



Economic  
Development

City of Richmond

# Quarterly Economic Report

2018 | Q1



Up-to-date statistics and analysis on key economic indicators including housing and development, tourism and trade, business growth, commercial space and more.



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# Q1 2018 Key Economic Indicators



The Bank of Canada rate is expected to increase to **2.25%** by the end of 2019.



The unemployment rate in Metro Vancouver dropped by **15%**.



Housing starts in Richmond more than doubled in Q1 2018, increased by **56%**.



Richmond home sales declined by **24%** in Q1 2018.



Construction activity throughout Q1 was valued at **\$215 million**.



The industrial vacancy rate in Richmond is at a low **2.1%**.



The office vacancy rate dropped again in Q1 2018, and is now **7.1%**.



There were **13,940** active business licences in Richmond at the end of Q1 2018.



**5.8 million** passengers travelled through YVR in Q1.

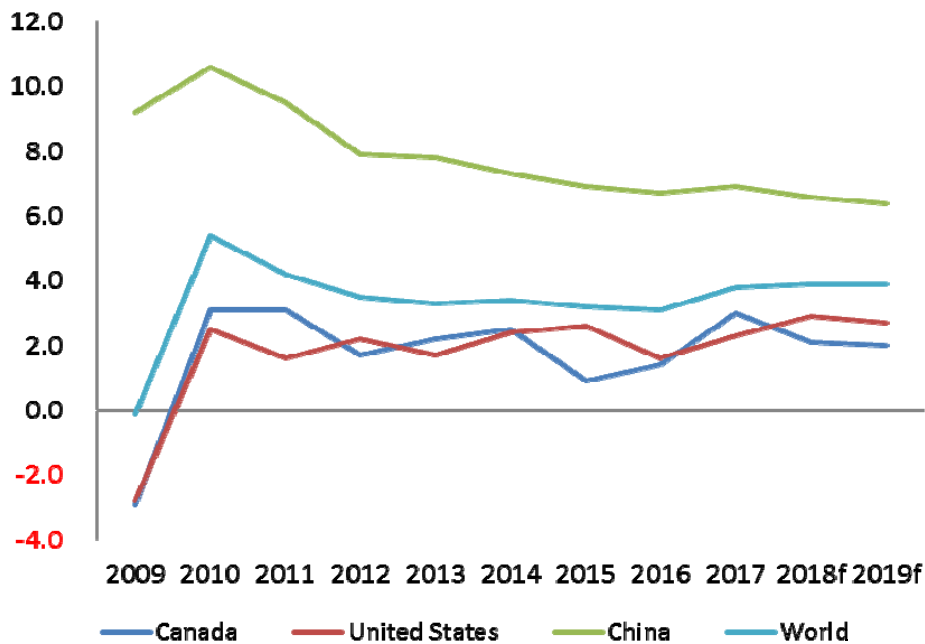


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# Macroeconomic Indicators & Forecast

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



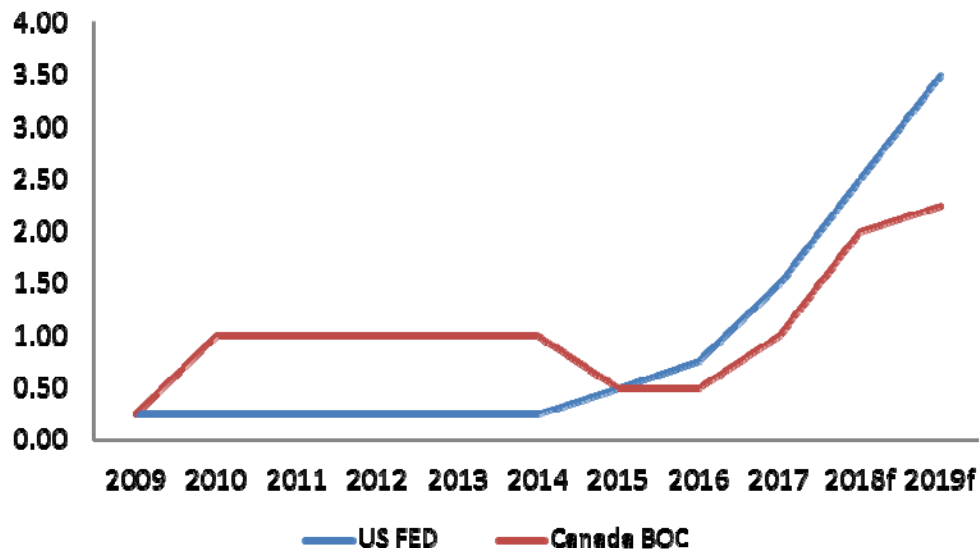
Source: International Monetary Fund

- In 2017, the world gross domestic product (GDP) grew by 3.8%, the highest rate since 2011. It is forecasted to further strengthen to a growth rate of 3.9% for both 2018 and 2019. Downside risks to the forecast include tightening financial conditions as well as nationalistic policies and geopolitical tensions emerging in some major global economies.
- U.S. GDP grew by 2.3% in 2017, above expectations, and is forecasted to grow by 2.9% and 2.7% in 2018 and 2019 respectively. The upward revision of 0.2 percentage points since the last forecast was spurred by federal tax cuts and infrastructure spending announcements.
- Driven 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 2.1% in 2018 and 2.0% in 2019.
- GDP growth for China continues to decelerate and is forecasted at 6.6% and 6.4% in 2018 and 2019, respectively.




Canada's economy is forecasted to grow by a more subdued **2.1%** in 2018.

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



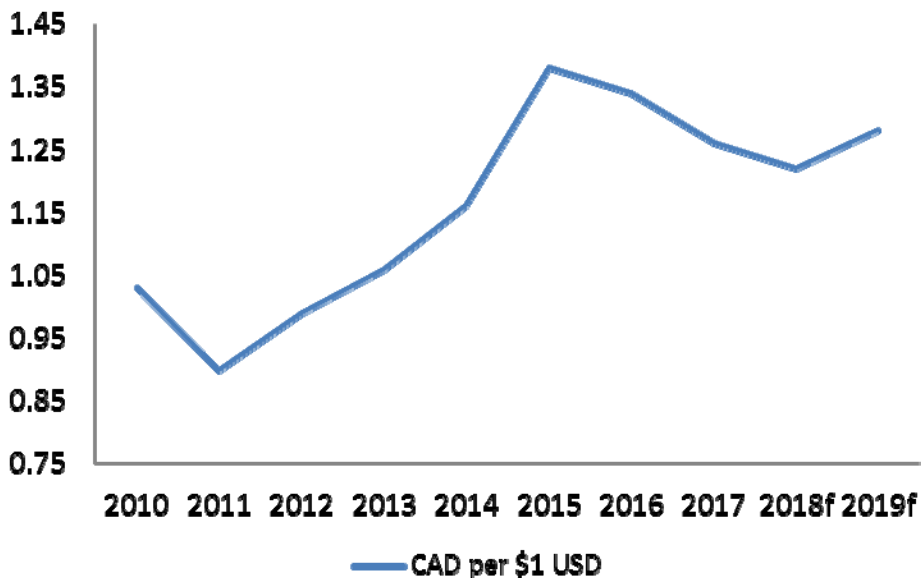
Source: US Federal Reserve, Bank of Canada and Royal Bank Research

- As the U.S. and Canadian economies continue to perform well, both central banks have been lessening aggressive monetary policy support previously in place to spur the economic recovery.
- As the economic outlook increased throughout the first quarter of 2018, the U.S. Federal Reserve increased the overnight rate from 1.50% to 1.75%. The rate is expected to increase further to 3.50% by the end of 2019.
- The Bank of Canada (BoC) raised the policy interest rate by 25 basis points, to 1.25% in January 2018, and kept it steady for the rest of the quarter.
- Additional increases to the BoC rate are expected to be gradual, in anticipation of potential impacts from new mortgage rules and the North American Free Trade Agreement (NAFTA) renegotiation.
- The BoC overnight lending rate is expected to increase to 2.25% by the end of 2019.



**The Bank of Canada rate is expected to increase to **2.25%** by the end of 2019**

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



Source: Royal Bank of Canada

- The Canadian dollar (CAD) appreciated throughout 2017 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.
- Buoyed by a stronger than expected rise in Canadian inflation, the exchange rate ended Q1 2018 at \$1.29 CAD per \$1 U.S. dollar (USD).
- Over the projection horizon, the Canadian dollar is assumed to remain close to its recent average, ending 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.

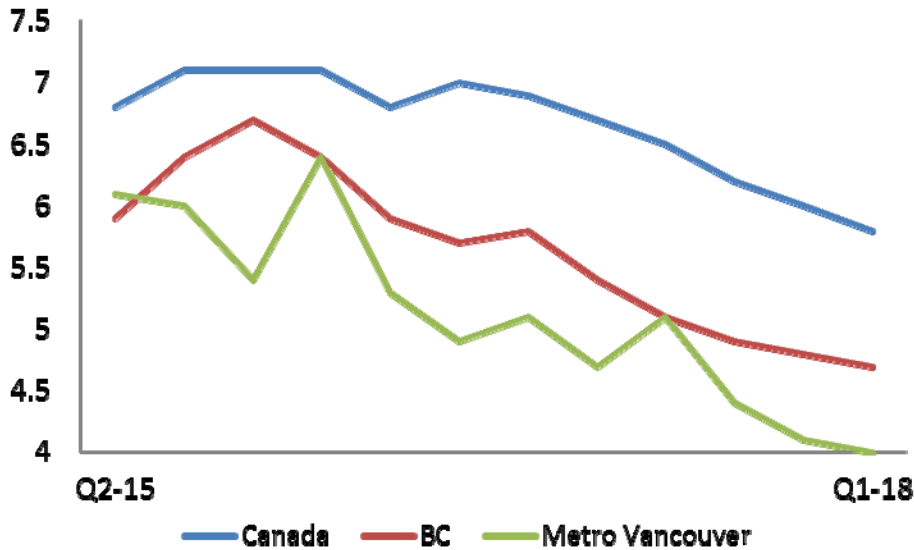


The foreign exchange rate was **\$1.29 CAD per \$1 USD** at the end of Q1 2018/.



## Regional & Local Economic Activity Indicators

### 4. Unemployment<sup>4</sup>



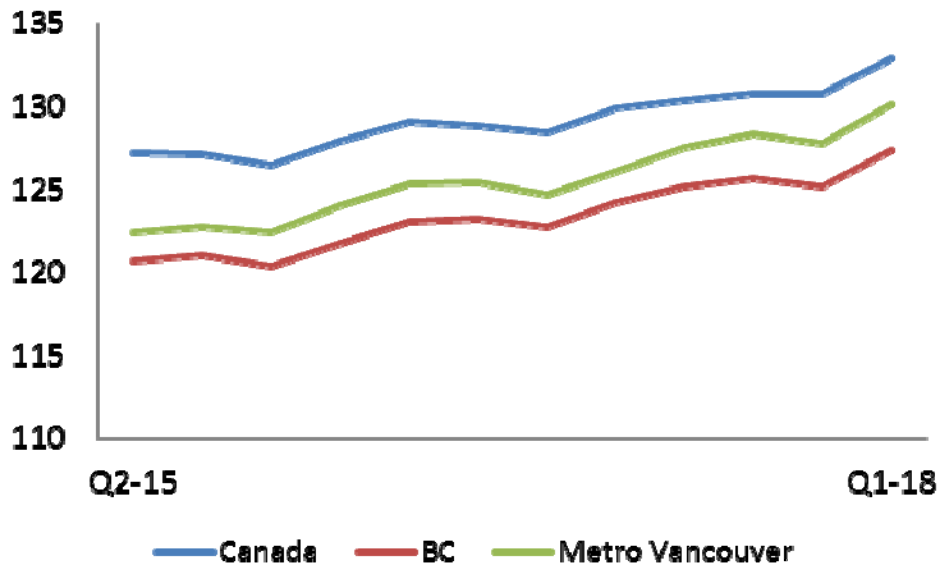
Source: BC Statistics; Statistics Canada

- National and regional economies continue to operate at close to full employment levels and unemployment rates continued their decline throughout Q1 2018.
- Canada had the lowest unemployment rate on record at the end of Q1 2018, with B.C. performing best among the provinces.
- Unemployment rates ended the quarter at a low 5.8%, 4.7%, and 4.0% for Canada, B.C. and Metro Vancouver respectively. This represents a decrease in unemployment rates by 13%, 13% and 15%, respectively, over the same quarter in 2017.
- This prolonged period of strong employment growth is expected to put upward pressure on wages as companies compete for skilled employees.



The unemployment rate in Metro Vancouver dropped by 15%.

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



Source: BC Statistics

- Inflation, as measured by Consumer Price Index (CPI), climbed again in Metro Vancouver, BC and Canada in the first quarter of 2018 - with rising gas prices, interest rates and minimum wages contributing to the increase.
- At the end of Q1 2018 the CPI climbed by 3.2% in Metro Vancouver, 2.6% in British Columbia and 2.3% in Canada overall, compared to the same period last year.
- The BoC continues to monitor inflation closely, and increases to its policy interest rate are intended to maintain the CPI rate of increase at the midpoint between 1 and 3 percent.



Inflation climbed by **3.2%** in Metro Vancouver, **2.6%** in British Columbia and **2.3%** in Canada.

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



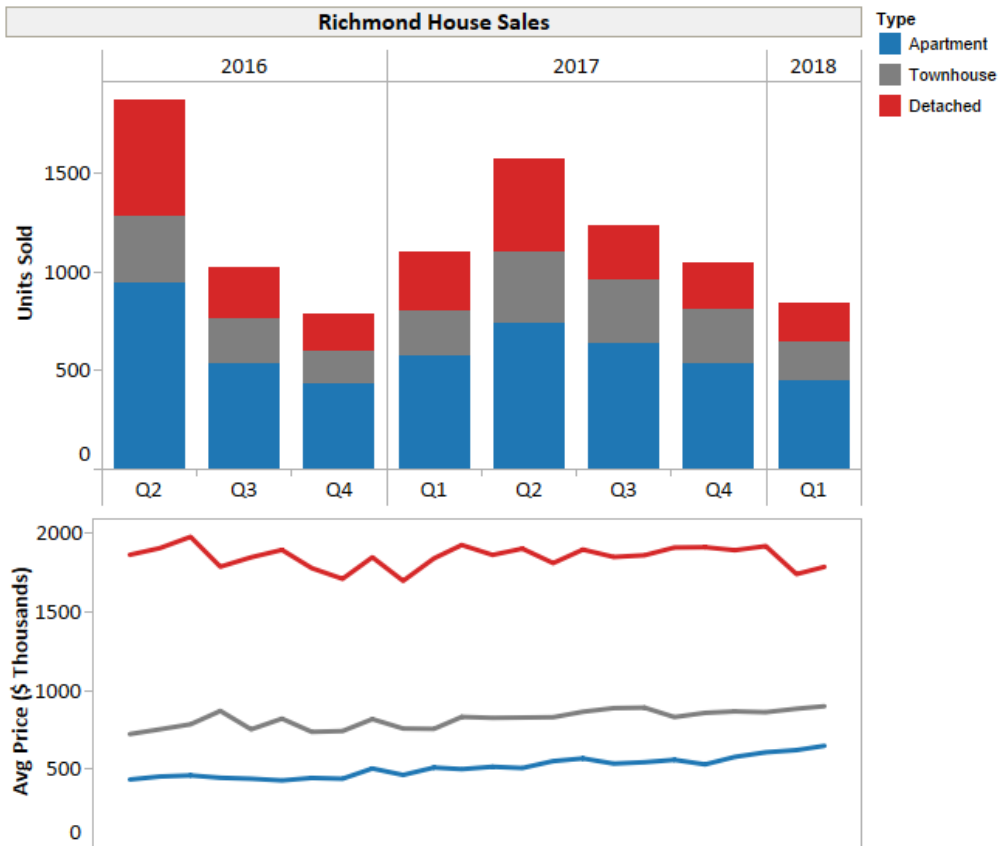
Source: Canada Mortgage and Housing Corporation

- Construction of new homes, particularly condos and townhouses, surged in the first quarter of 2018.
- So far in 2018, housing starts in Metro Vancouver and Richmond have increased dramatically over Q1 2017, by 30% and 56% respectively.
- There were 6,864 housing starts in Metro Vancouver throughout the first three months of 2018, and 660 in Richmond during the same period.



**Housing starts in Richmond more than doubled in Q1 2018, increased by 56%.**

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



Source: CMHC & REBGV

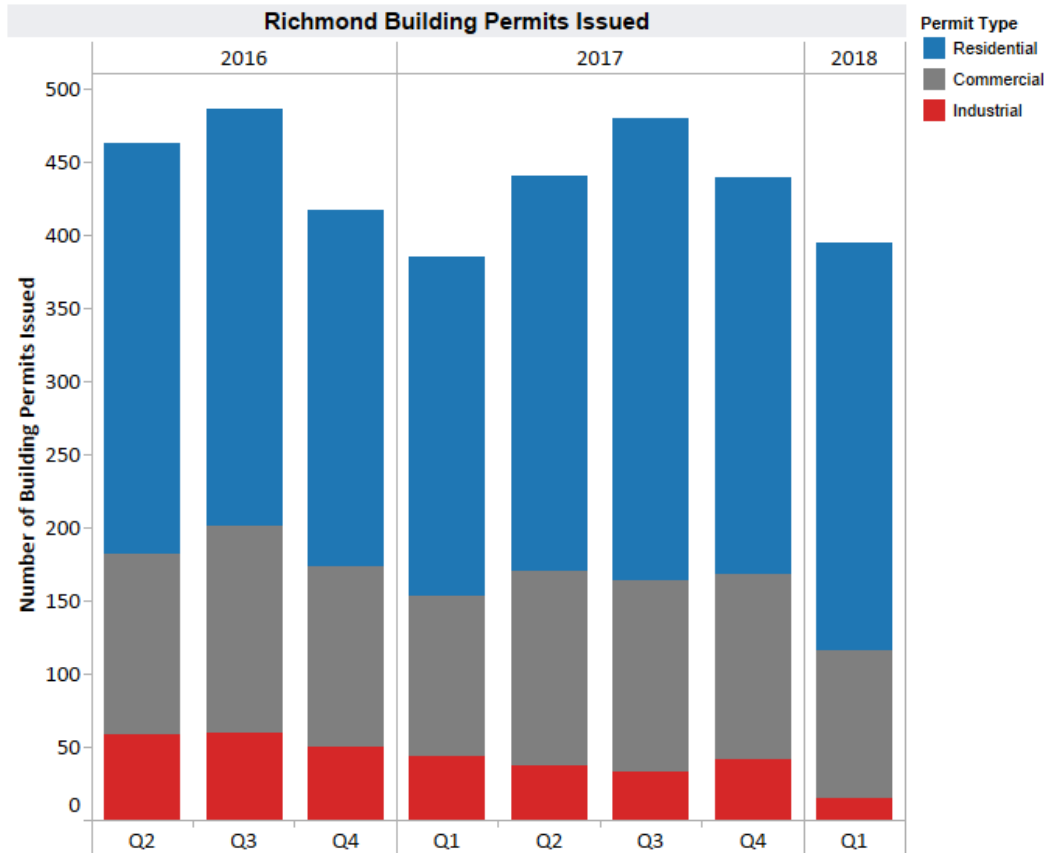
- 838 homes were sold in Richmond throughout the first quarter of 2018, a 24% decline over Q1 2017.
- The detached home category saw a decrease in sales of 35% over the quarter, while apartment sales decreased by 14% and townhouse sales dropped by also 22%.
- In Q1 2018 the average price of a single family detached home in Richmond also declined, by 7.2%, over the same period last year.
- Meanwhile the average sale price of apartments and townhouses continued to increase during the same period, by 30% and 8.2%, respectively.
- At the end of Q1 2018 the average price of a detached home was \$1.79 million, while a townhouse was \$900,000 and an apartment was \$648,000.



**Richmond home sales declined by 24% in Q1 2018.**

## 8. Construction Activity – Richmond<sup>7</sup>

### a) Building Permits



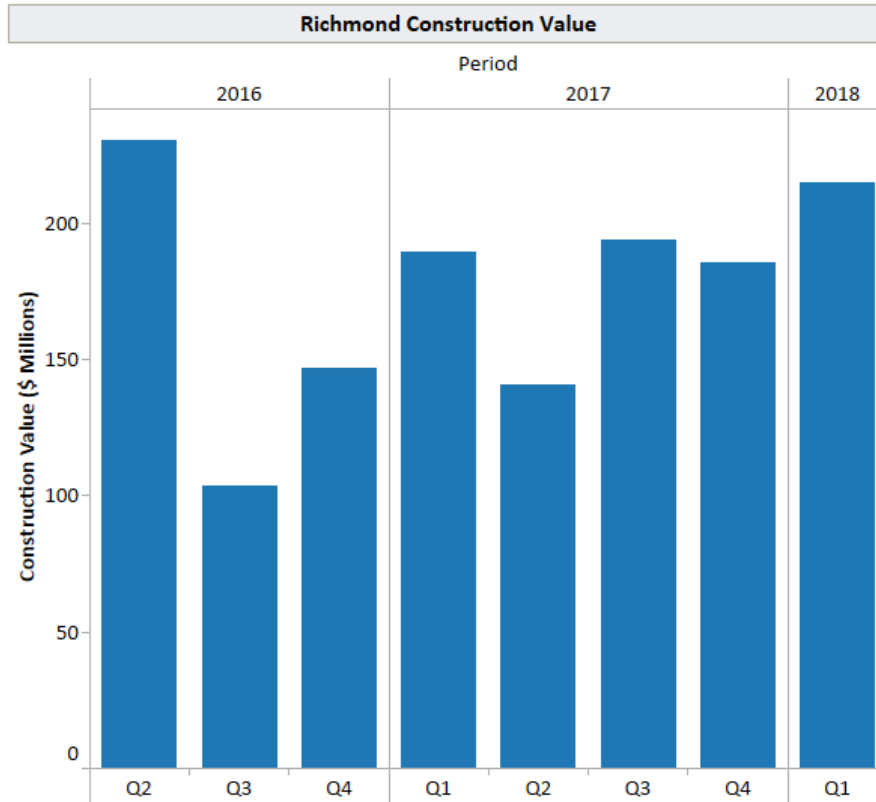
Source: City of Richmond

- The total number of building permits issued in Richmond throughout the first quarter of 2018 climbed by 2.3% over the same period last year.
- Residential building permit activity saw the greatest increase, with 20% more permits issued in Q1 2018 over Q1 2017.
- The biggest decline occurred in the industrial category, where the number of building permits issued decreased by 66% over Q1 2017.
- Commercial building permit activity also decreased, by 7.3%, over the same period last year.
- In total there were 278 residential building permits, 101 commercial building permits, and 15 industrial building permits issued in the first three months of 2018.



The number of residential building permits issued in Q1 2018 increased by 20%.

## b) Construction Value



Source: City of Richmond

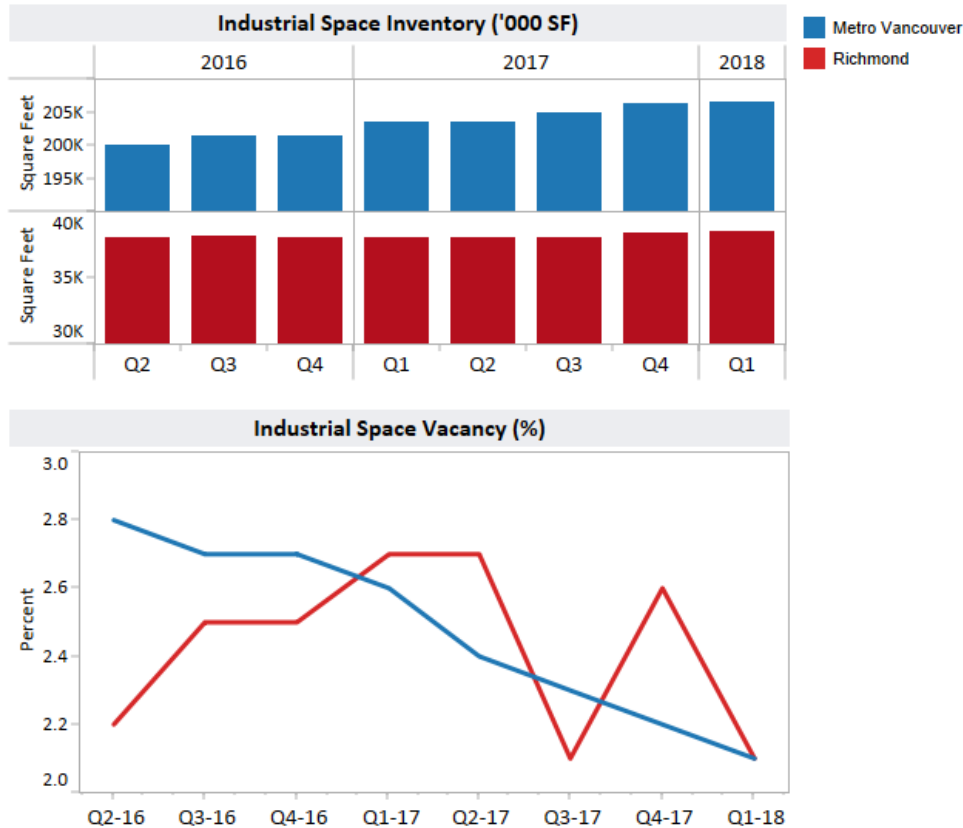
- The total value of construction activity throughout Richmond in 2017 was \$709 million, on par with the \$716 million realized in 2016.
- Construction activity throughout the first quarter of 2018 in Richmond was valued at \$215 million, an increase of 14% over the same period in 2017.



Construction activity throughout Q1 was valued at \$215 million.

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

### a) Industrial Space



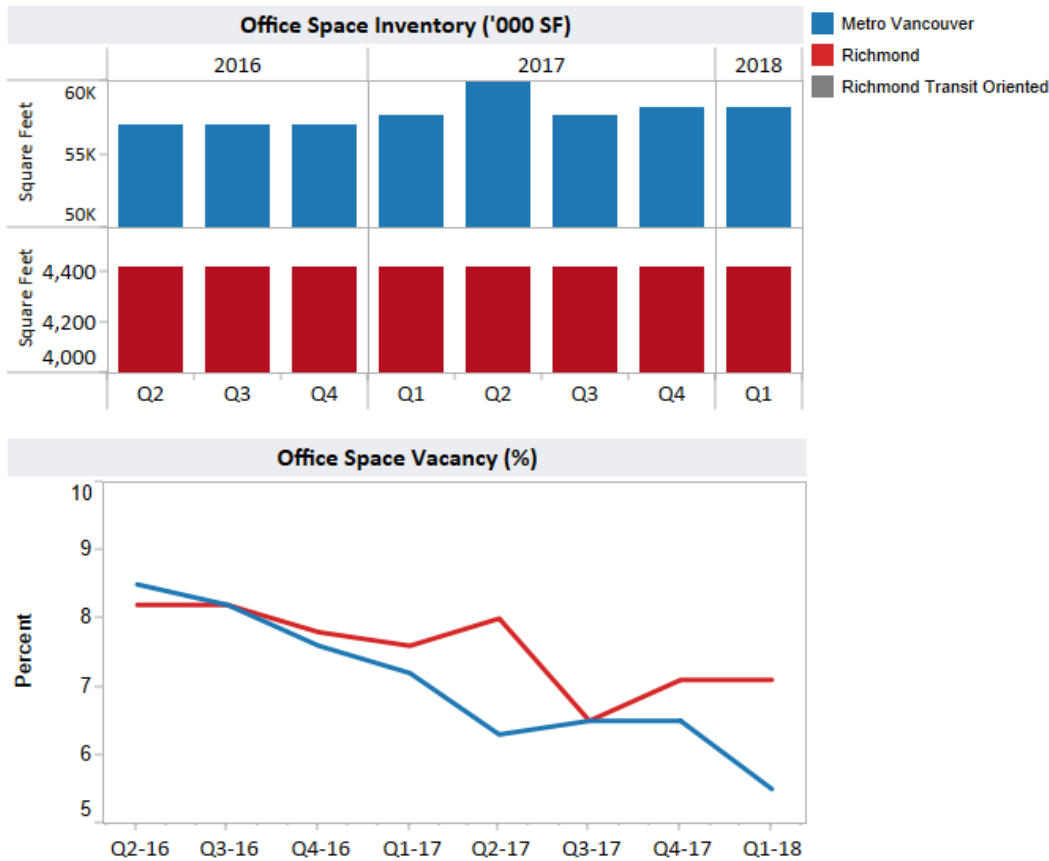
Source: Cushman & Wakefield

- Despite a net addition of 545,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has driven the industrial vacancy rate to a low of 2.1% at the end of Q1 2018.
- Meanwhile the vacancy rate in Metro Vancouver decreased again year over year, by almost 20%, and also sits at 2.1%.
- 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 38.5 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).



The industrial vacancy rate in Richmond is at a low 2.1%.

## b) Office Space



Source: Cushman & Wakefield

- The overall office vacancy rate in Richmond declined again in Q1 2018, and now sits at 7.1%. This is a decrease of 6.6% over the same period last year.
- Throughout Metro Vancouver, the office vacancy rate also declined in Q1 2018 over Q1 2017, by nearly 24%.
- Demand for office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market.
- 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 14%.

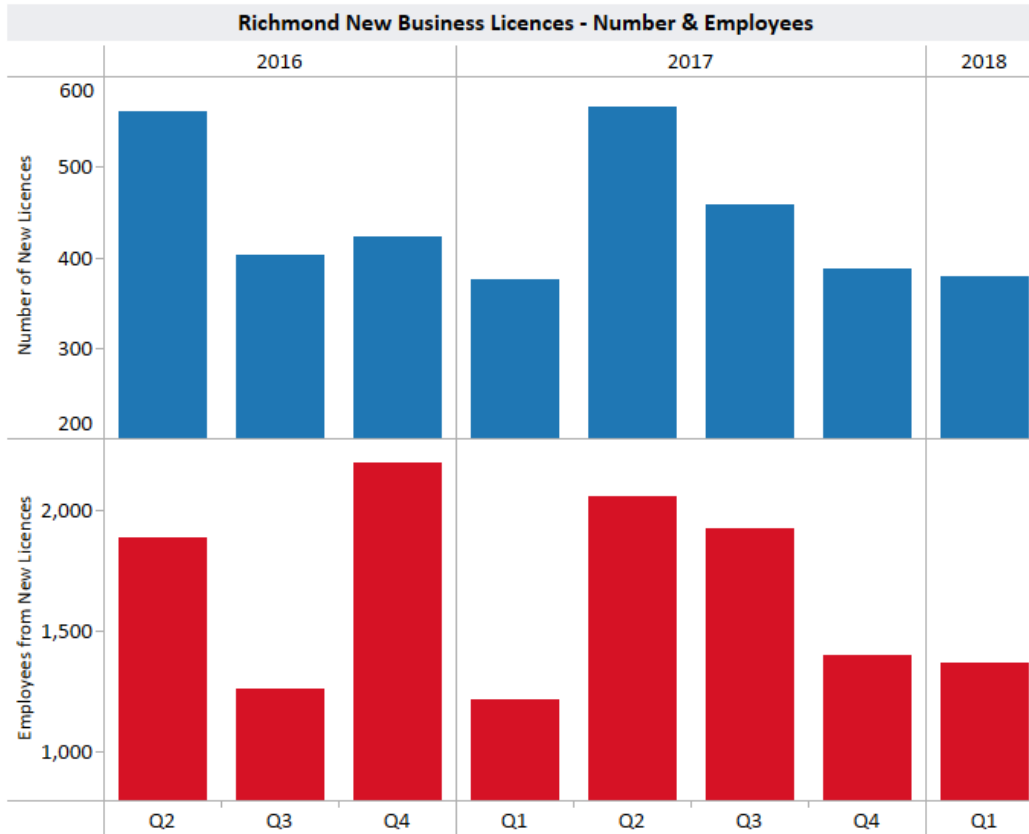


The office vacancy dropped again in Q1 2018, and is now **7.1%**.



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

### a) New Business Licences – Issued & Number of Employees



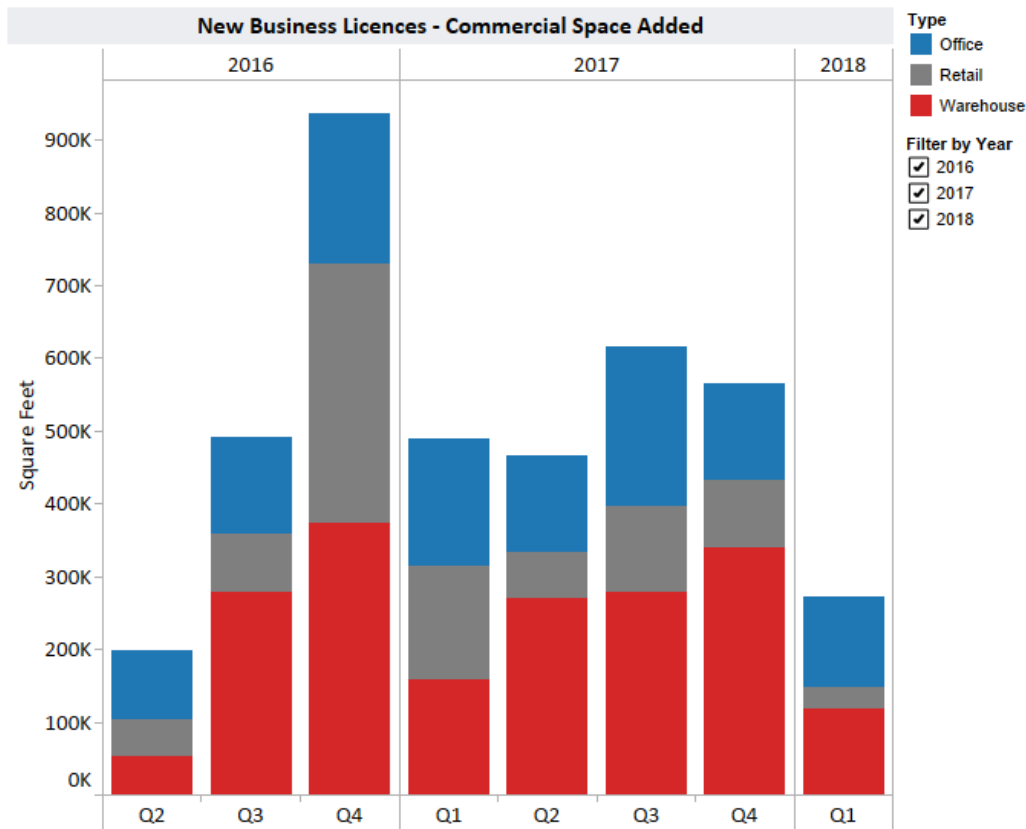
Source: City of Richmond

- There were 379 new business licences issued in Richmond during the first three months of 2018, an increase of 1.1% over the same period in 2017.
- The addition of 1,369 jobs were attributed to these new businesses.



There were **379** new business licences issued in Q1 2018

## b) New Business Licences – Commercial Space Added



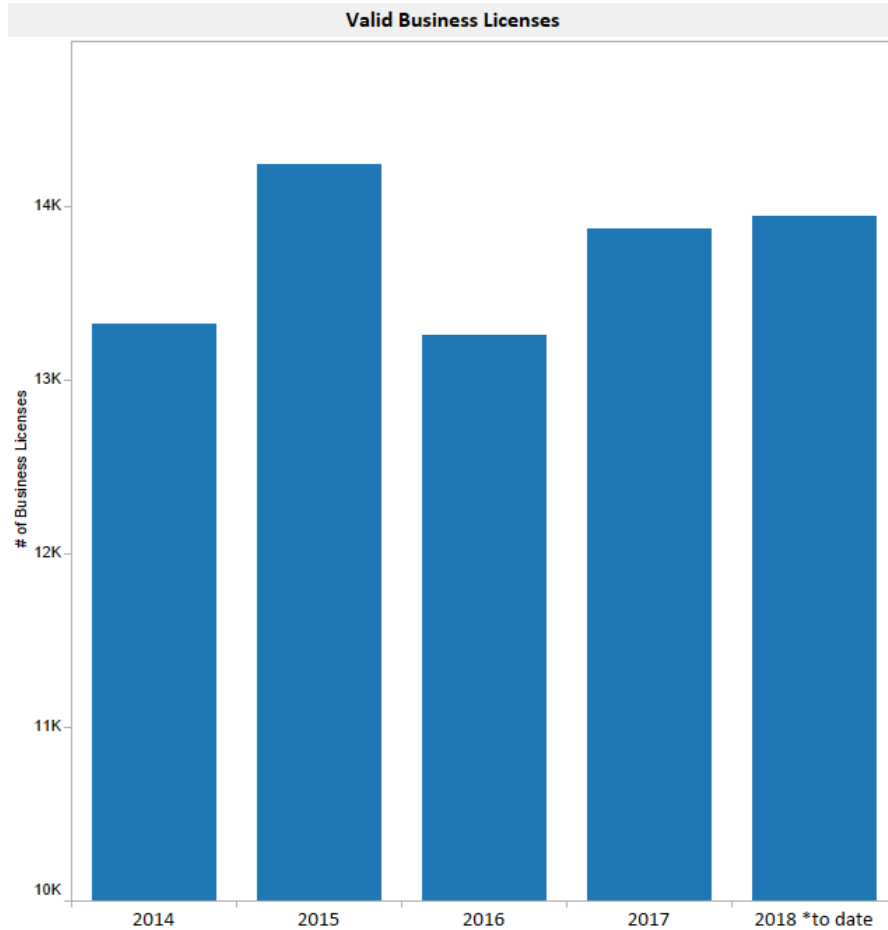
Source: City of Richmond

- 271,000 square feet of commercial space absorption was tied to the new business licences issued in Q1 2018, a decrease of 45% over the same period last year.
- Q1 2018 saw a shift to a higher proportion of office type businesses: 46% of the total commercial space absorption came from office users compared to a 31% share overall in 2017.
- The remaining commercial space absorption in Q1 2018 came from industrial businesses (43% of the total) and retail businesses (11% of the total).
- Retail space absorption declined by 81% over Q1 2017, while office space absorption dropped by 29% and industrial space absorption dropped by 25%.



**46%** of commercial space absorbed by new businesses come from office users.

**c) Valid Business Licences**



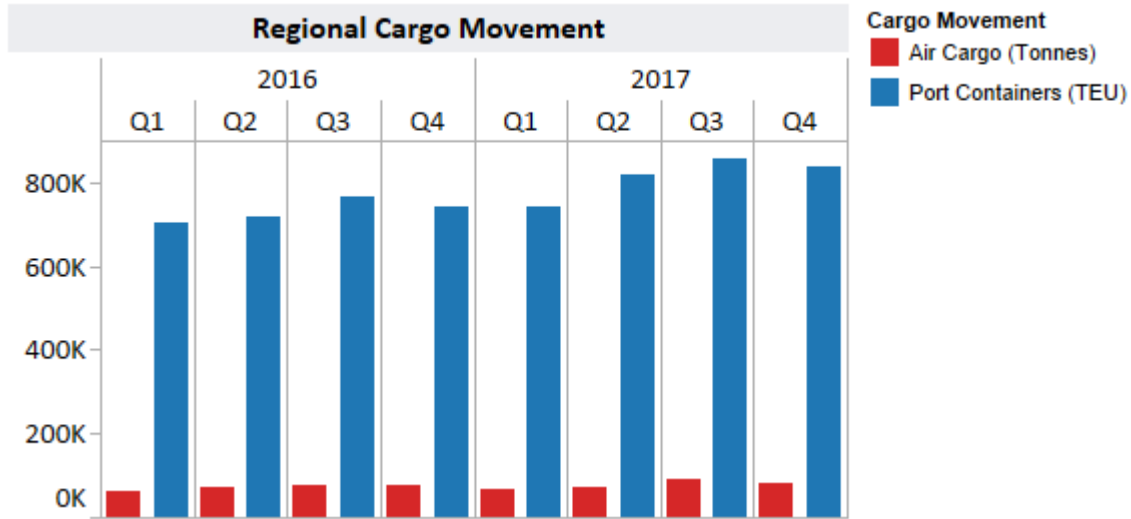
- The total number of licenced businesses in the City of Richmond increased by 4.7% in 2017 over 2016.
- 2018 is on track to see another increase in total valid business licences. The figure increased by 5.3% in Q1 2018 over Q1 2017, to 13,940.



**There were 13,940 active business licences in Richmond at the end of Q1 2018.**

## 11. Goods and People Movement

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



Source: Port of Vancouver, YVR

- After posting a year of strong growth in 2017, regional cargo data indicators of regional trade activity continued to demonstrate year over year growth in Q1 2018.
- Shipping container movements at the Port of Vancouver increased year-over-year in Q1 2018 by 8.2%, slightly down from the strong overall growth rate of 11% seen throughout 2017. 801,217 Twenty-Foot Equivalent Units (TEUs) passed through the Port during this period.
- 74,151 tonnes of air cargo moved through the Vancouver International Airport (YVR) in Q1 2018, an 8.9% increase over the same period last year.



**Air cargo movements increased by 9% in Q1 2018.**

**b) Airport Passengers<sup>11</sup>**



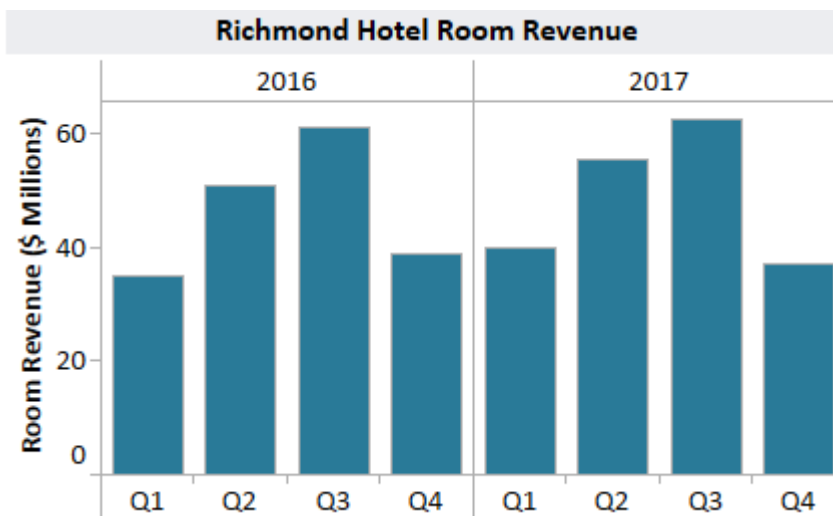
Source: Vancouver Airport Authority

- 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.
- 2018 is on track to be another record breaking year; passenger traffic in Q1 increased by 9.4%, to 5.8 million passengers, over Q1 2017.



**5.8 million** passengers travelled through YVR in Q1.

**c) Richmond Hotel Room Revenue<sup>12</sup>**



Source: City of Richmond; \*March figures are excluded from Q1 2017 and Q1 2018.

- \$26.4 million was collected in hotel room revenue throughout the first two months of 2018 in Richmond – an increase of 9.1% over the same period last year.



Throughout the first two months of 2018, **\$26.4 million** was collected in hotel room revenue.

# Data Table

## 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	3.0	114.3%	2.1	2.0
United States	1.5	2.3	53.3%	2.9	2.7
China	6.7	6.9	3.0%	6.6	6.4
World	3.2	3.8	18.8%	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	0.50	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>Q1-2018</b>	<b>Q4-2017</b>	<b>Change</b>	<b>Q1-2017</b>	<b>Change</b>	
Canada	5.8	6	-3.3%	6.7	-13.4%	
BC	4.7	4.8	-2.1%	5.4	-13.0%	
Metro Vancouver	4.0	4.1	-2.4%	4.7	-14.9%	
<b>5) CPI (2002=100)</b>	<b>Q1-2018</b>	<b>Q4-2017</b>	<b>Change</b>	<b>Q1-2017</b>	<b>Change</b>	
Canada	132.9	130.8	1.6%	129.9	2.3%	
BC	127.4	125.2	1.8%	124.2	2.6%	
Metro Vancouver	130.1	127.8	1.8%	126.1	3.2%	
<b>6) Housing Starts (Units)</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Starts - Metro Vancouver	6864	5269	30.3%	6864	5269	30.3%
Starts - Richmond	660	422	56.4%	660	422	56.4%
<b>7) Richmond Residential Sales Activity</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Sales - Detached	195	298	-34.6%	195	298	-34.6%
Sales - Townhouse	194	225	-13.8%	194	225	-13.8%
Sales - Apartment	449	575	-21.9%	449	575	-21.9%
<b>Sales Total/Average Change</b>	<b>838</b>	<b>1098</b>	<b>-23.7%</b>	<b>838</b>	<b>1098</b>	<b>-23.7%</b>
Average Price - Detached (\$ at QE)	1786000	1925000	-7.2%	N/A	N/A	N/A
Average Price - Townhouse (\$ at QE)	900000	832000	8.2%	N/A	N/A	N/A

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

Average Price - Apartment (\$ at QE)	648000	500000	29.6%	N/A	N/A	N/A
<b>8) Richmond Building Permits</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Building Permits - Residential	278	232	19.8%	278	232	19.8%
Building Permits - Commercial	101	109	-7.3%	101	109	-7.3%
Building Permits - Industrial	15	44	-65.9%	15	44	-65.9%
<b>Building Permits Total</b>	<b>394</b>	<b>385</b>	<b>2.3%</b>	<b>394</b>	<b>385</b>	<b>2.3%</b>
Construction Value (\$ million)	214.9	189.3	13.5%	214.9	189.3	13.5%
<b>9) Commercial Space (at QE)</b>		<b>Richmond</b>			<b>Metro Vancouver</b>	
	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>
Office Vacancy (%)	7.1	7.6	-6.6%	5.5	7.2	-23.6%
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4419	4419	0.0%	58119	57596	0.9%
Industrial Vacancy (%)	2.1	2.7	-22.2%	2.1	2.6	-19.2%
Industrial Inventory (000 sf)	38539	37994	1.4%	206568	203399	1.6%
<b>10) Richmond Business Growth</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
Total Valid Business Licenses	13940	13242	5.3%	N/A	N/A	N/A
New Licenses - Number Issued	379	375	1.1%	379	375	1.1%
New Licenses - Employees	1369	1219	12.3%	1369	1219	12.3%
New Licenses - Office Added (sf)	123,900	175200	-29.3%	123,900	175200	-29.3%
New Licenses - Retail Added (sf)	29,822	155789	-80.9%	29,822	155789	-80.9%
New Licenses - Industrial Added (sf)	117,331	157346	-25.4%	117,331	157346	-25.4%
<b>Total Space Added (sf) / Average Change</b>	<b>271,053</b>	<b>488,335</b>	<b>-44.5%</b>	<b>271,053</b>	<b>488,335</b>	<b>-44.5%</b>
<b>11) Goods &amp; People Movement</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Change</b>	<b>YTD-2018</b>	<b>YTD-2017</b>	<b>Change</b>
YVR Air Cargo (tonnes)	74,059	68,063	8.9%	74,151	68,063	8.9%
PMV Container Movement (TEUs)	801,217	740,240	8.2%	801,217	740,240	8.2%
YVR Passengers (million)	5.8	5.3	9.4%	5.8	5.3	9.4%
Richmond Hotel Room Revenue (\$ million)*	26.4	24.2	9.1%	26.4	24.2	9.1%

**Notes:**

a) Q indicates quarter-end

b) YTD indicates year to date

\* Richmond Hotel Room Revenue for Q1 2017 and 2018 exclude March figures.

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

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- <sup>1</sup> International Monetary Fund, World Economic Outlook (April 2018)
- <sup>2</sup> US Federal Reserve, Bank of Canada and Royal Bank Research
- <sup>3</sup> Bank of Canada, Monetary Policy Report (April 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