



Economic
Development

City of Richmond

Quarterly Economic Report

2018 | Q3



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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Q3 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 B.C. **dropped by 14%** over the same period last year.



Year-to-date housing starts in Richmond almost doubled over 2017, increased by **48%**.



Year-to-date Richmond home sales declined by **26%** over the same period in 2017.



The value of construction activity in the first 9 months of 2018 totalled **\$693 million**.



The industrial vacancy rate in Richmond is at a low **2.8%**.



YTD in 2018, **59%** of commercial space absorbed by new businesses was by warehouse-based industrial users.



Air cargo increased by **9.8%** and container movements increased by **4.5%**.



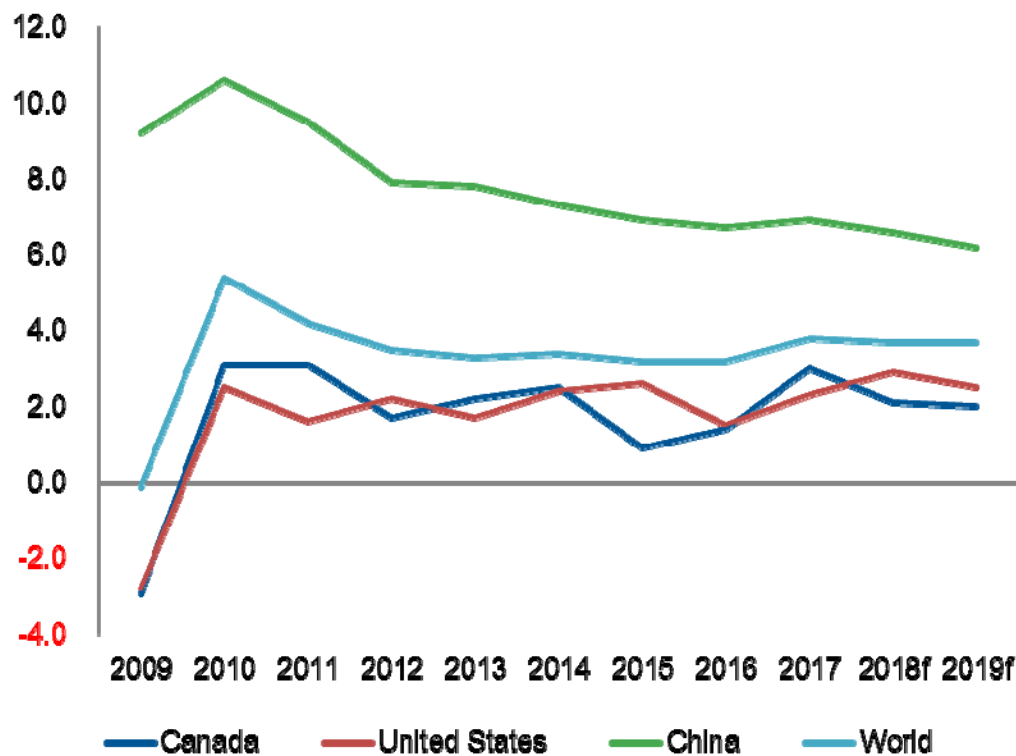
Throughout the first 9 months of 2018, **\$172.6 million** was collected in hotel room revenue.

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Macroeconomic Indicators & Forecast

1. Global Growth – Real GDP % Change¹



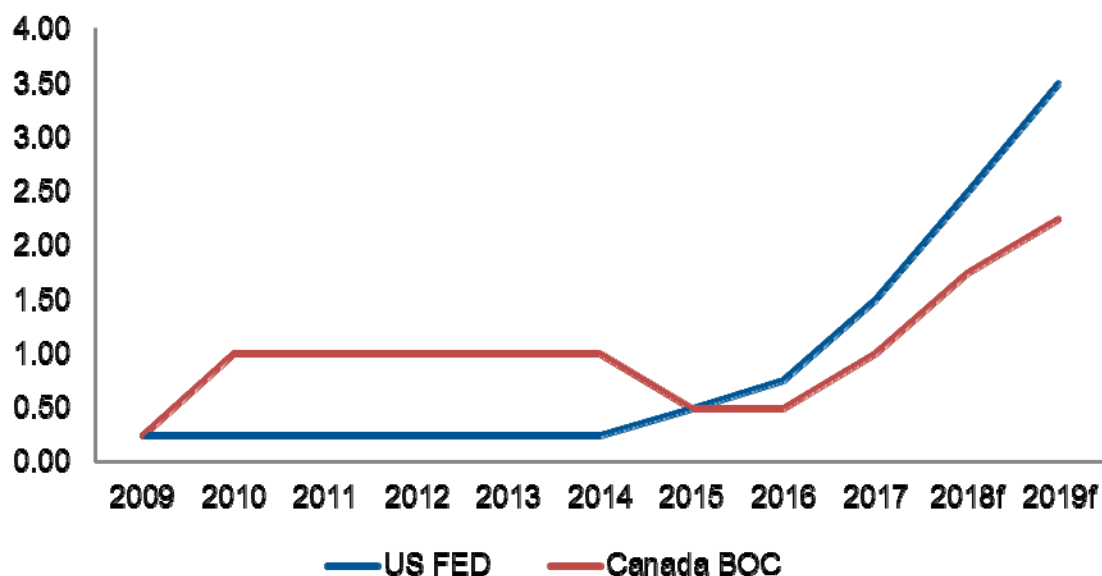
Source: International Monetary Fund

- Global growth for 2018–19 is projected to remain steady at its 2017 level of 3.7%, but at a less vigorous pace than projected earlier in the year. The downward revision reflects rising trade barriers and a weaker outlook for some key emerging markets.
- Canada's GDP growth projections held steady at 2.1% in 2018 and 2.0% in 2019, credited to the United-States-Mexico-Canada-Agreement (USMCA) agreed to on September 30.
- The growth forecast for the U.S. has been revised down to 2.9% in 2018 and 2.5% in 2019 due to recently announced trade measures including tariffs imposed on imports from China.
- China's economy is expected to grow by 6.6% in 2018 and 6.2% in 2019.



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-End²

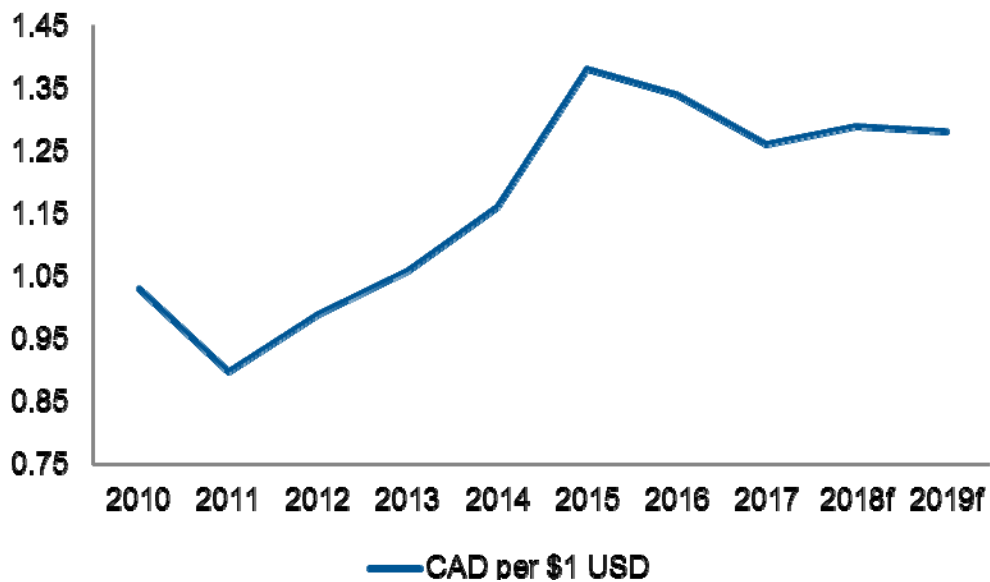


Source: US Federal Reserve, Bank of Canada and Royal Bank Research

- 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.
- The U.S. Federal Reserve continues to retract policy support via interest rate increases – the Fed rate is expected to climb to 3.5% by the end of 2019 from 2.25% at the end of Q3 2018.
- Consumer and business confidence remains high in Canada, and as a result the Bank of Canada (BoC) policy rate is expected to continue to climb, to 2.25% by the end of 2019. Although the new USMCA removed a key risk for the economy, challenges such as high household debt remain.

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

3. Exchange Rates – USD/CAD at Year-End³



Source: Royal Bank of Canada

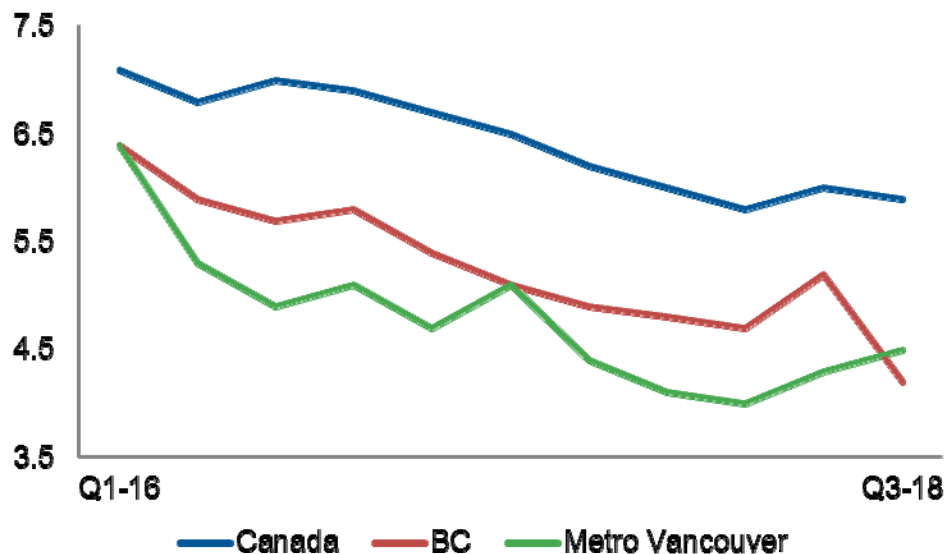
- Strong gains in real GDP and policy stimulus in the US caused the country's currency to continue to strengthen in Q3 2018.
- The Canadian dollar held steady against the US currency throughout the third quarter and ended Q3 2018 at \$1.29 CAD per \$1 USD.
- Good economic conditions in Canada, a new USMCA, and ongoing tightening by the Bank of Canada balanced declines in oil prices – leaving the USD/CAD exchange rate forecast for 2019 at \$1.28 CAD per \$1 USD.
- Downside risks to the CAD remain and include threats to global trade, lowered commodity prices and risk aversion from foreign investors.



The foreign exchange rate was **\$1.29 CAD per \$1 USD** at the end of Q3 2018.

Regional & Local Economic Activity Indicators

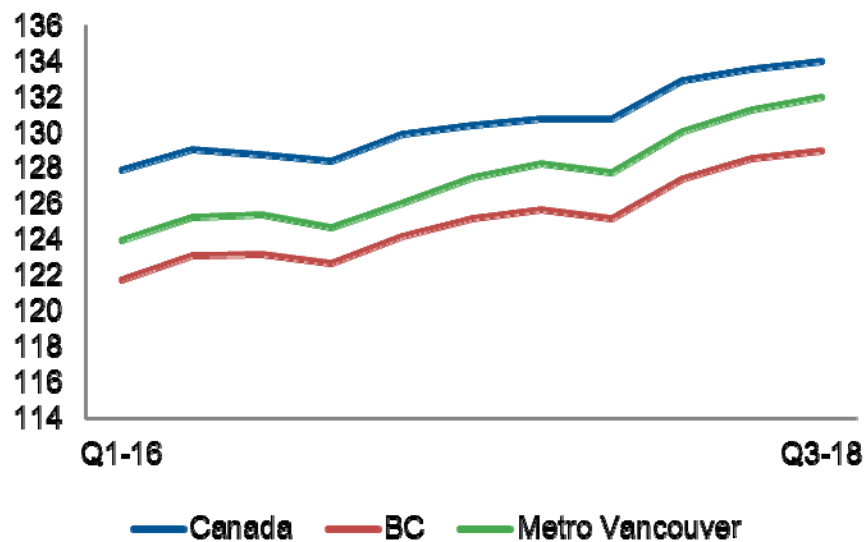
4. Unemployment⁴



Source: BC Statistics; Statistics Canada

- National and regional economies continue to operate at close to full employment levels throughout the first three quarters of 2018. The jobless rate in Canada decreased by 4.8% in Q3 2018 over Q3 2017
- Unemployment rates ended the quarter at a low 5.9%, 4.2%, and 4.5% for Canada, B.C. and Metro Vancouver respectively.
- The unemployment rate in B.C. dropped by 14% over the same period last year and remains the lowest in the country.
- 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)



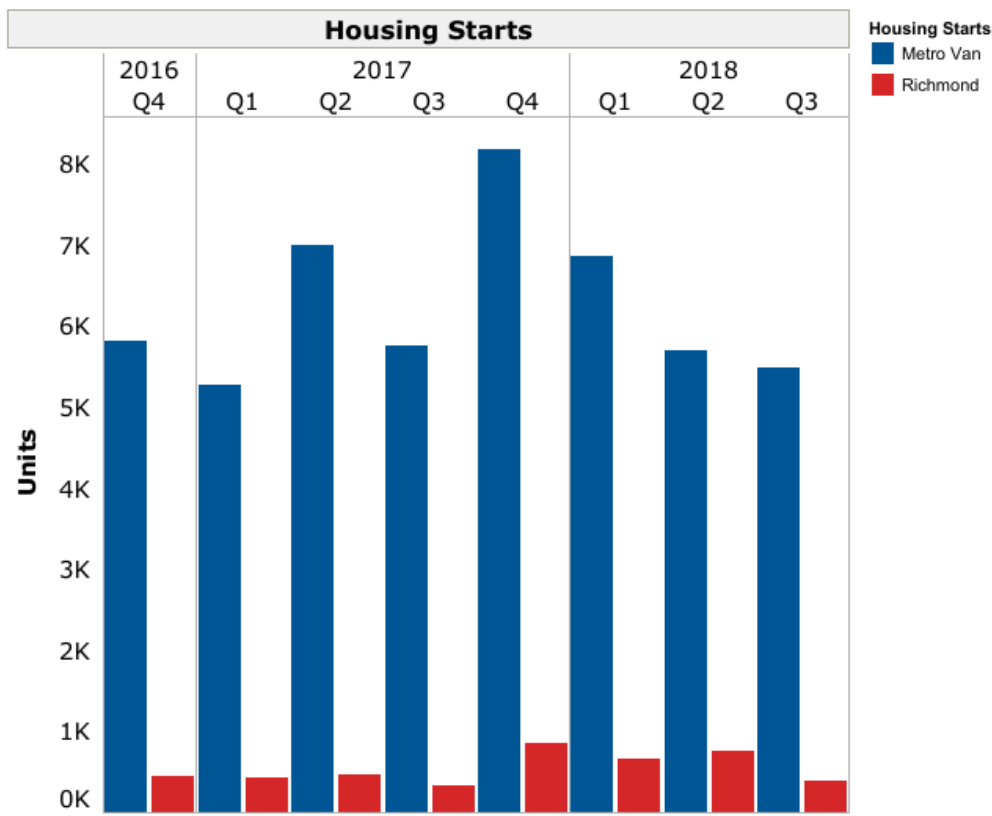
Source: BC Statistics

- The country's annual pace of inflation, as measured by Consumer Price Index (CPI) slowed in September as increases in the price of gasoline continued to ease.
- At the end of Q3 2018 the CPI climbed by 2.2% in Canada, 2.7% in Metro Vancouver and 2.5% in British Columbia, 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 **2.7%** in Metro Vancouver, **2.5%** in British Columbia and **2.2%** in Canada.

6. Housing Starts⁵

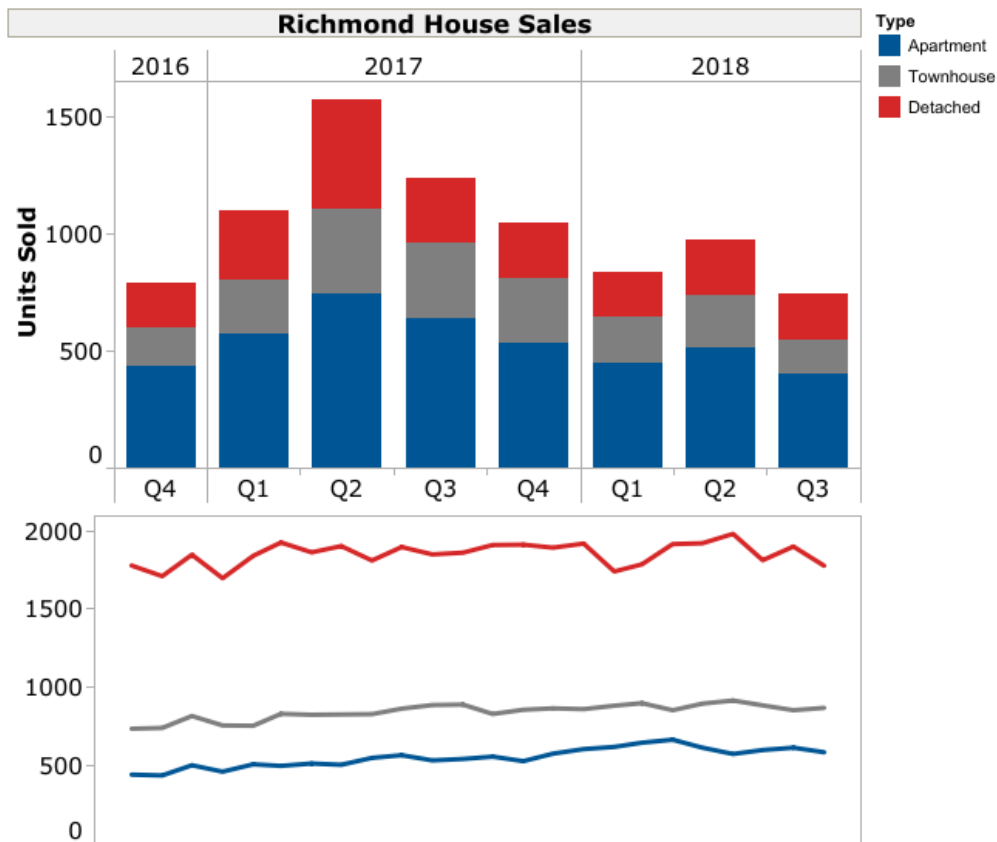


Source: Canada Mortgage and Housing Corporation

- Bucking the regional and provincial trend, construction of new homes in Richmond, particularly condos, continued to surge in the third quarter of 2018.
- Year-to-date housing starts in Richmond nearly doubled over 2017 levels, increasing by 48%. Q3 2018 alone saw a 16% increase over Q3 2017.
- This is in stark contrast to regional totals, where housing starts declined by 4.5% over Q3 2017. Overall, 2018 year-to-date housing starts in Metro Vancouver increased by a mere 0.2% over the same period last year.
- There were 18,055 housing starts in Metro Vancouver throughout the first nine months of 2018, and 1,801 in Richmond during the same period.

Year-to-date housing starts in Richmond almost doubled over 2017, increased by 48%.

7. Richmond House Sales and Prices⁶



Source: CMHC & REBGV

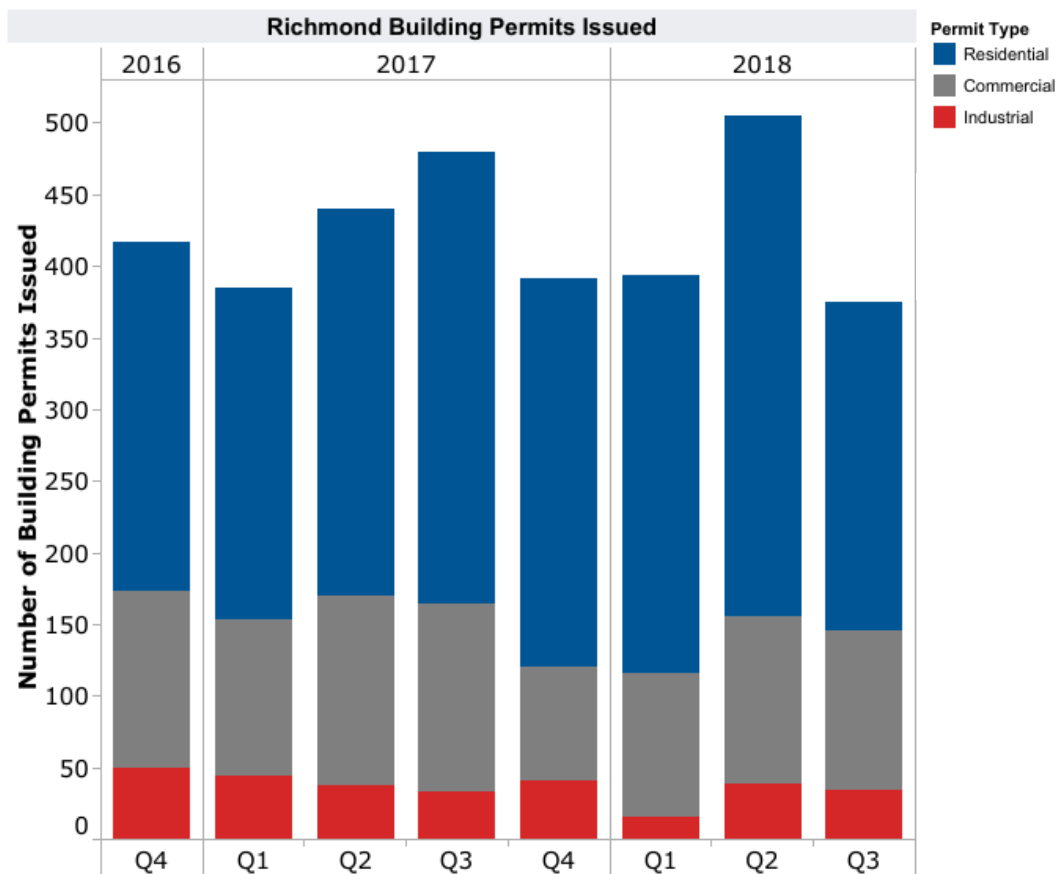
- Tougher mortgage qualifications, rising interest rates and government tax measures have contributed to another period of slowed housing demand. 2,553 homes were sold in Richmond throughout the first nine months of 2018, a 26% decline over the same period last year.
- The detached home category saw the biggest decrease in sales, at 41%, followed by townhouses (down 37%) and apartments (down 30%).
- Sale prices dropped this quarter with the increase in available home and more balanced market conditions. In Q3 2018 the average sale price dropped by 5% for detached homes and 2% for townhouses. Average apartment prices continued to climb in the same period, by 8%.
- At the end of Q3 2018 the average price of a detached home in Richmond was \$1.78 million, while a townhouse was \$870,000 and an apartment was \$587,000.



**Year-to-date
Richmond home
sales declined by
26% over the same
period in 2017.**

8. Construction Activity – Richmond⁷

a) Building Permits



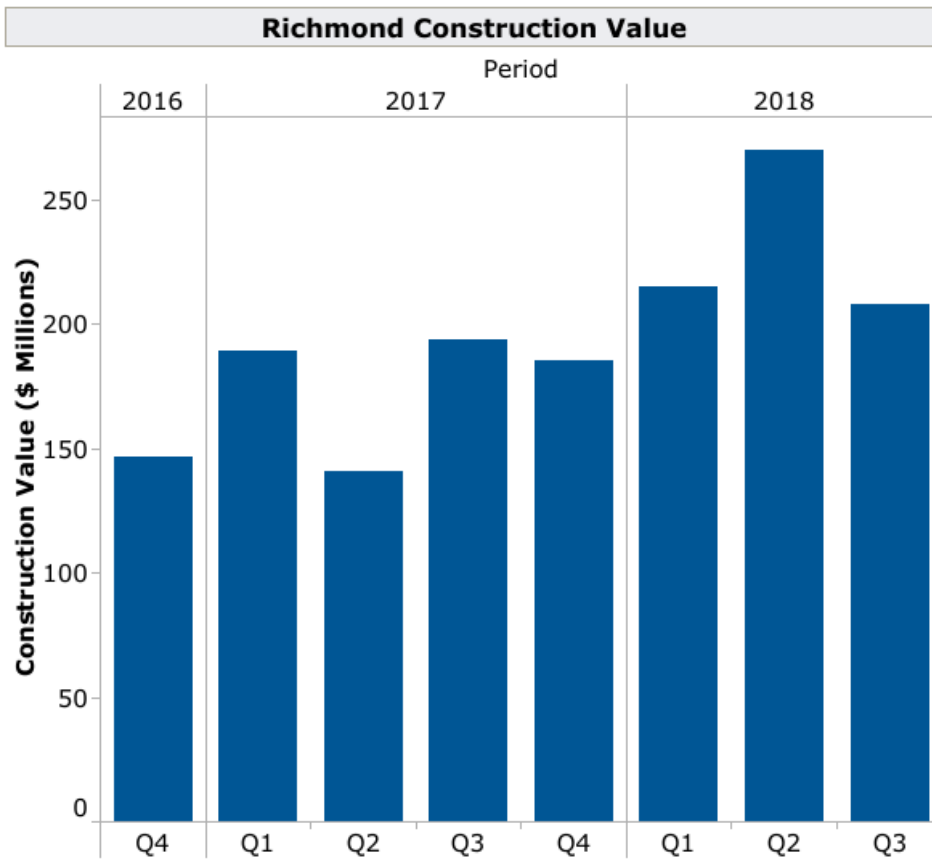
Source: City of Richmond

- The total number of building permits issued in Richmond throughout the first nine months of 2018 decreased by 2.4% over the same period in 2017.
- Residential construction was the only category that saw an increase of 4.8%.
- Commercial and industrial building permit activity declined in the same period, by 12% and 23% respectively.
- In total there were 857 residential building permits, 329 commercial building permits, and 88 industrial building permits issued in the first three quarters of 2018.



The total number of residential building permits issued so far in 2018 has decreased slightly, by 2.4%.

b) Construction Value



Source: City of Richmond

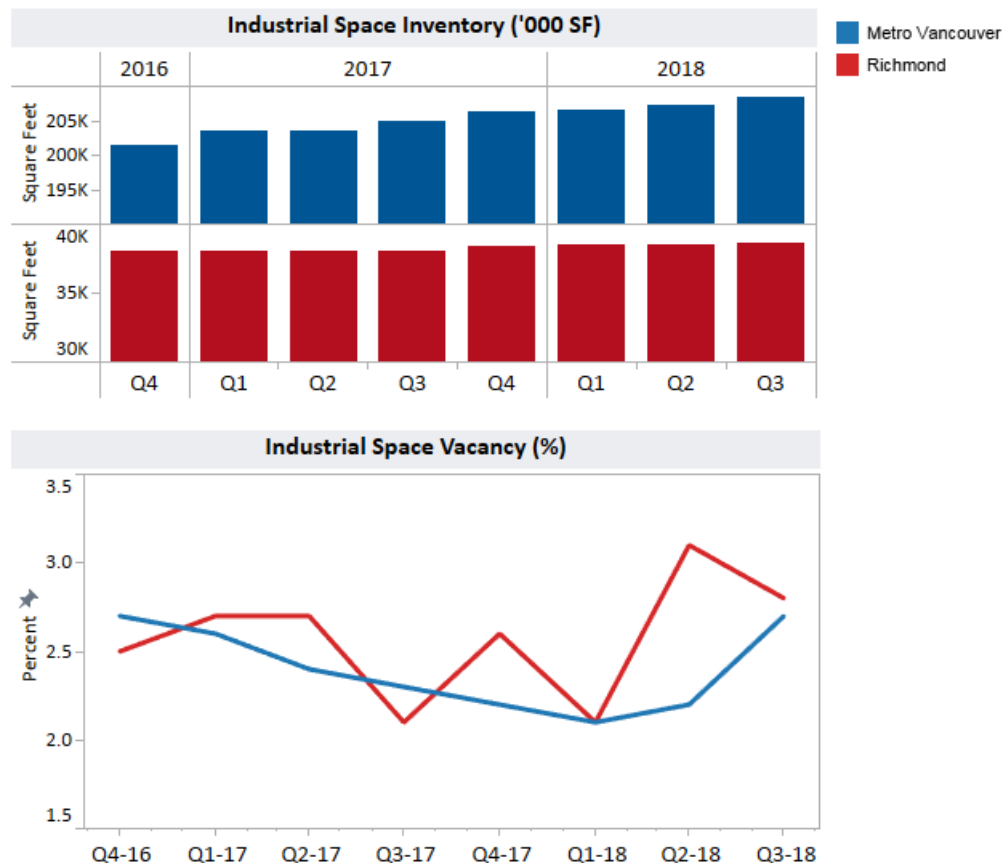
- The construction value of projects, meanwhile, saw a significant increase. The total value of construction projects from January – September 2018 was \$693 million, a 32% increase over the same period in 2017.
- This is well on track to surpass the record values of \$716 million realized in 2016 and \$709 million in 2017.
- This is mainly attributed to ongoing development projects in the City Center as projected in the City Center Area Plan.



The value of construction activity in the first 9 months of 2018 totalled **\$693 million**.

9. Commercial Space⁸

a) Industrial Space



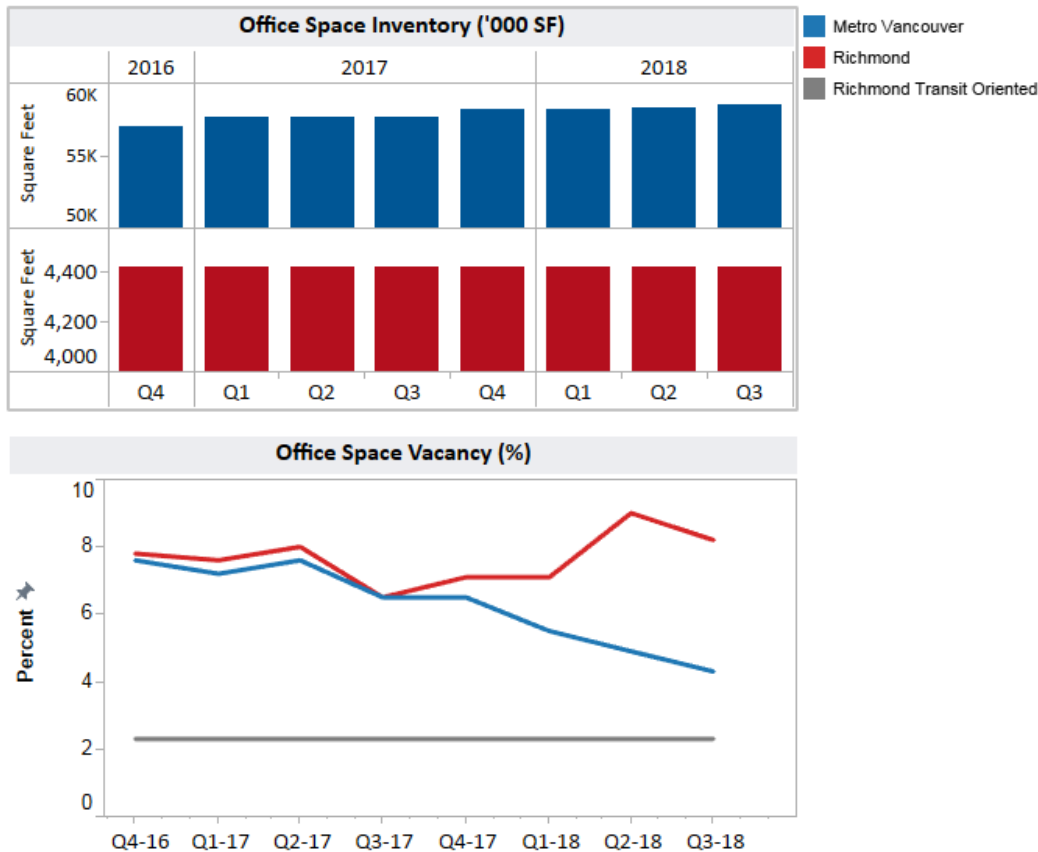
Source: Cushman & Wakefield

- Despite a net addition of 575,000 square feet of industrial space in Richmond over the same period last year, high demand and absorption has kept the industrial vacancy rate low. It ended Q3 2018 at 2.8%.
- Meanwhile the vacancy rate in Metro Vancouver increased year over year by 17% as more than 3.5 million square feet of new stock is absorbed. The overall vacancy rate in the region is still at a low 2.7%.
- 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 38.6 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (35.3 million), Burnaby (30.4 million), Delta (24.5 million), and Vancouver (24.1 million).



The industrial vacancy rate in Richmond is at a low **2.8%**.

b) Office Space



Source: Cushman & Wakefield

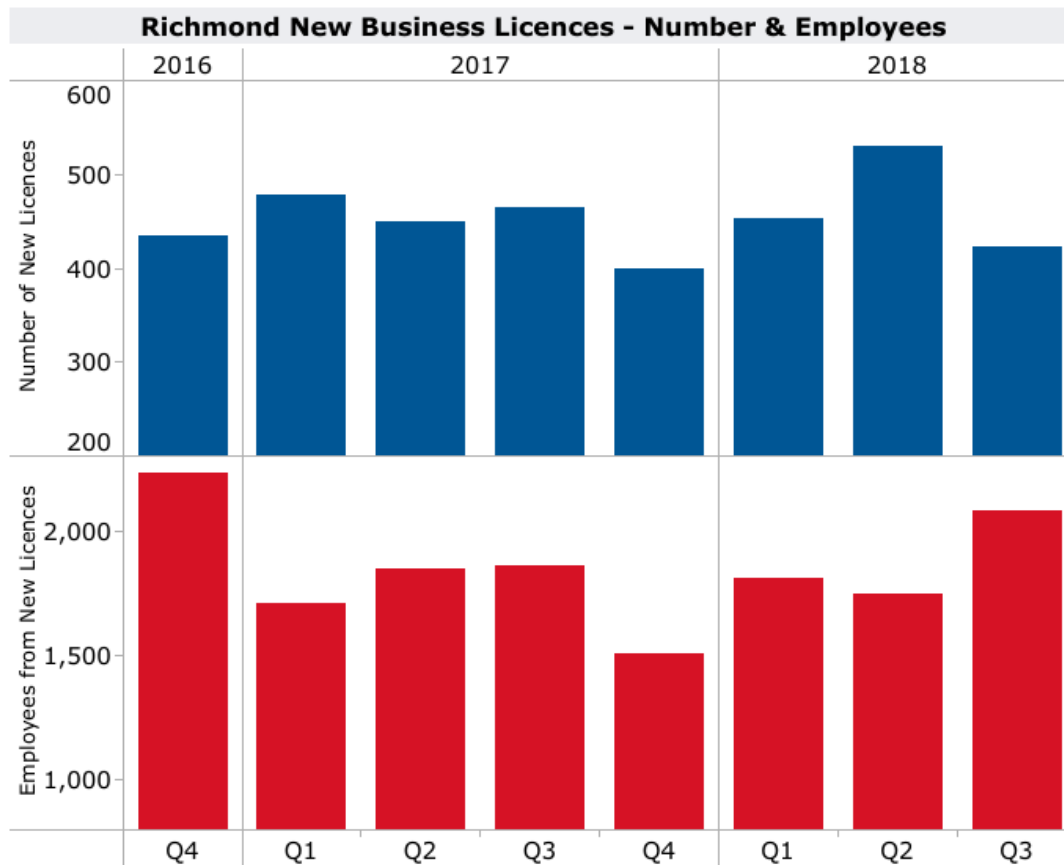
- Despite an increase over the same period last year when it was 6.5%, the office vacancy rate continues its downward trend over the medium term. The office vacancy rate in Richmond was 8.2% at the end of the Q3 2018.
- Demand for high quality office space around rapid transit stations is increasing as companies seek amenity rich locations that aid their talent attraction and retention efforts amidst a constrained labour market.
- The uptick in the Richmond office vacancy rate may be in part due to companies relocating to this type of space in other communities as the office vacancy rate in Metro Vancouver declined by a staggering 34% and ended the quarter at a very low 4.3%.



The office vacancy in Richmond city-wide is 8.2% and close to nil in the City Center.

10. Business Growth – Richmond⁹

a) New Business Licences – Issued & Number of Employees



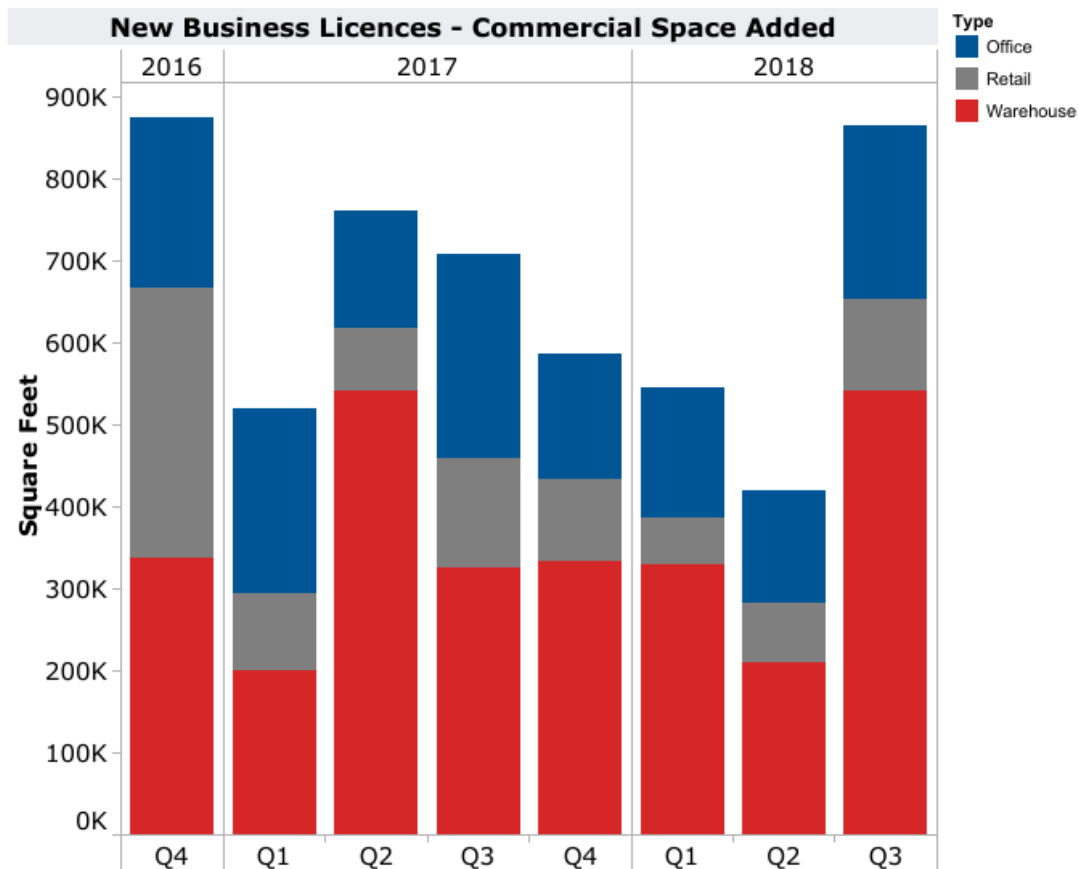
Source: City of Richmond

- There were 1,404 new business licences issued in Richmond during the first nine months of 2018, an increase of 1% over the same period in 2017.
- The addition of 5,637 jobs was attributed to these new businesses.



So far in 2018 there were **1,404** new business licences issued.

b) New Business Licences – Commercial Space Added

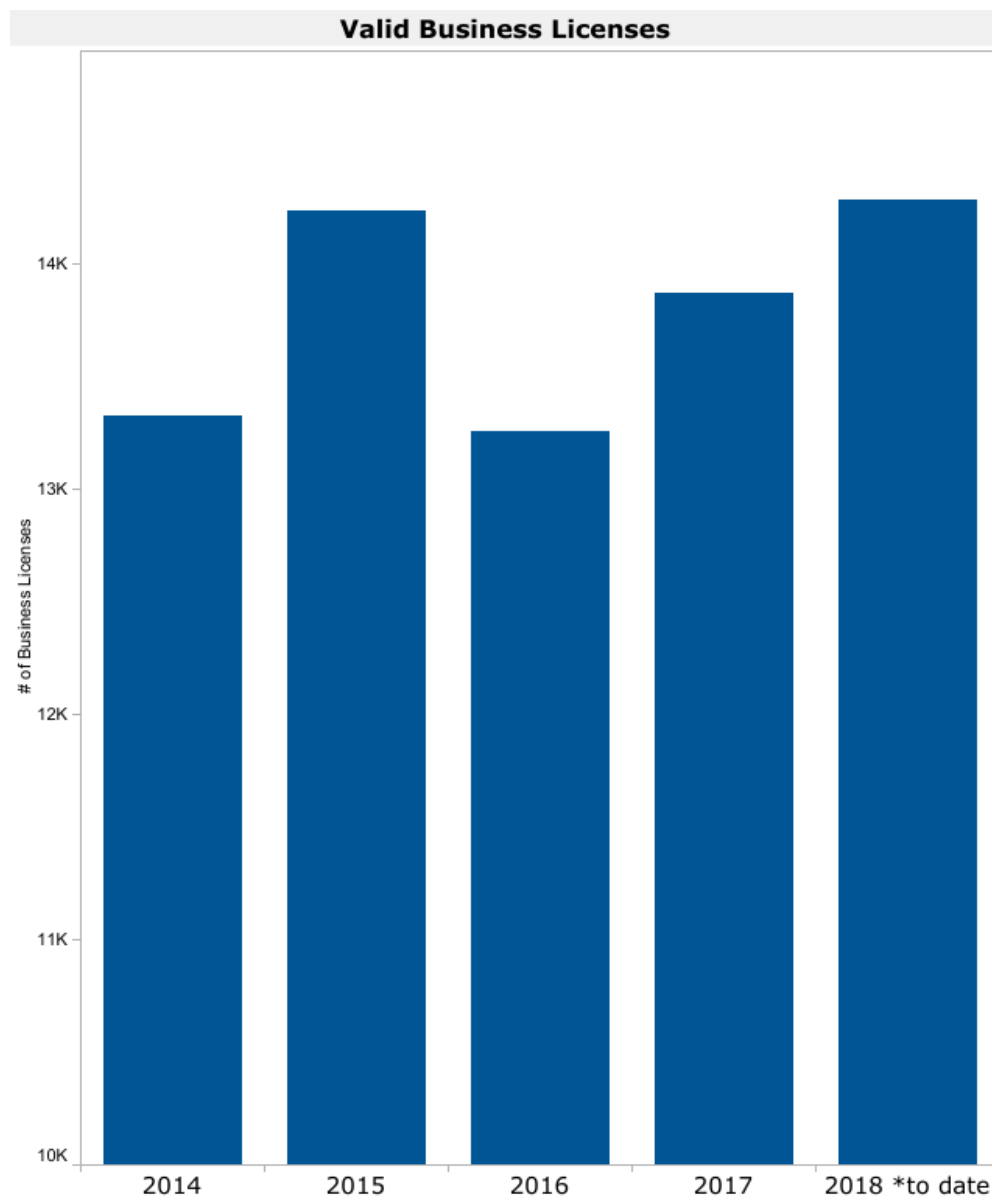


Source: City of Richmond

- Over 1.8 million square feet of commercial space absorption was tied to the new business licences issued throughout the first three quarters of 2018.
- As industrial users typically require more space, it is not surprising that 59% of total commercial space absorption was warehouse-type industrial space.
- 28% of commercial space absorption was tied to office-based businesses year-to-date in 2018. Only 13% of commercial space absorption throughout this period was from retail businesses.



YTD in 2018, 59% of commercial space absorbed by new businesses was by warehouse-based industrial users.

c) Valid Business Licences

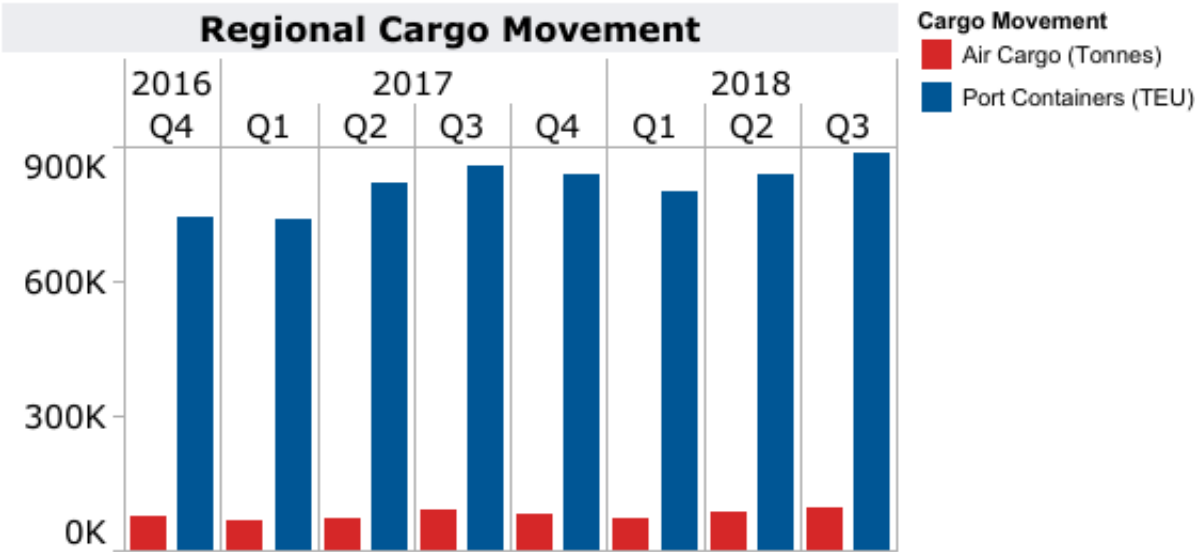
- There were 14,285 active business licenses issued in Richmond at the end of Q3 2018.
- This is an increase of 1.6% over the same period last year.



There were **14,285** active business licences in Richmond at the end of Q3 2018.

11. Goods and People Movement

a) Regional Cargo Movement¹⁰



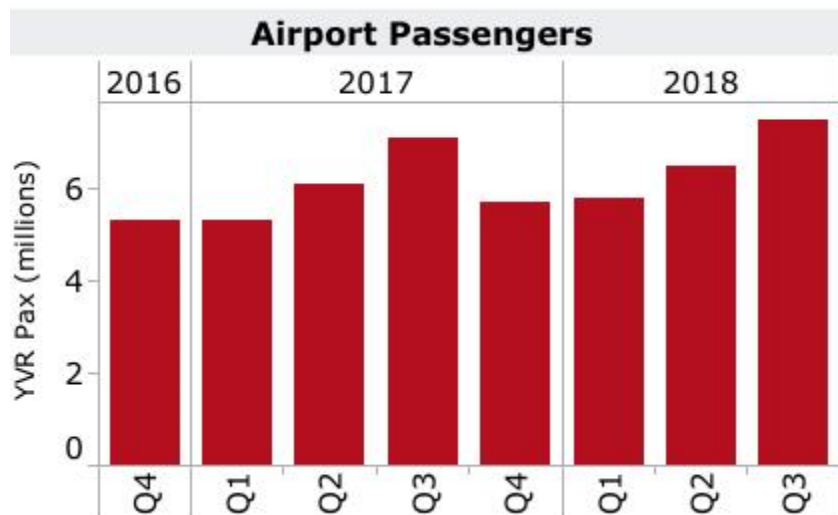
Source: Port of Vancouver, YVR

- After posting a year of strong growth in 2017, regional cargo data indicators of regional trade activity continued to demonstrate solid year over year growth in Q3 2018.
- Port of Vancouver container movements as measured by Twenty-Foot Equivalent Units (TEUs) increased by 4.5% over the same period last year.
- 252,822 tonnes of air cargo moved through the Vancouver International Airport (YVR) in the first 9 months of 2018, a 9.8% increase over the same period last year.



Air cargo increased by 9.8% and container movements increased by 4.5%.

b) Airport Passengers¹¹

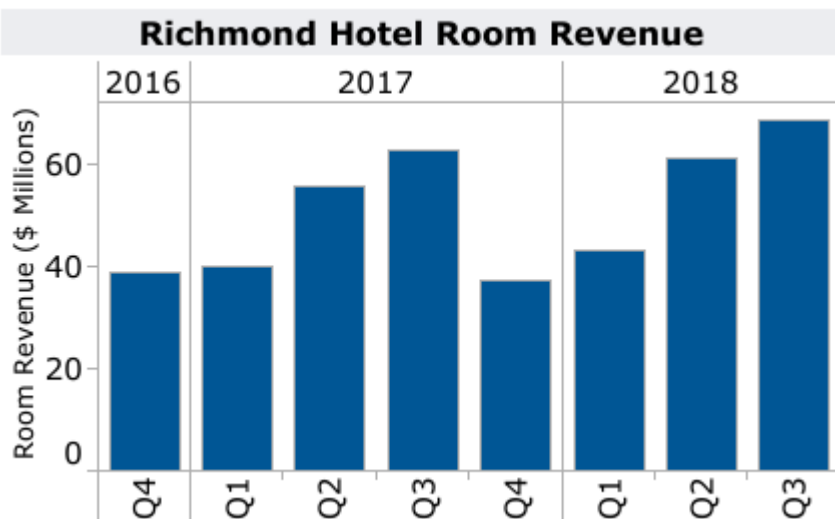


Source: Vancouver Airport Authority

- 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 throughout the first nine months of the year increased by 7% to 19.8 million passengers, over the same period in 2017.

Over the first 9 months of 2018, **19.8 million** passengers travelled through YVR.

c) Richmond Hotel Room Revenue¹²



- \$172.6 million was collected in hotel room revenue throughout the first 9 months of 2018 in Richmond, an increase of 9.3% over the same period last year.

Throughout the first 9 months of 2018, **\$172.6 million** was collected in hotel room revenue.

Data Table

Macroeconomic Indicators & Forecast

1) Real GDP - % Change	2016	2017	Change	2018f	2019f
Canada	1.4	3.0	114.3%	2.1	2.0
United States	1.5	2.3	53.3%	2.9	2.5
China	6.7	6.9	3.0%	6.6	6.2
World	3.2	3.8	18.8%	3.7	3.7
2) Interest Rates (at YE)	2016	2017	Change	2018f	2019f
Bank of Canada	0.50	1.00	100.0%	1.75	2.25
US FED	0.75	1.50	100.0%	2.50	3.50
3) Exchange Rate (at YE)	2016	2017	Change	2018f	2019f
CAD per \$1 USD	1.34	1.26	-6.0%	1.29	1.28

Regional and Local Market Indicators

4)	Unemployment (%)	Q3-2018	Q2-2018	Change	Q3-2017	Change	
	Canada	5.9	6	-1.7%	6.2	-4.8%	
	BC	4.2	5.2	-19.2%	4.9	-14.3%	
	Metro Vancouver	4.5	4.3	4.7%	4.4	2.3%	
5)	CPI (2002=100)	Q3-2018	Q2-2018	Change	Q3-2017	Change	
	Canada	133.7	133.6	0.1%	130.8	2.2%	
	BC	128.9	128.6	0.2%	125.7	2.5%	
	Metro Vancouver	131.7	131.3	0.3%	128.3	2.7%	
6)	Housing Starts (Units)	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
	Starts - Metro Vancouver	5493	5752	-4.5%	18055	18025	0.2%
	Starts - Richmond	388	336	15.5%	1801	1220	47.6%
7)	Richmond Residential Sales Activity	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
	Sales - Detached	194	280	-30.7%	623	1048	-40.6%
	Sales - Townhouse	150	316	-52.5%	566	903	-37.3%
	Sales - Apartment	399	641	-37.8%	1364	1956	-30.3%
	Sales Total/Average Change	743	1237	-39.9%	2553	3907	-34.7%
	Average Price - Detached (\$ at QE)	1,777	1860	-4.5%	N/A	N/A	N/A
	Average Price - Townhouse (\$ at QE)	870	891	-2.4%	N/A	N/A	N/A
	Average Price - Apartment (\$ at QE)	587	544	7.9%	N/A	N/A	N/A

Benchmark Price - Detached (\$ at QE)	1,663	1,695	-1.9%	N/A	N/A	N/A
Benchmark Price - Townhouse (\$ at QE)	862	802	7.5%	N/A	N/A	N/A
Benchmark Price - Apartment (\$ at QE)	691	599	15.4%	N/A	N/A	N/A

8) Richmond Building Permits	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
Building Permits - Residential	229	316	-27.5%	857	818	4.8%
Building Permits - Commercial	112	131	-14.5%	329	373	-11.8%
Building Permits - Industrial	34	33	3.0%	88	114	-22.8%
Building Permits Total	375	480	-21.9%	1,274	1,305	-2.4%
Construction Value (\$ million)	208.0	193.9	7.2%	692.7	523.6	32.3%

Regional and Local Market Indicators (continued)

9) Commercial Space (at QE)	Richmond			Metro Vancouver		
	Q3-2018	Q3-2017	Change	Q3-2018	Q3-2017	Change
Office Vacancy (%)	8.2	6.5	26.2%	4.3	6.5	-33.8%
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,419	4,419	0.0%	58,466	57,678	1.4%
Industrial Vacancy (%)	2.8	2.1	33.3%	2.7	2.3	17.4%
Industrial Inventory (000 sf)	38,569	37,994	1.5%	208,486	204,807	1.8%
10) Richmond Business Growth	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
Total Valid Business Licenses	N/A	N/A	N/A	14,285	14,062	1.6%
New Licenses - Number Issued	422	465	-9.2%	1,404	1,392	0.9%
New Licenses - Employees	2,081	1,857	12.1%	5,637	5,408	4.2%
New Licenses - Office Added (sf)	210,163	249,606	-15.8%	506,819	620,091	-18.3%
New Licenses - Retail Added (sf)	112,918	132,679	-14.9%	242,583	301,920	-19.7%
New Licenses - Industrial Added (sf)	541,338	325,773	66.2%	1,080,081	1,067,219	1.2%
Total Space Added (sf) / Average Change	864,419	708,058	22.1%	1,829,483	1,989,230	-8.0%
11) Goods & People Movement	Q3-2018	Q3-2017	Change	YTD-2018	YTD-2017	Change
YVR Air Cargo (tonnes)	95,702	88,765	7.8%	252,822	230,253	9.8%
PMV Container Movement (TEUs)	885,963	856,370	3.5%	2,523,404	2,414,904	4.5%
YVR Passengers (million)	7.5	7.1	5.6%	19.8	18.5	7.0%
Richmond Hotel Room Revenue (\$ million)	68.6	62.5	9.8%	172.6	157.9	9.3%

List of Sources (last accessed November 19, 2018):

- ¹ International Monetary Fund, World Economic Outlook (Oct 2018)
- ² US Federal Reserve, Bank of Canada and Royal Bank Research
- ³ Bank of Canada, Monetary Policy Report (Oct 2018)
- ⁴ Statistics Canada
- ⁵ BC Statistics
- 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 Port of Vancouver Monthly Cargo Statistics
- ¹¹ YVR Monthly Statistics
- ¹¹ City of Richmond Additional Hotel Room Tax Ledger; Destination BC



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