

BALDREY: Real estate fuelling B.C.'s golden times

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View from **THE LEDGE** Keith Baldrey



It's hard to fathom how two provinces located right next to each other can find themselves in such starkly different economic situations.

Here in B.C., things are on a proverbial roll. Unemployment is relatively low, jobs are being created and the economy is growing faster than anywhere else in the country.

But our neighbour, Alberta, is an economic basket case. Instead of growing, the economy there is shrinking and jobs are being shed in record numbers.

In fact, Alberta is now in the midst of what the TD Bank calls "one of the most severe recessions ever." The bank forecasts the cumulative contraction of economic activity of 6.5 per cent by the end of the year, which is far worse than the 2008 recession or the ones that hit Alberta and the rest of the country in the 1980s.

Of course, the collapse of world oil prices has plunged Alberta into that procession. The Fort McMurray fire, which halted oil sands production for more than a month, turned a very bad situation into an even worse one.

Meanwhile, on this side of the Rocky Mountains, the economy grew by an impressive three per cent last year and will likely come close to that growth rate this year.

What's fuelling B.C.'s golden times?

Real estate plays a big role. Almost \$95 billion (yes, that's "billion") was spent last year on B.C. real estate transactions, and there are no signs the amount this year will be much different.

Most of that was spent on residential properties, a further indication of the fevered state of the housing market.

Last week, Finance Minister Mike de Jong released the public accounts for the last fiscal year, which provide the final when-all-is-said-and-done totals for revenue and spending.

The document revealed the government took in a whopping \$1.53 billion in property transfer tax revenues. That's more than \$600 million higher than originally forecast in the budget.

This year's budget had forecast the tax would decline to about \$1.2 billion in the current year, but de Jong has abandoned that figure and now says the expected revenue stream will be "significantly" higher than first thought.

Translation: the housing market has not cooled down and isn't expected to anytime soon.

But it's not just real estate that's driving B.C.'s economy. The latest tourism figures also tell an impressive story.

For the first five months of this year, there was a 14 per cent jump in the number of visitors to B.C. compared to last year.

In May alone, almost a half million international visitors came to B.C., an increase of almost five per cent from the previous May. In particular, Americans and Mexicans are leading others in coming to B.C.

Tourists, of course, spend a disproportionately large amount of money over a short period of time so retail trade figures out later this year should be on the upswing as well.

Anyone who doubts that should witness what happens when a giant cruise ship or two sets anchor in Vancouver or Victoria for a few hours, as thousands of tourists embark to go shopping. The sidewalks are literally choked with people looking to spend money.

B.C.'s high-tech sector is starting to emerge as a major economic driver as well. The industries that historically built this province – forestry, fishing and mining – have been struggling for some time now, but other industries have been able to fill the void.

While Alberta hitched its entire wagon to the oil industry, B.C. has been able to lessen its dependence on natural resource extraction, a shift that is starting to pay off.

The recent premiers' conference, where an inter-provincial free trade agreement was finally reached, should be good news for B.C., particularly our important wine industry, which now has access to bigger markets.

A tale of two provinces: one chugging along, the other lurching from crisis to crisis.

This may prove to be rich fodder for the B.C. Liberals come the next election, as they will undoubtedly try to link the fact an NDP government is ruling Alberta to that province's woeful economic performance, even though that government is almost powerless to do anything to reverse the tide.

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