

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 September 1, 2010.

British Columbia's economy shrank 2.3% in 2009 as the Province felt the effects of the unprecedented global economic downturn. During the first quarter 2010, there were many positive economic signs in British Columbia but economists suggest it is too early to say the economy is back on the path to steady growth. Some analysts are predicting a recession in the United States and with financial markets in some European countries showing considerable stress, the global economic situation remains uncertain. 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	Jul-09 to Jul-10	5-year Avg.
B.C.	2.0%	1.5%
Canada	1.8%	1.8%
LABOUR FORCE	Jul-10	10-year Avg.
Unemployment Rate (B.C.)	7.5%	6.6%
Unemployment Rate (Canada)	8.0%	7.1%
OTHER	Sep 01-10	10-year Avg.
Bank of Canada	0.75%	2.91%
Prime Rate (Royal Bank)	2.75%	4.62%
5-year Closed (Royal Bank)	5.39%	6.57%
U.S.\$ per Cdn.\$	\$0.928	\$0.801

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 4,510,858 residents as of April 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.

- **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%).

- **Migration:** Based upon the first quarter of 2010, (13,695 persons), it appears that the net migration for this year should be higher than 2009 and closer to the five-year average, with an even higher number of international immigrants (88%). Most new migrants will settle in the Lower Mainland. This growth translates into a demand for an estimated 28,000 households.

B.C. Components of Population Change

	International Immigrants	Inter- Provincial Migrants	Total Net Migration
2009 Total	37,211 (83%)	7,499 (17%)	44,710
5-yr avg	43,735 (82%)	9,896 (18%)	53,631
Q-1 2010	12,323 (88%)	1,642 (12%)	13,965
5-yr Q-1 avg	11,010 (81%)	2,503 (19%)	13,513

- **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 \$501,047,000, up 19.3% over the five-year average. This figure was buoyed by Vancouver's 2010 Winter Olympics held in February, 2010. The outlook for 2010 is that the tourism sector will continue to be negatively affected but tempered by the opening of the expanded Vancouver Convention and Exhibition Centre.
- **Trade:** The total value of B.C. exports to all countries for the second quarter of 2010 was \$7.704 billion; the average for the second quarter of the past five years has been \$8,159 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-year average of \$31.6 billion.
- **Retail:** Retail sales in B.C. for the first quarter of 2010 totalled approximately \$14.35 billion, up 10.5% from the first quarter of 2008. Total 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 July 20, 2010, the Bank of Canada raised the target overnight rate to 0.75%. 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:** Although the first six months of 2010 saw an increase in housing starts for both B.C. and Vancouver C.M.A., this total falls short of the five-year averages. About 91% of immigrants to B.C. settle in Vancouver. This estimated 40,000 new immigrants trigger demand for 18,000 to 20,000 new households, which provides continued pressure on both rental and housing prices. The estimated new housing starts for 2010 will fall short in the Vancouver C.M.A.. The rest of B.C. reflects a more balanced supply/demand situation for housing.

	Housing Starts		
	Total	2010	Yr-to-Date
	2009	Q-2	
Vancouver C.M.A.	8,339	3,683	6,881
5-yr Avg	17,788	3,566	7,424
B.C.	16,077	7,052	12,876
4-yr avg	31,509	7,525	13,906

- **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.