

2020 DEVELOPMENT ACTIVITY REPORT



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Planning and Development Department

An overview of development activity for 2020 and trend analysis for historical activity in the City of Spruce Grove.

Contents

INTRODUCTION	2
BUILDING PERMITS	2
DEVELOPMENT PERMITS	7
OTHER PERMIT ACTIVITY	9
BUSINESS LICENSES	11
HOUSING STARTS AND POPULATION	12
CONCLUSION AND 2021 OUTLOOK	13

List of Figures

Figure 1	Volume of Building Permits by Type (2019 & 2020)	2
Figure 2	Dwelling Units Permitted (2011-2020)	3
Figure 3	Volume of Building Permits by Month (2019 & 2020)	3
Figure 4	Volume of Building Permits By Year (2011-2020)	4
Figure 5	Volume of Building Permits by Type (2011-2020)	4
Figure 6	Value of Building Permits (2011-2020)	5
Figure 7	Average New Commercial & Industrial Building Permit Value (2011-2020)	5
Figure 8	Average Value of Improvement Permit (2011-2020)	6
Figure 9	Volume of Development Permits By Year (2011-2020)	7
Figure 10	Volume of Development Permits by Month (2019 & 2020)	7
Figure 11	Volume of Residential Permits by Type (2020)	8
Figure 12	Volume of Non-Residential Permits by Type (2020)	8
Figure 13	Compliances Issued by Year (2011-2020)	9
Figure 14	Compliances Issued by Month (2019 & 2020)	9
Figure 15	Safety Code Permits by Year (2011-2020)	10
Figure 16	Business Licences Issued by Type (2014-2020)	11
Figure 17	Housing Starts by Municipality (2020)	12
Figure 18	Regional Housing Starts by Dwelling Type (2020)	12
Figure 19	Population (1998-2018)	13

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.

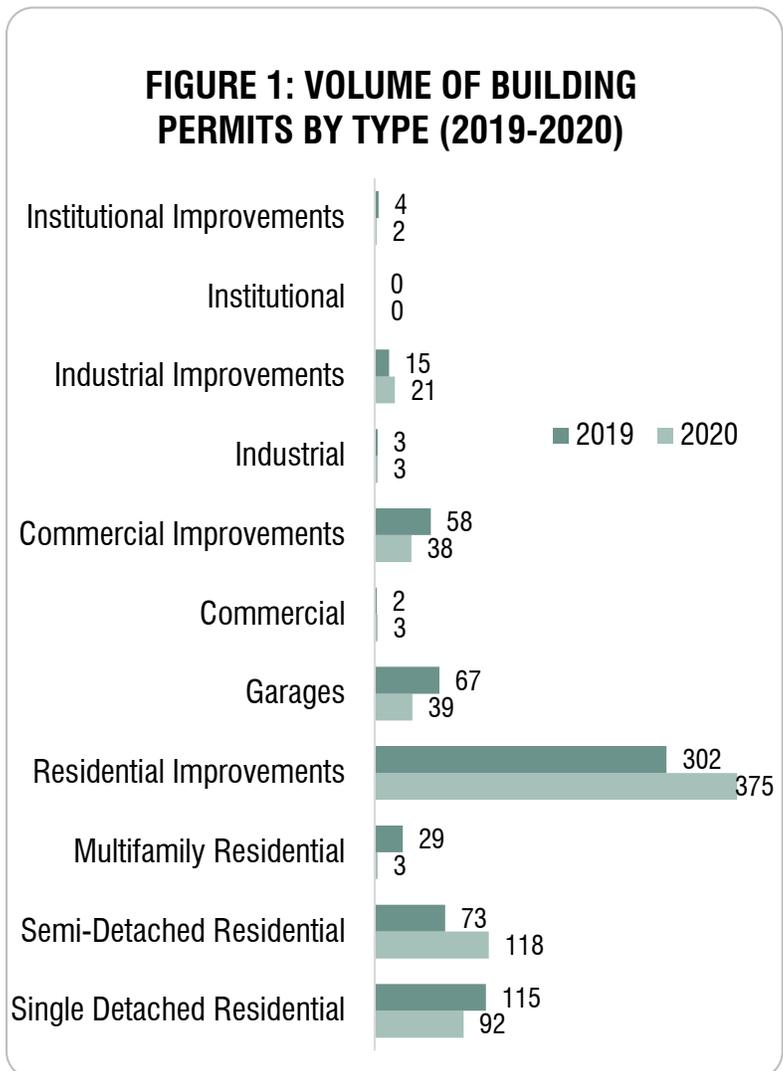
Growth in Spruce Grove had generally been stronger than average for the Capital Region at the beginning of the past decade, but that changed in the past five years where growth has tracked at an average level for the region. The Region has experienced a cooling off period since 2019 following the unprecedented growth of the previous decade. 2020 was largely shaped by the Covid-19 pandemic, which had a significant impact on the development industry and local businesses due to the restrictions introduced by the Province in a bid to control the spread of the virus. The latter half of 2020 saw a rebound in the development activity as part of the economic recovery effort when the City saw a higher uptake of low density residential developments and residential improvements.

City administration is anticipating the current development trends to continue into 2021, aiming for a balanced supply of lots and units on the market and to find a balance between supply and demand.

The following pages contain the analysis of the growth trends for the past decade (2011-2020), focusing specifically on activity in 2020. This report provides an overview of building permit and development permit activity. In addition, compliances and other permits are tracked in order to provide a more accurate picture of the total development activity taking place in the City of Spruce Grove.

BUILDING PERMITS

Spruce Grove issued 694 building permits in 2020, a 3.8% increase from permit activity in 2019. **Figure 1** details the volume of building permits issued by type and compares the volume for the past two years.



Residential building permits for semi-detached dwellings increased by a noticeable 38% in 2020, while permits for single detached dwellings decreased by 25%. Residential improvements permits were also up by 20% relative to 2019, suggesting residents invested in home improvement, as the Covid-19 pandemic forced the public to work and spend more time in their homes in 2020.

In the non-residential sector, the City saw three new commercial developments compared to two in 2019, while commercial improvements were down by 52%. New industrial permit levels mirrored those in 2019, with a total of three new industrial buildings, while industrial improvements saw a 28% increase. For reference, typical years see three to four new industrial buildings.

Overall, about 89% of the permits issued in 2020 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 2018 and 2019.

New dwelling units permitted in 2020 were marginally lower by 1.8% from 2019, and represents the lowest permitting level in the past decade since 2011 (**Figure 2**). The main reason for the decrease remains the absence in major multifamily projects, including no new apartment developments constructed in over five years. Residential construction activity has remained at the same level as 2019.

Figure 3 depicts the volume of building permits by month in 2020, which began with higher volume in January, then dropping to lower levels in April, and gradually increasing to match the volume pattern observed in second half of 2019.

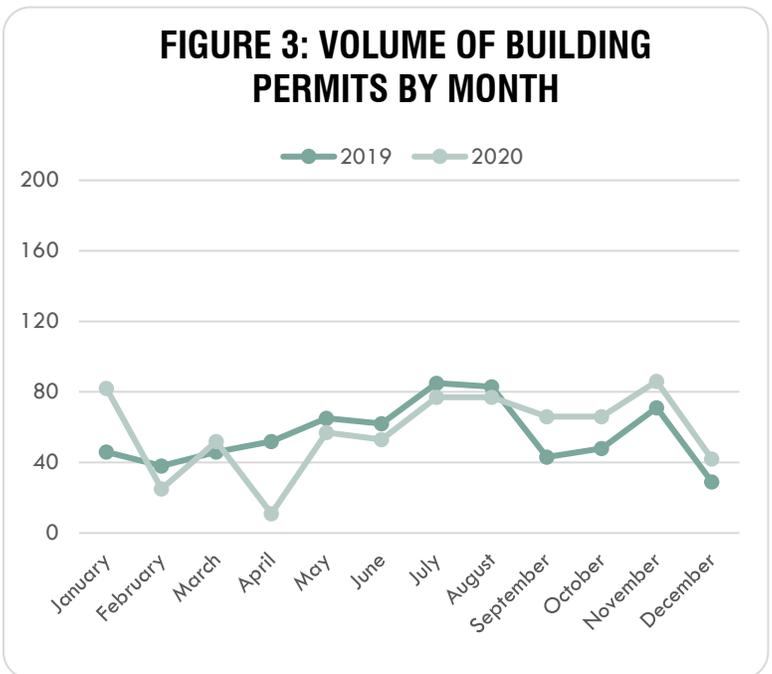
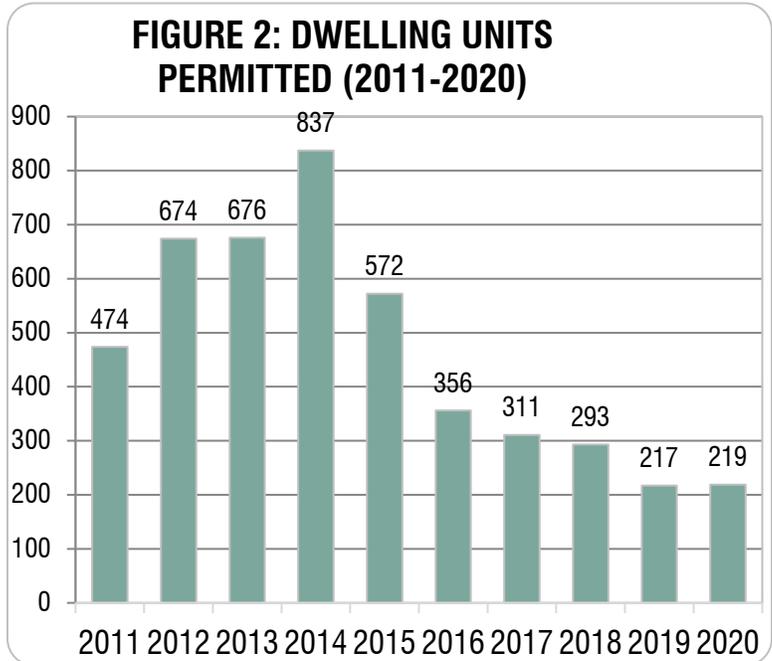
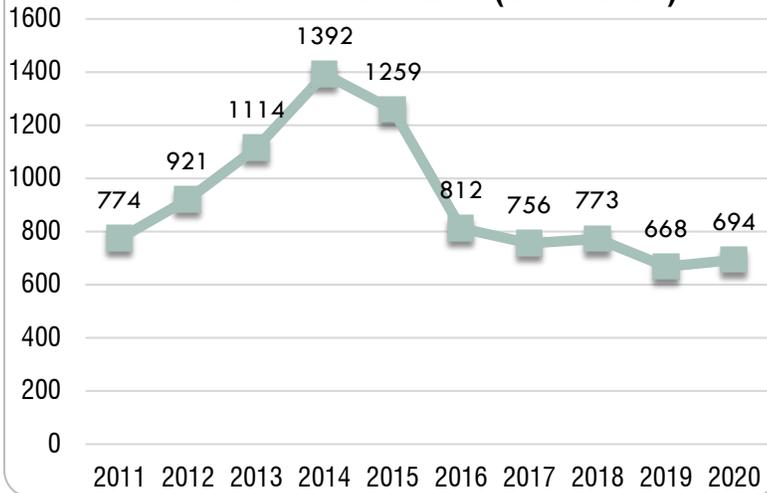


FIGURE 4: VOLUME OF BUILDING PERMITS BY YEAR (2011-2020)



To get a better context of permitting levels for 2020 relative to recent years, **Figure 4** depicts the total number of building permits issued over the past decade. Overall Building Permit increased by 3.8% in 2020, relative to the year before.

The total building permit valuation for new industrial construction in 2020 was \$5.28 million, where the average value of each industrial permit, was almost 23% lower than the average value of a new industrial permit in 2019, reflecting the development of relatively smaller buildings and structures in the industrial areas.

Permitting activity related to industrial improvements increased to 21 permits in 2020, from 15 permits in 2019, while also driving up the value of each industrial improvement permit by more than 2 times relative to 2019.

After a surge in building permits issued for new commercial structures in 2017 and 2018, permits for new commercial construction has remained low at 3 permits in 2020, compared to 2 in 2019. The average value of the new commercial buildings also dropped by 51%, reflecting smaller size commercial businesses.

FIGURE 5: VOLUME OF BUILDING PERMITS BY TYPE (2011 - 2020)

■ New Construction ■ Improvements

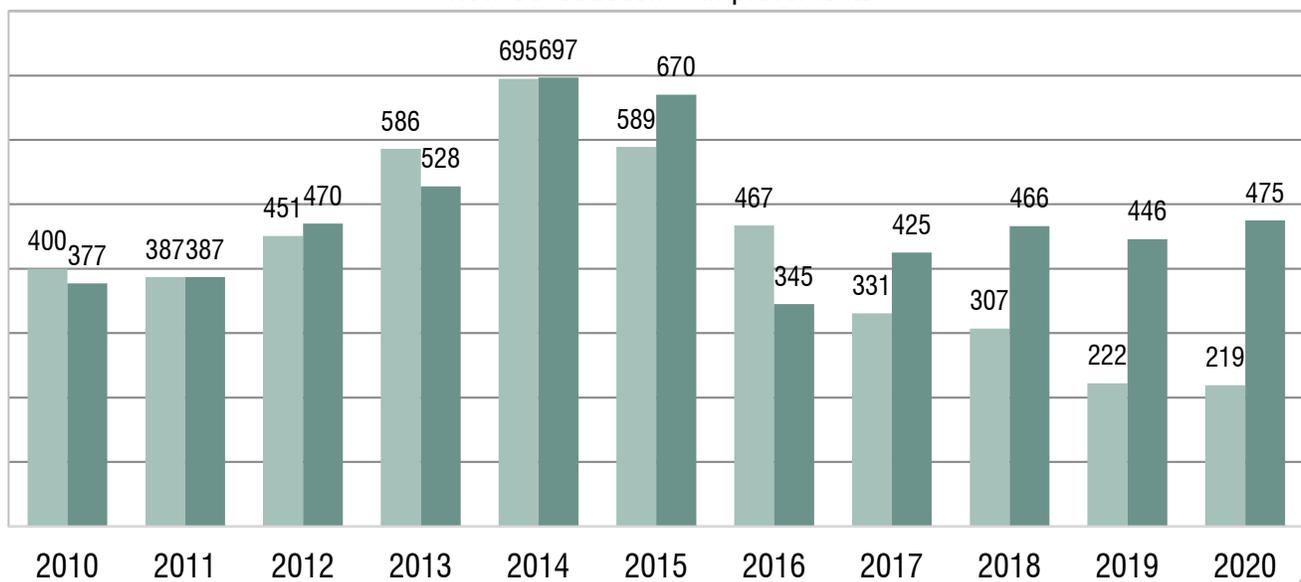


Figure 5 depicts the historic split between new buildings and improvements, and shows a steady decline in permitting levels for new developments since 2015, whereas a steady increase in the permitting levels for improvement permits during the same period.

Figure 6 depicts investment trends over the past decade, where we see the overall value of permits appear to be on a downward trend in 2019 and 2020. The overall downward trend correlates with the lower levels of new construction permits.

Figure 7 shows the average value of improvement permits for the past decade. In this figure we observe that the average value of improvement permits has been gradually increasing in the past 5 years, which correlates with the higher number of improvement permits issued in recent years, as reflected in **Figure 5**.

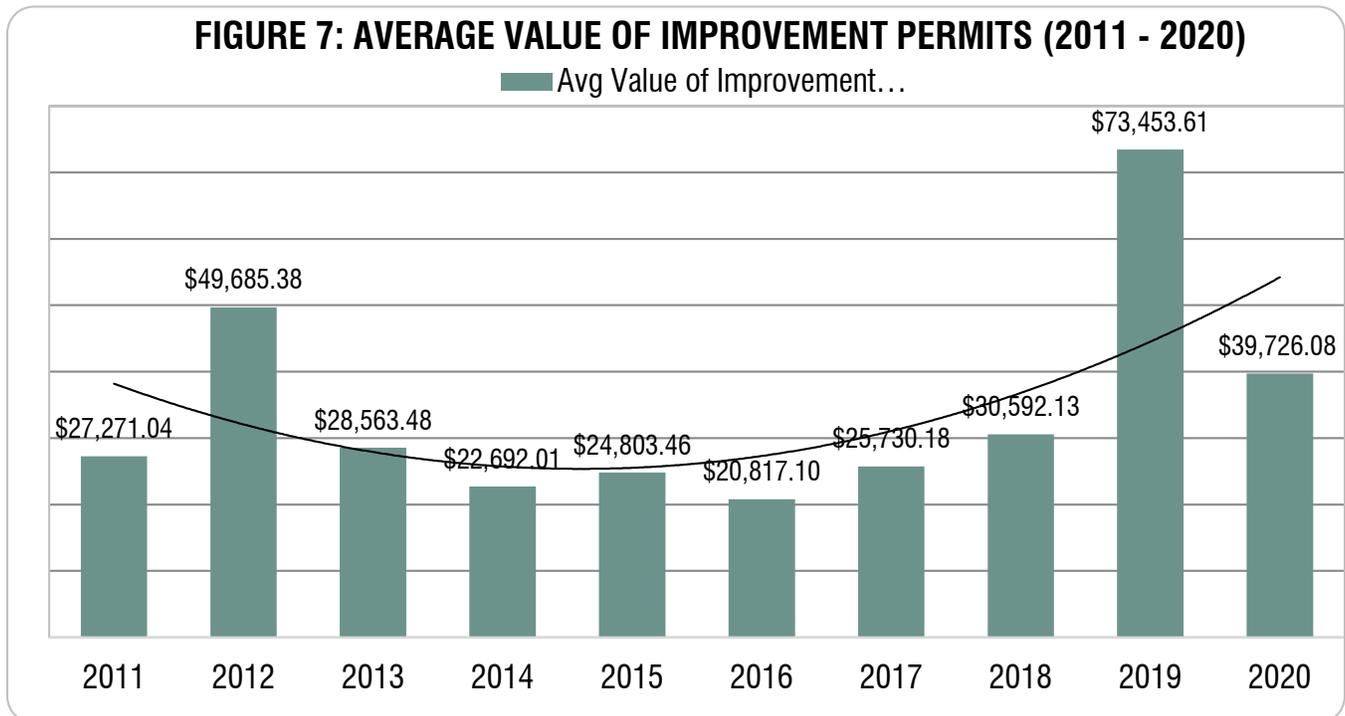
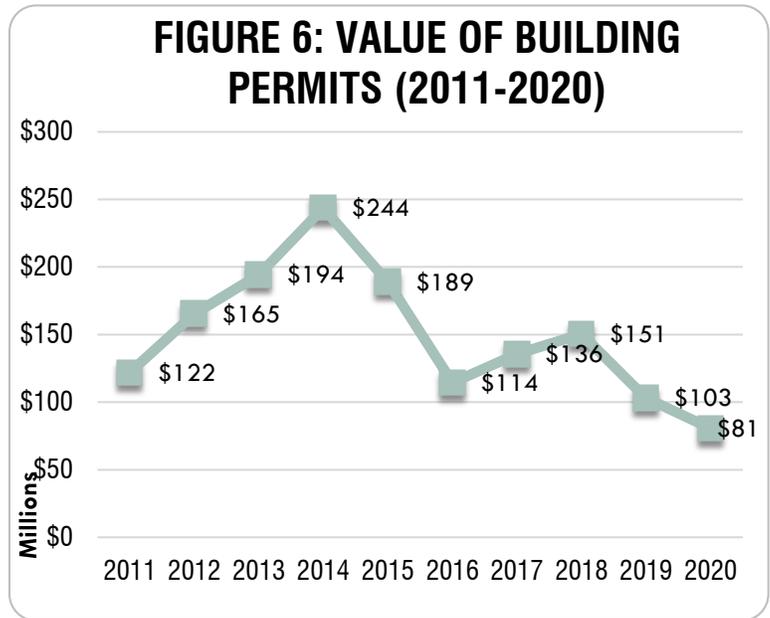
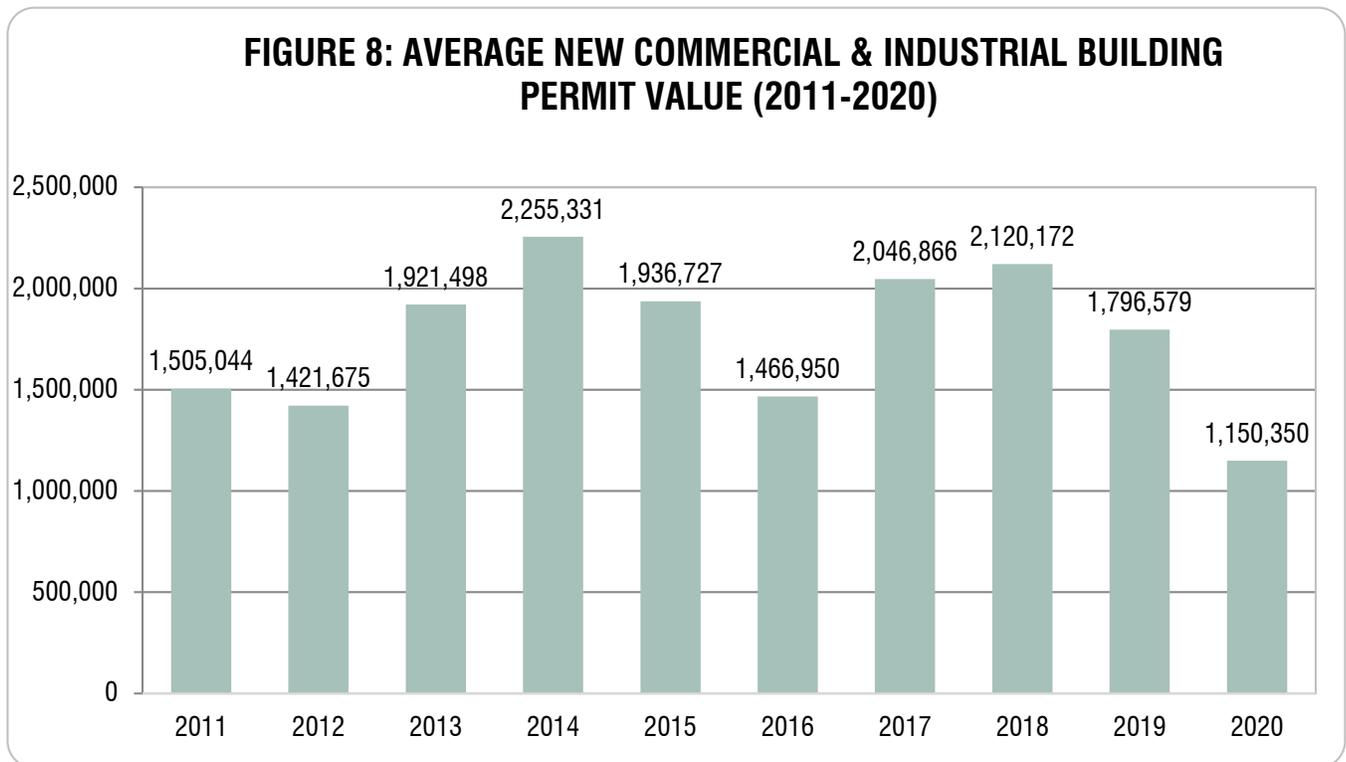


Figure 8 charts the value of the average new industrial and commercial building permit over the past 10 years. In reviewing the investment trends over the past few years, the average value of new commercial and industrial buildings in 2020 was the lowest value of the decade, reflecting an overall downturn in the economy and the development of smaller buildings and structures.



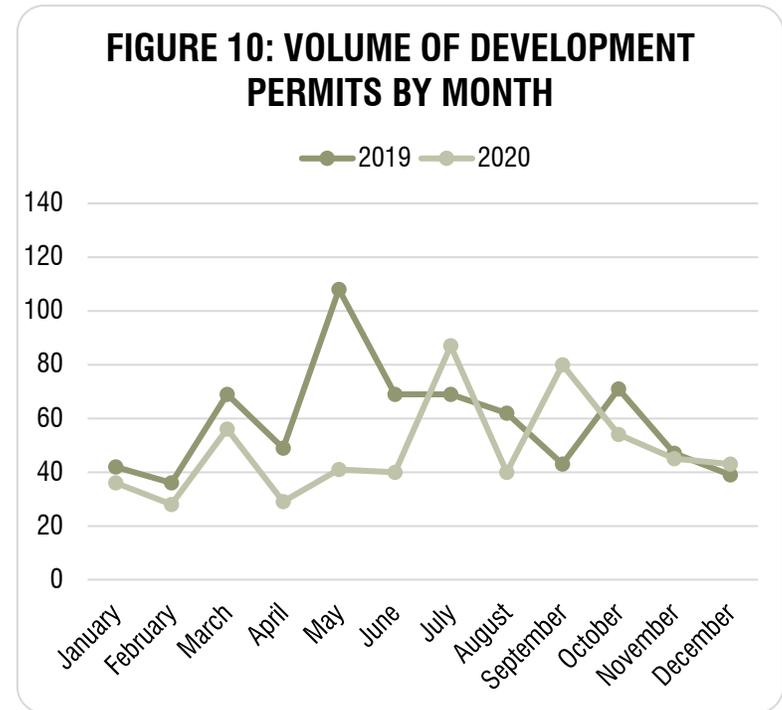
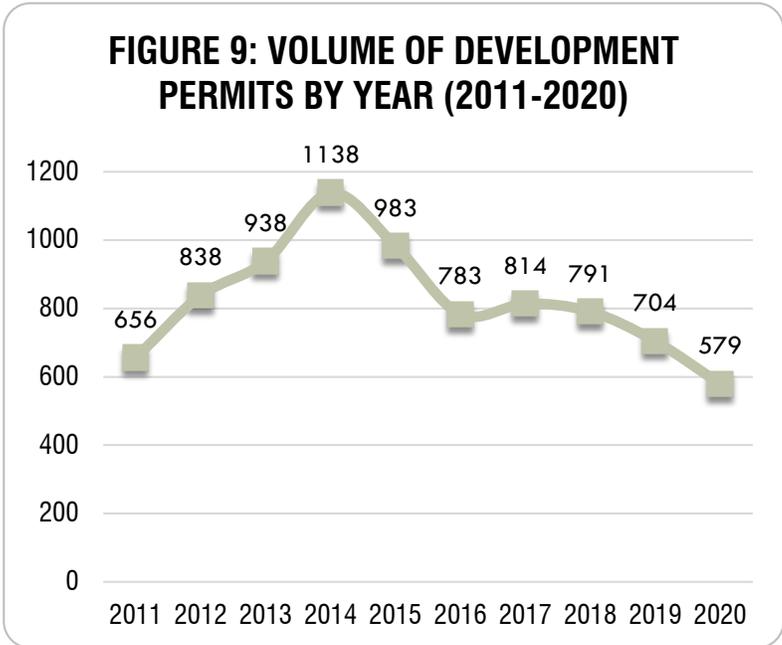
DEVELOPMENT PERMITS

Figure 9 illustrates the trends in the volume of development permits issued over the last ten years. Development permit activity in 2020 was down approximately 18% from 2019. The 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, whereas separate building permits are required for each structure on a property, as well as for changes of use or tenant improvements.

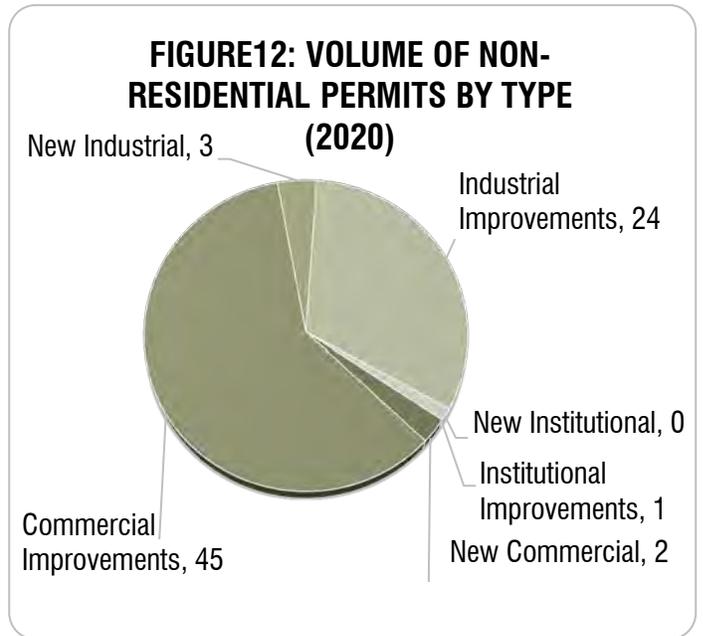
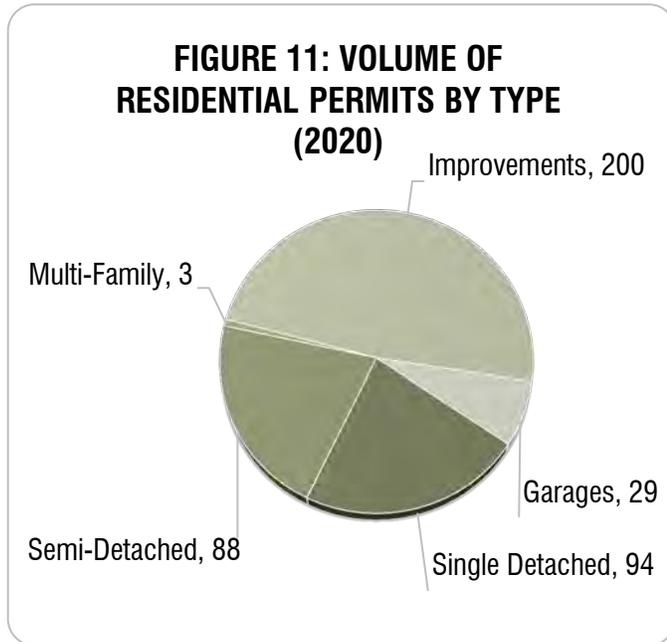
The next factor under examination is the volume of development permits issued on a monthly basis. **Figure 10** compares the trend for number of development permits issued by month for 2019 and 2020. The pattern for the first half of 2020 was atypical with lower levels of permits issued, followed by a rebound in the month of July. The second half of the year shows patterns that are atypical of development activity for the region, where higher activity levels occur during the warmer months.

Figure 11 (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, with the exception of higher percentage of semi-detached building permits observed compared to single detached building permits in 2020.

A breakdown of the volume of non-residential permits by type issued in 2020, is shown in Figure 12. Commercial and industrial improvements cumulatively comprised 86% the of



non-residential development permits issued in 2020. These permits are largely for tenant improvements and approvals required for new or change of uses.

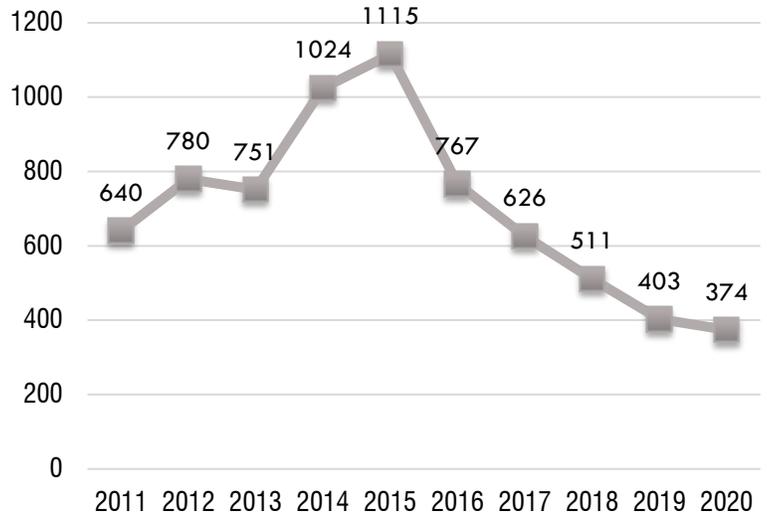


Development permits for permanent signs saw a decrease of 54%, from 46 in 2019 to 25 permits in 2020, which corresponds with the lower level of new commercial development and reduced business activity in 2020 resulting from the restrictions introduced to control the Covid-19 pandemic. Temporary sign permits also saw a decrease of 48%, from 105 permits in 2019 to 51 permits in 2020, for the similar reason of reduced business activity in the City.

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 2020, there were 374 compliance decisions issued, down 7% compared to 2019 (which was down by 21% from 2018). Compliance requests are now at the lowest activity point since 2011 (**Figure 13**).

FIGURE 13: COMPLIANCES ISSUED BY YEAR (2011-2020)



Looking closer at the compliance request activity patterns of the past two years, as shown in **Figure 14**, activity levels began with a high in January, followed by a slump up to the end of May; this timing corresponds with the first round of Covid-19 restriction measures. Compliance activity recovered in the second half of 2020 with a steady rise from June with peaks in October and declining thereafter. In comparison, 2019 patterns were closer to historic patterns.

FIGURE 14: COMPLIANCES ISSUED BY MONTH (2019-2020)

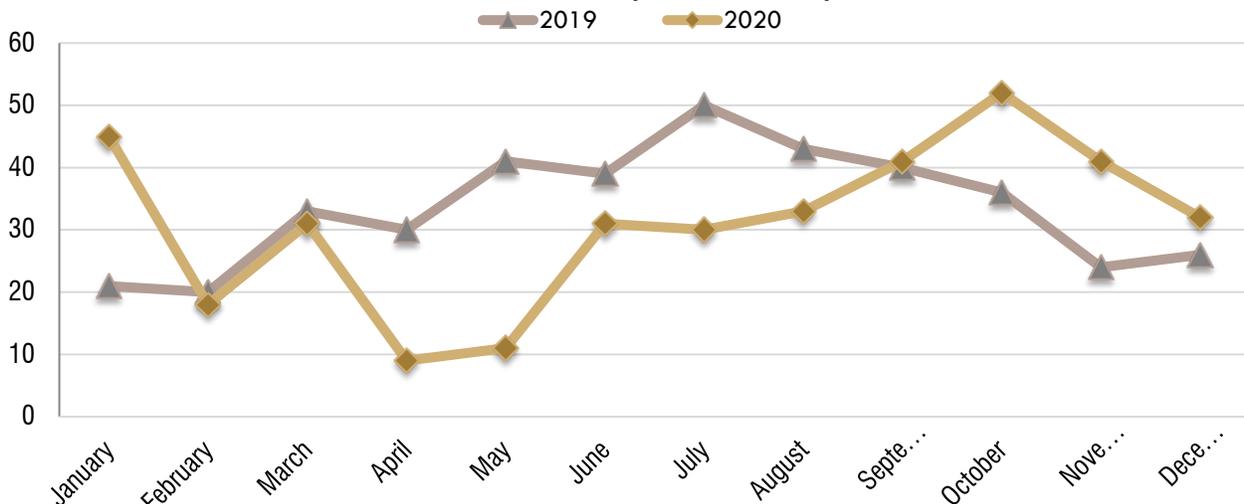
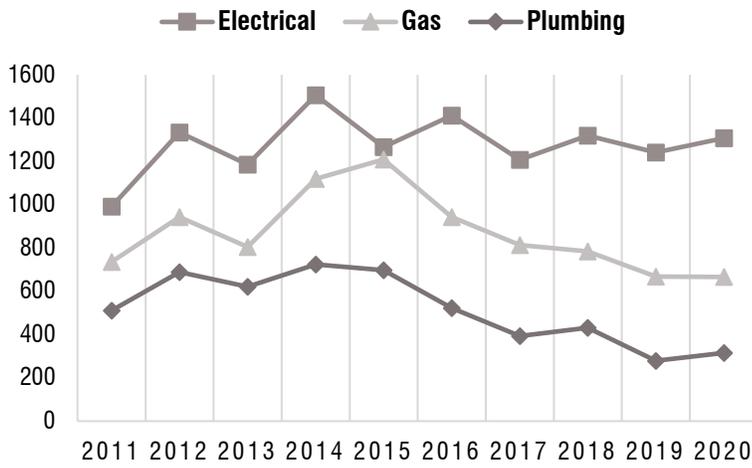


FIGURE 15: SAFETY CODE PERMITS BY YEAR (2011-2020)

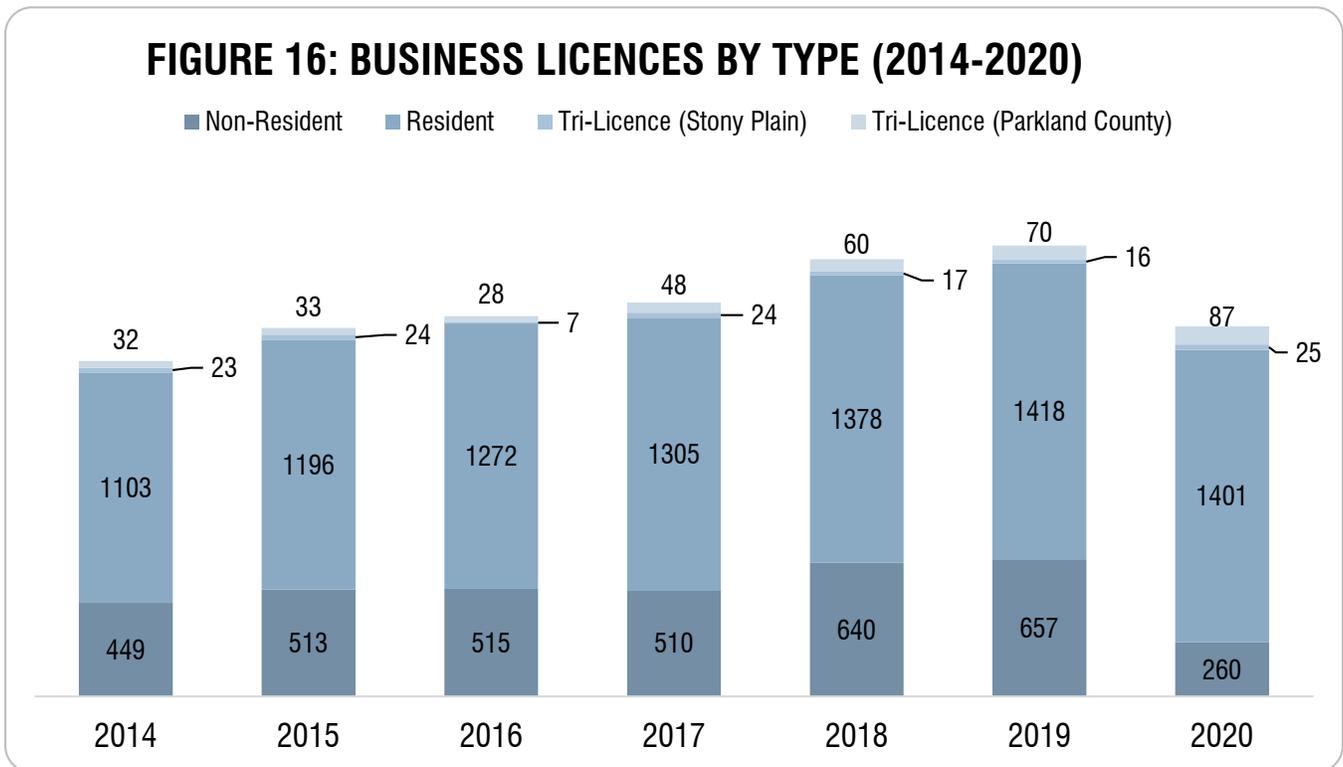


The City has been tracking Safety Codes Permits (other than building permits) since 2011, which is depicted in **Figure 15**. This figure shows that the number of electrical permits is higher than for plumbing and gas permits. This generally occurs because new construction often requires multiple electrical permits, where only one is required in the other two disciplines.

Overall, the City of Spruce Grove issued 2,289 permits for electrical, plumbing and gas in 2020, a 4% increase over 2019 activity.

BUSINESS LICENCES

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** begins in 2014. In 2020, the City saw an overall 18% decrease in the total number of business licences issued, compared to 2019.

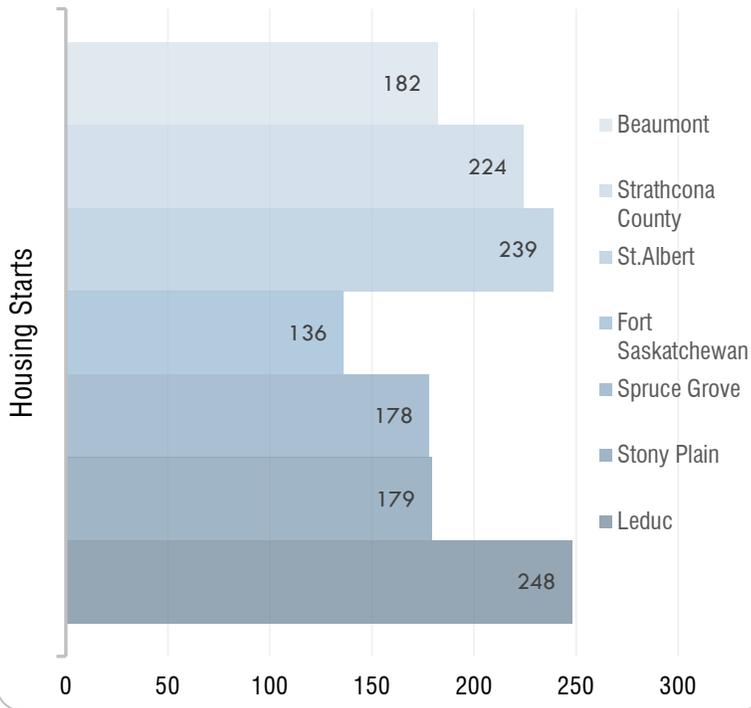


Spruce Grove had a total of 1,773 active businesses operating in the City limits in 2020, of which 1,401 were resident businesses (meaning the business is physically located in Spruce Grove). Resident business licences were down by 1% in 2020, compared to the year previous.

There were also 260 non-resident businesses, which are businesses located in another municipality that are providing a service within Spruce Grove. Non-resident business licences were also down by 60% compared to the year previous, mostly attributed to the Covid-19 pandemic impacts on businesses.

Finally, there were 112 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. Tri-Municipal licences were up by 30% in 2020, compared to 2019.

FIGURE 17: HOUSING STARTS BY MUNICIPALITY (2020)

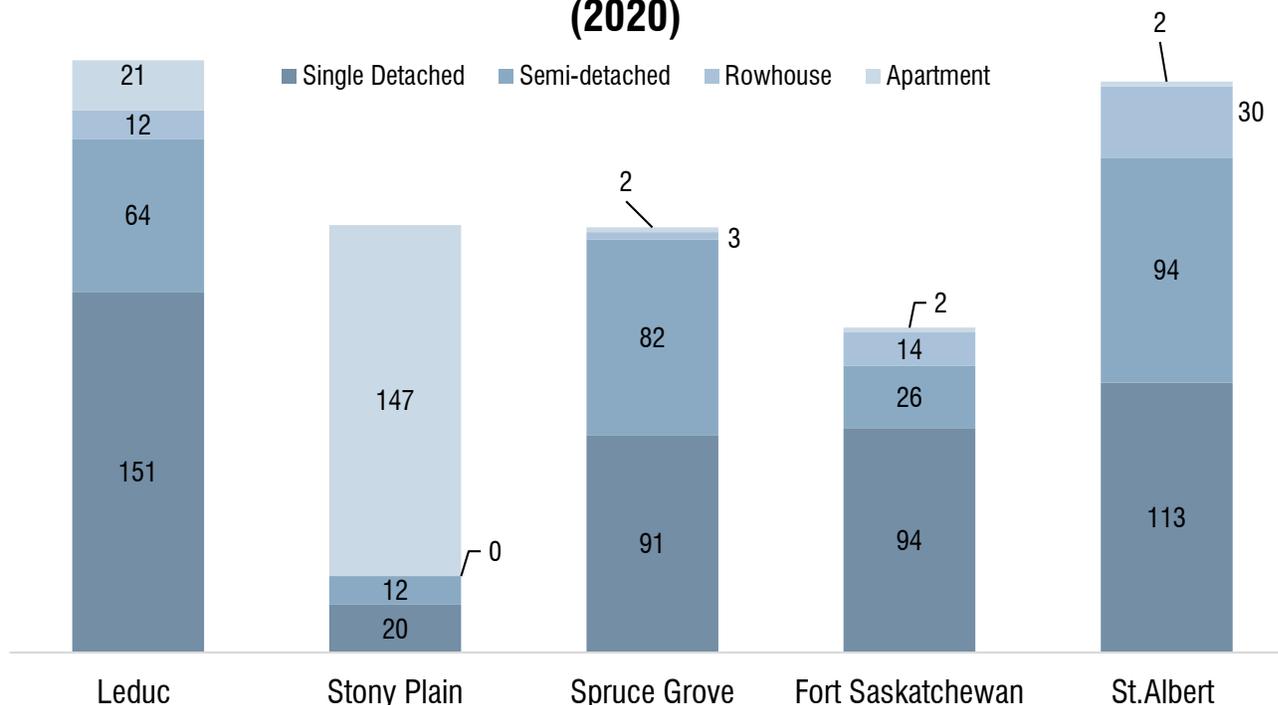


HOUSING STARTS AND POPULATION

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 comparable 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 definition. As some building permits do not result in construction, housing starts are the most dependable information source for growth analysis.

FIGURE 18: REGIONAL HOUSING STARTS BY DWELLING TYPE (2020)



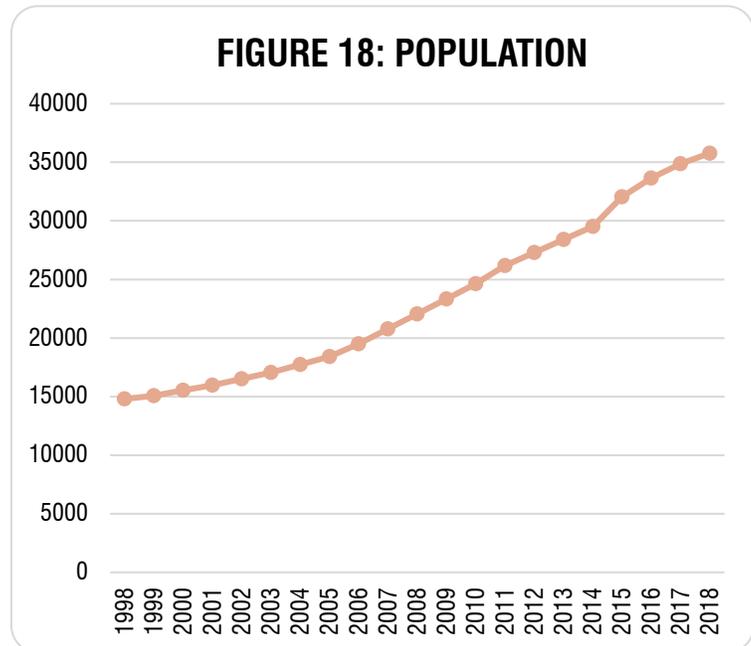
In 2020, there were 178 housing starts in Spruce Grove, a 22% decrease from 2019. Housing starts remain subdued in the region, with the exception of Town of Stony Plain, where housing starts were higher in 2020.

Looking closer at the composition of the housing starts by reviewing unit types in **Figure 18** (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 2020, while the market share of low density units in Spruce Grove, although marginally down by 3%, seems consistent with 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**). There are no new updates to the municipal census information since 2018.

CONCLUSION AND 2021 OUTLOOK

The 2020 development trends in the City of Spruce Grove largely mirror those found in the Edmonton Census Metropolitan Area.



In the context of the last decade, 2020 was a unique, shaped by the impacts of the Covid-19 pandemic. The restrictions imposed at the provincial and municipal level to control the spread of the Covid-19 virus, translated into an unusual dip in the development and permitting activity earlier in the year. Similarly, the impact was also seen in the lower levels of non-resident business licences and temporary sign permits issued in 2020.

On the other hand, the restriction measures forced the general public to work from home and spend more time at home. This need for residential space drove up demand for real estate nationally. In Spruce Grove, this demand was seen in the form of higher levels of building permits for semi-detached dwellings, and to a lesser extent demand for single detached dwellings. The City also saw a higher percentage of residents investing in home improvements in 2020, which are likely to result in better home values in 2021.

On the commercial and industrial development front, once again we saw a higher number of permits with lower than average permit values reflecting smaller and potentially lower quality buildings and structures.

Going into 2021, the prevalent Covid-19 pandemic is likely to have continued impact, although to a lesser extent. 2021 and 2022 are expected to focus on economic recovery which may require commercial and industrial property owners to make adjustments to respond to the changing needs of the current volatile market.