on Rural Ontario

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www.ruralontarioinstitute.ca
519-826-4204

Change in building permit levels

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Highlights

- ***The intention to construct buildings in non-metro Ontario declined in 2011 and 2012.***
- ***Since the beginning of 2013, the flow of investments in non-metro Ontario has stabilized. Growth in industrial buildings has compensated for a decline among other buildings.***

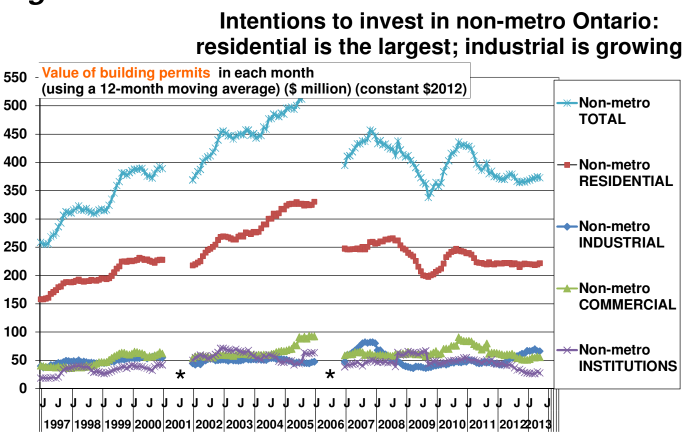
Why look at building permits?

A building permit represents an intention to make an investment. The intention to construct a building is one leading indicator of the economic trajectory of non-metro Ontario with a direct influence on levels of material purchases and employment in the construction trades. Since new households also typically make purchases such as carpets and appliances, residential construction also sparks retail purchases

Findings

The monthly level of the value of building permits in non-metro areas has been about $370 million per month in recent months (Figure 1). Construction of residential buildings represents more than one-half of this total.

Figure 1

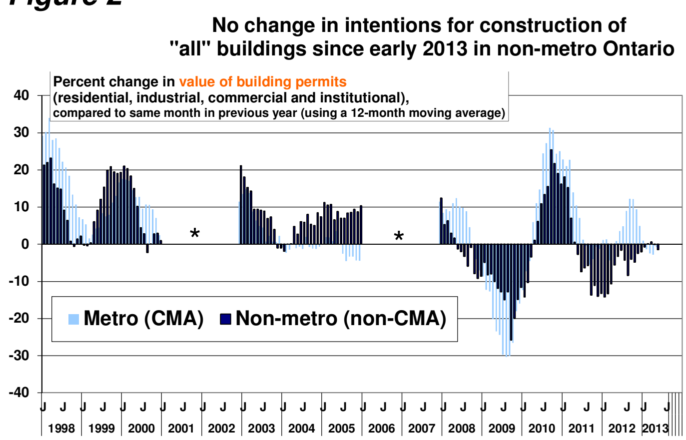


Source: Statistics Canada. Building Permits. CANSIM Table 026-0003.
* indicates data are not comparable during this period due to the delineation of new CMAs.

The pattern in non-metro Ontario saw an increase early in 2010 and then a decline[1] in 2011 that was almost as deep as in 2009 (Figure 2). In 2011, residential investment was down 10% (Figure 3), commercial was down over 20% (Figure 4) and institutional investment was down over 30% (not shown). On the other hand, intentions to invest in industrial buildings[2] have been growing since early 2012 (Figure 5). In 2013, the net result is a flat level of investment in buildings in non-metro Ontario (Figure 2).

Figure 1 in the **Focus on Rural Ontario** "Patterns of job growth and decline" fact sheet showed an on-going decline in non-metro jobs. Figure 2 here shows fewer building permits were granted in 2011 and 2012. This indicates that fewer buildings were being constructed (i.e. fewer construction jobs[3]) and the lack of growth in commercial (and industrial) buildings indicated a lack of growth in employment in the commercial and industrial sectors.

Figure 2



Source: Statistics Canada. Building Permits. CANSIM Table 026-0003.
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In 2013, the level of investment for "all" buildings has stabilized. Time will tell whether this foretells the end of the decline and the start of stability in non-metro jobs.

As noted in Figure 5, growth in non-metro industrial building permits has been strong since early in 2012. In absolute terms, Oxford is the non-metro census division (CD) with the largest monthly average intentions to invest in industrial buildings ($8.9 million) (Table 1). Four other non-metro CDs reported intentions to invest over $3 million per month in industrial buildings (Timiskaming, Rainy River, Cochrane and Huron). Four of the five non-

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[1] The level (measured as a 12-month moving average) started to decline in October, 2010 (Figure 1) but when compared to the same month in the previous year, the decline started in May, 2011 (Figure 2).

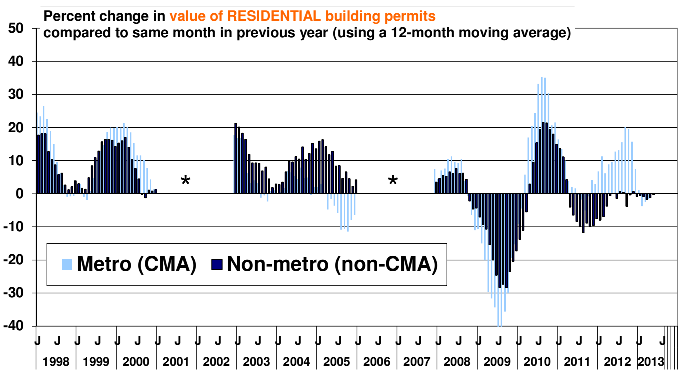
[2] Farm buildings are included, although they are a relatively small share of industrial buildings.

[3] Direct construction jobs in non-metro Ontario stands at about 8% of all jobs whereas it represents 6% in metro Ontario (see **Focus on Rural Ontario** "Non-metro employment by industry sector").

metro CDs with the largest growth in industrial building permits were northern CDs: Timiskaming, Rainy River, Cochrane and Nipissing.

Figure 3

Little change in intentions for RESIDENTIAL building construction in non-metro Ontario since April, 2012



Source: Statistics Canada. Building Permits. CANSIM Table 026-0003.
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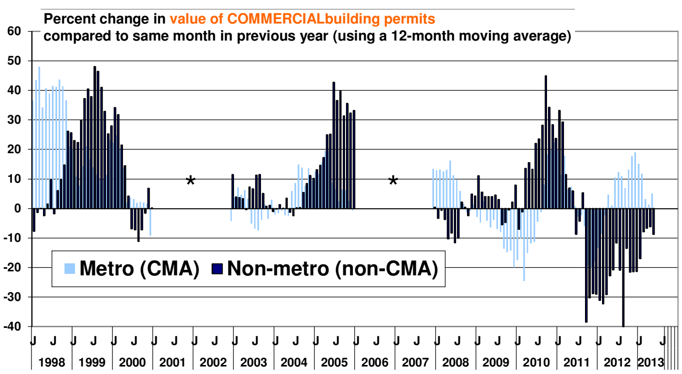
Figure 4

Decline in intentions for COMMERCIAL building construction in non-metro Ontario since mid-2011



Source: Statistics Canada. Building Permits. CANSIM Table 026-0003.
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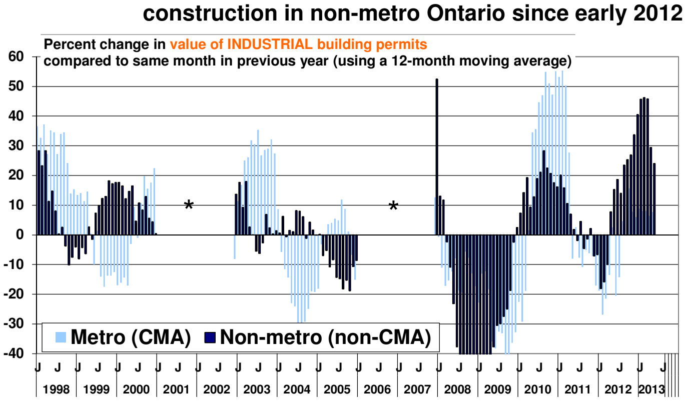
Figure 5

Growth in intentions for INDUSTRIAL building construction in non-metro Ontario since early 2012



Source: Statistics Canada. Building Permits. CANSIM Table 026-0003.
* indicates data are not comparable during this period due to the delineation of new CMAs.

Rural Ontario Institute gratefully acknowledges the work of Ray Bollman in preparing this edition of Focus on Rural Ontario. Questions on data sources can be directed to RayD.Bollman@sasktel.net. Any comments or discussions can be directed to NRagetlie@RuralOntarioInstitute.ca.

Table 1

Level and change in intentions to invest in industrial buildings, May, 2013, Ontario

Census Division identifier	Census Division	Intentions to invest in industrial buildings, average per month for the 12 months ending May, 2013 (constant $2012) ($,000)	Percent change, comparing the monthly average for the 12-months ending in May, 2013 and the similar calculation for May, 2012
Metro census divisions, ranked by rate of growth in industrial building permits			
3525	Hamilton	14,671	215
3529	Brant	4,626	151
3524	Halton	10,009	97
3553	Greater Sudbury	4,922	40
3520	Toronto	32,724	13
3521	Peel	15,579	-13
3519	York	13,966	-57
3506	Ottawa	1,422	-60
Partially-non-metro census divisions, ranked by rate of growth in industrial building permits			
3523	Wellington	7,673	59
3518	Durham	11,950	51
3558	Thunder Bay	919	27
3534	Elgin	1,233	19
3522	Dufferin	631	17
3526	Niagara	5,849	17
3510	Frontenac	1,033	13
3511	Lennox and Addington	588	-5
3543	Simcoe	3,848	-34
3502	Prescott and Russell	1,799	-34
3515	Peterborough	693	-49
3539	Middlesex	3,059	-78
3537	Essex	5,614	-87
3530	Waterloo	4,280	-97
Non-metro census divisions, ranked by rate of growth in industrial building permits			
3554	Timiskaming	3,223	418
3559	Rainy River	3,129	412
3509	Lanark	2,915	257
3556	Cochrane	3,157	197
3548	Nipissing	442	173
3549	Parry Sound	304	146
3507	Leeds and Grenville	2,320	104
3532	Oxford	8,916	98
3560	Kenora	2,268	95
3538	Lambton	1,378	67
3541	Bruce	2,394	54
3512	Hastings	1,974	36
3552	Sudbury	339	31
3536	Chatham-Kent	2,245	30
3544	Muskoka	376	26
3547	Renfrew	253	19
3528	Haldimand-Norfolk	1,570	11
3542	Grey	2,096	1
3516	Kawartha Lakes	446	-2
3540	Huron	3,602	-11
3501	Stormont, Dundas & Glengarry	2,710	-17
3531	Perth	3,082	-40
3514	Northumberland	469	-48
3557	Algoma	362	-53
3513	Prince Edward	325	-59
3551	Manitoulin	16	-61
3546	Haliburton	25	-81

Source: Statistics Canada. Investment and Capital Stock Division, special request.

Summary

The level of intention to invest in building construction has stabilized after a significant decline in 2011 and 2012. Time will tell whether this scenario of “no change in level of investment” will contribute to a scenario of more stability in the level of jobs in non-metro Ontario.

There is current growth in industrial building permits in non-metro CDs - among the top five non-metro census divisions in terms of growth, four are northern.

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