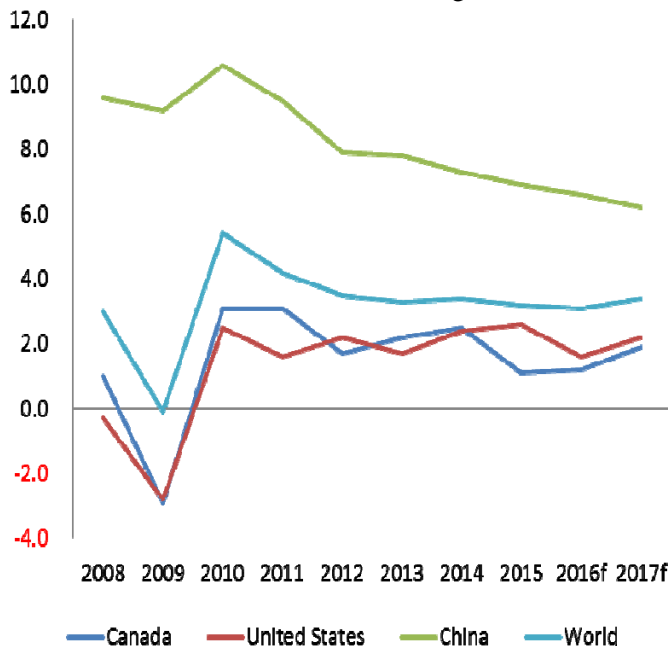


# Quarterly Report and Forecast – Q3-2016

Prepared by City of Richmond Economic Development Office – November 2016

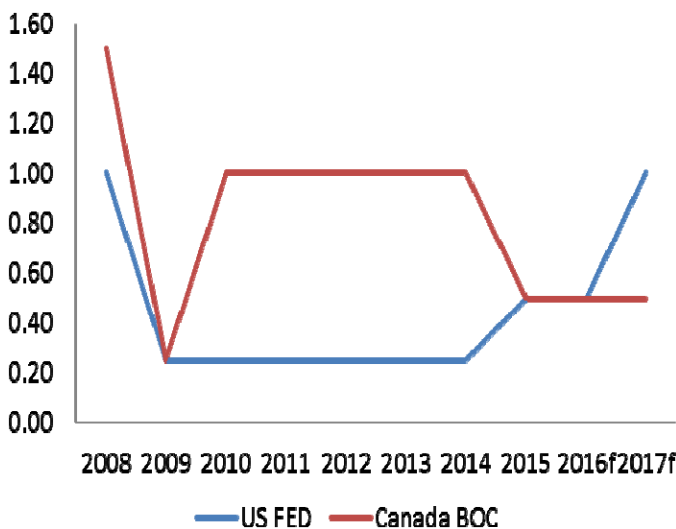
## Macroeconomic Indicators & Forecast

### 1) Global Growth – Real GDP % Change<sup>1</sup>



- Canada’s economic growth is projected at 1.2% for 2016 and 1.9% for 2017. Low business investment, especially in the energy sector, caused a downgraded forecast over last period. Weak export growth is also behind the figures.
- U.S. GDP growth projections were also downgraded, by 0.6 and 0.3 of a percentage point for 2016 and 2017, due to lower than predicted growth in the first half of 2016.
- The U.S. economy is expected to grow by 1.6% and 2.2% in 2016 and 2017, aided by rising consumer spending and post-recession labour market recovery.
- No changes were made to China and world growth forecasts over last quarter. China’s economy is expected to expand by 6.6% and 6.2% in 2016 and 2017 while the forecasted world GDP growth is 3.1% and 3.4%.

### 2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End<sup>2</sup>

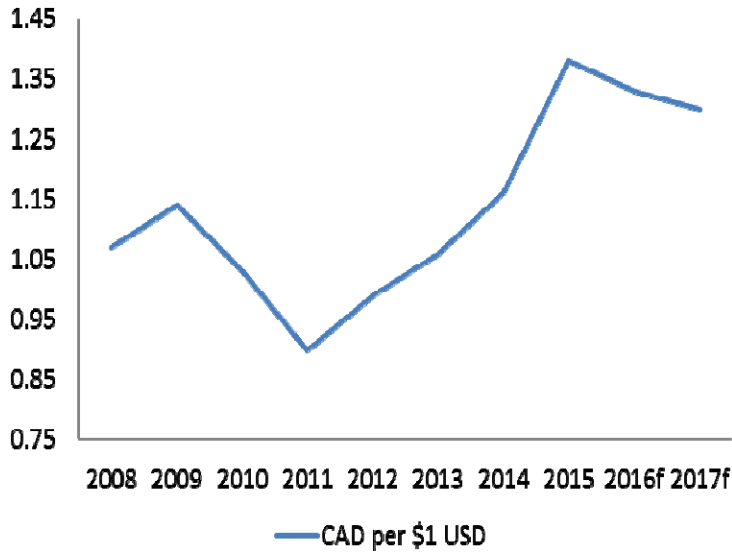


- Continued below target performance in the Canadian and U.S. economies have resulted in the Bank of Canada and Fed holding overnight lending rates steady, each at 0.5%, waiting on more evidence of continued economic recovery before any upward adjustments are made.
- The Bank of Canada has opted not to further reduce its lending rate to avoid undoing some of the desired cooling in housing market activity.
- There have been no changes in the forecasted overnight lending rates through 2017. The Bank of Canada is expected to maintain a rate of 0.5% in both 2016 and 2017 while the U.S. Fed rate is anticipated to remain at 0.5% in 2016 with a gradual increase to 1% in 2017.

# Quarterly Report and Forecast – Q3-2016

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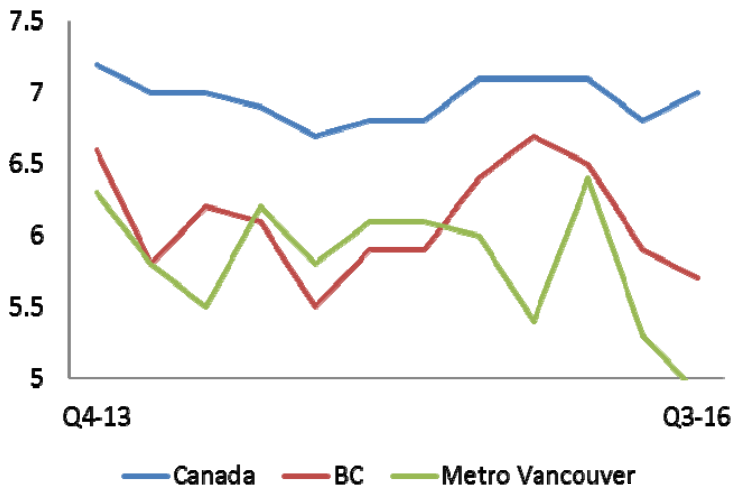
## 3) Exchange Rates – USD/CAD at Year-End<sup>3</sup>



- Reflecting both the Bank of Canada and U.S. Fed’s current ‘lower for longer’ monetary policies, there have been no changes to the forecasted exchange rate.
- The exchange rate is expected to remain stable over the coming quarters and to close at 1.33 CAD per \$1 USD in 2016 and 1.30 CAD per \$1 USD in 2017.
- A relatively weaker Canadian dollar will continue to benefit domestic exporters of goods and services, as well as sectors closely associated with exchange rate fluctuations, such as film and tourism.

## Regional & Local Economic Activity Indicators

### 4) Unemployment<sup>4</sup>

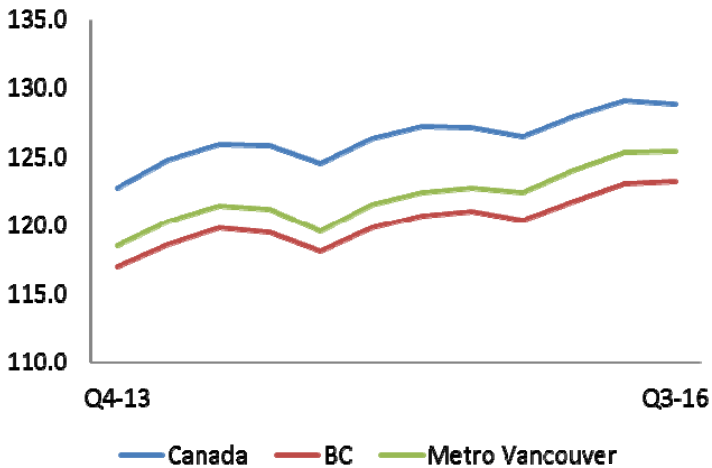


- Employment gains were realized throughout Metro Vancouver and BC in Q3. The unemployment rate was 4.9% and 5.7%, respectively, at quarter’s end.
- Metro Vancouver saw a larger drop in unemployment than provincial and national averages; the rate was 7.5% lower than at the end of Q2 2016 and 18.3% lower than the same period last year.
- British Columbia continues to have the strongest job creation among Canadian provinces, and at 5.7% is currently considered to be at full employment.
- Although Canada’s unemployment rate, at 7%, increased by 2.9% over Q2 2016, it remained 1.4% lower than at the same time last year.

## Quarterly Report and Forecast – Q3-2016

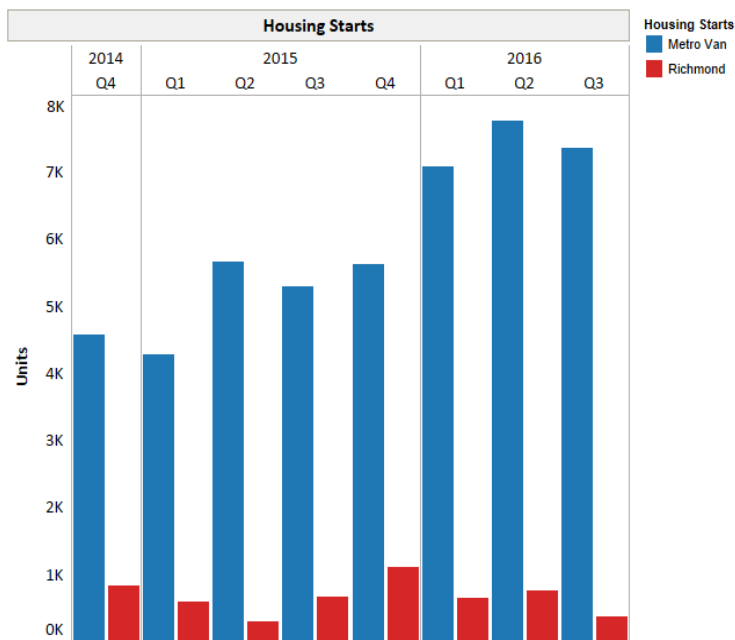
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### 5) Consumer Price Index (CPI – 2002=100)



- Bank of Canada monetary policy over the next 5 year period will aim to keep inflation low, stable and predictable at 2 per cent, the midpoint of the control range of 1 to 3 per cent, until the end of 2021.
- At the end of Q3 2016 the consumer price index had climbed by 1.3% in Canada over the same period last year. It climbed by 1.8% in British Columbia and 2.2% in Metro Vancouver.
- Metro Vancouver continues to see a rate of inflation above that of BC and Canada.

### 6) Housing Starts<sup>5</sup>



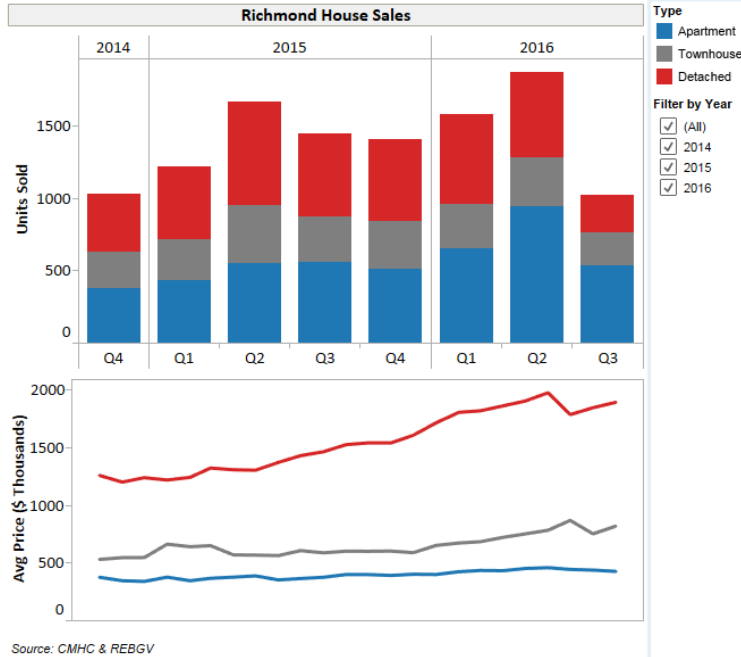
Source: City of Richmond

- Overall Metro Vancouver housing starts increased in Q3 by 38.9% over Q2 and by 45.7% over the same period last year, despite an easing in real estate sales.
- Richmond housing starts cooled off in Q3 after a historically high surge of new home construction during the spring. There were 364 housing starts recorded, representing a 44.7% drop over the same period last year and a 51.7% drop over the previous quarter.
- Year to date figures, however, remain 13.8% higher than over the same period last year. This signals what could be a temporary dip in numbers while demand catches up with supply.

### 7) Richmond House Sales and Prices<sup>6</sup>

# Quarterly Report and Forecast – Q3-2016

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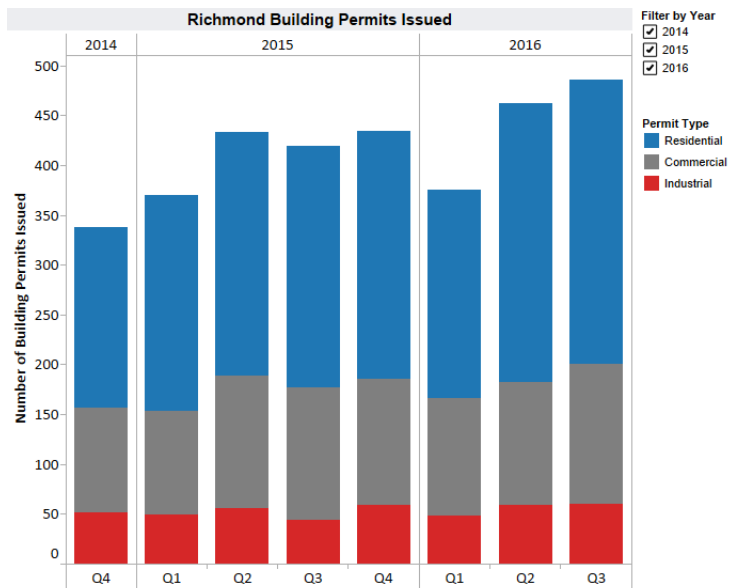


- A 15% foreign home buyer tax introduced in British Columbia at the beginning of August has contributed to a steep decline in home sales in Richmond and throughout the region. Richmond house sales dropped by 29.1% in Q3 2016 over the same period last year, and by 45.3% over the previous quarter.
- Other government regulatory interventions, such as stress tests for all insured mortgages, have been introduced to further mitigate potential long-term housing market vulnerabilities.
- Year over year, the sales of detached homes fell by 54.3% while townhouse sales dropped by 26.1%.
- Apartment sales were minimally affected over the mid-term, seeing only a 5% drop in sales over the same period last year. In the short term, however, the decline in sales – at 44% over Q2 2016 - was on par with the other housing categories.
- After seeing several consecutive quarters of record growth, the average price of detached homes and apartments in Richmond have tapered over the previous quarter by 4% and 7%, respectively, to \$1.89 million and \$428,000.
- Townhomes deviate from the trend, increasing in average price over the previous quarter by 4.6% to \$821,000, as demand for this type of housing stock outpaces supply.
- Despite the recent price stabilization, average prices over the mid- and longer-term have continued to increase year over year. The average price of a Richmond detached home remains 24% above what it was one year ago while apartment prices are up by 6.7% and townhome prices by 36.2%.

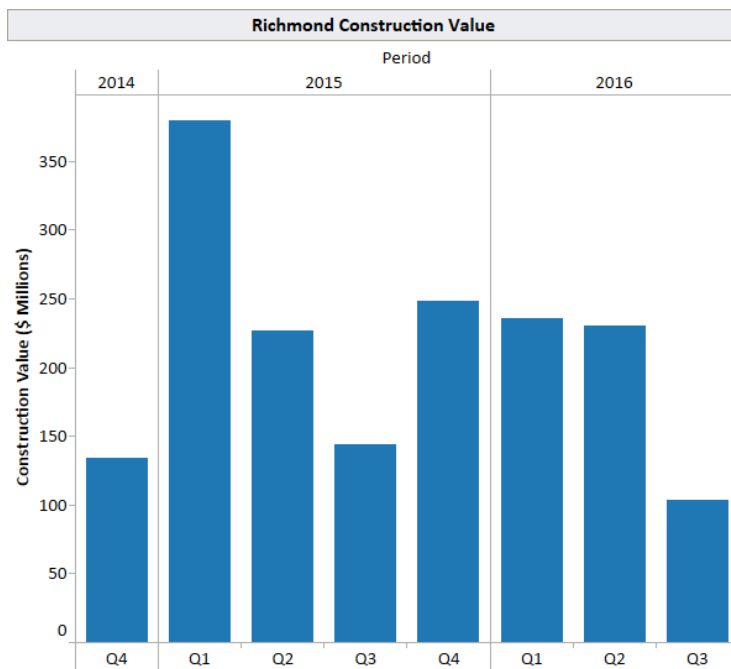
## 8) Building Permits – Richmond<sup>7</sup>

# Quarterly Report and Forecast – Q3-2016

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Source: City of Richmond



Source: City of Richmond

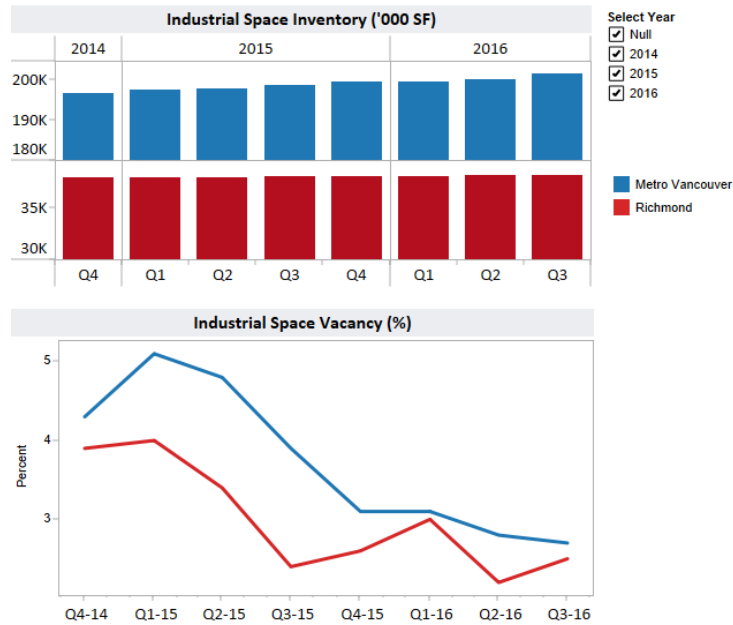
- The number of building permits issued in Richmond throughout Q3 2016 increased by 16% over the same period last year. Year to date figures were also up, by 8.3%.
- Commercial building permits increased by 6% over Q3 2015. Year to date figures are also up, by 3.2%. This shows a pickup over last quarter when year over year figures showed a 7.5% decline.
- The most significant change in building permit activity occurred in the industrial category, where permits issued in Q3 2016 increased by 36.4% over the same period last year.
- Despite declining housing starts in Richmond, an increase in residential building permit activity of 17.8% in Q3 2016 over Q3 2015 reflects an assumption by builders that weakened demand will only be temporary.
- The year to date construction value of building permits issued remains down by 24.1% from a record breaking 2015 as the ratio of non-residential projects increases.

## 9) Commercial Space<sup>8</sup>

# Quarterly Report and Forecast – Q3-2016

## Prepared by City of Richmond Economic Development Office – November 2016

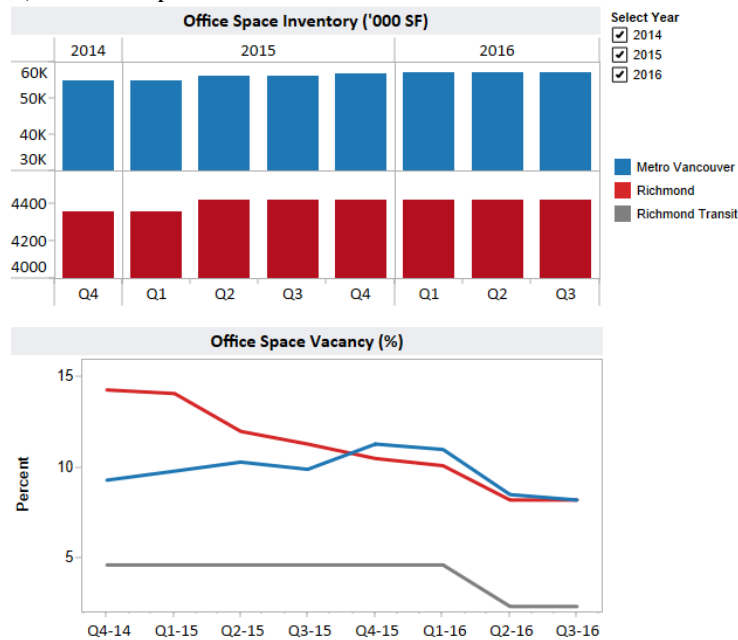
### a) Industrial Space



Source: Cushman & Wakefield

- 113,000 square feet of new industrial space was added to Richmond’s inventory since Q2 2016, driving the vacancy rate up from 2.2% to what is still an extremely tight 2.5%.
- With a region-wide vacancy rate of just 2.7%, Metro Vancouver faces an acute shortage of industrial space and a difficulty in accommodating large users.
- Film productions benefiting from a low Canadian dollar and government incentives, as well as other non-industrial uses (such as recreation) are absorbing a fair amount of space throughout Metro Vancouver.
- Location decisions for other industrial users include flexible zoning to allow non-traditional activities such as e-commerce and multi-storey warehousing, as well as efficient access to major transportation routes.

### b) Office Space



Source: Cushman & Wakefield

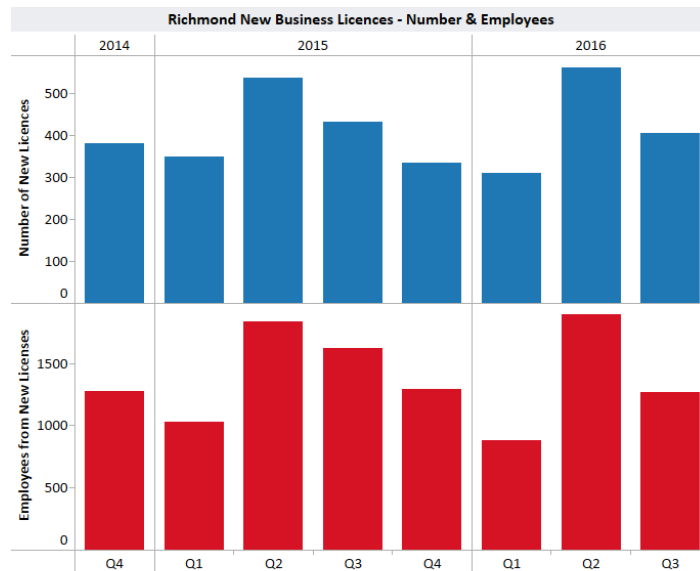
- Even with new office space being added throughout Metro Vancouver, the overall vacancy rate has dropped a further 0.3 percentage points to 8.2%.
- Richmond’s office vacancy rate is holding steady at its multi-year low of 8.2%, with no new inventory added in the last quarter.
- Demand around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts. At 2.3%, Richmond’s transit-oriented vacancy rate is well below the overall Metro Vancouver rate of 13.6%.

### 10) Business Growth – Richmond<sup>9</sup>

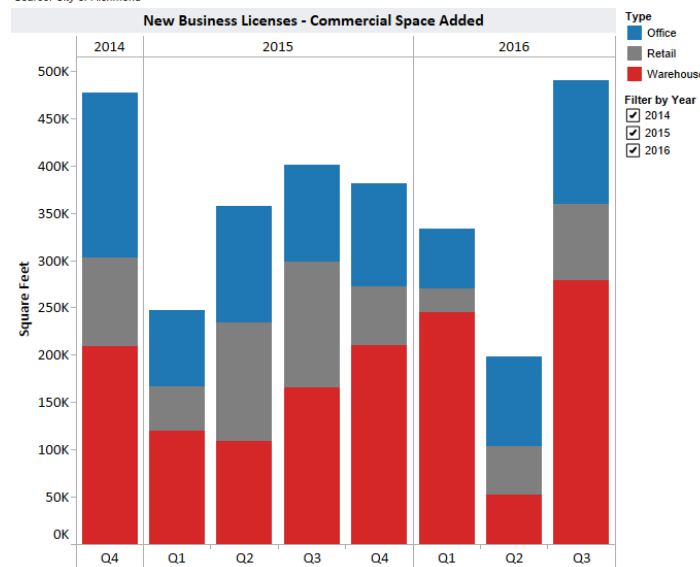
# Quarterly Report and Forecast – Q3-2016

Prepared by City of Richmond Economic Development Office – November 2016

## a) Total Valid Business Licenses & New Business Licences Issued



Source: City of Richmond



Source: City of Richmond

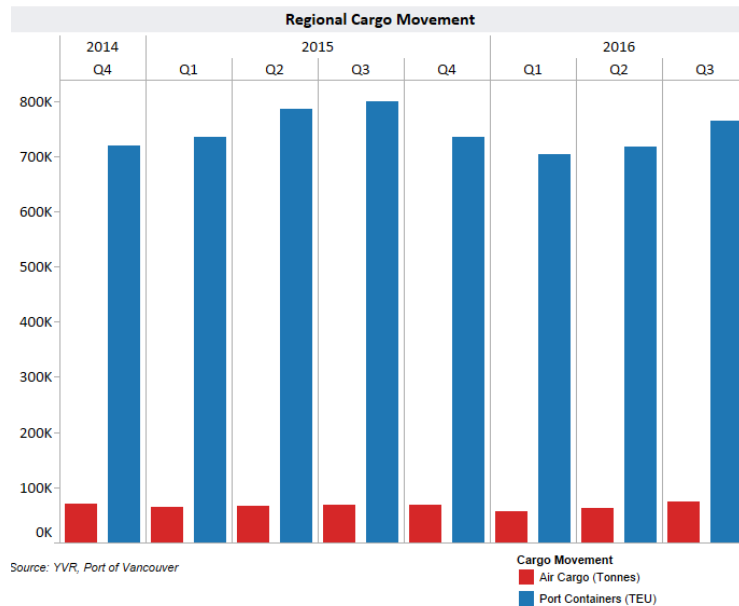
- The total number of valid business licenses to date at the end of the third quarter of 2016 was 13,402.
- Because of continuous business start-ups and closures throughout the year, total annual figures are re-calculated in December of each year. The total number of valid business licenses recorded at the end of 2015 was 14,235.
- 403 new City of Richmond business licenses were issued in the second quarter of 2016, down by 6.3% over the same period last year.
- These new businesses attributed the addition of 1265 local jobs and over 490,554 square feet of commercial space absorption.
- 131,000 square feet of office space was tied to new business license activity in the third quarter of 2016 while 80,840 square feet of retail and 278,000 square feet of industrial space were absorbed.
- Year to date commercial space absorption saw a moderate 1.7% increase over the same period in 2015.
- Large warehouse and distribution space continues to be in high demand as Richmond expands its role as a logistics center for regional and export markets.

# Quarterly Report and Forecast – Q3-2016

Prepared by City of Richmond Economic Development Office – November 2016

## 11) Goods and People Movement

### a. Regional Cargo Movement<sup>10</sup>



- Air cargo handled at the Vancouver International Airport increased by 8.6% in Q3 2016 over the same period last year, helping close the gap in year-to-date figures, which are now down 3% compared to the 9% drop recorded at the end of the last quarter.
- Container movement at the Port of Vancouver dropped by 4.3% over the same period last year. This is the third consecutive period that saw a decline in port activity.
- A softened global economy, and a shifting back of some containerized cargo to U.S. ports following an extended labour disruption are contributing factors.
- Local cargo activity reflects a slowing down of global trade overall that is due to increasing political uncertainty and a tightening of trade liberalization policy.

### b. Airport Passengers<sup>11</sup>



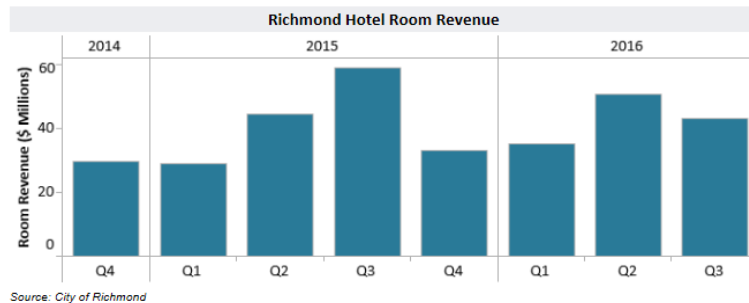
- YVR experienced a record breaking year in 2015, surpassing 20 million annual passengers for the first time, with an overall volume growth of 3.6% year over year.
- This growth trajectory continues in 2016, as Q3 registered a 13.8% growth in passengers over Q3 2015. Year to date passenger numbers are up by nearly 10%.
- New international airlines and routes are leading this growth. Recent service has been added to Brisbane (Australia), Dublin (Ireland), Xiamen (China) and New Delhi (India).



## Quarterly Report and Forecast – Q3-2016

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### c. Richmond Hotel Room Revenue<sup>12</sup>



Source: City of Richmond

*\*September 2016 hotel room revenue figures are not yet available; Q3 data for 2016 includes July and August only.*

- The tourism industry continues to benefit from a weaker Canadian dollar, and has so far climbed by 11.3% year-to-date over 2015, as measured by total room revenue for Richmond hotels.
- \$43.1 million dollars of hotel room revenue was earned in Richmond during the first two months of Q3 2016.
- At 82%, hotel occupancy rates in Richmond are the highest in B.C. and continue to be among the highest in Canada. The YTD occupancy rate for Richmond accommodation providers grew by 2.2% over the same period last year.

### List of Sources (last accessed November 7, 2016)

<sup>1</sup> International Monetary Fund, World Economic Outlook (September 2016)

<sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Research

<sup>3</sup> Bank of Canada, Monetary Policy Report (September 2016)

<sup>4</sup> Statistics Canada

<sup>5</sup> BC Statistics

<sup>6</sup> Real Estate Board of Greater Vancouver

<sup>7</sup> City of Richmond Building Permits

<sup>8</sup> Cushman & Wakefield Office and Industrial Market Beat Reports

<sup>9</sup> City of Richmond Business Licenses

<sup>10</sup> Port of Vancouver Monthly Cargo Statistics

<sup>11</sup> YVR Monthly Statistics

<sup>12</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC

**Quarterly Report and Forecast – Q3-2016**  
**Prepared by City of Richmond Economic Development Office – November 2016**

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**Macroeconomic Indicators & Forecast**

<b>1) Real GDP - % Change</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>	<b>2016f</b>	<b>2017f</b>
Canada	2.5	1.1	-56.0%	1.2	1.9
United States	2.4	2.6	8.3%	1.6	2.2
China	7.3	6.9	-5.5%	6.6	6.2
World	3.4	3.2	-5.9%	3.1	3.4
<b>2) Interest Rates (at YE)</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>	<b>2016f</b>	<b>2017f</b>
Bank of Canada	1.00	0.50	-50.0%	0.50	0.50
US FED	0.25	0.50	100.0%	0.50	1.00
<b>3) Exchange Rate (at YE)</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>	<b>2016f</b>	<b>2017f</b>
CAD per \$1 USD	1.16	1.38	19.0%	1.33	1.3

**Regional and Local Market Indicators**

<b>4) Unemployment (%)</b>	<b>Q3-2016</b>	<b>Q2-2016</b>	<b>Change</b>	<b>Q3-2015</b>	<b>Change</b>	
Canada	7	6.8	2.9%	7.1	-1.4%	
BC	5.7	5.9	-3.4%	6.4	-10.9%	
Metro Vancouver	4.9	5.3	-7.5%	6	-18.3%	
<b>5) CPI (2002=100)</b>	<b>Q3-2016</b>	<b>Q2-2016</b>	<b>Change</b>	<b>Q3-2015</b>	<b>Change</b>	
Canada	128.8	129.1	-0.2%	127.1	1.3%	
BC	123.2	123.1	0.1%	121	1.8%	
Metro Vancouver	125.4	125.3	0.1%	122.7	2.2%	
<b>6) Housing Starts (Units)</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Starts - Metro Vancouver	7358	5298	38.9%	22198	15236	45.7%
Starts - Richmond	364	658	-44.7%	1765	1551	13.8%
<b>7) Richmond Residential Sales Activity</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Sales - Detached	263	575	-54.3%	1475	1804	-18.2%
Sales - Townhouse	532	310	71.6%	1176	984	19.5%
Sales - Apartment	229	560	-59.1%	1826	1546	18.1%
<b>Sales Total/Average Change</b>	<b>1024</b>	<b>1445</b>	<b>-29.1%</b>	<b>4477</b>	<b>4334</b>	<b>3.3%</b>
Average Price - Detached (\$ at QE)	1894	1527	24.0%	n/a	n/a	n/a
Average Price - Townhouse (\$ at QE)	821	603	36.2%	n/a	n/a	n/a
Average Price - Apartment (\$ at QE)	428	401	6.7%	n/a	n/a	n/a

**Quarterly Report and Forecast – Q3-2016**  
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8) <b>Richmond Building Permits</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Building Permits - Residential	285	242	17.8%	774	703	10.1%
Building Permits - Commercial	141	133	6.0%	382	370	3.2%
Building Permits - Industrial	60	44	36.4%	167	149	12.1%
<b>Building Permits Total</b>	<b>486</b>	<b>419</b>	<b>16.0%</b>	<b>1323</b>	<b>1222</b>	<b>8.3%</b>
Construction Value (\$ million)	103.5	143.8	-28.0%	569.1	749.5	-24.1%

**Regional and Local Market Indicators**  
**(continued)**

9) <b>Commercial Space (at QE)</b>	<b>Richmond</b>			<b>Metro Vancouver</b>		
	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>
Office Vacancy (%)	8.2	11.3	-27.4%	8.2	9.9	-17.2%
Transit Oriented Office Vacancy (%)	2.3	4.6	-50.0%	13.6	11.2	21.4%
Office Inventory (000 sf)	4419	4418	0.0%	57003	56104	1.6%
Industrial Vacancy (%)	2.5	2.4	4.2%	2.7	3.9	-30.8%
Industrial Inventory (000 sf)	38107	37913	0.2%	201413	198608	1.4%
<b>10) Richmond Business Growth</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Total Valid Business Licenses	n/a	n/a	n/a	13402	13509	-0.8%
New Licenses - Number Issued	403	430	-6.3%	1272	1313	-3.1%
New Licenses - Employees	1265	1625	-22.2%	4038	4484	-9.9%
New Licenses - Office Added (sf)	131,300	402411	-67.4%	290187	306615	-5.4%
New Licenses - Retail Added (sf)	80,841	132862	-39.2%	156779	303840	-48.4%
New Licenses - Industrial Added (sf)	278,413	165631	68.1%	575367	394998	45.7%
<b>Total Space Added (sf) / Average Change</b>	<b>490,554</b>	<b>700,904</b>	<b>-30.0%</b>	<b>1,022,333</b>	<b>1,005,453</b>	<b>1.7%</b>
<b>11) Goods &amp; People Movement</b>	<b>Q3-2016</b>	<b>Q3-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
YVR Air Cargo (tones)	74367	68504	8.6%	193484	199453	-3.0%
PMV Container Movement (TEUs)	764113	798473	-4.3%	2185957	2318767	-5.7%
YVR Passengers (million)	6.6	5.8	13.8%	17	15.5	9.7%
Richmond Hotel Room Revenue (\$ million)*	43.1	n/a	n/a	129	115.9	11.3%

\* - Hotel Room Revenue data to August only

**Notes:**

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- a) *Q indicates quarter-end*
- b) *YTD indicates year to date*

**List of Sources:**

- 1) *International Monetary Fund, World Economic Outlook (Oct 2016)*
- 2) *US Federal Reserve, Bank of Canada and Royal Bank Research*
- 3) *Bank of Canada*
- 4) *Statistics Canada*
- 5) *CMHC*
- 6) *Real Estate Board of Greater Vancouver*
- 7) *City of Richmond Building Permits*
- 8) *Cushman & Wakefield Office and Industrial Market Beat Reports*
- 9) *City of Richmond Business Licenses*
- 10) *YVR & PMV Monthly Cargo Statistics*
- 11) *YVR Monthly Passenger Statistics*
- City of Richmond Additional Hotel Room Tax Ledger*