

# BC CHECK-UP 2023 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 has been tumultuous over the past three years. The province faced a period of significant turmoil in 2020, followed by a strong recovery in 2021. In 2022, **high inflation resulted in the fastest interest rate increase in a generation**. While investment remained resilient in 2022, **there are growing signs high interest rates are slowing investment and weakening our economic outlook**.

In May 2022, **BC's consumer price index (CPI) increased by 8.1% year-over-year**, the highest annual rate since 1983. In response, the Bank of Canada increased its policy interest rate from **0.25% in March 2022 to 4.5%** as of the Bank's last increase on January 25, 2023.

Higher interest rates and improving supply chains have moderated inflation, with annual CPI growth in BC ticking in at 6.2% in January 2023. **Inflation is forecast to continue easing**, which will allow a gradual decline in interest rates, likely starting in early 2024.

**Residential and non-residential building investment was robust in 2022**. In 2021, a record 43,360 total housing units started construction across BC, and that was almost matched in 2022 with 43,106 units. About four in every five (78.9%) units started were attached, such as condos.

In 2022, **\$6.3 billion was invested into non-residential building construction in BC**, up 3.2% compared to in 2021. This was due to a 6.3% increase in private non-residential investment, while institutional and government investment was down 4.6% from its record level in 2021. Overall, non-residential building investment in 2022 was up by almost a quarter (24.1%) compared to 2017.

Investment in major projects—those with a capital cost of \$15 million or higher—**decreased to \$389.2 billion in Q3 2022**, a 1.1% annual decrease. About a third of the major projects are under construction, the largest being the LNG Canada Facility (\$36.0 billion), the Site C Project (\$16.0 billion), and the Lougheed Town Centre Redevelopment (\$7.0 billion).

However, investment is expected to weaken this year. The value of building permits is a leading indicator for construction investment. Since March 2022, when interest rates first began rising, **overall building permit value declined by 28.7% in January 2023**. The largest decline over that period was for residential permit values, which fell 36.9% over that period, while non-residential permit values decreased by 11.3%.

Given high inflation and interest rates, softening investment, and uncertainty around the global economy, weak economic growth is forecasted in 2023. In fact, population growth is expected to exceed GDP growth over the next two years, resulting in a decline in **GDP per person**. Real GDP per person is forecast to be \$54,092 in 2024, down from \$54,622 in 2022.

With growing expenses and falling revenues, the provincial government **fiscal balance is expected to shift from a surplus to a deficit in each of the next three fiscal years**. This, in conjunction with significant capital investment, is forecast to grow BC's **net debt-to-GDP from 16.4% in 2022-23 to 23.0% in 2025-26**, representing an increase of \$40.8 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. **More than a quarter (27%) expect the state of BC's economy to be poor in 2023**, up by 8 percentage points from April 2022. About the same expect the economy to be good in 2023 (28%), down 8 points over the same period, with nearly half (46%) expecting BC's economy to be average, unchanged from April 2022. **Nearly half (42%) expect a decrease in the level of capital investment in their region in 2023**, almost double the number anticipating an increase (23%). The respondents identified increasing labour costs, the shortage of qualified labour, and high interest rates as the biggest deterrents for organizational investment in 2023.

# PROVINCIAL SUMMARY



### NON-RESIDENTIAL BUILDING INVESTMENT

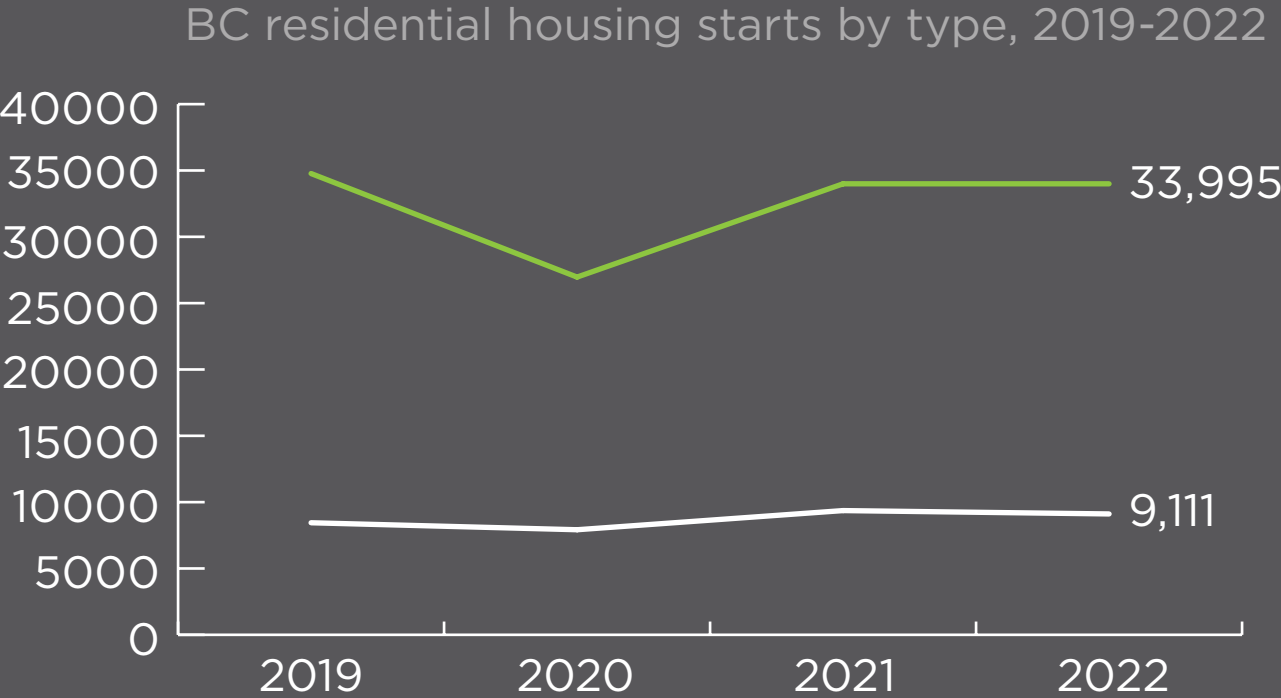
Public sector investment declined from a record set in 2021, while private non-residential investment increased. This increase was due to growth in commercial investment, while industrial declined. Both private and public sector investment were significantly above 2017 levels.

	Value in 2022	One-year change (2021)	Two-year change (2020)	Five-Year change (2017)
<b>Total private sector</b>	<b>\$4,605,627,970</b>	<b>6.3%</b>	<b>-8.2%</b>	<b>25.0%</b>
Industrial	\$694,592,186	-6.5%	-13.6%	15.3%
Commercial	\$3,911,035,784	8.9%	-7.2%	26.8%
<b>Institutional and government</b>	<b>\$1,670,873,516</b>	<b>-4.6%</b>	<b>7.7%</b>	<b>21.7%</b>
<b>Total private and public sector</b>	<b>\$6,276,501,486</b>	<b>3.2%</b>	<b>-4.4%</b>	<b>24.1%</b>



### RESIDENTIAL HOUSING STARTS

The 43,106 housing units started in 2022 almost matched the record level set in 2021, with attached units such as condos making up 78.9% of starts. However, starts are anticipated to decline in 2023 as higher interest rates make some projects financially unviable.



### MAJOR PROJECT ACTIVITY\*

Despite rising interest rates, major project investment remained strong in 2022. As of Q3 2022, the capital cost of BC’s major projects was \$389.2 billion, with projects under construction making up about a third of the value.

### MAJOR PROJECT HIGHLIGHTS (Q3 2022)

**Total Major Projects:** 972, \$389.2 billion (↓1.1%)

**Projects Started:** 99, \$8.4 billion

Largest: Senakw Housing Project, \$3.0 billion (Q4 2021)

**Projects Proposed:** 82, \$4.9 billion

Largest: Parkland Fuel Refinery Upgrade, \$600 million (Q2 2022)

\*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 was weak in 2022 and it's anticipated to be negative in 2023 as population growth is forecast to exceed GDP growth.

2021	\$54,098	(↑5.0%)
2022F	\$54,622	(↑1.0%)
2023F	\$54,048	(↓1.1%)
2024F	\$54,092	(↑0.1%)



### BC NET DEBT-TO-GDP RATIO

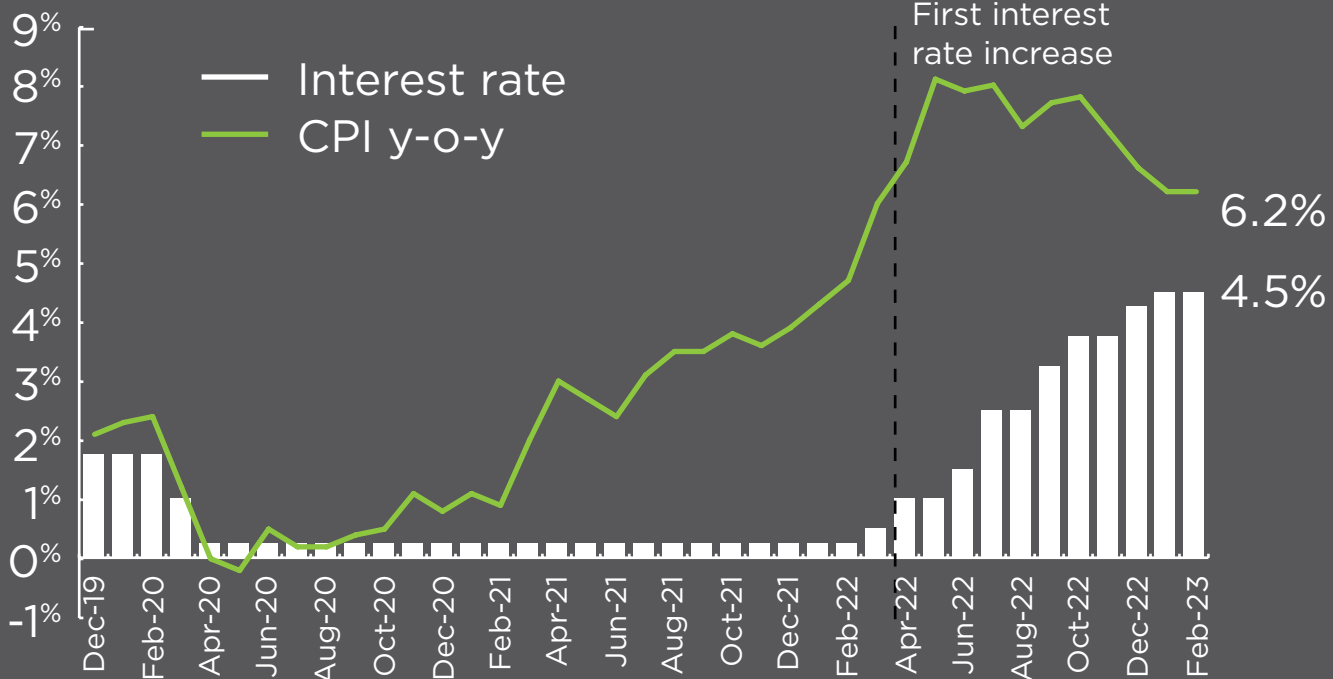
With large deficits and record level of capital investment, provincial debt-to-GDP is anticipated to increase significantly over the next three fiscal years. In total, the BC government forecasts debt will increase by \$40.8 billion from 2022-23 to 2025-26.

2022-23	16.4%
2023-24F	18.9%
2024-25F	21.3%
2025-26F	23.0%



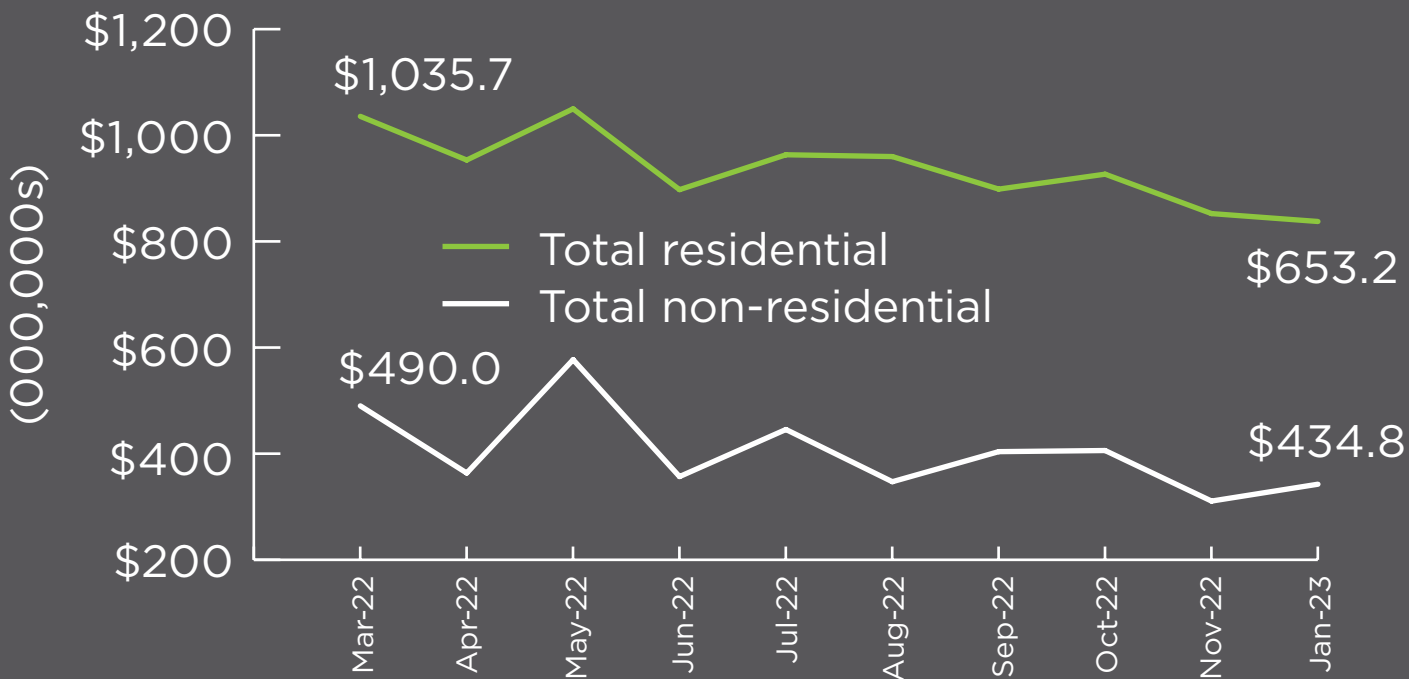
### INFLATION AND INTEREST RATES

BC's annual inflation rate reached 8.1% in May 2022, the highest in 40 years. In response, the Bank of Canada increased the policy interest rate from 0.25% to 4.5% over the past year. Inflation slowed to 6.2% in January 2023 and is forecast to continue easing.



### VALUE OF BUILDING PERMITS\*

During the time period when interest rates began rising in March to January, the value of residential permits issued by BC municipalities declined 36.9%, with non-residential down by 11.3% over that period. This leading indicator suggests building construction will weaken in 2023.



"F" refers to a forecast.  
\*Building permit data is inflation and seasonally adjusted.



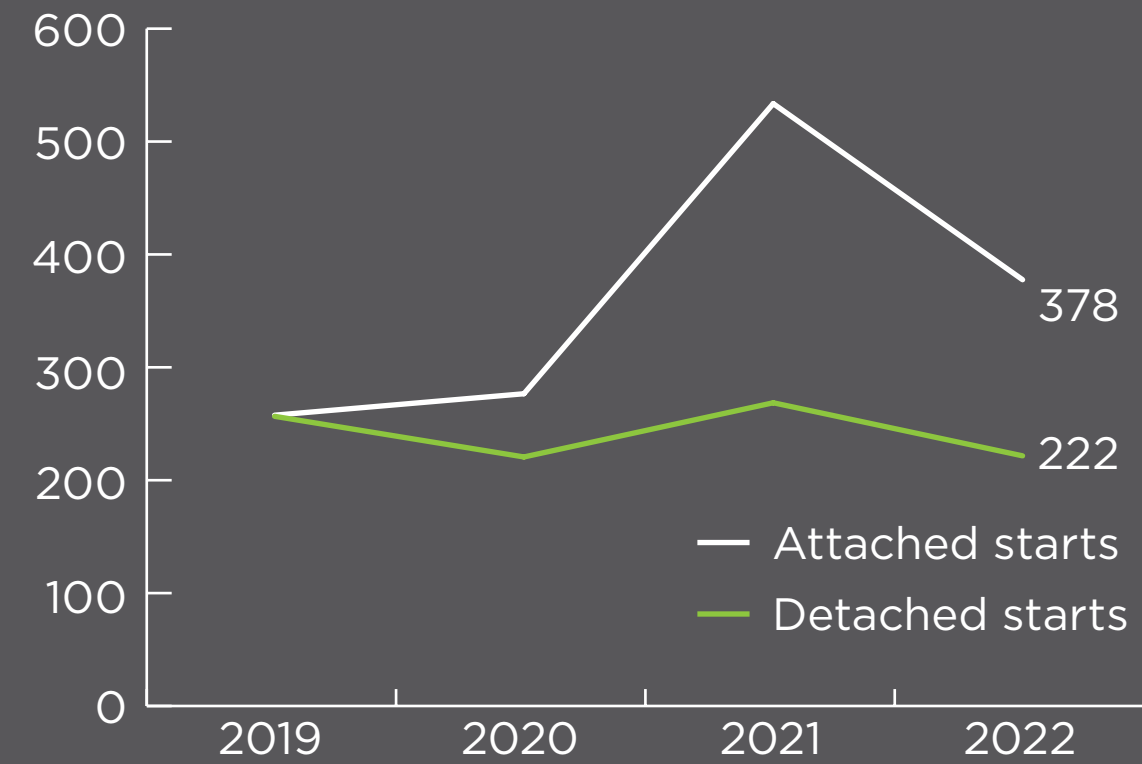
# CARIBOO



## RESIDENTIAL HOUSING STARTS

Housing starts in the region declined from the record set in 2021, primarily due to a decrease in attached units such as condos or apartments. However, the 600 total units started was about 100 more than in 2019 and 2020.

Residential housing starts by type, 2019-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022

The Trans Mountain Pipeline continued to be the largest project under construction. The Quesnel Junior School replacement finished, and the Cariboo Road Recovery project began consultations.

**Under Construction:** 6 projects, \$4.7 billion

- **Largest:** Trans Mountain Pipeline Expansion, \$4.5 billion
- **Started:** Simon Fraser Bridge Rehabilitation, \$21 million (Q1 2022)

**Proposed:** 25 projects, \$11.9 billion

- **New:** Cariboo Road Recovery Project, \$146 million (Q4 2021)

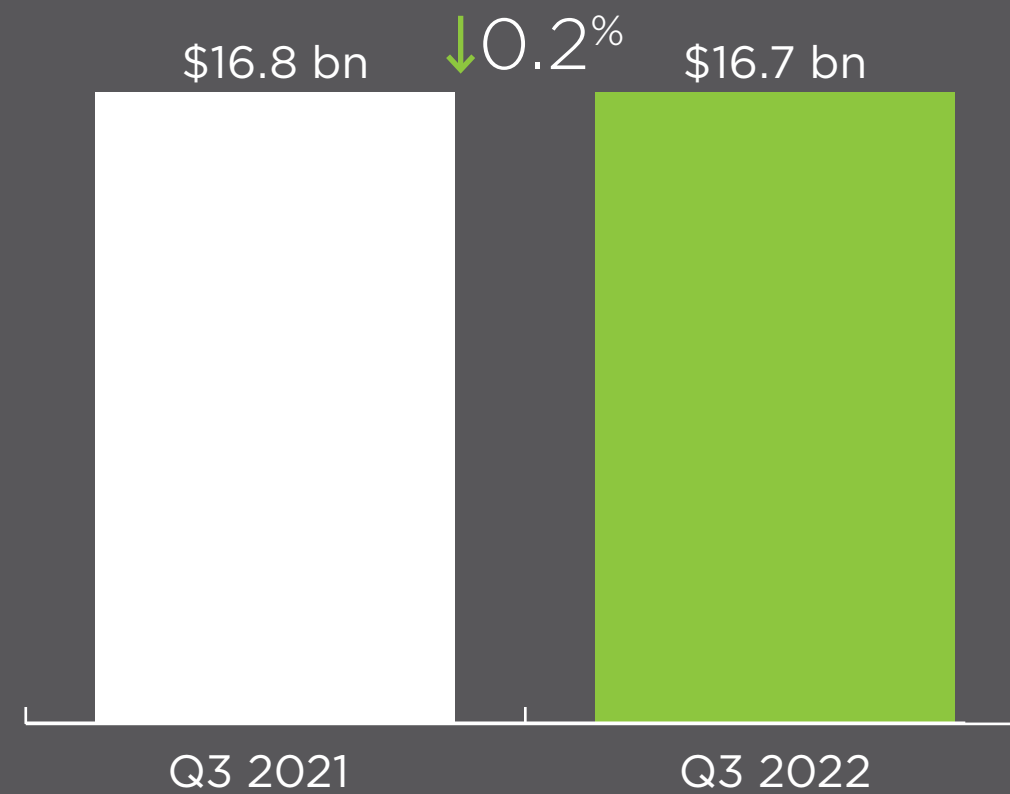
**Completed:** Quesnel Junior School Replacement, \$52 million (Q3 2022)



## MAJOR PROJECT ACTIVITY

The \$16.7 billion in capital allocated to major capital projects in the Cariboo in Q3 2022 was relatively unchanged. Almost a third (28.0%) was under construction.

Total major project activity Q3 2021-2022



\*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.

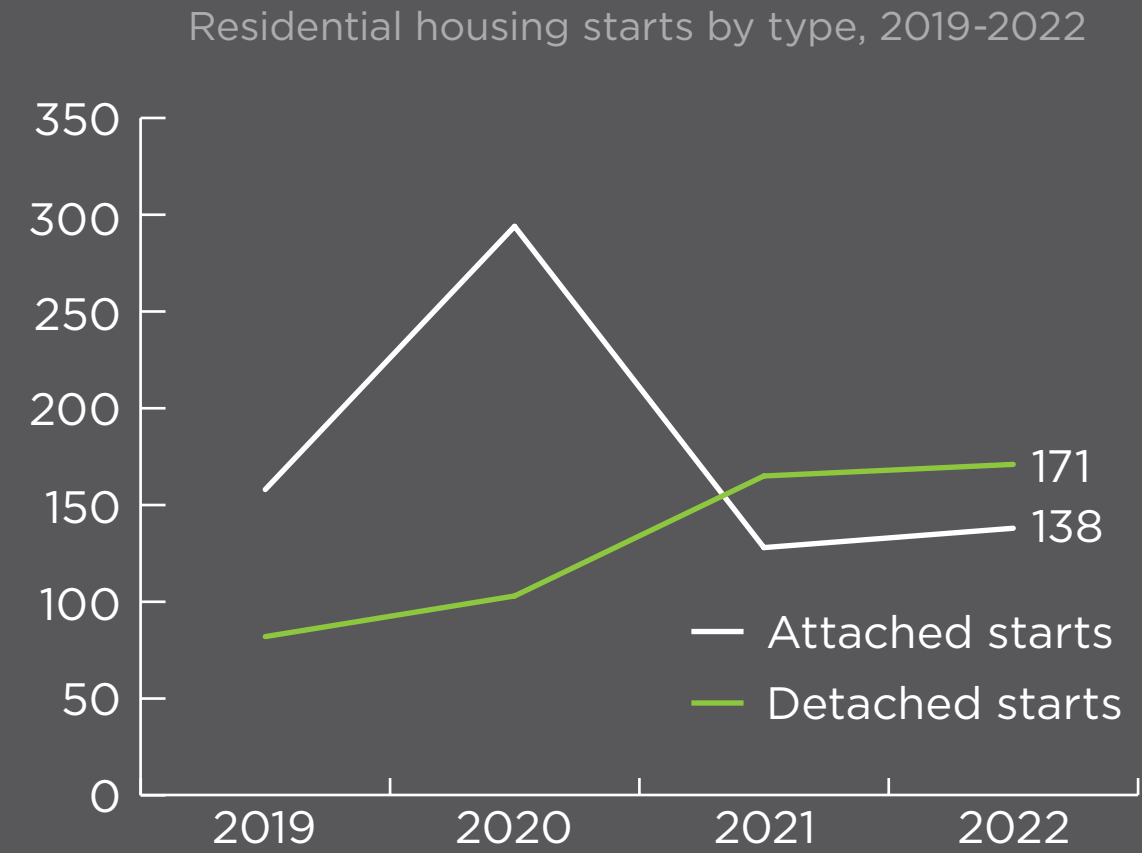


# KOOTENAY



## RESIDENTIAL HOUSING STARTS

Over 300 housing units were started in Cranbrook and Nelson in 2022, up by 5.5% from 2021, but below the record number in 2020. There were slightly more detached units started than attached units, such as condos.



## MAJOR PROJECT HIGHLIGHTS Q3 2022

The Kootenays' major project activity has been declining since 2020. Projects under construction in the region were primarily recreational and accommodation developments.

**Under Construction:** 20 projects, \$2.6 billion

- **Largest:** Wildstone Golf and Residential Development, \$750 million
- **Started:** Glenmerry Elementary Replacement, \$39 million (Q3 2022)

**Proposed:** 9 projects, \$2.6 billion

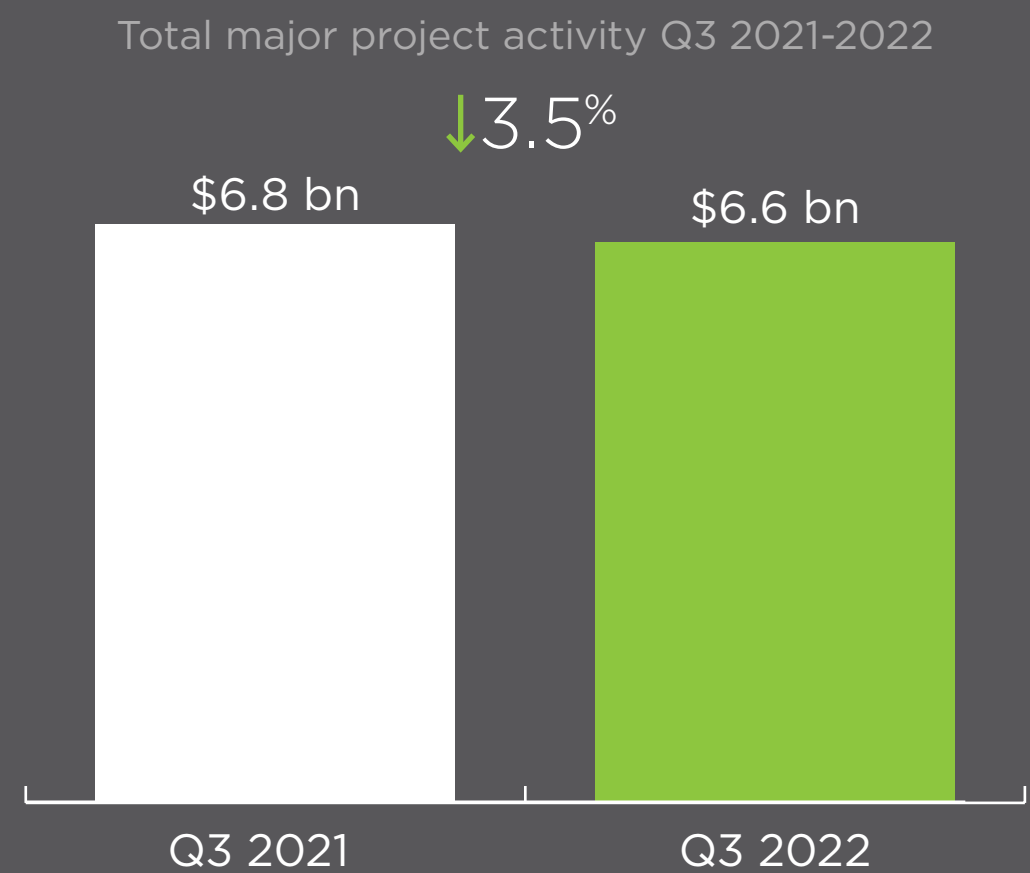
- **Tender/preconstruction:** Nelson/Castlegar Student Housing, \$31 million

**Completed:** Upper Bonnington Refurbishment Project, \$32 million (Q4 2021)



## MAJOR PROJECT ACTIVITY

Major project investment in the Kootenays continued to decline in Q3 2022, down by \$236 million compared to Q3 2021 and \$1.0 billion from Q3 2020. More than a third (39.0%) of the value was under construction.



\*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 and Nelson. "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.



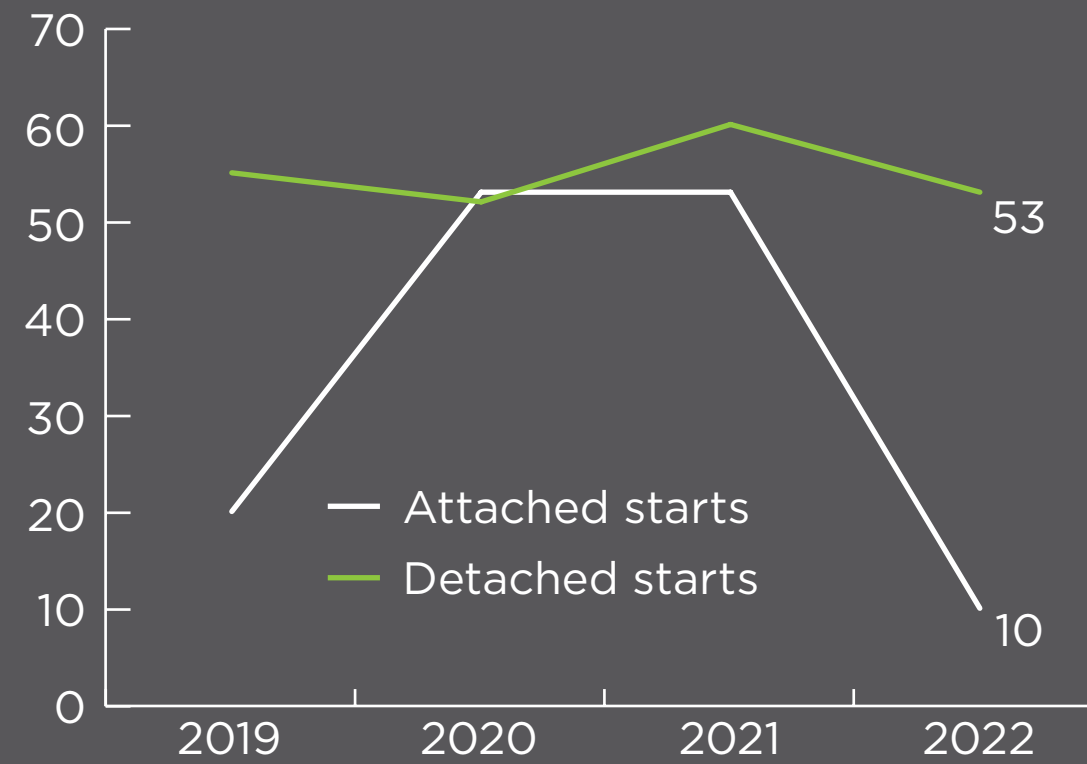
# NORTHEAST BC



## RESIDENTIAL HOUSING STARTS

There were 63 housing units started in Fort St. John and Dawson Creek in 2022, the lowest amount in the past five years. The decline was due to a significant fall in the number of attached units started.

Residential housing starts by type, 2019-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022

Natural resource projects – particularly BC Hydro related – continue to dominate Northeast BC’s major project activity. The \$565 million Spruce Ridge Expansion Project finished construction in late 2021.

**Under Construction:** 10 projects, \$23.0 billion

- **Largest:** Site C, \$16.0 billion
- **Started:** WAC Bennet Dam upgrades, \$45 million (Q3 2022)

**Proposed:** 23 projects, \$14.7 billion

- **New:** Hydrogen Electrolyzer Plant, \$200 million (Q1 2022)

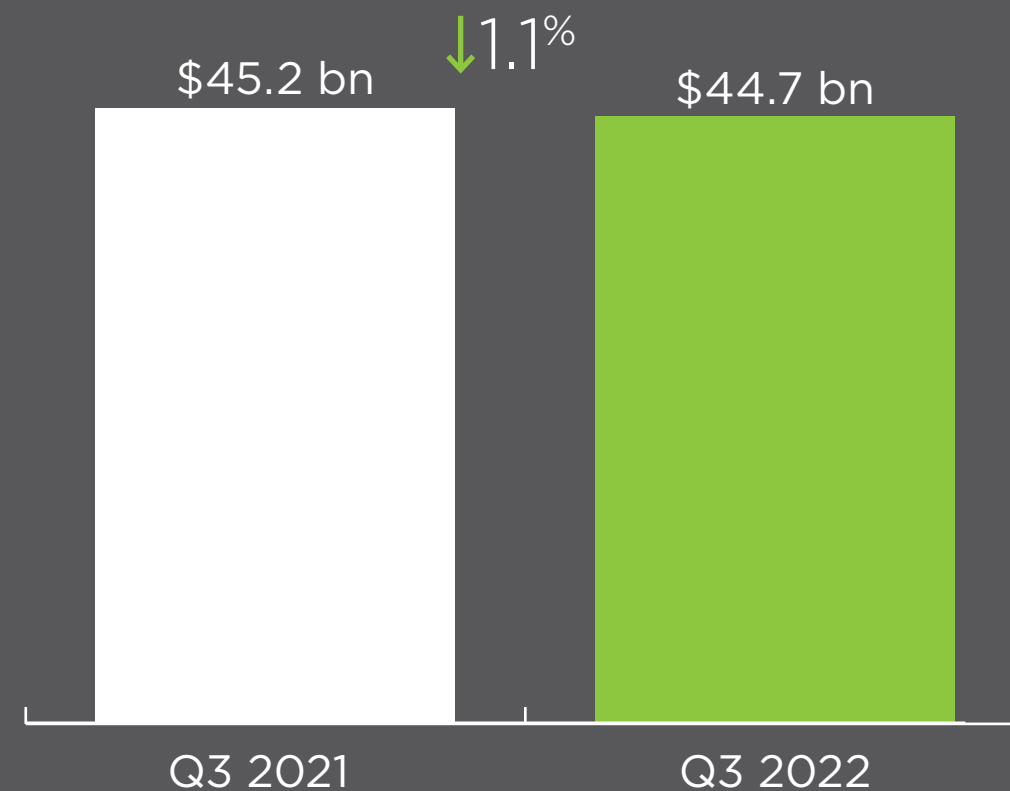
**Completed:** Spruce Ridge Expansion Project, \$565 million (Q4 2021)



## 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. Around half (51.5%) of that value was under construction.

Total major project activity Q3 2021-2022



\*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.





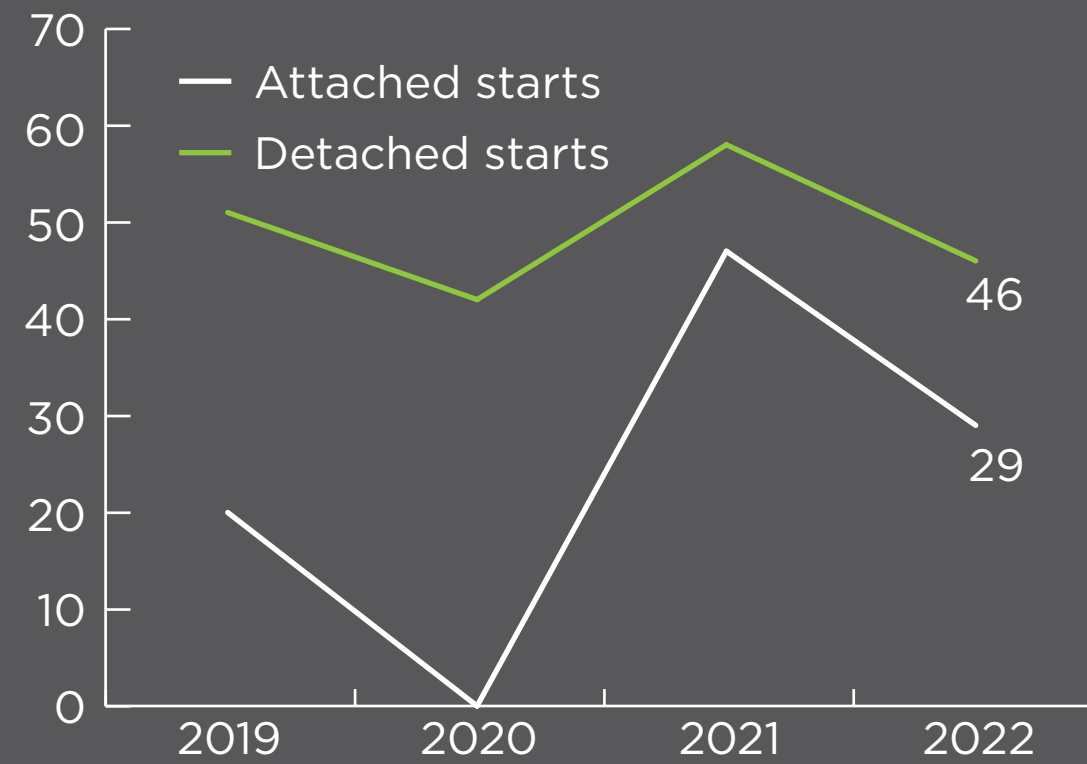
# NORTHWEST BC



## RESIDENTIAL HOUSING STARTS

There were 75 housing units started in Terrace and Prince Rupert in 2022, down from 105 in 2021, but above the number started in 2019 and 2020.

Residential housing starts by type, 2019-2022



## MAJOR PROJECT ACTIVITY

Despite a decline, Northwest BC\* continued to have the largest amount of capital allocated towards major projects in BC. The region had the largest proportion of projects under the proposal stage (68.8%) in the province.

Total major project activity Q3 2021-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022

Northwest BC's major project inventory represents 43.1% of the provincial total, primarily due to massive natural resource projects in the region. Several major projects started construction in 2022.

**Under Construction:** 16 projects, \$38.2 billion

- **Largest:** LNG Canada Facility, \$36 billion
- **Started in 2022:**
  - Ridley Island Export Logistics Platform, \$250 million
  - Stuart Lake Hospital Replacement, \$158 million
  - Treaty Creek Terminal, \$109 million

**Proposed:** 49 projects, \$115.4 billion



\*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. Major project activity refers to private and public projects with an estimated capital cost of \$15 million or higher.



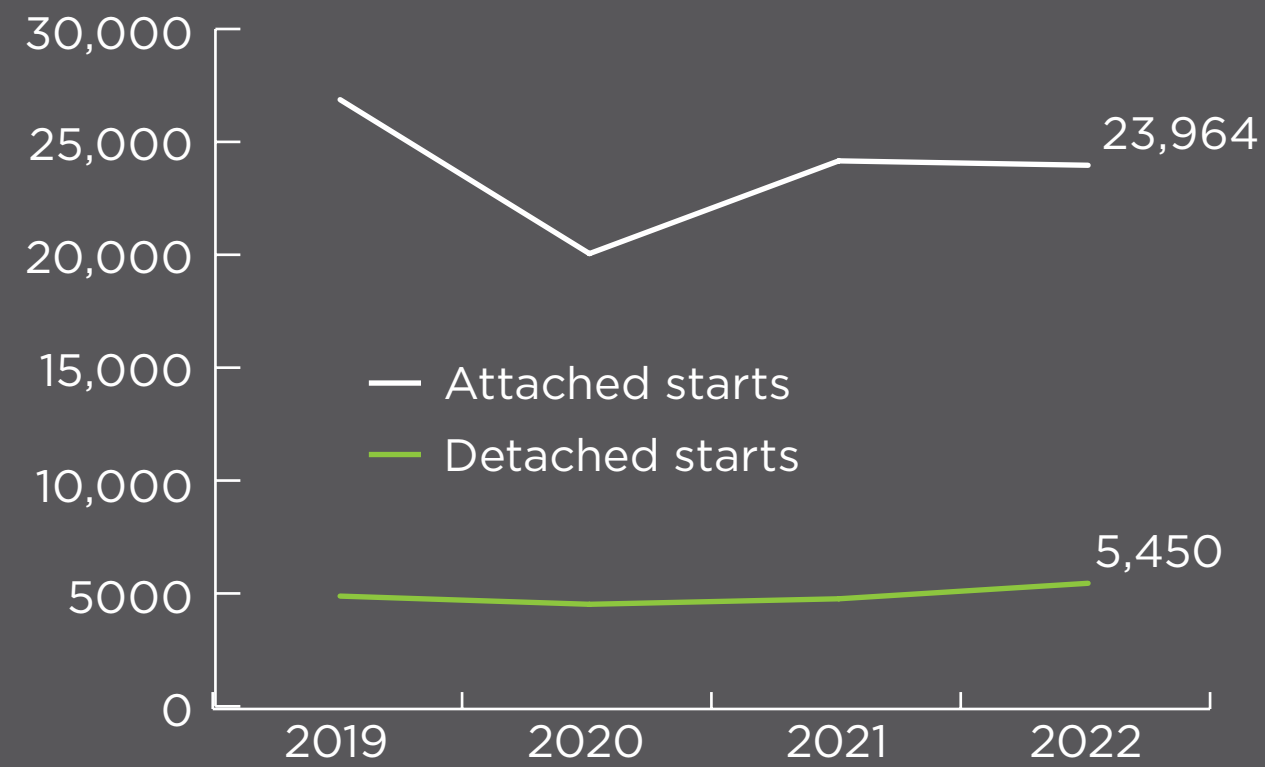
# SOUTHWEST BC



## RESIDENTIAL HOUSING STARTS

There were 29,414 housing units started in Southwest BC in 2022, up slightly from 2021, but below the record 31,752 started in 2019. The vast majority (81.5%) of units started were attached units, such as condos.

Residential housing starts by type, 2019-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022

The value of major projects in Southwest BC more than doubled over the past decade, primarily driven by large residential, mixed use, and infrastructure projects. Nearly \$46 billion worth of projects were under construction.

**Under Construction:** 203 projects, \$45.9 billion

- **Largest:** Lougheed Town Centre Redevelopment, \$7.0 billion
- **Started since Q3 2021:** 62 projects, \$6.6 billion
- **Started:** Senakw Housing Project, \$3.0 billion (Q4 2021)

**Proposed:** 307, \$58.0 billion

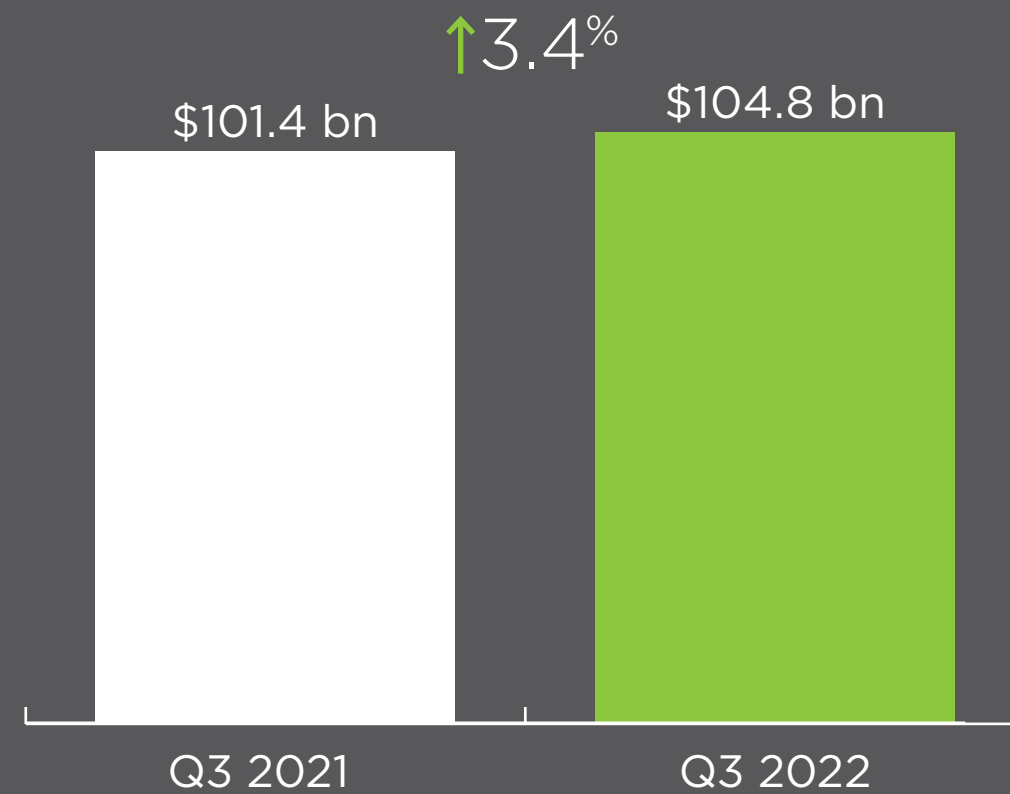
- **New:** Parkland Fuel Refinery Upgrade, \$600 million (Q2 2022)



## MAJOR PROJECT ACTIVITY

Southwest BC had the strongest growth in major project activity of any region in the province, up \$3.5 billion to reach \$104.8 billion as of Q3 2022.

Total major project activity Q3 2021-2022



\*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.



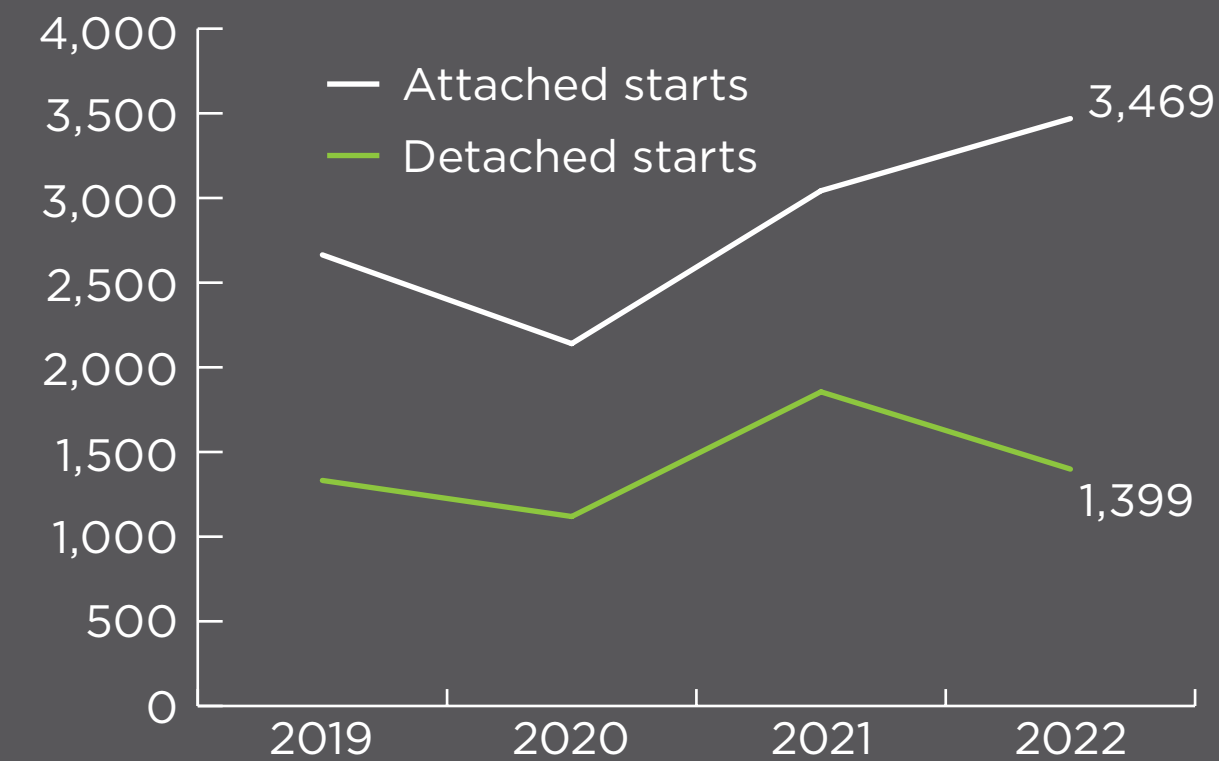
# THOMPSON-OKANAGAN



## RESIDENTIAL HOUSING STARTS

There continued to be a high number of housing units started in the Thompson-Okanagan in 2022. However, the type shifted, as a large increase in the number of attached units started offset a decline in the number of detached units started.

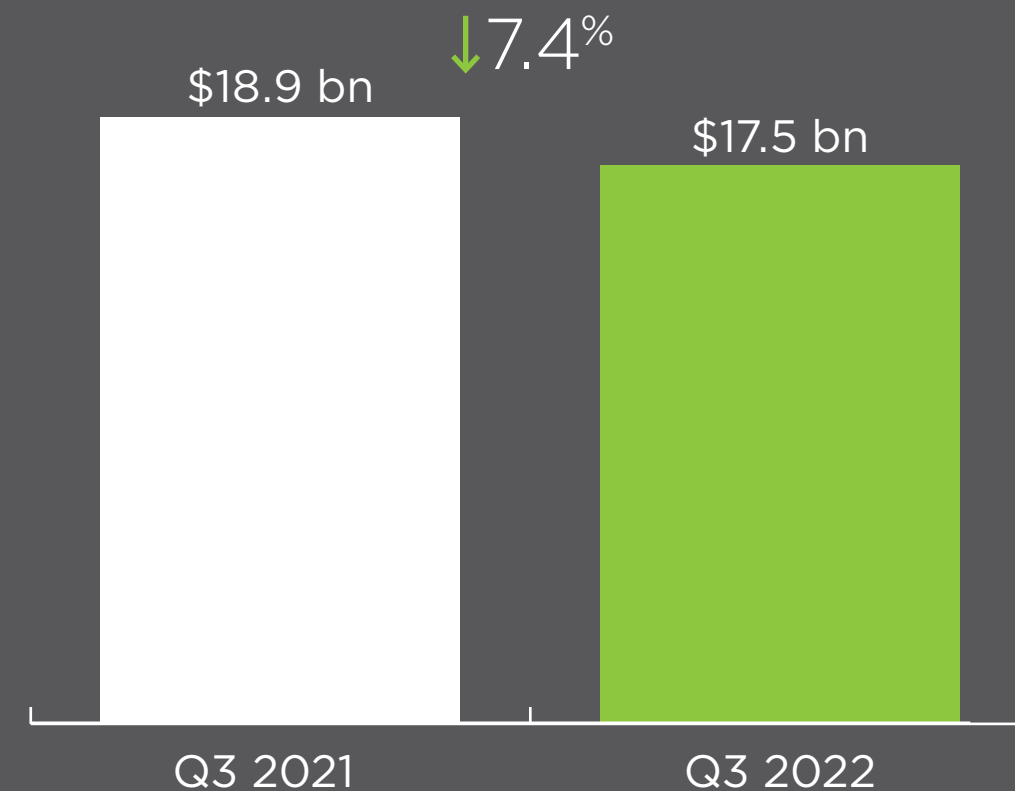
Residential housing starts by type, 2019-2022



## MAJOR PROJECT ACTIVITY

The value of major projects in the Thompson-Okanagan continued to decline in 2022. However, almost two-thirds (62.5%) of that value was under construction, the highest proportion of any BC region.

Total major project activity Q3 2021-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022

The decline in major project inventory was primarily due to the completion of several projects, most notably the \$1.0 billion Ponderosa Residential Development and \$312 million Penticton Regional Hospital Patient Care Tower.

**Under Construction:** 50 projects, \$11.0 billion

- **Started since Q3 2021:** 11 projects, \$588 million
- Highway 1 Four-Laning - Fort Road to Tappen, \$243 million (Q2 2022)
- UBC Okanagan Interdisciplinary Collaboration and Innovation Building, \$109 million (Q3 2022)

**Proposed:** 37 projects, \$4.1 billion

**Completed in 2022:**

- Ponderosa Residential Development, \$1.0 billion
- Penticton Regional Hospital Patient Care Tower, \$312 million



\*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.



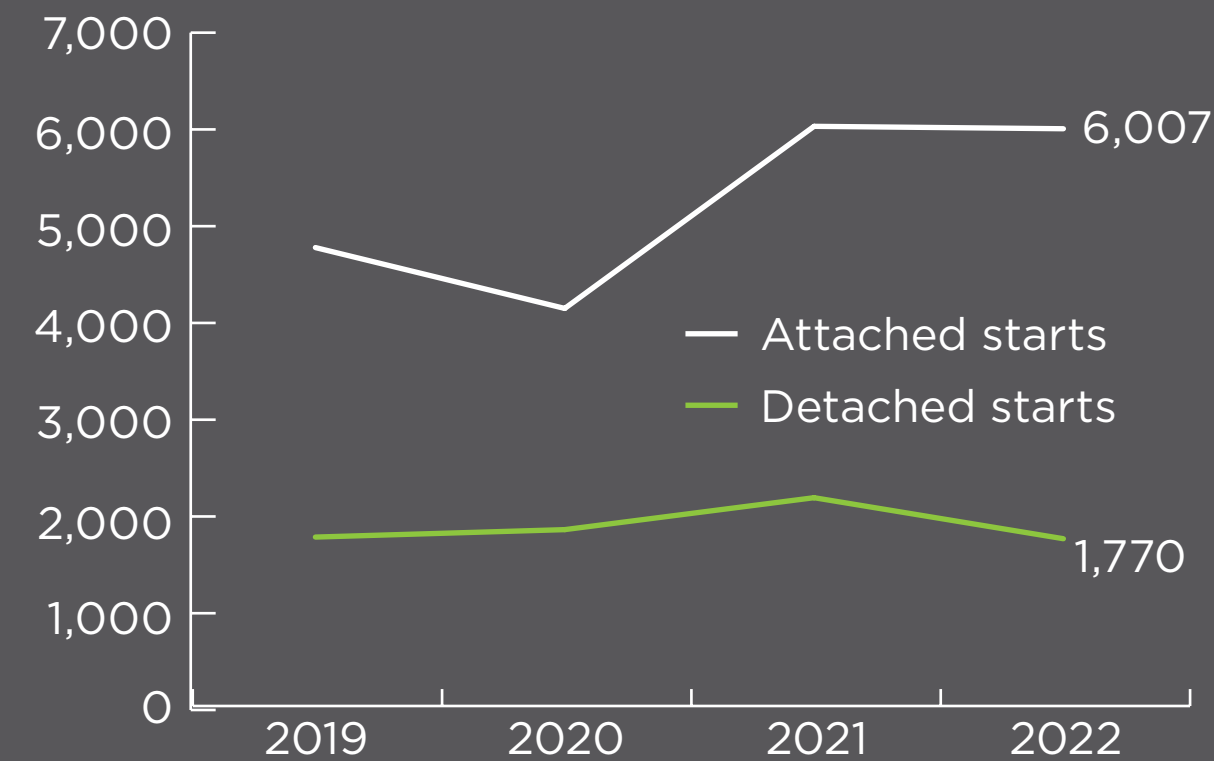
# VANCOUVER ISLAND/COAST



## RESIDENTIAL HOUSING STARTS

The 7,777 units started across the region was down from the record set in 2021, but above the average of about 6,400 from 2018 to 2020. Attached units have become an increasingly large proportion of starts, accounting for 77.2% in 2022.

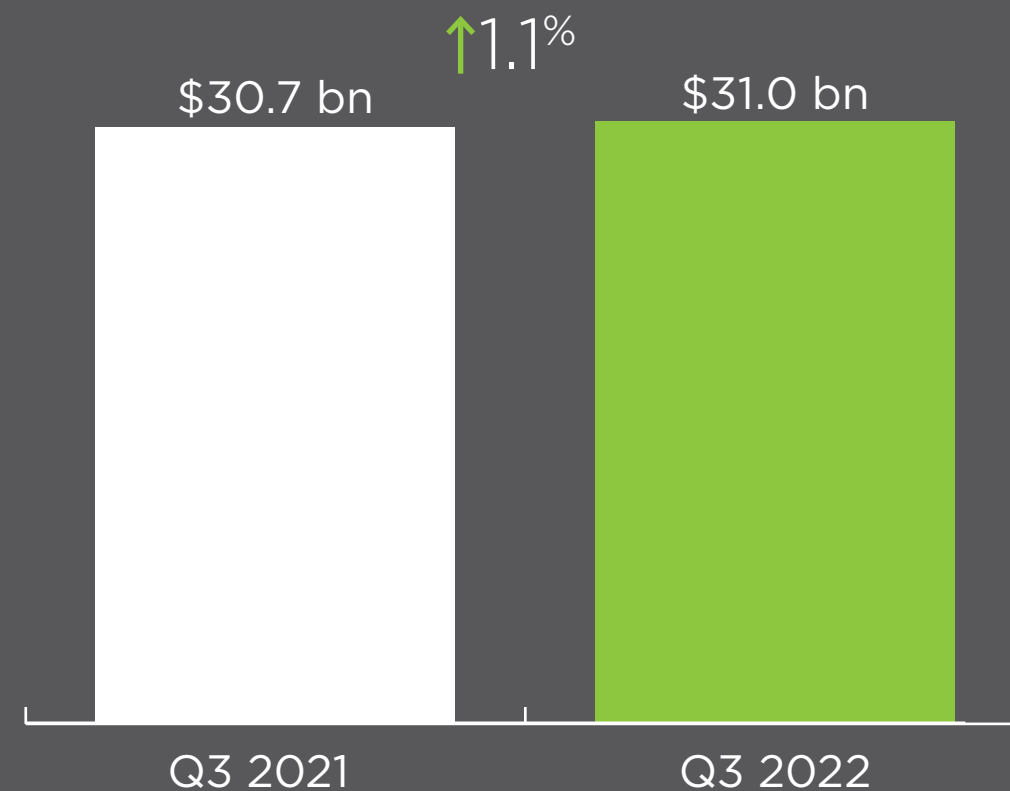
Residential housing starts by type, 2019-2022



## MAJOR PROJECT ACTIVITY

Capital allocated for major projects across Vancouver Island/Coast was \$31.0 billion in Q3 2022, \$350 million higher than in Q3 2021. The capital allocation was distributed relatively equally between Greater Victoria and the rest of the region.

Total major project activity Q3 2021-2022



## MAJOR PROJECT HIGHLIGHTS Q3 2022



### Greater Victoria:

- **Total:** 97 projects, \$14.0 billion
- **Under Construction:** 42 projects, \$10.0 billion
- **Proposed:** 47 projects, \$3.0 billion
  - **Permitting stage:** McCallum Road Mixed-Use Development, \$600 million

### Rest of the Island & Coast:

- **Total:** 56 projects, \$17.0 billion
- **Under Construction:** 18 projects, \$1.1 billion
  - **Started since Q3 2021:**
    - Cowichan Secondary School Replacement, \$86 million
    - Comox-Puntledge Flow Control Project, \$46 million
    - Ocean View Seniors Facility, \$37 million
- **Proposed:** 28 projects, \$11.3 billion
  - **New:** Vancouver Island University Student Housing, \$88 million (Q3 2022)



\*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.

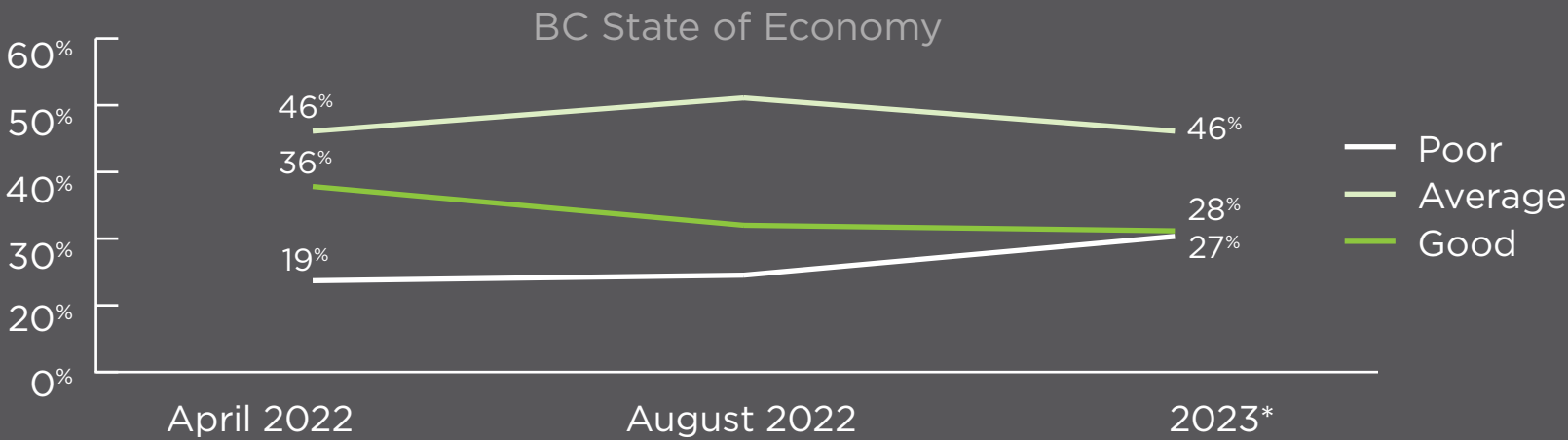
# SURVEY RESULTS

## On BC's Economic Outlook for 2023

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



More than a quarter (27%) expect the state of BC's economy to be poor in 2023, up by 8 percentage points from April 2022. About the same expect the economy to be good in 2023 (28%), down 8 points over the same period.

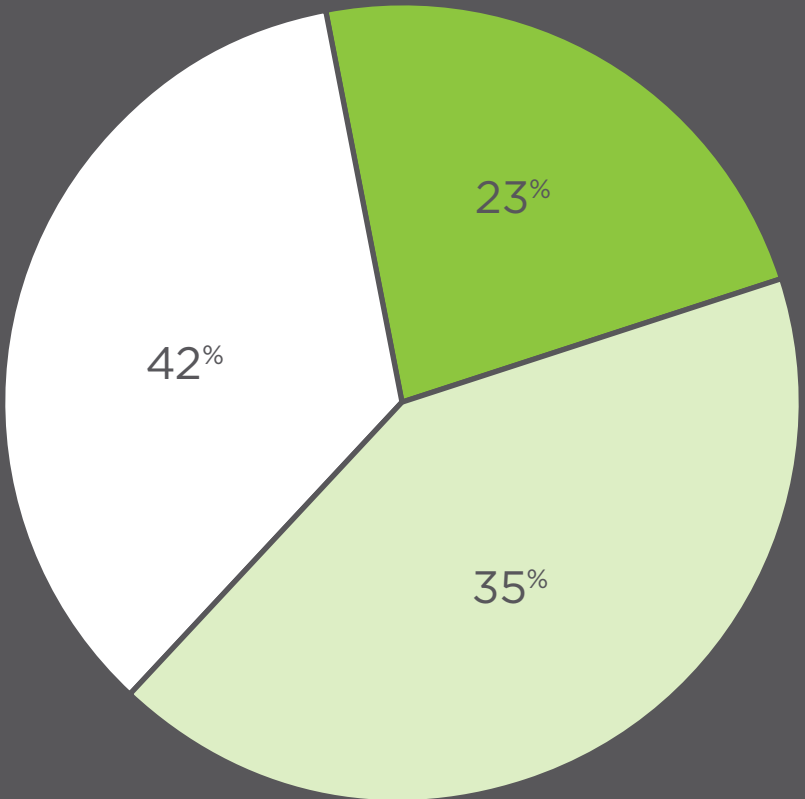


For the first time in the past three years, the **top challenge for BC businesses is expected to be labour compensation**, followed by the shortage of skilled labour and high housing prices.

- 1 Labour compensation (81%)
- 2 Ability to attract and retain skilled labour (80%)
- 3 Housing prices (74%)



Nearly half (42%) expect a decrease in the level of capital investment in their region in 2023, almost double the number anticipating an increase.



- Increase
- Stay the same
- Decrease

\*2023 is based on survey results from November/December 2022, n=704; August 2022, n =655; April 2022, n = 710. Survey results may not sum to 100% due to rounding.

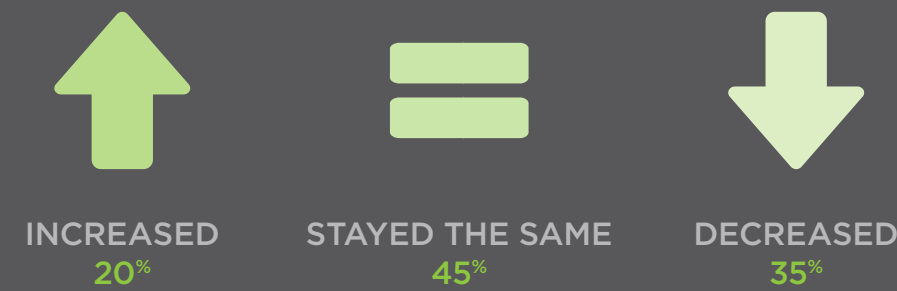
# SURVEY RESULTS

## On BC's Business Outlook for 2023

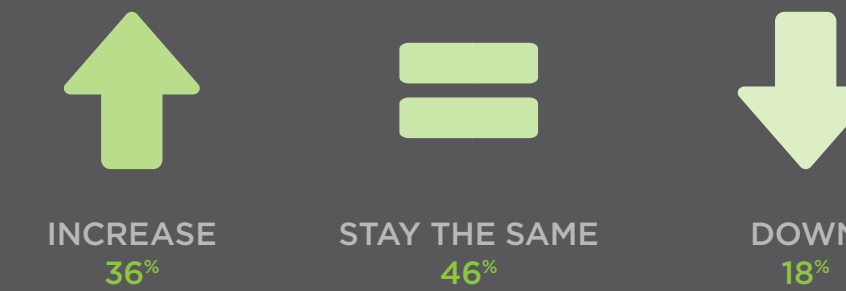
Based on results from the *BC Check-Up: Invest* survey, BC CPAs indicate that...



More than a third (35%) say their organization's prospects have worsened over the past year, compared to a fifth who indicate prospects improved.



Despite the high interest environment, over a third (36%) forecast their organization's capital expenditures will increase in 2023.



Despite a downturn in organizational optimism, more than half (54%) are confident in their organization's prospects in 2023 compared to just 11% who are not.



BC's tight labour market and high interest rates are the main deterrents for organizational investment in 2023.

- 1 Increasing labour costs (58%)
- 2 Shortage of Qualified Labour (57%)
- 3 High interest rates (42%)

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

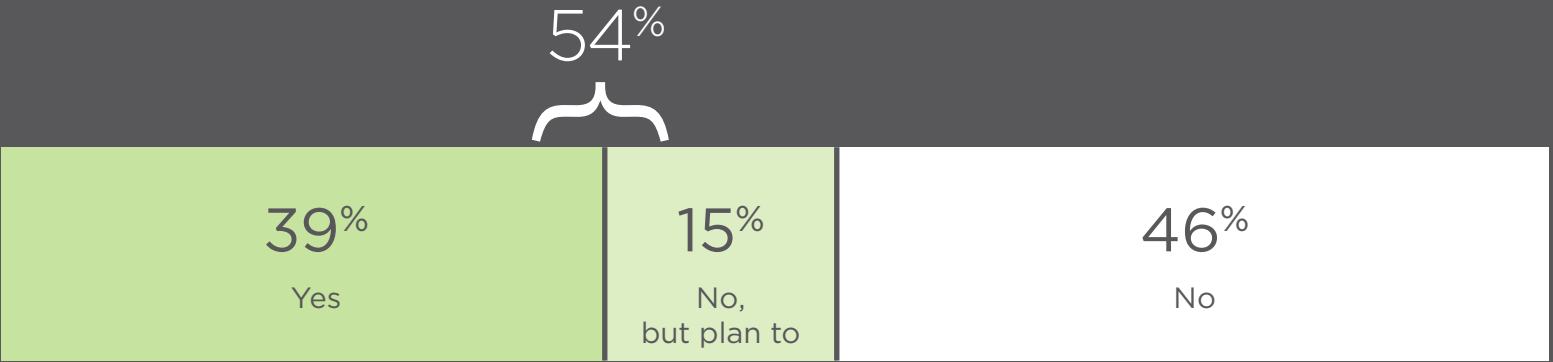
# SURVEY RESULTS

## On BC's Government Priorities for 2023

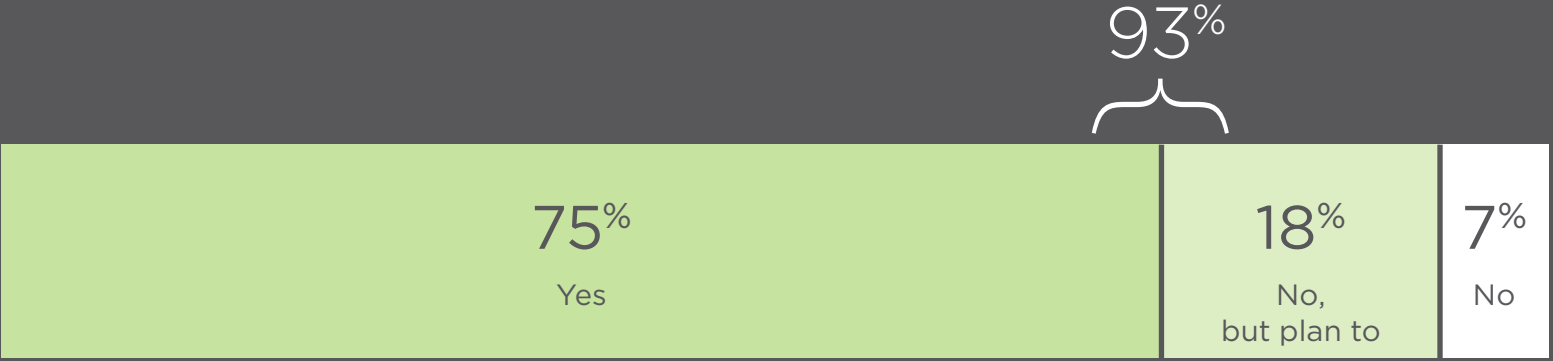
Based on results from the *BC Check-Up: Invest* survey, BC CPAs indicate that...



Over half (54%) of respondents' organizations **have or plan to have an ESG strategy.**

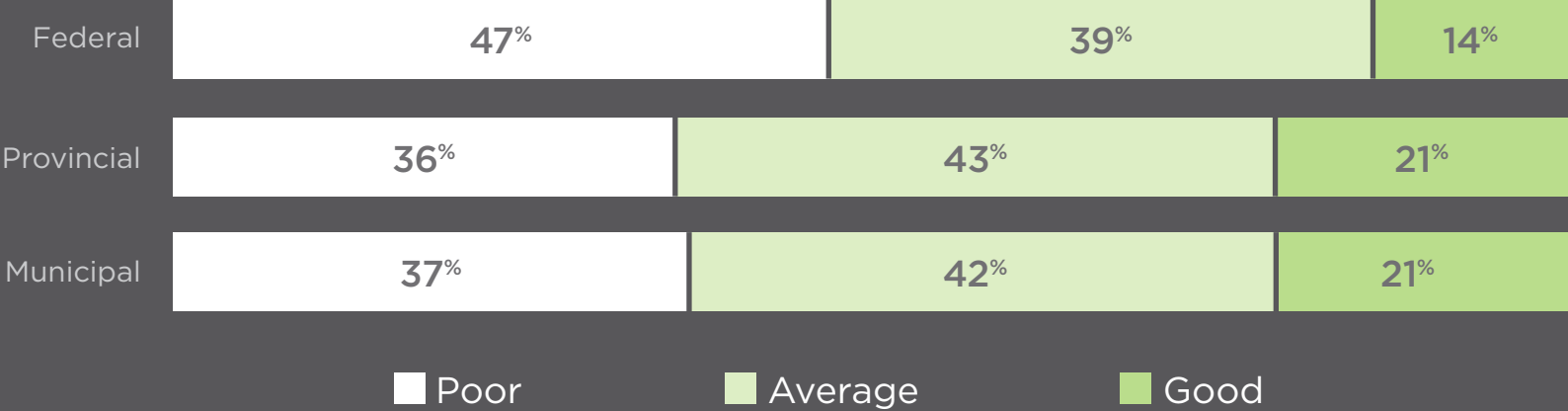


The vast majority (93%) of organizations with an ESG strategy **have measures in place to track and improve ESG practices.**



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 need to **grow 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 Increase skills training opportunities
- 3 Invest in infrastructure projects

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

# BC CHECK-UP 2023 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](https://bccheckup.com).

## MEDIA CONTACT

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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, the BC government, and CPABC calculations. For more details, contact [news@bccpa.ca](mailto:news@bccpa.ca).

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**SURVEY DEMOGRAPHICS** **Who are they?** 704 CPABC members **Where are they from?** Mainland/Southwest BC 66%

Vancouver Island/Coast 16% Thompson-Okanagan 10% Rest of BC 6% 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 908 surveys were completed between November 29 and December 20, 2023, which presents an overall response rate of 10%.