Central 1™

Economic Analysis of British Columbia

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B.C. Regional Economic Outlooks

Highlights

- Low interest rates and a swooning loonie will underpin modest growth in British Columbia
- Southern B.C. markets to benefit most from upturn in tourism and export-oriented growth
- Alberta economic struggles a challenge for some interior markets through interprovincial employment and secondary home demand
- Weak commodity price and China demand a drag on northern B.C. economies as mining exploration and trade weigh
- Forestry a growth sector but mountain pine beetle impact limits gains in north
- Housing market demand remains robust, growth concentrated in larger urban areas

As Canada sulks under the overhang of low oil prices and sluggish economic growth, B.C. is poised to lead the national economy over the next three years. Low interest rates and a breathtaking tailspin in the loonie provide the conditions for modest growth this year, with major project construction providing uplift in 2016 and 2017. Despite a challenging commodities market environment, B.C. will expand at a modest 2.7 per cent this year, before accelerating above three per cent. In comparison, Canadian growth will settle at a disappointing 1.2 per cent before eking out a gain of two per cent next year.

Regional economies in southern B.C. and Vancouver are anticipated to benefit most from an anticipated rotation towards export-oriented goods and services sectors, including manufacturing, tourism, TV and film and agriculture, as a depreciated Canadian dollar and strengthening U.S. economy lift growth. In contrast, disappointing global growth, particularly out of China, will put pressure on short- to medium-term growth in northern B.C. markets and Kootenay. Low commodity prices will continue to curtail exploratory and prospecting activity, limit capital investment spending, and keep mines on the shelf until market conditions improve. Forestry is a potential growth sector for northern markets as the U.S. housing market improves, but the long-term impact of the mountain pine beetle epidemic on timber supply will constrain production and sector growth. Northern B.C. is poised to grow at a faster rate in late-2016 onwards with the start of one liquefied natural gas terminal and pipeline, the Site C dam, and other major projects.

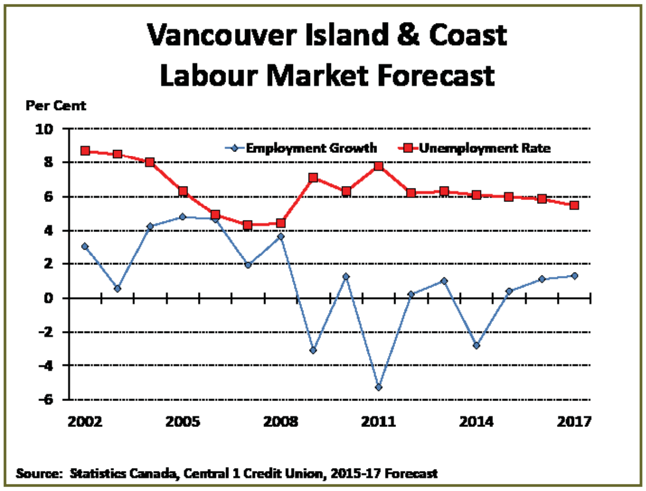
While low oil prices are generally positive for B.C. through lower costs for businesses and consumers, job losses by B.C. residents working in the oil sands is a greater risk for some local regions, including the Thompson-Okanagan and Kootenay.

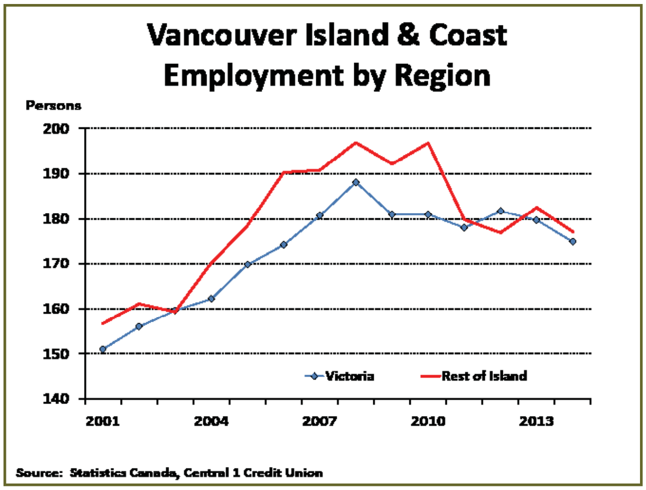
Domestically, the exceptionally low interest rate environment will lift housing demand across the province, but large urban areas with stronger population growth will observe the strongest demand growth and price appreciation going forward.

Vancouver Island & Coast

The Vancouver Island and Coast region is home to 784,000 residents or 17 per cent of B.C.'s population. The region is anchored by the Victoria capital region at the southern tip with 45 per cent of the region's population and Nanaimo with 13 per cent of the population base. Roughly 40 per cent of the regional population resides outside the two largest urban areas, spanning a number of small- to- medium-sized centres, including Port Hardy, Campbell River, Comox, Duncan, Ladysmith, Tofino, and others.

Economic drivers depend upon where one fixates their gaze. While demographic drivers and tourism are broadly important for regional economic activity, Victoria's economy is driven by the hustle and bustle of provincial power and politics and the public servants supporting it. Outside the capital, the Island





economy is still service-sector driven, but is influenced by resource production, including forestry and fishing. Service sectors make up nearly 90 per cent of Victoria-area employment, compared to about 77 per cent elsewhere in the region.

The regional economy has disappointed since the recession as budgetary belt-tightening, weak tourism demand, a slowdown in population growth and an overbuilt housing market conspired against growth. After lagging provincial growth and posting an employment contraction of more than five per cent since the mid-2000s, a mild pick up is anticipated for Vancouver Island over the next two years.

As home to the B.C.'s capital region, government services are a key direct and indirect driver of the economy. Public administration employs about 6.5 per cent of the regional population -- and about one-tenth for the Victoria region. This share is the highest among B.C. regions, and is well above the provincial average of about four per cent and excludes some of the crown corporations headquartered in the area.

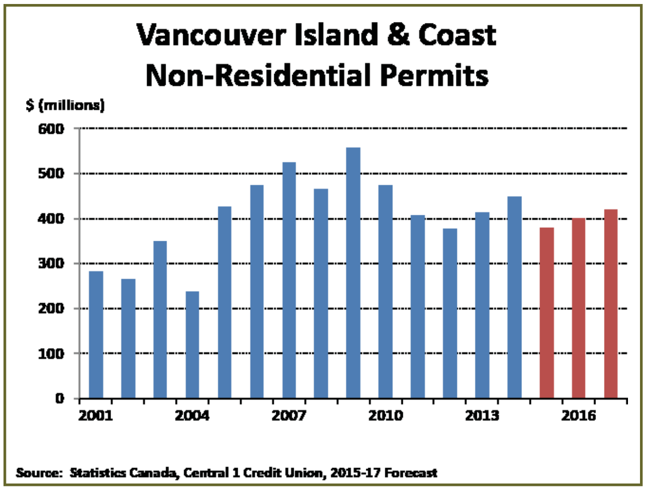
A return to moderate growth requires uplift in government expenditures but the recent trend of lacklustre public sector expansion is expected to continue. Public administration employment on the Island has declined since 2010 and there are few signs of an impending rebound. We expect ongoing restraint in provincial government spending. This aligns with spending plans laid out in B.C.'s Budget 2015, which points to a mild decline in direct government employment in both the 2015/16 and 2016/17 fiscal years, adding to the cumulative cuts following the recession.

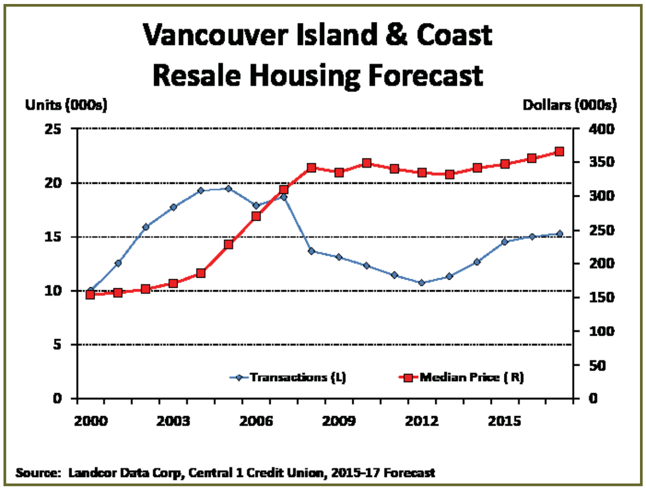
While the public sector constrains regional growth, the Island's hunger for tourists will be partly satiated. After a lean period since the recession, local businesses will see a lift in foot and ferry traffic, which will drive higher hotel and bed-and-breakfast occupancy rates and local purchasing across the province – particularly in the central and northern regions of the island. An improved U.S. growth cycle and depreciation of the Canadian dollar will lift cross-border and international demand, while the relative depreciation of the CAD is a disincentive for Canadian travelers to vacation in the U.S., which could trigger higher provincial and interprovincial visits. However, sluggish Canadian economic growth could dampen some of this momentum

Forestry has faced challenges in recent quarters due in part to weaker demand in Asian markets. This has contributed to a closure of Western Forest Products' Nanaimo sawmill, and temporary curtailment of activity at its Ladysmith operations. Going forward, forestry will likely see mild improvements with higher demand, but the sector will continue to shrink as a share of the regional economy, as other sectors improve.

The tempered growth profile is keeping capital investment modest. After uplift in 2014 owing to public-sector infrastructure projects at Camosun College and University of Victoria, and military bases, non-residential permit volume is forecast to decline by 15 per cent this year, and climbs five per cent to $400 million in 2016. A slate of major projects are proposed to go forward over the forecast period, including various LNG developments, but we are skeptical that any project outside of Northern B.C. will see the light of day before the end of the decade.

Population growth is a key driver of economic activity. While local labour market conditions, particularly in the public service, attracts households to the Island, the region is also reliant on the migration of retirees and semi-retirees (and more importantly their fixed income and wealth). Since the recession,





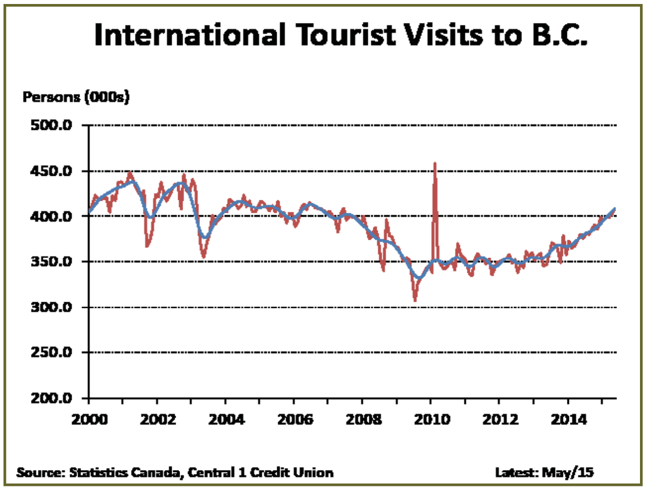
Vancouver Island/Coast	2013	2014	2015	2016	2017
Labour Force (000s)	386.6	374.8	376.0	379.5	383.0
% ch.	1.0	-3.1	0.3	0.9	0.9
Total Employment (000s)	362.2	352.0	353.5	357.3	362.0
% ch.	1.0	-2.8	0.4	1.1	1.3
Unemployment Rate	6.3	6.1	6.0	5.8	5.5
Residential Transactions	11,338	12,661	14,500	15,000	15,300
% ch.	5.6	11.7	14.5	3.4	2.0
Median Price	332,000	341,000	347,000	358,000	370,000
% ch.	-0.6	2.7	1.8	3.2	3.4
Residential Permits ($ millions)	722.4	907.8	1,024.0	1,075.0	1,130.0
% ch.	-12.2	25.7	12.8	5.0	5.1
Non-Residential Permits ($ millions.)	413.1	449.5	380.0	400.0	420.0
% ch.	9.3	8.8	-15.5	5.3	5.0
Population (000s)	779.6	784.0	789.7	796.6	802.8
% ch.	0.4	0.6	0.7	0.9	0.8

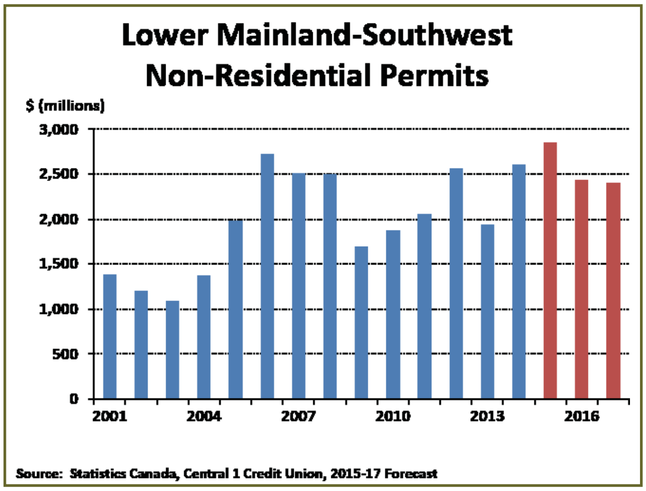
Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

retirement plans and migration to the island have been delayed due to economic uncertainty and financial stressors, which is evident in a steep decline in the flow of 45 to 64 year olds, leading to less inter and intra provincial migration. Lifestyle migration is anticipated to pick up as retirements delays are temporary. An aging population and demand for retirement living will lift population growth to 0.7 per cent this year and 0.9 per cent next year, with gains concentrated in larger urban areas. For retirees, availability of health and consumer-services will be key attractions. Investments in post-secondary institutions will entice more students, but these may or may not flow into population counts.

While economic performance has been mixed, the housing market is back in growth mode and should provide some lift to the regional economy, after a post-recession lull. Mild economic growth, the draw down of excess inventories and low interest rates have lifted home sales well above a year ago. MLS® sales were 25 per cent higher through June, with growth of 17 per cent elsewhere on the Island. Tighter market conditions are already lifting prices with MLS® price indices suggesting underlying price gains of about three per cent. A rebalancing of the market is lifting new home construction as builders become more comfortable with market conditions. Housing starts were up broadly on the Island through June with Victoria and Nanaimo leading the way with starts up 65 per cent and 90 per cent, which should provide a lift to construction employment and economic growth.

On the whole, employment growth climbs 0.4 this year and 1.1 per cent growth in 2016. Unemployment is forecast to trend in the 5.5 to 6.0 per cent range, owing in part to a low participation rate. Strong first half momentum will lift resale transactions on the Island by 15 per cent this year to 14,500 units and the highest since 2007, with growth of about two per cent in the median home price with slightly stronger growth in Victoria – although price levels will remain relatively consistent with the post-recession range. Going forward, sales are forecast to surpass 15,000 in 2016 and annual home price growth will average more than three per cent over the 2016 and 2017 period. Higher levels of new home construction will lift residential building permits by 13 per cent this year to above $1 billion for the first time since 2010, but we anticipate a more mild pace of growth thereafter of five per cent





Lower Mainland-Southwest

The Lower Mainland-Southwest region (LMSW) of B.C. extends westward from the Fraser Valley through Greater Vancouver and to the Sunshine Coast and up the Sea-to-Sky highway to Squamish-Lillooet. As home to two census metropolitan areas (CMAs), the region is B.C.'s most populous area and dominant economic region with more than 2.8 million residents, or about 39 per cent of the provincial population. Metro Vancouver comprises about 87 per cent of the regional population, with Abbotsford-Mission making up six per cent, and Chilliwack three per cent.

Given the share of population and employment, the LMSW is the key driver of provincial economic trends and has posted modest growth in the 2.0 to 2.5 per cent range in recent years in line with province. The regional economy is highly diversified but geared towards services producing sectors which employ more than 80 per cent of workers in the region. This includes retail and services that caters to the growing local population, but also the region's strong contingent of global mining companies including Goldcorp and Teck Resources, regional headquarters for professional service companies that serve companies across the province, and a growing technology hub. Additionally, sectors like tourism and film are key regional service- sectors. The relative importance of manufacturing and agriculture/resources is lower compared to interior B.C. markets, but are a significant driver in the Fraser Valley.

Headline labour market indicators for the first half of 2015 have posted a subdued start to the year for the regional economy, with negligible employment growth and a flat unemployment rate. Losses in the construction and finance/insurance/real estate sectors were the main drags, with most other sectors broadly higher. However, this likely understates underlying improvements on the job quality front. The region has observed a pickup in manufacturing and professional services employment, and full-time employment continues to track higher. Full-time employment growth was up 2.7 per cent through the first half, which fully offset a part-time contraction.

After stumbling out of the gate, employment is tracking higher since late in the second quarter which aligns with our expectation of moderate regional economic growth driven by exchange and interest rate sensitive sectors including tourism, housing and a lesser extent manufacturing. However, the effects of weak global commodity markets will likely keep companies cautious on the hiring front.

Key export-oriented service sectors are seeing strong gains this year owing to the low Canadian dollar and improved U.S. economic backdrop. International tourist visits, which in large part are destined for the Metro Vancouver area, were up nine per cent from a year ago through May largely due to a strong uplift from the U.S. We anticipate a further upswing for tourism over the forecast period given expected further depreciation in the loonie against the greenback

Lower Mainland Southwest	2013	2014	2015	2016	2017
Labour Force (000s)	1,520.2	1,538.5	1,550.0	1,574.0	1,597.0
% ch.	0.1	1.2	0.7	1.5	1.5
Total Employment (000s)	1,418.2	1,446.9	1,458.0	1,482.0	1,508.0
% ch.	0.3	2.0	0.8	1.6	1.8
Unemployment Rate	6.7	6.0	5.9	5.8	5.6
Residential Transactions	38,240	45,563	55,000	54,000	54,500
% ch.	2.9	19.2	20.7	-1.8	0.9
Median Price	478,000	510,000	538,000	560,000	577,000
% ch.	1.7	6.7	5.5	4.1	3.0
Residential Permits ($ millions)	5,141.3	5,125.3	5,900	5,800.0	5,700.0
% ch.	4.7	-0.3	15.1	-1.7	-1.7
Non-Residential Permits ($ millions.)	1,940.0	2,596.7	2,856.0	2,428.0	2,400.0
% ch.	-24.1	33.9	10.0	-15.0	-1.2
Population (000s)	2,799.8	2,834.2	2,872.7	2,914.6	2,956.0
% ch.	1.2	1.2	1.4	1.5	1.4

Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

in 2016, improved U.S. economic growth, and growth in the middle-class (and travel demand) from Asia-Pacific markets, which will lift demand for regional goods and services, including retail, accommodations and foodservice. The recent opening of McArthurGlen Vancouver outlets near the airport, and plans for increased luxury stores on the Alberni strip in downtown Vancouver are a testament to rising tourism demand in the region. Increased traffic and flights to Metro Vancouver benefit surrounding recreational areas like Whistler and the Sunshine Coast. Additionally, the weak CAD also lifts inter-provincial tourists as Canadians stay north of the border to maintain as much purchasing power as possible.

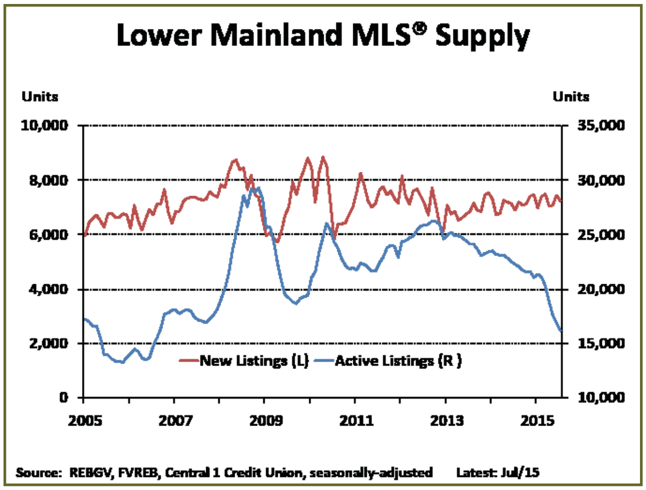
In addition to tourism, the low exchange rate is a boon to the film and TV sector. While hard numbers are unavailable, anecdotal evidence points to a vibrant sector operating near capacity. Films in the area include *Deadpool* led by hometown hero Ryan Reynolds, *Star Trek 3,* and Steven Spielberg's *The B.F.G.* On the small screen, Vancouver will be home to a return of the classic *X-Files*, as well AMC's *Fear of the Walking Dead*, adding to shows like *Once Upon a Time*, *Arrow* and others.

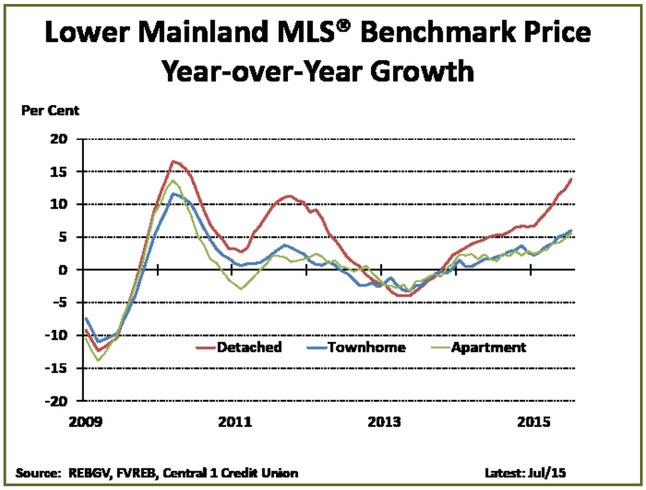
The region can also look to the small but growing technology sector as a source of economic growth going forward. While anchored by companies including Hootsuite and Vision Critical, the region's start-up culture is growing in momentum and filling up space in Vancouver's Gastown and downtown areas. With the footprint of companies like Microsoft, Amazon and Sony Imageworks expanding, Metro Vancouver is set to attract more talent to region. A low Canadian dollar can only help the tech sector given services are generally provided to a national/global market.

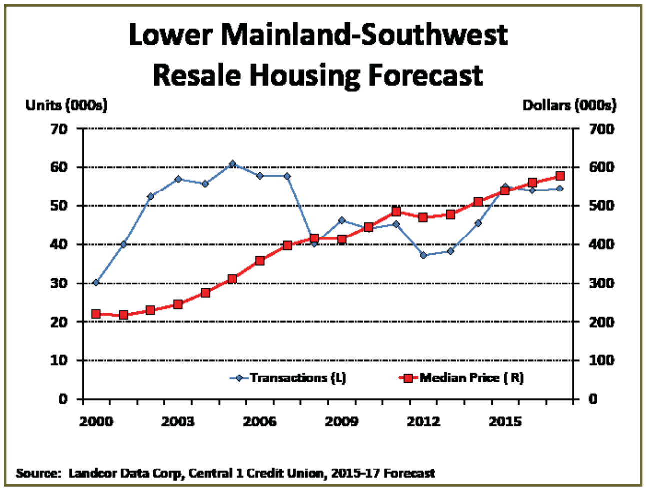
Growth in these sectors provides a welcome offset to continued challenges in B.C.'s mining sector, and mild growth in forestry. While more evident in B.C.'s northern markets, mining company offices are adapting to a low price environment. Although the low Canadian dollar provides a cushion to revenue given commodity are priced U.S. dollars, a weak price outlook, and limited financing availability will drive an abundance of caution on the part of producers and junior exploration companies.

On the goods-producing side of the economy, the LMSW can expect to benefit from the exchange rate advantage and stronger U.S. economy through a rise in manufactured products and agriculture exports which will benefit the Fraser Valley market. However, this year's scorching weather has reportedly led to early harvests and some excess supplies in the farming sector that are unable to get to market.

A stable economy and growing population in the LMSW continues to support new investments in the regional area. Non-residential permit volume was up 16 per cent through June, with gains in both the private and public-sector. New office construction in downtown Vancouver has been a key driver, which includes the Telus Gardens new head office, the Exchange and MNP office towers, as well as the BC Place Entertainment Complex. Meanwhile, public-sector activity remains strong with expansions at Surrey Memorial Hospital, BC Children's Hospital, as well as investments in the new Evergreen skytrain line.







These projects will continue to support construction and the economy through the forecast period, which will also see increased construction on the Brentwood Town Centre redevelopment project, the new Vancouver Art Gallery, Oakridge Mall redevelopment, among others. Non-residential permit volume will climb 10 per cent this year and eases in 2016, but holds at elevated levels.

Population growth is a key contributor for the economy and drives demand for housing and broader goods and services. While growth has slowed since 2010, the region has continued to expand by about 1.2 per cent or about 35,000 persons each year owing almost entirely to international migration. Gains are predominantly driven by Metro Vancouver, which has expanded at a rate of 1.7 per cent, compared to a mild pace of less than one per cent in Abbotsford-Mission, and negative growth elsewhere in the region.

A slower inflow of new international immigrants is a risk to the regional economy this year. According to the latest migration statistics, the flow of international immigrants to B.C., which historically, clusters in the southwest has posted year-over-year declines of more than 10 per cent since the third quarter of 2014 through the first quarter of 2015, and is trending at the lowest rate since 2002. While this trend is also evident in the rest of the country, B.C.'s downturn has been more pronounced, which could reflect changes in immigration policy in recent years. While net international migration is likely to ease this year, an increase in interprovincial migration from Alberta provides offset. We forecast population growth to average about 1.4 per cent over the forecast period.

Housing is forecast to remain an economic growth engine in the LMSW through consumer spending channels and new home construction. Housing demand has surged this past year, evident in MLS® sales growth of 30 per cent, and a gain in the benchmark price of seven per cent through July. Year-to-date pricing actually underestimates the strength of the market, as price levels have accelerated in recent months and growing at an annualized monthly pace of more than 10 per cent, led by single-family homes in the Metro Vancouver area. Rising sales and prices are contributing to strong gains in the retail sales activity, particularly for household-related goods.

Stable population growth, low interest rates and most important, the restricted land base, points to a continuation of an elevated sales pace and even higher prices. Currently the region faces a supply-side crisis as the flow of new listings has been unable to keep pace with demand, driving inventory to the lowest level since 2006.

Some prognosticators point to the elevated prices and traditional measures of affordability such as the price-to-income and price-to-rent ratios that the region is in a bubble and prices must decline. However, these measures are inadequate in that they do not address Metro Vancouver's land constraints that contribute to higher values of detached housing units. Detached housing has become a defacto luxury product due to lack of available land, and increasingly, the traditional house is now a multi-family property with income generating suites for the owners, which increases the value of the asset. According to real estate board statistics, the underlying price for detached homes has climbed 30 per cent since 2010, compared to a more moderate gain of about eight per cent for other properties.

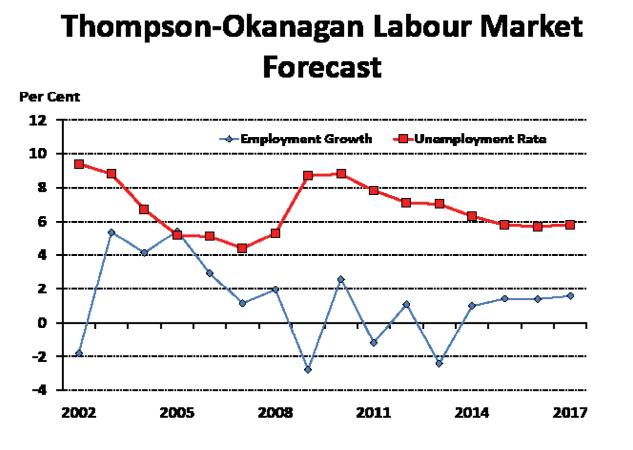
This year's demand uplift has by far surpassed our early year expectations, and by year end, is anticipated to rise by more than 20 per cent to 55,000 units and lift the median home price for the region by 5.5 per cent to $538,000. Gains are stronger in the Metro Vancouver area due to stronger demand-side conditions. The current pace of sales eases slightly into 2016 as high prices and lack of available supply constrains sales activity. Median price growth eases in 2016 and 2017 as high prices drive more households into the new and existing apartment and townhome sector and lower priced areas eastward into the Fraser Valley.

Thompson –Okanagan

B.C.'s Thompson-Okanagan is home to about 540,000 residents, which represents about 12 per cent of the provincial population. The region includes an area that extends from the Thompson-Nicola region in the east, through the Columbia-Shuswap to the AB/BC border and down through the Okanagan and Keremeos and is anchored by the Kelowna census metropolitan area, which represents about 35 per cent of the population, and Kamloops with roughly 20 per cent. The remainder of the regional population is dispersed among a large number of small and medium-sized areas including Penticton, Vernon and Salmon Arm, as well as Peachland, Oliver, and Golden.

The regional economy has broadly underperformed since the Great Recession, stagnating from the fallout of the U.S. housing bust on forestry, and the impacts of the recession on regional tourism, population growth and housing markets. The labour market has shown little positive momentum in recent years. Average employment has been range-bound since 2007 trending near 250,000 persons, with similar flat performances in Kelowna and the rest of the region. Weak housing markets have weighed on construction hiring, while manufacturing also shed jobs.

A 2014 employment upturn has proven temporary, with a declining trend through the first half of 2015, but a rebound is expected in the second half. We



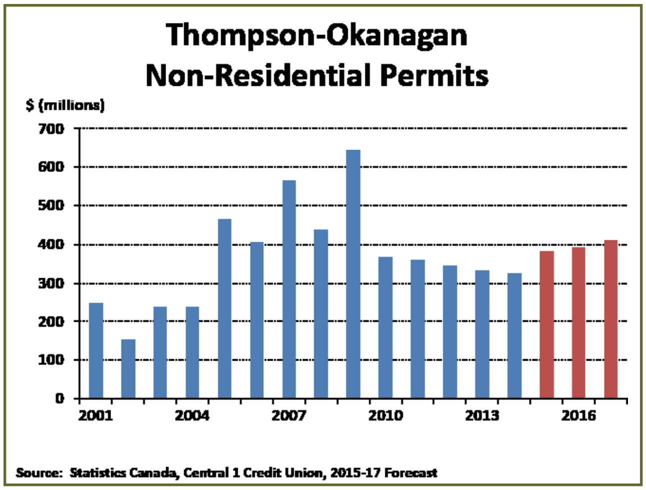
Source: Statistics Canada, Central 1 Credit Union, 2015-17 Forecast

anticipate positive economic growth over the forecast period for the Thompson-Okanagan, driven by tourism, demographics and forestry, but the recent oil bust poses a risk due to Thompson-Okanagan residents working in the oilsands and secondary housing demand.

Currency depreciation and improving U.S. economic growth will provide an uplift to the region through the forecast period. A plummet in the Canadian dollar over the past year is contributing to a rising flow of American visitors to B.C. and trips to recreational areas around the province which is anticipated to continue.   Meanwhile, the exchange-rate induced cut in purchasing power is keeps more Canadian vacationers north of the border, and heading to areas like the Okanagan. We forecast the Canadian dollar to fall further against the greenback to an average of 0.74 USD in 2016 before rising modestly into 2017, which will further support growth

Similarly, export-demand is anticipated to increase output in goods-producing sectors including agriculture, forestry and manufacturing. Manufacturing plays a relatively more important role in the Thompson-Okanagan than other areas of the province, particularly as it relates to wine, wood products, metals and machinery. The low dollar will improve competitiveness, while US housing market improvements will drive wood-product demand higher and benefit areas like Kamloops. However, a low commodity price environment is likely to keep proposed regional mining projects like Ajax Copper Gold and Harper Copper Gold on hold until after the forecast period.

The export-oriented rotation is anticipated to boost business investment, which will add to public-sector activity. Private-sector building permit volume has declined since the recession as weak demand has

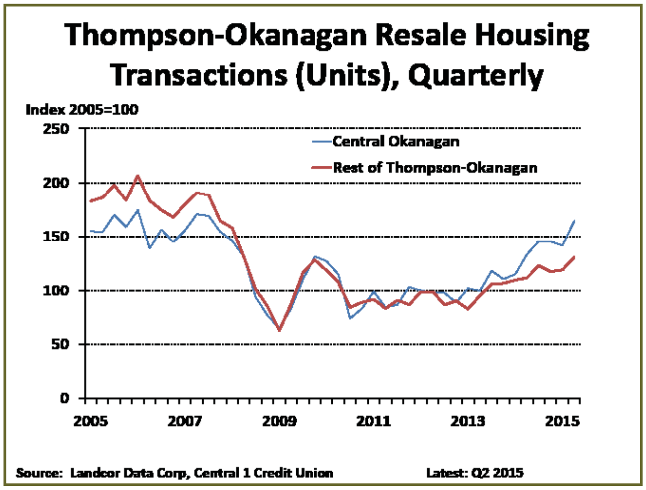


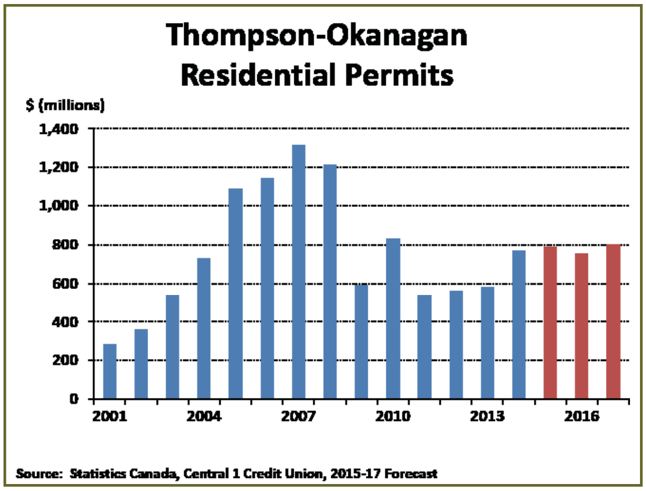
curtailed investments. Public-sector investments have provided some support with ongoing work on the Interior Health and Surgical Care centre in Kelowna, the Okanagan Correctional Centre in Osoyoos, and forthcoming Penticton Hospital Redevelopment.

While business conditions will improve, the region faces some headwinds. The low oil price environment and cuts to capital expenditures in Alberta are sending some oil patch workers back to their home provinces. We estimate that about six per cent of employees in the Thompson-Okanagan work in other provinces – mainly Alberta. We expect this to limit regional employment growth and dampen consumption and housing. Meanwhile, weaker demand from Alberta households will likely impede growth for secondary and recreational housing.

However, consumers are likely to be a steady growth driver for the economy, particularly in larger urban areas. Investments in regional universities and colleges will continue to attract students from within the broader B.C. Interior and a growing economic and population base will attract businesses and households to cater to local demand. Meanwhile, retirement and lifestyle choices will drive population flows to the Okanagan-area despite lingering impacts of the recession and challenges from the oil bust. Gains will be stronger in the Kelowna-area due to availability of amenities and services.

Housing has lifted growth in the Thompson-Okanagan and its construction industry after being weighed down by weak demand and a glut of unsold inventory in recent years. Rising sales since early 2014, owing to low interest rates and secondary home demand, have cut new home inventory to near pre-recession levels, about a third of the peak seen from 2009-2011, bringing balance back to the overall market. Increased housing market activity led to a sharp gain in housing





starts last year (30 per cent in Kelowna) and higher renovation activity, pushing permit volume up by more than 30 per cent.

Modest economic growth will lift employment growth to 1.4 per cent this year and next and 1.6 per cent in 2017. While an influx of new residents from other provinces to the region boosted population growth in 2014 to the strongest pace since 2008 at 1.4 per cent, this followed average pace of less than half a per cent per year over the past five years. Population growth is forecast to decelerate to 0.9 per cent this year and closer to one per cent in 2016 and 2017.

Turbulence in Alberta is anticipated to dampen housing market momentum but resale transactions are still anticipated to climb 10 per cent this year and residential permit volume will rise three per cent. With market conditions sitting near balance in the region and flatter sales momentum, price levels are anticipated to hold steady following uplift in 2014. Economic improvement and population gain will lift sales, new construction and prices over the forecast period.

Thompson-Okanagan	2013	2014	2015	2016	2017
Labour Force (000s)	265.1	265.8	268.0	271.5	276.0
% ch.	-2.5	0.3	0.8	1.3	1.7
Total Employment (000s)	246.6	249.0	252.5	256.0	260.0
% ch.	-2.4	1.0	1.4	1.4	1.6
Unemployment Rate	7.0	6.3	5.8	5.7	5.8
Residential Transactions	9,098	10,966	12,000	12,400	12,800
% ch.	9.0	20.5	9.4	3.3	3.2
Median Price	313,000	325,000	323,000	329,000	335,000
% ch.	-0.6	3.8	-0.6	1.9	1.8
Residential Permits ($ millions)	580.7	765.4	788.5	750.0	800.0
% ch.	3.7	31.8	3.0	-4.9	6.7
Non-Residential Permits ($ millions.)	333.1	326.0	380.0	390.0	410.0
% ch.	-3.1	-2.1	16.6	2.6	5.1
Population (000s)	532.5	539.7	544.7	549.8	556.6
% ch.	0.4	1.4	0.9	0.9	1.2

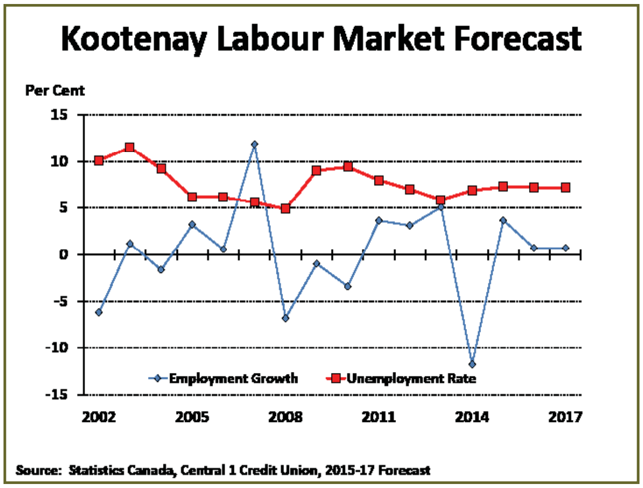
Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

Kootenay

Nestled in the southeast corner of B.C., the Kootenay is home to about 148,800 residents or three per cent of the provincial population. The region is comprised of a large number of small towns and municipalities, with the largest areas being the census agglomeration of Cranbrook, which makes up about 17 per cent of the regional population, and City of Nelson at seven per cent.

Despite a small population base, the regional economy is a mix of tourism and resource-producing sectors. Given relative proximity, Alberta tourism is a key driver for recreation, tourism and secondary housing activity in areas like Cranbrook, Invermere, Kimberley and Fernie. However, the region is also home to Teck Resources coalfield operations near Elkford and a lead-zinc smelter in the western Kootenay at Trail. Other key industries include forestry and agriculture.

Economic conditions have been a persistent challenge for the Kootenay in recent years. Similar to the Thompson-Okanagan, the lasting effects of the recession has taken a toll on the Kootenay as tourism has slowed, population levels flat-lined, and a once hot housing market faced an avalanche of inventory and a trickle of sales. While gains in full-time jobs have partly offset downward momentum in part-time jobs, the region has failed to generate sustained employment momentum over the past four years, with losses concentrated in construction, manufacturing and trade sectors. Unemployment as a share of the labour force has eased, but remains high near seven per cent.



Estimated employment fell more than 11 per cent last year, but this likely reflected a data sampling issue rather than a real decline in employment, given similar declines in the labour force, and a sharp rebound thus far in 2015. While average employment is likely to show a significant pickup, economic prospects for the Kootenay have dimmed considerably in recent quarters.

The low Canadian dollar is driving higher American tourist visits, which should lift regional tourism, and at the same time keep Canadians north of the border. However, the shadow of Alberta's economic malaise will serve to dampen growth as weaker confidence and household incomes fuel less recreational spending, and secondary housing market purchases. For similar reasons, cuts in the oil patch will also impact

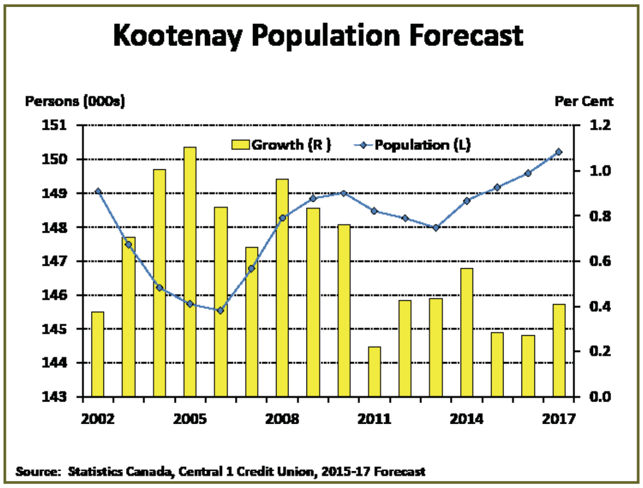
Kootenay	2013	2014	2015	2016	2017
Labour Force (000s)	81.2	72.5	75.5	76.0	76.5
% ch.	3.7	-10.7	4.1	0.7	0.7
Total Employment (000s)	76.5	67.5	70.0	70.5	71.0
% ch.	5.1	-11.8	3.7	0.7	0.7
Unemployment Rate	5.9	6.9	7.3	7.2	7.2
Residential Transactions	2,371	2,743	2,670	2,775	2,900
% ch.	6.7	15.7	-2.7	3.9	4.5
Median Price	235,000	240,000	237,000	239,000	240,000
% ch.	-1.7	2.1	-1.2	0.8	0.4
Residential Permits ($ millions)	165.9	204.3	185.0	190.0	195.0
% ch.	-8.6	23.2	-9.5	2.7	2.6
Non-Residential Permits ($ millions.)	50.0	58.8	53.0	55.0	55.0
% ch.	-21.4	17.6	-9.9	3.8	0.0
Population (000s)	148.0	148.8	149.2	149.6	150.2
% ch.	-0.2	0.5	0.3	0.3	0.4

Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

domestic spending in the Kootenay. We estimate close to seven per cent of employees residing in the Kootenay work in other provinces – mainly Alberta. Cuts affecting Kootenay residents will lower the flow of income and wages in the local economy.

Regional forestry and agriculture are bright spots for the economy, but gains will be overshadowed by persistent coal market struggles. A slow-growth Chinese economy has hammered global demand for industrial metals, sending related prices spiraling lower. Weak steel demand has cut into coking coal prices, pushing Teck Resources to temporarily shut down its coal mines in the region in a bid to lower third-quarter production by nearly 25 per cent. While there is significant uncertainty about future prices, the World Bank is projecting a flat price profile through the end of the decade following a sharp decline this past year. Lower production will very likely be the norm going forward.

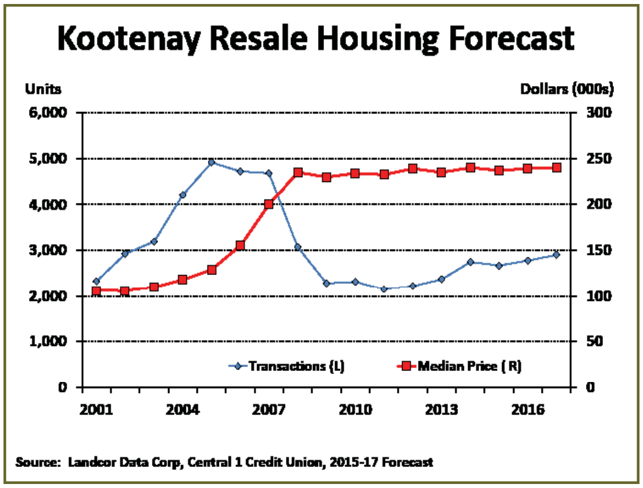
The sluggish demand environment is unlikely to drive investment spending growth in the region. Currently, major project construction is largely geared to resort destinations with long build-out periods, with the exception of Teck's water treatment facilities at Sparwood that started construction late last year, and modest hospital upgrades in Cranbrook. Going forward, B.C.'s major project inventory shows no major new developments over the forecast period. Projects on the books but with no start dates represent a smattering of mines and resort developments, which given the current environment are highly unlikely to go forward.



Non-residential permit volume is expected to hold steady over the forecast period as ongoing upgrades at Teck's facilities in the East Kootenay and Kootenay Boundary area provide a lift and offset lower public-sector investment.

Average employment is expected to partially rebound this year by 3.7 per cent after last year's plunge, but will remain well below levels observed from 2011-2013. Weak regional growth and fewer job opportunities for mobile workers in Alberta will yield average employment growth of less than one per cent in 2016 and 2017. Pressures are already building in the labour market as employment insurance beneficiary counts have trended higher in the early stages of 2015, following a downward trend from 2010 through early 2014.

Limited growth in the economy will maintain a stagnant population trend. The regional population grew by half a per cent in 2014 following four years



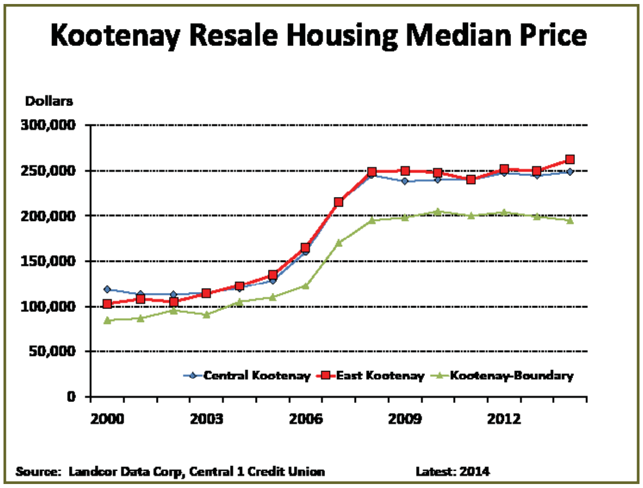
of contraction and is forecast to decelerate to 0.3 per cent flat this year and next before expanding gradually thereafter. Growth requires a stronger external economy to drive retiree and resource-oriented worker inflows.

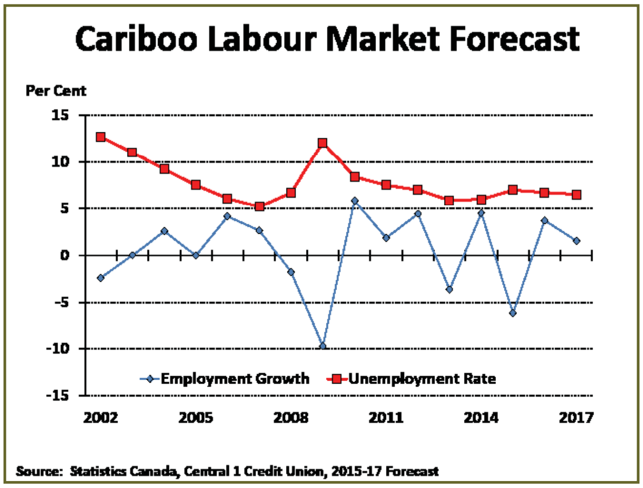
The housing market has been a weak link for the economy since the recession as low demand and excess building have led to a substantial inventory overhang and this trend is likely to continue. Despite an uplift last year, sales remain near recessionary lows and 40 per cent below mid-decade peaks. Excess inventories have only slowly declined, putting mild downward pressure on prices, particularly in Kootenay-Boundary. Resale transactions are forecast to decline about three per cent this year following a near 16 per cent gain in 2014, with a modest uptick thereafter of four per cent per year. Median price levels will remain under pressure, but hold range-bound going forward.

Similarly, the region will continue to experience low levels of home building and renovations given excess housing supply and the weak pricing environment. Residential permit volume will dip seven per cent this year, before mild gains thereafter. Increased new construction will require further rebalancing of supply and demand in the existing home market.

Cariboo

Anchored by the Prince George census agglomeration, the Cariboo region spans south on Highway 97 to 100 Mile House through Quesnel, Williams Lake and its surrounding areas, and eastward to McBride and Valemount. The region is home to 156,100 residents or three per cent of the population, with Prince George comprising roughly half the regional population.





After falling into a deep recession in the aftermath of the U.S. housing bust and subsequent cut in lumber and wood-product demand, the Cariboo economy broadly improved through 2014. Since 2010, employment growth has averaged 1.7 per cent per year (mostly full-time), compared to 0.6 per cent provincially, and driving a decline in the unemployment rate. Manufacturing jobs remained well below cycle highs of the mid-2000s, but regained some of the losses, and increased investment in other sectors has diversified the economy and translated into jobs in construction, education, and health services.

However, employment trends through the first half of 2015 points to deterioration in economic conditions as last year's job gains were reversed with losses concentrated in manufacturing and the broad service-sectors. While some of this reflects a statistical sampling error, a rise in the unemployment rate points to real weakness, with job losses by residents working in the oil sands also contributing to the decline. This downturn likely portends a period of weaker economic growth going forward. Forestry is potentially a growth sector but faces severe supply-side challenges, while mining and manufacturing

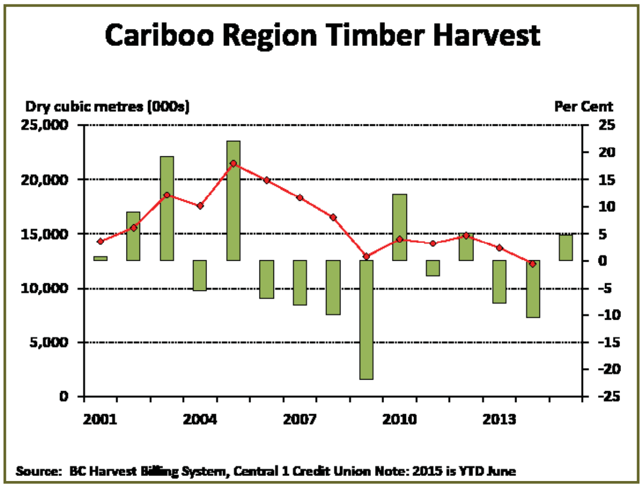
Cariboo	2013	2014	2015	2016	2017
Labour Force (000s)	86.7	90.7	86.0	89.0	90.2
% ch.	-4.8	4.6	-5.2	3.5	1.3
Total Employment (000s)	81.6	85.3	80.0	83.0	84.3
% ch.	-3.7	4.5	-6.2	3.8	1.6
Unemployment Rate	5.9	6.0	7.0	6.7	6.5
Residential Transactions	2,160	2,378	2,450	2,650	2,800
% ch.	-1.5	10.1	3.0	8.2	5.7
Median Price	200,375	214,750	219,000	224,000	227,000
% ch.	1.7	7.2	2.0	2.3	1.3
Residential Permits ($ millions)	84.4	99.5	124.5	112.0	105.0
% ch.	-9.9	17.9	25.1	-10.0	-6.3
Non-Residential Permits ($ millions.)	92.8	112.1	78.0	85.0	90.0
% ch.	-2.0	20.8	-30.4	9.0	5.9
Population (000s)	156.5	156.1	156.2	156.5	156.7
% ch.	-0.0	-0.2	0.0	0.2	0.1

Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

aimed at resource sectors are under strain. Growth will be more reliant on local demand for services, and international export-oriented manufacturing.

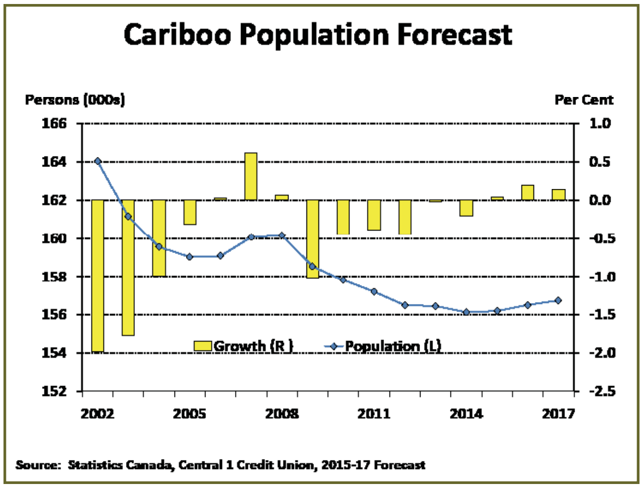
The boom-bust pattern of forestry over the past decade has wreaked havoc on regional communities as mills curtailed production or shuttered altogether. A moderate rebound in recent years has contributed to regional economic growth as some uplift in U.S. housing and increased demand from China drove export demand. Since bottoming out in 2009, lumber production in the northern interior has climbed more than 25 per cent and notwithstanding a drop in 2014 due in part to the Metro Vancouver port strike, timber harvest in the Cariboo has climbed by about eight per cent. However, this remains well shy of mid-2000 levels and consistent with sector performance. Despite efficiency improvements, direct forestry and associated manufacturing GDP in B.C. is still 10 per cent below pre-recession highs.

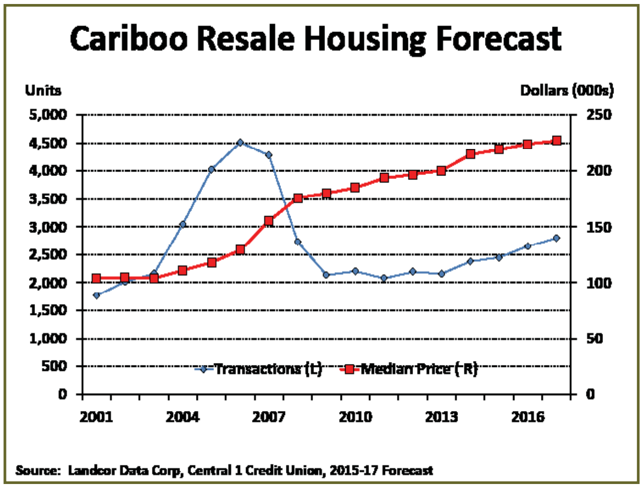
Strengthening U.S. economic growth, housing starts, and a favourable exchange rate for exporters will modestly lift demand for B.C. lumber and other wood products, but the sector will not be the dominant regional driver it once was. Rising demand aside, the province and Cariboo area in particular faces severe long-term timber supply constraints from the mountain pine beetle (MPB) epidemic that will limit regional production capacity. While not as severe as previously projected, the B.C. government estimated that 55 per cent of the province's merchantable pine will be killed by 2017, with relatively higher rates in areas within the Cariboo, particularly in Quesnel and



the Williams Lake area. Given that the MPB epidemic peaked in 2005, a significant share of impacted timber will not be commercially viable. Timber constraints have already generated industry consolidation of mills and timber swaps by companies adapting to long-term supply-side challenges. Despite a recent restart of the Lakeland mill in Prince George, forestry-related manufacturing will not return to pre-recession peaks as further industry consolidation is likely.

With mild growth expected from the forestry sector, the Cariboo economy will need to rely on other sectors going forward. On the mining front, there is some good news for the regional economy with start of production at Mt. Milligan and a restricted restart of and recall of workers to the Mount Polley mine near Williams Lake, which was shuttered following last year's tailing pond collapse. However, the broad





mining environment in B.C. remains weak given low commodity prices and we do not anticipate any projects moving forward over the forecast period. Currently, the Spanish Mountain copper-gold mine near Williams Lake has a proposed start date of 2015, which in our view will be pushed back. The low Canadian dollar should lift demand for manufacturing exports, but faces challenges from a weak demand from mining and the Alberta oil and gas sector.

We anticipate that growth in the Cariboo will continue to rotate towards the Prince George and service oriented sectors. While global economic growth remains a disappointment, long-term expansion in Canadian-Asia Pacific trade will drive expansion in the region's transportation and warehousing sector given its favourable location, particularly as related to air cargo, and as a conduit to the Northwest ports. As the largest northern hub, sectors including education and health services are anticipated to grow. The University of Northern B.C. is the key post-secondary institution for northern communities, while an increased focus on trades have led to expansion of the College of New Caledonia, purchases of new equipment and increased programs related to mining and other trades in recent years. The aging population will drive demand for health services and potentially relocations to Prince George from outlying regions. Currently, major project construction in Prince George is being driven by condo/hotel structures.

Major project commencement in other parts of B.C., including Site C and LNG in 2016 and 2017 will provide a lift to employment as resident mobile workers find employment in other parts of the province. This will provide some offset to weaker employment demand out of Alberta.

Following a significant gain in 2014, average employment is forecast to drop by six per cent to 80,000 persons, with slightly stronger losses in part-time employment. We anticipate a partial reversal of this year's decline in 2016, pushing average employment up nearly four per cent, before moving closer to a trend of 1.6 per cent in 2017.

Improved economic activity in recent years has contributed to a slower pace of population decline as the region attracted more international migrants and less net outflow to other areas of B.C. and other provinces. Short-term challenges in the economy will likely stem some inflows, but fewer opportunities in Alberta will mitigate some outflow. We expect population to grow at a mild pace through 2017.

Housing demand in the Cariboo has been slow to recover since the mid-decade economic downturn. While resale transactions climbed to the highest level since 2008, levels were still less than 60 per cent of mid-2000 levels. Annual resale transaction growth is forecast to hold range-bound given a weak population growth outlook, and challenges in the economy. Low interest rates will continue to support sales. We forecast resale transaction growth of three per cent this year to 2,450 units, before picking up with strengthening economic growth in the north in 2016 and 2017. Median home prices appreciate at a modest two per cent pace.

Residential permit volume in the region will spike this year as an early year jump in multi-family construction in Prince George will boost annual volume. Permits are anticipated to pull back next year by 10 per cent next year given mild economic and population drivers and ample inventory in the resale market.

North Coast/Nechako

The North Coast and Nechako development regions (NCNE) are located in B.C.'s northwest quadrant and are home to roughly 98,000 residents or two per cent of the provincial population. While comprised of two distinct areas with various drivers, economic data – labour market information in particular – is often combined for the areas due to the relatively small population bases. As a result, we provide labour market outlooks for the broader NCNE area, supplemented with housing and population outlooks for individual regions.

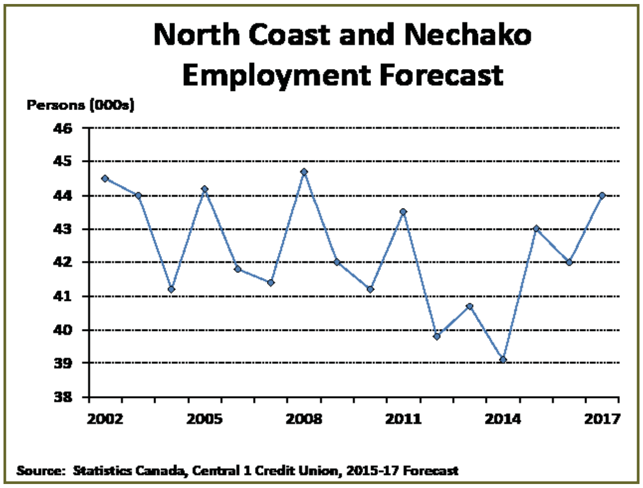
B.C.'s North Coast makes up just below 60 per cent of the NCNE area with 57,000 residents, and is anchored by the cities of Prince Rupert, Terrace and municipality of Kitimat and its surrounding areas. Meanwhile, the Nechako development region is home to about 40,000 residents, anchored by Smithers, Vanderhoof and smaller municipalities, including Burns Lake and Houston.

As a whole the NCNE economy is relatively diverse area but local areas are generally reliant on specific industries. In the North Coast, key industries include transportation and warehousing particularly in Prince Rupert and Kitimat, which reflects port activity, manufacturing led by Alcan's aluminum smelter in Kitimat, as well as mining exploration. Similarly, mining exploration has generally been a key driver for Nechako economy alongside forestry and tourism.

Similar to other northern markets, economic growth in the NCNE outperformed the broader provincial economy from 2010 through 2013 owing to a positive commodity cycle and mining exploration growth, positive outlook out of China, and Alcan smelter modernization. However, the economy slowed last year as global growth deteriorated contributing to lower employment. Average employment levels have fluctuated significantly from year to year, owing in large part to manufacturing losses at Alcan and subsequent gain in construction jobs during the smelter upgrade period, but have generally held range-bound above 40,000 persons.

A challenging global economy and low commodity prices will continue to weigh but gains in manufacturing, forestry and to a lesser extent tourism will provide an offset this year. Going forward, anticipated commencement of a LNG project is forecast to accelerate growth closer to the end of the forecast period.

Average employment in the NCNE will be lifted this year in large part due to the restart of Alcan's aluminum smelter following a major $3.3 billion multi-year modernization project. This will add about 1,100 manufacturing jobs to the region, although less than what it was prior to the rebuild. This pivot back to manufacturing will be partly offset by a drop in construction employment, although a substantial proportion were mobile non-local resident workers and not counted in local area employment statistics. The restart will provide a significant lift to the local Kitimat economy and businesses servicing the plant. Through mid-year, NCNE manufacturing was estimated to have climbed 60 per cent and was largely responsible for current-year employment gains in the region.



On the mining front, the North Coast also sees production commencement at the Imperial Metals Red Chris copper/gold mine near Iskut, which will produce 30,000 tonnes of ore per day employing about 300 workers. However, the opening of Red Chris comes amid a downbeat environment for the mining sector. A period of weak commodity prices cut B.C. mineral exploration expenditures for a second consecutive year in 2014 to $338 million, an annual drop of 29 per cent. Challenging commodity markets have led to suspension of activity of the Endako Molybdenum at Fraser Lake in the Nechako and a pause in development of other projects in recent years.

That said, progress is being made that could translate into a rise in related construction in the region for some long-awaited projects buoyed by completion of the Northwest Transmission Line and substantial upfront costs in previous years. Work has started on the Tulsequah Chief mine, and signs are good for the Brucejack mine near Iskut to begin construction by year-end. While these are relatively smaller mines combined they represent about $900 million in capital costs and should provide some lift to the region and construction sector.

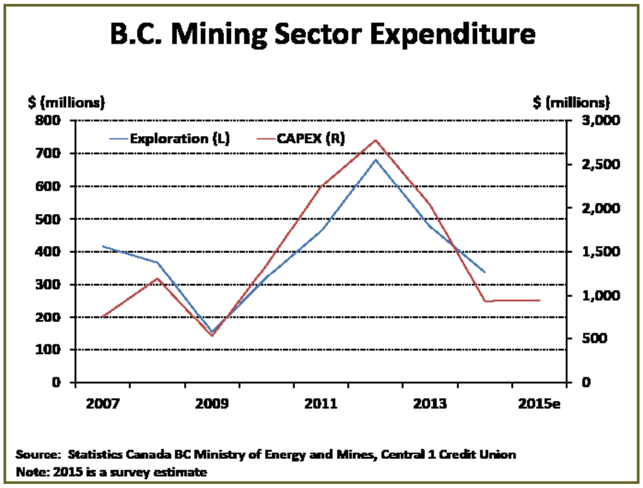
During the first quarter, the estimated capital costs associated with proposed mining projects reached

North Coast & Nechako	2013	2014	2015	2016	2017
Labour Force (000s)	43.7	42.5	46.3	45.0	47.0
% ch.	-2.2	-2.7	8.9	-2.8	4.4
Total Employment (000s)	40.7	39.1	43.0	42.0	44.0
% ch.	2.3	-3.9	10.0	-2.3	4.8
Unemployment Rate	6.9	8.0	7.1	6.7	6.4
North Coast					
Residential Transactions	1,036	934	800	900	990
% ch.	18.9	-9.8	-14.3	12.5	10.0
Median Price	185,500	217,500	225,000	230,000	238,000
% ch.	21.6	17.3	3.4	2.2	3.5
Residential Permits ($ millions)	20.0	45.5	30.0	27.0	29.0
% ch.	50.4	126.9	-34.0	-10.0	7.4
Non-Residential Permits ($ millions.)	109.8	56.0	25.0	40.0	125.0
% ch.	-79.5	-49.0	-55.3	60.0	212.5
Population (000s)	57.1	57.2	57.4	57.7	58.2
% ch.	0.1	0.2	0.4	0.6	0.8
Nechako					
Residential Transactions	385	404	500	470	490
% ch.	-14.4	4.9	23.8	-6.0	4.3
Median Price	195,000	186,250	180,000	182,000	187,000
% ch.	14.0	-4.5	-3.4	1.1	2.7
Residential Permits ($ millions)	15.5	23.1	16.5	15.0	16.5
% ch.	6.0	49.3	-28.5	-9.1	10.0
Non-Residential Permits ($ millions.)	51.3	40.8	15.0	20.0	40.0
% ch.	293.2	-20.6	-63.2	33.3	100.0
Population (000s)	40.2	40.5	40.6	40.7	40.8
% ch.	-0.4	0.8	0.2	0.3	0.4

Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

$14 billion in the North Coast and $3.3 billion in the Nechako, which include projects like Schaft Creek and Turnagain Nickel. Given challenges in the industry, we see major mine starts being unlikely over the forecast period. Commencements depend on many factors including regulatory and environmental reviews but market conditions are a key determinant. According to the latest Statistics Canada capital expenditure survey, mining-related expenditures are expected to hold at a low level this year after a more than 50 per cent drop in 2014 as weak demand in China and excess global supplies will weigh on prices and keep projects on the backburner.

Similar to mining, the subdued pace of global growth and trade is holding back B.C.'s plans to increase Asia-Pacific trade through its northern ports. The Prince Rupert Port Authority reported 20.6 million tonnes of cargo through its terminals in 2014, down 10 per cent from 2013. Weaker demand out of Asia was a key contributor the downturn. As anticipated



given mine closures in Northeast B.C., coal shipments (primarily metallurgical) were down more than 40 per cent from a year ago. Similarly, a housing market slowdown in China also dampened log shipments. Through May, tonnage was down 10 per cent from the same period in 2014. An exception will be Kitimat where Alcan's restart will drive increased exports of output.

The slower conditions are contributing to delays in port expansion. While the Fairview Container Terminal is underway, the Ridley Terminal $200 million coal handling expansion is on hold due to weak market conditions. Other projects include the Canpotex Terminal, but no firm start dates have been announced. As long as demand remains weak, these projects will likely be delayed.

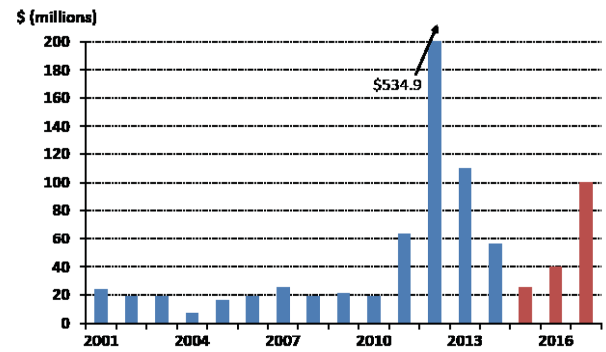
One sector anticipated to show mild improvement is forestry, which will be lifted by increased demand for lumber shipments from the U.S. resulting from a strengthening housing market and economy which will offset weakness from China. Since hitting a nadir in 2008, timber harvest has mostly rebounded. However, like the Cariboo, the mountain pine beetle epidemic has left parts of the Nechako timber base with irreversible damage. The Vanderhoof Forest District was among the hardest hit by the MPB outbreak, with Fort. St. James also among those significantly impacted. Last year's completion of the rebuilt Babine Forests mill provided a lift to regional lumber production, but sector growth will be limited by supply conditions.

Stronger economic growth is anticipated in late-2016 onwards. While there remains ongoing uncertainty in light of weakness in global energy markets and corporate profits, regulatory and environmental hurdles, we expect one major LNG project to go forward over the forecast period with the $11 billion Petronas/Progress Energy/Japex LNG terminal project proposed for the Lelu Island south of Prince Rupert led by as the front-runner. Much of the capital investment will be imported content (at least 50 per cent) due to technology being unavailable domestically. However, the project will still drive regional growth given a three year build-out, up to 4,500 jobs at peak construction, and 330 long-term jobs. This does not include the impact of pipeline construction across northern B.C. That said an affirmative final investment decision is yet to be guaranteed.

With major projects completed or near completion including the Alcan smelter, Queen Charlotte hospital replacement , Babine sawmill replacement, and various utilities projects, a sharp drop in non-residential investment is expected this year with uplift in 2016 and 2017 owing to a couple of mines and more importantly LNG activity.

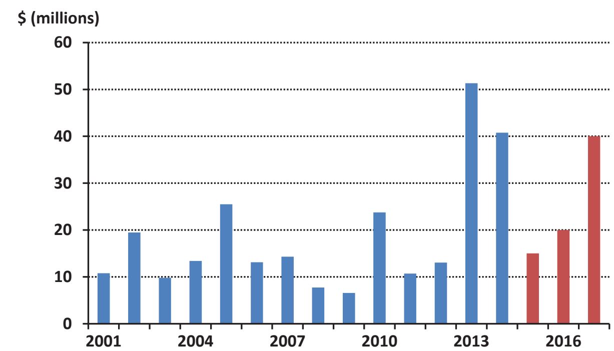
Despite some sector challenges, mild growth in the region is forecast this year. Employment is forecast

North Coast Non-Residential Permits



Source: Statistics Canada, Central 1 Credit Union, 2015-17 Forecast

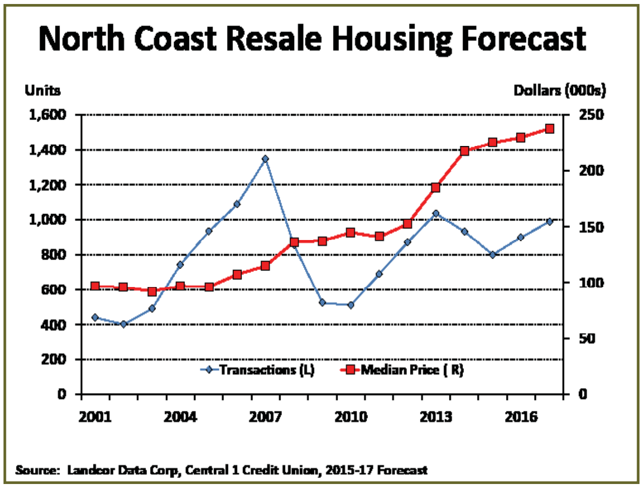
Nechako Non-Residential Permits



Source: Statistics Canada, Central 1 Credit Union, 2015-17 Forecast

to rebound 10 per cent to 43,000 persons, owing mostly to the restart of the Alcan smelter plant and a boost in manufacturing jobs. Some pull back is anticipated in 2016 before a five per cent increase in 2017, contingent on an LNG start. Unemployment is forecast to fall to about 6.4 per cent by 2017. Economic growth will be more heavily skewed to the North Coast area rather than the Nechako. Population growth is forecast to be stronger in the North Coast region of the province given a stronger long-term economic outlook, and average less than 0.7 per cent through 2017, compared to slower growth of 0.3 per cent in the Nechako.

Housing market activity broadly tracks economic conditions in the NCNE. After posting a surge in pricing and elevated sales in 2014, resale housing activity in the North Coast has slowed sharply in 2015 as households digest rapid price growth last year and an easing in economic conditions. Sales in the North Coast are forecast to decline 14 per cent this year before rebounding in 2016 and 2017. Last year's 17 per cent price gain is unlikely to repeat, but conditions and regional optimism remain solid enough to



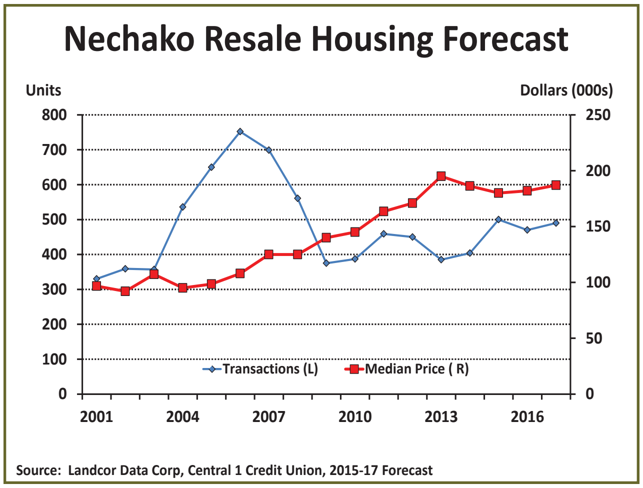
drive growth in the 2.0 to 3.0 per cent range each year to maintain prices at record highs

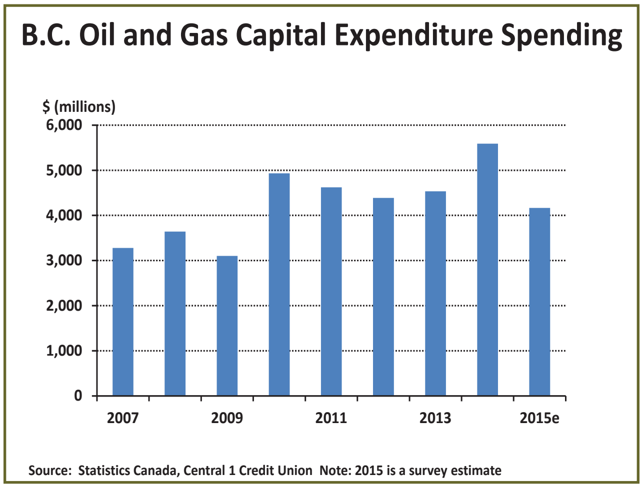
Nechako area sales have held at a subdued pace since the recession but are trending higher this year and tracking the highest level since 2008. While still significantly below mid-2000 levels, sales will climb more than 20 per cent to 500 units before easing back slightly in 2016 and 2017. The region's median home value will dip three per cent to $180,000 this year following a four per cent decline in 2014. While soft market conditions have weighed, some of the decline likely reflects shifts in sales geography. Home values will edge up in 2016 and accelerate in 2017 as stronger growth in the north lifts general price levels.

Northeast B.C.

With a population of just under 71,000 persons, Northeast B.C. is among the smallest of the province's development regions, but punches above its weight economically as a key commodities region. Geographically, the northeast is anchored by the cities of Fort St. John and Dawson Creek, which make up nearly 50 per cent of regional population in an area that also includes municipalities like Tumbler Ridge, Chetwynd and surrounding areas.

The region has outpaced provincial economic growth in recent years as prospects for liquefied natural gas exports to global markets led to rising capital investment, drilling, and production in the province. Labour market conditions have remained tight with the economy operating at more than capacity, driving existing home prices to record highs and contributing to rising new home construction. However, the region is forecast to underperform this year as challenges and uncertainty in the natural gas sector and weak demand for coal drag on growth. The economy





is anticipated to rebound in 2016 onwards as major infrastructure projects lead growth.

More than other B.C. regions, the northeast relies heavily on its commodities sector. While down from a peak of near 20 per cent in the mid-2000s, roughly 10 per cent of regional employment is directly employed in resource extraction, which is highest in the province. Part of this decline reflects a shift in the labour market to construction employment. Going forward, a weak commodities cycle is likely to temporarily dampen employment growth despite some upward momentum in forestry.

On the natural gas front, provincial production, which is exclusive to the northeast, has continued to climb despite weak pricing conditions. Through April, production was about eight per cent higher than in the same period in 2014, and while the trend has moderated, remains near a record high. Despite weakness in the Alberta economy and ample U.S. supplies, exports are likely to remain elevated. The configuration of the natural gas transmission line means production from B.C.'s Montney Play is more likely used in central or southern Alberta for residential and commercial use

Northeast	2013	2014	2015	2016	2017
Labour Force (000s)	41.8	40.6	41.7	42.2	43.3
% ch.	0.0	-2.9	2.7	1.2	2.6
Total Employment (000s)	39.8	38.5	39.5	40.0	41.0
% ch.	-0.7	-3.3	2.6	1.3	2.5
Unemployment Rate	4.8	4.9	5.3	5.2	5.3
Residential Transactions	1,135	1,191	1,100	1,200	1,250
% ch.	-11.6	4.9	-7.6	9.1	4.2
Median Price	278,000	296,000	307,000	315,000	319,000
% ch.	7.0	6.5	3.7	2.6	1.3
Residential Permits ($ millions)	138.0	176.6	160.0	130.0	140.0
% ch.	19.6	28.0	-9.4	-18.8	7.7
Non-Residential Permits ($ millions.)	117.9	89.2	75.0	80.0	100.0
% ch.	88.6	-24.3	-15.9	6.7	25.0
Population (000s)	69.0	70.8	71.8	72.8	73.9
% ch.	0.7	2.6	1.4	1.5	1.5

Sources: Statistics Canada, CMHC, Landcor Data Corp, C1CU Forecasts

with marginal disposition to the oilsands. Demand growth will generally remain stable within these sectors relative to oil sands. While there is risk of diverted natural gas flows, B.C. production could also flow to other export markets including the U.S. This diversion will however depend on broader North American demand.

While we anticipate moderate production growth, related capital investment is anticipated drop owing to the weak energy backdrop and weigh on regional employment. Benchmark Henry Hub prices have plummeted 40 per cent over the past year and hover near $2.85 USD/mmbtu – which is the lowest since early 2012, while low oil price have contributed to price declines for natural gas liquids. Energy market upheaval has caused companies to protect balance sheets and profits by shelving capital spending plans which will negatively impact northeast economic growth. According to Statistics Canada's latest capital expenditure survey, investment in B.C. oil and gas is anticipated to decline 25 per cent this year. While part of this reflects a pullback after a strong 2014 gain, this would still be the lowest capex spending since 2009. This aligns with a sharp decline in tenure sales and wells drilled this year, pointing to an abundance of caution by oil and gas companies.

The news on the coal front is worse. Weak demand has decimated the northeast coal sector putting intense pressure on the economy and population base of Tumbler Ridge. All Northeast coal mines have been shuttered over the past two years. An exact count of local job losses is unavailable given a relatively high proportion of mobile workers, but the impact was significant as the mines employed about 1,000 workers compared to a population base of about 3,000 in Tumbler Ridge. There are few signs that these jobs will return anytime soon given persistence of slow growth in China and low demand for industrial materials. A sharp downturn in coking coal prices this year is anticipated to persist through the end of the decade, according to the latest World Bank forecast.

A bright light is the forestry sector. Timber harvest climbed 14 per cent year over year to the highest level since 2007 last year, and is up two per cent this year. It was boosted by Paper Excellence Group's purchase and re-start of the idle Tembec Chetwynd pulp and paper mill and commitment to re-invest and restart operations with output targeted at Asia. Meanwhile, construction has started on pellet plants in Chetwynd and Fort St. John with combined capital costs of nearly $60 million. Forestry manufacturing is providing some outlet for displaced resource workers.

For the time being, sector-specific weakness and feed-through effects to the rest of the economy have yet to be observed in the widely reported labour force survey (LFS) estimates. In fact, after an estimated employment contraction of three per cent in 2014, monthly employment trends have trended higher, and were up 2.5 per cent over the first half of 2015 with a drop in the unemployment rate suggesting a tightening in labour market condition. However, LFS employment counts are prone to significant volatility and statistical error at the regional level. More telling is a sharp rise in employment insurance (EI) counts, which point to increased labour market stress. EI beneficiaries in the region have nearly doubled since the end of 2014 to the highest level since the recession, which likely reflects job losses in the coal sector.

Economic growth is forecast to strengthen in 2016 when major infrastructure projects get underway. In particular, Site C is poised to ramp up construction over the next year, and we remain confident that one major LNG project will get the go ahead by its proponent, and drive pipeline, drilling and construction activity across northern B.C. Major project construction will contribute to growth in non-residential permit activity in the Northeast by seven per cent in 2016 and 25 per cent in 2017.

Last year's decline in estimated employment of more than three per cent is paired this year with a 2.6 per cent gain, but remains in the range-bound trend observed in recent years. Employment growth will climb a mild 1.5 per cent next year, with stronger gains thereafter.

Housing has fed off growth in the economy, incomes and population in recent years fuelling rapid price gains and expansion of the housing stock. While resale home transactions have been range-bound, median home values have climbed 38 per cent since 2007 and have quadrupled since the early 2000s. Slower economic growth will lower resale transactions from a year ago by eight per cent to 1,100 units, before rebounding higher the following two years. Despite fewer sales, prices are anticipated to increase by four per cent, driven by a solid long-term outlook for the region, with gains averaging three per cent thereafter.

Housing demand has generally flowed directly into the new home market, with residential permit volume tracking record highs. Permit volume is forecast to ease back 10 per cent this year to $160 million, before settling at a still elevated $125 million.

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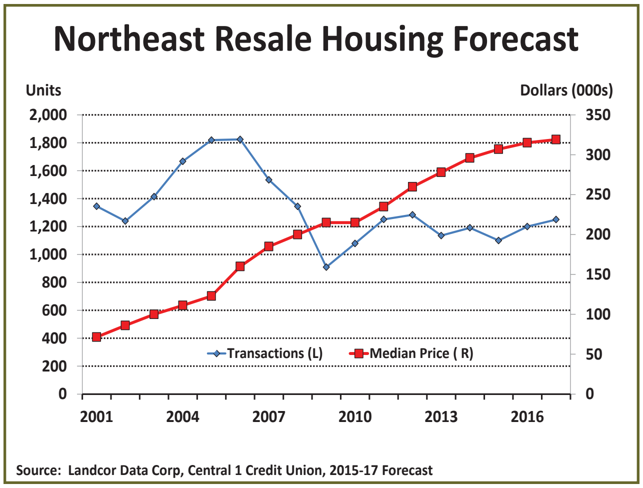

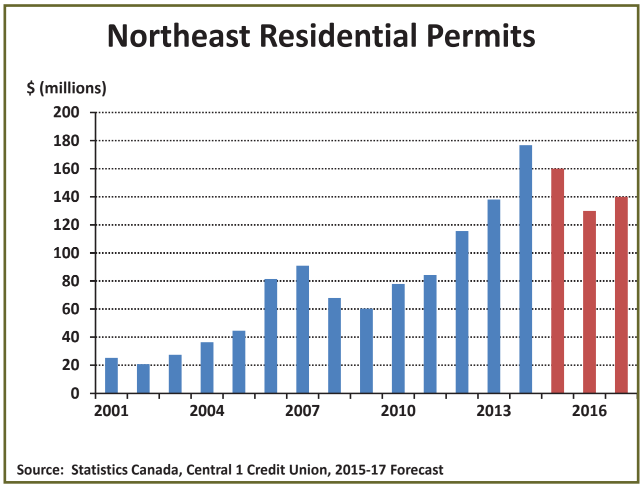

Appendix Tables - Regional Summary

Employment Growth (%)

	2013	2014	2015	2016	2017
Province	0.1	0.6	0.8	1.5	1.7
Vancouver Island/Coast	1.0	-2.8	0.4	1.1	1.3
Lower Mainland-Southwest	0.3	2.0	0.8	1.6	1.8
Thompson Okanagan	-2.4	1.0	1.4	1.4	1.6
Kootenay	5.1	-11.8	3.7	0.7	0.7
Cariboo	-3.7	4.5	-6.2	3.8	1.6
North Coast & Nechako	2.3	-3.9	10.0	-2.3	4.8
Northeast	-0.7	-3.3	2.6	1.3	2.5

Source: Statistics Canada, Central 1 Credit Union

Labour Force Growth %

	2013	2014	2015	2016	2017
Province	-0.1	0.0	0.7	1.4	1.4
Vancouver Island/Coast	1.0	-3.1	0.3	0.9	0.9
Lower Mainland-Southwest	0.1	1.2	0.7	1.5	1.5
Thompson Okanagan	-2.5	0.3	0.8	1.3	1.7
Kootenay	3.7	-10.7	4.1	0.7	0.7
Cariboo	-4.8	4.6	-5.2	3.5	1.3
North Coast & Nechako	-2.2	-2.7	8.9	-2.8	4.4
Northeast	0.0	-2.9	2.7	1.2	2.6

Source: Statistics Canada, Central 1 Credit Union

Unemployment Rate

	2013	2014	2015	2016	2017
Province	6.6	6.1	6.0	5.9	5.7
Vancouver Island/Coast	6.3	6.1	6.0	5.8	5.5
Lower Mainland-Southwest	6.7	6.0	5.9	5.8	5.6
Thompson Okanagan	7.0	6.3	5.8	5.7	5.8
Kootenay	5.9	6.9	7.3	7.2	7.2
Cariboo	5.9	6.0	7.0	6.7	6.5
North Coast & Nechako	6.9	8.0	7.1	6.7	6.4
Northeast	4.8	4.9	5.3	5.2	5.3

Source: Statistics Canada, Central 1 Credit Union

Employment (000s)

	2013	2014	2015	2016	2017
Province	2,265.6	2,278.4	2,296.5	2,330.8	2,370.3
Vancouver Island/Coast	362.2	352.0	353.5	357.3	362
Lower Mainland-Southwest	1,418.2	1,446.9	1,458.0	1482	1508
Thompson Okanagan	246.6	249.0	252.5	256.0	260
Kootenay	76.5	67.5	70.0	70.5	71
Cariboo	81.6	85.3	80.0	83	84.3
North Coast & Nechako	40.7	39.1	43.0	42	44
Northeast	39.8	38.5	39.5	40	41

Source: Statistics Canada, Central 1 Credit Union

Labour Force (000s)

	2013	2014	2015	2016	2017
Province	2,425.3	2,425.4	2,443.5	2,477.2	2,513.0
Vancouver Island/Coast	386.6	374.8	376.0	379.5	383
Lower Mainland-Southwest	1,520.2	1,538.5	1,550.0	1574	1597
Thompson Okanagan	265.1	265.8	268.0	271.5	276
Kootenay	81.2	72.5	75.5	76	76.5
Cariboo	86.7	90.7	86.0	89	90.2
North Coast & Nechako	43.7	42.5	46.3	45	47
Northeast	41.8	40.6	41.7	42.2	43.3

Source: Statistics Canada, Central 1 Credit Union

Population Growth (%)

	2013	2014	2015	2016	2017
Province	0.9	1.1	1.1	1.2	1.2
Vancouver Island/Coast	0.4	0.6	0.7	0.9	0.8
Lower Mainland-Southwest	1.2	1.2	1.4	1.5	1.4
Thompson Okanagan	0.4	1.4	0.9	0.9	1.2
Kootenay	-0.2	0.5	0.3	0.3	0.4
Cariboo	-0.0	-0.2	0.0	0.2	0.1
North Coast	0.1	0.2	0.4	0.6	0.8
Nechako	-0.4	0.8	0.2	0.3	0.4
Northeast	0.7	2.6	1.4	1.5	1.5

Source: Statistics Canada, Central 1 Credit Union

Population (000s)

	2013	2014	2015	2016	2017
Province	4,582.6	4,631.3	4,682.2	4,738.4	4,795.3
Vancouver Island/Coast	779.6	784.0	789.7	796.6	802.8
Lower Mainland-Southwest	2,799.8	2,834.2	2872.7	2914.6	2956.0
Thompson Okanagan	532.5	539.7	544.7	549.8	556.6
Kootenay	148.0	148.8	149.2	149.6	150.2
Cariboo	156.5	156.1	156.2	156.5	156.7
North Coast	57.1	57.2	57.4	57.7	58.2
Nechako	40.2	40.5	40.6	40.7	40.8
Northeast	69.0	70.8	71.8	72.8	73.9

Source: Statistics Canada, Central 1 Credit Union

Residential Resale Transactions

	2013	2014	2015	2016	2017
Province	65,763	76,840	89,020	89,395	91,030
Vancouver Island/Coast	11,338	12,661	14,500	15,000	15,300
Lower Mainland-Southwest	38,240	45,563	55,000	54,000	54,500
Thompson Okanagan	9,098	10,966	12,000	12,400	12,800
Kootenay	2,371	2,743	2,670	2,775	2,900
Cariboo	2,160	2,378	2,450	2,650	2,800
North Coast	1,036	934	800	900	990
Nechako	385	404	500	470	490
Northeast	1,135	1,191	1,100	1,200	1,250

Source: Landcor Data Corp, Central 1 Credit Union

Residential Resale Transactions Growth (%)

	2013	2014	2015	2016	2017
Province	4.0	16.8	15.9	0.4	1.8
Vancouver Island/Coast	5.6	11.7	14.5	3.4	2.0
Lower Mainland-Southwest	2.9	19.2	20.7	-1.8	0.9
Thompson Okanagan	9.0	20.5	9.4	3.3	3.2
Kootenay	6.7	15.7	-2.7	3.9	4.5
Cariboo	-1.5	10.1	3.0	8.2	5.7
North Coast	18.9	-9.8	-14.3	12.5	10.0
Nechako	-14.4	4.9	23.8	-6.0	4.3
Northeast	-11.6	4.9	-7.6	9.1	4.2

Source: Landcor Data Corp, Central 1 Credit Union

Resale Median Price (%)

	2013	2014	2015	2016	2017
Province	382,500	403,500	426,000	438000	449000
Vancouver Island/Coast	332,000	341,000	347,000	355,000	365,000
Lower Mainland-Southwest	478,000	510,000	538,000	560,000	577,000
Thompson Okanagan	313,000	325,000	323,000	329,000	335,000
Kootenay	235,000	240,000	237,000	239,000	240,000
Cariboo	200,375	214,750	219,000	224,000	227,000
North Coast	185,500	217,500	225,000	230,000	238,000
Nechako	195,000	186,250	180,000	182,000	187,000
Northeast	278,000	296,000	307,000	315,000	319,000

Source: Landcor Data Corp, Central 1 Credit Union

Resale Median Price Growth (%)

	2013	2014	2015	2016	2017
Province	0.7	5.5	5.6	2.8	2.5
Vancouver Island/Coast	-0.6	2.7	1.8	2.3	2.8
Lower Mainland-Southwest	1.7	6.7	5.5	4.1	3.0
Thompson Okanagan	-0.6	3.8	-0.6	1.9	1.8
Kootenay	-1.7	2.1	-1.2	0.8	0.4
Cariboo	1.7	7.2	2.0	2.3	1.3
North Coast	21.6	17.3	3.4	2.2	3.5
Nechako	14.0	-4.5	-3.4	1.1	2.7
Northeast	7.0	6.5	3.7	2.6	1.3

Source: Landcor Data Corp, Central 1 Credit Union

Residential Permits $ (millions)

	2013	2014	2015	2016	2017
Province	6,868.2	7,347.6	8,228.5	8,084.0	8,085.5
Vancouver Island/Coast	722.4	907.8	1,024.0	1,060.0	1,100.0
Lower Mainland-Southwest	5,141.3	5,125.3	5,900.0	5,800.0	5,700.0
Thompson Okanagan	580.7	765.4	788.5	750.0	800.0
Kootenay	165.9	204.3	185.0	190.0	195.0
Cariboo	84.4	99.5	124.5	112.0	105.0
North Coast	20.0	45.5	30.0	27.0	29.0
Nechako	15.5	23.1	16.5	15.0	16.5
Northeast	138.0	176.6	160.0	130.0	140.0

Source: Statistics Canada, Central 1 Credit Union

Residential Permits Growth (%)

	2013	2014	2015	2016	2017
Province	2.3	7.0	12.0	-1.8	0.0
Vancouver Island/Coast	-12.2	25.7	12.8	3.5	3.8
Lower Mainland-Southwest	4.7	-0.3	15.1	-1.7	-1.7
Thompson Okanagan	3.7	31.8	3.0	-4.9	6.7
Kootenay	-8.6	23.2	-9.5	2.7	2.6
Cariboo	-9.9	17.9	25.1	-10.0	-6.3
North Coast	50.4	126.9	-34.0	-10.0	7.4
Nechako	6.0	49.3	-28.5	-9.1	10.0
Northeast	19.6	28.0	-9.4	-18.8	7.7

Source: Statistics Canada, Central 1 Credit Union

Non-Residential Permits ($ millions)

	2013	2014	2015	2016	2017
Province	3,107.9	3,729.1	3,862.0	3,498.0	3,640.0
Vancouver Island/Coast	413.1	449.5	380.0	400.0	420.0
Lower Mainland-Southwest	1,940.0	2,596.7	2,856.0	2,428.0	2,400.0
Thompson Okanagan	333.1	326.0	380.0	390.0	410.0
Kootenay	50.0	58.8	53.0	55.0	55.0
Cariboo	92.8	112.1	78.0	85.0	90.0
North Coast	109.8	56.0	25.0	40.0	125.0
Nechako	51.3	40.8	15.0	20.0	40.0
Northeast	117.9	89.2	75.0	80.0	100.0

Source: Statistics Canada, Central 1 Credit Union

Non-Residential Permits Growth (%)

	2013	2014	2015	2016	2017
Province	-23.2	20.0	3.6	-9.4	4.1
Vancouver Island/Coast	9.3	8.8	-15.5	5.3	5.0
Lower Mainland-Southwest	-24.1	33.9	10.0	-15.0	-1.2
Thompson Okanagan	-3.1	-2.1	16.6	2.6	5.1
Kootenay	-21.4	17.6	-9.9	3.8	0.0
Cariboo	-2.0	20.8	-30.4	9.0	5.9
North Coast	-79.5	-49.0	-55.3	60.0	212.5
Nechako	293.2	-20.6	-63.2	33.3	100.0
Northeast	88.6	-24.3	-15.9	6.7	25.0

Source: Statistics Canada, Central 1 Credit Union

B.C. Forecast Table

	2012	2013	2014	2015	2016	2017
GDP at market prices	2.3	3.3	4.0	3.3	5.2	5.5
Real GDP, expenditure-based	2.4	1.9	2.6	2.7	3.3	3.4
Employment	1.6	0.1	0.6	0.8	1.5	1.7
Unemployment rate (%)	6.8	6.6	6.1	6.0	5.9	5.7
Personal income	4.1	4.7	3.1	3.7	4.9	5.3
Disposable income	3.7	4.9	2.9	3.5	4.7	5.2
Net operating surplus: Corporations	-10.7	-4.6	6.6	-1.3	5.3	4.1
CPI	1.1	-0.1	0.9	0.7	1.7	1.8
Retail sales	1.9	2.4	5.1	4.7	5.5	5.0
Housing starts, 000s	27.5	27.1	28.4	29.7	31.3	32.6
Population Growth (%)	1.0	0.9	1.1	1.2	1.2	1.3

Sources: Statistics Canada, Central 1 Credit Union forecasts

note: 2014 GDP and income data denote Central 1 Credit Union estimates

Key External Forecasts

	2012	2013	2014	2015	2016	2017
U.S. real GDP, % chg.	2.3	2.2	2.4	2.4	2.8	2.6
Canada real GDP, % chg.	2.1	2.0	2.5	1.2	2.0	2.4
European Union real GDP, % chg.	-0.6	-0.4	1.3	1.7	1.9	1.8
China real GDP, % chg.	7.8	7.7	7.4	6.8	6.5	6.3
Japan real GDP, % chg.	1.5	1.5	-0.1	1.0	1.7	0.7
Canada 3-month t-bill, %	0.97	0.97	0.90	0.60	0.50	0.90
Canada GoC long-term bond, %	2.33	2.72	2.77	2.25	2.40	3.00
U.S.-Canada exchange rate, cents/dollar	100.1	97.1	90.6	78.5	74.1	75.8
Crude oil WTI, US$ per barrel	94.19	97.98	93.00	52.00	57.00	60.00
Henry Hub, US$ mmbtu	2.79	3.68	4.28	2.80	3.05	3.25

Sources: Statistics Canada, IMF, Bloomberg, EIA, Central 1 Credit Union Forecasts

Terms

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