

Highlights:

- Metro Vancouver housing starts drag on provincial performance in August
- Non-residential permits bounce higher in July following June pullback

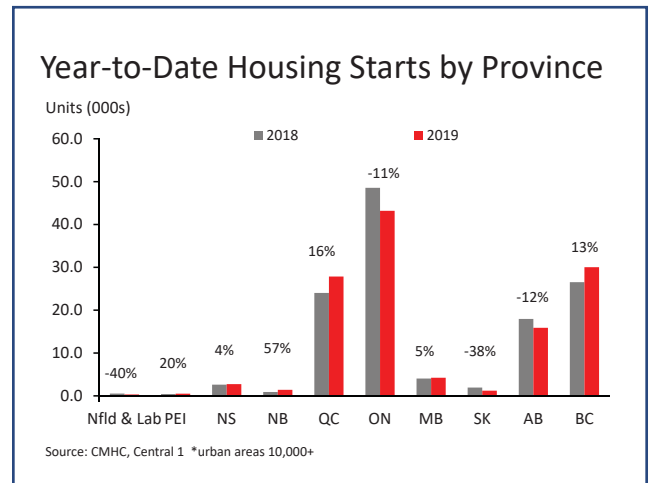
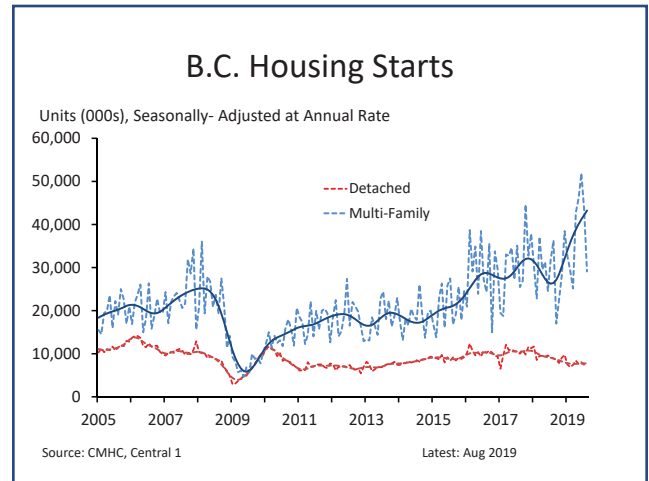
B.C. housing starts take a breather to cap off red-hot summer

Housing starts in B.C. finally cooled in August following four months of record high performances. Annualized urban- area starts fell to a pace of 36,900 units during the month, from a pace of 50,800 units in July following strong results since April. This was the lowest monthly reading since March. While it remains to be seen if this drop-off marks the beginning of a trend, our expectation is for a significant decline over the next year given the weak resale market and moribund presales of new projects since 2018.

As can be expected with a decline of this magnitude, multi-family unit construction was the main driver of August’s pullback. Starts fell from a pace of 43,400 units to 29,112 units (down 33 per cent). Detached starts rose four per cent to 7,750 units annualized.

Among metropolitan areas, Vancouver posted a second straight substantial decline with annualized starts at 19,858, down from a 31,835 pace in July and the first sub-20,000 performance since October 2018. Starts also fell by more than half in both Victoria (1,645 annualized) and Abbotsford-Mission (1,125 annualized). Kelowna starts rose sharply to a two year high in August to 5,844 annualized units.

August’s decline narrowed year-to-date growth, but levels remained 13 per cent ahead of 2018. This was among the strongest gains across provinces and lagged only Quebec, Prince Edward Island and New Brunswick. Nationally, starts were unchanged from a year ago. Vancouver area starts were up 20 per cent and Abbotsford-Mission were up 89 per cent. Starts declined in both Victoria and Kelowna by more than 20 per cent.



Starts are forecast to slow through the end of 2019, with annual housing starts holding near 2018 levels of 41,000 units (inclusive of rural areas) before declining to 33,000 units in 2020. Sluggishness in market conditions over the past year, rising levels of standing inventory and high levels of units under construction in the new home market will slow activity. Residential permit volume pointed in this direction in July with dollar-volume activity down six per cent from June to \$866.9 million, marking an 18 per cent decline from same-month 2018. Outside of an April spike, which coincided with builders rushing to beat levy hikes, the trend has eased over the past year.

Non-residential building stays elevated through July

The choppy pattern of non-residential building permits continued through July but elevated levels point to solid investment activity. Permits reached a season-

ally- adjusted \$602.7 million marking a 48 per cent gain after June's 33 per cent decline. July's increase moved permits back towards trend, with seasonally-adjusted levels up 63 per cent year-over-year.

Year-to-date, permits rose nearly 59 per cent, led by a 60 per cent increase in commercial activity and 84 per cent increase in government building permits. Industrial permits rose 59 per cent. Growth has been shared amongst most metro areas, with a 64 per cent increase in Vancouver and a 28 per cent increase in Kelowna. Permits were down 24 per cent in Victoria.

Strong permit growth comes despite shallow retail spending, a slow housing market and weak small business confidence. Investment may be reflecting major project construction in the province, as well as strength in the technology sector, and investments in schools and hospitals.

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