



Non-residential building permits surge

Non-residential building permits issued in June in B.C. totalled \$283 million, up sharply from \$149 million in May. Permits for commercial buildings surged \$79 million above May's level, while permits for industrial structures climbed \$31 million and permits for government or institutional structures rose \$25 million.

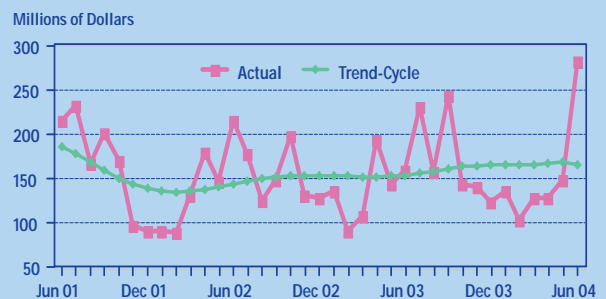
While the actual value of non-residential building permits is quite volatile from month to month, the trend has been fairly steady and modestly rising since early in 2002. Despite June's jump in permits issued, there is currently a shallow cyclical dip in non-residential permit values, which is expected to reverse within a year as provincial government investment in structures resumes growing. Permit values for commercial and industrial buildings are trending up, while values for government and institutional buildings are on a downward trend.

Non-residential building construction has ebbed in B.C. since 1999 and totalled less than \$2.3 billion in 2003. Credit Union Central forecasts that spending will level off this year and then rise to almost \$2.6 billion in 2005. Construction of commercial and industrial buildings is expected to increase through 2005, while construction of government and institutional buildings is expected to decline this year before rising in 2005.

Non-residential building construction is expected to grow most quickly in the Okanagan Valley and on Vancouver Island. The largest dollar gains through 2005 will be in the Mainland-Southwest region.

A surge in non-residential building construction

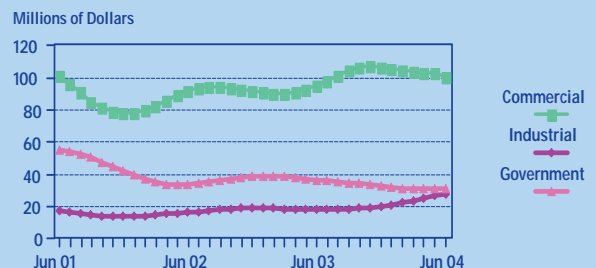
Non-Residential Building Permits, B.C.



Source: Statistics Canada.

Government and institutional building construction trends down

Non-Residential Building Permits by Type
Trend-Cycle, British Columbia



Source: Statistics Canada.

B.C.'s exports remain near three-year high

International exports of goods originating in B.C. dipped in value by \$101 million (-3.4%) in June, to \$2.84 billion. This follows four consecutive monthly gains and leaves export revenues near last month's three-year high. Exports are now on track to grow in 2004 after declining for three straight years.

Exports dipped in all major commodity classes in June compared to May. Revenues from energy and forest product exports fell 8.6% and 4.1%, respectively. Industrial goods and materials exports, mostly ores and metal alloys, fell 12.1%. The lone bright spot in June's exports was revenues from all other B.C.-origin goods, which climbed 6.7%.

Year-to-date revenues for B.C.-origin goods exports are up \$980 million (6.8%) from the same period a year ago. By sector, year-to-date exports of forest products are up by \$1.04 billion (17.2%), while industrial goods and materials exports have grown by \$452 million (23.1%). These year-to-date gains are partly offset by declines in energy exports of \$410 million (-15.8%) and in other goods and materials of \$101 million (-2.6%).

Credit Union Central forecasts B.C.'s export revenues will rise by about 5% in 2004 following three straight years of decline. This reflects improving U.S. and Asian economies (Pacific Rim excluding Japan) as well as limited inflation in Canadian exchange rates.

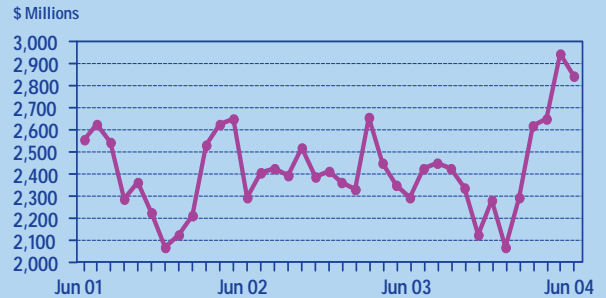
June house-building permits set record

B.C. residential building permits soared to a record level in June. Strong housing market conditions form the underlying backdrop, but June's growth was spurred on by a pending increase in development cost charges or levies in Vancouver City, which saw builders rushing projects forward to avoid the higher fees, which became effective July 1. Without that rush in Vancouver, the new record high would not have been set.

Total residential building permits issued in B.C. urban areas (municipalities with a population 10,000 or more) hit 5,712 units in June, up from 2,404 units in May and more than double the short-term trend level. The previous record high was in June 1981 at 4,302 units, and on population-adjusted basis this record still stands. Seasonally-adjusted June permits came in at 4,708 units, up from 2,045 units in May and exceeding the previous record of 4,525 units in January 1990.

B.C.'s export revenues remain near a three-year high

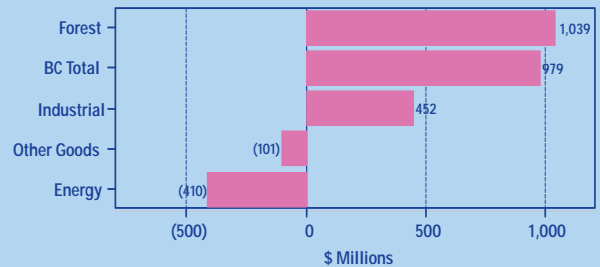
B.C. Origin International Exports of Goods



Source: Statistics Canada.

Forest product and industrial goods exports up this year

B.C. Origin International Goods Export Revenue Jan.-Jun 2004 less Jan.-Jun 2003



Source: Statistics Canada.

Further dissecting the June data reveals how much Vancouver's new development fees influenced activity. Building permits for apartment units, Vancouver's dominant form of new housing construction, pushed urban B.C. apartment permits to 3,522 units, nearly five times May's level and about three times higher than the short-term trend level going into June. Single-family dwelling permits rose in June by about 125 units over May. Without the Vancouver permit rush, June's total unit permits for urban B.C. would have been closer to 3,000 rather than the 5,700-plus units recorded. Vancouver had a large influence on the national figures and helped to set a new monthly national record in June.

Since building permits are issued before an actual housing start, a surge in permits means a pending surge in housing starts. The huge jump in apartment permits will take up to three or four months to materialize into reported housing starts since some of those permits are for large high-rise structures with considerable foundation work. Urban B.C. housing starts will easily exceed 3,000 units seasonally adjusted, and quite possibly top 4,000 units, in the next three months.

Following the surge in permits and housing starts, a drop will be seen for a few months, since many multi-unit projects were advanced to avoid the higher levies. Housing permits are likely to fall to about 2,500 units monthly after the surge, before picking up later this year and next. Single-family permits and starts will not experience this up-and-down pattern.

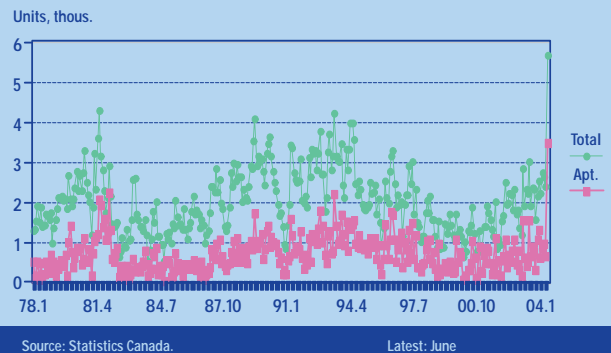
Housing starts slip lower in July

Unlike permit activity, total housing starts in July slipped lower, but they will obviously be higher in the near term, as noted above. Total housing starts in urban B.C. edged down to 2,567 units or 2,252 units seasonally adjusted in July. Single-detached starts rose while multi-units starts fell.

Housing starts in all areas of B.C. (urban and rural) are forecast to reach 32,400 units this year and rise to over 35,000 units next year. Based on activity to date, this year's forecast is achievable. For next year's estimate to be realized, favourable market conditions will have to continue and there must be no critical capacity constraints for the development and building industry.

Building permits set record high

Building Permits by Dwelling Type, Urban B.C.



Housing starts slightly down in July

Housing Starts by Type, Seasonally Adjusted, Urban B.C.

