



# Top British Columbia Investment Towns 2013-2018

Based on Key Economic Fundamentals

## Executive Summary



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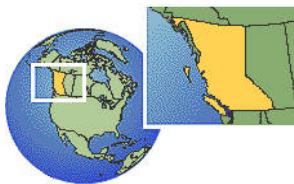
Pick up any newspaper today and no one could blame you if you got a little worried about the state of the economy or the fear of a pending market correction in British Columbia real estate. What about the Fiscal Cliff in the US? Are Canadians taking on too much debt? Have mortgage rules gone too far? Is there a housing bubble in Vancouver that's about to burst? Lower consumer confidence, new mortgage rules, and unaffordability have prevented many British Columbians from buyer residences, vacation homes, or investment properties over the last year and that is reflected across the province in a lower number of sales transactions in many regions.

The truth is, BC has gone through economic turmoil in the past and has always come out stronger in the end. The province is a large and economically diverse, and so should never be spoken of as a single region. The diversity is as wide and varied as the major energy producing regions in the north east, to the forestry and mining central regions, all the way to the major Metropolitan area around Vancouver. This province has it all. Employment rates, economic drivers, population growth (or decline), and infrastructure are as diverse as the regions of the province. One area can boom and be a country leader while at the same time other regions can lag or even shrink. These facts are important to a real estate investor because people do not buy "British Columbia Real Estate," they buy specific pieces of property in specific regions on specific streets.

For investors the time for careful consideration and deep due diligence is here, the long-term opportunities are there it will just take a practiced eye and a non-emotional outlook to uncover them. It is always necessary to scrutinize the fundamentals of a marketplace and examine in detail the factors affecting good investment opportunities. The top towns for real estate investment in B.C. are as follows:

### Top British Columbia Investment Towns:

- 1. Surrey**
2. Maple Ridge & Pitt Meadows
- 3. Fort St. John**
4. Dawson Creek
- 5. Kamloops**
6. Abbotsford
- 7. Kelowna**
8. Chilliwack
- 9. Prince George**
10. Langley



### **Surrey**

Unsurprisingly, Surrey remains on the top of the list of BC Investment Towns for the fourth year in a row. The city's population has exploded in the last few years, recording a population increase of 18.6%

between 2006 and 2011. The city's population is second in the province to Vancouver, but that is about to change. The city's population is expected to increase by a staggering 250,000 over the next three decades!

Surrey will reap the benefits from the Gateway Program. A number of projects are in various states of completion that will positively impact the commute for residents to and from Surrey and improve transportation logistics for businesses.

Surrey has a lot going for it: its population increase, which is set to boom in the next few decades, its transportation network and infrastructure, its excellent and forward-thinking political leadership and its pockets of affordable housing. It's a no-brainer: the city should be on the top of all real estate investor's radars.

### **Maple Ridge & Pitt Meadows**

Remaining at number two on the list and located on the outskirts of Metro Vancouver, both Maple Ridge and Pitt Meadows are prime locations for those wanting access to the amenities of a larger city without the constant activity and commotion a large city creates. However, both communities have been hampered by poor transportation infrastructure for decades, detracting people from moving to the area and keeping real estate prices low. The completion of the Golden Ears Bridge between Langley and Maple Ridge in 2009 and the opening of the new Port Mann Bridge in 2012 have brought the one-time sleepy Fraser Valley farming communities closer to Vancouver. The addition of the Golden Ears Bridge crossing over the Fraser River is expected to draw 20,000 to 25,000 people to the Metro Vancouver region, of which almost 50% are expected to make their homes in Maple Ridge.

Real estate prices remain low...for now. As more people begin to realize what these two growing communities have to offer, demand will increase and prices will rise. Savvy real estate investors have begun to see the long-term growth potential of both communities.

### **Fort St. John**

Fort St. John flies up the list from number six. British Columbia's "Oil and Gas capital" is estimated to have one of the largest natural gas deposits in North America – most of it still largely untapped. People are moving to the region in droves because of the high wages and ease of getting work and this is compounding an already existing constricted housing supply problem. Rents are rising and prices are beginning to follow suit. The major demand for housing in the region is currently rental product but as the labour market in the region matures, we expect this demand to shift to single-family, owner-occupied housing. Investors have been clamoring to get a piece of the region but have found it very difficult – there is nothing to buy! The city has been nicknamed "the Fort McMurray of BC," and it's not far from the truth. The city's current fundamentals echo Fort McMurray, Alberta 10-15 years ago.

With several major projects set to be completed in Fort St. John during the next decade, the city will witness rapid population growth. The completion of the new Fort St. John Hospital in 2012 and the opening of the Site C dam project in 2020 will re-establish the city as a hub for northeastern BC. The ripple effect created by these two major projects will increase rents and home prices in the region, making it even more desirable to investors and businesses.

### **Dawson Creek**

Neck and neck with Fort St. John and number four on the list (up from number five), Dawson Creek's proximity to the Horn River and Montney shale gas formations as well as several coal mines have made it an ideal regional service centre for Northeast British Columbia. The abundance of natural gas resources in the area will provide a source of long-term growth for the city's economy. Dawson Creek

has experienced dramatic growth in the last few years as the world begins to grasp the possibility that one billion cubic feet of gas a day, or 170,000 barrels of oil, could be produced from the Horn River Basin.

It is important that investors keep in mind that energy projects will affect residential sales and average rents. When there is an uptick in new energy projects, consumer confidence is boosted by the increase in jobs to the region and the high average income. This causes an increase in demand for housing and rental properties. However, when the energy projects are cancelled or stalled, average rents and house prices may decrease. There is a lot of potential in the Dawson Creek real estate market if you are willing to provide hands on management and you have a long term view.

### **Kamloops**

Kamloops moves down the list to number five from number three; it still remains a solid place for investments in BC but had its position usurped by BC's Northeast, which is on fire because of the burgeoning energy sector. While remaining a popular vacation destination, Kamloops has also succeeded in attracting many non-tourism related industries. Recognized as the transportation hub for the Southern Interior, Kamloops has many major highways passing through it, as well as both of Canada's major railway lines. This makes Kamloops a perfect place to do business, and many manufacturing companies have decided to use the city's transportation links to their advantage. As a major transportation crossroads for the province, the city will continue to diversify its economy as an increasing number of industries locate in the region. Offering competitive development and business costs and low residential real estate prices, Kamloops will continue to attract both businesses and families.

Investors should not forget the presence of the Thompson Rivers University, which has generated new jobs, created new housing, and increased in-migration to the city. Thompson Rivers is the largest post-secondary institution in the province north of Vancouver and welcomes over 11,000 students a semester. 38% of students attending the university do not live in the Thompson Okanagan region, therefore needing places to rent. The city's location, its university, combined with the current economic conditions, sets Kamloops up for long-term growth.

### **Abbotsford**

Favourable housing prices along with an appealing rural lifestyle have led Abbotsford to experience rapid population growth in the last decade, with no signs of stopping any time soon. The city has witnessed an increase in local jobs, with fewer people having to commute out of the city for work. Additionally, the city has seen a rise in commercial, retail, and industrial development. The major expansion of commercial and industrial lands along the Mt. Lehman Corridor, including a new high tech park and mega shopping mall (including US retail giants Wal-mart and Marshalls) will cement in minds of prospective businesses that Abbotsford is the goods and services hub of the Fraser Valley.

Abbotsford moves down the list to number six from number four; it is notoriously known by investors and business owners as a tough place in which to do businesses. Crippling zoning by-laws and unyielding planning policies have resulted in many businesses finding it easier to locate elsewhere.

### **Kelowna**

Kelowna is the largest municipality in the Okanagan Valley and the largest metropolitan centre between the Lower Mainland and Calgary. Remaining at number seven on the list, its central location has led the city to become the transportation, business, and service hub of the region. Kelowna's economy continues to diversify as it attracts small and medium sized enterprises to the region. This will add to

the economic stability of the once primarily recreational and retirement-oriented community, increasing its attraction to investors and future residents.

Increased transportation connections, including improvements to Highway 1 and the addition of several new RapidBus stations, and new development opportunities will draw a continually younger population to the city. In fact, the city has continues to witness an increase in enrollment at both the UBC Okanagan campus and Okanagan College every year. With strong city leadership working on building infrastructure to support growth, Kelowna is a city with a long-term vision. This will help it compete not just provincially, but nationally, for small and medium sized companies and the jobs they create.

### **Chilliwack**

Chilliwack makes its debut on the top investment list at number eight after debuting as a Tier Two City at last print. Its lower property values compared to the Fraser Valley and Lower Mainland have always been appealing but rents had not crept up for properties to make sense here. Investors who know the City and do some digging can certainly find cash flowing properties here. The secret is to be very aware of tenant profiles and property locations. Risk is higher for real estate investors in areas undergoing revitalization but pay off may very well be higher as the City provides redevelopment incentives and has great political leadership welcoming to the investor. With several major projects completed in the city in the last few years, including two new business parks, Canada Education Park, hospital renovations, and the Eagle Landing retail area, it is clear that Chilliwack is poised to witness major population growth over the next two decades. The extra lanes added to Highway 1, even though they are as far west as 200<sup>th</sup> in Langley make a westbound commute more palatable than ever.

As the population continues to grow, increased demand and agricultural land restrictions will cause real estate prices to rise. The city will inevitably witness some growing pains that come with rapid population growth, but a focused city council and economic development team will succeed in putting Chilliwack on the map. Landlords in the region have already witnessed an increase in average rent as people turn towards renting as an affordable option. Rectifying Chilliwack's non-connectedness with public transit to other cities would be game-changing for Chilliwack.

### **Prince George**

Prince George is located at the centre of it all – literally. The junction for several major road, rail, and air routes, and the geographical centre of the province, Prince George functions as a major trade and transportation hub for British Columbia. The city is the service and supply hub for the more than \$35 billion worth of major projects currently planned or underway in Northern BC over the next decade. Prince George's inland port connection to the Port of Prince Rupert has opened trade possibilities with Asia while major rail lines connect the city with the United States market. A recent runway extension at the Prince George International Airport has only increased its lucrative position as a trade centre.

The downturn in the forestry industry has caused Prince George to go through an economic rebirth. The good news is that the economy was not 100% reliant on forestry, as other central BC towns were, and therefore has weathered the economic storm better. That being said, economic transitions are never an over-night phenomenon. Investors in this region will battle with tenant turn-over, selecting the right part of town in which to own, and the inevitable cycles that an economic transition brings over the coming years. Prince George moves up the list one spot to number nine, primarily because two other cities fell off the list. It remains a bit of a gamble and is poised to either do quite well or underperform depending on the economic situation. It is these unknowns that keep the City low on the list but still a viable opportunity and up to the risk tolerance of the investor. Investors must know this city; inexpensive properties are available but they may very well be located in the flood plain with limited or no insurance available.

### **Langley**

Making its debut on the Top Town List at number ten, Langley is a vibrant and growing community located in BC's Lower Mainland just west of Surrey. With access to several major transportation routes and proximity to a U.S. border crossing (and consequently U.S. markets), and large swaths of industrial land, Langley provides businesses with everything they need to succeed. The region's attractiveness is only set to increase with the completion of the Golden Ears Bridge and the Gateway Program. Langley's growing job opportunities has begun to attract young workers (and their families) and the region's school district and hospital are both feeling the pressure. Projections have the region's population hitting 197,507 by 2026.

Because it is poised to do well due to its location and transportation network and options, Langley may be a great investment opportunity; however, investors should note that the region's strict secondary suite bylaw restrictions and focus on multi-family developments mean single-family investing options are few and far between. Langley's high average real estate prices also make entry into the market difficult. Given the high prices of homes, it is often only possible to cashflow with suited units and the license fee and utility premium will inhibit the growth of residential buy and hold investing. Unless the investor lives in the property, a secondary suite is not allowed by council.