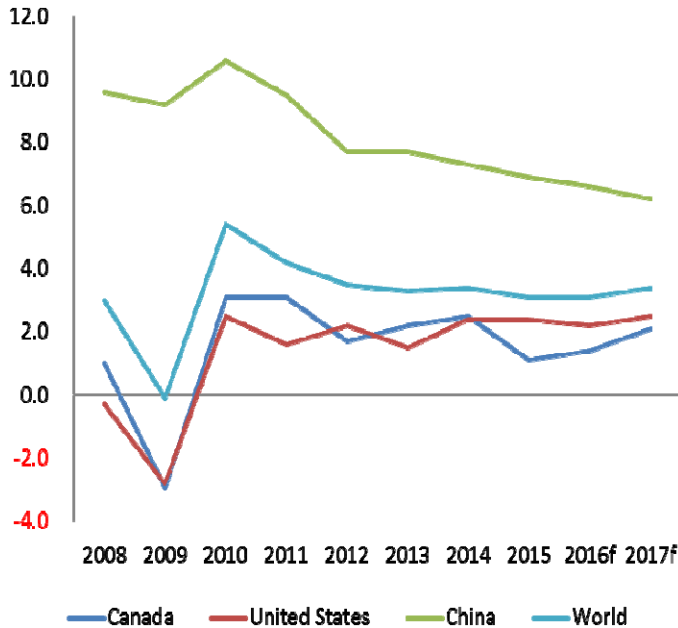


# Quarterly Report and Forecast – Q2-2016

Prepared by City of Richmond Economic Development Office – August 2016

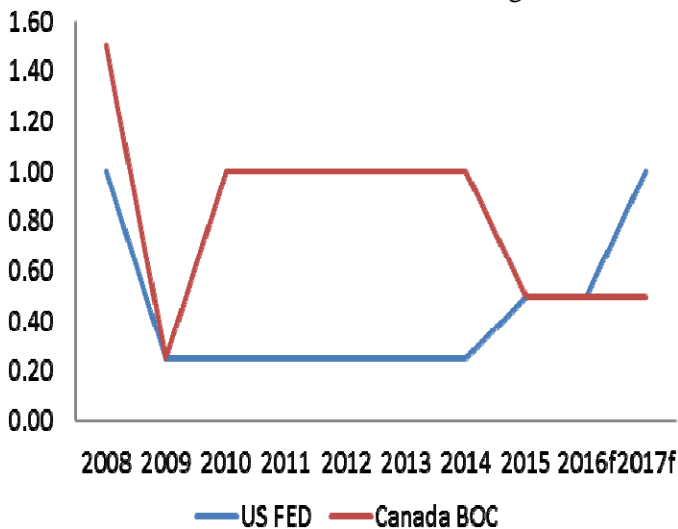
## Macroeconomic Indicators & Forecast

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



- World forecasts were adjusted downward modestly by 0.1 percentage point (pp) for both 2016 and 2017 over last period due in part to the uncertainty caused by the U.K. Brexit vote outcome.
- The 2016 and 2017 GDP growth forecasts for the U.S. are 2.2% and 2.5% respectively.
- Canada’s projected growth for 2016 was adjusted by -0.1 pp due largely to the devastating Fort McMurray wildfires but is expected to rebound to 1.4% for 2016 overall and 2.1% in 2017.
- The growth outlook for emerging economies overall remains largely unchanged from the last forecast with a slight upward revision of 0.1 pp for China where GDP growth forecasts for 2016 and 2017 are 6.6% and 6.2% respectively.

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

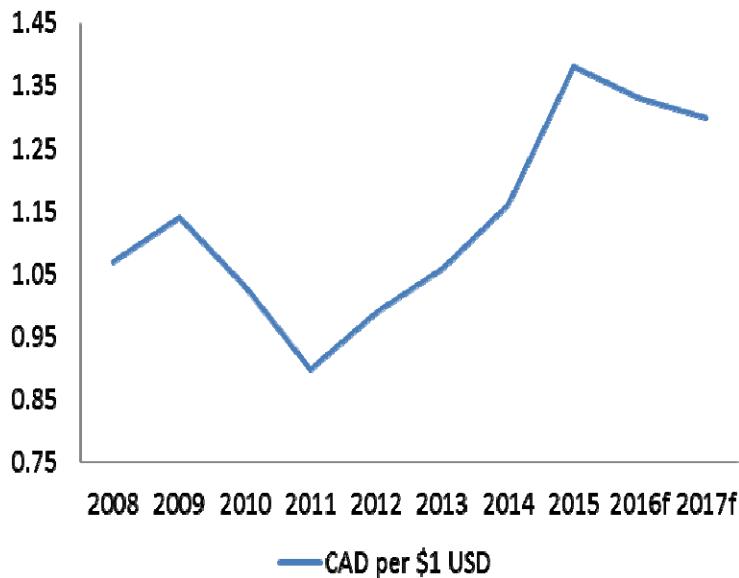


- In Q2 2016 the Bank of Canada maintained the overnight rate at 0.5%, encouraging inflation to remain at or near its target of 2%.
- The previously predicted rate increase for 2017 has been revised: it’s expected the overnight lending rate will remain at 0.50 through 2017.
- Due to a slower than expected U.S. economic recovery, the forecasted Fed interest rate increases have been downgraded to 0.5% and 1% in 2016 and 2017 respectively, down from a previously forecasted 0.75% and 1.75% in those years.

## Quarterly Report and Forecast – Q2-2016

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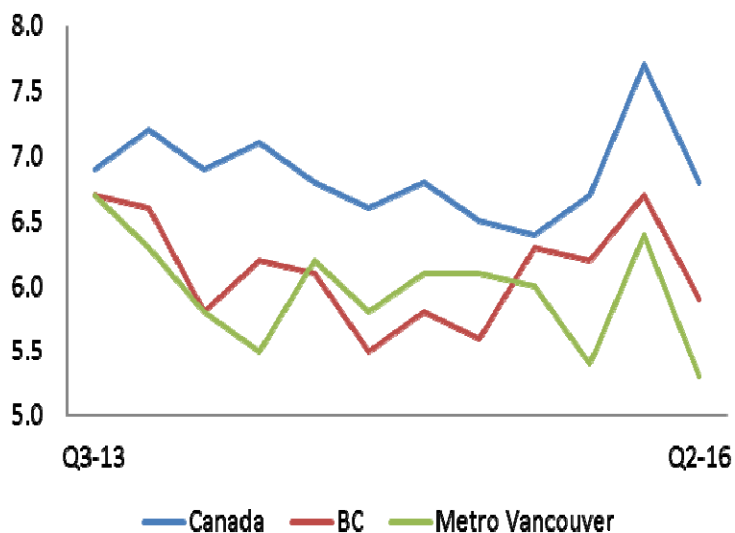
### 3) Exchange Rates – CAD/USD at Year-End<sup>3</sup>



- Rising oil prices pushed up the loonie against the U.S. dollar in Q2 2016 but the price of the commodity began dropping again as production resumed in Fort McMurray.
- The exchange rate is expected to remain somewhat stable over the coming quarters and is forecast to close at 1.33 USD/CAD in 2016 and 1.30 USD/CAD in 2017.
- A relatively weaker Canadian dollar will continue to bode well for non-resource exporters and local firms are well positioned to take advantage of this trend.

## Regional & Local Economic Activity Indicators

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

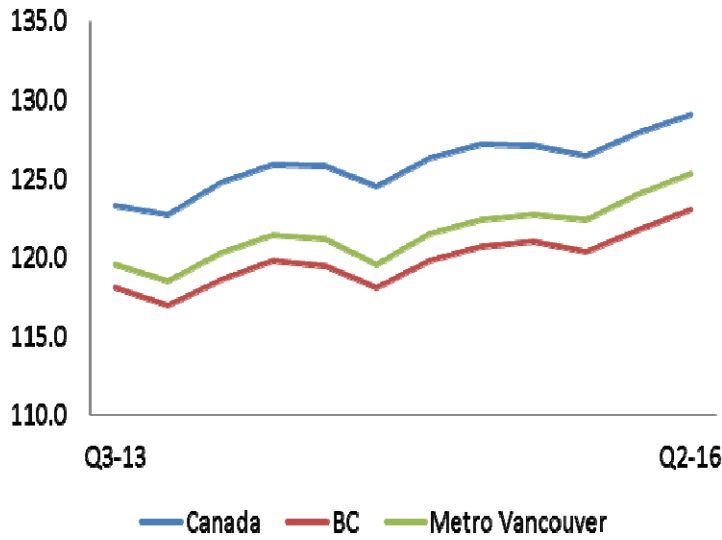


- Employment gains were realized throughout Metro Vancouver, BC and Canada in the second quarter of 2016. The unemployment rate was 5.3%, 5.9% and 6.8% respectively at the close of Q2.
- Metro Vancouver saw the largest drop in unemployment; the rate was 17.2% lower than at the end of Q1 2016 and 13.1% lower than the same period last year.
- British Columbia continues to have the strongest job creation among Canadian provinces, and at 5.9% is currently considered to be at full employment.

# Quarterly Report and Forecast – Q2-2016

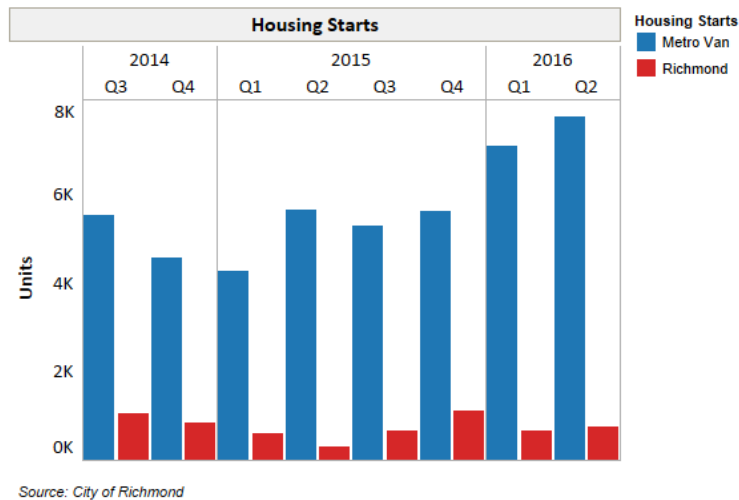
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## 5) Consumer Price Index (CPI – 2002=100)



- Lower fuel prices and higher housing costs contributed to year over year inflation of 1.5% in Canada.
- British Columbia and Metro Vancouver’s consumer price index (CPI) increases were greater than the national average year over year. They grew by 2.0% and 2.4% respectively.
- The Canadian, BC and Metro Vancouver consumer price indices (CPI) all increased at similar levels this quarter over Q1 2016 at 1.0% for Metro Vancouver, 1.1% for BC and 0.9% for Canada.
- Bank of Canada’s inflation-control target is set at 2 per cent, the midpoint of the control range of 1 to 3 per cent, until the end of 2016.

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

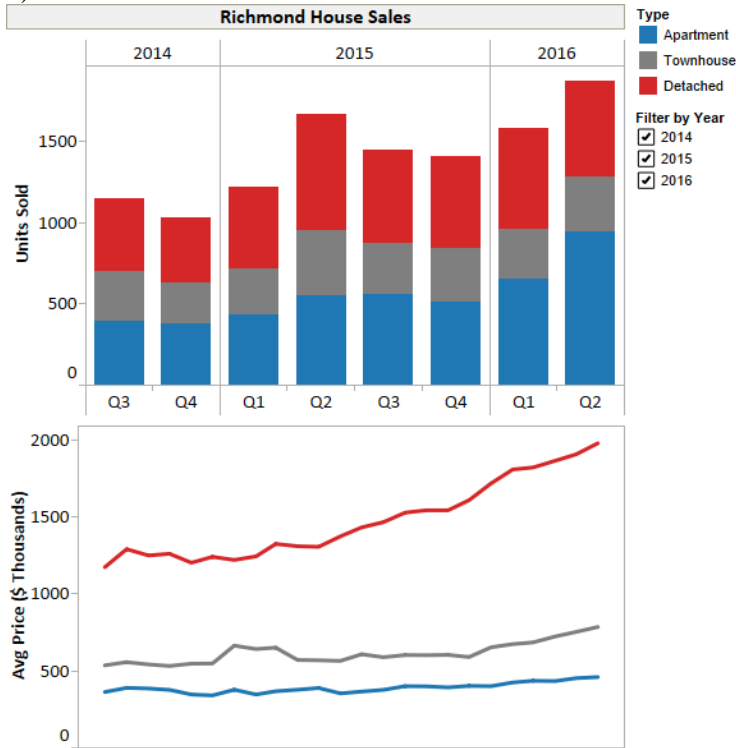


- Housing starts continued to surge in Richmond and Metro Vancouver in the second quarter of 2016 due to low interest rates and high demand.
- In Q2 Richmond, housing starts grew by 16% over Q1, and nearly 150% year over year; in Metro Vancouver they grew by 9.6% and 37% in the same periods.
- The highest volume of housing starts in Metro Vancouver since 1990 was recorded in June – this was largely attributed to a large increase in multi-family unit construction.

# Quarterly Report and Forecast – Q2-2016

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



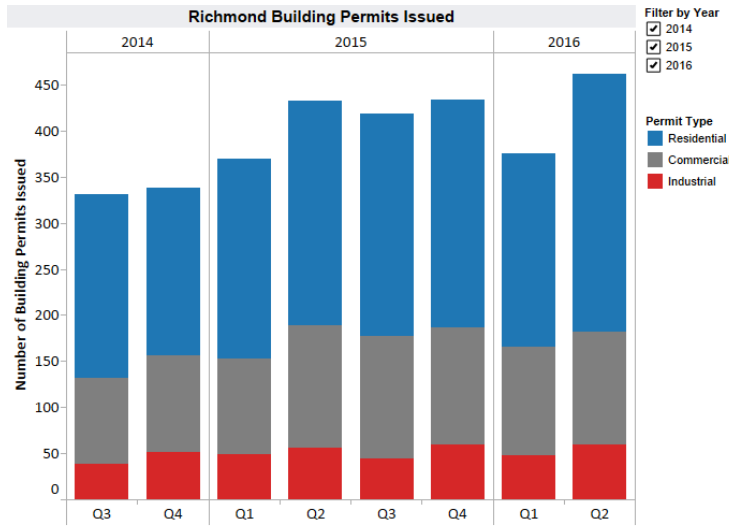
Source: CMHC & REBGV

- Overall home sales saw an increase of 18.54% in Q2 over Q1 and 12.4% year over year.
- Sales for townhouses increased by 8.4% over last quarter, and apartment sales increased by 45.3% in the same period. Apartment sales also surged year over year, seeing a 71.7% increase over Q2 2015.
- The only category facing a decrease in sales activity both quarter over quarter (-4.5%) and year over year (-17.5%) was detached homes.
- Prices of all types of homes have increased again in the second quarter of 2016. The average price of a detached home in Richmond now sits at a record \$1.98 million, an increase of 44% year over year and 8.6% over last quarter.
- Townhouse and apartment prices rose by 38.9% and 29.9% year over year respectively and are also at all-time high average prices of \$785,000 and \$460,000 respectively.

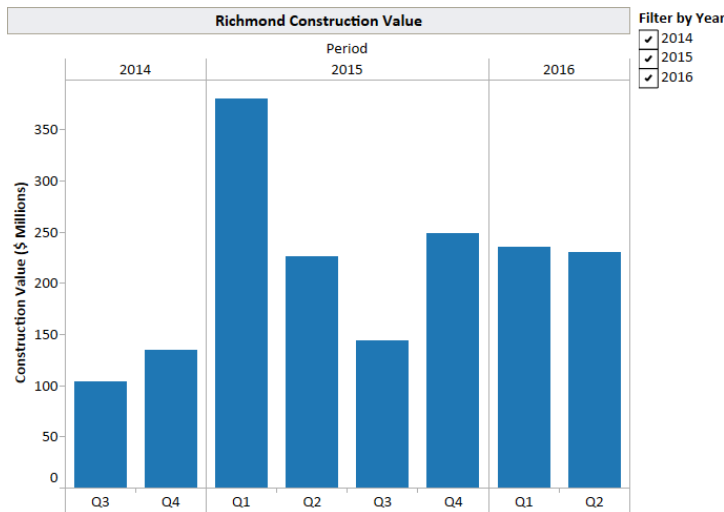
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## 8) Building Permits – Richmond<sup>7</sup>



Source: City of Richmond



Source: City of Richmond

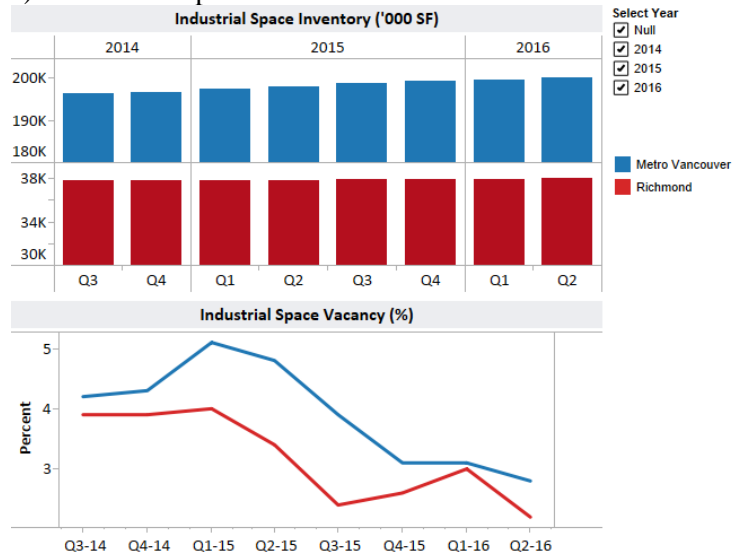
- After an all-time high for building activity in 2015, this year is off to a strong start for building permit activity. Building permits issued in Q2 2016 increased by 6.7% over Q2 2015. Year to date activity was also up, by 4.2%.
- Residential building permits led the growth in Q2 2016, seeing a 14.8% increase over Q2 2015. Industrial permits issued increased by 5.4% in the same period.
- Commercial building permits saw a decline of 7.5% in Q2 2016 over the same period last year but an overall year to date annual increase of 1.7%.
- The construction value of building permits in Q2 2016 was \$230.4 million – up by 1.8% over the same period last year. Year to date figures remain down by 23.1% from 2015 numbers, after a record breaking year. Last year the construction value of build permits totaled \$997.8 million.

# Quarterly Report and Forecast – Q2-2016

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

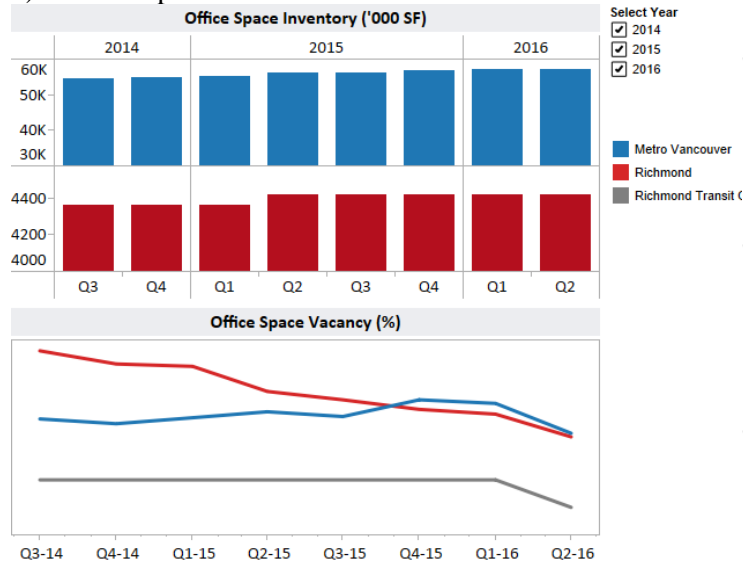
### a) Industrial Space



Source: Cushman & Wakefield

- While no industrial inventory was added in Richmond over the last quarter, its inventory remains the largest in Metro Vancouver at almost 38 million square feet.
- Only 2.2% of that space is vacant, with the industrial vacancy rate dropping by 35.3% since the same time last year and 26.7% since Q1 2016.
- Industrial space remained scarce in all of Metro Vancouver in Q2, with the vacancy rate falling 41.7% from 4.8% to 2.8% over the same time last year.

### b) Office Space



Source: Cushman & Wakefield

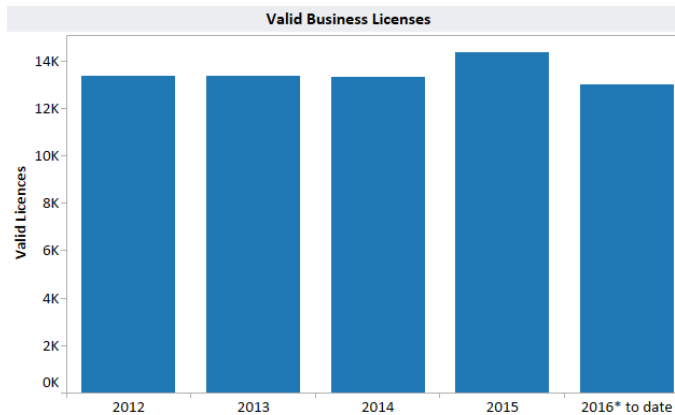
- Richmond office vacancies continue to be lower than regional averages, as new premium office space in the downtown core continues to displace tenants to the suburbs.
- In Q2 office vacancy rates throughout Metro Vancouver decreased by 22.7% over the last quarter; the vacancy rate dropped by 18% in Richmond, ending Q2 2016 at 8.2%.
- The vacancy rate for office buildings near rapid transit in Richmond decreased by 35.3% since it was last measured in 2014.
- At 2.3%, the transit-oriented vacancy rate remained well below the overall Metro Vancouver rate which is at 13.6%.

# Quarterly Report and Forecast – Q2-2016

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

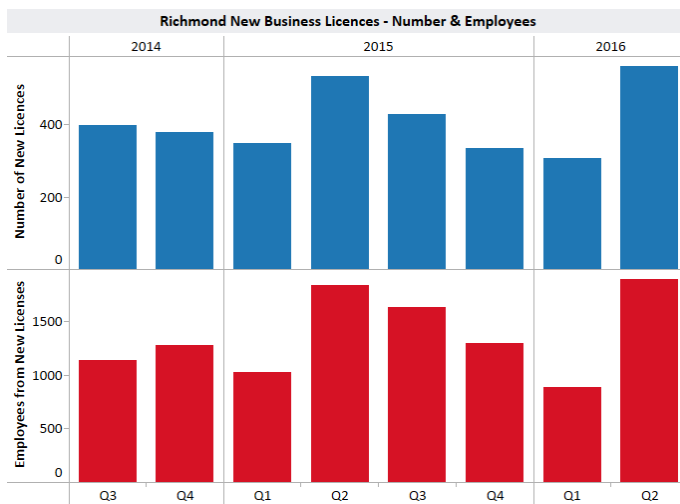
### a) Total Valid Business Licenses



Source: City of Richmond

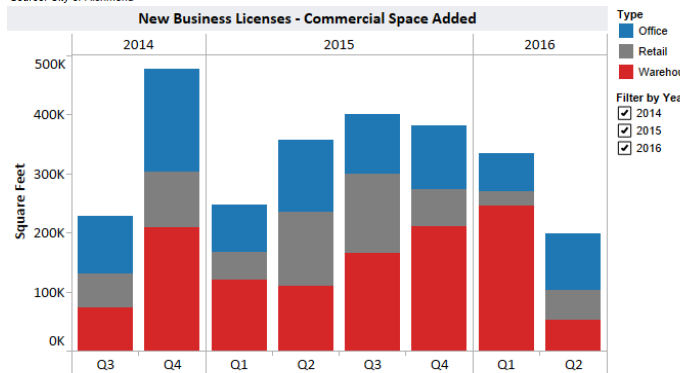
- The total number of valid business licenses to date at the end of the second quarter of 2016 was 12935, a 4% drop from the same period in 2015.
- Because of continuous business start-ups and closures throughout the year, total annual figures are re-calculated in December of each year.

### b) New Business Licenses Issued



Source: City of Richmond

- 561 City of Richmond business licenses were issued in the second quarter of 2016, up by 4.9% over the same period last year.
- These new businesses attributed to 1889 local jobs and over 198,494 square feet of commercial space absorption.
- Absorption for commercial space tied to new business licenses was almost equal between retail and industrial space: both categories saw approximately 50,000 square feet of space used up.
- Office space saw the largest absorption – 95,000 square feet of space was tied to new business license activity in the second quarter of 2016.



Source: City of Richmond

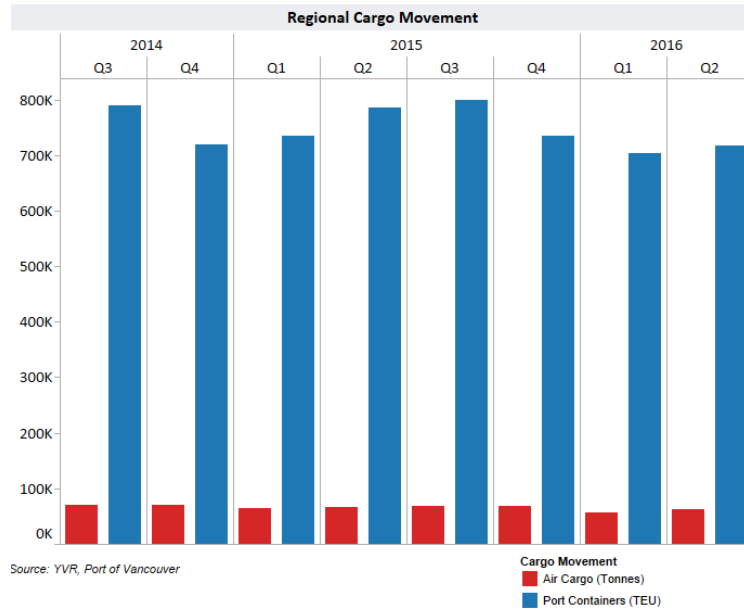
- Large warehouse and distribution space continues to be in high demand as Richmond expands its role as a logistics center for regional and export markets.

# Quarterly Report and Forecast – Q2-2016

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## 11) Goods and People Movement

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



- Air cargo handled at the Vancouver International Airport was down slightly, by 2.1%, in Q2 2016 over the same quarter last year. Annual year to date figures also registered an overall decrease of 9%.
- Although cargo volumes at the Port of Vancouver were up slightly, by 1.9%, in Q2 2016 over Q1 2016, the total container movements were down by 8.6% over the same period last year.
- Port container movements in the first half of 2016 overall registered a 6.5% decline over the first half of 2015.



# Quarterly Report and Forecast – Q2-2016

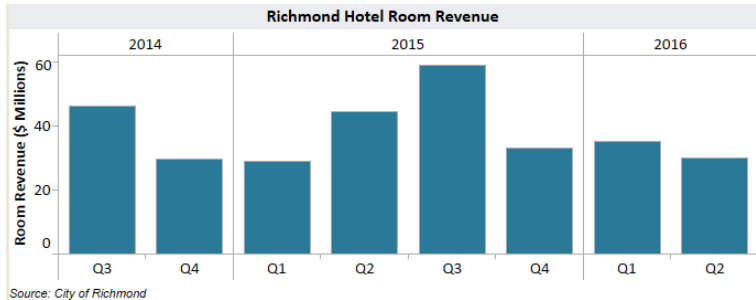
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## b. Airport Passengers<sup>11</sup>



- 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.
- 2016 is on a similar growth trajectory, registering a 6% growth in passengers in Q2 2016 over Q2 2015 and a year to date annual increase of 7.2%.
- International traffic is leading this growth, registering a 13.7% increase in the first half of 2016 over the same period last year.

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



- 2015 overall was a strong year for tourism in Richmond with hotel room revenues climbing by 17.5% for the year compared to 2014.
- Year to date as of May 2016, hotel room revenues were \$65.1 million, an increase of 13.8% over the same period last year - and hotel occupancy rates in Richmond continue to be the highest in Canada.

*\*June 2016 hotel room revenue figures are not yet available; Q2 includes data up to May 2016 only.*

## List of Sources (last accessed August 17, 2016)

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

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

<sup>3</sup> Bank of Canada, Monetary Policy Report (July 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; revenue reverse calculated based on AHRT receipts representing 2% of total hotel room revenue; AHRT remittances and payments to Richmond have a 2-month lag.

**Quarterly Report and Forecast – Q2-2016**  
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**Appendix**

<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%	1.4	2.1
United States	2.4	2.4	0.0%	2.2	2.5
China	7.3	6.9	-5.5%	6.6	6.2
World	3.4	3.1	-8.8%	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>Q2-2016</b>	<b>Q1-2016</b>	<b>Change</b>	<b>Q2-2015</b>	<b>Change</b>	
Canada	6.8	7.1	-4.2%	6.5	4.6%	
BC	5.9	6.5	-9.2%	5.6	5.4%	
Metro Vancouver	5.3	6.4	-17.2%	6.1	-13.1%	
<b>5) CPI (2002=100)</b>	<b>Q2-2016</b>	<b>Q1-2016</b>	<b>Change</b>	<b>Q2-2015</b>	<b>Change</b>	
Canada	129.1	127.9	0.9%	127.2	1.5%	
BC	123.1	121.8	1.1%	120.7	2.0%	
Metro Vancouver	125.3	124	1.0%	122.4	2.4%	
<b>6) Housing Starts (Units)</b>	<b>Q2-2016</b>	<b>Q2-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Starts - Metro Vancouver	7759	5655	37.2%	14840	9938	49.3%
Starts - Richmond	753	304	147.7%	1401	893	56.9%
<b>7) Richmond Residential Sales Activity</b>	<b>Q2-2016</b>	<b>Q2-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Sales - Detached	592	718	-17.5%	1212	1229	-1.4%
Sales - Townhouse	335	397	-15.6%	644	674	-4.5%
Sales - Apartment	946	551	71.7%	1597	986	62.0%
<b>Sales Total/Average Change</b>	<b>1873</b>	<b>1666</b>	<b>12.4%</b>	<b>3453</b>	<b>2889</b>	<b>19.5%</b>
Average Price - Detached (\$ at QE)	1977000	1373000	44.0%	n/a	n/a	n/a
Average Price - Townhouse (\$ at QE)	785000	565000	38.9%	n/a	n/a	n/a
Average Price - Apartment (\$ at QE)	460000	354000	29.9%	n/a	n/a	n/a
<b>8) Richmond Building Permits</b>	<b>Q2-2016</b>	<b>Q2-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>

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Building Permits - Residential	280	244	14.8%	489	461	6.1%
Building Permits - Commercial	123	133	-7.5%	241	237	1.7%
Building Permits - Industrial	59	56	5.4%	107	105	1.9%
<b>Building Permits Total</b>	<b>462</b>	<b>433</b>	<b>6.7%</b>	<b>837</b>	<b>803</b>	<b>4.2%</b>
Construction Value (\$ million)	230.4	226.3	1.8%	465.6	605.7	-23.1%

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

9) Commercial Space (at QE)	Richmond			Metro Vancouver		
	Q2-2016	Q2-2015	Change	Q2-2016	Q2-2015	Change
Office Vacancy (%)	8.2	12.0	-31.7%	8.5	10.3	-17.5%
Transit Oriented Office Vacancy (%)	2.3	4.6	-50.0%	13.6	11.2	21.4%
Office Inventory (000 sf)	4419	4418	0.0%	56955	56104	1.5%
Industrial Vacancy (%)	2.2	3.4	-35.3%	2.8	4.8	-41.7%
Industrial Inventory (000 sf)	37994	37828	0.4%	200114	197878	1.1%
<b>10) Richmond Business Growth</b>	<b>Q2-2016</b>	<b>Q2-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
Total Valid Business Licenses			n/a	12935	13473	-4.0%
New Licenses - Number Issued	561	535	4.9%	869	883	-1.6%
New Licenses - Employees	1889	1833	3.1%	2773	2859	-3.0%
New Licenses - Office Added (sf)	95,155	123,242	-22.8%	158,887	204,204	-22.2%
New Licenses - Retail Added (sf)	51,443	124,716	-58.8%	75,938	170,978	-55.6%
New Licenses - Industrial Added (sf)	51,896	109,379	-52.6%	296,954	229,367	29.5%
<b>Total Space Added (sf) / Average Change</b>	<b>198,494</b>	<b>357,337</b>	<b>-44.5%</b>	<b>531,779</b>	<b>604,549</b>	<b>-12.0%</b>
<b>11) Goods &amp; People Movement</b>	<b>Q2-2016</b>	<b>Q2-2015</b>	<b>Change</b>	<b>YTD-2016</b>	<b>YTD-2015</b>	<b>Change</b>
YVR Air Cargo (tonnes)	61709	63035	-2.1%	119118	130949	-9.0%
PMV Container Movement (TEUs)	717456	785075	-8.6%	1421844	1520294	-6.5%
YVR Passengers (million)	5.4	5.1	5.9%	10.4	9.7	7.2%
Richmond Hotel Room Revenue (\$ million)*	30	n/a	n/a	65.1	57.2	13.8%

\* - Hotel Room Revenue data to May only

**Notes:**

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