

LOCATIONAL DATA

BRITISH COLUMBIA ECONOMIC OVERVIEW

The data provided below describes the general condition of the British Columbia economy at this time. The statistics used are the latest data available on each segment of the economy as at February 22, 2017.

The third quarter of 2016 indicated a 0.4% increase in non-residential construction investment from one year earlier, with increased industrial and commercial investment largely countered by falling institutional investment. Residential construction investment increased by 18.3% over the previous year. The third quarter of 2016 also saw year-over-year manufacturing shipments increase by 6.5%, wholesale sales increase by 5.4% and retail sales increase by 5.8%. Overall, the BC economy increased by 3.3% in 2015, driven by increases in retail sales and real estate. Growth between 3.1% and 3.5% is anticipated for 2016, driven by growth in consumer spending, construction and non-resource industries enhanced by the low Canadian dollar, with growth between 1.7% and 2.3% anticipated for 2017. Current events that may impact the province's economic performance include the 2017 provincial budget (including an estimated \$295 million surplus in 2017-2018), the federal government's conditional approval of the Kinder Morgan Trans Mountain pipeline expansion and rejection of the Enbridge Northern Gateway pipeline, changes to eligibility for government-backed mortgage insurance and the primary residence income tax exemption, the 15% property transfer tax on foreign purchasers of residential property in Metro Vancouver, the new US government's proposed border adjustment tax on imported goods, the softwood lumber trade dispute with the US, the lower oil prices and value of the Canadian dollar, the high levels of consumer debt, continuing growth in the US economy, the US Federal Reserve's increase of the benchmark interest rate, slowing growth in the Chinese economy, the unstable European economy, and the global uncertainty caused by the conflicts in Ukraine and the Middle East.

| CONSUMER PRICE INDEX | Dec-15 to Dec-16 | 5-year Avg. |
|-----------------------------|-------------------------|---------------------|
| BC | 1.9% | 1.0% |
| Canada | 1.5% | 1.3% |
| LABOUR FORCE | Jan-17 | 10-year Avg. |
| Unemployment Rate (BC) | 5.6% | 6.3% |
| Unemployment Rate (Canada) | 6.8% | 7.1% |
| OTHER | Feb-22-17 | 10-year Avg. |
| Bank of Canada | 0.50% | 1.30% |
| Prime Rate (Royal Bank) | 2.70% | 3.30% |
| 5-year Closed (Top 5 Banks) | 2.89% | N/A |
| US \$ per Cdn. \$ | \$0.740 | \$0.893 |

BC Economic Trends

- **Population:** British Columbia is the westernmost province in Canada, strategically situated on the Pacific Rim, comprising 13% of Canada's total population and 10% of Canada's total land area. After Ontario and Quebec, it is the third most populous province, with 4,773,345 residents as of October 1, 2016, up 1.2% from October, 2015.
- **Employment:** As of February 1, 2017, 2,419,400 persons were employed in British Columbia, 61.2% of the working-age population. 80.3% of employed British Columbians work in the service-producing sector, including health care and education (18.6%), trade

(15.5%), professional and technical services (8.0%) and accommodation and food (7.6%). 19.7% are employed in the goods-producing sector, including construction (9.0%), manufacturing (7.0%), forestry and mining (2.0%) and agriculture (1.1%). Approximately 22% of jobs in BC were part-time.

- **Migration:** In the third quarter of 2016, BC saw net immigration of 18,377 persons, primarily driven by a significant increase in non-permanent residents from the same period one year earlier. The largest net interprovincial inflow was from Alberta (2,420 persons).

| BC Components of Population Change | | | | |
|------------------------------------|-----------------------------|--|--------------------------|---------------------|
| | Inter-Provincial Immigrants | | International Immigrants | Total Net Migration |
| 2015 Total | 21,471 (64%) | | 12,148 (36%) | 33,619 |
| 5-yr Avg. | 7,247 (20%) | | 29,388 (80%) | 36,634 |
| Q1-Q3 2016 | 16,734 (33%) | | 33,572 (67%) | 50,306 |
| 5-yr Avg. | 9,084 (23%) | | 30,444 (77%) | 39,528 |

- **Tourism:** In November, 2016, the RevPAR (revenue per available room) of BC hotels was \$78.49, up 13.7% from 2015, while the RevPAR of Metro Vancouver hotels was \$107.17, up 12.9% from 2015. BC hotel occupancy was 58.1% in November, up 4.6 percentage points from 2015, while Metro Vancouver hotel occupancy was 72.2%, up 4.5 percentage points from 2015. Overall in 2015, BC hotels averaged a RevPAR of \$101.23 (up 12.6% from 2014) and an occupancy of 66.1% (up 2.2 percentage points from 2014), while Vancouver hotels achieved a RevPAR of \$123.75 (up 17.1% from 2014) and an occupancy of 76.0% (up 3.4 percentage points from 2014). According to recent forecasts, Vancouver hotels are expected to average a RevPAR of \$136 and occupancy of 78% in 2016. During the 2016 cruise season, Vancouver received 228 calls carrying 827,000 passengers, slightly ahead of 2015.
- **Trade:** The total value of BC exports to all countries during December, 2016 was approximately \$4.03 billion, up 34.8% from one year earlier. 2016 exports totalled \$39.91 billion, 8.1% higher than in 2015; the annual average over the past five years has been \$35.73 billion. British Columbia is more diversified than the nation as an exporter, given its West Coast proximity to major importing countries. While Canada sent some 76.4% of its exports to the US in 2016, only 53.2% of BC's exports went to the US. 15.8% of BC's exports in 2016 went to China, which is now BC's second largest export market. Port Metro Vancouver's tonnage volume as of June, 2016 was approximately 66 million tonnes, a 5.9% decrease from mid-2015, driven by downturns in commodity exports (primarily coal, fertilizers and crude oil), machinery exports and container traffic. CETA, the trade agreement between Canada and the EU, was signed in October, 2016, with provisional ratification anticipated in 2017. In July, 2016, an agreement in principle was reached regarding the Canadian Free Trade Agreement, an updated agreement to reduce barriers to interprovincial trade. In November, 2016, US lumber producers filed a petition calling for the US government to impose tariffs on Canadian softwood lumber exports; a decision regarding the imposition of the tariffs is anticipated in the second quarter of 2017.
- **Retail:** Retail sales in BC for November, 2016 totalled approximately \$6.37 billion, up 5.1% from one year earlier. Retail sales totalled \$70.85 billion in 2015, up 6.9% from 2014. Total retail sales have averaged \$64.07 billion for the last five years.
- **Interest Rates:** In July, 2015, the Bank of Canada cut the overnight interest rate by 25 basis points, to 0.50%, as a reaction to sharply falling oil prices. Shortly afterward, financial institutions lowered the prime interest rate by 15 basis points, to 2.70%. The most competitive rate for a five-year fixed mortgage from the top five banks is currently 2.89%.

The recent mortgage rate increase was driven by the government's tightening of mortgage insurance qualification rules and by increasing bond yields in the wake of the US election. Additionally, the two largest banks, RBC and TD Canada Trust, have increased rates by an additional 10 basis points on mortgages with amortization periods over 25 years. In January, 2017, the CMHC announced an increase to mortgage insurance premiums effective mid-March, 2017, the third such increase in the past four years.

- **Housing Starts:** In the fourth quarter of 2016, both provincial and Vancouver CMA housing starts were up from the same quarter last year and above the five-year average. Approximately 73% of the provincial housing starts and 81% of the Vancouver housing starts were multi-family units. Vancouver housing starts are expected to reach between 21,500 and 23,500 units in 2017, while provincial housing starts are expected to reach between 32,000 and 34,300 units in 2017.

| | Housing Starts | | |
|---------------|----------------|---------|----------------|
| | 2015 Total | 2016 Q4 | 2016 YTD Total |
| Vancouver CMA | 20,863 | 5,818 | 28,016 |
| 5-yr Avg. | 19,133 | 4,994 | 21,163 |
| BC | 29,914 | 8,963 | 39,498 |
| 5-yr Avg. | 27,838 | 7,433 | 30,457 |

- **Major Projects:** As of the third quarter of 2016, the estimated capital cost of all major projects currently under construction in BC is \$76.6 billion; the larger projects (with an estimated capital cost over \$1 billion) are listed below.

| Municipality | Projects Currently Under Construction (>=\$1 bill) | Est. Cost (\$ mill) |
|----------------|---|---------------------|
| Fort St. John | Site C Clean Energy Project | \$8,335 |
| Vancouver | River District (formerly East Fraserlands) Development | \$4,000 |
| Delta | Roberts Bank Container Expansion Program Terminal 2 and Deltaport 3rd Berth | \$2,400 |
| Kelowna | Wilden Development | \$2,100 |
| Langford | Westhills Green Neighbourhood | \$2,000 |
| Richmond | Vancouver International Airport Upgrades | \$1,743 |
| Surrey | King George Station Mixed-Use Development | \$1,600 |
| Vancouver area | SkyTrain - Evergreen Line | \$1,430 |
| Esquimalt | CFB Esquimalt Projects | \$1,316 |
| Burnaby | Brentwood Town Centre Redevelopment - The Amazing Brentwood | \$1,300 |
| Langford | Bear Mountain Development | \$1,200 |
| Campbell River | John Hart Generating Station Replacement | \$1,093 |
| Vancouver | False Creek Central Condominium Development | \$1,000 |
| Peachland | Ponderosa Residential Development | \$1,000 |
| Tsawwassen | Tsawwassen First Nation Mixed Use Development | \$1,000 |
| Lake Country | Lakestone Resort Development | \$1,000 |
| Surrey | Central City Neighbourhood | \$1,000 |
| Vernon | The Rise Resort and Residential Development | \$1,000 |
| Victoria | Bayview Residential Development | \$1,000 |
| Revelstoke | Revelstoke Mountain Ski Resort | \$1,000 |
| Kelowna | Tower Ranch Golf Resort | \$1,000 |
| Total | All 341 Projects Currently Under Construction | \$76,609 |

Included in this figure are the 25 major projects that commenced construction during the third quarter at an estimated value of \$1.0 billion. The total capital cost of proposed projects that have not yet been approved for construction is estimated at \$325.4 billion. There are approximately \$33.5 billion worth of projects judged to be "on hold" for the time being. The capital cost of 36 new projects proposed in the third quarter of 2016 was approximately \$1.2 billion. The larger projects are listed below.

| Municipality | New Proposed Projects Jul-Sep 2016 (>=\$75 mill) | Est. Cost (\$ mill) |
|--------------|--|---------------------|
| Vancouver | Multimodal Station Amenities | \$92 |
| Vancouver | Rapid Transit Stations | \$86 |
| Vancouver | Millennium Line Extension (Broadway) Early Works | \$76 |
| All Other | 33 projects | \$972 |
| Total | All 36 proposed projects in BC Jul-Sep 2016 | \$1,226 |

Sources: Statistics Canada, BC Stats, Bank of Canada, Royal Bank of Canada, CMHC, Industry Canada, CBRE Hotels Trends in the Hotel Industry National Market Report.