



Economic
Development

City of Richmond

Quarterly Economic Report

2019 | Q2



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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Q2 2019

Key Economic Indicators



The Bank of Canada rate is expected to remain at **1.75%** by the end of 2020.



The unemployment rate in B.C. **dropped by 14%** over the same period last year.



Year-to-date housing starts in Richmond increased **by 35%** over the same period last year.



Year-to-date Richmond home sales declined by **36%** over the same period in 2018.



Construction activity throughout Q2 was valued at **\$266 million**.



Inflation climbed by **2.7%** in Metro Vancouver, **2.6%** in British Columbia and **2.0%** in Canada.



Year-to-date in 2019, **869,000** square feet of commercial space was absorbed by new businesses.



\$86.4 million was collected in hotel room revenue throughout the first five months of 2019.



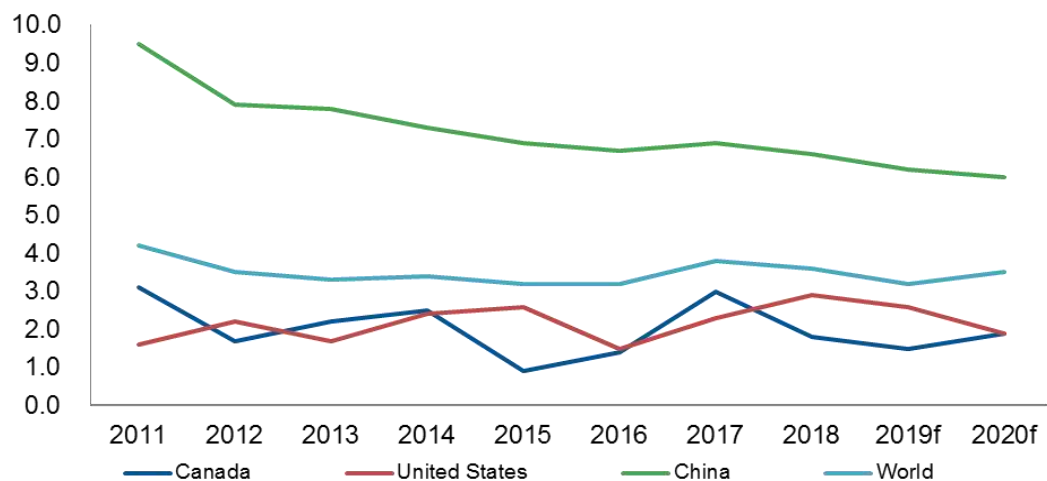
Despite an addition of **98,000 square feet** of office space, the vacancy rate in Richmond is **7.8%**.

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Macroeconomic Indicators & Forecast

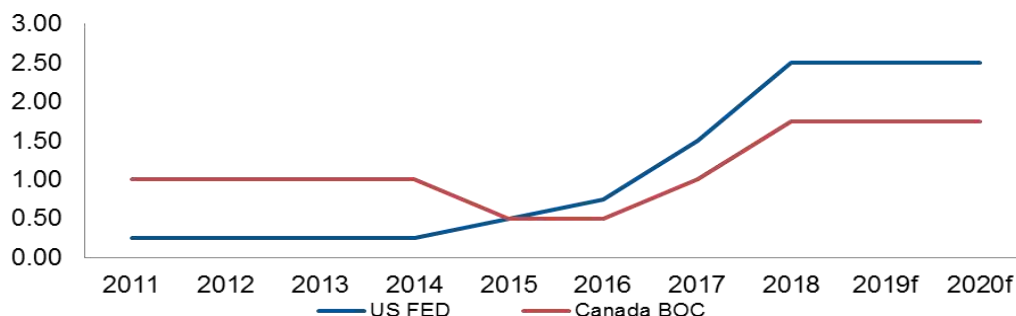
1. Global Growth – Real GDP % Change¹



Source: International Monetary Fund

- In 2019 the pace of global growth is projected to slow as policy uncertainty begins to impact the world's economy.
- The global growth in Gross Domestic Product (GDP) was 3.6% in 2018, and is expected to be 3.2% in 2019 and 3.5% in 2020.
- In Canada, the GDP growth forecast is unchanged this quarter, at 1.5% for 2019 and 1.9% for 2020.
- The U.S. economy is forecasted to grow by 2.6% in 2019 and 1.9% in 2020.
- GDP growth for China is forecasted at 6.2% and 6.0% in 2019 and 2020, respectively.

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

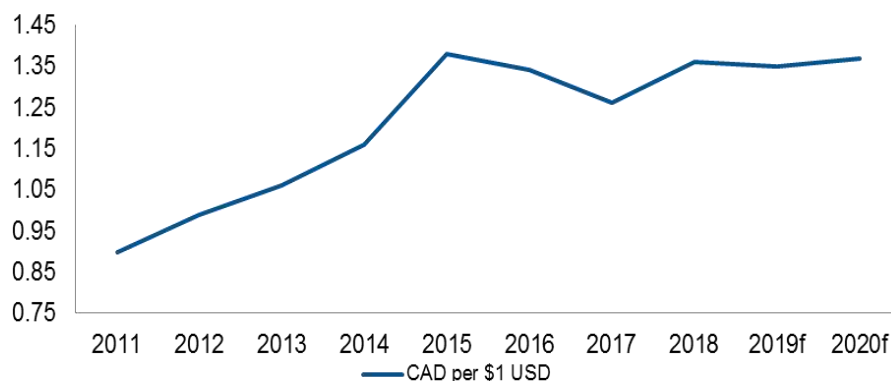


Source: US Federal Reserve, Bank of Canada and Royal Bank Research

- After experiencing three upward adjustments totaling 0.75 percentage points in 2018, the Bank of Canada (BOC) overnight rate remained at 1.75% in Q2 2019 amidst slowing global growth and rising trade tensions.
- Canada's overnight rate is forecasted at 1.75% in both 2019 and 2020.
- The same factors caused the U.S. Federal Reserve (US FED) to hold its short-term rate steady at 2.5% throughout the first half of 2019.

The Bank of Canada rate is expected to remain at 1.75% by the end of 2020.

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



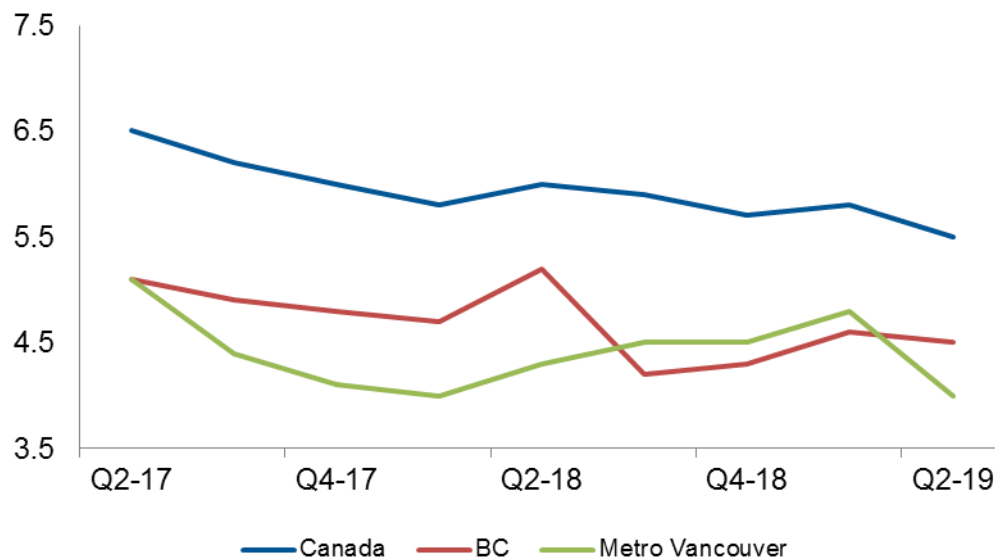
Source: Royal Bank of Canada

- The Canadian dollar ended Q2 2019 at \$1.34 CAD per \$1 USD.
- The forecasted USD/CAD exchange rates for 2019 and 2020 are \$1.35 CAD per \$1 USD and \$1.37 CAD per \$1 USD, respectively.

The forecasted foreign exchange rate for 2019 is \$1.35 CAD per \$1 USD.

Regional & Local Economic Activity Indicators

4. Unemployment⁴



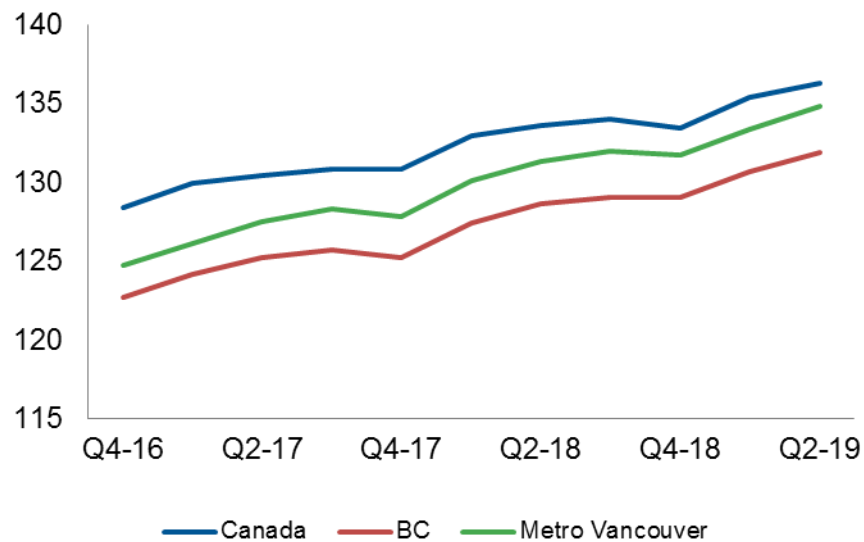
Source: BC Statistics; Statistics Canada

- British Columbia and Canada continue to experience very tight labour markets with near full employment. Unemployment rates decreased in the second quarter of 2019 by 2.2% and 5.2%, respectively.
- Although the strong labour market contributes to higher consumer confidence and household spending, it is also an obstacle for company growth.
- At the end of Q2 2019, the unemployment rate was 5.5% in Canada, 4.5% in B.C. and a very low 4.0% in Metro Vancouver.
- British Columbia continues to have the lowest unemployment of all Canadian provinces; in Q2 2019 the rate declined by 13.5% over the same period in 2018.



The unemployment rate in B.C. **dropped by 14%** over the same period last year.

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



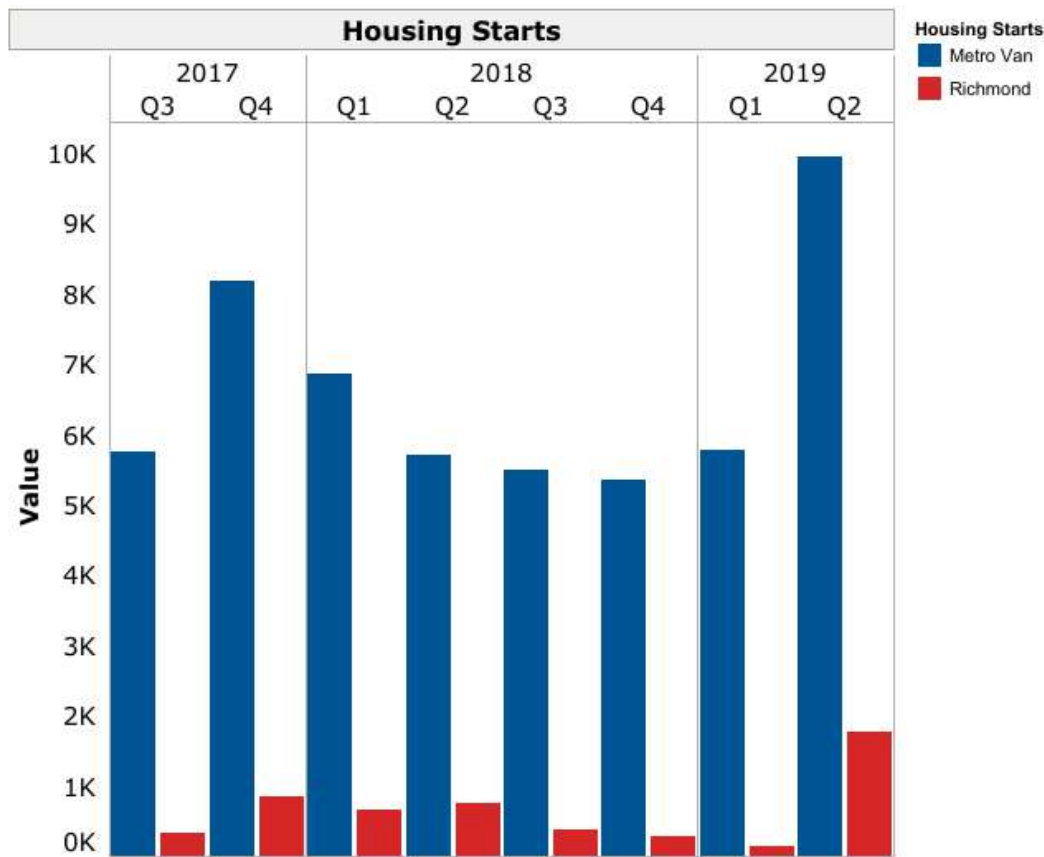
Source: BC Statistics

- The country's annual pace of inflation, as measured by Consumer Price Index (CPI), continues to rise in Metro Vancouver, B.C. and Canada in the second quarter of 2019, with rising energy (particularly gasoline), transportation and food prices among the main contributors.
- At the end of Q2 2019, the CPI climbed by 2.0% in Canada, 2.6% in British Columbia and 2.7% 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 2.7% in Metro Vancouver, 2.6% in British Columbia and 2.0% in Canada.

6. Housing Starts⁵



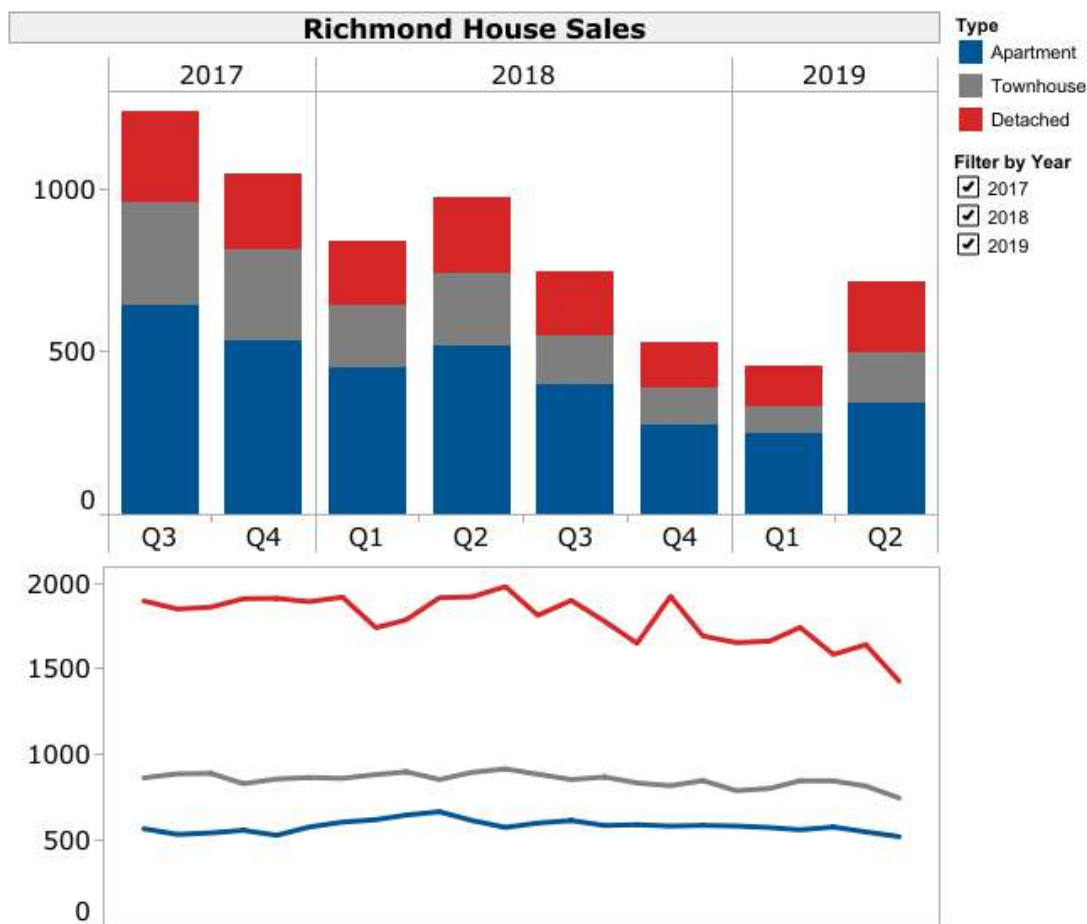
Source: Canada Mortgage and Housing Corporation

- In Q2 2019, there were 1,760 housing starts in Richmond and 9,951 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on a verification that construction work has commenced.
- Over the first six months of 2019, the total number of housing starts increased by 35% in Richmond and 25% in Metro Vancouver compared to the same period in 2018.
- While home-ownership demand has slowed with recent policy measures, current project starts reflect projects pre-sold in previous years when the market was significantly stronger.
- The increase in CHMC's housing start data for Richmond in Q2 2019 does not directly compare to the change in residential building permits issued by the City. This is mainly due to the varying timing between issuing a residential building permit and determining a housing start.



Year-to-date housing starts in Richmond increased by 35% over the same period last year.

7. Richmond House Sales and Prices⁶



Source: CMHC & REBGV

- In the home resale market, sales are sluggish and prices are declining throughout Metro Vancouver.
- 1,165 homes were sold in Richmond throughout the first half of 2019, a 36% decline over the same period last year. Tightened mortgage rules, a foreign home buyer tax and other policy measures have contributed to this slowdown.
- Apartments saw the biggest decrease in sales (-34%), followed by townhouses (-28%) and detached homes (-9%) over the same quarter last year.
- In Q2 2019 the average sale price of homes in all categories decreased year over year: 28% for detached homes, 19% for townhouses and 9% for apartments.

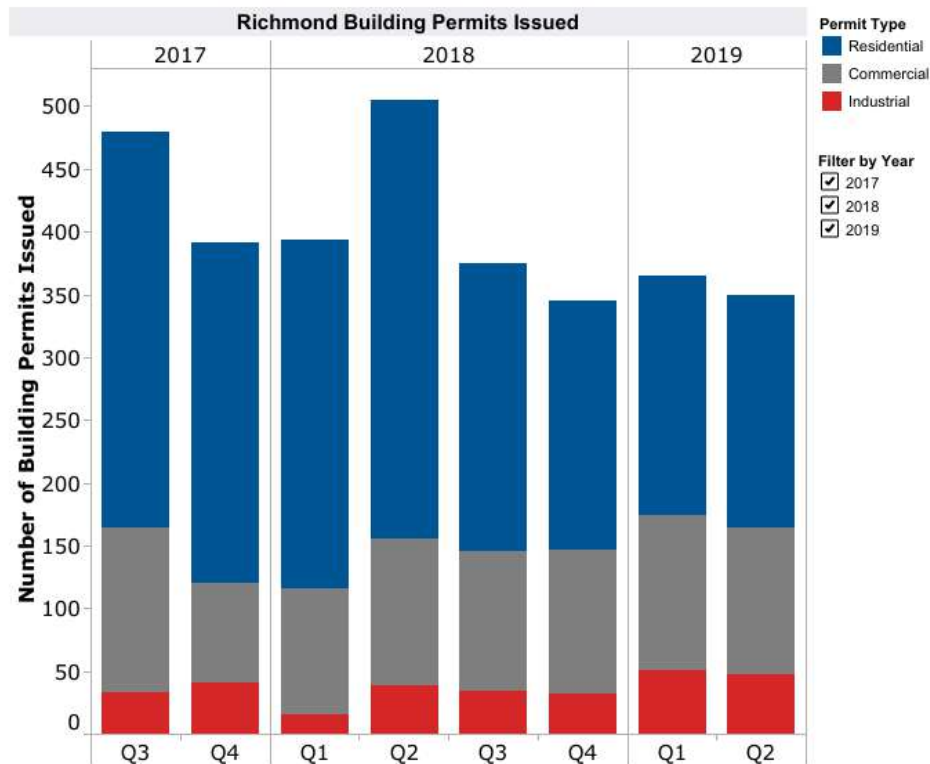


**Year-to-date
Richmond home
sales declined by
36% over the same
period in 2018.**

- At the end of Q2 2019 the average price of a detached home in Richmond was \$1.43 million, while a townhouse was \$747,000 and an apartment was \$522,000.

8. Construction Activity – Richmond⁷

a) Building Permits – Richmond



Source: City of Richmond

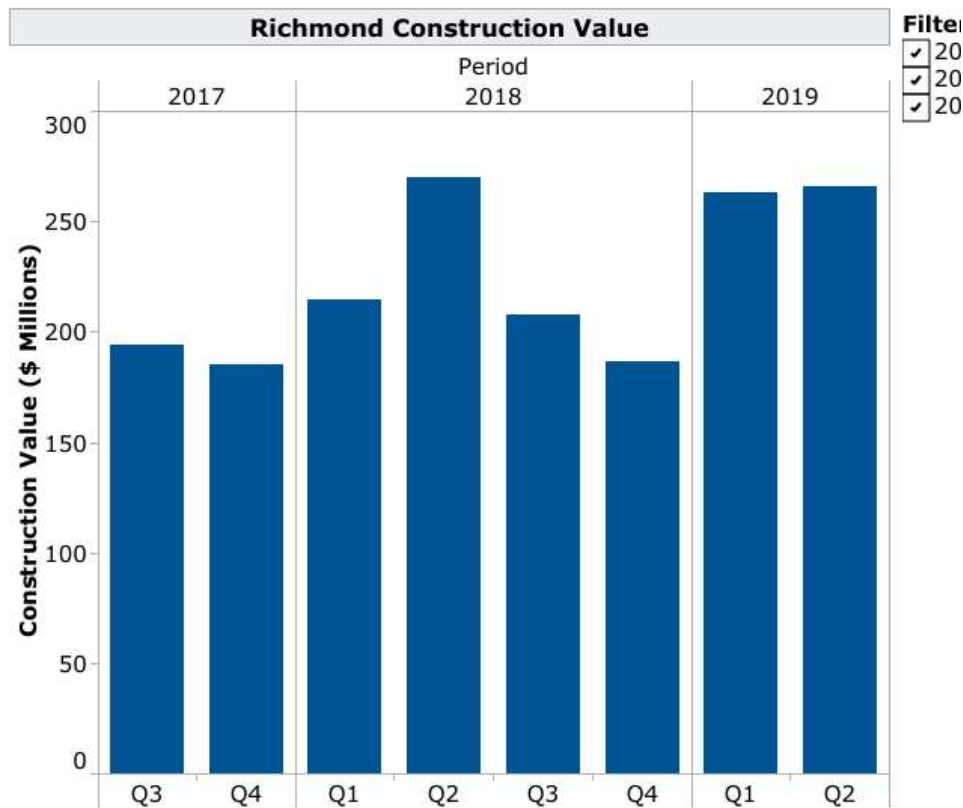
- In Q2 2019 there were 186 residential, 117 commercial, and 47 industrial building permits issued in Richmond.
- Of the 186 residential building permits issued, 49 permits were for new construction and 137 were for alterations.
- While the total number of residential building permits issued throughout the first half of 2019 decreased by 60% compared to the first six months of 2018, the total number of units increased by 64% which indicates a larger proportion of multi-family developments.
- During the first six months of 2019, building permits were issued to construct 1,458 residential units compared to 889 units in the same period of 2018.



Q2 of 2019 saw 186 residential, 117 commercial, and 47 industrial building permits issued in Richmond.

- Commercial building permits increased by 11% and industrial permits increased by 82% over the same period last year.

b) Construction Value



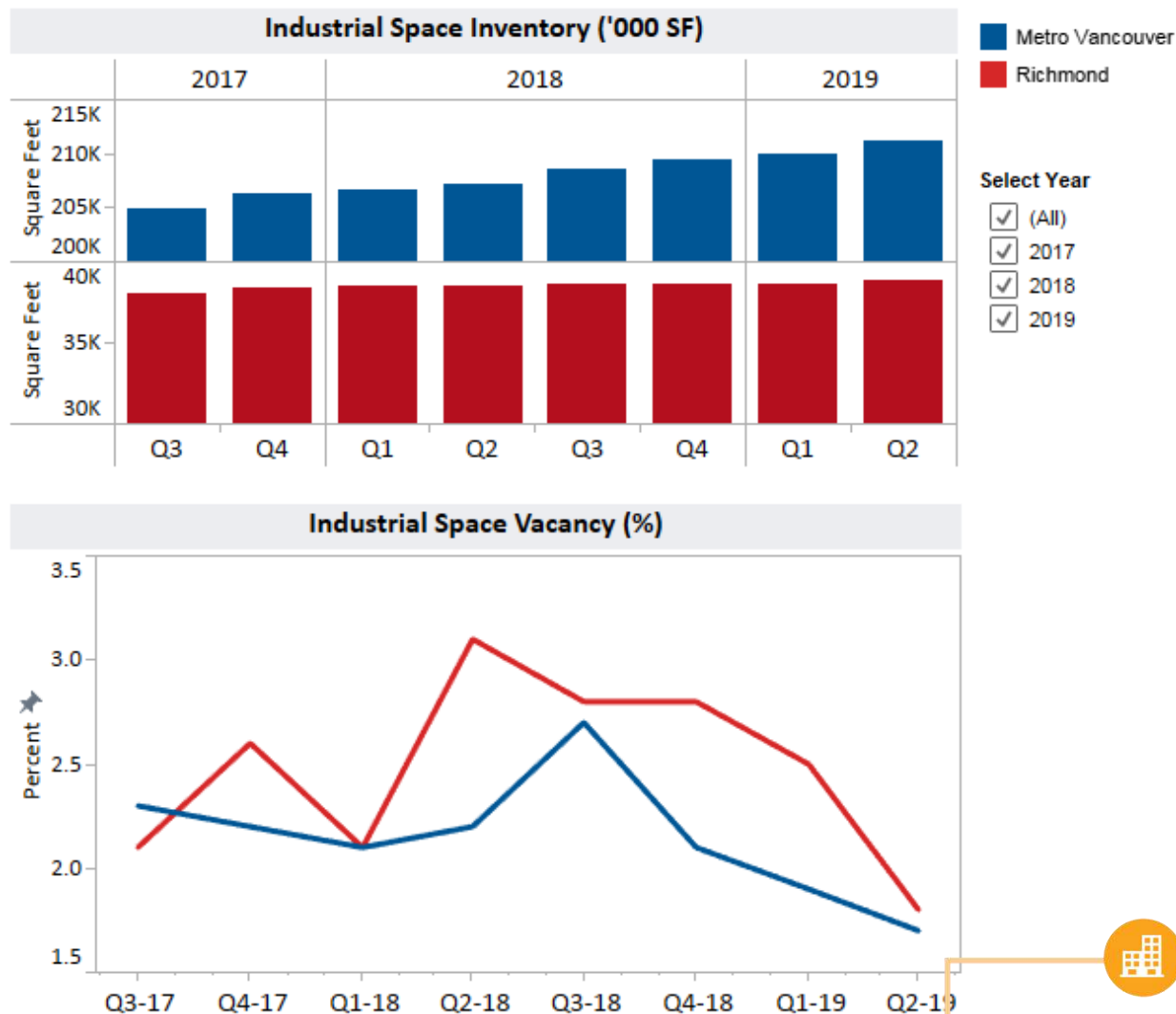
- The total value of construction activity throughout Richmond in the first half of 2019 totaled \$530 million.
- This is on track to surpass the record values of \$709 million realized in 2017 and \$879 million in 2018.
- During the first six months of 2019, the value of construction activity in Richmond increased by 9.2% over the same period last year. Large multi-family developments, as well as increased construction and labour costs, contributed to this increase.



Construction activity throughout Q2 2019 was valued at \$266 million.

9. Commercial Space⁸

a) Industrial Space



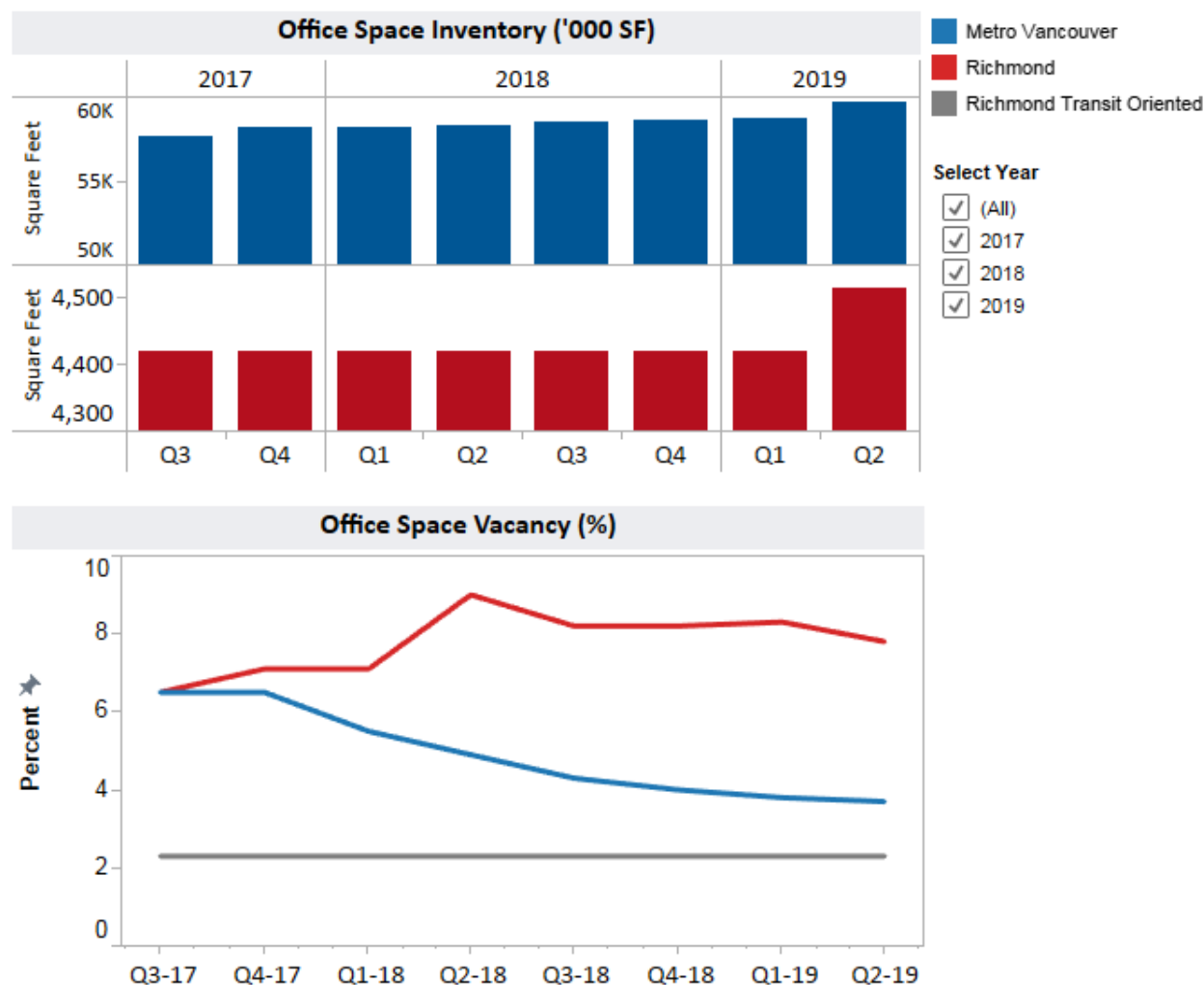
Source: Cushman & Wakefield

- Despite a net addition of 338,000 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 Q2 2019 at 1.8%, down from 3.1% in Q2 2018.
- The vacancy rate in Richmond and Metro Vancouver declined year over year by 42% and 23%, respectively.
- 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.

The industrial vacancy rate in Richmond is at a low **1.8%**.

- At 38.9 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (36 million), Burnaby (31 million), Delta (25 million), and Vancouver (24 million).

b) Office Space



Source: Cushman & Wakefield

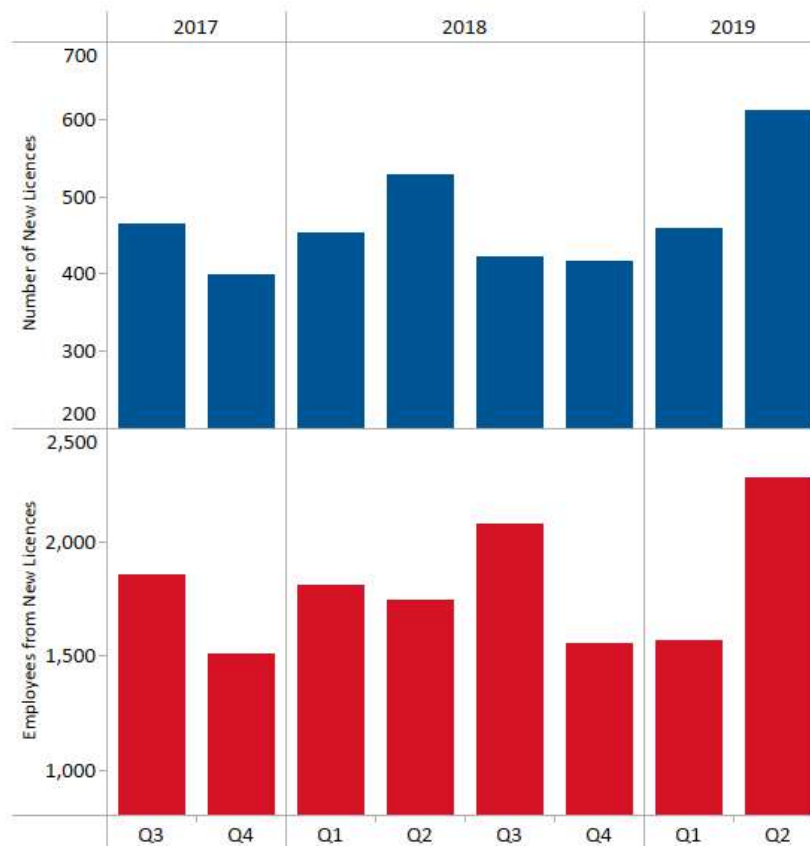
- Despite an addition of 98,000 square feet of Class A office space in Richmond in Q2 2019, the overall vacancy rate decreased again by 13% over the same period last year.
- At the end of Q2 2019 the office vacancy rate was 7.8% in Richmond and an extremely low 3.7% throughout Metro Vancouver.
- Demand 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.



Despite an addition of 98,000 square feet of office space, the vacancy rate in Richmond is 7.8%.

10. Business Growth – Richmond⁹

a) New Business Licences – Issued & Number of Employees

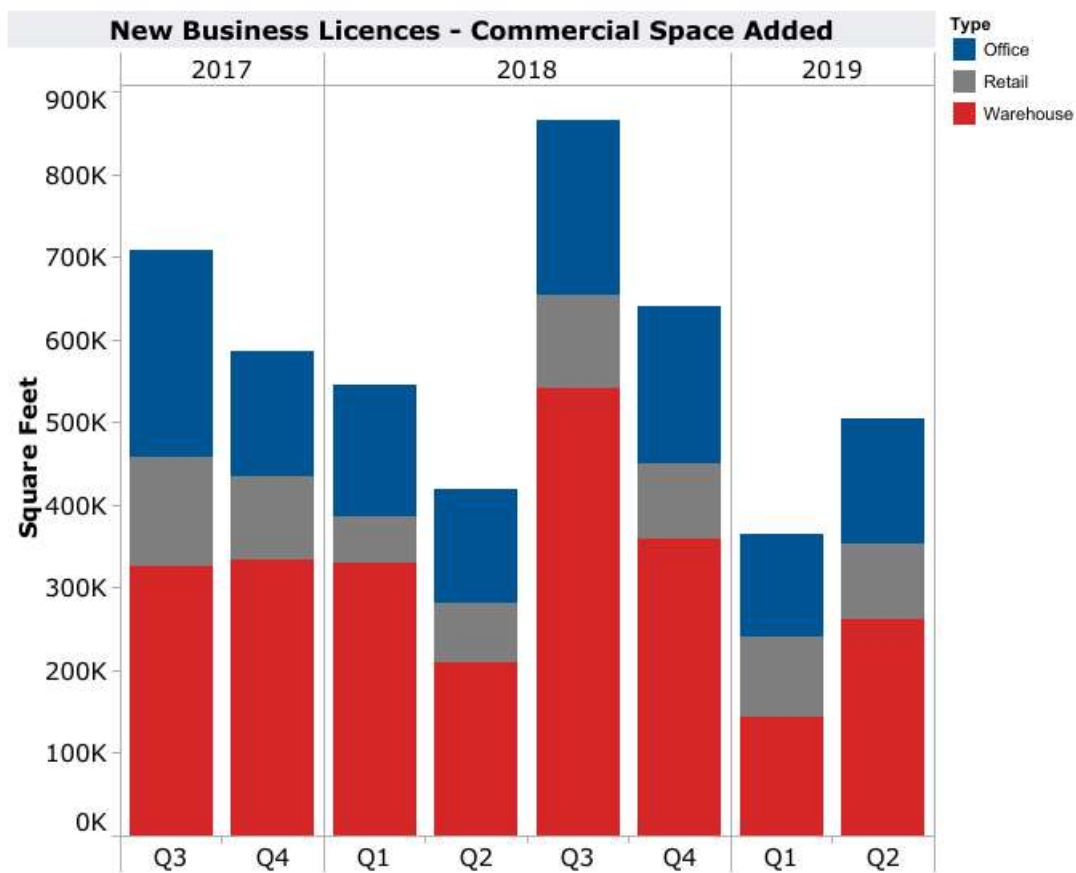


- There were 1,070 new business licenses issued in Richmond during the first half of 2019, an increase of 9% over the same period in 2018.
- The addition of 3,846 jobs was attributed to these new businesses.



So far in 2019 there were **1,070** new business licences issued.

b) New Business Licences – Commercial Space Added



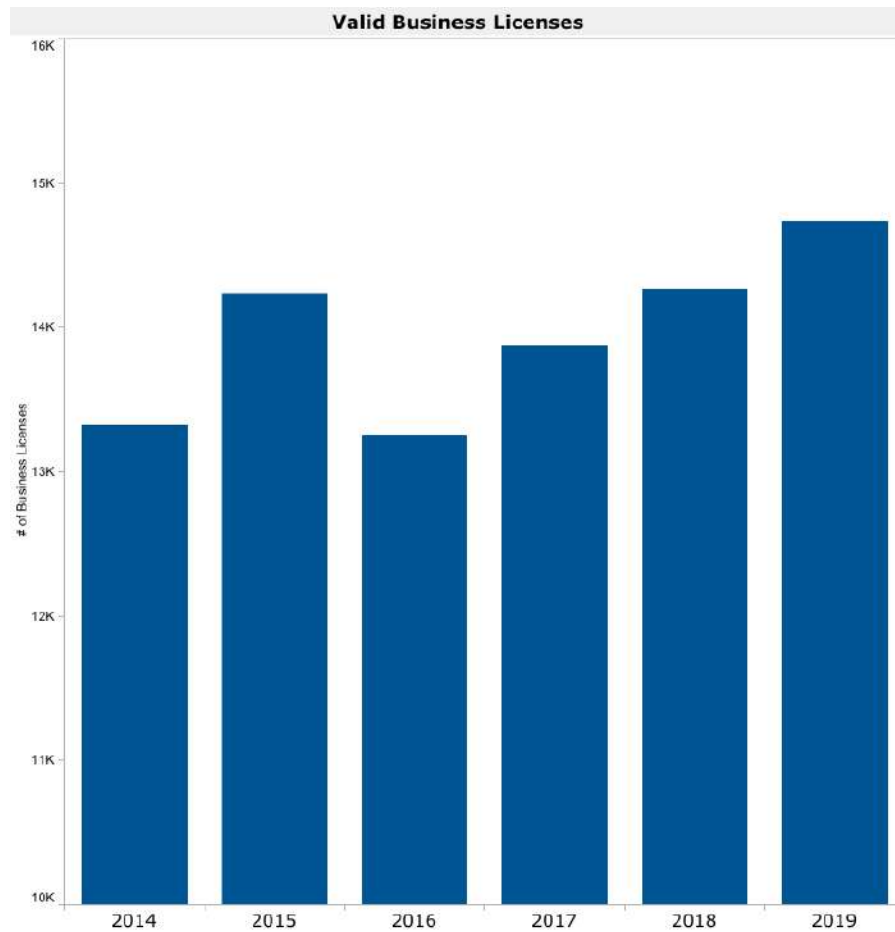
Source: City of Richmond

- 869,000 square feet of commercial space absorption was tied to the new business licences issued throughout the first half of 2019.
- As industrial users typically require more space, it is not surprising that 47% of total commercial space absorption was warehouse-type industrial space.
- 32% of commercial absorption in the first half of 2019 was related to office-based businesses, while 21% of commercial space absorption throughout this period was from retail businesses.



Year-to-date in 2019, 869,000 square feet of commercial space was absorbed by new businesses.

c) Valid Business Licences



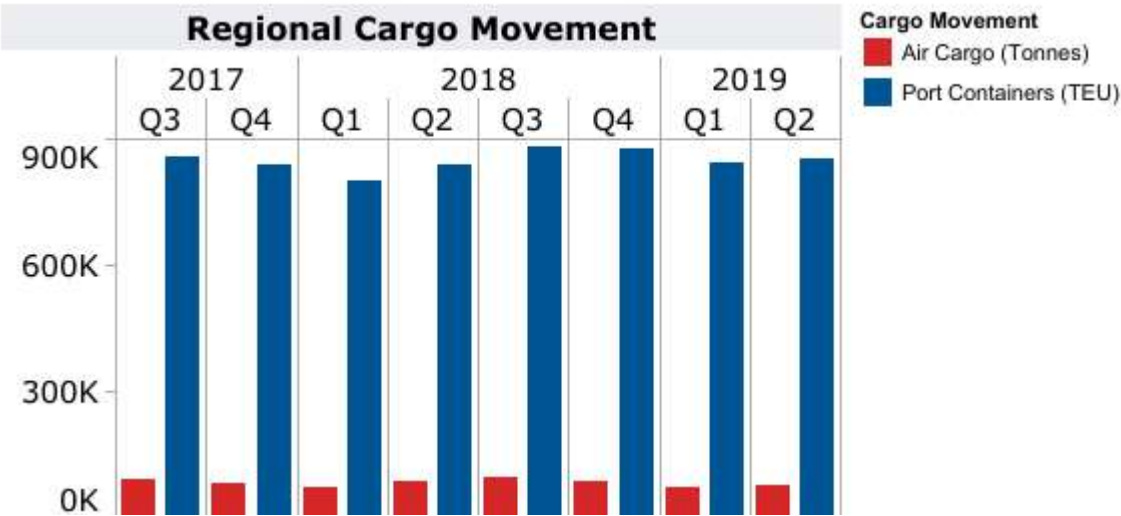
- There were 14,737 licensed businesses operating in Richmond at the end of Q2 2019.
- This is an increase of 2.6% over the same period last year.



There were **14,737** licences in Richmond at the end of Q2 in 2019 active business.

11. Goods and People Movement

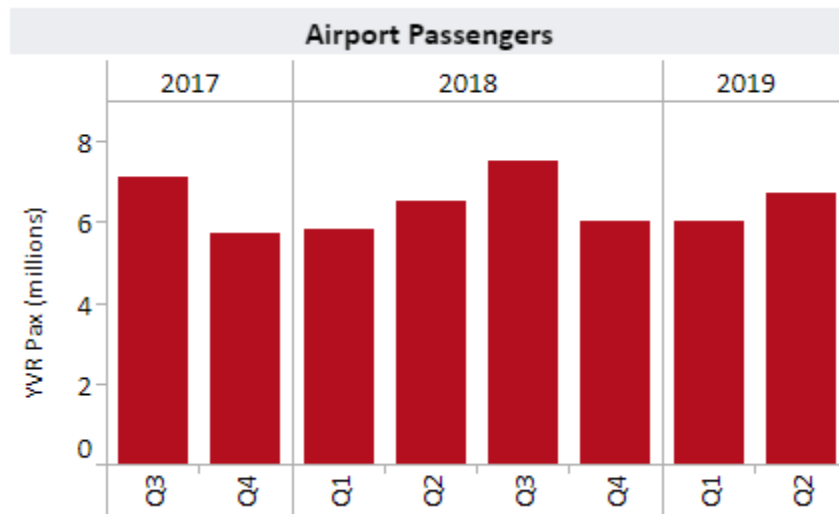
a) Regional Cargo Movement¹⁰



Source: Port of Vancouver, YVR

- Data indicators of regional trade activity varied in the first half of 2019. While there was an increase in container movements at the Port of Vancouver, the Vancouver International Airport (YVR) experienced a decline in the volume of air cargo it handled.
- In the first half of 2019, there were 1.7 million Twenty Foot Equivalent Units (TEUs) of container movements at the Port of Vancouver, an increase of 3.5% over the same period in 2018.
- At YVR, 147,000 tonnes of air cargo was handled throughout the first six months of 2019, a decrease of 6.5% over the same period last year.

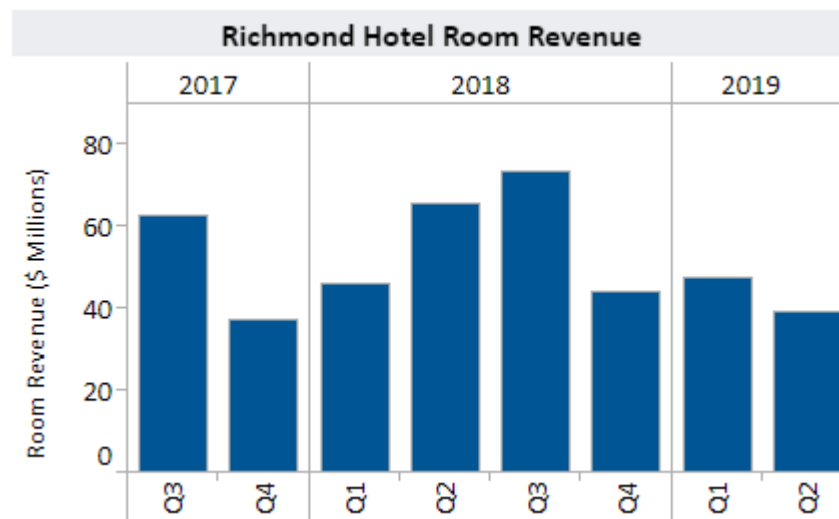
c) Airport Passengers¹¹



Source: Vancouver Airport Authority

- The Vancouver Airport Authority (YVR) continued to experience passenger growth. 6.7 million passengers travelled through the airport in Q2 2019, an increase of 3.1% over Q2 2018. Year-to-date passenger traffic was also up, by 3.3%.

d) Richmond Hotel Room Revenue¹²



Source: City of Richmond; *June figures are excluded from Q2 2019.

- \$86.4 million was collected in hotel room revenue throughout the first five months of 2019 in Richmond, an increase of 2.6% over the same five months last year.



\$86.4 million was collected in hotel room revenue throughout the first five months of **2019**.

Data Table

Macroeconomic Indicators & Forecast

1) Real GDP - % Change	2017	2018	Change	2019f	2020f
Canada	3.0	1.9	-36.7%	1.5	1.9
United States	2.2	2.9	31.8%	2.6	1.9
China	6.8	6.6	-2.9%	6.2	6.0
World	3.8	3.6	-5.3%	3.2	3.5
2) Interest Rates (at YE)	2017	2018	Change	2019f	2020f
Bank of Canada	1.00	1.75	75.0%	1.75	1.75
US FED	1.5	2.50	66.7%	2.50	2.50
3) Exchange Rate (at YE)	2017	2018	Change	2019f	2020f
CAD per \$1 USD	1.26	1.36	7.9%	1.35	1.37

Regional and Local Market Indicators

4)	Unemployment (%)	Q2-2019	Q1-2019	Change	Q2-2018	Change	
	Canada	5.5	5.8	-5.2%	6	-8.3%	
	BC	4.5	4.6	-2.2%	5.2	-13.5%	
	Metro Vancouver	4	4.8	-16.7%	4.3	-7.0%	
5)	CPI (2002=100)	Q2-2019	Q1-2019	Change	Q2-2018	Change	
	Canada	136.3	135.4	0.7%	133.6	2.0%	
	BC	131.9	130.7	0.9%	128.6	2.6%	
	Metro Vancouver	134.8	133.3	1.1%	131.3	2.7%	
6)	Housing Starts (Units)	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
	Starts - Metro Vancouver	9951	5698	74.6%	15723	12562	25.2%
	Starts - Richmond	1760	753	133.7%	1902	1413	34.6%
7)	Richmond Residential Sales Activity	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
	Sales - Detached	213	234	-9.0%	333	429	-22.4%
	Sales - Townhouse	159	222	-28.4%	243	416	-41.6%
	Sales - Apartment	340	516	-34.1%	589	965	-39.0%
	Sales Total/Average Change	712	972	-26.7%	1165	1810	-35.6%
	Average Price - Detached (\$ at QE)	1428000	1,980,000	-27.9%	N/A	N/A	N/A
	Average Price - Townhouse (\$ at QE)	747000	917,000	-18.5%	N/A	N/A	N/A
	Average Price - Apartment (\$ at QE)	522000	576,000	-9.4%	N/A	N/A	N/A

8) Richmond Building Permits	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Residential - New Construction^	49	177	-72.3%	122	304	-59.9%
Residential - Alterations	137	173	-20.8%	255	324	-21.3%
Residential Total	186	350	-46.9%	377	628	-40.0%
 ^Number of units from new residential construct	861	512	68.2%	1458	889	64.0%
 Building Permits - Residential	186	350	-46.9%	377	628	-40.0%
Building Permits - Commercial	117	116	0.9%	240	217	10.6%
Building Permits - Industrial	47	39	20.5%	98	54	81.5%
Building Permits Total	350	505	-28.5%	715	899	-20.5%
 Construction Value (\$ million)	266.1	269.8	-1.4%	529.5	484.7	9.2%

Regional and Local Market Indicators (continued)

9) Commercial Space (at QE)	Richmond			Metro Vancouver		
	Q2-2019	Q2-2018	Change	Q2-2019	Q2-2018	Change
Office Vacancy (%)	7.8	9.0	-13.3%	3.7	4.9	-24.5%
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4517	4419	2.2%	59678	58243	2.5%
Industrial Vacancy (%)	1.8	3.1	-41.9%	1.7	2.2	-22.7%
Industrial Inventory (000 sf)	38877	38539	0.9%	211126	207097	1.9%
 10) Richmond Business Growth	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
Total Valid Business Licenses	14,737	14368	2.6%	N/A	N/A	N/A
New Licenses - Number Issued	611	529	15.5%	1070	982	9.0%
New Licenses - Employees	2,281	1747	30.6%	3846	3556	8.2%
 New Licenses - Office Added (sf)	151,327	137,396	10.1%	273,711	296,656	-7.7%
New Licenses - Retail Added (sf)	91,977	73,035	25.9%	189,681	129,665	46.3%
New Licenses - Industrial Added (sf)	261,708	208,990	25.2%	405,301	538,743	-24.8%
Total Space Added (sf) / Average Change	505,012	419,421	20.4%	868,693	965,064	-10.0%
 11) Goods & People Movement	Q2-2019	Q2-2018	Change	YTD-2019	YTD-2018	Change
YVR Air Cargo (tonnes)	76601	85062	-9.9%	146884	157120	-6.5%
PMV Container Movement (TEUs)	852336	836224	1.9%	1695375	1637441	3.5%
YVR Passengers (million)	6.7	6.5	3.1%	12.7	12.3	3.3%
Richmond Hotel Room Revenue (\$ million)*	38.9	38.1	2.1%	86.4	84.2	2.6%

Notes:

a) Q indicates quarter-end

b) YTD indicates year to date

* Richmond Hotel Room Revenue for Q2 2018 and 2019 exclude June figures.

List of Sources (last accessed July, 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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