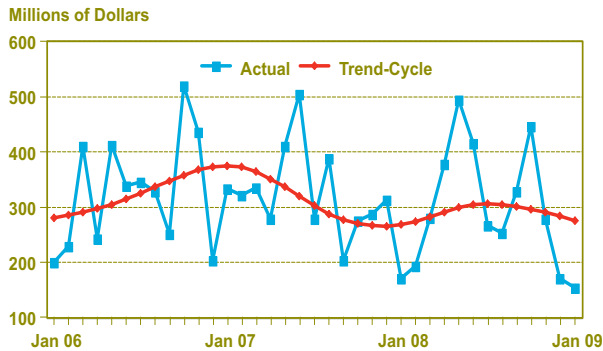
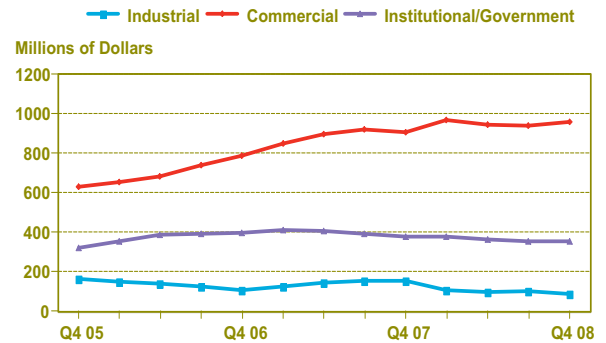


**Non-Residential Building Permits  
British Columbia, Monthly**



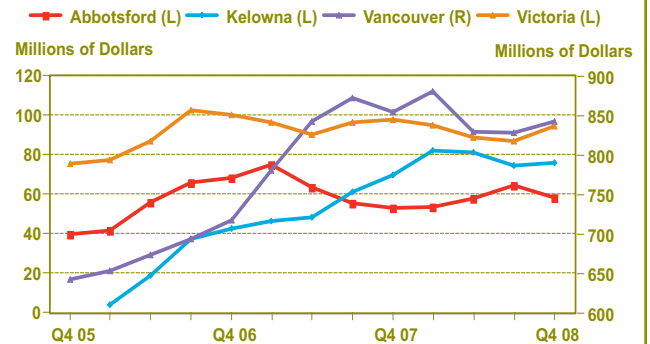
Source: Statistics Canada and Central 1 Credit Union trend-cycle.

**Investment in Non-Residential Building Construction  
British Columbia, Quarterly, Seasonally Adjusted**



Source: Statistics Canada.

**Investment in Non-Residential Building Construction  
British Columbia, Quarterly, Seasonally Adjusted**



Source: Statistics Canada.

The economy continues to condense, judging by this week's economic indicators. Canada's real GDP (gross domestic product) shrank 0.8% in the fourth quarter of 2008, according to the latest preliminary estimates from Statistics Canada. Lower exports, business investment spending and consumer spending all contributed to the decline in output. Higher spending by governments partly offset the decline. Meanwhile, the latest update of Central 1 Credit Union's Coincident Economic Index (CEI) indicates B.C.'s economy also shrank in the fourth quarter (see <http://economics.cucbc.com/CEI.html>).

**Non-residential building permits** in B.C. began 2009 on an ebbing trend that to date remains not far below 2008's mid-year high. Permit values for non-residential buildings issued by municipalities totalled \$154 million in January, down \$16 million (9%) from December. The drop was led by government/institutional and industrial buildings, while permits for commercial buildings increased. Regionally, permits declined in January in metro Vancouver and metro Victoria, but increased in metro Kelowna and metro Abbotsford.

Statistics Canada also released the latest estimates of **investment in non-residential building construction**. In the fourth quarter of 2008, such spending

totalled \$1.4 billion in B.C., up a slight \$6 million (0.4%) from the third quarter, seasonally adjusted. The change was led by higher investment in commercial building construction, which was largely offset by lower investment in industrial building construction. Fourth quarter spending was up in the metropolitan areas of Vancouver, Victoria and Kelowna but down in metro Abbotsford.



Central 1 Credit Union forecasts investment in non-residential building construction in B.C. will drop 4.4% this year from 2008 in real terms (i.e., net of price inflation or deflation). That follows a slight 1% year-over-year decline in 2008. This year's drop will be led by lower investment in commercial and industrial buildings -- reflecting declining consumer spending on durables and shrinking overall retail sales -- followed by reductions in residential construction spending and business investment in machinery and equipment. Meanwhile, spending on construction of institutional/government buildings is forecast to rise this year as governments advance and expand infrastructure projects in an effort to partly offset the economic recession.

**Housing sales** activity in the Lower Mainland picked up in February, offering the first ray of hope for an end to the housing recession. Housing prices continued to slide lower but the prospect of a possible a turning point in sales is the main focus for market watchers. It is still too early to declare a sales bottom or turning point, based on the available data.

A choppy sales pattern in the next three to six months is expected, with a downward trend bias. Sales are approaching a market bottom and conditions are forming for an eventual sales recovery. At this point, a sales bottom around mid-year is expected. March sales should rise 28% above February's level due to seasonal factors and reach about 2,750 units. Based on February's rebound continuing, sales will probably come in around 2,900 units. However, prices keep declining.

Further information is available on-line at <http://economics.cucbc.com/LM%20housing.html>

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