

Highlights:

- Increase in multi-family starts sees B.C. housing starts regain lost ground in May
- New vehicle sales decimated in April
- Consumer demand to return in fits and starts

Housing starts trend lower despite May bounce-back

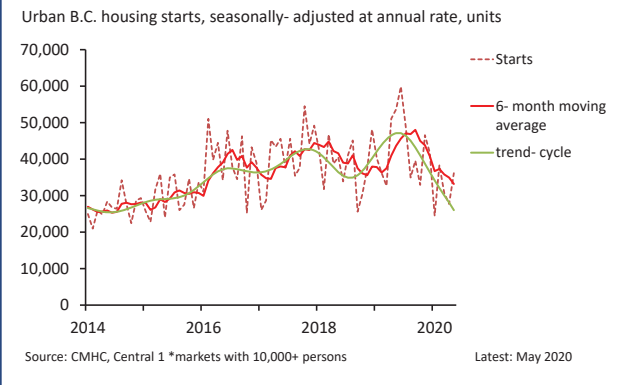
B.C. housing starts regained some lost ground in May following a sharp April pullback, but the construction trend continued to decline amidst impacts of COVID-19 on the economy.

Total urban area starts in the province reached a seasonally adjusted annualized rate of 36,156 units in May marking a 30 per cent increase in pace from April's 27,690 units. That said, monthly starts were down 33 per cent, year-over-year. While annual housing starts hit a record in 2019, the pace has eased since mid-2019 as fewer pre-sale transactions were already contributing to a slide into 2020. COVID-19 has intensified this downward trend as demand falters, developers adjust, and construction companies make operational changes to ensure safety of the workplace. That said, liquidity should not be a significant hurdle. Provided projects have sufficient pre-sales, construction will start.

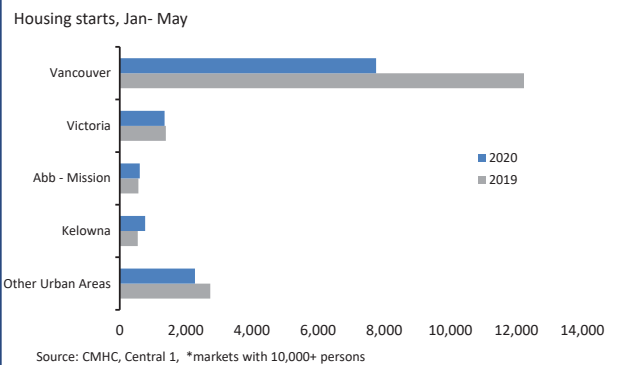
May's pick up in starts were entirely attributable to an increase in multi-family starts which rose from an annualized 21,041 units in April to 29,827 in May. Detached starts edged lower. Among metro areas, Metro Vancouver starts rebounded sharply to a pace of 24,965 units, but similarly, the trend was still modest and down by nearly half from same-month 2019. Kelowna also snapped higher.

Through the first five months, total urban area starts fell 27 per cent. Vancouver starts declined 37 per cent accounting for almost all of the net decline. If the current trend holds, full-year provincial starts decline by about 30 per cent.

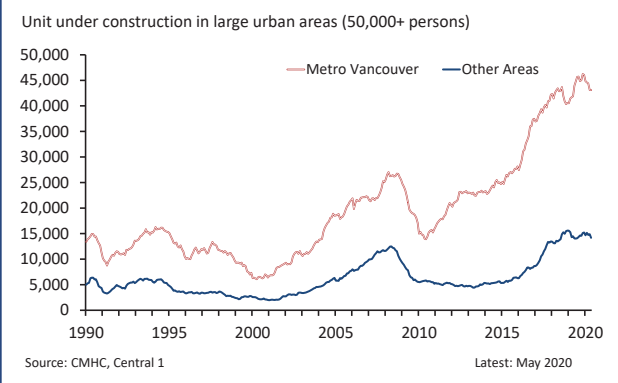
Urban B.C. housing starts trend lower



Metro Vancouver drives provincial construction lower



Elevated construction could lead to inventory overhang



COVID-19 has hammered the economy and a return pre-pandemic levels of economic activity and employment is unlikely before late-2021 at the earliest. Plummeting resale markets and undoubtedly weak pre-sale conditions will curtail demand in the new home market. Investor demand will likely wane as well as a reces-

sion, fewer in-migrants and students, and international tourists constrain demand for rental properties. A record number of units under construction will likely lift developer-owned inventory levels.

B.C. vehicle sales plunge in April, but outperforms national performance

Similar to the national picture, new vehicle sales in B.C. were decimated in April as consumers stayed home due to COVID-19 and limited major purchases as the economy cratered. While B.C. car dealerships and their maintenance services were allowed by the provincial government to stay open, many did so at reduced capacity and some voluntarily closed their doors due to weak demand. In some other provinces, including Ontario, sales floors were required to close.

Total sales in the B.C. region (which also includes the Canadian Territories) fell to 7,991 units in April, which marked a 59 per cent year-over-year decline. Passenger car sales (-71 per cent) fell at a faster rate than truck sales (-54 per cent). Nationally, sales fell 74.6 per cent year-over-year, led by an 85 per cent decline in Quebec and 79 per cent decline in Ontario.

On a seasonally adjusted basis, we calculate that B.C. sales fell 27 per cent monthly in April after a 46 per cent drop in March. However, a spike in February sales amplified these declines. Sales have declined about 50 per cent from the late-2019 trend and fell to the lowest level since the mid-1980s. Through four months, sales declined 31 per cent. An increase in average vehicle price which reached \$49,000, reflects a relative increase in the share of truck sales.

The latest auto sales data underscores the sharp decline in consumer spending in April and the deep hole we are climbing out of. Consumer activity is rebounding with broader restarts in hard hit economic sectors, and greater mobility within urban areas. Nevertheless, expect consumer demand to return gradually and in fits and starts given economic uncertainty, while vehicle demand will also be held back by lower population growth. One factor which may lift sales could be a preference for private transportation rather than public, due to health concerns.

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Sales at showrooms plummet

