



Highlights

- B.C. investment in building construction at lowest level since 2015
- Construction costs continued to rise during 2020 by about 1.7 per cent
- Vehicle sales close out 2020 on a firm note but annual sales lowest since 2011

Investment in building construction declines to lowest level since 2015

December building investment data highlighted the drag of construction on B.C.'s real economy in 2020. The combination of soft demand for pre-sale condominiums in recent years and fewer projects in the pipeline, coupled with pandemic effects on capital spending, contributed to the weakest annual building investment since 2015.

Consistent with a late-year increase in building permits, inflation-adjusted investment spending on building construction (which captures the work-flow of projects under construction) ticked up in December but remained well below year ago levels. Investment rose three per cent from November but came in nearly nine per cent below same-month 2019. Year-over-year residential investment fell 6.5 per cent while non-residential investment fell 13.5 per cent.

On a full-year basis, inflation-adjusted building investment declined 10.3 per cent. Residential investment fell 12 per cent following a 4.1 per cent drop in 2019. A drop off in housing starts last year reflecting fewer condominiums in the project pipeline and completion of units contributed to the sharp drop off in work underway. Meanwhile, real investment in non-residential building fell 5.9 per cent but came after a huge gain of 22 per cent in 2019. A strong base year effect contributed to the drop, but the pandemic also triggered more businesses to shutter, delay openings, or conserve cash, contributing to a drop in private sector activity. In contrast, government investment edged slightly higher, likely reflecting ongoing investments in schools and health facilities. The substantial drop off in investment

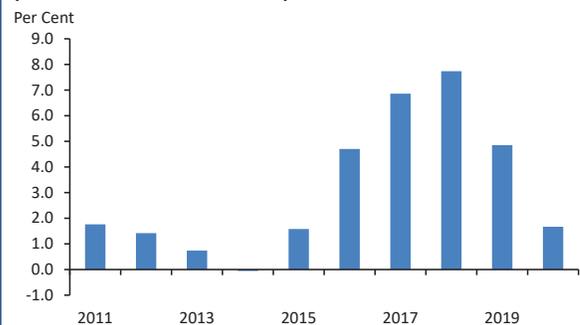
Building construction investment lowest since 2015



Source: Statistics Canada, Central 1

latest: 2020

Growth in construction costs slow during pandemic and lower production



Source: Statistics Canada, Central 1 calculations

latest: 2020

dovetails with the decline in construction employment of 11 per cent in 2020.

Real building investment fell across metro areas, led by a 13 per cent decline in Vancouver, a 19 per cent drop in Kelowna and a 15 per cent decline in Abbotsford- Mission.

On a current-dollar basis, B.C. building investment declined 8.7 per cent. Despite the effects of the pandemic, this suggests that construction costs continued to rise during the year by about 1.7 per cent. That said, growth in construction costs were well below the 2019 pace of 4.8 per cent and the more than seven per cent rise in 2018.

Investment is expected to climb this year as the pandemic wanes and a lift in business spending and stronger resale market demand triggers an uptick in new home construction.

Vehicle sales close out 2020 on a firm note but annual sales lowest since 2011

New motor vehicles sales bounced back in December to end the year on a solid note, pointing to firm consumer demand for durable goods. Sales in the B.C. and Territories regions reached 13,677 units in December, marking a year-over-year increase of five per cent – compared to a contraction of 6.8 per cent in November. Vehicle sales have broadly recovered since bottoming out during the early stages of the pandemic in April and trend in line with levels observed in late 2019. That said, lost sales have not been made up. Full-year sales declined 18.9 per cent in 2020 to 169,000 units, marking a third straight annual decline and lowest since 2011. The average price of a vehicle sold in the region rose 2.3 per cent from 2019 to \$47,400.

As the pandemic wanes and work from home abates, demand for new vehicles will pick up as commuter demand rises and replacement demand increases. Ongoing fears of the virus will likely linger even post-vaccine deployment, leading some households to forego public transportation in favour of private vehicles.

Bryan Yu

Chief Economist
byu@centrall.com / P 604.742.5346
Mobile: 604.649.7209

