

LOCATIONAL DATA

BRITISH COLUMBIA ECONOMIC OVERVIEW

The data provided below describes the general condition of the British Columbia economy at this time. The statistics used are the latest data available on each segment of the economy as at July 5, 2010.

British Columbia's economy shrank 2.3% in 2009, as the Province felt the effects of the unprecedented global economic downturn. However, business and consumer confidence is rising and B.C. is expected to be among the country's leaders in economic growth in the year ahead. The introduction of the Harmonized Sales Tax at 12% (effective July 1, 2010) and a commitment by the Government to spend \$4 billion over three years on transportation investments and \$5.3 billion to over 850 accelerated capital projects across B.C. are all initiatives to strengthen the economy.

CONSUMER PRICE INDEX	May-09 to May-10	5-year Avg.
B.C.	0.6%	1.4%
Canada	1.4%	1.7%
LABOUR FORCE	May-10	10-year Avg.
Unemployment Rate (B.C.)	7.5%	6.6%
Unemployment Rate (Canada)	8.1%	7.1%
OTHER	Jul 05-10	10-year Avg.
Bank of Canada	0.50%	3.00%
Prime Rate (Royal Bank)	2.50%	4.70%
5-year Closed (Royal Bank)	5.99%	6.61%
U.S.\$ per Cdn.\$	\$0.917	\$0.797

BC Economic Trends

- **Population:** British Columbia is the westernmost province in Canada, strategically situated on the Pacific Rim, comprising 13% of Canada's total population and 10% of Canada's total land area. After Ontario and Quebec, it is the third most populous province, with 4,494,232 residents as of January 1, 2010. In 2009, B.C.'s total population increased 74,258 persons, up 1.7% from 2008. This is the third fastest provincial growth rate, behind Nunavut and Alberta.
- **Migration:** The net migration to B.C. in all of 2009 was 44,710 persons; of this total, 37,211 (83.2%) were international immigrants and 7,499 (16.8%) inter-provincial migrants. Over the last five years, net migration averaged 53,631 persons, comprised of an average 43,735 international immigrants and 9,896 inter-provincial migrants.

- **Employment:** As of January 1, 2010, 2,259,400 persons were employed in British Columbia. Over 80.2% employed British Columbians work in the service-producing sector, including health care and education (18.7%), trade (16.3%), accommodation and food (7.6%) and professional (7.5%). 19.8% are employed in the goods-producing sector, including construction (8.6%), manufacturing (7.2%), forestry and mining (1.7%) and agriculture (1.5%).
- **Tourism:** The tourism sector faced challenges in 2009 as the global economic downturn effects spread and several major cruise lines announced that they would no longer be stopping in Vancouver. Room revenues were \$1.73 billion, down 12.31% from 2008. The five-year average is \$1.834 billion. During the first quarter of 2010, room revenues totalled \$475,651,000, up 14.6% over the five-year average. This figure was buoyed by the Vancouver's 2010 Winter Olympics held in February, 2010. The outlook for 2010 is that the tourism sector will continue to be negatively affected by the global economic downturn but offset by the opening of the Vancouver Convention & Exhibition Centre, with 180 events booked to date.
- **Trade:** The total value of B.C. exports to all countries for the first quarter of 2010 was \$6.422 billion; the average for the first quarter of the past five years has been \$7.522 billion. British Columbia is more diversified than the nation as an exporter, given its West Coast proximity to major importing countries. While Canada sent some 83.8% of its exports to the U.S. in 2009, only 49.9% of B.C.'s exports went to the U.S. The total value of B.C. exports for 2009 was \$25.7 billion, below the five years average of \$31.6 billion.
- **Retail:** Retail sales in B.C. for the first quarter of 2010 totalled \$14.35 billion, up 10.5% from the first quarter of 2008. Retail sales have averaged \$13.54 billion over the first quarter of the last five years. 2009 retail sales totalled \$53.52 billion, down 5.5% from 2008 and down 0.9% from \$53.98 billion averaged over the last five years.
- **Interest Rates:** On June 1, 2010, the Bank of Canada raised the target overnight rate to 0.50% which had been at a historical low, 0.25%, since April, 2009. Financial institutions and the bond market have already reacted to this increase as the five-year fixed mortgage rates have been increased. Borrowing capacity will be impacted by these increased mortgage rates and the new mortgage qualification rules effective April 19, 2010. The introduction of the H.S.T. on July 1, 2010 is also anticipated to have a slowing effect on the real estate market, compounding the impact of higher interest rates.
- **Housing Starts:** New home construction in the Vancouver C.M.A. for the first quarter of 2010, at 3,198 units, was higher than the same period last year, at 1,819 units, indicating an increase of 76%. However, home starts remain below the first quarter of a five-year average of 3,858 units. In 2009, the total housing starts in Vancouver C.M.A. were 8,339, less than half the five-year average of 17,788 units. Among immigrants coming to B.C., about 91% settle in Vancouver C.M.A. The lower-than-average starts in 2009 are inadequate for the approximate 40,000 new immigrants to this region, or 18,000 to 20,000 required annual housing starts to meet demand, resulting in increasing pressure on housing prices. Although housing starts are up significantly in the first quarter of 2010, this is expected to slow in the

last half of 2010 and C.M.H.C. forecasts that new home construction will still be below the ten-year average level, this year and next.

- **Major Projects:** As of the first quarter of 2010, the capital cost of all major projects currently under construction in B.C. is estimated at a total cost of \$61.2 billion. Included in this figure are the projects commencing construction during the first quarter, an estimated \$1.276 billion.

Municipality	Selected Projects commencing Jan-Mar 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Whistler	Rainbow Residential Development	\$400
Princeton Area	Copper Mountain Mine	\$366
Total	All 15 projects commencing Jan-Mar 2010)	\$1.276 billion

The total capital cost of proposed projects that are in preliminary stages, but have not yet been approved for construction, is estimated at \$111.4 billion. The capital cost of 54 new projects proposed in the first quarter of 2010 was \$3.35 billion. The larger projects are listed below.

Municipality	Selected New Proposed Projects Jan-Mar 2010	Est. Cost (\$ mill)
	<u>Greater than \$100 Million</u>	
Surrey	Holland Pointe Residential Development	\$200
Surrey	High-rise Apartment Condo – 13778 100 Avenue	\$110
Surrey	High-rise Apartment Condo – 137 St. and 104 Ave	\$100
Vancouver	BC Place Entertainment Complex	\$450
Kelowna	Interior Heart and Surgical Centre	\$448
Merritt	Merritt Green Energy Project	\$120
Prince George	Terasen Call Centres	\$115
Fort St. James	Fort St. James Green Energy Project	\$120
Total	All 54 proposed projects in BC	\$3.350 billion

Sources: Statistic Canada, Statistics B.C., Bank of Canada, Royal Bank of Canada, C.M.H.C., Tourism British Columbia, and Industry Canada.