



Labour shortage cools housing starts

Builders are taking more time on existing projects, leading to an overall slowdown in building

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B.C. housing starts cooled off during the first four months of this year by falling 11 per cent below last year's pace to 10,091 units, Canada Mortgage and Housing Corp. reported Tuesday.

CMHC said Greater Vancouver starts dipped even more, dropping 22 per cent during the same period to 5,757 units.

But CMHC analyst Robyn Adamache said homebuyer demand remains strong -- despite moderating housing starts and house sales -- and expects 2007 house construction activity will end the year near 2006 levels. She said labour shortages have forced builders to take more time on existing projects.

Greater Vancouver Home Builders Association CEO Peter Simpson said he was not too concerned with the CMHC findings and also expects this year's total of new homes built in the Lower Mainland will be close to those built last year.

"We knew the figures for the first five months of last year were exceptionally strong and we told the media not to get too excited because they would moderate during the year," Simpson said.

"And that's what happened. Five months does not a year make. We ended the year where we had predicted at 18,700 housing starts. This year we'll be a little down at somewhere around the mid-18,000 mark."

Simpson said the number of new housing units built in the GVRD peaked in 2004 at 19,435. Since then the industry has been on a plateau with an average of about 18,800 units being built in 2005 and 2006.

"We have to compare this to the 8,200 units built in 2000," he said.

Jake Friesen, vice-president of the Pacific Region of Qualico Developments, said the reason for the drop in single family housing starts in the Lower Mainland was related to the lack of skilled tradesmen and a shortage of building land.

"I was reading a story in The Vancouver Sun today which quoted a furniture manufacturer talking about how he has to turn away orders just because he

can't produce. We're not that different. We basically can't deliver. Our company has taken an approach that we will not sell more than six months in advance simply because of the tight labour market compounded by a lack of land.

"If someone walks in today and says 'I need a house' I'll have to say that's a wonderful idea and I'm glad you want one because we're in the business of supplying houses, but we've pre-sold everything for the next six months, therefore the land we do have we're not offering for sale because of our policy," Friesen said.

The demand for new homes was still strong, he said, but if we tell "someone you can have a home by Aug. 1, it's good to keep your promise."

Qualico builds an average of 175 homes a year in the Surrey, Pitt Meadows and Langley areas.

Friesen said he would much sooner have today's problems than than "those times when there was plenty of labour and plenty of land but fewer orders."

Analysts agreed Tuesday that housing construction across Canada is slowly cooling, but not enough to warrant worries of a U.S.-style housing collapse or to end the Bank of Canada's concerns that rising housing prices could fuel inflation.

Home construction starts slipped one per cent last month to a seasonally adjusted annual pace of 211,900 from 214,000 in March, and were down 6.6 per cent from a year earlier, CMHC said.

Analysts noted the decline was fairly widespread, with starts decreasing in six of 10 provinces, the exceptions being Ontario, Saskatchewan, Prince Edward Island and Nova Scotia.

"Canada's housing market is slowly starting to cool down as rising home prices eat into affordability," said BMO Capital Markets economist Sal Guatieri, adding that housing construction will act as a slight drag on overall economic growth in the spring quarter.

But "the cooling in housing is also insufficient to allay the Bank of Canada's concern that this area of the economy poses an upside risk to the inflation outlook," he added.

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