

## Highlights:

- Blockbuster year for new home starts; growth dominated by new condominiums but detached home starts declined sharply
- Value of B.C building permits drop by 21 per cent from September
- Strong year-to-date gain in non-residential investment in Vancouver, Abbotsford-Mission and Kelowna

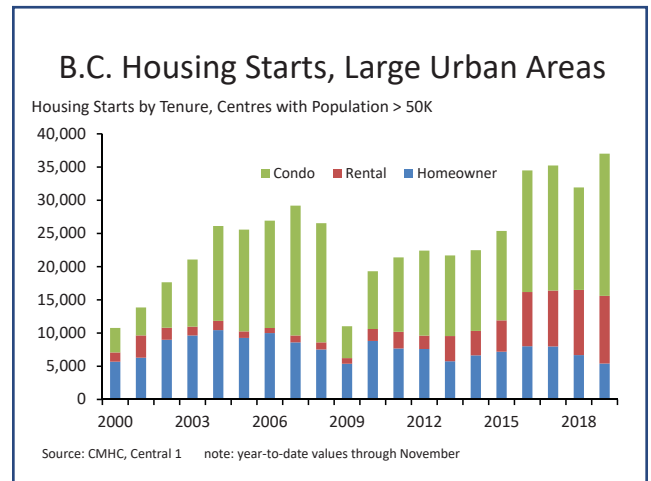
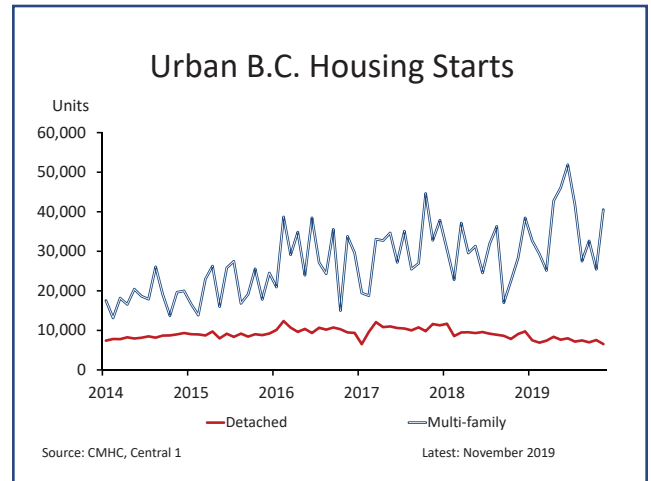
## Housing starts rebound in November

New home construction looks to be heading into 2020 with strong late-year momentum as housing starts surged again in November. Urban B.C. starts rose to a seasonally- adjusted annualized rate (SAAR) of 47,087 units during the month, up from about 33,000 in October. This marked a monthly gain of 38 per cent and year-over-year increase of 26 per cent. Higher starts owed entirely to an increase in multi-family starts (up from 25,441 SAAR to 40,533 units), specifically apartments, while detached starts declined. Vancouver and to a lesser extent Victoria accounted for nearly all the increase.

Monthly housing starts are notoriously volatile, reflecting the scale of multi-family projects which can contain hundreds of units. That said, with the latest gain, starts through the first 11 months rose 15 per cent. Detached starts declined 19 per cent while multi-family product rose 27 per cent. Metro Vancouver starts rose 21 per cent, representing the bulk of the actual increase, with Abbotsford- Mission nearly doubled from a year ago. Kelowna and Victoria starts fell by seven and six per cent respectively.

This has been a blockbuster year for new home starts and it is expected to set a record high. However, a few key themes are worth noting.

Overall growth has been dominated by growth in condominium housing, specifically in Metro Vancouver. A scan of the larger urban markets (populations above 50,000), points to a 39 per cent increase in condominium starts, while rental starts were robust and up nearly four per cent. Free-hold ownership, largely detached, ownership fell 19 per cent.



Despite surprisingly robust construction, the patterns suggest that federal stress tests and provincial tax measures which clearly impeded sales in the resale market also impacted the new home market. Detached homes are largely built to demand or as builder owned speculative properties, which declined sharply. Offsetting growth in condominium starts reflects long development periods and construction of units pre-sold prior to the more recent slowdown. Higher rental starts owes to a tight- rental markets, social housing investments, and incentives to build.

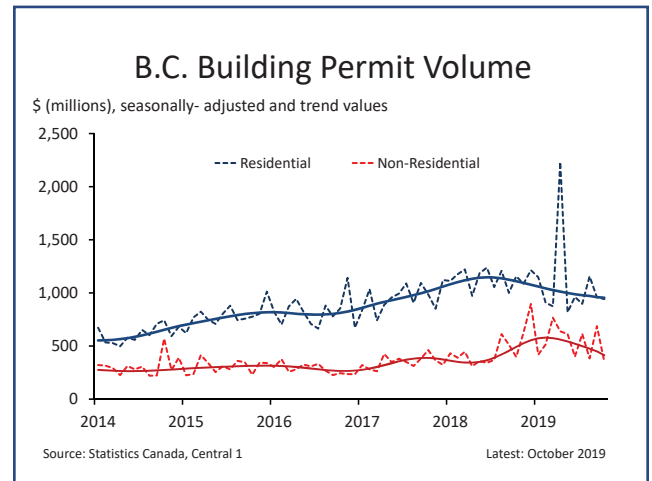
While the trend in housing starts is elevated, a pull-back of about 20 per cent is forecast for 2020. Fewer pre-sales since 2018 is expected to lead to fewer apartment condominium starts. Nevertheless, recent interest rate cuts, rental demand and the federal First Time Homebuyers Incentive program will maintain starts at relatively high levels.

## Pullback in non-residential permits cut into October permits

Dollar-volume building permits in B.C. pulled back sharply in October, driven largely by a drop in non-residential permits. The total value of permits issued by B.C. municipalities declined 21 per cent to a seasonally- adjusted \$1.297 billion.

Residential permits declined 1.8 per cent to \$941 million with a mild downtrend evident but remained relatively elevated. That said, year-to-date activity declined 4.3 per cent through the first 10 months, partly reflecting the slump in detached housing activity. The value of detached homes is generally higher than multi-family product. Abbotsford-Mission residential permits are more than 50 per cent above year ago levels, with slumps in Victoria (down 33 per cent), Kelowna (down 11 per cent), and Vancouver metro areas (down 3.2 per cent).

Non-residential permit activity remains robust but experienced a setback in October. Permits halved to \$355 million following a prior month surge. Nevertheless, permits remained significantly higher on a year-to-date basis by 29 per cent, reflecting strength in office construction and spending on hospital and other public structures. Commercial permits rose 41 per cent year-to-date, with permits for government structures up 10 per cent. Vancouver area permits rose 27 per cent, with high profile projects such as the Canada Post building office redevelopment which will house Amazon, and mixed- use retail projects including the Brentwood Town Centre and Oakridge redevelopment likely contributing to the gain. That said, non-residential permits in Abbotsford-Mission (up 21 per cent) and Kelowna (up 40 per cent), suggest broad gains in building investment driven by service sectors and demand from population and employment expansions.



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