



Economic
Development

City of Richmond

Quarterly Economic Report

2019 | Q1



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



businessinrichmond.ca



economicdev@richmond.ca



604-247-4923



@RichmondEDO



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Q1 2019

Key Economic Indicators



The Bank of Canada rate is expected to increase to **2.25%** by the end of 2020.



The unemployment rate in B.C. **dropped by 2%** over the same period last year.



Housing starts in Richmond decreased in Q1 2019 by **79%** from the same period last year.



Year-to-date Richmond home sales declined by **45%** over the same period in 2018.



Construction activity throughout Q1 was valued at **\$263 million**.



The industrial vacancy rate in Richmond is at a low **2.5%**.



YTD in 2019, **364,000** square feet of commercial space absorbed by new businesses.



Air cargo decreased by **4.8%** and container movements increased by **5.2%**.



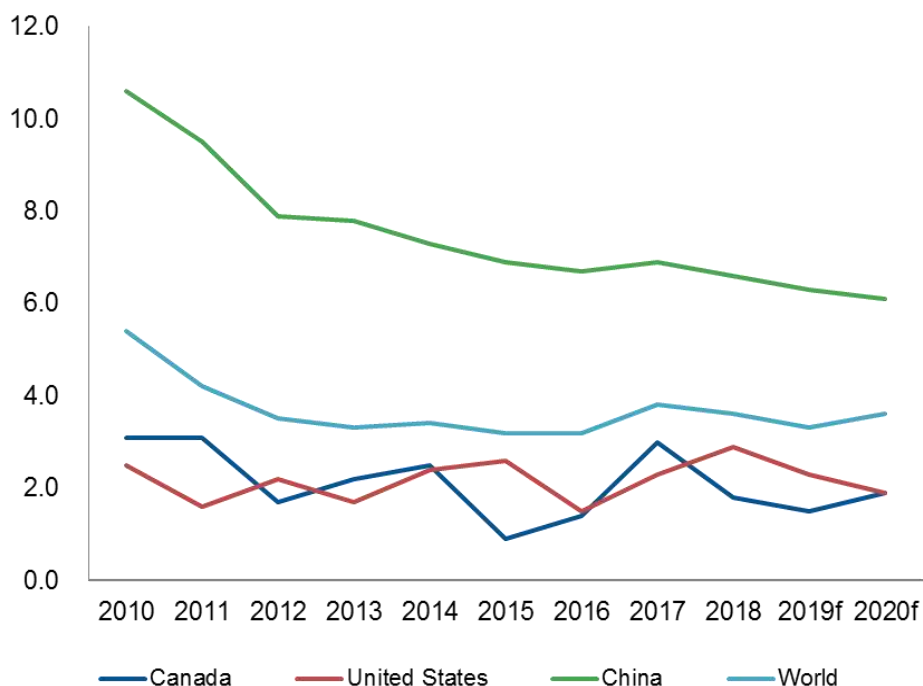
Over the first 3 months of 2019, **6.0 million** passengers travelled through YVR.

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Macroeconomic Indicators & Forecast

1. Global Growth – Real GDP % Change¹



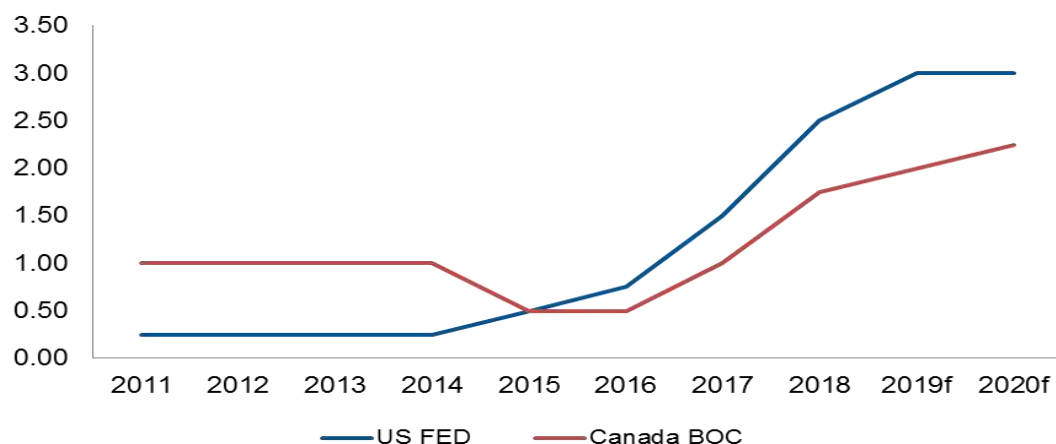
Source: International Monetary Fund

- 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. In 2018 Canada's economy grew by 1.8%, as measured by Gross Domestic Product (GDP).
- The International Monetary Fund (IMF) projects a slowdown in growth for 70 per cent of the world economy, largely due to tensions in trade policy.
- Forecasted Canadian GDP growth is 1.5% and 1.9% for 2019 and 2020, respectively. Global GDP growth is expected to be 3.3% and 3.6% over the same periods.
- GDP growth in the U.S. is forecasted at 2.3% and 1.9% for 2019 and 2020, and in China the forecast is for growth of 6.3% and 6.1% in those years.



In 2018, Canada's economy grew by 1.8%, as measured by Gross Domestic Product.

2. Interest Rates – US and Canadian Overnight Central Bank Rate % at Year-End²

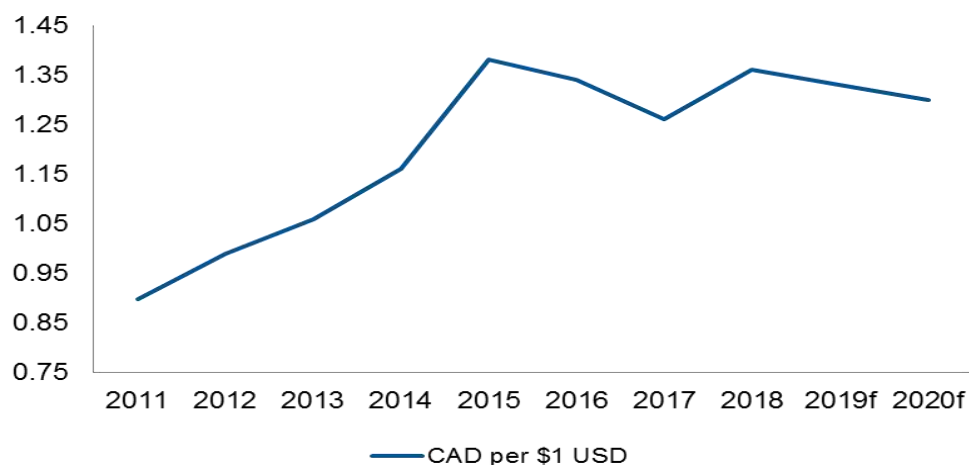


Source: US Federal Reserve, Bank of Canada and Royal Bank Research

- After experiencing three upward adjustments totaling 0.75 percentage points in 2018, the Bank of Canada (BOC) overnight rate remained at 1.75% in Q1 2019 amidst slowing global growth.
- Canada's overnight rate is forecasted at 2% in 2019 and 2.25% in 2020.
- The same factors caused the U.S. Federal Reserve (US FED) to hold its short-term rate steady at 2.5% in the first quarter of 2019 – it is expected to increase to 3% by the end of 2019 through 2020.


The Bank of Canada rate is expected to increase to 2.25% by the end of 2020

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



Source: Royal Bank of Canada

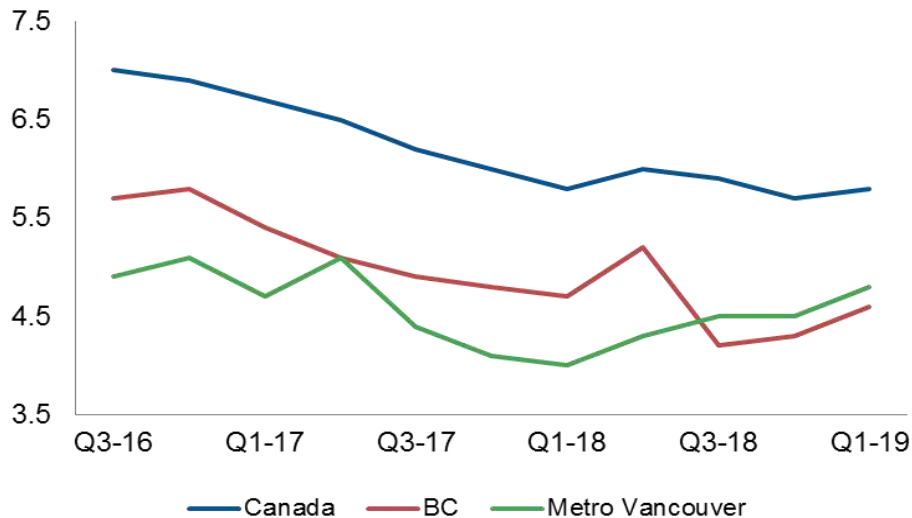
- The Canadian dollar ended Q1 2019 at \$1.34 CAD per \$1 USD.
- Forecasted USD/CAD exchange rates for 2019 and 2020 are \$1.33 CAD per \$1 USD and \$1.30 CAD per \$1 USD, respectively.



The forecasted
foreign exchange
rate for 2019 is
**\$1.33 CAD per \$1
USD.**

Regional & Local Economic Activity Indicators

4. Unemployment⁴



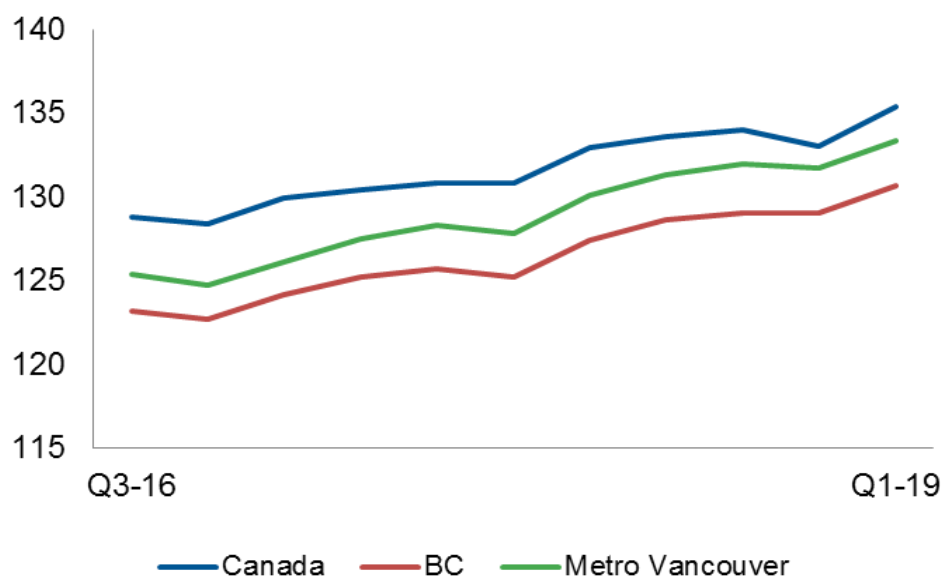
Source: BC Statistics; Statistics Canada

- Although British Columbia and Canada continue to experience very tight labour markets with near full employment, unemployment rates did increase slightly in the first quarter of 2019.
- At the end of Q1 2019, the unemployment rate was 5.8% in Canada, 4.6% in B.C. and 4.8% in Metro Vancouver.
- British Columbia continues to have the lowest unemployment of all Canadian provinces; in Q1 2019 the rate declined by 2% over the same period in 2018.



The unemployment rate in B.C. dropped by 2% over the same period last year.

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



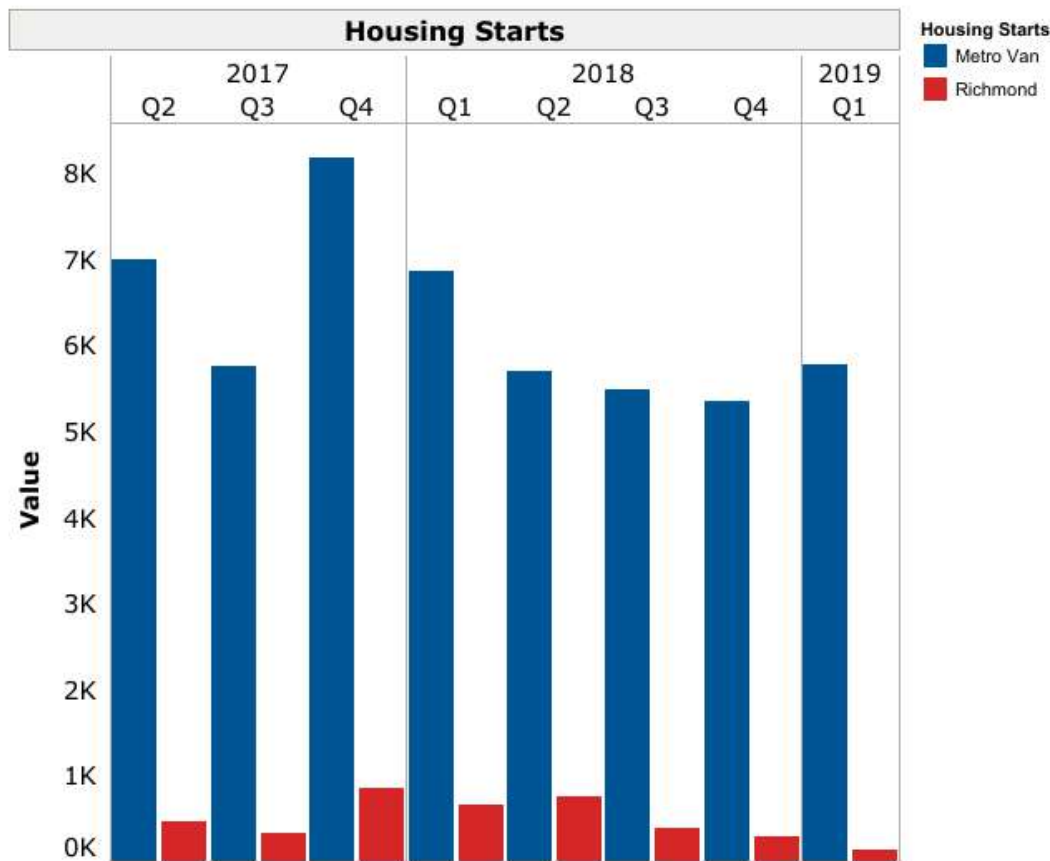
Source: BC Statistics

- The country's annual pace of inflation, as measured by Consumer Price Index (CPI) climbed in March as consumers experienced increases in the price of household items including mortgage borrowing costs and fresh vegetables.
- At the end of Q1 2019, the CPI climbed by 1.9% in Canada, 2.6% in British Columbia and 2.5% in Metro Vancouver, 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 2.5% in Metro Vancouver, 2.6% in British Columbia and 1.9% in Canada.

6. Housing Starts⁵



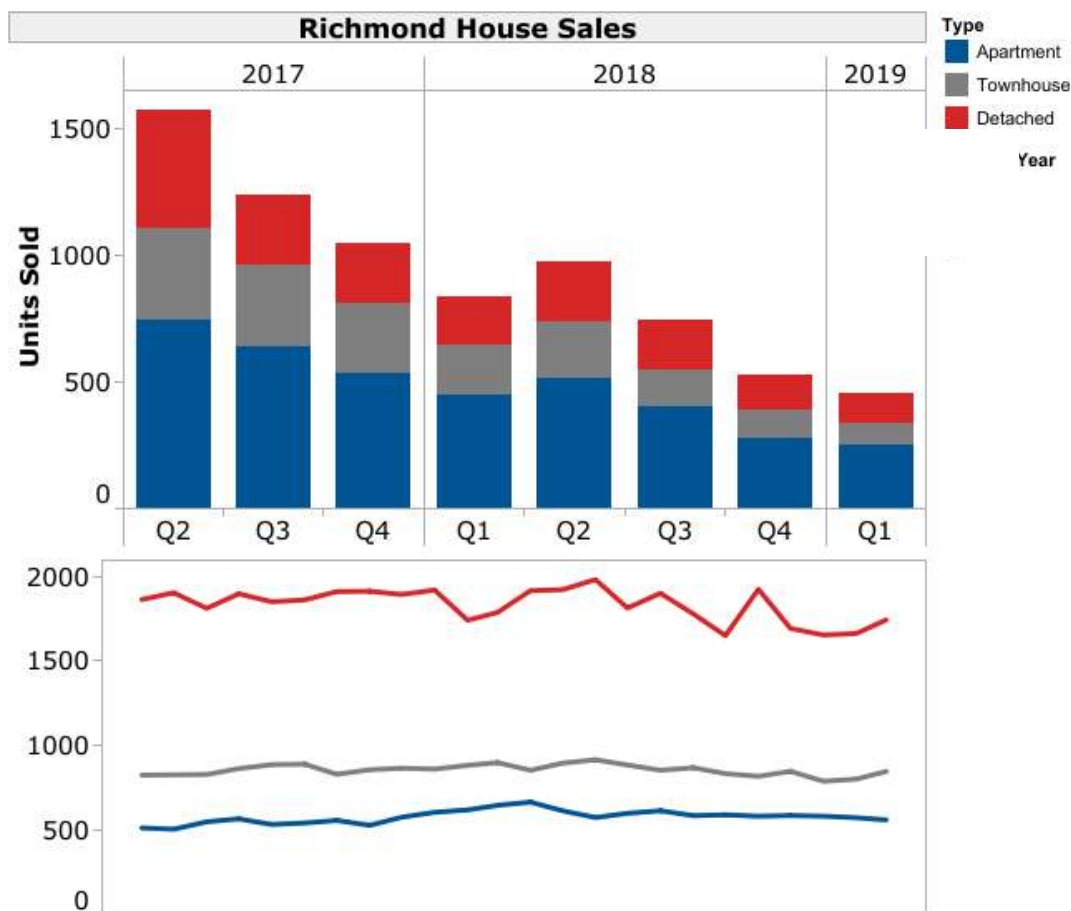
Source: Canada Mortgage and Housing Corporation

- In Q1 2019, there were 142 housing starts in Richmond and 5,772 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on a verification that construction work has commenced.
- Housing starts in Richmond and Metro Vancouver declined by 79% and 16% respectively, when compared to the same period in 2018.
- Throughout 2018 and into 2019, the number of new homes being constructed in Metro Vancouver has slowed and returned to historical norms after multiple government policy interventions introduced since mid-2016.
- The decline in Richmond's housing starts in Q1 2019 does not directly compare to the change in residential building permits issued due to the varying timing between issuing a residential building permit and determining a housing start.



Housing starts in Richmond decreased in Q1 2019 by 79% from the same period last year.

7. Richmond House Sales and Prices⁶



Source: CMHC & REBGV

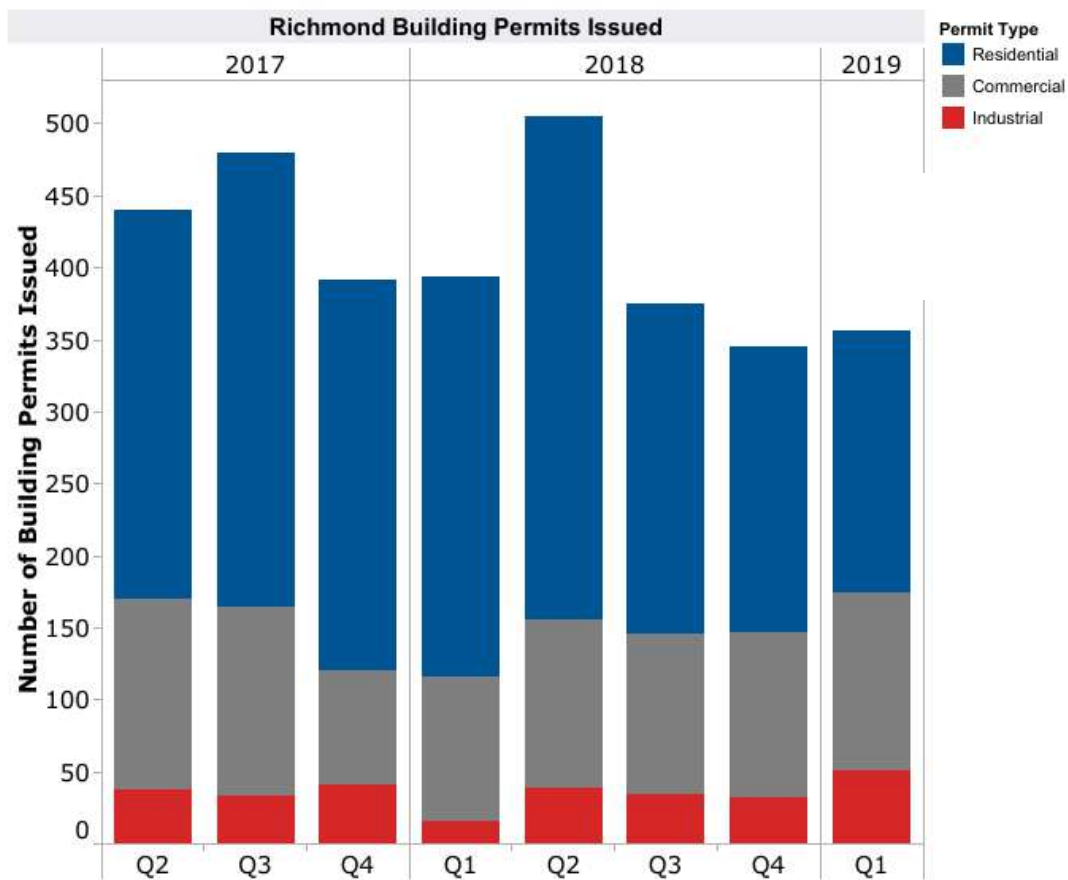
- Tougher mortgage qualifications, rising interest rates and government tax measures have contributed to another period of slowed housing demand.
- The total number of homes sold in Richmond in Q1 2019 was down by 46%. Townhouses saw the biggest decrease (-58%), followed by apartments (-45%) and detached homes (-39%).
- Average home prices were also down at the end of Q1 2019 over the same period last year. The average price of a detached home was \$1.7 million (-3%), while the average price of a townhouse was \$848,000 (-6%), and the average price of an apartment in Richmond was \$562,000 (-13%).



**Year-to-date
Richmond home
sales declined by
46% over the same
period in 2018.**

8. Construction Activity – Richmond⁷

a) Building Permits – Richmond



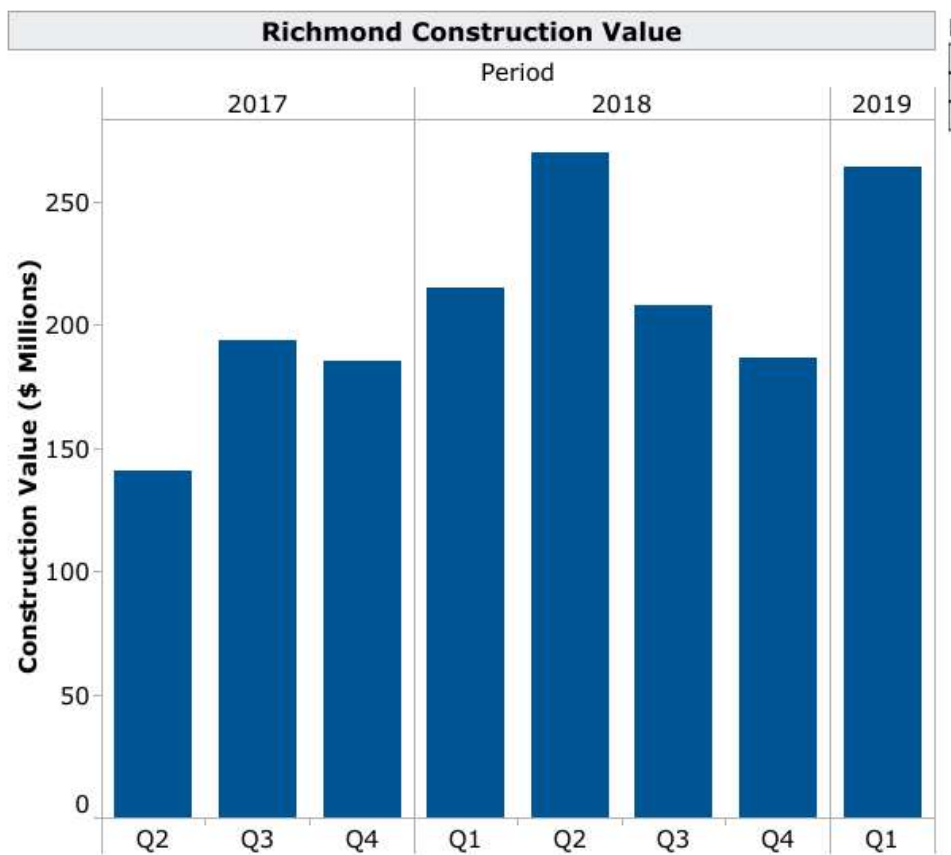
Source: City of Richmond

- In Q1 2019 there were 191 residential, 123 commercial, and 51 industrial building permits issued in Richmond.
- The 191 residential building permits consist of 73 permits for new construction and 118 for alterations.
- Residential building permits for new construction activity saw a decline of 43%. Although the number of building permits issued has decreased, the total number of units permitted for new construction has increased by 58% from 377 units in Q1 2018 to 597 units in Q1 2019 due to large multi-family developments.



The first 3 months of 2019 saw **191** residential, **123** commercial, and **51** industrial building permits issued in Richmond.

b) Construction Value



Source: City of Richmond

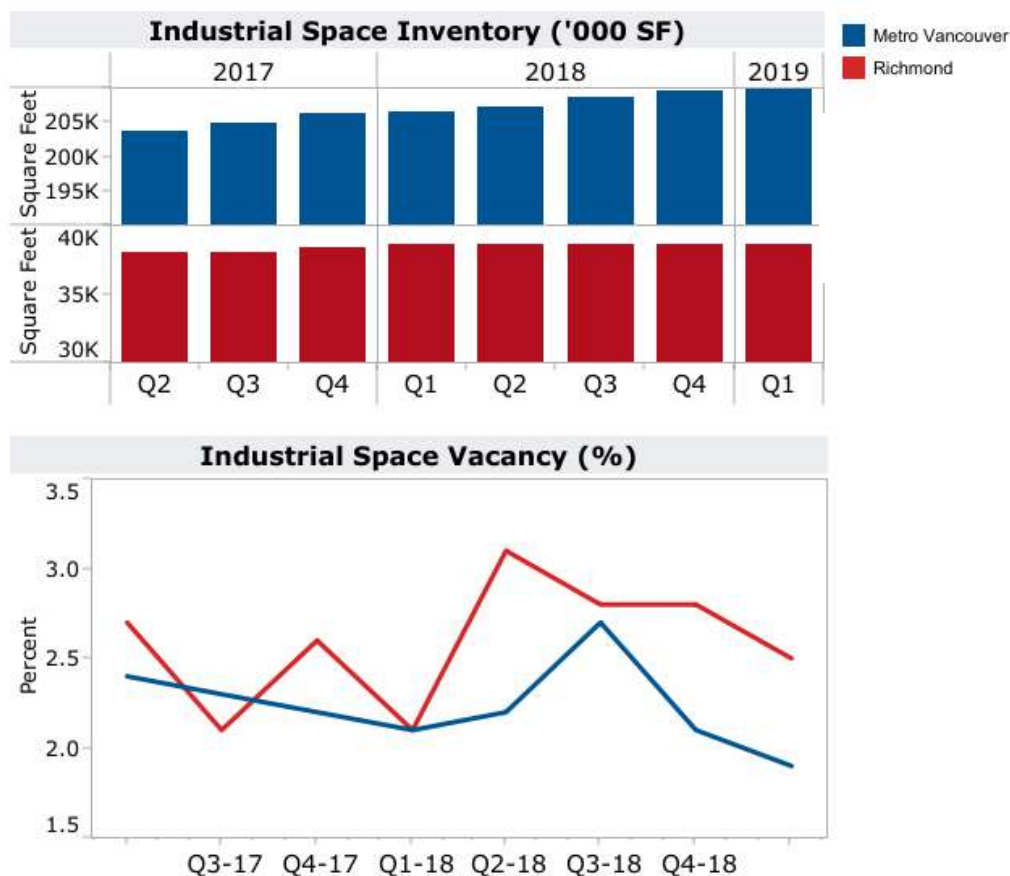
- The total value of new construction in the first quarter of 2019 was approximately \$263 million, up 23% over the same period last year.
- Although the number of building permits has decreased, the projects that are proceeding include large multi-family developments.
- Increasing labour and construction costs are other factors in the increased construction value experienced in Q1 2019 over Q1 2018.



Construction activity throughout Q1 was valued at \$263 million.

9. Commercial Space⁸

a) Industrial Space



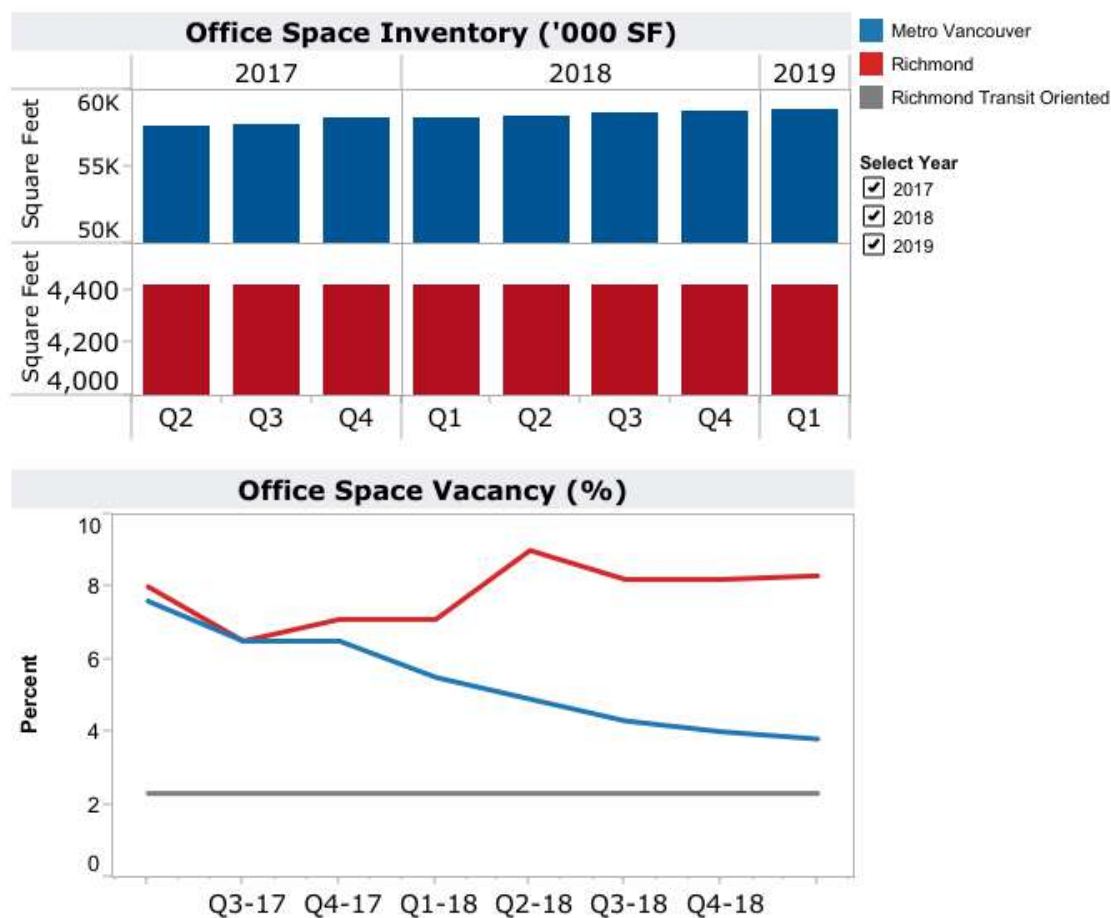
Source: Cushman & Wakefield

- High demand for industrial space in Richmond and Metro Vancouver has resulted in continued low vacancy rates at 2.5% and 1.9%, respectively, in Q1 2019.
- 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.
- Only 30,000 square feet of space was added to Richmond's inventory over the last year, which is now at 38.6 million square feet.
- The Richmond Industrial Center is the largest industrial project in development, and is expected to deliver over 2.8 million square feet of leasable space upon full build out.



The industrial vacancy rate in Richmond is at a low 2.5%.

b) Office Space



Source: Cushman & Wakefield

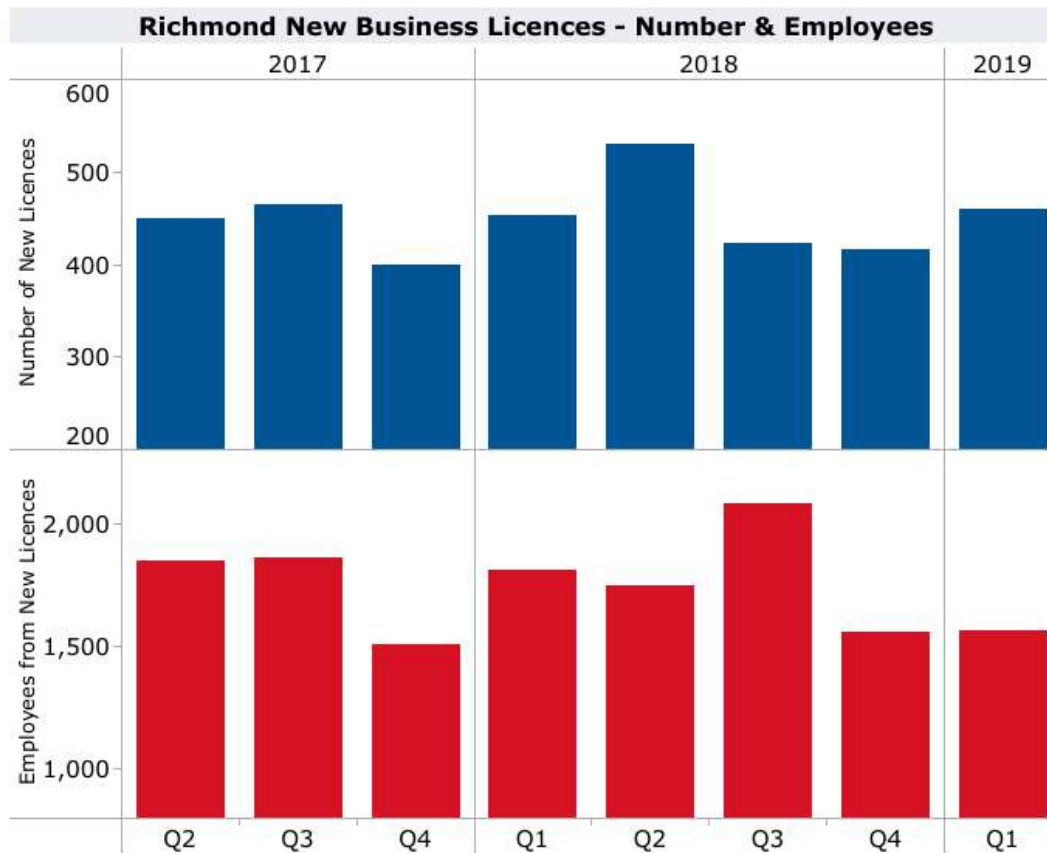
- At the end of Q1 2019, the office vacancy rate in Metro Vancouver had dropped again, to a very low 3.8%
- In Richmond, the vacancy rate slightly increased to 8.3% from 8.2% at the end of 2018.
- The inventory of office space in Richmond remains unchanged at 4.4 million square feet.
- Demand for high 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 office vacancy
in Richmond city-
wide is at **8.3%**.

10. Business Growth – Richmond⁹

a) New Business Licences – Issued & Number of Employees



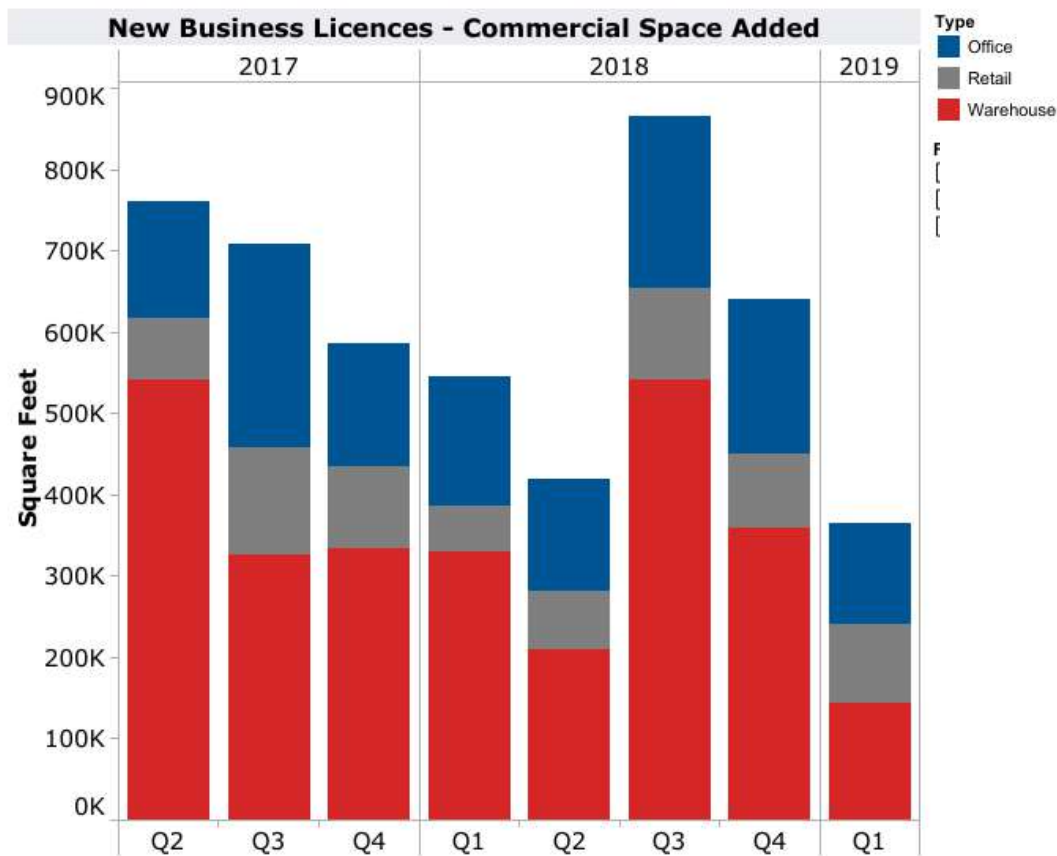
Source: City of Richmond

- 459 new business licenses were issued in the first quarter of 2019, an increase of 1.1% over Q1 2018.
- 1,565 people were employed by these newly licensed businesses.



So far in 2019 there were **459** new business licences issued.

b) New Business Licences – Commercial Space Added



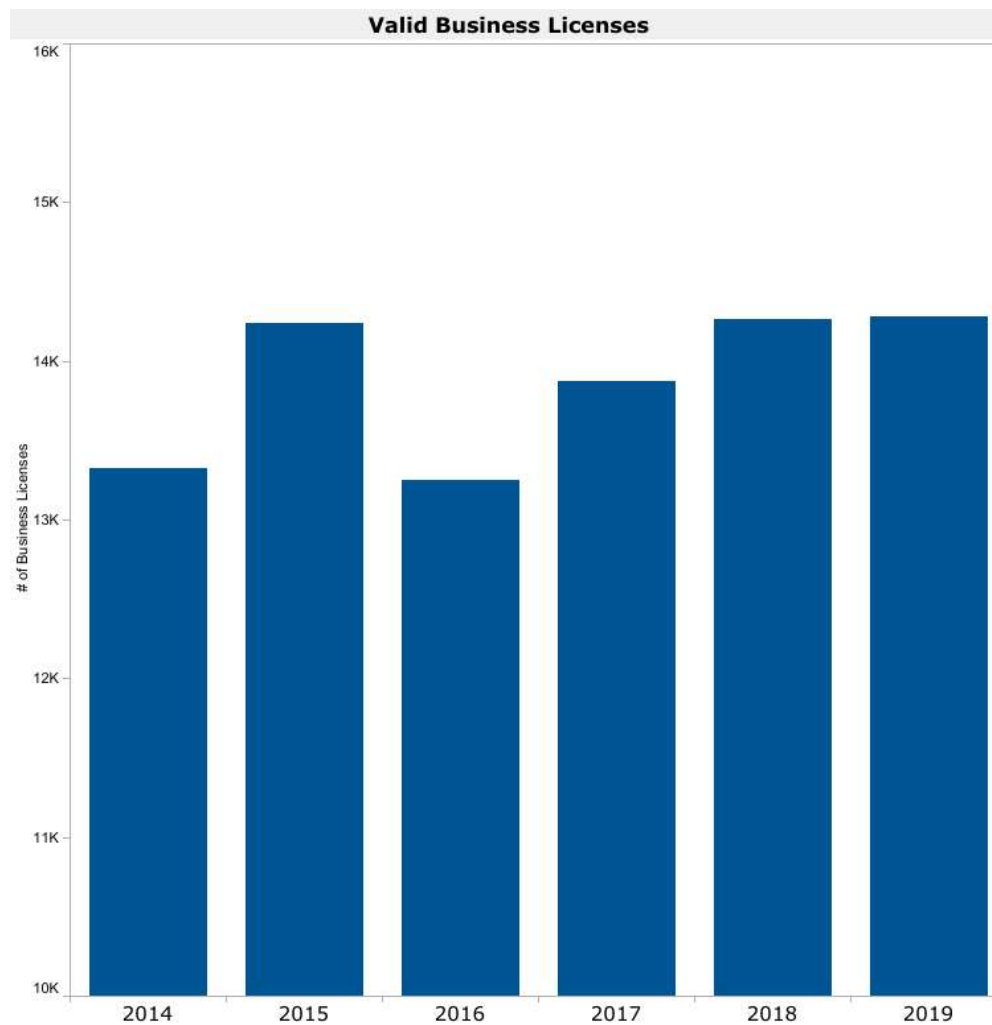
Source: City of Richmond

- Throughout the first quarter of 2019, the absorption of 364,000 square feet of commercial space was attributed to new business licenses issued.
- Industrial space represented the largest share of absorption, at 144,000 square feet, followed by office (122,000 square feet) and retail (98,000 square feet).



YTD in 2019,
364,000 square
 feet of commercial
 space absorbed by
 new businesses.

c) Valid Business Licences



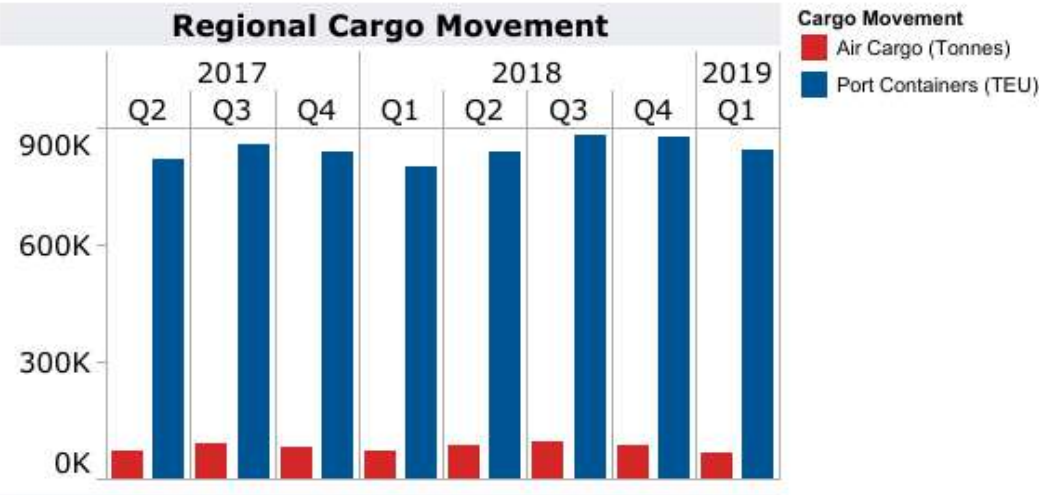
- There were 14,276 licensed businesses operating in Richmond at the end of Q1 2019.
- This is an increase of 2.4% over the same period last year.



There were **14,276** active business licences in Richmond at the end of Q1 in 2019.

11. Goods and People Movement

a) Regional Cargo Movement¹⁰



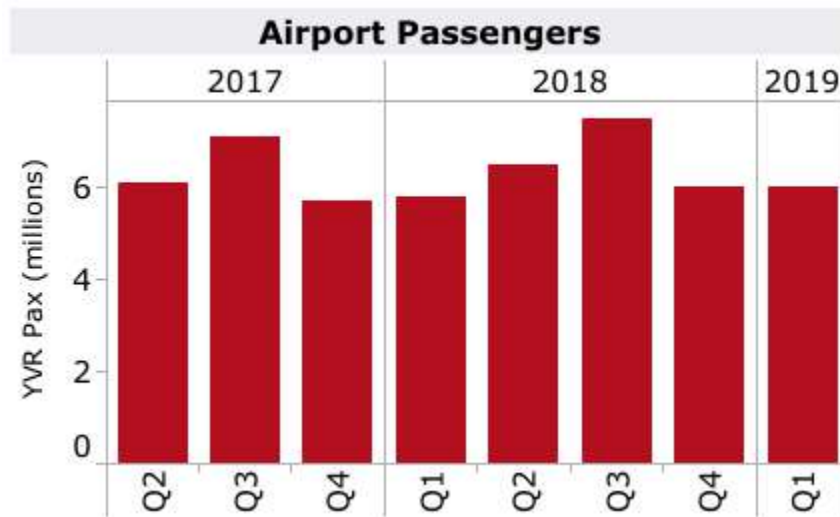
Source: Port of Vancouver, YVR

- The volume of air cargo that moved through Vancouver International Airport (YVR) in the first quarter of 2019 was 68,598 tonnes, a decrease of 4.8% over the same period last year.
- Port cargo movements increased by 5.2% over the same period last year, to 843,000 Twenty Foot Equivalent Units (TEUs) throughout Q1 2019.



Air cargo decreased by 4.8% and container movements increased by 5.2%.

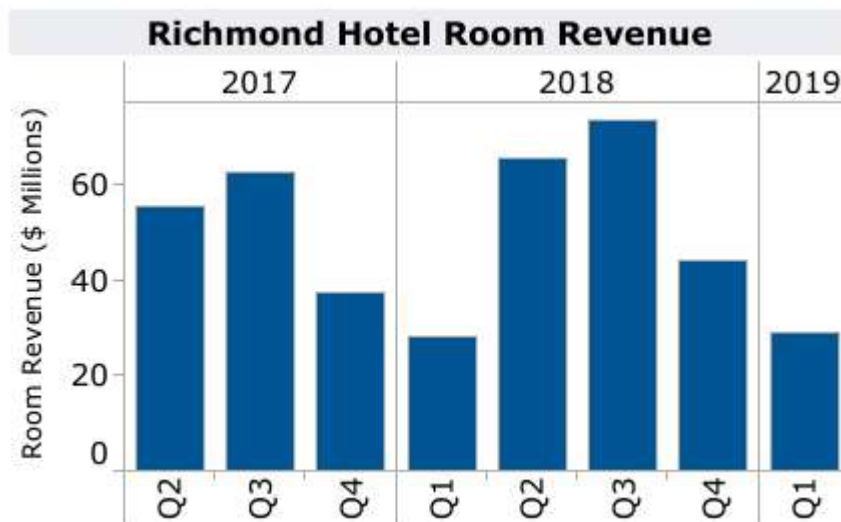
b) Airport Passengers¹¹



Source: Vancouver Airport Authority

- 6.0 million passengers flew through YVR in the first three months of 2019, an increase in 3.4% over the same period last year.
- This follows another year of record-breaking growth; YVR welcomed 25.9 million passengers throughout 2018.

c) Richmond Hotel Room Revenue¹²



- \$28.9 million in hotel room revenue was collected in Richmond in the first two months of 2019. This is a 2.1% growth over the same period in 2018.



Over the first 3 months of 2019, **6.0 million** passengers travelled through YVR.



\$28.9 million was collected in hotel room revenue.

Data Table

Macroeconomic Indicators & Forecast

1) Real GDP - % Change	2017	2018	Change	2019f	2020f
Canada	3.0	1.8	-40.0%	1.5	1.9
United States	2.3	2.9	26.1%	2.3	1.9
China	6.9	6.6	-4.3%	6.3	6.1
World	3.8	3.6	-5.3%	3.3	3.6
2) Interest Rates (at YE)	2017	2018	Change	2019f	2020f
Bank of Canada	1.00	1.75	75.0%	2.00	2.25
US FED	1.5	2.50	66.7%	3.00	3.00
3) Exchange Rate (at YE)	2017	2018	Change	2019f	2020f
CAD per \$1 USD	1.26	1.36	7.9%	1.33	1.3

Regional and Local Market Indicators

4)	Unemployment (%)	Q1-2019	Q4-2018	Change	Q1-2018	Change	
	Canada	5.8	5.7	1.8%	5.8	0.0%	
	BC	4.6	4.3	7.0%	4.7	-2.1%	
	Metro Vancouver	4.8	4.5	6.7%	4.0	20.0%	
5)	CPI (2002=100)	Q1-2019	Q4-2018	Change	Q1-2018	Change	
	Canada	135.4	133.4	1.8%	132.9	1.9%	
	BC	130.7	129	1.3%	127.4	2.6%	
	Metro Vancouver	133.3	131.7	1.2%	130.1	2.5%	
6)	Housing Starts (Units)	Q1-2019	Q1-2018	Change	YTD-2019	YTD-2018	Change
	Starts - Metro Vancouver	5772	6864	-15.9%	5772	6864	-15.9%
	Starts - Richmond	142	660	-78.5%	142	660	-78.5%
7)	Richmond Residential Sales Activity	Q1-2019	Q1-2018	Change	YTD-2019	YTD-2018	Change
	Sales - Detached	120	195	-38.5%	120	195	-38.5%
	Sales - Townhouse	84	194	-56.7%	84	194	-56.7%
	Sales - Apartment	249	449	-44.5%	249	449	-44.5%
	Sales Total/Average Change	453	838	-45.9%	453	838	-45.9%
	Average Price - Detached (\$ at QE)	1742000	1786000	-2.5%	N/A	N/A	N/A
	Average Price - Townhouse (\$ at QE)	848000	900000	-5.8%	N/A	N/A	N/A
	Average Price - Apartment (\$ at QE)	562000	648000	-13.3%	N/A	N/A	N/A

8)	Richmond Building Permits	Q1-2019	Q1-2018	Change	YTD-2019	YTD-2018	Change
	Residential - New Construction^	73	127	-42.5%	73	127	-42.5%
	Residential - Alterations	118	151	-21.9%	118	151	-21.9%
	Residential Total	191	278	-31.3%	191	278	-31.3%
	^Number of units from new residential construction	597	377	58.4%	597	377	58.4%
	Building Permits - Residential	191	278	-31.3%	191	278	-31.3%
	Building Permits - Commercial	123	101	21.8%	123	101	21.8%
	Building Permits - Industrial	51	15	240.0%	51	15	240.0%
	Building Permits Total	365	394	-7.4%	365	394	-7.4%
	Construction Value (\$ million)	263.4	214.9	22.6%	253.9	214.9	18.1%

Regional and Local Market Indicators (continued)

9)	Commercial Space (at QE)	Richmond			Metro Vancouver		
		Q1-2019	Q1-2018	Change	Q1-2019	Q1-2018	Change
	Office Vacancy (%)	8.3	7.1	16.9%	3.8	5.5	-30.9%
	Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
	Office Inventory (000 sf)	4419	4419	0.0%	58669	58119	0.9%
	Industrial Vacancy (%)	2.5	2.1	19.0%	1.9	2.1	-9.5%
	Industrial Inventory (000 sf)	38569	38539	0.1%	209930	206568	1.6%
10)	Richmond Business Growth	Q1-2019	Q1-2018	Change	YTD-2019	YTD-2018	Change
	Total Valid Business Licenses	14,276	13940	2.4%	N/A	N/A	N/A
	New Licenses - Number Issued	458	453	1.1%	459	453	1.3%
	New Licenses - Employees	1,565	1369	14.3%	1565	1369	14.3%
	New Licenses - Office Added (sf)	122,384	123,900	-1.2%	122,384	123,900	-1.2%
	New Licenses - Retail Added (sf)	97,704	29,822	227.6%	97,704	29,822	227.6%
	New Licenses - Industrial Added (sf)	143,593	117,331	22.4%	143,593	117,331	22.4%
	Total Space Added (sf) / Average Change	363,681	271,053	34.2%	363,681	271,053	34.2%
11)	Goods & People Movement	Q1-2019	Q1-2018	Change	YTD-2019	YTD-2018	Change
	YVR Air Cargo (tonnes)	68598	72058	-4.8%	68598	72058	-4.8%
	PMV Container Movement (TEUs)	843039	801217	5.2%	843039	801217	5.2%
	YVR Passengers (million)	6.0	5.8	3.4%	6.0	5.8	3.4%
	Richmond Hotel Room Revenue (\$ million)*	28.9	28.3	2.1%	28.9	28.3	2.1%

List of Sources (last accessed May 9, 2019):

- ¹ International Monetary Fund, World Economic Outlook (April, 2019)
- ² US Federal Reserve, Bank of Canada and Royal Bank Research
- ³ Bank of Canada, Monetary Policy Report (April, 2019)
- 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
- ¹² City of Richmond Additional Hotel Room Tax Ledger; Destination BC



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