

This week's indicators of B.C.'s economy are mixed but not unfavourable. Building permits declined in January, but residential permits are still on a rising trend. Meanwhile, sawn lumber production increased for the fifth straight month in January.

The value of **building permits** issued by local governments in B.C. declined in January, although the trend remains upward from the recession low-point set in January last year. Both residential and non-residential building permits declined, but there has been recent growth driven by strength in housing markets.

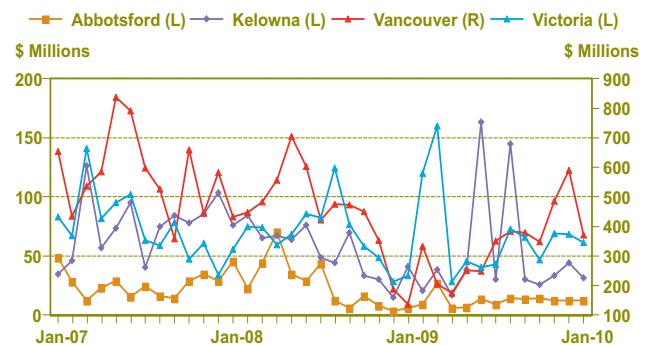
Permits issued in January in B.C. totalled \$685 million, down 23% from December, according to the latest seasonally adjusted measurement from Statistics Canada. Over three-quarters of these permits were for residential buildings, which fell 21% month-over-month. Meanwhile, non-residential building permits declined 28% from December.

In metro Vancouver, building permits issued in January totalled \$371 million, down 37% from December. Metro Vancouver accounted for over half of all permits issued in B.C. in January. The Kelowna Census Metropolitan Area (CMA) saw \$31 million in building permits issued in January, down 29% from December. Meanwhile, building permits issued in the Victoria CMA dropped 10% in January and the Abbotsford CMA saw virtually no change month-over-month.

Robust activity in existing housing sales is driving up investment in residential construction. Near-record low mortgage rates and continued net in-migration are bringing more first-time buyers into the market. As usual, housing was one of the first sectors to turn upward coming out of the recession.

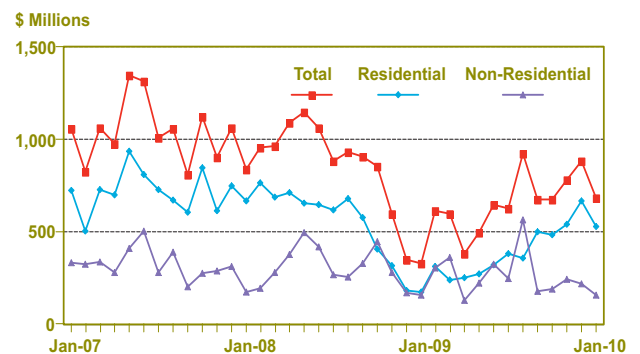
Central 1 Credit Union forecasts housing starts will expand during the 2010 to 2014 period on the strength of pent-up demand, existing homeowner turnover, additional investor demand and new households from

**Building Permits by Metropolitan Area
British Columbia, Monthly, Seasonally Adjusted**



Source: Statistics Canada.

**Building Permits by Structure Type
British Columbia, Monthly, Seasonally Adjusted**



Source: Statistics Canada.

population and income growth. Housing starts will jump more than 50% in 2010 from last year's low level and climb to more than 30,000 units in 2012.

The current trend in non-residential building investment remains slightly downward. Generally, vacancy rates in private-sector non-residential buildings are rising and effective rents are ebbing.



Non-residential building construction is lagging the provincial economy through the recovery. The outlook is for non-residential construction investment to decline 3% in 2010, following an estimated 20% drop last year.

Construction will be the leading or strongest-growing industry in the next five years, according to Central 1's latest forecast. Growth will be led by the housing rebound and later by more non-residential construction related to major utility, transportation, and mining projects, along with new demand for commercial real estate. Construction GDP will jump by about 50% between 2009 and 2014, with employment up about 30%.

B.C.'s **lumber manufacturing** industry depends on housing markets in the United States. Recent statistics indicate the U.S. market remains beaten down and recent signs of recovery are weak. Sales of existing homes plunged to a new recession low in January, seasonally adjusted, as a federal tax credit program for first-time buyers passed its initial deadline. Meanwhile, housing starts edged up in January but remain near long-term historic lows. More positively for U.S. housing markets, the tax credit program has been extended to spring and resale housing prices continued to edge up in January.

B.C. accounts for about half of Canada's softwood lumber production. Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows a continuing slow recovery. Production totalled 2.2 million dry cubic metres in December, seasonally adjusted, up 3.8% from November. That is the fifth straight monthly increase and continues the upward trend from the recession low set in February 2009. Most of December's gain was in the Northern Interior region.

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