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Non-residential construction investment slips slightly after record highs

Drop in industrial spending pushes Metro Vancouver spending down

VANCOUVER, July 17, 2013 – Non-residential construction investment spending in Metro Vancouver was down from the first quarter of 2013, due in large part to a drop in industrial spending, according to Vancouver Regional Construction Association's analysis of Statistics Canada's *Investment in Non-Residential Building Construction* report.

"After five consecutive quarters of gains which pushed non-residential spending in the Metro Vancouver region to their highest values ever, this quarter we are seeing some correction," says Jan Robinson, interim president of the Vancouver Regional Construction Association (VRCA). "Non-residential building permit values, a leading indicator of investment spending, are down year-to-date from last year, so this correction is not surprising."

Metro Vancouver saw a 1.8 per cent drop in total non-residential building construction investment in the second quarter of 2013 to \$890.4 million seasonally adjusted, from \$906.7 million in the first quarter of 2013. Commercial building construction edged down one per cent to \$591.6 million, institutional-government rose 1.3 per cent to \$247.5 million, while industrial building construction investment fell 20.7 per cent to \$51.3 million from the first quarter of 2013.

"While commercial building investment, the largest sector, edged down for the first time since the fourth quarter of 2011, this drop is likely temporary because market conditions for commercial real estate are gradually improving, with several office projects in Vancouver either in the early stages of construction or proposed," says Robinson. "The current economic slowdown will likely continue through 2013 before growth picks up in 2014 and beyond, which bodes well for higher private sector investment in 2015."

Building construction prices declined for the first time since early 2010, with the second quarter 2013 index edging down to 98.3 compared to 99.4 in the first quarter in Metro Vancouver, resulting in a 0.6 per cent year-over-year decline.

Highlights from the second quarter 2013 *Investment in Non-residential Building Construction* report: Vancouver Census Metropolitan Area (CMA)

Quarterly comparisons

- Non-residential building construction investment spending in Metro Vancouver decreased 1.8 per cent in the second quarter to \$890.4 million seasonally adjusted from \$906.7 million in the first quarter of 2013.
 - Commercial building construction slipped one per cent to \$591.6 million.
 - Industrial building construction investment fell 20.7 per cent to \$51.3 million.
 - Institutional-government building investment rose 1.3 per cent to \$247.5 million.

Q2 2013 compared to Q2 2012

- Total non-residential investment spending was up 23 per cent to \$902.1 million in the second quarter of 2013 compared to \$733.3 million in the second quarter of 2012.
 - Commercial building investment spending rose 22.5 per cent to \$601.4 million from \$491.1 million.
 - Industrial building investment spending was down three per cent to \$52.4 million from \$54 million.
 - Institutional-government spending was up 27.7 per cent to \$495.4 million from \$388 million.

With close to 700 members, VRCA is British Columbia's largest and most inclusive regional construction association, representing union and non-union, general and trade contracting companies, manufacturers, suppliers and other professionals throughout the Lower Mainland from Hope to Whistler.



Vancouver Regional
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