



## B.C.'s housing start decline smaller than nation's: report

**Brian Morton**

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Canada is returning to a more "normal" pace of home construction, although B.C.'s slowdown will be less dramatic than the nation as a whole, according to an official with the Conference Board of Canada.

"B.C. has a slightly smaller decline [in housing starts]," Michael Burt, associate director, industrial outlook, said in an interview Thursday following the release of a report entitled Conference Board's Canadian Industrial Outlook: Canada's Residential Construction Industry -- Summer 2008. "Healthy immigration is probably the single biggest factor. But the economic forecast for B.C. is definitely above the national average."

Burt said the slowdown is an overdue correction in the market, after housing supply outstripped demand for several years. He said Canada is now moving into a buyers' market as home construction and sales activity return to a more normal pace.

Asked to describe what a more "normal" pace is, Burt replied: "We've had six consecutive years of housing starts in excess of 200,000 [per year]. We haven't seen a boom like that since the 1970s. What we're expecting to see is housing starts drop down to an average of 185,000 a year, a much more sustainable pace."

According to the report, Canadian builders can expect their second consecutive year of lower profits in 2008 as demand for new home construction weakens.

The report noted that after years of large increases in many markets, price appreciation has slowed considerably. It said that new home prices are rising at their slowest pace since 2002 because weaker economic conditions and less affordability are slowing demand.

The report also noted that while builders' profit levels doubled between 2004 and 2006, industry profits declined by 16 per cent in 2007 and are expected to fall another three per cent to \$3.6 billion this year.

The report concluded that profits will fall again in 2009, before starting to improve in 2010 and beyond as the market stabilizes and demand returns.

Burt said that starts nationally are expected to drop 14.5 per cent from 2008

to 2011 (214,000 to 185,000) while starts in B.C. will drop by just 11 per cent over the same period (36,000 to 32,000).

He said starts totalled 230,000 nationally in 2007, compared to 39,000 in B.C.

National starts are expected to level off in 2011, he added, and in B.C. in 2010.

Burt said that despite the economic turmoil, "Broadly speaking, we have a fairly positive outlook for the Canadian economy. And B.C. [will grow] at about twice the rate of the national average over the next year or two."

Burt also said that market conditions in the U.S. have had little effect on the Canadian market and that there is little evidence of a looming market crash here. He also said that lending practices in Canada are much more prudent.

Meanwhile, Marie-Christine Bernard, the board's associate director of the provincial forecast service, said in an interview that while jobs in the construction sector are expected to drop in B.C., there will still be plenty of work.

bmorton@vancouver.sun.com

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