

LOCATIONAL DATA

BRITISH COLUMBIA ECONOMIC OVERVIEW

The data provided below describes the general condition of the BC economy at this time. The statistics used are the latest data available on each segment of the economy as at May 11, 2018.

The fourth quarter of 2017 indicated a 0.7% decrease in non-residential construction investment from one year earlier, with falling commercial investment largely counterbalanced by increases in industrial and institutional investment. Residential construction investment increased by 10.1% over the previous year. The fourth quarter of 2017 also saw year-over-year manufacturing shipments increase by 8.8%, wholesale sales increase by 5.0% and retail sales increase by 10.4%. Overall, the BC economy increased by 3.7% in 2016, driven by increases in retail sales, manufacturing and real estate. Growth between 3.1% and 4.3% is anticipated for 2017, with growth of 2.3% to 3.1% anticipated in 2018. Current events that may impact the province's economic performance include the \$219 million surplus and increases to the foreign buyers tax, property transfer tax and school tax in the 2018 provincial budget, the \$18.1 billion projected deficit and revised tax proposals on passive income for Canadian corporations in the 2018 federal budget, Canada joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the renegotiation of NAFTA, the softwood lumber trade dispute with the US, lower oil prices and value of the Canadian dollar, the high levels of consumer debt, Britain's negotiations regarding their exit from the EU, continuing growth in the US economy, continued growth in the Chinese economy, recovery in the European economy, the continuing Greek debt crisis, and the global uncertainty caused by the conflicts in Ukraine and the Middle East.

CONSUMER PRICE INDEX	Mar-17 to Mar-18	5-year Avg.
BC	2.6%	1.5%
Canada	2.3%	1.6%
LABOUR FORCE	Apr-18	10-year Avg.
Unemployment Rate (BC)	5.0%	6.4%
Unemployment Rate (Canada)	5.8%	7.1%
OTHER	May-11-18	10-year Avg.
Bank of Canada	1.25%	0.90%
Prime Rate (Royal Bank)	3.45%	2.95%
5-year Closed (Top 5 Banks)	3.29%	N/A
5-Yr Gov't Benchmark Bond Yield (Prev. Day Close)	2.22%	1.70%
US \$ per Cdn. \$	\$0.765	\$0.870

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 4,849,442 residents as of January 1, 2018, up 1.4% from January, 2017.
- **Employment:** As of May 1, 2018, 2,482,400 persons were employed in British Columbia, 61.8% of the working-age population. 79.6% of employed British Columbians work in the service-producing sector, including health care and education (20.0%), trade (14.8%), professional and technical services (8.3%) and accommodation and food (7.3%). 20.4% are employed in the goods-producing sector, including construction (9.7%), manufacturing

(7.2%), forestry and mining (2.0%) and agriculture (1.0%). Approximately 21% of jobs in BC were part-time.

- **Migration:** In the fourth quarter of 2017, BC saw net immigration of 7,174 persons, up from one year earlier due to an increase in international immigration and net non-permanent residents, although there was a significant downturn in interprovincial immigration from one year earlier. The largest net interprovincial inflow was from Alberta (769 persons).

BC Components of Population Change				
	Inter-Provincial Immigrants	International Immigrants		Total Net Migration
2016 Total	22,470 (40%)	33,734 (60%)		56,204
5-yr Avg.	14,774 (31%)	32,414 (69%)		47,188
2017 Total	10,202 (17%)	49,590 (83%)		59,792
5-yr Avg.	14,774 (31%)	32,414 (69%)		47,188

- **Tourism:** In March, 2018, the RevPAR (revenue per available room) of BC hotels was \$114.20, up 13.9% from 2017, while the RevPAR of Metro Vancouver hotels was \$132.56, up 16.2% from 2017. BC hotel occupancy was 68.3% in March, up 1.9 percentage points from 2017, while Metro Vancouver hotel occupancy was 77.4%, up 3.5 percentage points from 2017. Overall in 2017, BC hotels averaged a RevPAR of \$121.01 (up 9.6% from 2016) and an occupancy of 70.1% (up 2.0 percentage points from 2016), while Metro Vancouver hotels achieved a RevPAR of \$150.21 (up 9.5% from 2016) and an occupancy of 79.2% (up 0.6 percentage points from 2016). Per recent forecasts, Vancouver hotels are expected to average a RevPAR of \$161 and occupancy of 80% in 2017. During the 2017 cruise season, Vancouver received 236 calls carrying 843,000 passengers, up 1.9% from 2016; the current forecast for the 2018 season calls for 241 calls carrying 895,000 passengers.
- **Trade:** The total value of BC exports to all countries during March, 2018 was approximately \$4.11 billion, down 0.5% from one year earlier. 2017 exports totalled \$44.48 billion, 11.5% higher than in 2016; the annual average over the past five years has been \$38.21 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 76.0% of its exports to the US in 2017, only 50.4% of BC's exports went to the US. 15.5% of BC's exports in 2017 went to China, which is now BC's second largest export market. CETA, the trade agreement between Canada and the EU, came into effect in late September, 2017. The Canadian Free Trade Agreement, an agreement to end interprovincial trade barriers, was signed in April, 2017 and is anticipated to add \$2 billion to \$4 billion to the national economy. In November, 2017, the US government revised the countervailing and anti-dumping tariffs to be charged on Canadian softwood lumber exports, with duties of between 9.9% and 23.7% imposed; additional duties were imposed on Canadian pulp and paper manufacturers in spring of 2018. In January, 2018, Canada agreed to join the CPATPP, a free trade agreement involving 11 Pacific Rim nations.
- **Retail:** Retail sales in BC for February, 2018 totalled approximately \$7.14 billion, up 7.8% from one year earlier. Retail sales totalled \$84.08 billion in 2017, up 12.2% from 2016. Total retail sales have averaged \$71.76 billion for the last five years.
- **Interest Rates:** In January, 2018, the Bank of Canada raised the overnight interest rate by 25 basis points, to 1.25%, due to continuing economic growth. Shortly afterward, financial institutions raised the prime interest rate by 25 basis points, to 3.45%. The most competitive rate for a five-year fixed mortgage from the top five banks is currently 3.29%. Effective

January 1, 2018, new credit regulations requiring homebuyers with down payments over 20% to qualify for a mortgage at a rate 200 basis points over their contract rate have come into effect.

- **Housing Starts:** In the first quarter of 2018, both Vancouver CMA and provincial housing starts were up from both the same quarter one year earlier and the five-year average. Approximately 79% of the provincial housing starts and 85% of the Vancouver housing starts this quarter were multi-family units.

	Housing Starts		
	2017 Total	2018 Q1 YTD Total	
Vancouver CMA	26,204	6,864	6,864
5-yr Avg.	22,598	5,574	5,574
BC	41,191	9,442	9,442
5-yr Avg.	33,203	7,728	7,728

Vancouver housing starts are expected to reach 21,135 to 23,125 units in 2018, while BC housing starts are expected to reach 34,500 to 38,000 units in 2018.

- **Major Projects:** As of the fourth quarter of 2017, the estimated capital cost of all major projects currently under construction in BC is \$74.9 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 Project	\$10,700
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
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
All Other	331 projects	\$36,425
Total	All 351 Projects Currently Under Construction	\$74,877

Included in this figure are the 24 major projects that commenced construction during the fourth quarter at an estimated value of \$2.2 billion. The total capital cost of proposed projects that have not yet been approved for construction is estimated at \$293.6 billion. There are approximately \$30.0 billion worth of projects judged to be “on hold” for the time being. The capital cost of 40 new projects proposed in the fourth quarter of 2017 was approximately \$1.7 billion. The larger projects are listed below.

Municipality	New Proposed Projects Oct-Dec 2017 (>=\$100 mill)	Est. Cost (\$ mill)
Coquitlam	Burquitlam Condominium Development	\$200
Richmond	Atmosphere Mixed Use Development	\$100
Watson Island	Watson Island Propane Export Terminal	\$260
All Other	37 projects	\$1,105
Total	All 40 proposed projects in BC Oct-Dec 2017	\$1,665

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.