

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

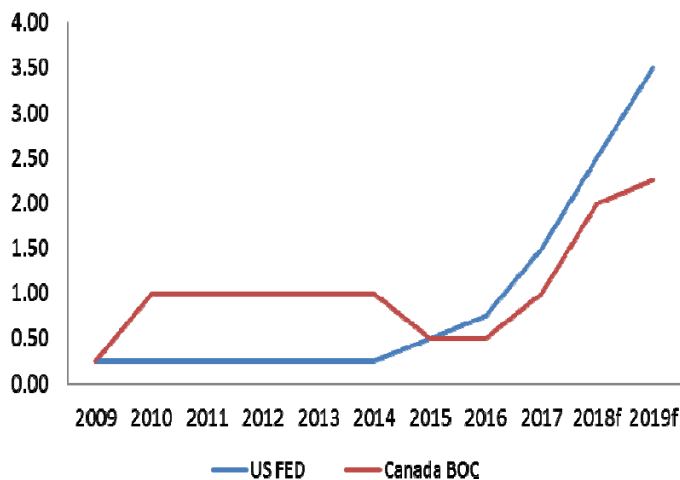
**Macroeconomic Indicators & Forecast**

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



- In 2017 world GDP grew by 3.7% and is forecasted to grow at a rate of 3.9% for both 2018 and 2019. Downside risks to the forecast include protectionist policies and geopolitical tensions occurring in some major global economies.
- GDP growth in the U.S. was on target in 2017, at 2.3%, and is expected to accelerate to 2.7% and 2.5% in 2018 and 2019, respectively, driven by recently approved reduction in the federal corporate tax rate from 35% to 21%.
- Spurred by increases in consumer spending, commodity prices, and business investment, Canada registered GDP growth of 3% in 2017 - significantly higher than the 1.4% growth seen in 2016. Canada's economy is forecasted to grow by a more subdued 2.3% in 2018 and 2% in 2019.
- GDP growth for China continues to decelerate and is forecasted at 6.6% and 6.4% in 2018 and 2019, respectively.

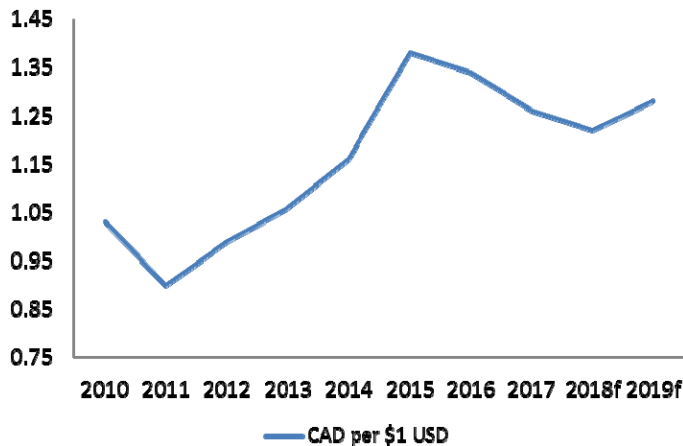
2) Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End<sup>2</sup>



- As the U.S. and Canadian economies continue to perform well, both central banks have been lessening aggressive monetary policy support previously in place.
- The U.S. Federal Reserve increased the overnight rate to 1.5% in 2017 and is expected to increase it to 3.5% by the end of 2019.
- The overnight lending rate was raised by the Bank of Canada (BoC) twice in 2017, ending the year at 1% - the highest level in the post-recession period. Additional increases will be gradual accounting for impacts of new mortgage rules and the NAFTA renegotiation, with the BoC rate forecasted to end 2019 at 2.25%.

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

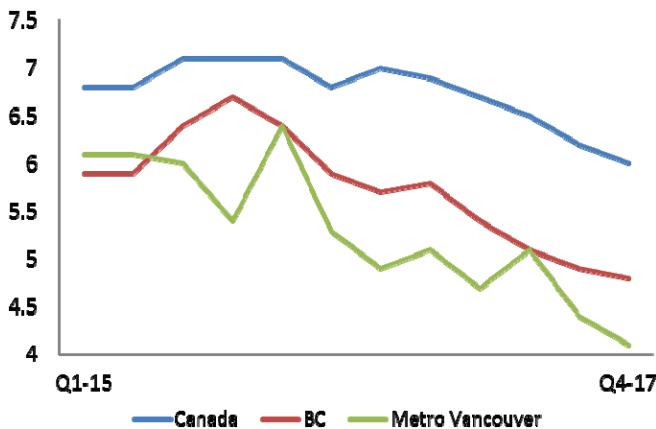
3) Exchange Rates – USD/CAD at Year-End<sup>3</sup>



- The Canadian dollar ended 2017 at \$1.26 CAD per \$1 USD, appreciating alongside increases to central bank rates and a well performing national economy.
- Uncertainty over the future of NAFTA has created recent downward pressure on the loonie. Longer term projections remain stable with the exchange rate anticipated to close 2019 at 1.28 CAD per \$1 USD.
- A relatively weak Canadian dollar could continue to benefit domestic exporters of goods and services, as well as sectors such as film, technology and tourism.

**Regional & Local Economic Activity Indicators**

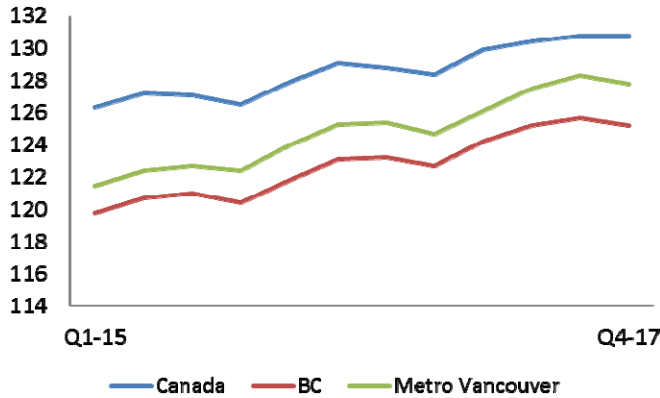
4) Unemployment<sup>4</sup>



- Canada had the lowest unemployment rate on record at the end of 2017, with B.C. performing best among the provinces.
- National and regional economies continue to operate at close to full employment levels and unemployment rates ended 2017 at a low 6%, 4.8%, and 4.1% for Canada, B.C. and Metro Vancouver respectively. This represents a decrease in unemployment rates by 13%, 17% and 20% respectively over the same period in 2016.
- This prolonged period of strong employment growth is expected to put upward pressure on wages as companies compete for skilled employees.

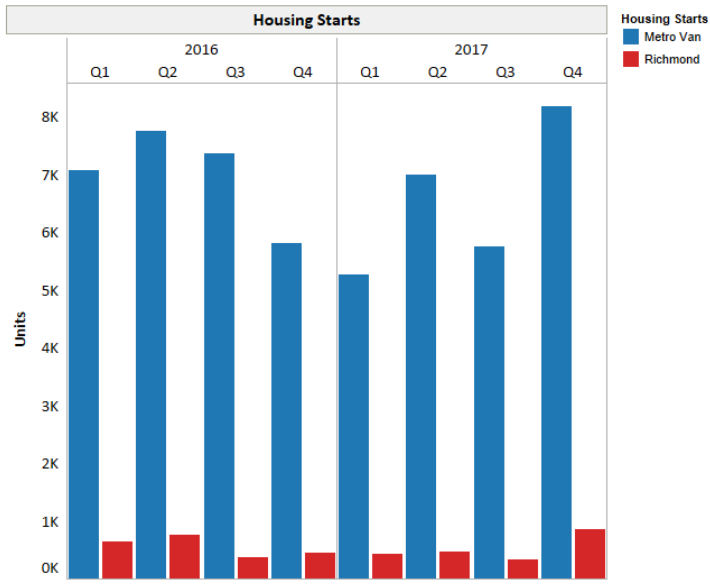
5) Consumer Price Index (CPI – 2002=100)

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**



- Overall inflation is running close to the Bank of Canada’s 2 per cent target, while core measures of inflation have edged up.
- In 2017 the consumer price index climbed by 2.5% in Metro Vancouver, 2% in British Columbia and 1.9% in Canada overall.

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



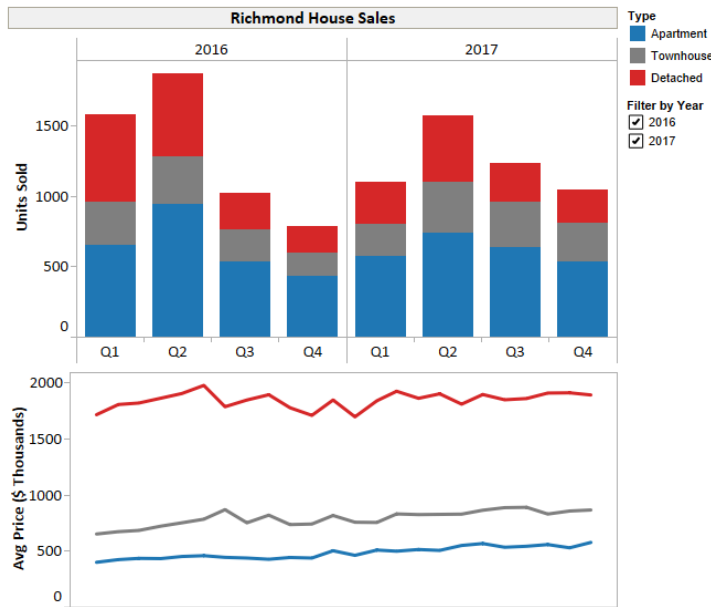
- Following a record year for new home construction in Metro Vancouver in 2016, housing starts decreased in 2017.
- There were 26,204 housing starts in Metro Vancouver throughout the year, a decrease of 6.1% over 2016.
- In Richmond, 2,070 housing starts represented a decrease of 6.5% over 2016 levels.
- The anticipated effect of new mortgage rules and rising interest rates in 2018 may have contributed to a surge in Q4 activity, both in Richmond and Metro Vancouver.

Source: Canada Mortgage and Housing Corporation

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

# Quarterly Report and Forecast – Q4 and Year-End 2017

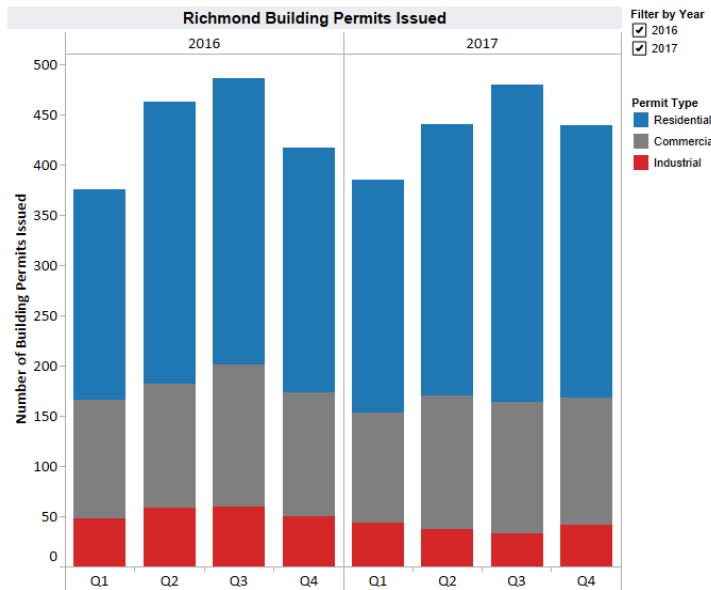
## Prepared by City of Richmond Economic Development Office – April 2018



Source: CMHC & REBGV

- The overall volume of home sales in Richmond decreased in 2017 over 2016 levels, by 6%.
- The detached home category saw a decrease in sales of 22.9%, while apartment sales decreased by 2.7% in 2017 over 2016.
- Townhouses fared better, seeing an increase in sales activity of 13.2% over 2016 levels.
- There was a flurry of sales activity in Q4 2017 across all categories, likely due to the anticipated effects of tightening mortgage rules and increasing borrowing costs in 2018.
- In 2017 average home prices increased for detached homes (+2.5%), townhouses (+6%) and apartments (+14.7%). Average prices ended the year at \$1.8 million, \$818,000 and \$504,000 respectively.

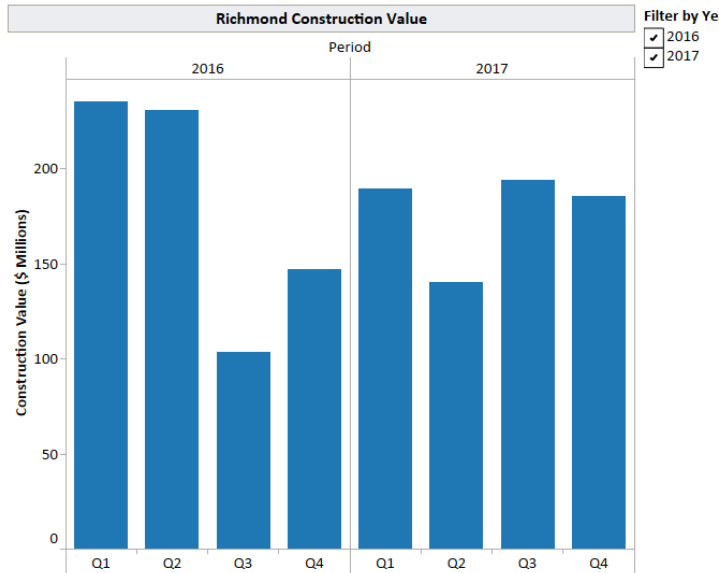
### 8) Building Permits – Richmond<sup>7</sup>



Source: City of Richmond

- The total number of building permits issued in Richmond throughout 2017 climbed slightly, by 0.2%, over 2016.
- Construction activity continued to normalize following a record breaking construction year in 2015 when the city saw almost a billion dollars' worth of construction occur.
- The number of residential building permits issued increased by 7% year over year while commercial permits dropped by 1%.
- 155 industrial building permits were issued throughout the year, a 28.6% decrease over 2016.

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

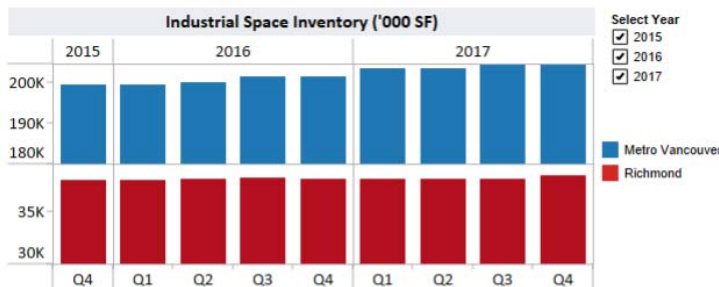


- The total value of construction activity throughout Richmond in 2017 was \$709 million, on par with the \$716 million realized in 2016.

Source: City of Richmond

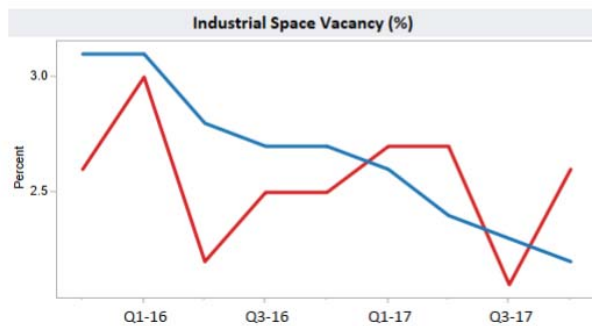
9) Commercial Space<sup>8</sup>

a) Industrial Space



- Despite a net addition of 331,000 square feet of industrial space over the same period last year, high demand and absorption has kept the industrial vacancy rate in Richmond at a low 2.6%.

- Meanwhile the vacancy rate in Metro Vancouver decreased again year over year, by almost 20% to a very low 2.2%.



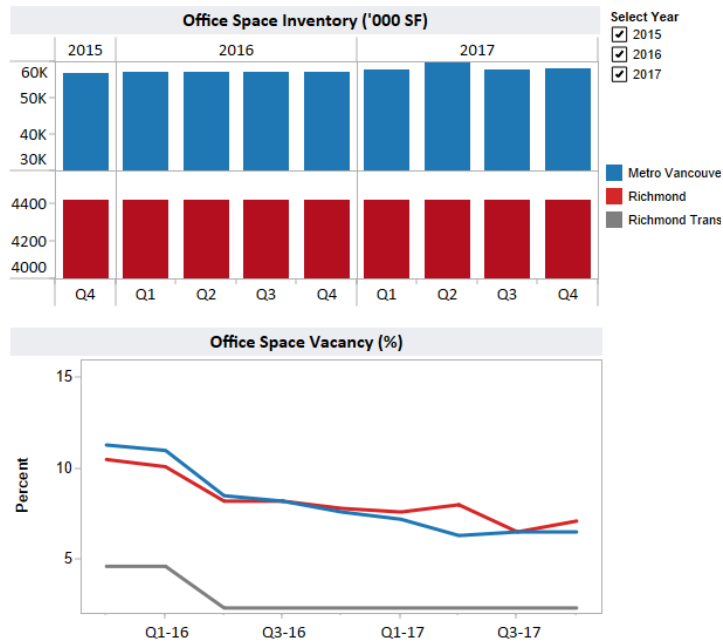
- With this acute shortage of industrial space, Richmond and Metro Vancouver are experiencing difficulty accommodating new large users as well as the expansion of existing businesses.

- At 38 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (35 million), Burnaby (30 million), Delta (24 million), and Vancouver (24 million).

Source: Cushman & Wakefield

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

b) Office Space

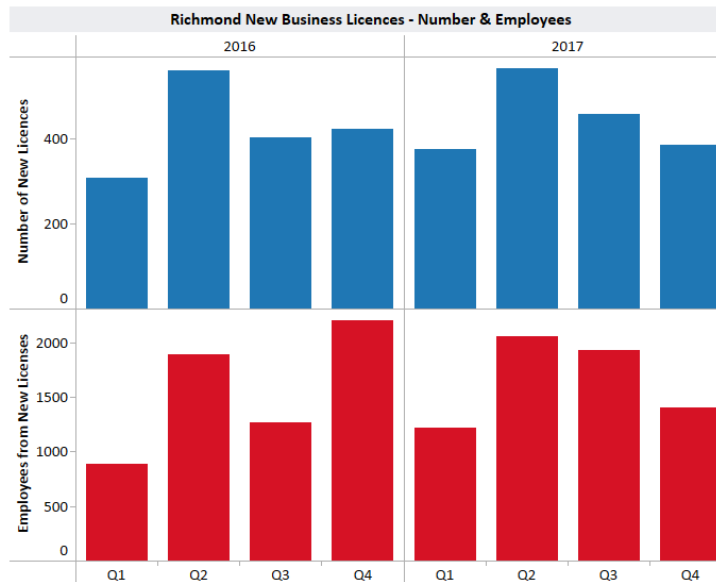


Source: Cushman & Wakefield

- Richmond’s office vacancy rate continued its steady decline, ending 2017 at 7.1%, a decrease of 0.7 percentage points over the same period last year.
- Despite multiple projects currently in the proposal stage, there has been no significant new non-stratified office space added in Richmond since 2008.
- The regional office vacancy rate also decreased in 2017, down to 6.5% from 7.6% at the end of 2016.
- Demand for office space 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 office vacancy rate is the lowest of Metro Vancouver communities and well below the overall Metro Vancouver rate of 13.6%.

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

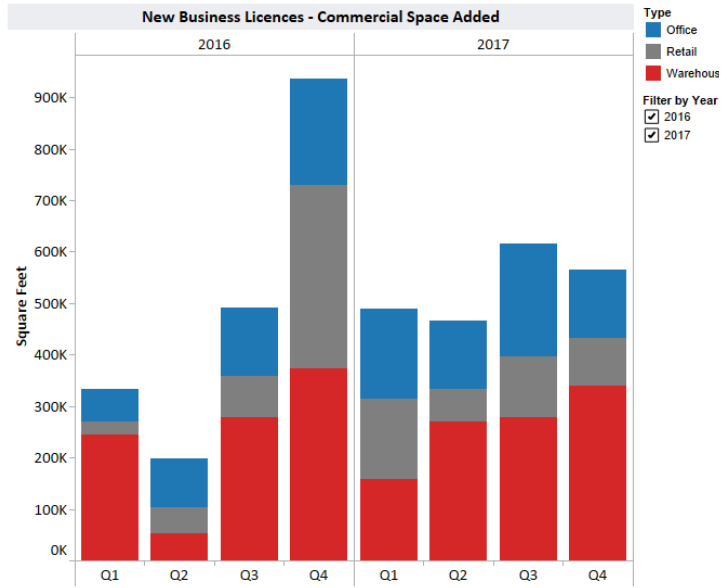
a) Total Valid Business Licenses & New Business Licences Issued



Source: City of Richmond

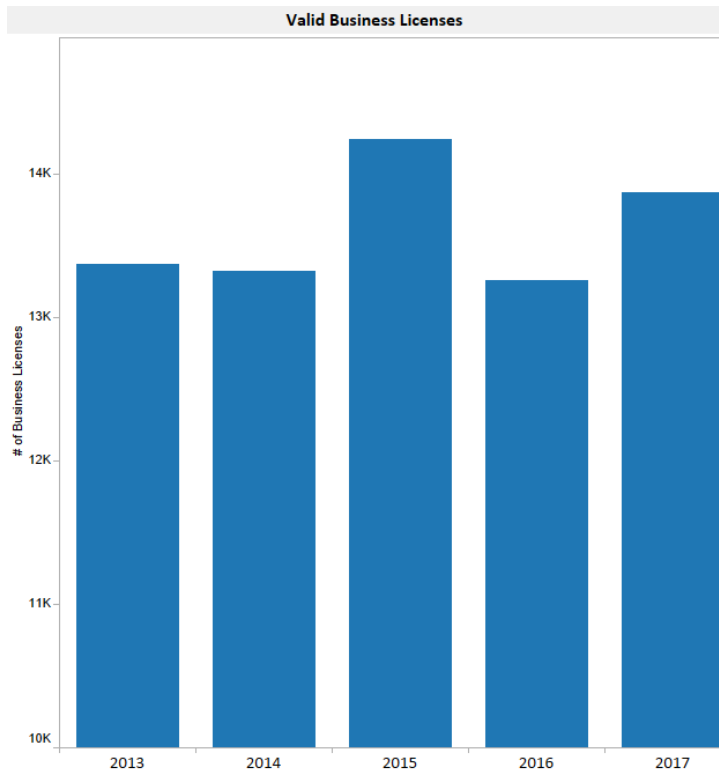
- 1,787 new City of Richmond business licenses were issued throughout 2017, an increase of 5.4% over 2016.
- The addition of 6,605 local jobs and over 2 million square feet of commercial space absorption were attributed to these new businesses.

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**



Source: City of Richmond

- Of the nearly 2 million square feet of commercial space absorbed by new businesses throughout 2017, nearly half was attributed to industrial users.
- Office and retail users each made up approximately one quarter of the commercial space absorption.
- 659,000 square feet of office space absorption was tied to new business licence activity throughout 2017, an increase of 33% over 2016.
- Industrial space absorption climbed 10% over 2016 while retail space absorption decreased by 16.4% over the same period.

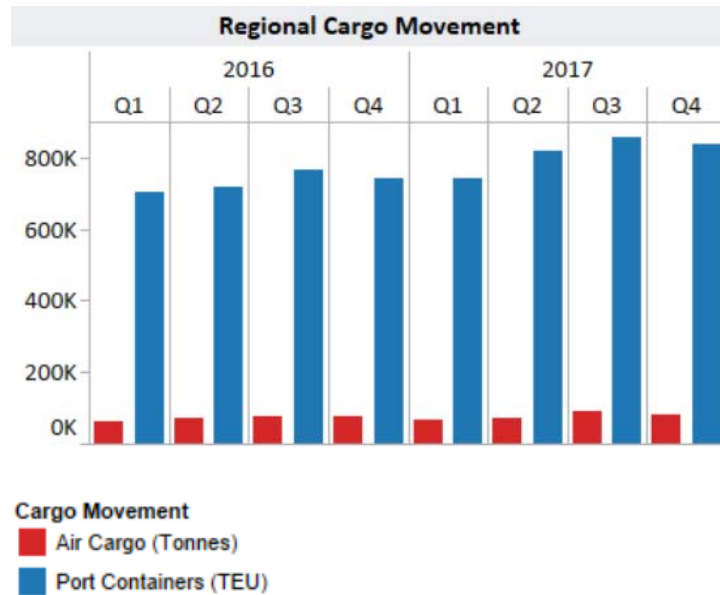


- In 2017 there were a total of 13,870 valid business licenses issued in Richmond. This number is up by 4.7% over 2016.

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

11) Goods and People Movement

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



- Cargo data indicators of regional trade activity increased across all categories in 2017, reflecting a strong national trade economy.
- Throughout the year 314,400 tonnes of air cargo moved through Vancouver International Airport (YVR), an increase of 12% over the previous year.
- Shipping container movement at the Port of Vancouver also increased, by 11%. 3.3 million Twenty-Foot Equivalent Units (TEUs) passed through the Port in 2017.

Source: Port of Vancouver, YVR

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



- 2017 was another record-breaking year of growth for YVR. The airport saw 24.2 million passengers throughout the year, an 8.4% increase over 2016.
- YVR has since revised its interim target for passenger growth upward to 29 million passengers per year by 2020, up from the previous target of 25 million.

Source: Vancouver Airport Authority



**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

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



Source: City of Richmond

- In 2017 the tourism industry continued to benefit from a weaker Canadian dollar and a sustained worldwide growth in travel, and climbed by nearly 5% over 2016 – as measured by local hotel room revenue.
- In 2017, Richmond hotels earned a collective \$195.1 million in room revenue.
- Richmond’s overall hotel occupancy rate in 2017 was 84.7% - this is the highest in B.C. and continues to be among the highest in Canada.

**List of Sources (last accessed April 1, 2018)**

- 
- <sup>1</sup> International Monetary Fund, World Economic Outlook (January 2018)
  - <sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Research
  - <sup>3</sup> Bank of Canada, Monetary Policy Report (January 2018)
  - <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>11</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

---

**Macroeconomic Indicators & Forecast**

<b>1) Real GDP - % Change</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>	<b>2018f</b>	<b>2019f</b>
Canada	1.4	3	114.3%	2.3	2.0
United States	1.5	2.3	53.3%	2.7	2.5
China	6.7	6.8	1.5%	6.6	6.4
World	3.2	3.7	15.6%	3.9	3.9
<b>2) Interest Rates (at YE)</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>	<b>2018f</b>	<b>2019f</b>
Bank of Canada	0.5	1.00	100.0%	2.00	2.25
US FED	0.75	1.50	100.0%	2.50	3.50
<b>3) Exchange Rate (at YE)</b>	<b>2016</b>	<b>2017</b>	<b>Change</b>	<b>2018f</b>	<b>2019f</b>
CAD per \$1 USD	1.34	1.26	-6.0%	1.22	1.28

**Regional and Local Market Indicators**

<b>4) Unemployment (%)</b>	<b>Q4-2017</b>	<b>Q3-2017</b>	<b>Change</b>	<b>Q4-2016</b>	<b>Change</b>	
Canada	6	6.2	-3.2%	6.9	-13.0%	
BC	4.8	4.9	-2.0%	5.8	-17.2%	
Metro Vancouver	4.1	4.4	-6.8%	5.1	-19.6%	
<b>5) CPI (2002=100)</b>	<b>Q4-2017</b>	<b>Q3-2017</b>	<b>Change</b>	<b>Q4-2016</b>	<b>Change</b>	
Canada	130.8	130.8	0.0%	128.4	1.9%	
BC	125.2	125.7	-0.4%	122.7	2.0%	
Metro Vancouver	127.8	128.3	-0.4%	124.7	2.5%	
<b>6) Housing Starts (Units)</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>YTD-2017</b>	<b>YTD-2016</b>	<b>Change</b>
Starts - Metro Vancouver	8179	5818	40.6%	26204	27914	-6.1%
Starts - Richmond	850	450	88.9%	2070	2215	-6.5%
<b>7) Richmond Residential Sales Activity</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>YTD-2017</b>	<b>YTD-2016</b>	<b>Change</b>
Sales - Detached	232	185	25.4%	1280	1660	-22.9%
Sales - Townhouse	278	170	63.5%	1181	1043	13.2%
Sales - Apartment	534	431	23.9%	2490	2560	-2.7%
<b>Sales Total/Average Change</b>	<b>1044</b>	<b>786</b>	<b>32.8%</b>	<b>4951</b>	<b>5263</b>	<b>-5.9%</b>
Average Price - Detached (\$ at QE)	1892000	1847000	2.4%	N/A	N/A	N/A
Average Price - Townhouse (\$ at QE)	867000	818000	6.0%	N/A	N/A	N/A

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

Average Price - Apartment (\$ at QE)	578000	504000	14.7%	N/A	N/A	N/A
<b>8) Richmond Building Permits</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>YTD-2017</b>	<b>YTD-2016</b>	<b>Change</b>
Building Permits - Residential	271	244	11.1%	1,089	1,018	7.0%
Building Permits - Commercial	127	123	3.3%	500	505	-1.0%
Building Permits - Industrial	41	50	-18.0%	155	217	-28.6%
<b>Building Permits Total</b>	<b>439</b>	<b>417</b>	<b>5.3%</b>	<b>1,744</b>	<b>1,740</b>	<b>0.2%</b>
Construction Value (\$ million)	185.5	146.7	26.4%	709.1	715.8	-0.9%

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

<b>9) Commercial Space (at QE)</b>	<b>Richmond</b>			<b>Metro Vancouver</b>		
	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>
Office Vacancy (%)	7.1	7.8	-9.0%	6.5	7.6	-14.5%
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%			
Office Inventory (000 sf)	4419	4419	0.0%	58119	56956	2.0%
Industrial Vacancy (%)	2.6	2.5	4.0%	2.2	2.7	-18.5%
Industrial Inventory (000 sf)	38325	37994	0.9%	206213	201413	2.4%
<b>10) Richmond Business Growth</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>YTD-2017</b>	<b>YTD-2016</b>	<b>Change</b>
Total Valid Business Licenses	13870	13253	4.7%	N/A	N/A	N/A
New Licenses - Number Issued	387	423	-8.5%	1787	1695	5.4%
New Licenses - Employees	1402	2200	-36.3%	6605	6238	5.9%
New Licenses - Office Added (sf)	131,618	206,502	-36.3%	658517	496689	32.6%
New Licenses - Retail Added (sf)	92,567	356,333	-74.0%	429046	513112	-16.4%
New Licenses - Industrial Added (sf)	340,129	372,830	-8.8%	1046416	948197	10.4%
<b>Total Space Added (sf) / Average Change</b>	<b>564,314</b>	<b>935,665</b>	<b>-39.7%</b>	<b>2,133,979</b>	<b>1,957,998</b>	<b>9.0%</b>
<b>11) Goods &amp; People Movement</b>	<b>Q4-2017</b>	<b>Q4-2016</b>	<b>Change</b>	<b>YTD-2017</b>	<b>YTD-2016</b>	<b>Change</b>
YVR Air Cargo (tonnes)	83184	74636	11.5%	314429	281020	11.9%
PMV Container Movement (TEUs)	837321	743630	12.6%	3252225	2929587	11.0%
YVR Passengers (million)	5.7	5.3	7.5%	24.2	22.3	8.5%
Richmond Hotel Room Revenue (\$ million)	37.2	38.9	-4.4%	195.1	185.9	4.9%

**Notes:**

**Quarterly Report and Forecast – Q4 and Year-End 2017**  
**Prepared by City of Richmond Economic Development Office – April 2018**

---

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

**List of Sources:**

- 1) *International Monetary Fund, World Economic Outlook (January, 2018)*
- 2) *US Federal Reserve, Bank of Canada and Royal Bank Research*
- 3) *Bank of Canada*
- 4) *Statistics Canada*
- 6) *CMHC*
- 7) *Real Estate Board of Greater Vancouver*
- 8) *City of Richmond Building Permits*
- 9) *Cushman & Wakefield Office and Industrial Market Beat Reports*
- 10) *City of Richmond Business Licenses*
- 11) *YVR & PMV Monthly Cargo Statistics*  
*YVR Monthly Statistics*  
*City of Richmond Additional Hotel Room Tax Ledger*