

BC CHECK-UP 2024 **INVEST**



INDICATORS

CPABC's *BC Check-Up* uses the selected economic indicators to evaluate BC as a place to **INVEST**.



Non-Residential Building Investment

How much did the private and public sectors invest in BC's non-residential building projects?



Residential Housing Starts

How many units began construction in BC?



Major Project Activity

How much capital is allocated towards major projects across BC?



Real GDP Per Person

What is the GDP per person in BC?



Government Net Debt-to-GDP Ratio

What is the share of the provincial government's net debt to GDP?



Interest Rates and Inflation

What are the inflation and interest rates in BC?



Building Permits

What is the value of non-residential and residential building permits issued in BC?

PROVINCIAL SUMMARY

BC's investment climate underwent considerable changes in 2023, highlighting the complexity of the current economic environment. **Higher interest rates continued to put downward pressure on the economy, while population growth and persistent inflation challenged affordability.**

After reaching a four-decade peak in 2022, inflation moderated in 2023 but remained above the Bank of Canada's (BoC) 1-3% target throughout the year. **The BoC implemented three interest rate hikes in 2023, culminating in a policy rate of 5.00%** by July 2023, which hasn't changed since. The BoC is expected to cut rates later this year as inflation pressures continue to ease.

As of January 2024, BC's inflation rate stood at 3.0%, slightly above the Canadian rate of 2.9%. However, the rise in shelter and food costs has continued to outpace overall inflation.

Residential building investment was strong in 2023, and a **record 47,894 housing units started construction across BC**. Attached units accounted for 85.4% or 40,866 of the total while there were 7,008 detached starts, representing a 23.1% drop from 2022.

In the resale market, home sales slowed to a decade low in 2023, but prices showed resilience. With interest rate cuts expected by mid-year, residential sales are likely to rebound in 2024 and prices are expected to show little change.

On the non-residential side, building investment **reached \$7.9 billion in 2023, up 6.5% compared to 2022**. Spending on industrial projects declined by 8.5%, but was more than offset by spending on institutional and governmental projects due to increased investment in health care facilities.

Investment in major projects – those with a capital cost of \$15 million or more – decreased to **\$373.0 billion in Q3 2023, marking a 4.2% annual decline**. With construction for many major projects winding down, infrastructure investment is expected to be constrained in 2024.

The value of building permits issued serves as a leading indicator for future building investment and has been on a downward trend since the BoC first raised rates in March 2022. The value of residential building permits issued in December 2023 totalled \$589.8 million, a decrease of 38.5% compared to December 2022. Meanwhile, the value of non-residential permits totalled \$346.4 million, a 35.2% decrease over the same timeframe.

After posting healthy growth in 2022, BC's economic output is expected to flatten out in 2023, with a weak outlook for 2024. Analysts expect population growth to outpace GDP growth in the near term, resulting in a decline in GDP per capita. **Real GDP per capita is expected to contract in both 2023 and 2024 before stabilizing in 2025**. On the whole, weak labour productivity continues to plague BC's economy, making policies that boost capital investment a priority.

Confronted with worsening affordability and a rapidly growing population, the provincial government's 2024/25 budget featured a significant spending package, including record capital investment over the next three years. **As a result, BC's taxpayer supported debt-to-GDP is projected to rise from 17.6% in 2022-23 to 27.5% in 2026-27, representing an increase of \$54.6 billion in taxpayer-supported debt.**

To better understand the economic outlook, CPABC surveyed its members who work on the front lines of business in BC. **About one quarter (24%) said BC's economy was performing well in December, down 5 percentage points from August 2023**. A slightly larger proportion indicated the economy was performing poorly (29%), up 8 points over the same period. Nearly two-fifths (38%) expect a decrease in the level of capital investment in their region in 2024, while only 23% anticipate an increase (23%). The respondents identified high interest rates, increasing labour costs, and a shortage of qualified labour as the biggest deterrents for organizational investment in 2024.

PROVINCIAL SUMMARY



NON-RESIDENTIAL BUILDING INVESTMENT

Public sector investment reached a new record high in 2023, amid unprecedented investment in healthcare facilities. Private non-residential investment also increased compared to 2022, despite spending on industrial projects trending down over the last five years.

	Value in 2023	One-year change (2022)	Two-year change (2021)	Five-Year change (2018)
Total private sector	\$5,556,229,459	3.2%	8.8%	11.0%
Industrial	\$761,329,148	-8.4%	-11.5%	-28.4%
Commercial	\$4,794,900,311	5.3%	12.9%	21.6%
Institutional and government	\$2,294,451,107	15.4%	10.6%	40.9%
Total private and public sector	\$7,850,680,566	6.5%	9.3%	18.3%



RESIDENTIAL HOUSING STARTS

Construction began on 47,894 housing units in 2023, marking an all-time high, with attached units such as apartments making up 85.4% of starts. Construction began on 7,008 detached units, representing a 23.1% drop from 2022 levels.



MAJOR PROJECT ACTIVITY*

Major project investment fell on a year-over-year basis in 2023. As of Q3 2023, the total capital cost of BC's major projects was \$373.0 billion, with projects under construction making up nearly half of the value.

MAJOR PROJECT HIGHLIGHTS (Q3 2023)

- Total Major Projects:** 969, \$373.0 billion (↓4.2%)
- Projects Started:** 393, \$173.1 billion
 - Largest: LNG Canada Facility, \$36.0 billion (Q4 2018)
- Projects Proposed:** 497, \$168.6 billion
 - Largest: Kitimat Clean Oil Refinery, \$22.0 billion

*Non-residential investment data is inflation and seasonally adjusted. "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.

PROVINCIAL SUMMARY



REAL GDP PER PERSON

GDP per person bounced back strongly in 2021. However, growth slowed in 2022 and is anticipated to be negative in 2023 as population growth is forecasted to exceed GDP growth.

2022	\$60,696	(↑1.5%)
2023F	\$59,334	(↓2.2%)
2024F	\$57,969	(↓2.3%)
2025F	\$58,186	(↑0.4%)



BC NET DEBT-TO-GDP RATIO

Increased government spending and robust capital investment will likely increase the provincial debt-to-GDP significantly over the next three fiscal years. In total, the BC government forecasts taxpayer-supported debt will increase by \$54.6 billion from 2023-24 to 2026-27.

2023-24F	17.6%
2024-25F	21.0%
2025-26F	24.8%
2026-27F	27.5%



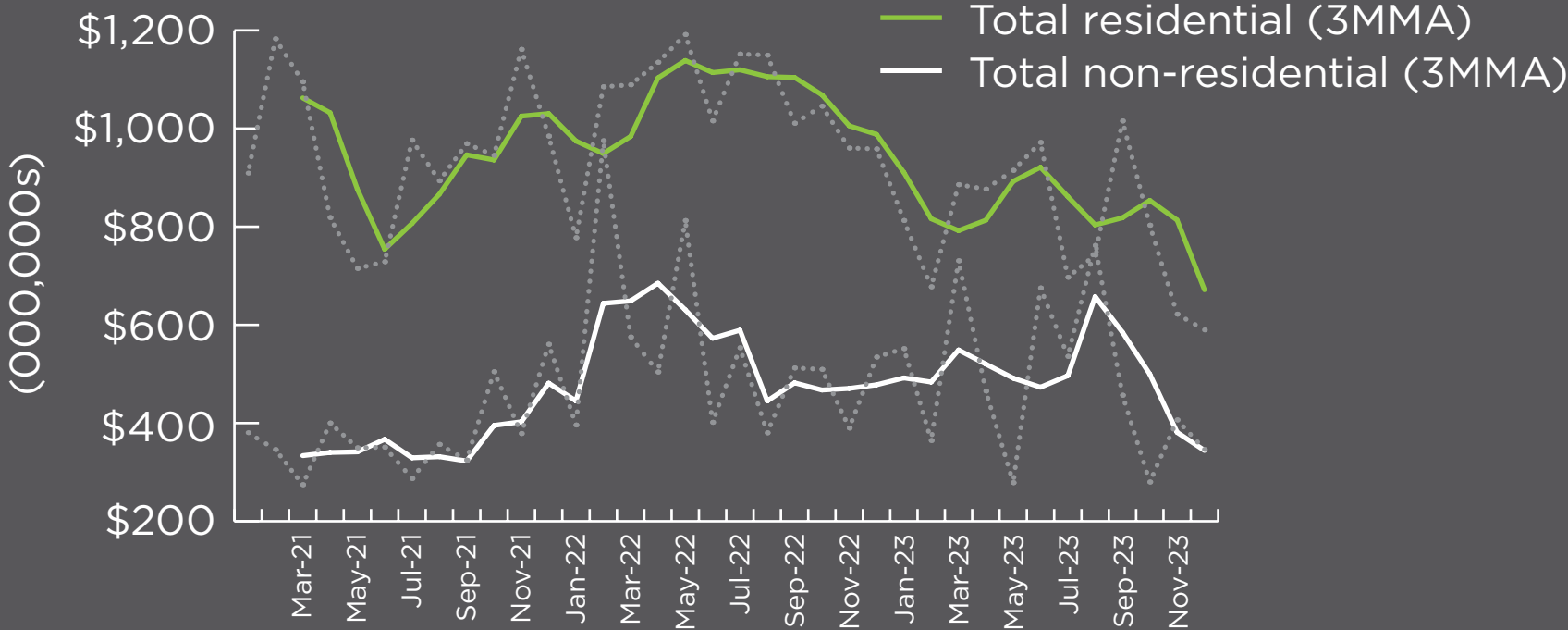
INFLATION AND INTEREST RATES

Consumer price growth in BC continued to moderate in 2023, approaching the Bank of Canada's inflation target after reaching a 40 year high in May 2022. Inflation slowed to 2.9% in January 2024, and interest rate cuts are expected to happen in Q2 2024.



VALUE OF BUILDING PERMITS*

The value of building permits issued has been on a downward trend since March 2022, which coincides with the Bank of Canada's first interest rate hike. On a year-over-year basis, the value of residential permits issued by BC municipalities fell 38.5%. Non-residential permits were down by 35.2% compared to December 2022.



"F" refers to a forecast.
 *Building permit data is inflation and seasonally adjusted. 3MMA refers to the 3-month moving average.



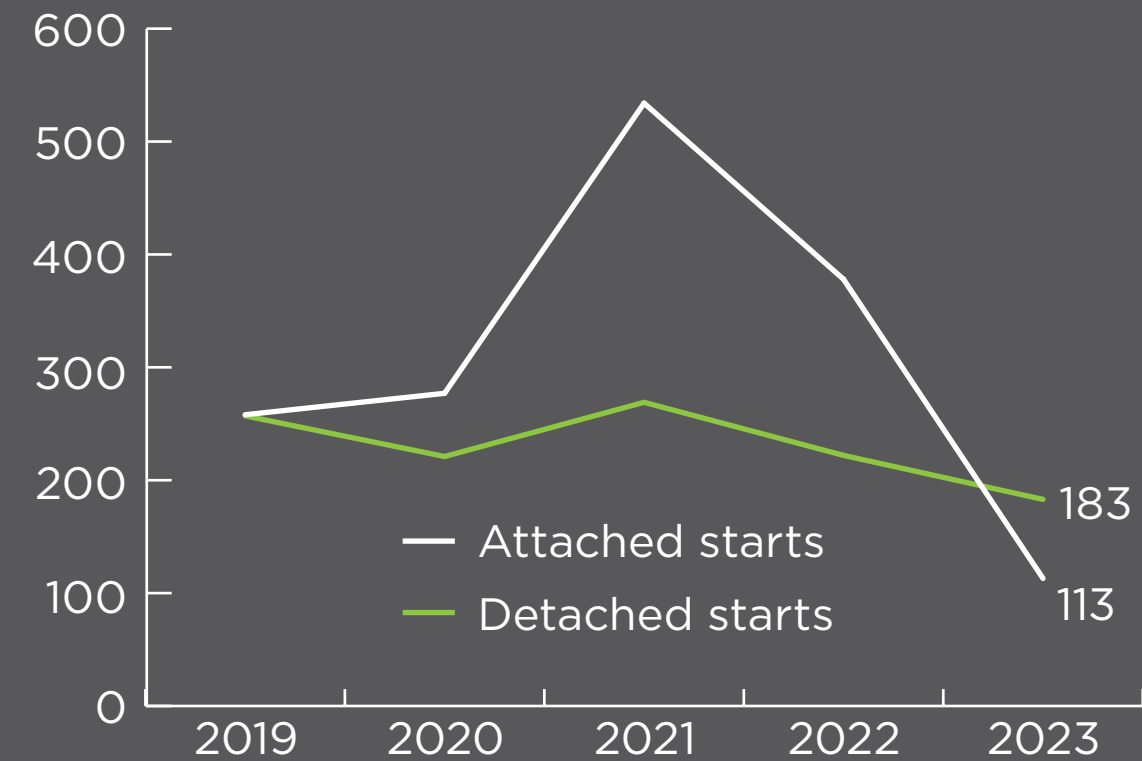
CARIBOO



RESIDENTIAL HOUSING STARTS

Housing starts in the Cariboo region fell by nearly 50% in 2023. The slowdown was driven by lower overall activity in Prince George, and no new apartment units beginning construction in Williams Lake.

Residential housing starts by type, 2019-2023



MAJOR PROJECT HIGHLIGHTS

Work on the Trans Mountain Pipeline Expansion, the second largest project in the province, is expected to conclude in 2024. As such, major project activity in the region is expected to contract significantly.

Meanwhile, two Cariboo Road Recovery Projects entered the proposal stage in Q3 2023.

Under Construction: 6 projects, \$31.4 billion

- **Largest:** Trans Mountain Pipeline Expansion, \$30.9 billion

Proposed: 24 projects, \$7.8 billion

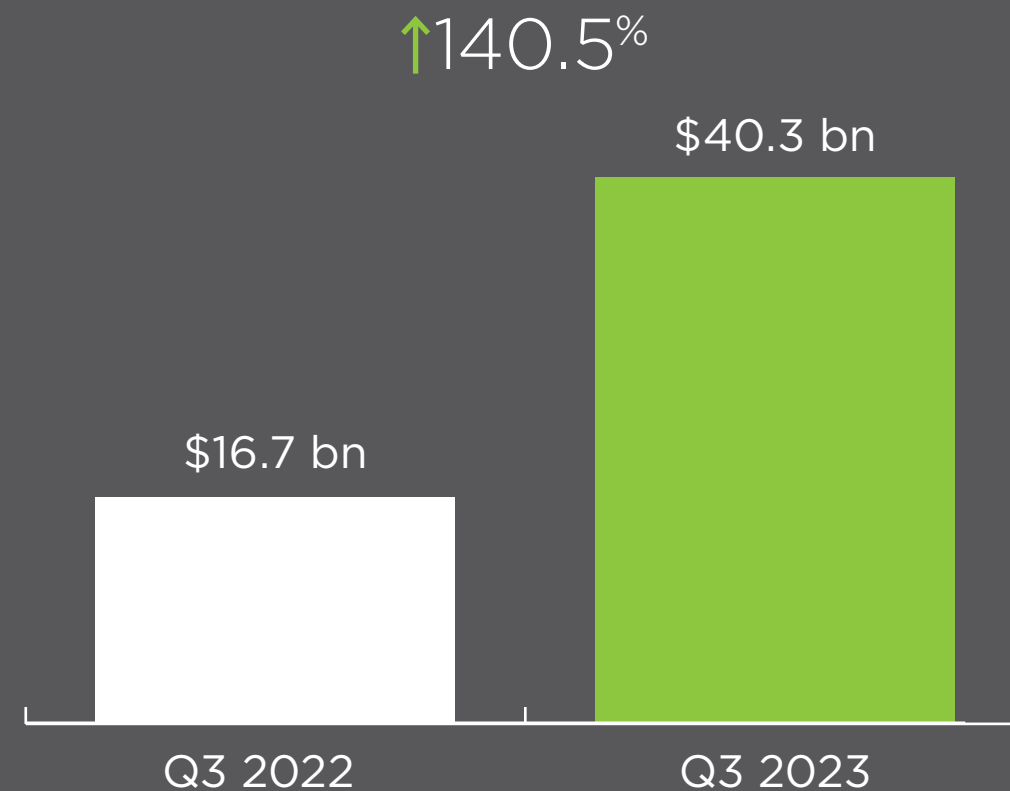
- **New:** 3 projects, 599 million
 - Highway 97 at Cottonwood Hill, \$335 million
 - Blackwater Road Realignment, \$203 million



MAJOR PROJECT ACTIVITY

There was \$40.3 billion allocated to major capital projects in the Cariboo, more than double the figure from Q3 2022. The jump was entirely due to \$26.4 billion in additional costs associated with the federally owned Trans Mountain Pipeline Expansion.

Total major project activity Q3 2022-2023



*Changes compared to the same period of previous year. Housing start data only available for census areas of population 10,000 or higher in BC, which includes Prince George, Quesnel and Williams Lake. "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.



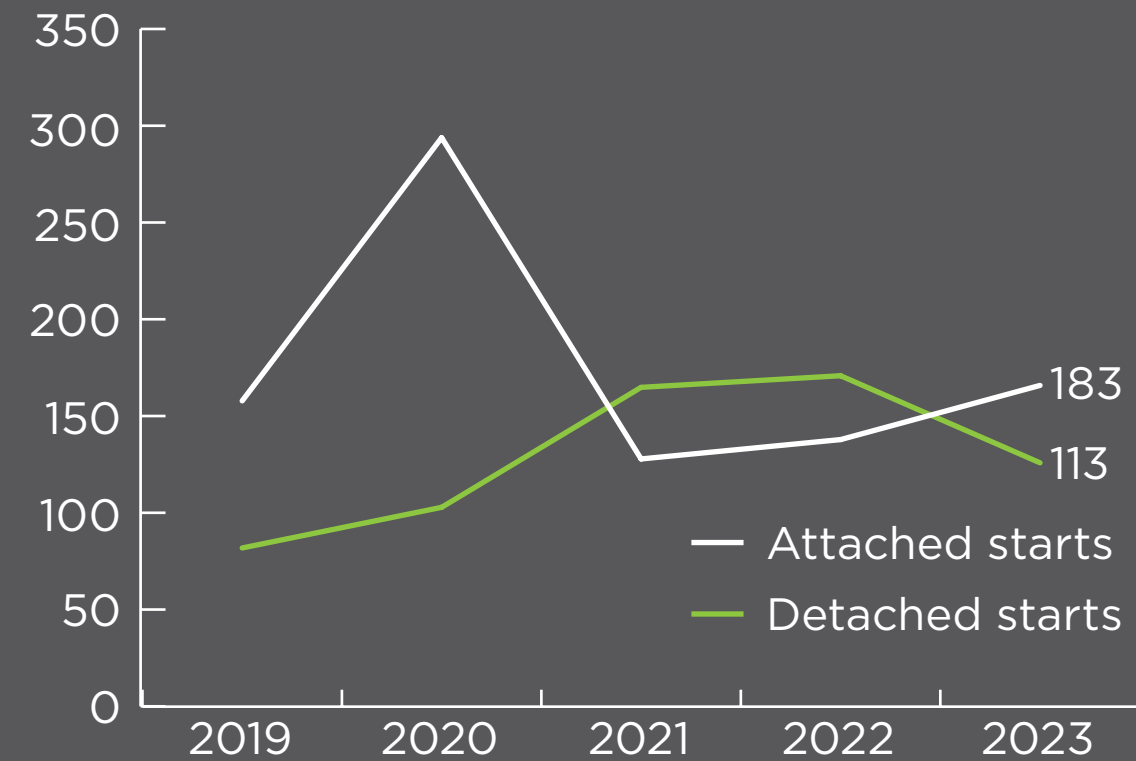
KOOTENAY



RESIDENTIAL HOUSING STARTS

Of the 292 total starts in the Kootenays, 40 occurred in Trail, the first year that data became available for that community. There were fewer housing starts in Cranbrook, while the number of starts in Nelson was similar to 2022.

Residential housing starts by type, 2019-2023



MAJOR PROJECT HIGHLIGHTS

The Kootenays' major project activity has been declining since 2020. The value of projects in the proposal stage totaled \$1.1 billion, down 57.8% from one year ago, as future building activity is expected to slow.

Under Construction: 21 projects, \$2.6 billion

- **Largest:** Wildstone Golf and Residential Development, \$750 million
- **Started:** Highway 3 Bridge Replacements, \$25 million (Q3 2023)

Proposed: 10 projects, \$1.1 billion

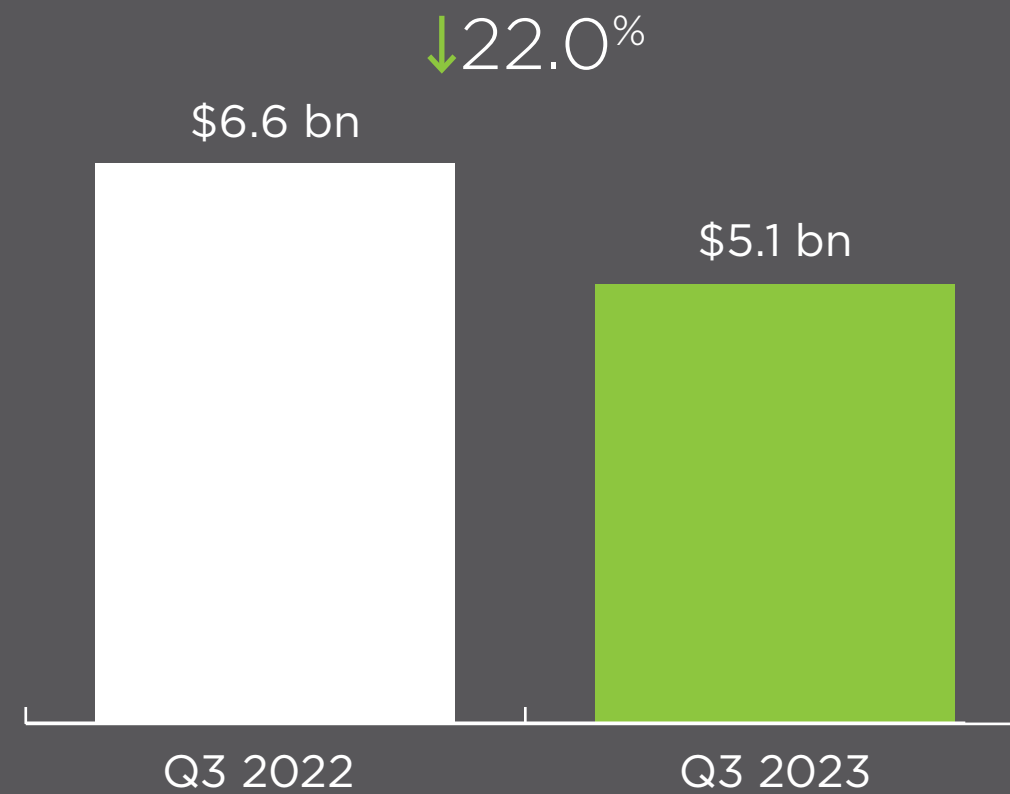
- **New:** Cranbrook Long-term Care Facility, \$157 million



MAJOR PROJECT ACTIVITY

Major project investment in the Kootenays continued on a downward trend in Q3 2023, down by \$1.5 billion compared to the same quarter last year. The value of major capital projects in the region was \$5.1 billion, with just over half under construction.

Total major project activity Q3 2022-2023



*Changes compared to the same period of previous year. Housing start data only available for census areas of population 10,000 or higher in BC, which includes Cranbrook, Nelson and Trail (added in 2023). "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.



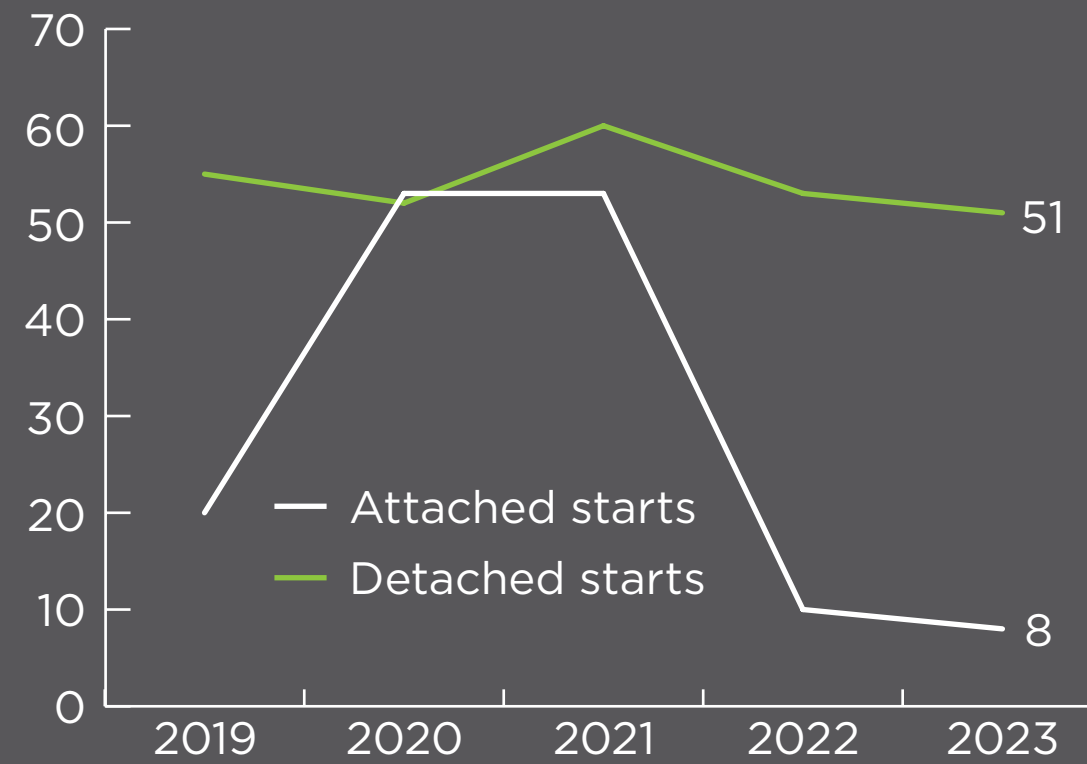
NORTHEAST BC



RESIDENTIAL HOUSING STARTS

There were 59 housing units started in Fort St. John and Dawson Creek in 2023. Activity in the attached market was minimal for the second straight year, with only eight apartment units starting construction.

Residential housing starts by type, 2019-2023



MAJOR PROJECT HIGHLIGHTS

Natural resource projects continue to dominate Northeast BC's major project activity. BC Hydro's Site C project near Fort St. John is expected to come online in December 2024, with construction ending in late 2025.

Under Construction: 10 projects, \$25.1 billion

- **Largest:** Site C, \$16.0 billion
- **Started since Q3 2022:** Kemess Copper-Gold Mine, \$524 million (Q1 2023)

Proposed: 19 projects, \$11.5 billion

Completed: Fort St. John RCMP Detachment Building, \$51 million (Q3 2023)



MAJOR PROJECT ACTIVITY

Though major project activity was down slightly in Northeast BC, the \$44.7 billion allocated to major projects was the third highest in the province. More than half (60.3%) of that value was under construction.

Total major project activity Q3 2022-2023



*Changes compared to the same period of previous year. Housing start data only available for census areas of population 10,000 or higher in BC, which includes Fort St. John and Dawson Creek. "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.



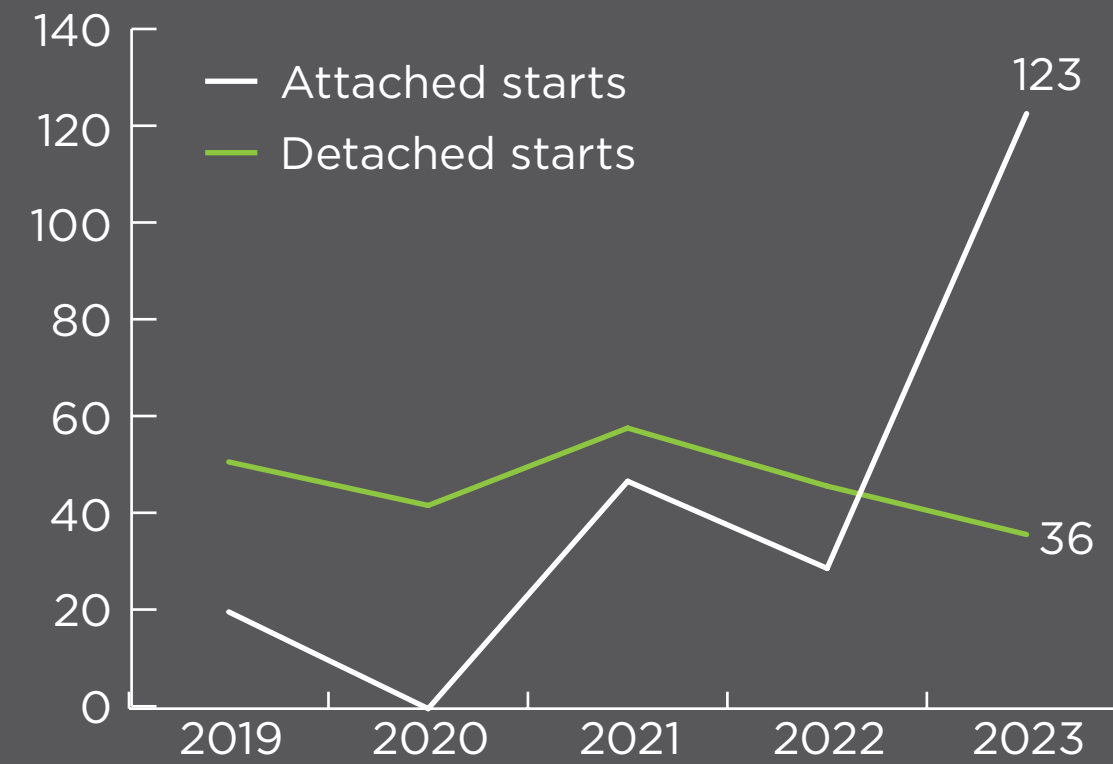
NORTHWEST BC



RESIDENTIAL HOUSING STARTS

Housing starts more than doubled in Northwest BC in 2023 as construction began on 91 apartment units and townhomes in Prince Rupert. There were also 65 starts recorded in Terrace, split evenly between attached and detached units.

Residential housing starts by type, 2019-2023



MAJOR PROJECT HIGHLIGHTS

Northwest BC's major project inventory fell by 25.2% compared to Q3 of last year, but still represents a third of the provincial total. The largest project under construction, the LNG Canada Facility in Kitimat, was more than 85% complete as of December 2023.

Under Construction: 16 projects, \$39.5 billion

- **Largest:** LNG Canada Facility, \$36.0 billion
- **Started:** Oldfield Substation Upgrade Project, \$17 million (Q3 2023)

Proposed: 41 projects, \$71.6 billion



MAJOR PROJECT ACTIVITY

Despite a decline, Northwest BC* continued to have the largest major project inventory in BC. While the value of proposed projects fell sharply by \$42.2 billion over the last 12 months, projects under construction was little changed.

Total major project activity Q3 2022-2023



*Northwest BC includes North Coast & Nechako.

*Changes compared to the same period of previous year. Housing start data only available for census areas of population 10,000 or higher in BC, which includes Prince Rupert and Terrace. "Attached starts" include units such as condos, apartments, and townhomes.



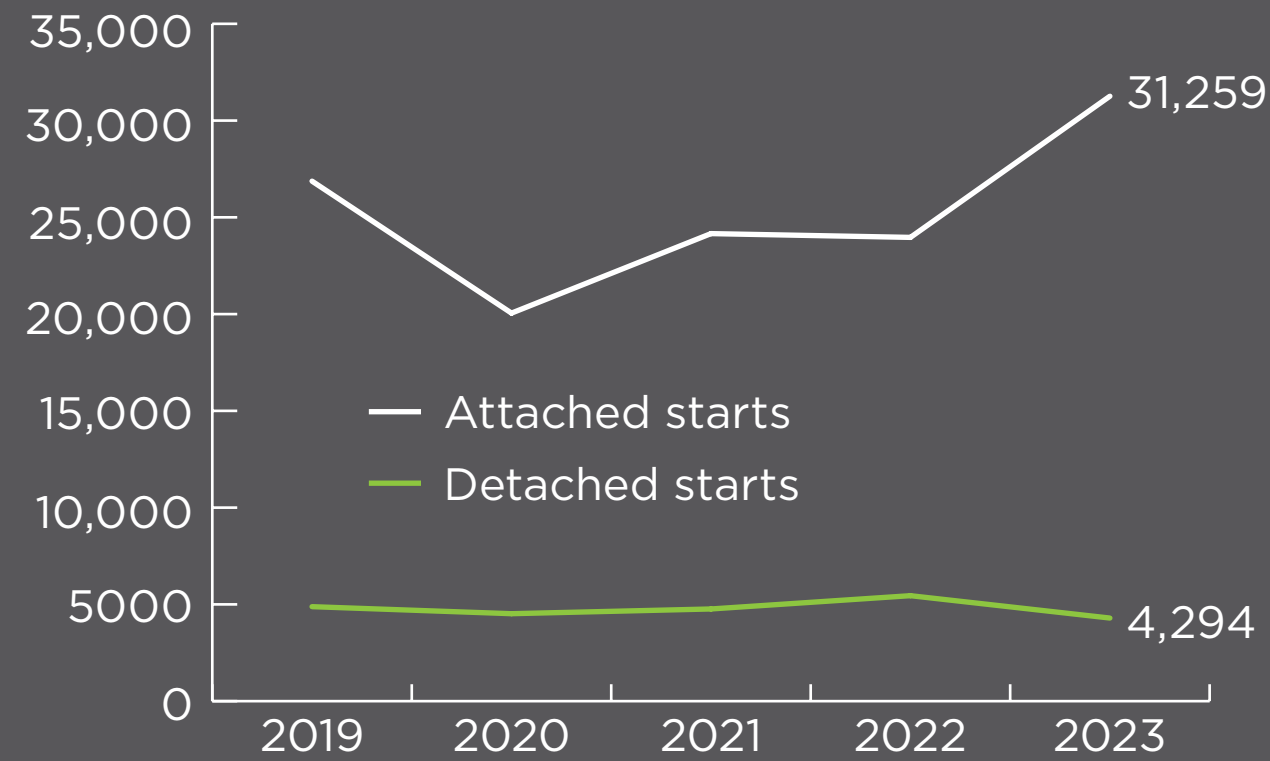
SOUTHWEST BC



RESIDENTIAL HOUSING STARTS

There were 35,553 housing units started in Southwest BC in 2023, up 20.9% from 2022. Apartment and condo starts in Greater Vancouver accounted for the entire increase, while most other jurisdictions saw a decline in activity.

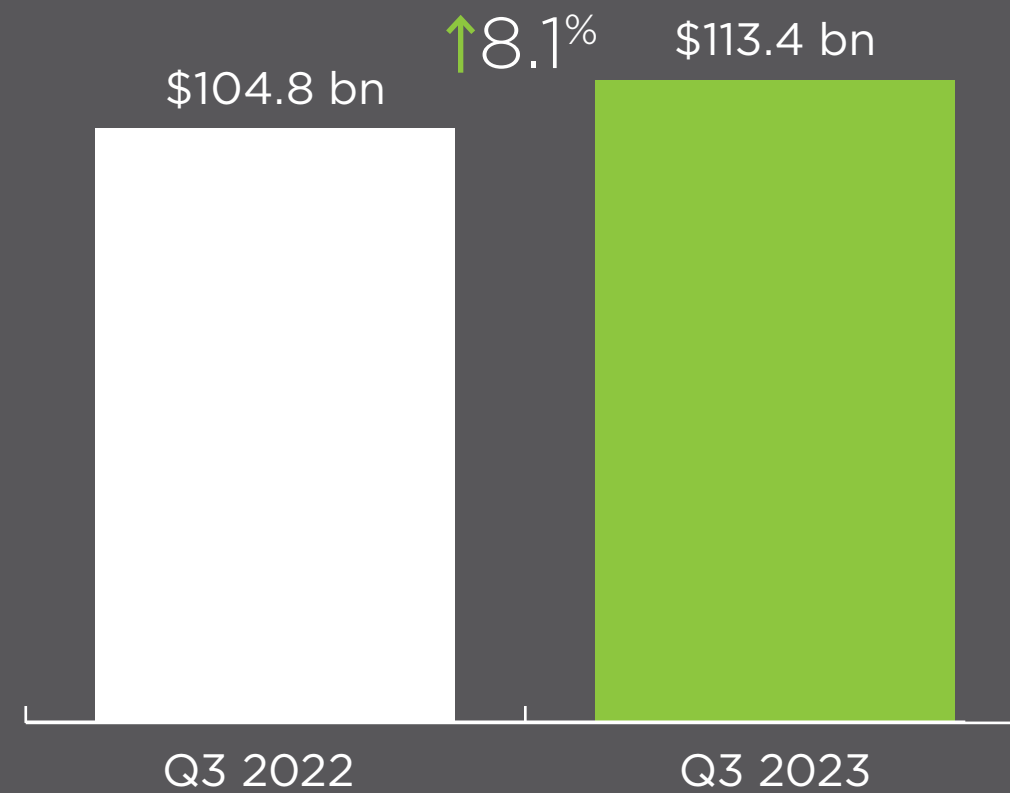
Residential housing starts by type, 2019-2023



MAJOR PROJECT ACTIVITY

Southwest BC had the strongest growth in major project activity of any region in the province, up \$7.7 billion to reach \$111.5 billion as of Q3 2023.

Total major project activity Q3 2022-2023



MAJOR PROJECT HIGHLIGHTS

The value of major projects in Southwest BC was \$113.4 billion in Q3 2023, up 8.1% from one year earlier. Construction started on 74 projects with a value of over \$6.5 billion since Q3 2022.

Under Construction: 228 projects, \$50.5 billion

- **Largest:** Lougheed Town Centre Redevelopment, \$7.0 billion
- **Started in Q3 2023:** 22 projects, \$4.2 billion
 - Surrey Hospital, \$2.9 billion (Q3 2023)

Proposed: 302 projects, \$61.5 billion

- **New:** BC Children's Hospital Complex Care Building, \$222 million

Completed: 10 projects, \$978 million

- River Green Residential Development, \$500 million (Q3 2023)





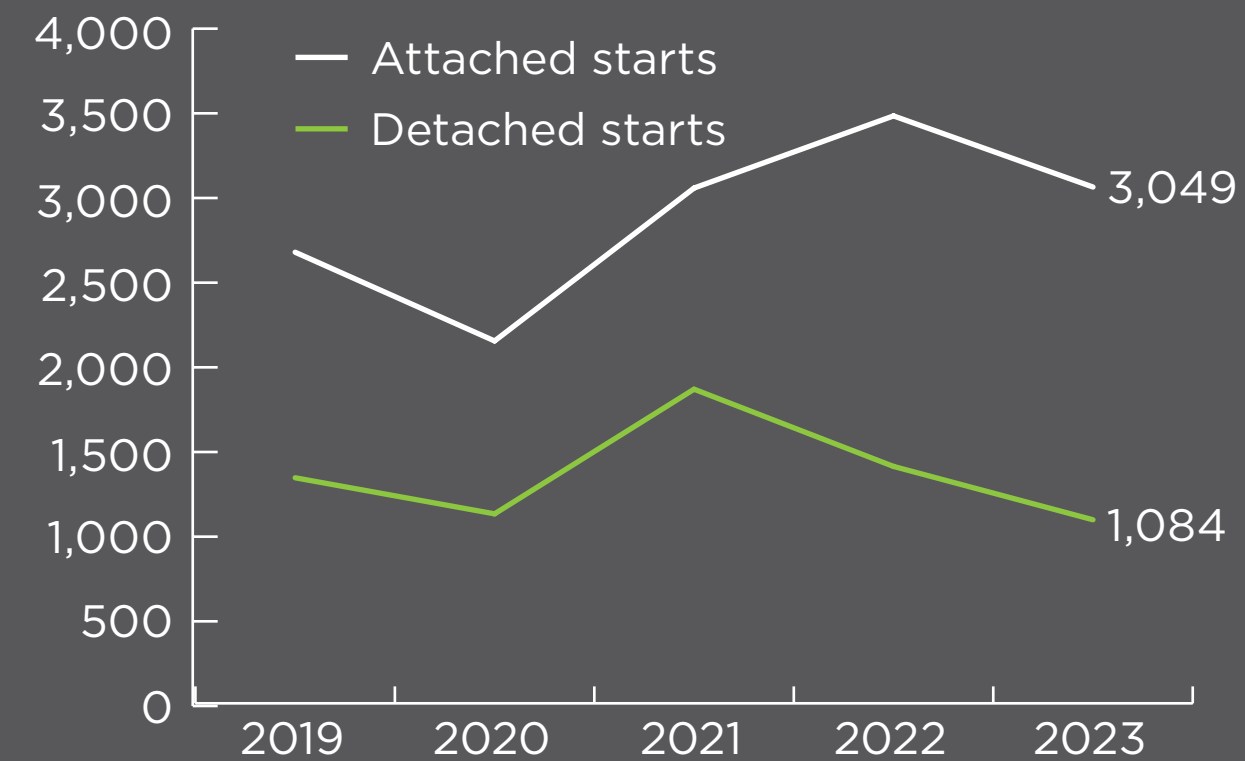
THOMPSON-OKANAGAN



RESIDENTIAL HOUSING STARTS

Housing starts in the Thompson-Okanagan region fell in 2023, but remained above 2019 levels in both the attached and detached markets.

Residential housing starts by type, 2019-2023



MAJOR PROJECT HIGHLIGHTS

The value of new projects in the Thompson-Okanagan was more than enough to fill the gap left by 6 projects which were completed since Q3 2022.

Under Construction: 52 projects, \$10.9 billion

- **Largest:** Wilden Development, \$2.1 billion
- **Started since Q3 2022:** 7 projects, \$635 million

Proposed: 38 projects, \$4.4 billion

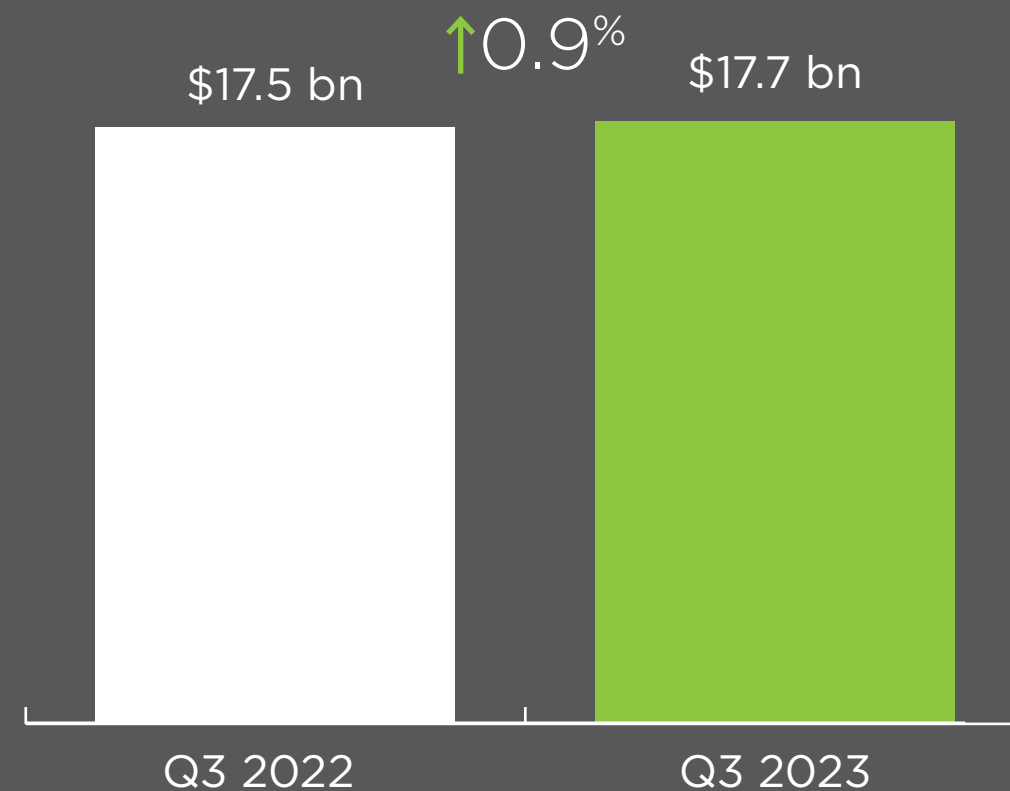
Completed since Q3 2022: 6 projects, \$713 million



MAJOR PROJECT ACTIVITY

The value of major projects in the Thompson-Okanagan increased slightly during the year, to \$17.7 billion in Q3 2023. Almost two-thirds (61.5%) of the region's projects were under construction.

Total major project activity Q3 2022-2023



*Changes compared to the same period of previous year. "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.



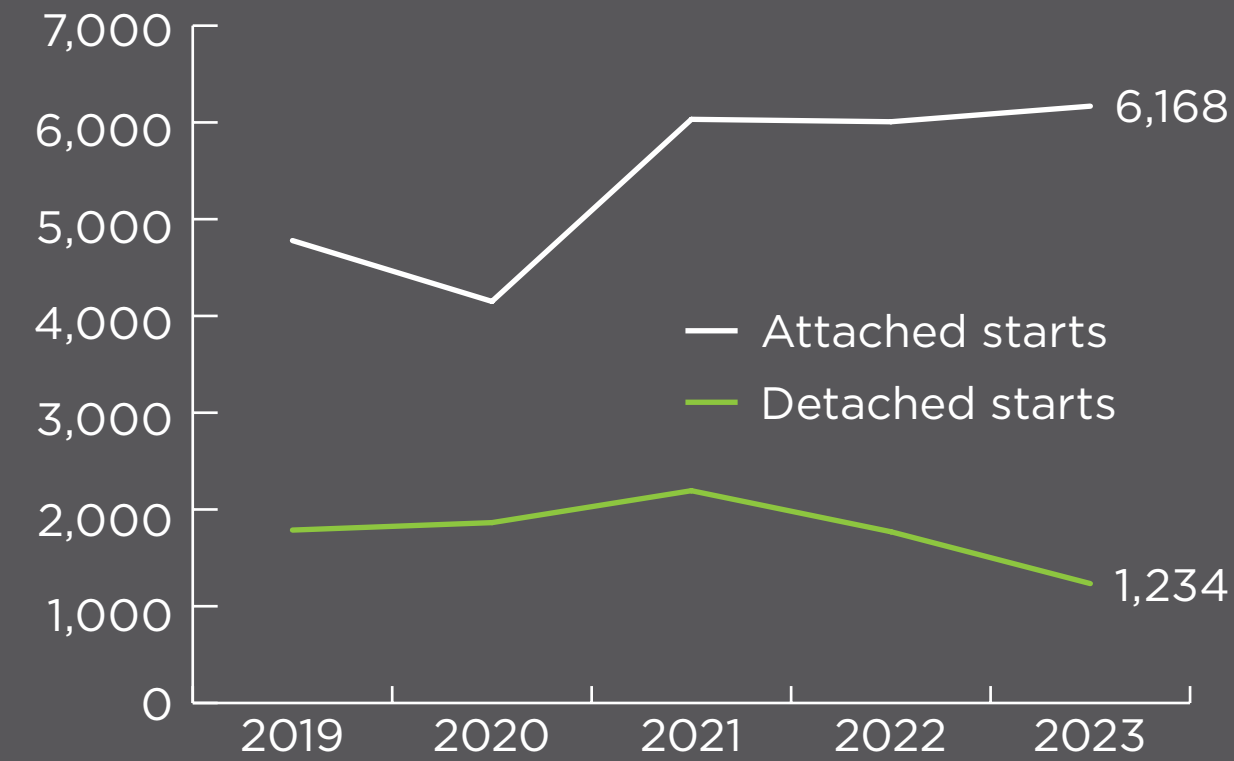
VANCOUVER ISLAND/COAST



RESIDENTIAL HOUSING STARTS

Starts reached a record high in the Greater Victoria area in 2023, due to a surge in the number of new apartment units. Meanwhile, housing starts fell for the second straight year across the rest of the region.

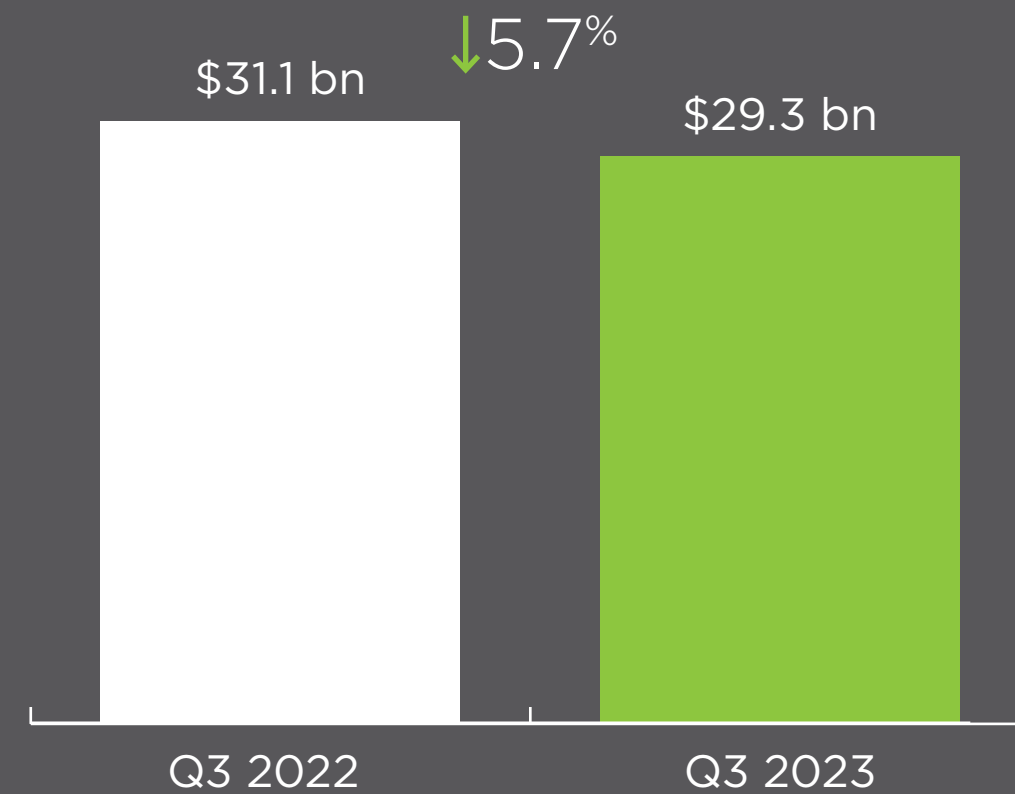
Residential housing starts by type, 2019-2023



MAJOR PROJECT ACTIVITY

Capital allocated for major projects across Vancouver Island/Coast region was \$29.3 billion in Q3 2023, \$1.7 billion less than in Q3 2022.

Total major project activity Q3 2022-2023



MAJOR PROJECT HIGHLIGHTS



Greater Victoria:

- **Total:** 92 projects, \$13.5 billion
- **Under Construction:** 44 projects, \$10.3 billion
- **Proposed:** 38 projects, \$2.3 billion

Rest of the Island & Coast:

- **Total:** 48 projects, \$15.8 billion
- **Under Construction:** 16 projects, \$2.7 billion
- **Started since Q3 2022:**
 - John Hart Dam Seismic Upgrade Project, \$913 million (Q2 2023)
 - Cowichan District Hospital Replacement, \$887 million (Q2 2023)
- **Proposed:** 25 projects, \$ 8.6 billion



*Changes compared to the same period of previous year. "Attached starts" include units such as condos, apartments, and townhomes. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.

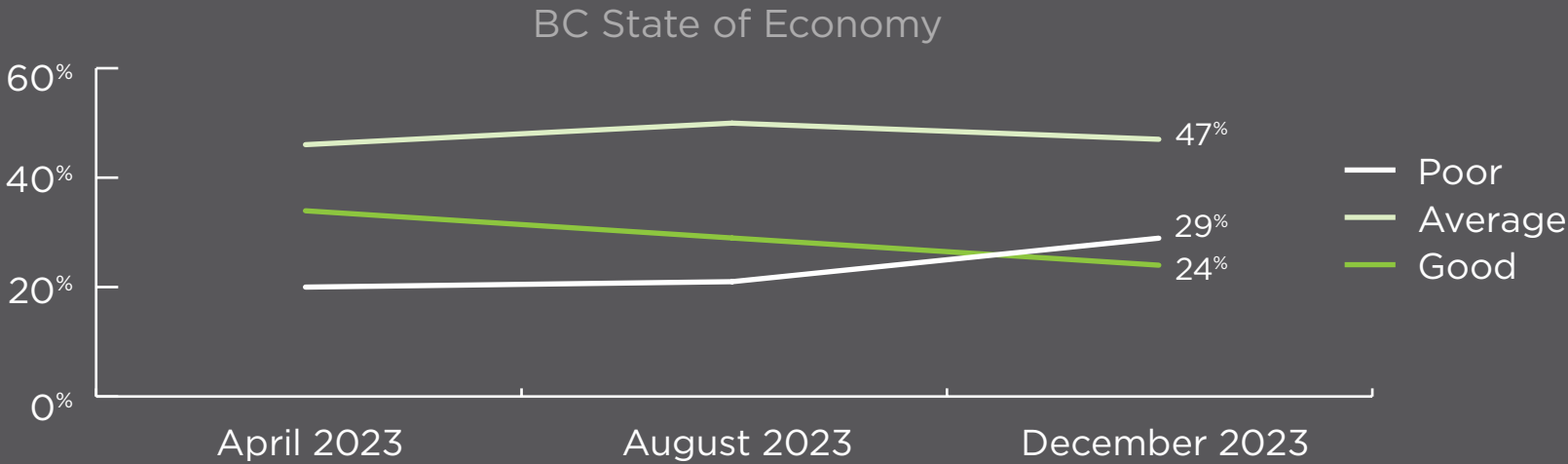
SURVEY RESULTS

On BC's Economic Outlook for 2024

Based on results from the *BC Check-Up: Invest* survey, BC CPAs indicate that...



More than a quarter (29%) said BC's economy was performing **poorly in December 2023**, up by 8 percentage points from August 2023. A smaller proportion said the economy was performing well (24%), down 5 percentage points over the same period.

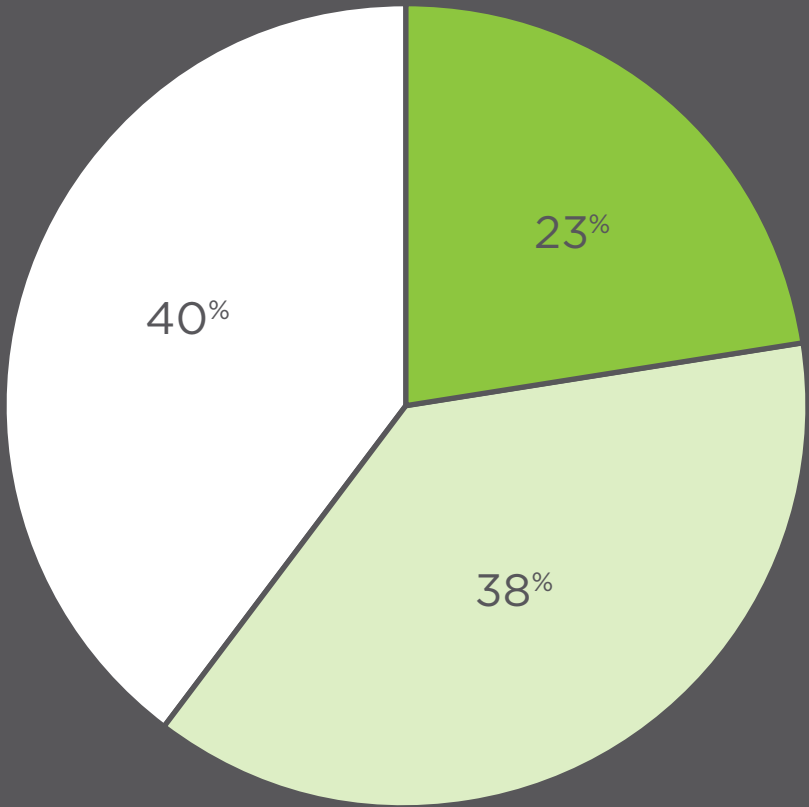


The **top challenge for BC businesses is expected to be housing prices**, followed by a shortage of skilled labour and labour compensation.

- 1 Housing prices (87%)
- 2 Ability to attract and retain skilled labour (80%)
- 3 Labour compensation (79%)



Nearly two fifths (38%) expect a decrease in the level of capital investment in their region in 2024, while 23% expect an increase.



- Increase
- Decrease
- Stay the same

*2023 is based on survey results from November/December 2023, n=606; August 2023, n=598; April 2023, n = 714. Survey results may not sum to 100% due to rounding.

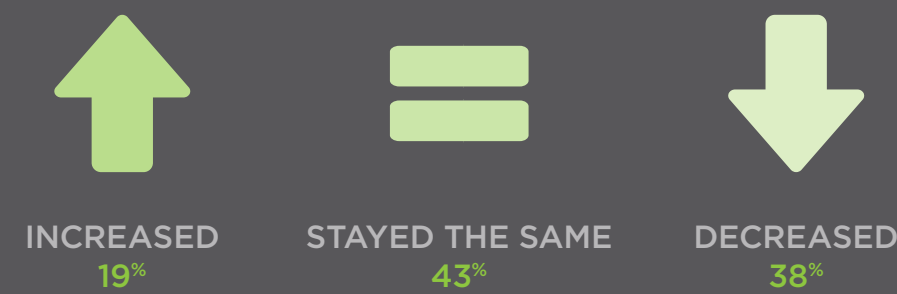
SURVEY RESULTS

On BC's Business Outlook for 2024

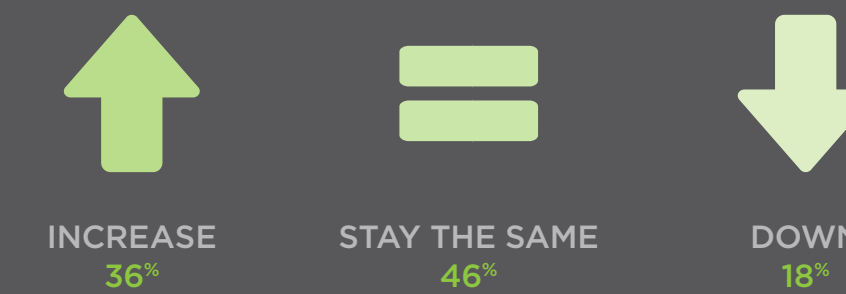
Based on results from the *BC Check-Up: Invest* survey, BC CPAs indicate that...



More than a third (38%) say their organization's prospects have worsened over the past year, compared to 19% who indicated prospects improved.



Despite the high interest environment, over a third (36%) forecast their organization's capital expenditures will increase in 2024.



Despite a downturn in organizational optimism, half (50%) are confident in their organization's prospects in 2024. On the other hand, 18% were not confident, a figure which has been slowly trending upward since December 2022.



High interest rates and labour market constraints are the main deterrents for organizational investment in 2024.

- 1 High interest rates (64%)
- 2 Increasing labour costs (63%)
- 3 Shortage of Qualified Labour (56%)

*Survey results may not sum to 100% due to rounding.

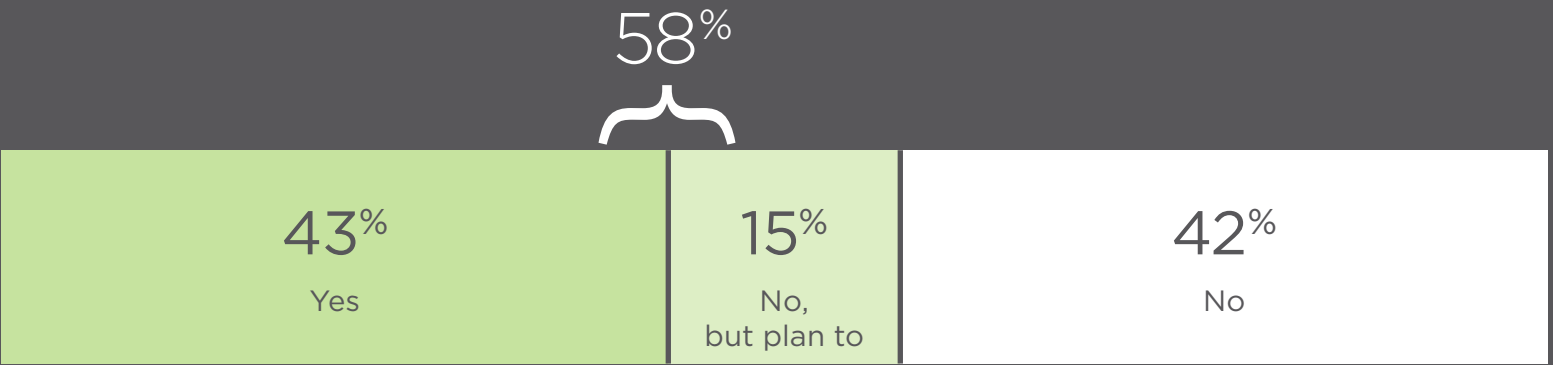
SURVEY RESULTS

On BC's ESG and Government Performance for 2024

Based on results from the *BC Check-Up: Invest* survey, BC CPAs indicate that...

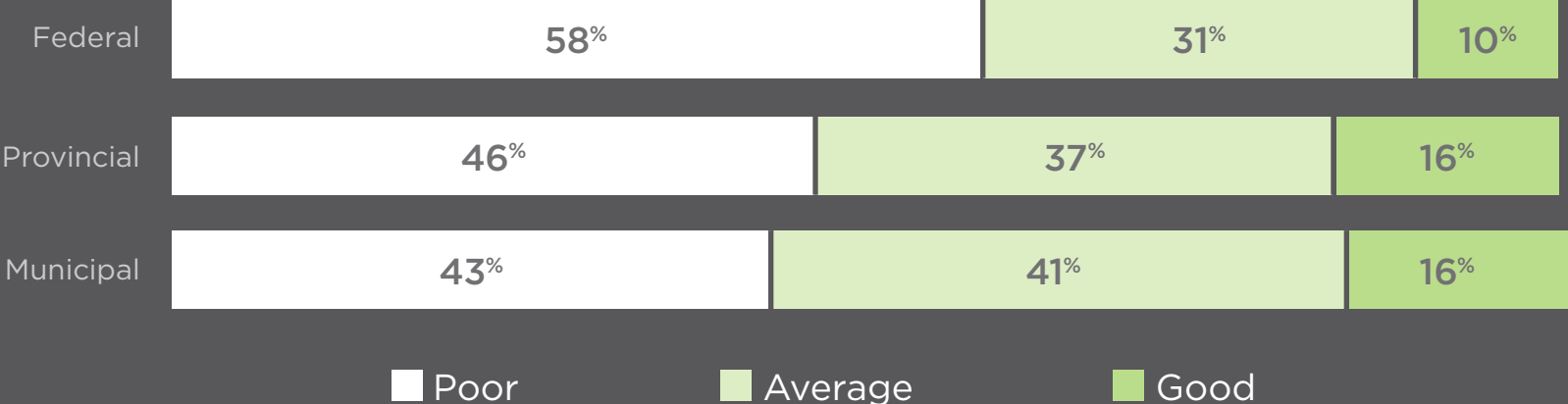


Half (49%) of respondents' organizations **have or plan to have an ESG strategy.**

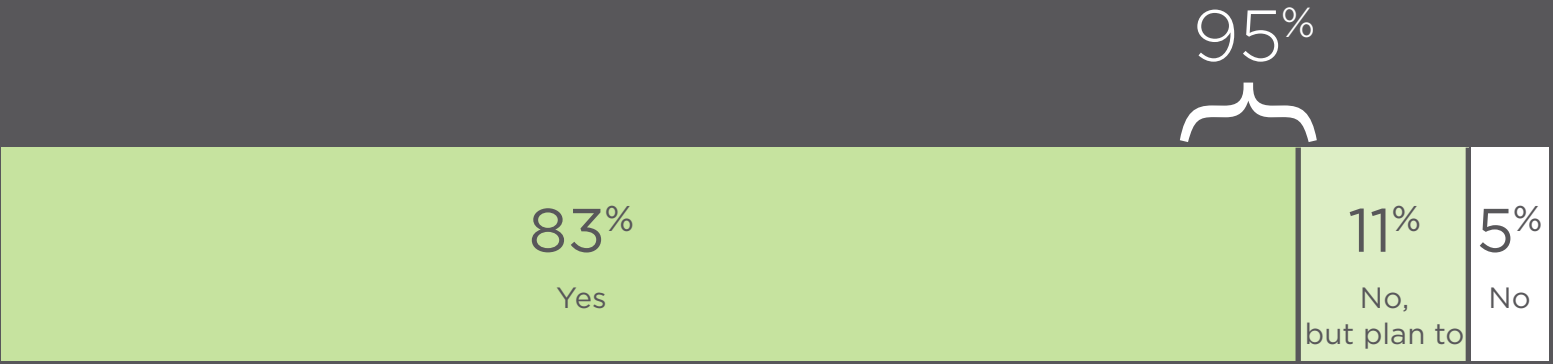


There is room for improvement from all levels of government to create a better policy framework to **support the business and investment climate in BC.**

Government Performance: Business Climate



The vast majority (85%) with an ESG strategy **have measures in place to track and improve ESG practices.**



Collaboration between all levels of government to **increase the housing supply is the highest priority** to improve BC's economic outlook.

Top three government priorities to improve economic outlook

- 1 Improve housing supply
- 2 Improve regional economic development
- 3 Invest in infrastructure projects

*Survey results may not sum to 100% due to rounding.

BC CHECK-UP 2024 INVEST

As leaders in developing, analyzing, and validating information, CPAs are often called upon to provide independent, fair, and objective information to assist in decision-making. It is our hope that *BC Check-Up* will make a positive public policy contribution to the province by stimulating discussion about how to make BC a better place in which to **WORK, INVEST, and LIVE.**

BC Check-Up is available online at bccheckup.com.

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The report is prepared by the Chartered Professional Accountants of British Columbia. Opinions expressed in the report do not necessarily reflect those of individual chartered professional accountants. Data is derived from Statistics Canada, CMHC, BC Government, and CPABC calculations.

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SURVEY DEMOGRAPHICS **Who are they?** 606 CPABC members **Where are they from?** Mainland/Southwest BC 62%

Vancouver Island/Coast 18% Thompson-Okanagan 9% Rest of BC 10% Outside of BC 1%

CPABC commissioned Leger to conduct a web-based survey of CPA members regarding their impressions on the current and future of the economy and their current workplace environment. A total of 606 surveys were completed between November 21, 2023 and December 20, 2023, which presents an overall response rate of 9%.