

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 April 7, 2017.

The fourth quarter of 2016 indicated a 7.5% decrease in non-residential construction investment from one year earlier, with falling investment in all categories (industrial, commercial and institutional). Residential construction investment increased by 24.2% over the previous year. The fourth quarter of 2016 also saw year-over-year manufacturing shipments increase by 8.3%, wholesale sales increase by 11.1% and retail sales increase by 6.6%. Overall, the BC economy increased by 3.3% in 2015, driven by increases in retail sales and real estate. Growth between 2.8% and 3.7% is anticipated for 2016, driven by growth in consumer spending, construction and non-resource industries enhanced by the low Canadian dollar, with growth between 1.9% and 2.6% 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) and federal budget (projecting a \$28.5 billion deficit in 2017), the renegotiation of NAFTA, the upcoming provincial election, the increase to the provincial minimum wage (effective September, 2017), the 15% property transfer tax on foreign purchasers of residential property in Metro Vancouver, the US government's proposed border adjustment tax on imported goods, the US Federal Reserve's decision to increase the benchmark interest rate, the softwood lumber trade dispute with the US, the lower oil prices and value of the Canadian dollar, the high levels of consumer debt, Britain's beginning of the procedure to exit from the EU, continuing growth in the US economy, slowing growth in the Chinese economy, the unstable European economy and continuing Greek debt crisis, and the global uncertainty caused by the conflicts in Ukraine and the Middle East.

CONSUMER PRICE INDEX	Feb-16 to Feb-17	5-year Avg.
BC	2.3%	1.1%
Canada	2.0%	1.3%
LABOUR FORCE	Mar-17	10-year Avg.
Unemployment Rate (BC)	5.4%	6.3%
Unemployment Rate (Canada)	6.7%	7.1%
OTHER	Apr-07-17	10-year Avg.
Bank of Canada	0.50%	1.24%
Prime Rate (Royal Bank)	2.70%	3.24%
5-year Closed (Top 5 Banks)	2.74%	N/A
US \$ per Cdn. \$	\$0.728	\$0.891

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 4,777,157 residents as of January 1, 2017, up 1.2% from January, 2016.
- **Employment:** As of April 1, 2017, 2,443,000 persons were employed in British Columbia, 61.6% of the working-age population. 80.3% of employed British Columbians work in the service-producing sector, including health care and education (18.5%), trade (15.3%),

professional and technical services (7.9%) and accommodation and food (7.2%). 19.7% are employed in the goods-producing sector, including construction (9.1%), manufacturing (6.9%), forestry and mining (2.1%) and agriculture (1.1%). Approximately 21% of jobs in BC were part-time.

- **Migration:** In the fourth quarter of 2016, BC saw net immigration of 2,632 persons, driven by interprovincial migration and reduced by a seasonal decrease in non-permanent residents, although there was significantly lower non-permanent resident outflow in the fourth quarter of 2016 than one year previous. The largest net interprovincial inflow was from Alberta (1,913 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
2016 Total	20,026	(38%)	32,912	(62%)	52,938
5-yr Avg.	11,110	(28%)	29,085	(72%)	40,194

- **Tourism:** In December, 2016, the RevPAR (revenue per available room) of BC hotels was \$90.16, up 16.9% from 2015, while the RevPAR of Metro Vancouver hotels was \$93.36, up 11.3% from 2015. BC hotel occupancy was 54.0% in December, up 3.5 percentage points from 2015, while Metro Vancouver hotel occupancy was 64.0%, up 3.5 percentage points from 2015. Overall in 2016, BC hotels averaged a RevPAR of \$111.45 (up 10.6% from 2015) and an occupancy of 68.3% (up 2.4 percentage points from 2015), while Vancouver hotels achieved a RevPAR of \$138.30 (up 11.5% from 2015) and an occupancy of 78.8% (up 2.9 percentage points from 2015). Per recent forecasts, Vancouver hotels are expected to average a RevPAR of \$149 and occupancy of 79% in 2017. 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 February, 2017 was approximately \$3.04 billion, up 2.3% 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 in 2016 was approximately 136 million tonnes, a 1.8% decrease from 2015, driven by slowing global economic growth. 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 January, 2017 totalled approximately \$6.48 billion, up 6.0% from one year earlier. Retail sales totalled \$74.93 billion in 2016, up 5.8% from 2015. Total retail sales have averaged \$67.19 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 2.74%. 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 ten 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	2016	
	Total	Q4	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 fourth quarter of 2016, the estimated capital cost of all major projects currently under construction in BC is \$75.1 billion; the larger projects (those 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
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
Colwood	Capital City Centre (Colwood Corners) Residential Development	\$1,000
Kelowna	Tower Ranch Golf Resort	\$1,000
Lake Country	Lakestone Resort Development	\$1,000
Peachland	Ponderosa Residential Development	\$1,000
Revelstoke	Revelstoke Mountain Ski Resort	\$1,000
Surrey	Central City Neighbourhood	\$1,000
Tsawwassen	Tsawwassen First Nation Mixed-Use Development	\$1,000
Vancouver	False Creek Central Condominium Development	\$1,000
Vernon	The Rise Resort and Residential Development	\$1,000
Victoria	Bayview Residential Development	\$1,000
Total	All 341 Projects Currently Under Construction	\$75,064

Included in this figure are the 17 major projects that commenced construction during the fourth 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 \$325.3 billion. There are approximately \$33.6 billion worth of projects judged to be "on hold" for the time being. The capital cost of 27 new projects proposed in the fourth quarter of 2016 was approximately \$845 million. The larger projects are listed below.

Municipality	New Proposed Projects Oct-Dec 2016 (>=\$75 mill)	Est. Cost (\$ mill)
Vancouver	Opal Retirement Community	\$106
Coquitlam	Centre for Mental Health and Addiction	\$100
Coquitlam	Maples Adolescent Centre and the Provincial Assessment Centre	\$77
All Other	24 projects	\$562
Total	All 27 proposed projects in BC Oct-Dec 2016	\$845

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.