Central 1™

ECONOMICS
B.C. Weekly Briefing

volume 16 . number 37 . September 17, 2010 . ISSN 1918-3535

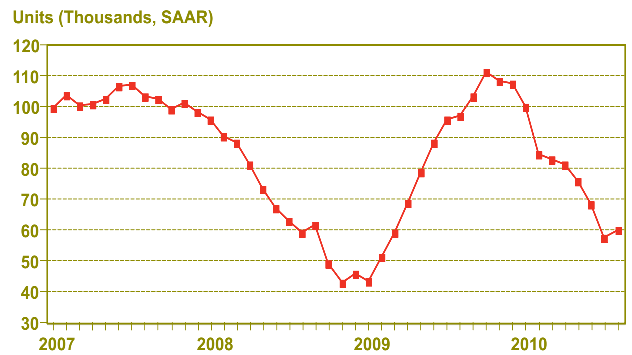
MLS® Sales Bounce Higher in August

The resale housing market bounced higher in August, ending a string of precipitous monthly declines in MLS® sales. Based on data adapted from the B.C. Real Estate Association, seasonally adjusted sales rose 4% from July to an annualized rate of 60,200 homes. Sales activity within the province was mixed as the Greater Vancouver, Kootenay and the Okanagan-Mainline real estate boards led the uptick with double-digit monthly percent gains, while Victoria experienced another significant decline in sales. Other board areas recorded modest changes from the previous month.

While it is too early to declare this a turning point in the market, particularly as this gain came on the heels of a sharper than expected decline in July, a bottom in sales is expected to be reached within the next few months. Weak sales and elevated inventory levels will remain conducive to price declines moving into 2011, resulting in improved affordability. Since April, the 3-month moving average MLS® price trend has declined by 3% and peak-to-trough price declines are forecast to be in the 5% to 7% range.

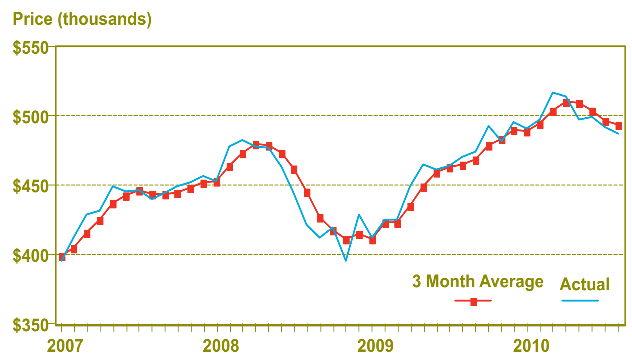
Improved affordability, along with continued employment growth is expected to attract buyers to the market and commence a sustained but modest uptrend in sales through 2012. A combination of inventory declines and higher sales activity is expected to stabilize price levels in early 2011. The flow of new listings has already dropped substantially through 2010, and is expected to remain low into 2011. Moving forward, higher sales will further draw down standing inventory

MLS® Residential Sales B.C., Monthly



Source: BCREA, CREA, and Central 1 Credit Union.

MLS® Residential Average Price B.C., Monthly



Source: BCREA, CREA, and Central 1 Credit Union.

New Vehicle Sales Rise for Third Consecutive Month

New vehicle sales rose at the quickest pace since October 2009, to reach 13,368 vehicles in July, up 2.3% from June. This marked the third straight monthly increase after six consecutive declines from November to April. Sales increased in both the passenger car and truck markets on a seasonally adjusted basis. While an increasing trend is undoubtedly positive news for auto retailers, the fact remains that sales are weak and comparable to levels observed early in the decade despite substantial population gains.

Current annualized sales trends are hovering near 160,400 vehicles, which contrasts with an average monthly trend of 193,500 annualized vehicles sold from 2005 to late 2008.

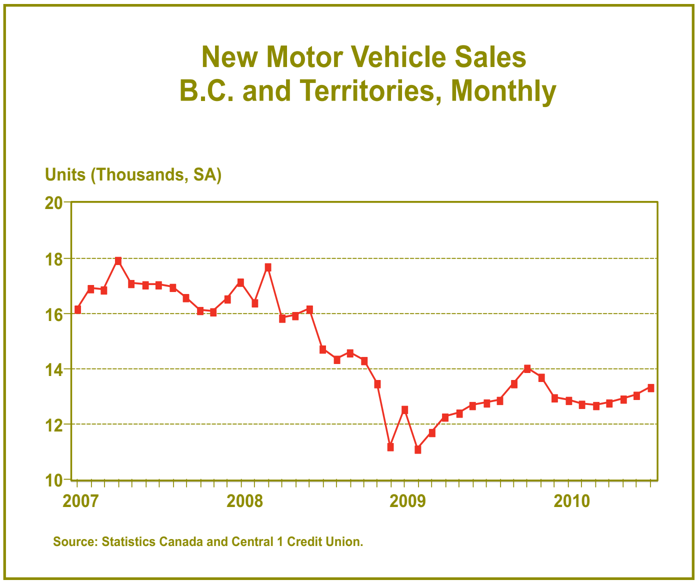
While new auto sales are a small component of overall provincial economic activity, they represent a significant component of durable goods consumption and also reflect consumer confidence in making large scale purchases. The rising sales trend may be a signal that consumers are more willing to make significant purchases and/or replace aging assets. However, sales will likely remain weak over the course of the next year as consumers remain hesitant to take on more debt in the current economic environment.

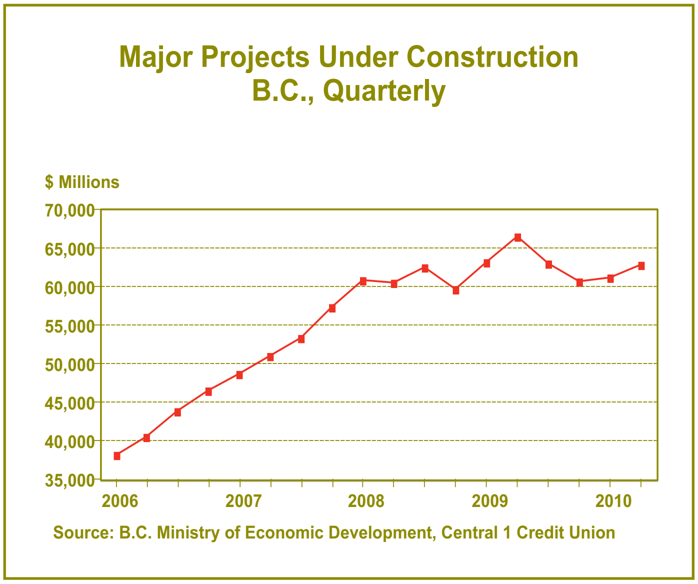
Major Projects Valued at Combined $5 Billion Proposed in Second Quarter

According to the most recent Major Project Inventory (MPI) compiled by the B.C. Ministry of Economic Development, a number of new major projects were proposed during the second quarter with a combined capital cost of nearly $5 billion. Major projects are defined as those with capital cost of at least $15 million ($20 million in the Lower Mainland). Despite the increase, the overall value of proposed projects remained virtually unchanged as a number of power and communications projects were put on hold, offsetting gains in proposed mixed-use/residential buildings, and industrial, commercial and institutional building projects.

Major projects proposed in the second quarter included the Burrard Development, a mixed-use commercial and residential plan in spanning 8 acres in Vancouver on the Squamish lands near the Burrard Street Bridge, and a methanol plant in northeast B.C. in Chetwynd. Capital costs for each project are estimated at $1 billion. A $500 million open pit copper mine near Kamloops was also proposed during the quarter. The previously proposed NaiKun Wind Power Project in the Massett region and Klinaklini Hydro Electric Project near Campbell River, with combined estimated capital costs of $5.4 billion were considered to be on hold. As the latter suggests, not all proposed projects end up proceeding as scheduled, and it can take years for projects to advance from the proposal to construction stage.

Estimated combined capital costs of major projects under construction rose to $62.8 billion in the second quarter, up 3% from the previous quarter. Gains were primarily attributed to an increase in the number in commercial and institutional buildings and heavy engineering structures under way. While this was the second quarterly increase in a row, overall construction activity has remained flat since early 2008. Major projects that started construction during the second quarter included the RCMP headquarters relocation project in Surrey and the Mt. Milligan Copper/Gold Mine in the Mackenzie region. Estimated capital costs for each project exceed $900 million.





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ISSN 1918-1353

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Major Projects Inventory, British Columbia, Estimated Capital Cost ($ Millions)					Q1 10 to Q2 10		Q2 09 to Q2 10	
		Q2 2009	Q1 2010	Q2 2010	change	% Change	change	% Change
Project Status								
Proposed		101,755	111,368	111,479	111	0%	9,724	10%
Completed		2,910	2,324	893	-1,431	-62%	-2,017	-69%
On hold		19,818	18,478	24,030	5,552	30%	4,212	21%
Under Construction		66,524	61,297	62,838	1,541	3%	-3,686	-6%
Project Status	Type of Structure							
Proposed	Mixed Use Buildings	17,474	15,569	17,159	1,590	10%	-315	-2%
	Power and Communication Systems	32,362	40,332	36,298	-4,034	-10%	3,936	12%
	Commercial and Institutional Buildings	8,199	10,326	11,055	729	7%	2,856	35%
	Industrial Buildings and Structures	4,842	5,584	6,440	856	15%	1,598	33%
	Residential Buildings	5,703	6,754	7,202	448	7%	1,499	26%
	Other Heavy Engineering Structures	15,654	15,513	15,987	474	3%	333	2%
	Water and Sewer Systems	2,827	2,588	2,402	-186	-7%	-425	-15%
	Highways, Streets and Bridges	1,749	1,557	1,541	-16	-1%	-208	-12%
	Oil and Gas Systems	12,945	13,145	13,145	0	0%	200	2%
	Land Subdivision	0	0	250	250	n.a	250	n.a
Completed	Other Heavy Engineering Structures	0	20	62	42		62	n.a
	Residential Buildings	588	259	165	-94	-36%	-423	-72%
	Mixed Use Buildings	90	940	414	-526	-56%	324	360%
	Power and Communication Systems	132	263	40	-223	-85%	-92	-70%
	Highways, Streets and Bridges	829	205	0	-205	-100%	-829	n.a
	Commercial and Institutional Buildings	1,271	615	212	-403	-66%	-1,059	-83%
	Water and Sewer Systems	0	22	0	-22	n.a	0	n.a
On hold	Residential Buildings	2,619	2,924	2,904	-20	-1%	285	11%
	Highways, Streets and Bridges	36	0	32	32	n.a	-4	-11%
	Industrial Buildings and Structures	100	100	219	119	119%	119	119%
	Oil and Gas Systems	0	0	0	0	n.a	0	n.a
	Other Heavy Engineering Structures	8,002	7,002	7,127	125	2%	-875	-11%
	Power and Communication Systems	3,155	2,555	7,955	5,400	211%	4,800	152%
	Commercial and Institutional Buildings	507	438	494	56	13%	-13	-3%
	Mixed Use Buildings	5,399	5,459	5,299	-160	-3%	-100	-2%
Under Construction	Oil and Gas Systems	1,800	2,100	2,100	0	0%	300	17%
	Water and Sewer Systems	769	777	777	0	0%	8	1%
	Industrial Buildings and Structures	330	352	371	19	5%	41	12%
	Highways, Streets and Bridges	6,291	6,205	5,391	-814	-13%	-900	-14%
	Mixed Use Buildings	26,909	24,752	24,338	-414	-2%	-2,571	-10%
	Power and Communication Systems	2,902	2,548	2,595	47	2%	-307	-11%
	Residential Buildings	11,870	11,110	11,454	344	3%	-416	-4%
	Commercial and Institutional Buildings	8,520	7,874	9,367	1,493	19%	847	10%
	Other Heavy Engineering Structures	7,133	5,579	6,445	866	16%	-688	-10%