

## **Construction red hot as value of permits soar**

Critical labour shortage must be addressed, lobbyist says

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The value of B.C. building permits soared in May, setting the stage for a continued red-hot construction market to satisfy investors' building plans.

Statistics Canada reported Thursday that \$1.3 billion worth of residential and non-residential permits were issued in B.C. in May, a 34.8-per-cent increase over April. The total value of B.C. permits issued during the first five months of this year shot up 20.9 per cent to \$5.3 billion.

"We're surprised at the continued strength of the residential market," Vancouver Regional Construction Association president Keith Sashaw said in an interview. "We thought we might see a decline in the residential sector this year but there's still a lot of strength out there."

StatsCan said the value of B.C. residential permits in May rose by 30.9 per cent to \$905.3 million while the value of non-residential permits increased by 44.4 per cent to \$411.6 million.

Greater Vancouver permits were more skewed towards residential projects, with residential permit values climbing 54.9 per cent to \$584.5 million and non-residential permits increasing by 6.8 per cent to \$218.6 million.

Sashaw said there appears to be a slight drop in institutional and government building plans as Olympics-related projects make their way through the system.

"But everything still points to some very strong underlying economic potential here in B.C.," he said. "We're very upbeat about the prospects for construction and we see projects coming onstream for some time to come."

StatsCan said B.C. and Alberta led a national surge in building permit activity, with the value of permits across Canada reaching an all-time high of \$6.8 billion in May. The Calgary and Vancouver metropolitan areas were responsible for nearly 75 per cent of the gain.

Independent Contractors and Businesses Association president Philip Hochstein said the numbers show that more needs to be done to address a critical construction industry labour shortage. He said the federal government should reform immigration policy to allow more skilled foreign workers into Canada.

"Unless they undertake serious reforms to radically speed up the immigration process for skilled workers we desperately need, their inaction threatens to derail the best economic climate Canada has ever seen," he said.

A Royal LePage report Thursday said strong consumer confidence will continue to push Greater Vancouver house prices higher this year, with the average house price expected to increase 12 per cent to \$571,000 by the end of 2007.

Royal LePage broker Bill Binnie said Greater Vancouver house prices and sales rose strongly during the second quarter as an increasing supply of homes for sale failed to meet buyer demand.

The report said the value of a standard detached Vancouver bungalow has increased by 11.3 per cent in the past year to \$788,000.

The surging building permits activity, meanwhile, is not likely to carry much weight in the Bank of Canada's interest rate decision next Tuesday. Most economists continue to predict the bank will raise its key rate by 25 basis points to 4.50 percent.

"The permits data will have no direct impact on the bank's monetary policy decision next week, but the positive surprise in this report supports the case for a rate hike," Royal Bank of Canada said in a note.

A separate release showed that purchasing activity rose more than expected in June, and at a faster pace than in the previous month.

The Ivey Purchasing Managers Index index rose to 67.4 in June from 62.7 in May. The index measures month to month changes in dollars of purchases as indicated by a panel of purchasing managers from across Canada.

A reading of 50.0 indicates that activity remained flat from the preceding month, while a higher reading indicates an increase and a lower reading reflects a slowing or decrease.

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## BIG BUILDUP

Canadian municipalities issued \$6.8 billion worth of building permits in May, up 21.4 per cent from April, far outstripping analysts' expectations of about six per cent. The Vancouver and Calgary census metropolitan areas (CMAs) were responsible for nearly 75 per cent of the overall gain, Statistics Canada says. Excluding these two areas, the total value of permits would have increased by only seven per cent instead of 21.4 per cent, the report said.

\$581.8 million

Value of Vancouver CMA permits issued in April

\$803.1 million

Value of Vancouver CMA permits issued in May

Increase: 38%

\$2.3 billion

Value of Vancouver CMA permits issued in first five months of 2006

\$3 billion

Value of Vancouver CMA permits issued in first five months of 2007

Increase: 29%

Source: Statistics Canada

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**CLOSE WINDOW**