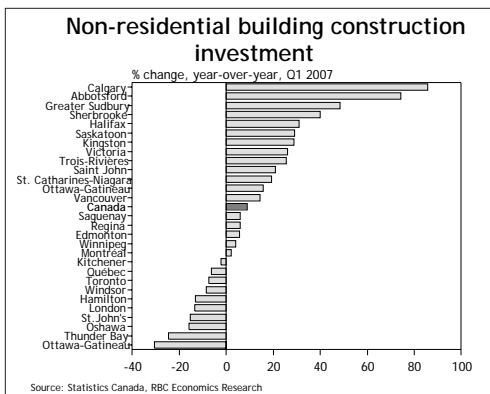
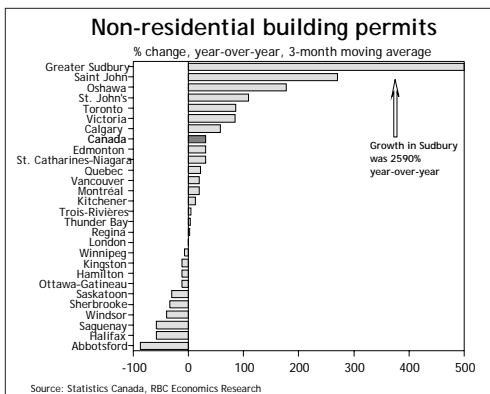
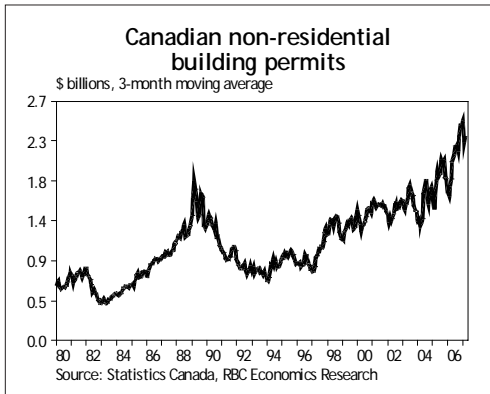


Non-residential sector overview



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NON-RESIDENTIAL SECTOR THRIVES ACROSS MANY CITIES

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Canada's economy is picking up pace with first-quarter GDP growth on track to come in at a robust 3.5% annualized pace. Strong investment in non-residential construction has been a key support to the economy. Both the trade and residential construction sectors continue to drag on the pace of growth. Non-residential building permits weakened in February but proceeded to post a sharp rebound in March. The trend in non-residential permits remains strong this year as evidenced by the 36% year-over-year growth averaged during the past three months. Such strength lends credence to our forecast that investment in non-residential structures will continue to be a decent support for the economy throughout the year. Elevated permits along with strong spending intentions for 2007 — buoyed by major public spending announcements — will support strong expenditures across the country.

Cross-city strength in non-residential building permits

▲ Sixteen of the 27 census metropolitan areas (CMAs) that we track are reporting growth in non-residential building permits in the first quarter of 2007 compared to year-ago levels

▲ Sudbury is the outlier on the upside with explosive growth in non-residential permits due to a major pop in January's permits compared to year-ago levels. Developments in the mining sector, supported by strong nickel prices, and major public spending, including the final phase of a major regional hospital, have contributed to the extraordinary growth in non-residential permits, with overflowing effects on the local economy. The unemployment rate in Sudbury has been pushed down to its lowest level on record at 5.4% in April and housing markets have experienced seven consecutive months of double-digit annual price gains.

▲ Saint John ranks 2nd on growth in non-residential permits. The combination of energy-related investments and major public spending is expected to be a significant support to growth in New Brunswick's economy in the coming years.

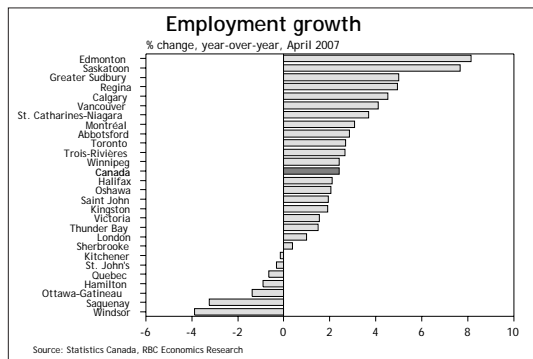
▲ Several of the construction markets out west remain highly active. Calgary and Edmonton continue to report record low vacancy rates, indicating that more expansion is in the pipelines. Vancouver is in the midst of a major capital spending boom as it ramps up to the Vancouver 2010 Olympic and Paralympic Winter Games.

▲ Many of the cities reporting weakness in non-residential permits, including Windsor, Sherbrooke, Hamilton and Halifax, have been hurt because of declines in critical sectors such as manufacturing and forestry.

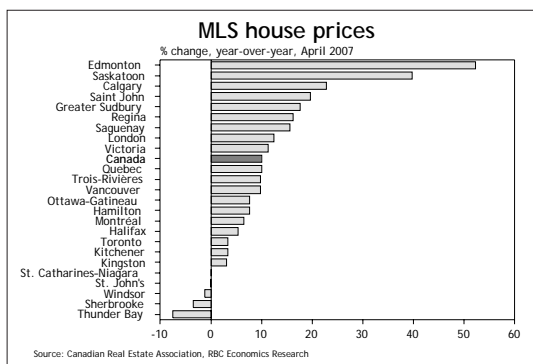
Investment in non-residential building construction

▲ Eighteen of the CMAs we track have seen growth in investment in non-residential building construction in the first quarter compared to a year ago. The strongest growth rates were reported in Calgary (up 86%), Abbotsford (up 74%), and Sudbury (up 49%). Despite current investment strength in Abbotsford, howev-

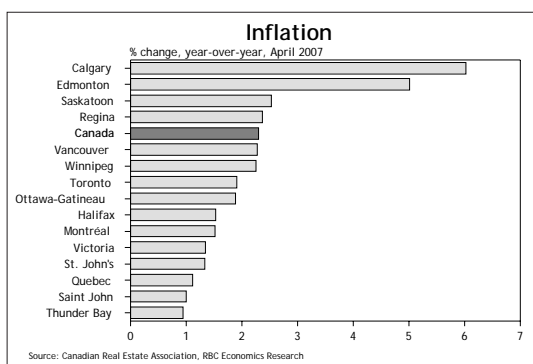
EDMONTON AND SASKATOON ARE THE UPSIDE OUTLIERS ON JOB GAINS...



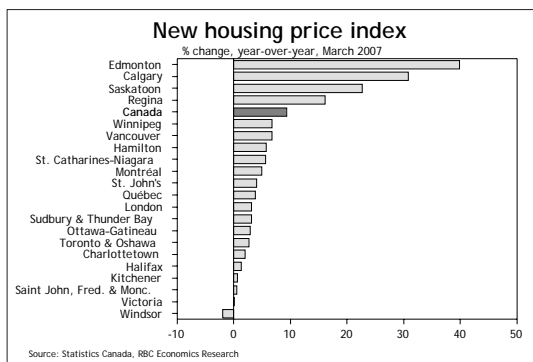
...KEEPING THEIR HOUSING MARKETS ELEVATED...



...BUT CALGARY STILL LEADS ON COST PRESSURES...



...AND NEW HOUSE PRICES ARE STILL RISING SHARPLY IN WESTERN CANADA.



er, it did have the lowest growth in non-residential building permits among the CMAs — likely a signal of slower construction activity in the coming year.

▲ The weakness in non-residential building construction during the past year has been largely focused in Ontario. Ottawa, Oshawa, Toronto, Hamilton, Kitchener, London, Windsor and Thunder Bay all saw declines in investment activity compared to year-ago levels.

▲ Statistics Canada's recent survey of capital spending intentions signalled that elevated capital expenditures are expected to continue in 2007 across many cities with public sector spending doing much of the heavy lifting compared to private sector spending.

City indicator overview

Job markets

▲ Labour markets in western Canada remain tight with strong employment gains and near record-low unemployment rates across many cities.

▲ Many of the western cities have bucked the trend of job losses in the manufacturing sector. Edmonton added roughly 9,600 new manufacturing jobs in April compared to a year ago. Several cities in Atlantic Canada also experienced an increase in manufacturing employment levels in April.

▲ Saskatoon and Edmonton had the strongest rate of annual job growth (7%-8%) among CMAs in the first quarter. Both cities are reporting strong job gains in the construction industry as well as growth in many key service industries.

▲ Much of central and eastern Canada continued to report healthy overall job gains in April. Strength in the headline numbers were largely supported by the service sector, while goods-sector employment continued to weaken. Montreal lost 35,000 goods-sector jobs in April compared to a year ago.

▲ Annual job declines were reported in St. John's, Quebec, Ottawa, Hamilton, Saguenay, Kitchener and Windsor. The losses in St. John's, Ottawa, and Saguenay were largely attributable to declines in service sector employment. Job losses in the goods sector led the declines in Kitchener, Windsor and Hamilton.

Housing markets

▲ Widespread gains in house prices continue, with the west still reporting rapid price appreciation. Edmonton's market was up roughly 52% in April compared to a year ago, while Calgary saw a 23% gain.

▲ Saskatoon's housing market continues to heat up with annual house price growth reaching 40% in April marking the 7th consecutive month of double-digit house price gains. Resale activity has picked up and the city's sales-to-listings ratio is now bouncing around 0.8-0.9, indicating a tight real estate market.

▲ Gains in central and eastern Canada are still in the mid single-digit range of growth — a trend we expect will continue throughout the remainder of the year.

▲ Housing starts are cooling off in many cities with the strongest declines reported in Oshawa (down 67%), Kitchener (down 61%) and Halifax (down 60%).

Inflation pressures

▲ Cost pressures are elevated in western Canadian cities. Inflation in Calgary came in at 6% in April. Edmonton also saw higher inflation in April at 5%. Both

Current economic indicators

Latest month available, year-over-year % change unless otherwise indicated

Cities are ranked in descending order by population size

Census metropolitan area	Job growth Apr-07	Jobless rate Apr-07	Res. permits ¹ Mar-07	Non-res. permits ¹ Mar-07	MLS prices Apr-07	MLS sales Apr-07	Housing starts Apr-07	Downtown office vac (%) Q4 2006	CPI Apr-07	Consumer bnkrpts ¹ Mar-07	Business bnkrpts ¹ Mar-07	Retail sales Mar-07
Toronto	2.7	6.8	15.6	85.4	3.3	15.9	-10.9	8.0	1.9	-6.1	-3.8	5.2
Montréal	3.1	7.1	2.8	19.3	6.5	8.6	15.8	10.9	1.5	-0.7	-0.4	1.4
Vancouver	4.1	3.7	14.2	19.6	9.8	-0.5	-38.0	3.8	2.3	-5.6	-37.5	6.2
Ottawa-Gatineau	-1.4	5.2	21.3	-12.1	7.7	1.8	0.8	4.1	1.9	0.4	30.6	na
Calgary	4.5	3.3	-16.8	57.6	22.8	1.9	6.5	0.6	6.0	-21.0	-52.4	na
Edmonton	8.1	3.3	28.9	31.7	52.3	18.9	24.8	6.4	5.0	-35.3	-12.0	na
Quebec	-0.6	5.4	17.4	21.9	10.1	11.0	-4.8	na	1.1	-1.9	-20.9	na
Hamilton	-0.9	6.4	52.7	-12.0	7.7	9.0	-8.2	na	na	-2.6	19.5	na
Winnipeg	2.4	5.0	27.6	-6.5	na	na	-30.6	na	2.2	-13.5	-20.0	na
London	1.0	5.7	-24.9	-0.5	12.5	3.0	-6.9	na	na	12.1	-44.4	na
Kitchener	-0.2	5.9	-41.4	12.4	3.3	24.2	-61.5	na	na	-7.3	na	na
St. Catharines-Niagar	3.7	7.2	-36.1	31.3	0.1	-10.6	-51.6	na	na	-2.1	21.1	na
Halifax	2.1	5.2	-48.6	-58.2	5.4	22.0	-59.7	7.4	1.5	3.3	14.3	na
Windsor	-3.9	9.4	-72.3	-39.7	-1.2	2.0	-40.4	na	na	25.9	0.0	na
Victoria	1.6	3.1	67.3	84.4	11.3	7.0	53.8	2.9	1.3	-9.7	-20.0	na
Oshawa	2.1	6.3	-51.8	177.0	na	na	-67.1	na	na	4.3	42.9	na
Saskatoon	7.7	4.1	156.9	-29.7	39.7	55.3	97.8	7.1	2.5	-34.4	-18.2	na
Regina	4.9	4.2	19.2	2.8	16.2	28.5	-9.7	3.8	2.4	-22.8	-10.5	na
St. John's	-0.3	7.3	-12.0	108.9	-0.1	4.1	45.1	na	1.3	-8.5	75.0	na
Sherbrooke	0.4	7.3	-42.3	-32.9	-3.5	-5.5	29.0	na	na	-18.5	-35.7	na
Greater Sudbury	5.0	5.4	30.5	2590.3	17.6	6.6	38.7	na	na	1.6	na	na
Abbotsford	2.9	4.8	122.5	-86.8	na	na	138.1	na	na	na	na	na
Kingston	1.9	5.9	12.4	-11.5	3.1*	10.4*	0.0	na	na	37.2	-11.1	na
Saguenay	-3.2	10.5	-1.9	-57.8	15.6	na	-17.1	na	na	na	na	na
Trois-Rivières	2.7	8.8	14.2	4.4	9.8	0.7	108.8	na	na	-5.7	-23.1	na
Saint John	1.9	4.2	22.0	270.2	19.7	2.9	95.5	na	1.0	-11.6	50.0	na
Thunder Bay	1.5	7.3	20.6	3.4	-7.5	-6.6	175.0	na	0.9	36.1	-7.7	na
Canada	2.4	6.1	4.5	31.9	10.1*	4.9*	-4.9	na	2.3	-3.5	-7.6	5.6

*as of March 2007

¹ Three-month trend

Source: Statistics Canada, Industry Canada, Canada Mortgage and Housing Corporation, Colliers International, Canadian Real Estate Association

cities are currently reporting their highest inflation rates in roughly four years.

▲ Cost pressures outside Alberta remain well-contained, with inflation running between 1%-3% in most other major cities.

▲ Nationwide, the cost of purchasing a new house rose 0.3% in March and was up 9.3% year-over-year, down slightly from the 10% annual increase recorded in February. Of the 21 CMAs surveyed, 16 reported increased new housing costs and seven reported higher land prices. Saskatoon, the clear upside outlier, led the pace, with

the cost of purchasing a new home rising 10.5% in March compared to February.

▲ Windsor was the only city to record an outright decline in new housing costs in March compared to a year ago. The largest year-over-year increases were reported in Edmonton (up 39.8%), Calgary (up 30.8%), Saskatoon (up 22.7%) and Regina (up 16.1%).

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