Compliance requests are now at the lowest activity point since 2003 (**Figure 13**).

FIGURE 13: COMPLIANCES ISSUED BY YEAR (2009-2018)

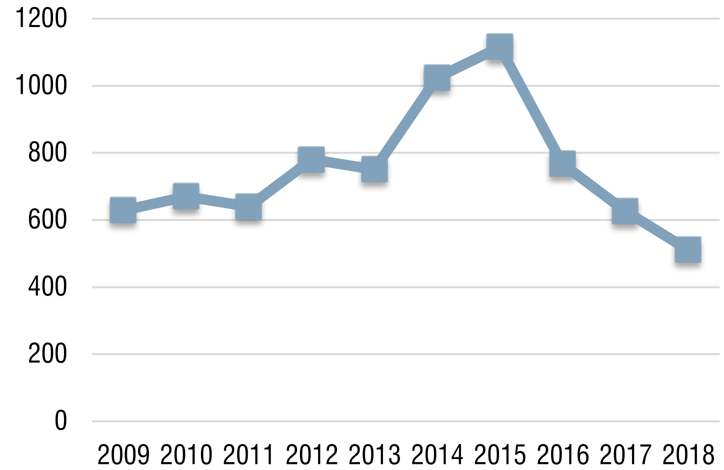
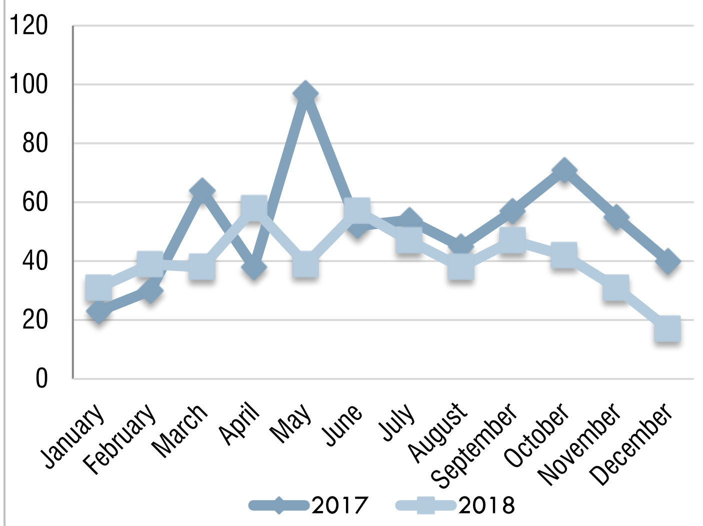


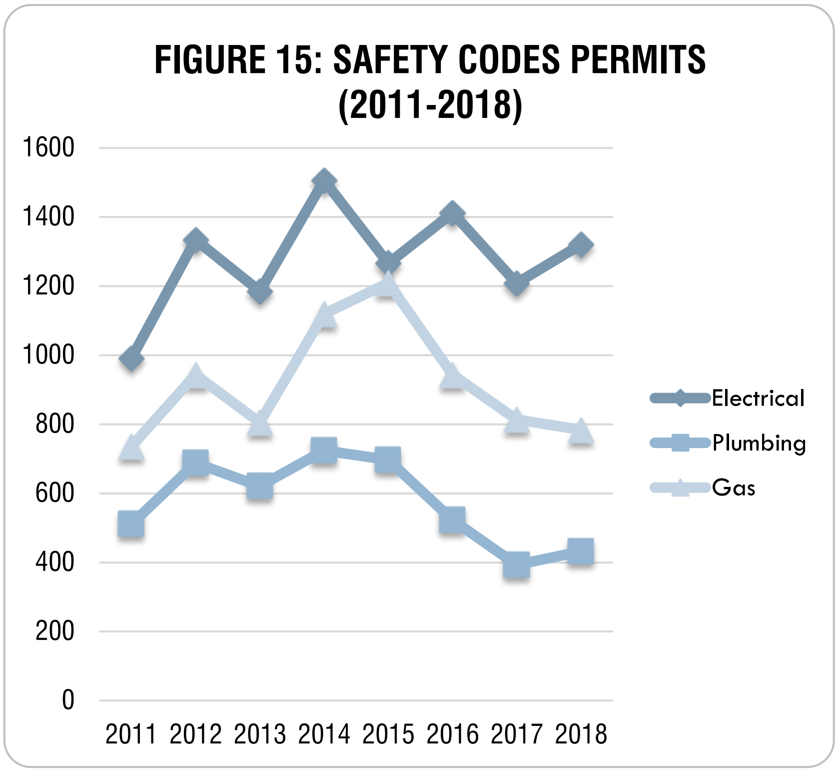
FIGURE 14: COMPLIANCES ISSUED BY MONTH (2017 & 2018)

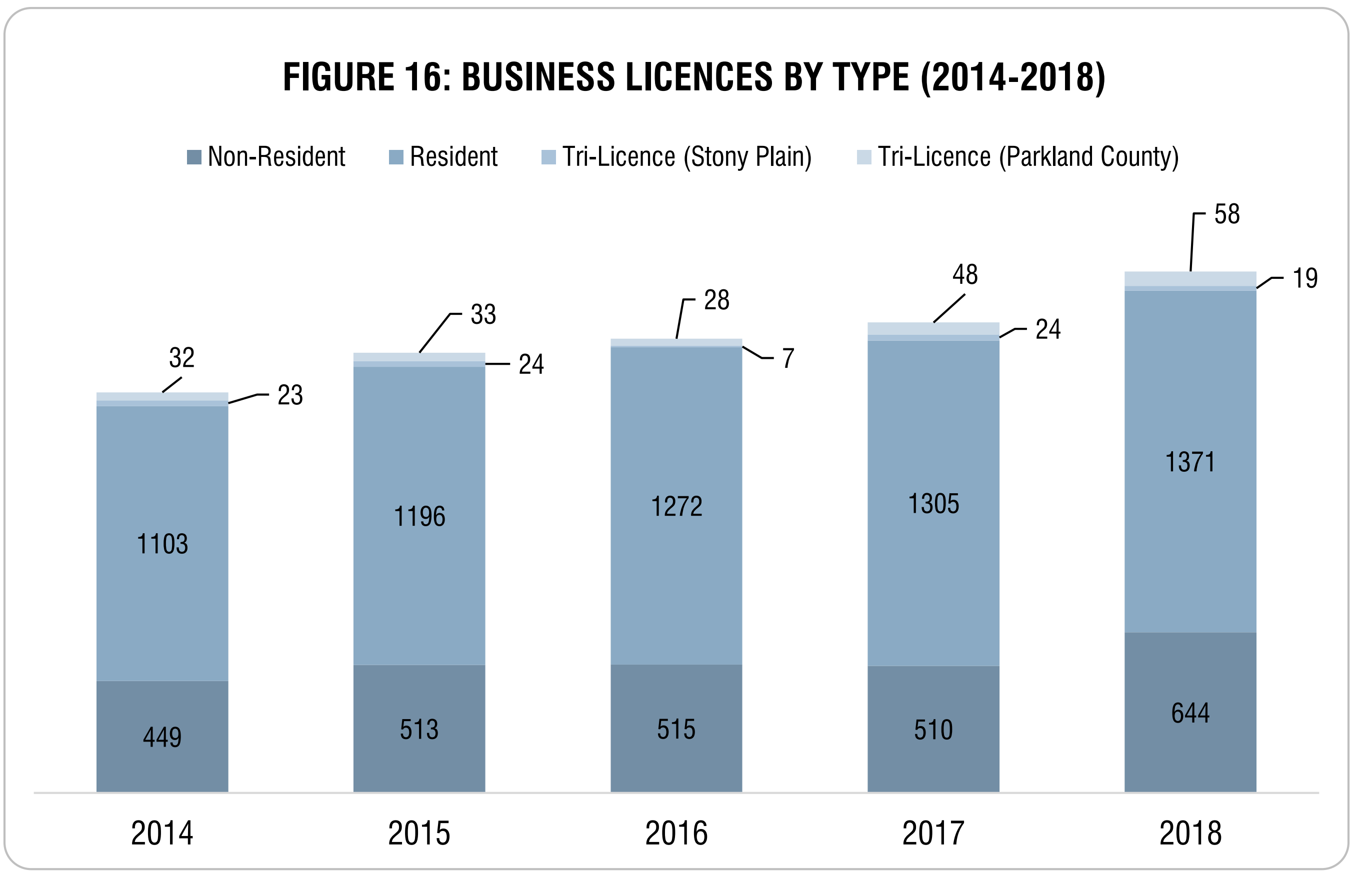


Looking closer at the activity patterns of the past two years **(Figure 14)**, one can see that activity levels are taking wild swings, where a steady rise in spring was historically typical, with peaks in summer and a declining activity thereafter. Generally speaking, staff has noticed more residential activity occurring each spring, which may reflect a new trend for home sales seasonality.

The City has been tracking Safety Codes Permits (other than building permits) since 2011, which is depicted in **Figure 15** (next page). 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 2,536 permits in 2018, a 5% increase over 2017 activity.

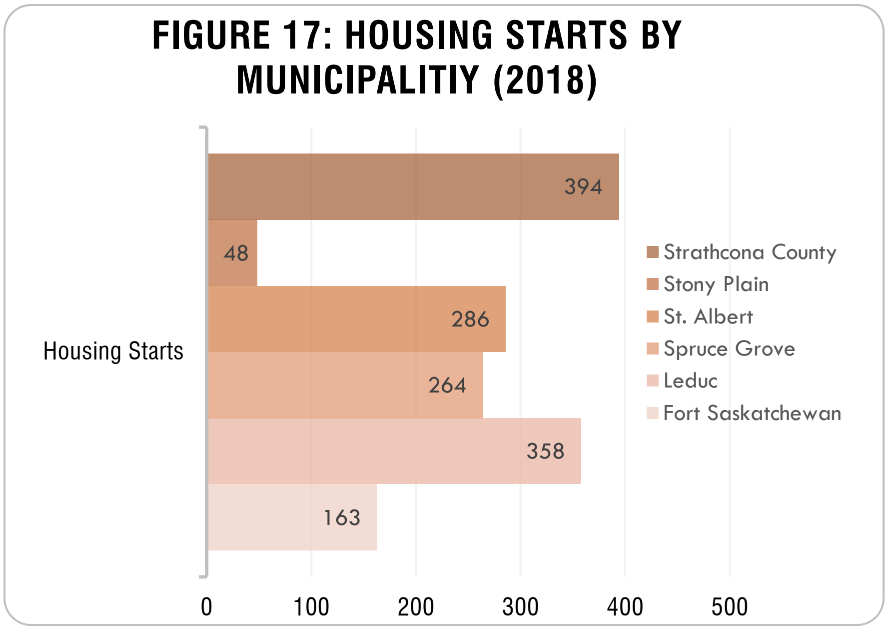
While the City has been tracking business licences for a number of years, a major change was made to the system in 2013, resulting in a new business licence database. As part of the process update, Administration found that data up to 2013 was inaccurate. Therefore, business licence activity in **Figure 16** (next page) begins in 2014. The City has seen a steady increase in both residential and non-residential active businesses in the past five years. Spruce Grove had a total of 2,092 active businesses operating in the city limits in 2018, of which 1,371 were resident businesses (meaning the business is physically located in Spruce Grove). There were also 644 non-resident businesses, which are businesses located in another municipality that are providing a service within Spruce Grove. Finally there were 77 Tri-Municipal Licensed businesses working within Spruce Grove, which are businesses within Stony Plain or Parkland County that opted for a licence to provide services in all three municipalities.

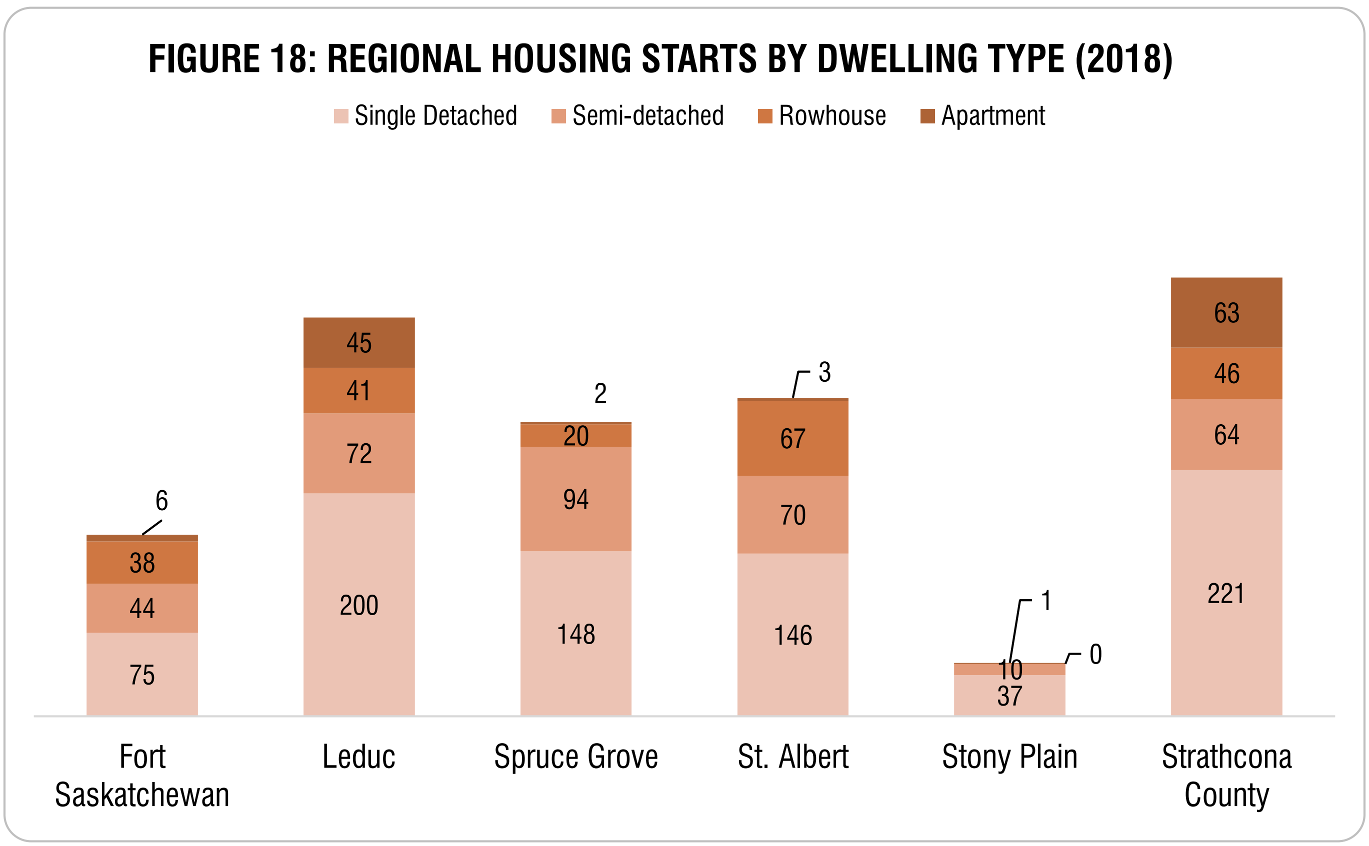




HOUSING STARTS AND POPULATION

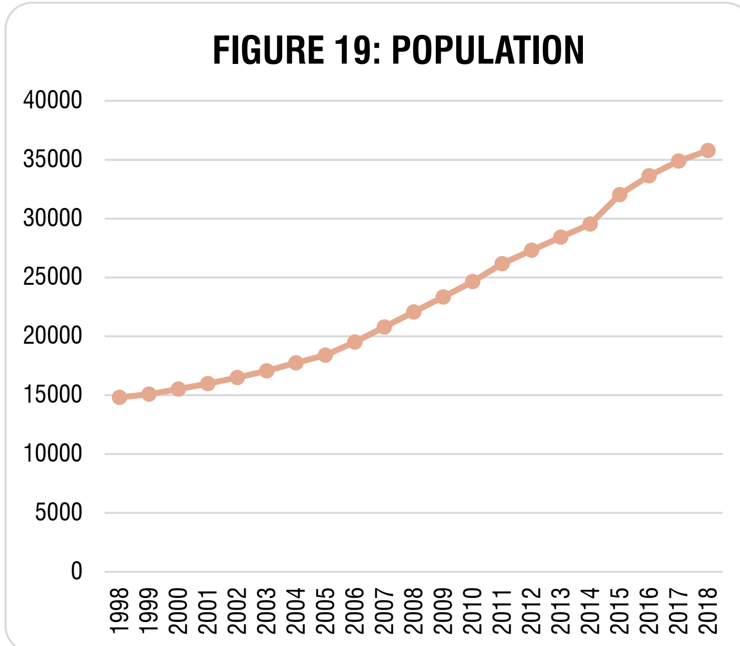
In order to provide some regional context for Spruce Grove's growth, housing data released by the Canada Mortgage and Housing Corporation (CMHC) is reviewed each year and compiled as part of this report. **Figure 17** shows the number of new housing starts in a number of communities in the Edmonton Region. Housing starts are different than building permits, as housing starts are determined by the pouring of a foundation as inspected by CMHC. As some building permits do not result in construction, housing starts are the most dependable information source for growth analysis. In 2018, there were 264 housing starts in Spruce Grove, a 21% decrease from 2017. Housing starts remain muted in the region, with the exception of the City of Leduc, which is having a second strong year in a row.





Looking closer at the composition of the housing starts by reviewing unit types, one can see that the decreased number of starts in a number of municipalities, including Fort Saskatchewan, Stony Plain and Spruce Grove, is due to the lack of apartment development in 2018 (**Figure 18,** previous page), while the market share of low density units in Spruce Grove 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 19)**.



CONCLUSION AND 2019 OUTLOOK

Last year's development activity got off to a robust start, with some economists starting to talk of recovery. The oil price fallout in the second half of the year saw repercussions throughout at the construction industry, as economic fears came back to the forefront. Residential growth is expected to remain muted due to significant supply still on the market. Commercial activity will be dominated by tenant improvement in 2019 due to the number of shell buildings currently under construction that will require tenant improvements.