



Economic  
Development

City of Richmond

# Quarterly Economic Report

2019 | 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 2019

## Key Economic



The Bank of Canada rate is expected to decline to **1.50%** by the end of 2020.



B.C. has the lowest unemployment rate of all the Canadian provinces at **4.7%**.



Year-to-date housing starts in Richmond increased by **12%** over the same period last year.



Year-to-date Richmond home sales declined by **11%** over the same period in 2018.



The first nine months of construction value in 2019 totaled **\$878 million**.



Year over year, inflation climbed by **2.3%** in Metro Vancouver, **2.4%** in British Columbia and **1.9%** in Canada.



Year-to-date in 2019, **1.3 million** square feet of commercial space was absorbed by new businesses.



**\$170.3 million** was collected in hotel room revenue throughout the first eight months of 2019.



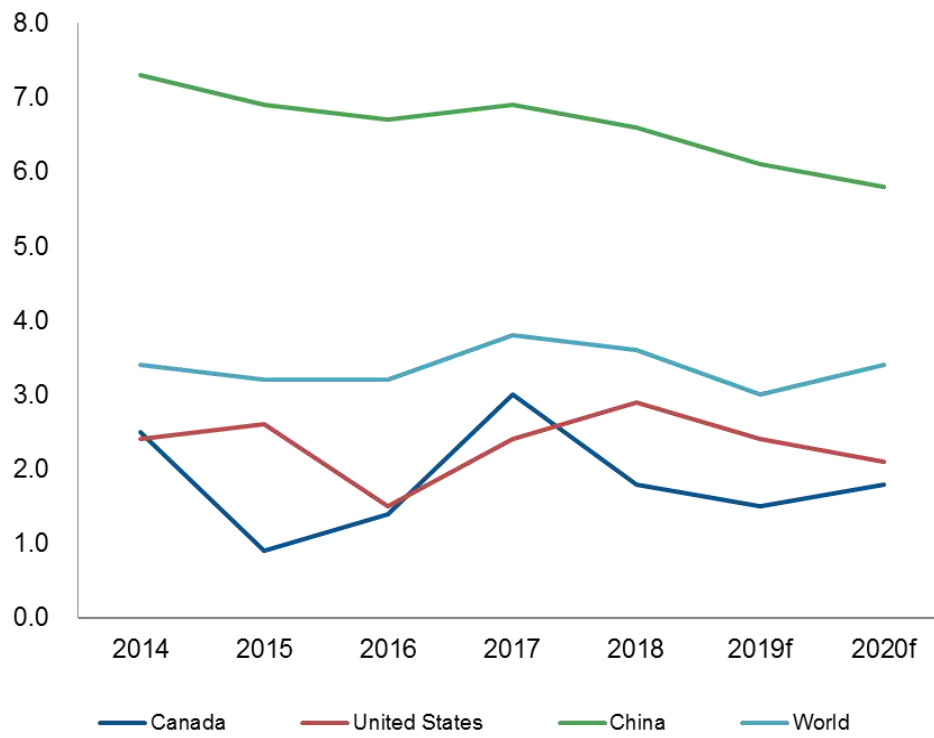
The forecasted foreign exchange rate for 2020 is **\$1.33 CAD per \$1 USD**.

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# Macroeconomic Indicators & Forecast

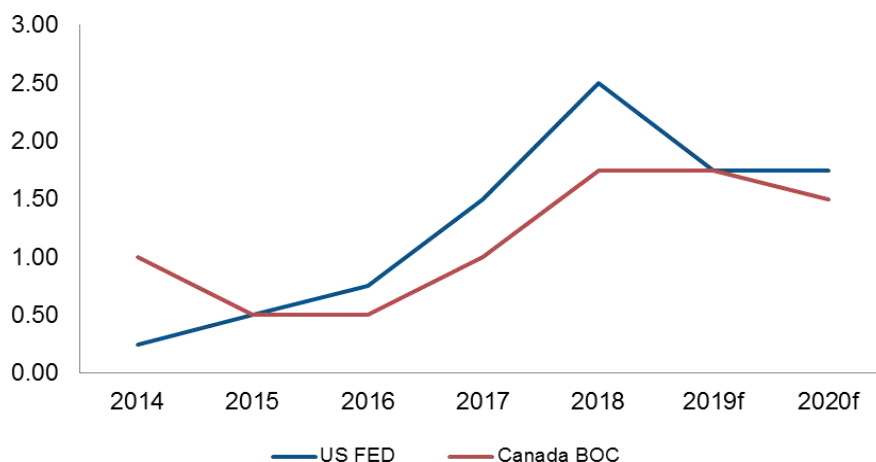
## 1. Global Growth – Real GDP % Change<sup>1</sup>



Source: International Monetary Fund

- The International Monetary Fund (IMF) projected the global Gross Domestic Product (GDP) growth for 2019 to be 3.0%, its slowest pace since the global financial crisis in 2008 and down from 3.8% in 2017.
- This subdued forecast is largely the result of elevated uncertainty surrounding trade policy in key global markets.
- In Canada, the GDP growth forecast is 1.5% for 2019 and 1.8% for 2020. The U.S. economy is forecasted to grow by 2.4% in 2019 and 2.1% in 2020.
- GDP growth for China is forecasted at 6.1% and 5.8% in 2019 and 2020, respectively.

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

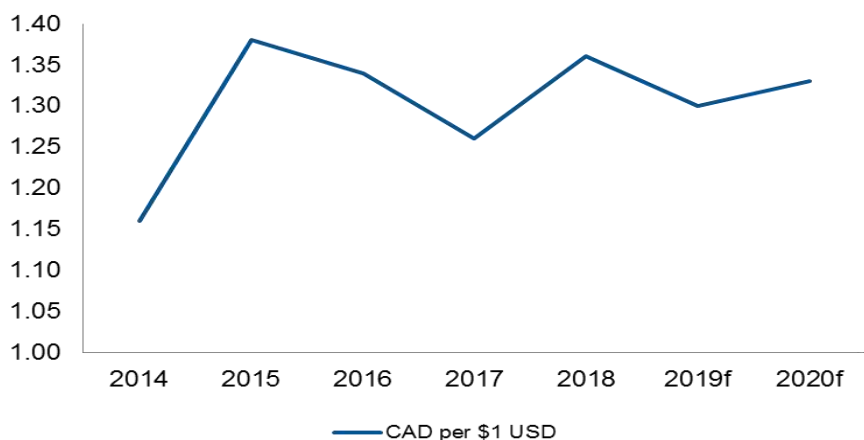


Source: US Federal Reserve, Bank of Canada and Royal Bank Research

- Major central banks are expected to respond to this economic uncertainty by lowering interest rates to spur investment.
- After experiencing three upward adjustments totaling 0.75 percentage points in 2018, the Bank of Canada's (BOC) overnight rate remained at 1.75% in Q3 2019. It is expected to decline to 1.5% by the end of 2020.
- The U.S. Federal Reserve (US FED) lowered its interest rates by half of a percentage in Q3 2019, to 2%. It is expected to decline to 1.75% by the end of the year through 2020.

**The Bank of Canada rate is expected to decline to 1.50% by the end of 2020.**

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



Source: Royal Bank of Canada

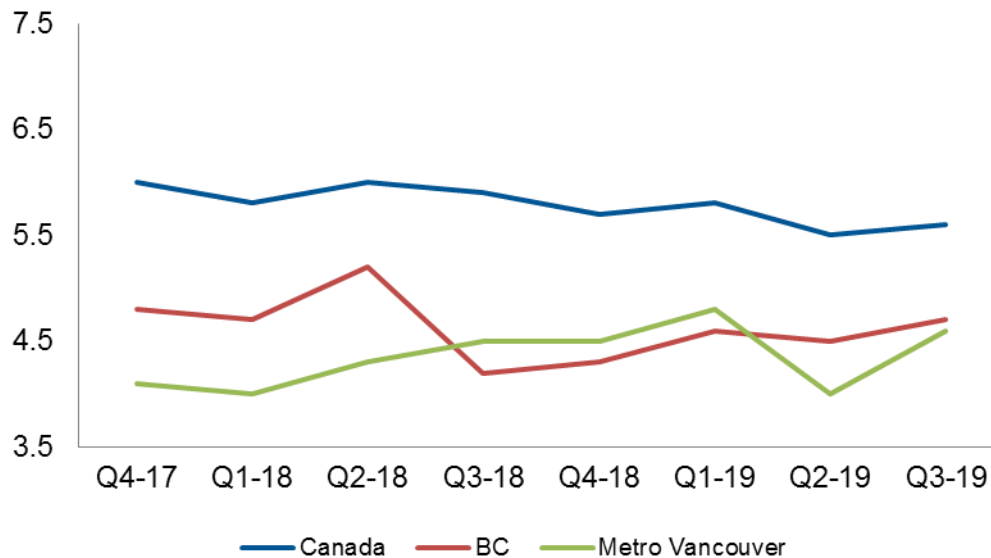
- The Canadian dollar ended Q3 2019 at \$1.32 CAD per \$1 USD.

**The forecasted foreign exchange rate for 2020 is \$1.33 CAD per \$1 USD.**

- The forecasted USD/CAD exchange rates for 2019 and 2020 are \$1.30 CAD per \$1 USD and \$1.33 CAD per \$1 USD, respectively.

## Regional & Local Economic Activity Indicators

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



Source: BC Statistics; Statistics Canada

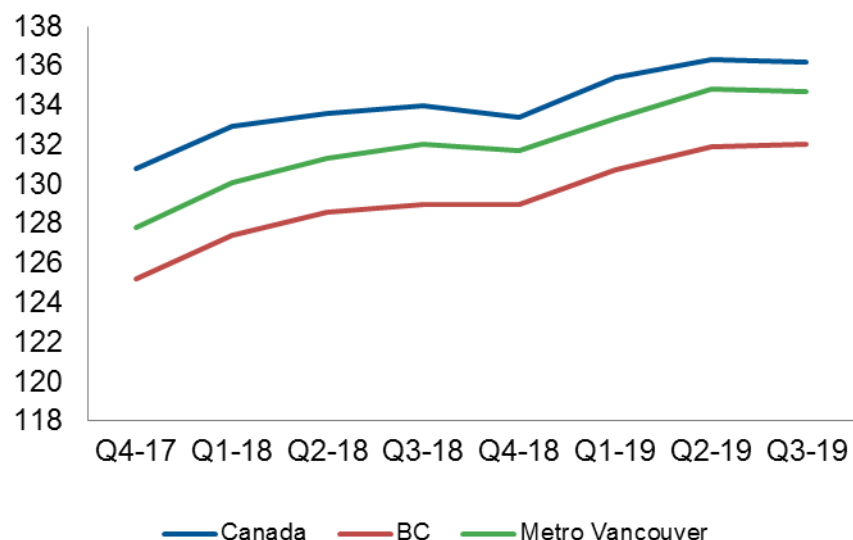
- British Columbia and Canada continue to experience very tight labour markets with near full employment. Despite modest increases, unemployment rates ended the quarter at 4.7% and 5.6%, respectively.
- Although the strong labour market contributes to higher consumer confidence and household spending, it is also a constraint to company growth.
- British Columbia continues to have the lowest unemployment of all Canadian provinces. At the end of Q3 2019, the Metro Vancouver unemployment rate, 4.6%, was even lower than the provincial rate.



**B.C. has the lowest unemployment rate of all the Canadian provinces at 4.7%.**



## 5. Consumer Price Index (CPI – 2002=100)<sup>5</sup>



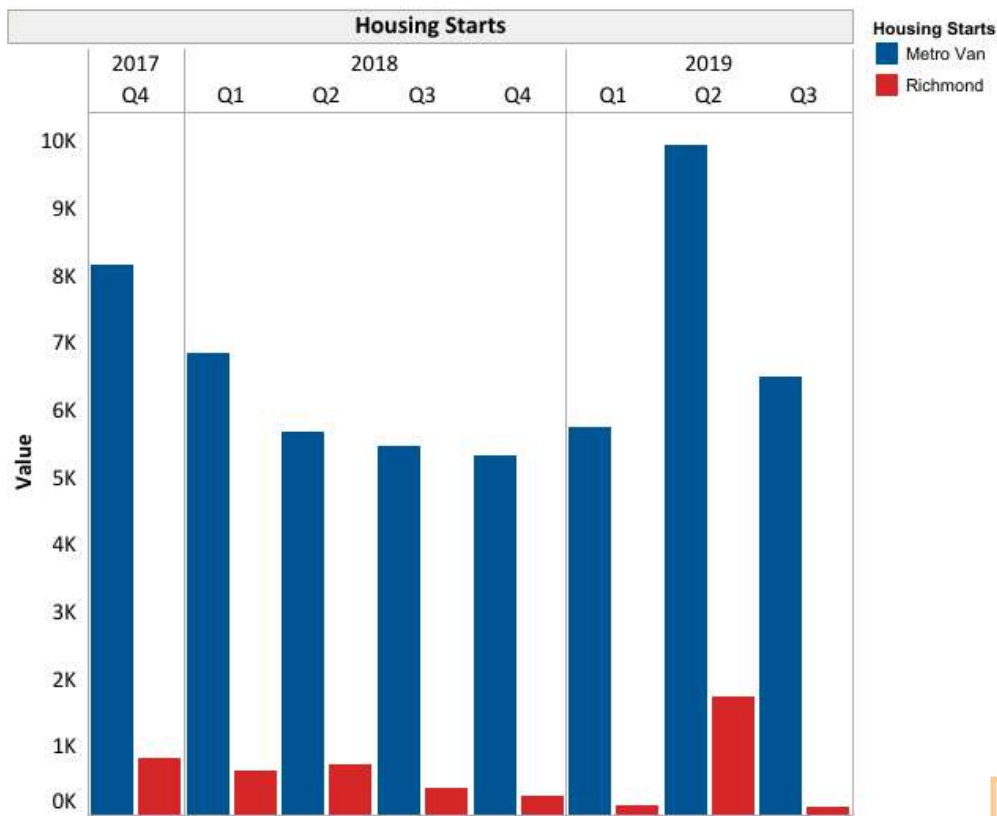
Source: BC Statistics

- Where an increase in costs for items such as mortgage interest and transportation contributed to the country's annual inflation rate in the third quarter of 2019, it was moderated by lower gasoline prices.
- At the end of Q3 2019, the Consumer Price Index (CPI) climbed by 1.9% in Canada, 2.4% in British Columbia and 2.3% 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.



**Year over year, inflation climbed by 2.3% in Metro Vancouver, 2.4% in British Columbia and 1.9% in Canada.**

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



Source: Canada Mortgage and Housing Corporation

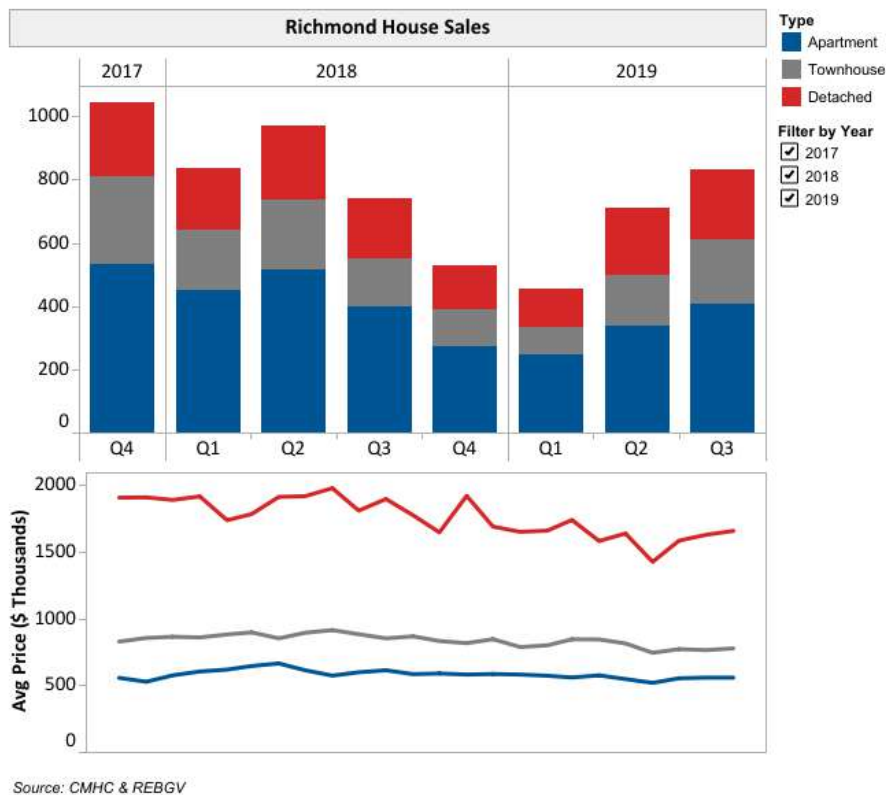
- In Q3 2019, there were 110 housing starts in Richmond and 6,506 in Metro Vancouver, as measured by the Canada Mortgage and Housing Corporation (CMHC) and based on a verification that construction work has commenced.
- New home construction in Richmond has remained relatively steady since the decline in 2016 and shows signs of improving. Year to date housing starts have increased by 12% over the same period last year.
- The total number of housing starts increased by 23% in Metro Vancouver during the first nine months of 2019 over the same period last year.
- The decrease in CHMC's housing start data for Richmond in Q3 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 12% over the same period last year.**



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



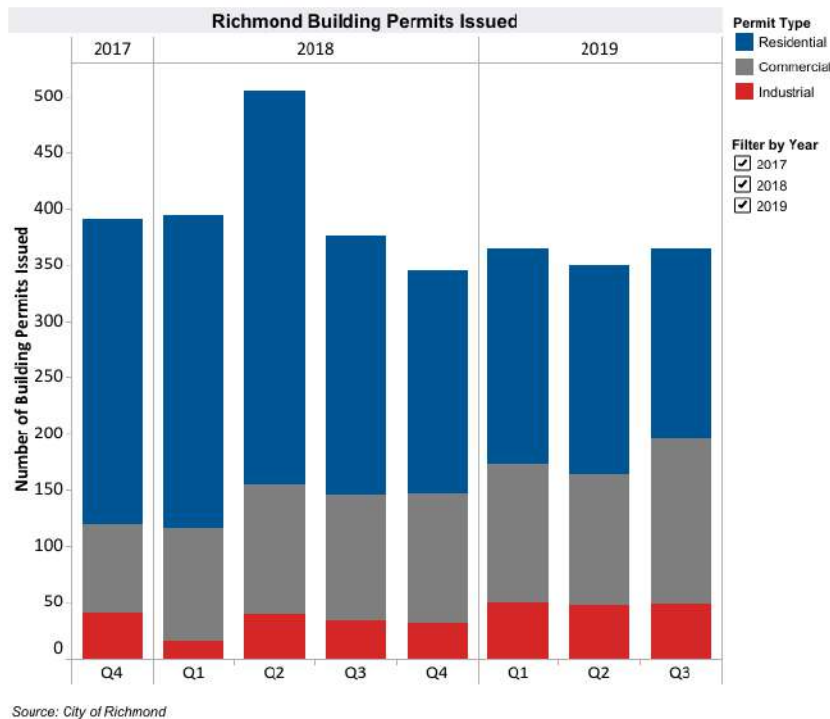
- 1,997 homes were sold in Richmond throughout the first nine months of 2019, a 22% decline over the same period last year. Tightened mortgage rules, a foreign home buyer tax and other policy measures have contributed to this slowdown.
- Apartments saw the biggest year-to-date decrease in sales (-27%), followed by townhouses (-22%) and detached homes (-11%) over the same period in 2018.
- Despite still being lower than one year ago, the average sale price of homes in all categories picked up in Q3 2019 over the previous quarter. The average price of a detached home was \$1.7 million (+16%), a townhouse was \$780,000 (+4%), and an apartment was \$561,000 (+7%).



**Year-to-date  
Richmond home  
sales declined by  
11% over the same  
period in 2018.**

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

### a) Building Permits – Richmond

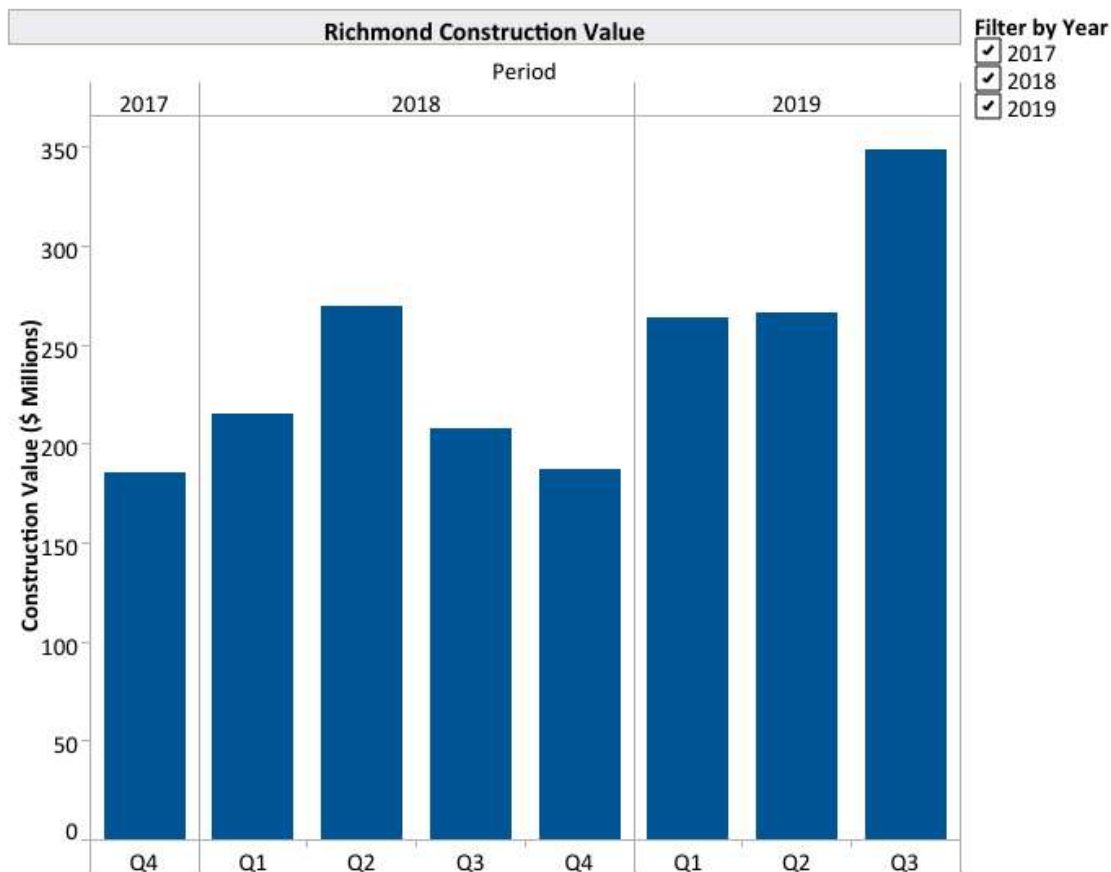


- In Q3 2019 there were 170 residential, 147 commercial, and 48 industrial building permits issued in Richmond.
- Of the 170 residential building permits issued, 42 permits were for new construction and 128 were for alterations.
- While the total number of residential building permits issued throughout the first nine months of 2019 decreased by 36% compared to the same period in 2018, the total number of units increased by 71% which indicates a larger proportion of multi-family developments.
- During the first nine months of 2019, building permits were issued to construct 2,255 residential units compared to 1,320 units in the same period of 2018.
- Year-to-date commercial building permits increased by 18% and industrial permits increased by 66% over the same period last year.



**Q3 of 2019 saw 170 residential, 147 commercial, and 48 industrial building permits issued in Richmond.**

## b) Construction Value



Source: City of Richmond

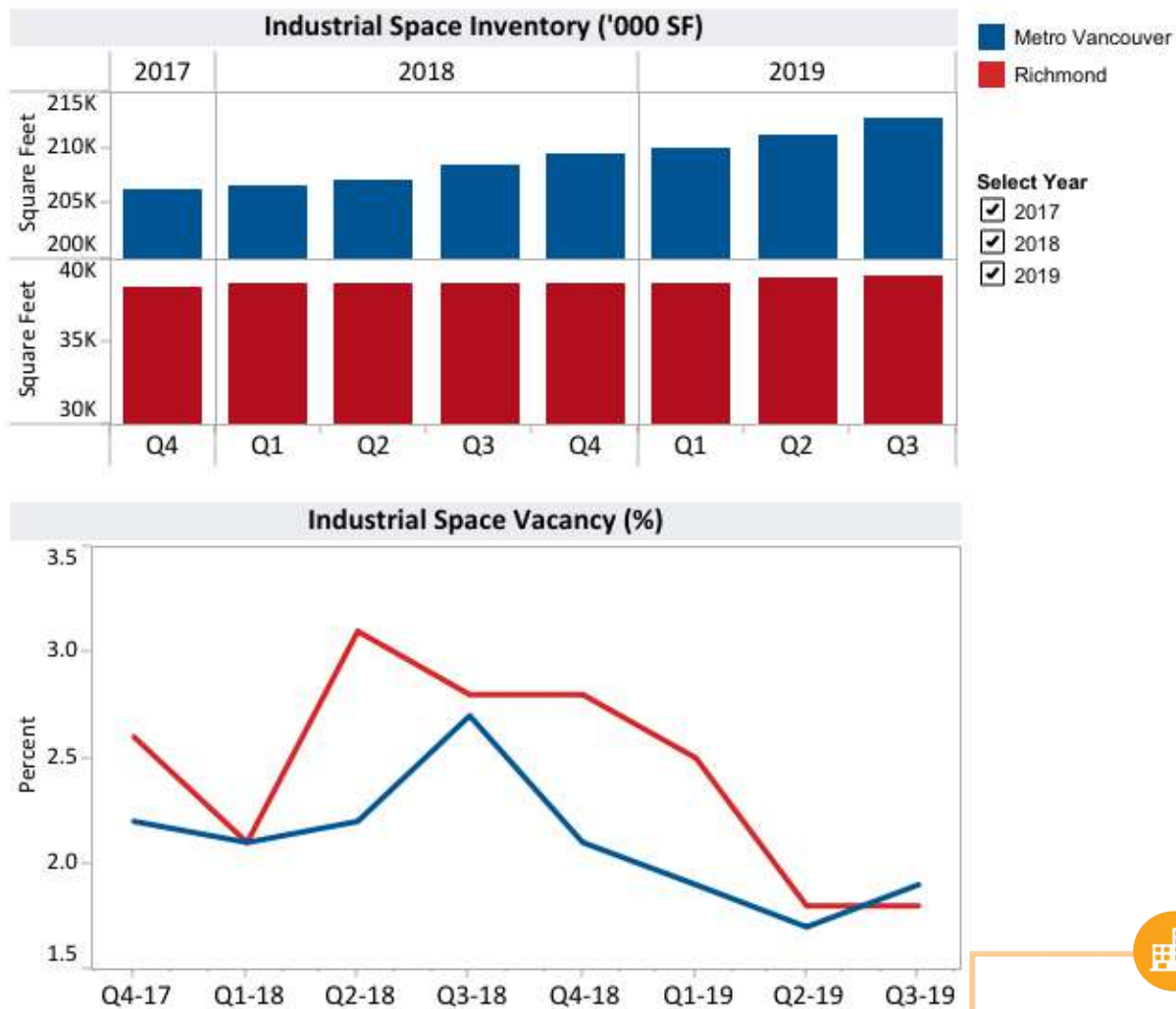
- The total value of construction activity throughout Richmond in the first nine months of 2019 totaled \$878 million.
- This has already surpassed the record annual construction values of \$709 million realized in 2017 and \$880 million in 2018.
- During the first nine months of 2019, the value of construction activity in Richmond increased by 27% over the same period last year. Fewer permits with higher values is indicative of continued multi-family development as implementation of the City Centre Area Plan continues.
- Higher construction and labour costs also contributed to this increase.



The first nine months of construction value in 2019 totaled **\$878 million.**

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

### a) Industrial Space



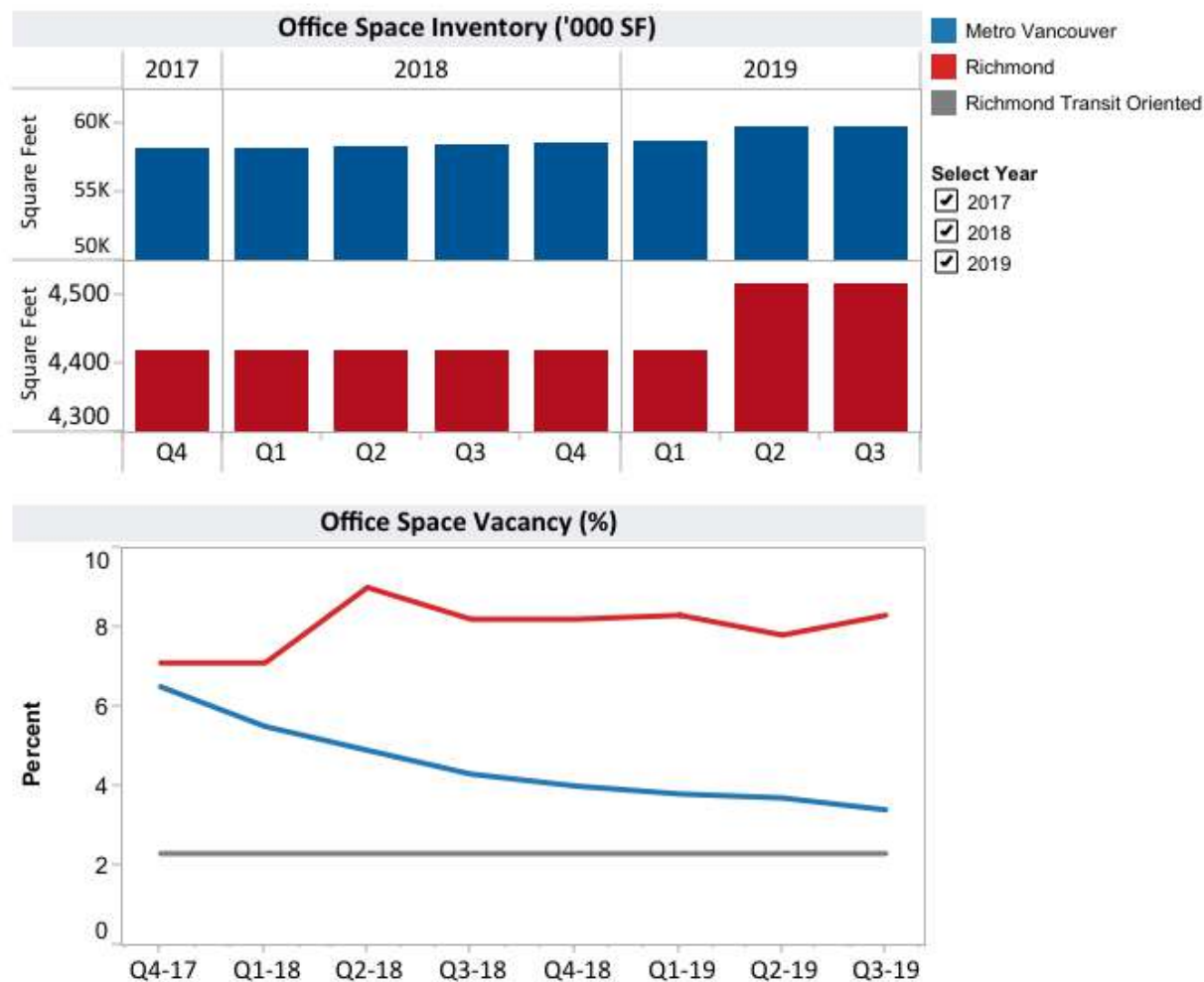
Source: Cushman & Wakefield

- Despite a net addition of 381,000 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 2019 at 1.8%, down from 2.8% in Q3 2018.
- The industrial vacancy rate in Richmond and Metro Vancouver declined year over year by 36% and 30%, 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 39 million square feet, Richmond has the largest inventory of industrial space in the region followed by Surrey (37 million), Burnaby (31 million), Delta (26 million), and Vancouver (24 million).

## b) Office Space



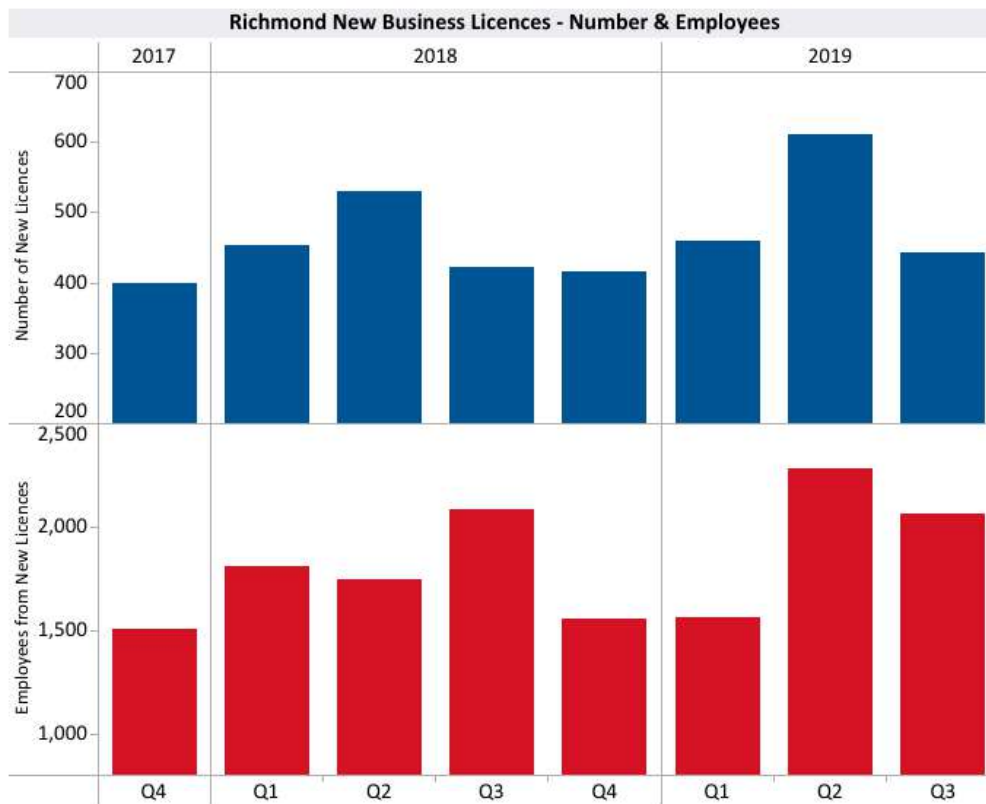
- The office vacancy rate for Richmond increased by 6.4% in Q3 2019 over the previous quarter as nearly 100,000 square feet of new product was being absorbed.
- At the end of Q3 2019 the office vacancy rate was 8.3% in Richmond compared to a very tight 3.5% throughout Metro Vancouver.
- Demand for high 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.



**At the end of Q3 the office vacancy rate was 8.3% in Richmond compared to 3.5% in Metro Vancouver.**

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

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



Source: City of Richmond

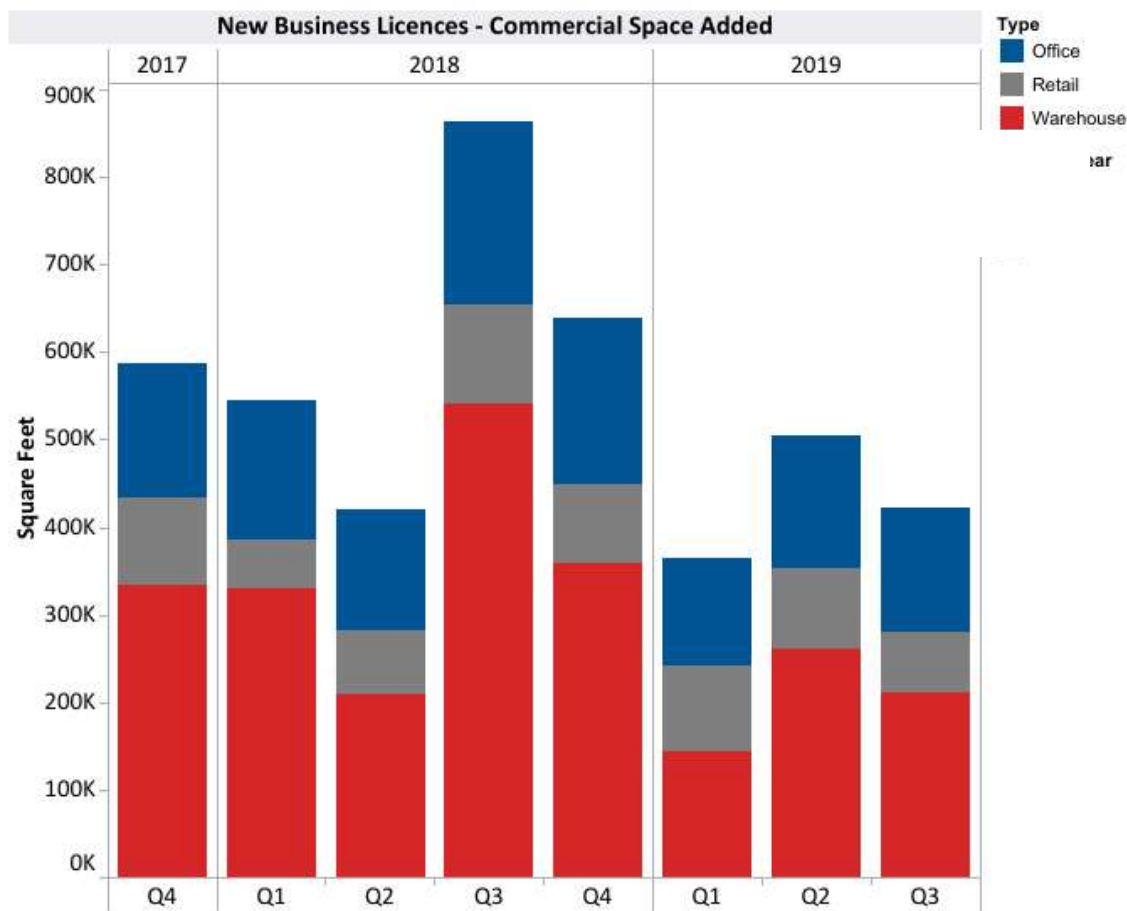
- There were 1,513 new business licenses issued in Richmond during the first nine months of 2019, an increase of 7.8% over the same period in 2018.
- The addition of 5,906 jobs was attributed to these new businesses.



So far in 2019 there were **1,513** new business licences issued.



## b) New Business Licences – Commercial Space Added



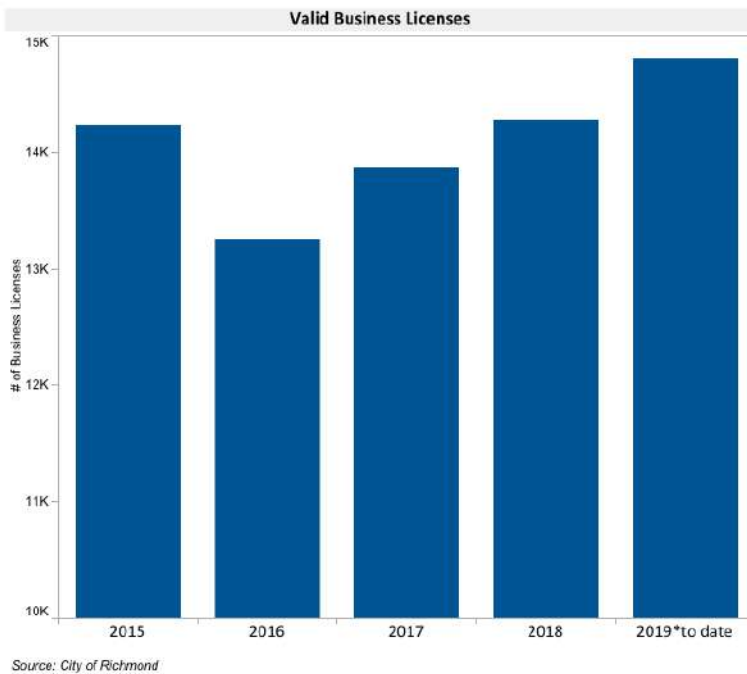
Source: City of Richmond

- 1.3 million square feet of commercial space absorption was tied to the new business licences issued throughout the first three quarters of 2019.
- As industrial users typically require more space, it is not surprising that almost half of total commercial space absorption was warehouse-type industrial space.
- 32% of commercial absorption in the first nine months of 2019 was related to office-based businesses, while 20% of commercial space absorption throughout this period was from retail businesses.



**Year-to-date in 2019, 1.3 million square feet of commercial space was absorbed by new businesses.**

### c) Valid Business Licences



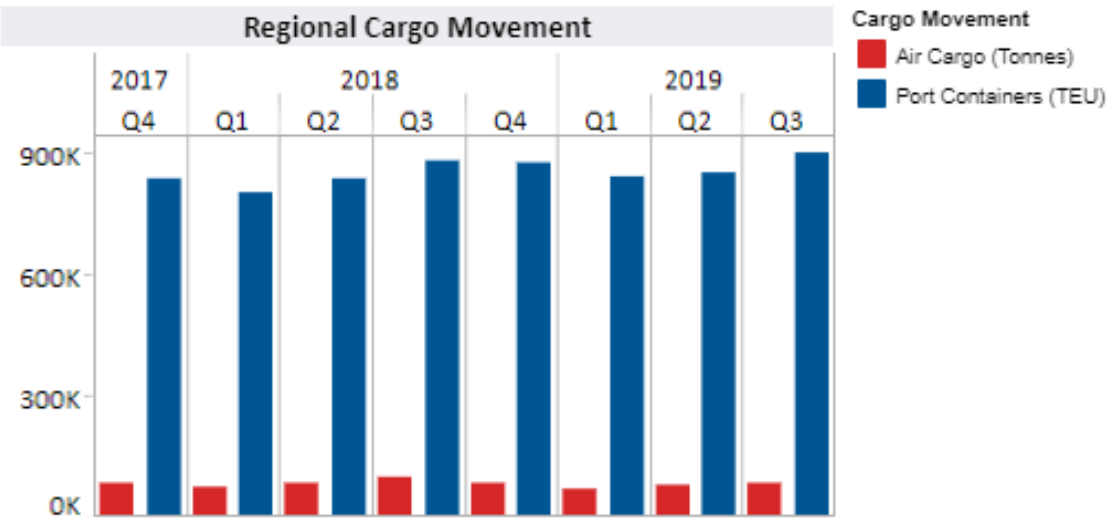
- There were 14,802 licensed businesses operating in Richmond at the end of Q3 2019.
- This is an increase of 3.6% over the same period last year.



There were **14,802** active business licences in Richmond at the end of Q3 in 2019.

# 11. Goods and People Movement

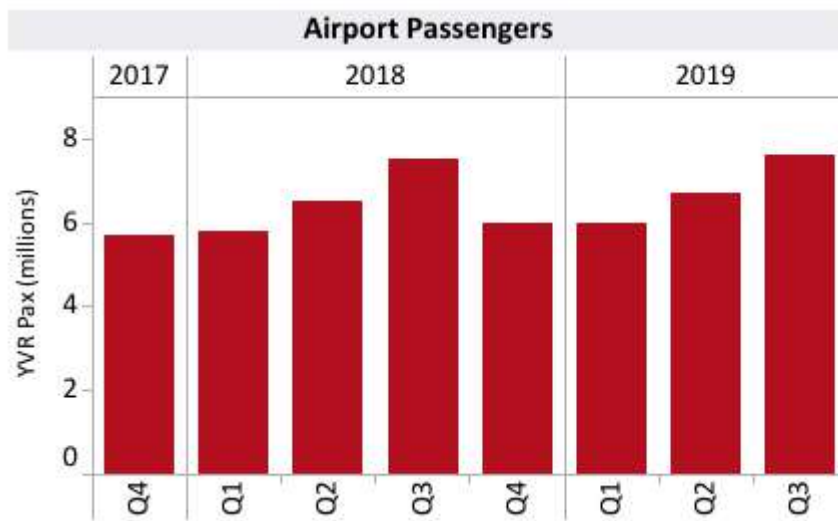
## a) Regional Cargo Movement<sup>11</sup>



Source: Port of Vancouver, YVR

- While there was an increase in container movements at the Port of Vancouver in the first three quarters of 2019, the Vancouver International Airport (YVR) experienced a decline in the volume of air cargo it handled.
- Year-to-date to Q3 2019, there were 2.6 million Twenty Foot Equivalent Units (TEUs) of container movements at the Port of Vancouver, an increase of 3.0% over the same period in 2018.
- At YVR, 228,000 tonnes of air cargo was handled throughout the first nine months of 2019, a decrease of 11% over the same period last year.

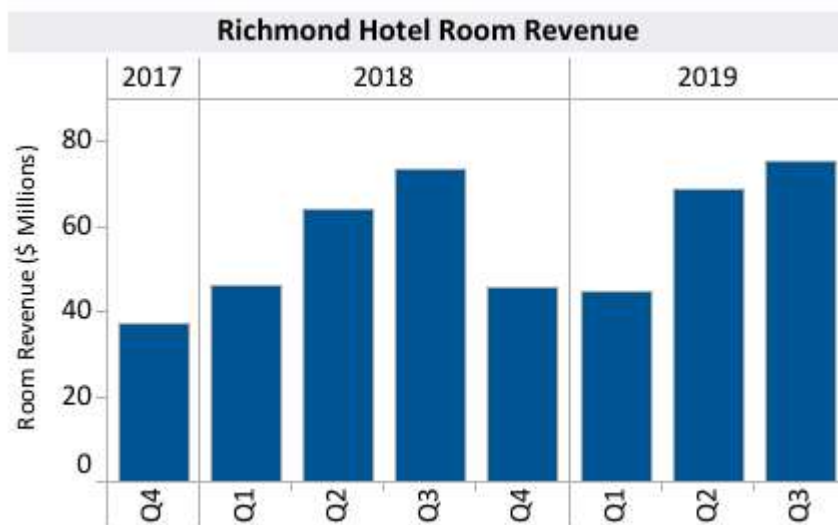
### c) Airport Passengers<sup>12</sup>



Source: Vancouver Airport Authority

- YVR continued to experience passenger growth, albeit at a slightly slower pace. 7.6 million passengers travelled through the airport in Q3 2019, an increase of 1.3% over Q3 2018. Year-to-date passenger traffic was up by 2.5%.

### d) Richmond Hotel Room Revenue<sup>13</sup>



Source: City of Richmond; \*September figures are excluded from Q2 2018 and 2019.

- \$188.8 million was collected in hotel room revenue throughout the first nine months of 2019 in Richmond, an increase of 2.8% over the same period last year.



**\$170.3 million** was collected in hotel room revenue throughout the first eight months of 2019.

## Data Table

<b>1) Real GDP - % Change</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>	<b>2019f</b>	<b>2020f</b>
Canada	3.0	1.9	-36.7%	1.5	1.8
United States	2.4	2.9	20.8%	2.4	2.1
China	6.8	6.6	-2.9%	6.1	5.8
World	3.8	3.6	-5.3%	3.0	3.4
<b>2) Interest Rates (at YE)</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>	<b>2019f</b>	<b>2020f</b>
Bank of Canada	1.00	1.75	75.0%	1.75	1.50
US FED	1.5	2.50	66.7%	1.75	1.75

<b>3) Exchange Rate (at YE)</b>	<b>2017</b>	<b>2018</b>	<b>Change</b>	<b>2019f</b>	<b>2020f</b>
CAD per \$1 USD	1.26	1.36	7.9%	1.3	1.33

### Regional and Local Market Indicators

<b>4) Unemployment (%)</b>	<b>Q3-2019</b>	<b>Q2-2019</b>	<b>Change</b>	<b>Q3-2018</b>	<b>Change</b>
Canada	5.6	5.5	1.8%	5.9	-5.1%
BC	4.7	4.5	4.4%	4.2	11.9%
Metro Vancouver	4.6	4	15.0%	4.5	2.2%

<b>5) CPI (2002=100)</b>	<b>Q3-2019</b>	<b>Q2-2019</b>	<b>Change</b>	<b>Q3-2018</b>	<b>Change</b>
Canada	136.2	136.3	-0.1%	133.7	1.9%
BC	132	131.9	0.1%	128.9	2.4%
Metro Vancouver	134.7	134.8	-0.1%	131.7	2.3%

<b>6) Housing Starts (Units)</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>YTD-2019</b>	<b>YTD-2018</b>	<b>Change</b>
Starts - Metro Vancouver	6506	5493	18.4%	22229	18055	23.1%
Starts - Richmond	110	388	-71.6%	2012	1801	11.7%

<b>7) Richmond Residential Sales Activity</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>YTD-2019</b>	<b>YTD-2018</b>	<b>Change</b>
Sales - Detached	224	194	15.5%	557	623	-10.6%
Sales - Townhouse	200	150	33.3%	443	566	-21.7%
Sales - Apartment	408	399	2.3%	997	1364	-26.9%
<b>Sales Total/Average Change</b>	<b>832</b>	<b>743</b>	<b>12.0%</b>	<b>1997</b>	<b>2553</b>	<b>-21.8%</b>

Average Price - Detached (\$ at QE)	1,660,000	1,777,000	-6.6%	N/A	N/A	N/A
Average Price - Townhouse (\$ at QE)	780,000	870,000	-10.3%	N/A	N/A	N/A
Average Price - Apartment (\$ at QE)	561,000	587,000	-4.4%	N/A	N/A	N/A

<b>8) Richmond Building Permits</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>YTD-2019</b>	<b>YTD-2018</b>	<b>Change</b>
Residential - New Construction^	42	79	-46.8%	164	383	-57.2%
Residential - Alterations	128	150	-14.7%	383	474	-19.2%
Residential Total	170	229	-25.8%	547	857	-36.2%
^Number of units from new residential construction	797	431	84.9%	2255	1320	70.8%
Building Permits - Residential	170	229	-25.8%	547	857	-36.2%
Building Permits - Commercial	147	112	31.3%	387	329	17.6%
Building Permits - Industrial	48	34	41.2%	146	88	65.9%
<b>Building Permits Total</b>	365	375	-2.7%	1,080	1,274	-15.2%
Construction Value (\$ million)	348.5	208.0	67.5%	877.9	692.7	26.7%

## Regional and Local Market Indicators (continued)

<b>9) Commercial Space (at QE)</b>	<b>Richmond</b>			<b>Metro Vancouver</b>		
	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>
Office Vacancy (%)	8.3	8.2	1.2%	3.5	4.3	-18.6%
Transit Oriented Office Vacancy (%)	2.3	2.3	0.0%	13.6	13.6	0.0%
Office Inventory (000 sf)	4,517	4,419	2.2%	59,678	58,466	2.1%
Industrial Vacancy (%)	1.8	2.8	-35.7%	1.9	2.7	-29.6%
Industrial Inventory (000 sf)	38,950	38,569	1.0%	212,719	208,486	2.0%
<b>10) Richmond Business Growth</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>YTD-2019</b>	<b>YTD-2018</b>	<b>Change</b>
Total Valid Business Licenses	N/A	N/A	N/A	14,802	14,285	3.6%
New Licenses - Number Issued	443	422	5.0%	1,513	1,404	7.8%
New Licenses - Employees	2,060	2,081	-1.0%	5,906	5,637	4.8%
New Licenses - Office Added (sf)	142,363	210,163	-32.3%	416,074	506,819	-17.9%
New Licenses - Retail Added (sf)	69,353	112,918	-38.6%	259,035	242,583	6.8%
New Licenses - Industrial Added (sf)	210,612	541,338	-61.1%	615,913	1,080,081	-43.0%
<b>Total Space Added (sf) / Average Change</b>	422,328	864,419	-51.1%	1,291,022	1,829,483	-29.4%
<b>11) Goods &amp; People Movement</b>	<b>Q3-2019</b>	<b>Q3-2018</b>	<b>Change</b>	<b>YTD-2019</b>	<b>YTD-2018</b>	<b>Change</b>
YVR Air Cargo (tonnes)	80,486	97,088	-17.1%	227,616	254,208	-10.5%
PMV Container Movement (TEUs)	900,774	882,713	2.0%	2,596,149	2,520,154	3.0%
YVR Passengers (million)	7.6	7.5	1.3%	20.3	19.8	2.5%
Richmond Hotel Room Revenue (\$ million)	75.3	73.5	2.4%	188.8	183.6	2.8%



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<sup>1</sup> International Monetary Fund, World Economic Outlook (October 2019)

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

<sup>3</sup> Bank of Canada, Monetary Policy Report (October 2019)

<sup>4</sup> Statistics Canada

<sup>5</sup> BC Statistics

<sup>6</sup> Canadian Mortgage and Housing Corporation

<sup>7</sup> Real Estate Board of Greater Vancouver

<sup>8</sup> City of Richmond Building Permits

<sup>9</sup> Cushman & Wakefield Office and Industrial Market Beat Reports

<sup>10</sup> City of Richmond Business Licenses

<sup>11</sup> Port of Vancouver Monthly Cargo Statistics

<sup>12</sup> YVR Monthly Statistics

<sup>13</sup> City of Richmond Additional Hotel Room Tax Ledger; Destination BC



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