

Regional building permits up by 36% in May

'Encouraging signs' that construction sector is bouncing back from the bottom, says industry spokesman

By Becky Rynor, Financial Post; with files from The Vancouver Sun July 8, 2009

The value of building permits issued in southwestern British Columbia soared by more than 36 per cent in May, helping to lead the country to what one analyst called a "whopping" increase that beat expectations.

The increase in southwestern B.C. was led by a 95-per-cent rebound in non-residential permits, compared to the month before. That's enough to prompt the head of the region's construction sector to suggest the industry may be on the rebound.

Keith Sashaw, president of the Vancouver Regional Construction Association, cautioned in a news release Tuesday that "it is too early to tell if the worst is over for the construction industry," but added: "There are certainly some encouraging signs the construction industry may have reached the bottom of the market and is now on an upward trend."

Statistics Canada said Tuesday that the value of building permits issued nationally in May surpassed the \$5-billion mark for the first time since October. That represents a "whopping" 14.8-per-cent hike over April, according to Charmaine Buskas, senior economics strategist with TD Securities.

"This report is at odds with expectations," Buskas added.

For the province of B.C., the percentage increase was far greater, soaring 26.4 per cent over April's figures.

Of his region, Sashaw said: "The large surge in commercial permits issued in May is the highest regional figure since last November."

But, he noted, residential permits in the region increased by just one per cent. "The construction industry anticipates the institutional-government sector will be heading higher in the next year or so when more of the fiscal stimulus spending hits the economy," said Sashaw. "It is our hope that increased building activity in 2009 will set the stage for a recovery in 2010."

But May's rebound also reflects just how far the sector has fallen. "Year-to-date, total building permit values in the Lower Mainland-Southwest region are down 57 per cent to \$1.3 billion compared to last year, led by residential permits, which are down 65 per cent to \$687.3 million," the construction association release pointed out.

And, it added: "[Year-to-date] non-residential permits are down 42 per cent to \$613.2 million in the same period."

But Sashaw noted: "The June housing sales numbers released last week also offer hope that new housing construction will pick up in the coming months, possibly as early as the fourth quarter this year."

And, he added: "The construction industry anticipates the institutional-government sector will be heading higher in the next year or so when more of the fiscal stimulus spending hits the economy. It is our hope that increased building activity in 2009 will set the stage for a recovery 2010."

Buskas of TD Securities said the national increase could mostly be explained by "massive increases in two main sub components -- multi-family units and institutional permits."

"Clearly, builders were not scared off by the weak macro economic backdrop, and in fact were helped by government spending." However, she also cautioned, "This pace of rising activity is unlikely to continue."

Statistics Canada also attributed the new building activity to increases in the number of permits issued for multi-family dwellings in Ontario and institutional permits in Alberta and Ontario.

BUILDING UP AGAIN

Percentage change in the value of building permits issued in May, compared to a month earlier:

Canada +14.8

British Columbia +26.4

Alberta +48.4

Saskatchewan +54.5

Manitoba +3.4

Ontario +15

Quebec +3.3

New Brunswick -27.6

Nova Scotia -13.9

Prince Edward Island -18.7

Newfoundland -3.7

Source: Statistics Canada

© Copyright (c) The Vancouver Sun