

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 November 3, 2017.

The second quarter of 2017 indicated an 11.0% 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 7.9% over the previous year. The second quarter of 2017 also saw year-over-year manufacturing shipments increase by 10.7%, wholesale sales increase by 9.6% and retail sales increase by 10.0%. Overall, the BC economy increased by 3.7% in 2016, driven by increases in retail sales, manufacturing and real estate. Growth between 3.2% and 3.8% is anticipated for 2017, with growth of 2.2% to 2.8% anticipated in 2018. Current events that may impact the province's economic performance include the US Federal Reserve's decision to begin reversing the quantitative easing program, the federal government's controversial proposed tax reforms, the recent increase in the Bank of Canada's overnight interest rate, the renegotiation of NAFTA, 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 negotiations regarding their exit from the EU, continuing growth in the US economy, rebounding growth in the Chinese economy, slow 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	Sep-16 to Sep-17	5-year Avg.
BC	2.0%	1.3%
Canada	1.6%	1.4%
LABOUR FORCE	Oct-17	10-year Avg.
Unemployment Rate (BC)	4.9%	6.4%
Unemployment Rate (Canada)	6.3%	7.1%
OTHER	Nov-03-17	10-year Avg.
Bank of Canada	1.00%	1.03%
Prime Rate (Royal Bank)	3.20%	3.05%
5-year Closed (Top 5 Banks)	3.34%	N/A
5-Yr Gov't Benchmark Bond Yield (Prev. Day Close)	1.64%	1.76%
US \$ per Cdn. \$	\$0.766	\$0.880

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 4,817,160 residents as of July 1, 2017, up 1.3% from July, 2016.
- **Employment:** As of November 1, 2017, 2,467,200 persons were employed in British Columbia, 61.8% of the working-age population. 79.9% of employed British Columbians work in the service-producing sector, including health care and education (19.3%), trade (15.3%), professional and technical services (8.0%) and accommodation and food (7.3%). 20.1% are employed in the goods-producing sector, including construction (9.4%), manufacturing (7.2%), forestry and mining (1.9%) and agriculture (1.1%). Approximately 21% of jobs in BC were part-time.

- **Migration:** In the second quarter of 2017, BC saw net immigration of 19,137 persons, lower than one year earlier due to reduced interprovincial immigration countered by an increase in net non-permanent residents. The largest net interprovincial inflow was from Alberta (3,514 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.	11,870 (29%)		29,597 (71%)	41,467
Q1-2 2017	8,805 (28%)		22,771 (72%)	31,576
5-yr Avg.	8,403 (34%)		16,573 (66%)	24,976

- **Tourism:** In August, 2017, the RevPAR (revenue per available room) of BC hotels was \$184.47, up 13.8% from 2016, while the RevPAR of Metro Vancouver hotels was \$228.98, up 17.7% from 2016. BC hotel occupancy was 87.9% in July, up 3.1 percentage points from 2016, while Metro Vancouver hotel occupancy was 93.3%, up 2.1 percentage points from 2016. 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 Metro 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 \$147 and occupancy of 79% in 2017. During the 2016 cruise season, Vancouver received 228 calls carrying 827,000 passengers, slightly ahead of 2015; the 2017 season is anticipated to see 237 calls carrying approximately 840,000 passengers.
- **Trade:** The total value of BC exports to all countries during September, 2017 was approximately \$3.72 billion, up 10.7% 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, came into provisional 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 April, 2017, the US government imposed countervailing duties of between 3.0% and 24.1% on Canadian softwood lumber exports to the US, with "anti-dumping" duties of between 4.6% and 7.7% imposed in June; however, in late August, the countervailing duty was suspended pending further decisions regarding the tariff.
- **Retail:** Retail sales in BC for August, 2017 totalled approximately \$7.08 billion, up 13.3% 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 August, 2017, the Bank of Canada raised the overnight interest rate by 25 basis points, to 1.0%, due to continuing economic growth. Shortly afterward, financial institutions raised the prime interest rate by 25 basis points, to 3.20%. The most competitive rate for a five-year fixed mortgage from the top five banks is currently 3.34%; the recent increase in mortgage rates was driven by anticipation of the increase in the Bank of Canada's overnight interest rate. The current five-year Canadian government benchmark bond yield is 1.75%. Effective January, 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 will come into effect.

- **Housing Starts:** In the third quarter of 2017, provincial housing starts were about equal to the same quarter one year earlier and above the five-year average, while Vancouver CMA housing starts were down from both the same quarter one year earlier and the five-year average. Approximately 72% of the provincial housing starts and 68% of the Vancouver housing starts this quarter were multi-family units. Vancouver housing starts are expected to reach 23,755 to 25,225 units in 2017 and 21,135 to 23,125 units in 2018, while BC housing starts are expected to reach 38,500 to 40,000 units in 2017 and 34,500 to 37,500 units in 2018.

	Housing Starts		
	2016	2017	
	Total	Q3	YTD Total
Vancouver CMA	28,016	5,752	18,025
5-yr Avg.	21,163	5,843	16,808
BC	39,498	10,210	28,855
5-yr Avg.	30,457	8,880	24,515

- **Major Projects:** As of the first quarter of 2017, the estimated capital cost of all major projects currently under construction in BC is \$75.3 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 340 Projects Currently Under Construction	\$75,282

Included in this figure are the 24 major projects that commenced construction during the first quarter at an estimated value of \$1.4 billion. The total capital cost of proposed projects that have not yet been approved for construction is estimated at \$325.0 billion. There are approximately \$34.7 billion worth of projects judged to be “on hold” for the time being. The capital cost of 34 new projects proposed in the first quarter of 2017 was approximately \$2.0 billion. The larger projects are listed below.

Municipality	New Proposed Projects Jan-Mar 2017 (>=\$100 mill)	Est. Cost (\$ mill)
Kamloops	Royal Inland Hospital Patient Care Tower	\$417
Abbotsford	Abbotsford Courthouse	\$140
Vancouver	Vancouver General Hospital - Operating Room Renewal (Phase 1)	\$102
Terrace	Mills Memorial Hospital	\$102
All Other	31 projects	\$1,204
Total	All 34 proposed projects in BC Jan-Mar 2017	\$1,965

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.