

State of the Southern Interior Region

**SOUTHERN
INTERIOR**
REGIONAL ECONOMIC SUMMIT
ELEVATING OUR POTENTIAL, TOGETHER

MNP

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Cross-Country skiing at night at Silver Star Mountain Resort, Vernon | Credit: Destination BC/Blake Jorgenson

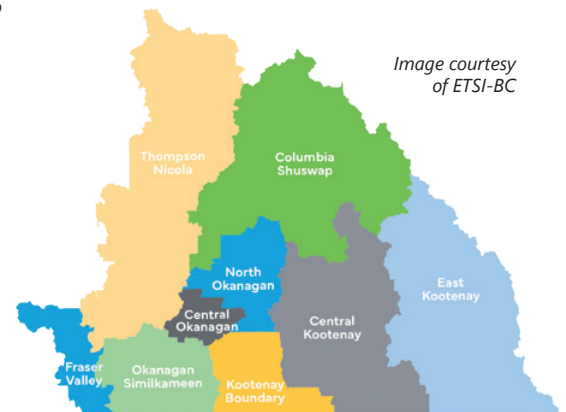
2022 STATE OF THE SOUTHERN INTERIOR REPORT

1. INTRODUCTION

The Southern Interior Region of British Columbia is a vast geographic area, spanning mountain ranges, verdant farmland, rich forests, wildlife and ranches, ski hills and lakes, and numerous interior cities and towns. From Hope to Sparwood, to Valemount and Merritt, to Kamloops and Revelstoke, Kelowna to Nelson and Cranbrook – the geography creates physical barriers which economic development practitioners wrestle with every day. Indigenous businesses, tourism magnets, agricultural endeavours, mining and forestry and thousands of retail organizations all contribute to a lively economy.

The theme of the inaugural 2022 Southern Interior Regional Economic Summit is Elevating our Potential, Together. Working together, recovery and resilience are key to a continuing strong economy in this region of British Columbia. The Kelowna Chamber of Commerce commissioned an economic report from MNP LLP in 2022 which would capture a snapshot of where the economy of this region is with up-to-date data and statistics just in time for the October 2022 Summit. The Report is intended for use by economic practitioners throughout the Southern Interior and has information of interest to elected officials and businesses as well.

We hope that you find the Report informative, and useful as a basis for some of the decision-making and planning with which you are engaged this year and into 2023. We thank the Economic Trust of the Southern Interior BC (ETSI-BC) for their financial assistance in helping the Kelowna Chamber of Commerce initiate this project, and our partners MNP LLP – particularly Susan Mowbray, Chief Economist and Andre Gailits, Manager, Consulting - Economics and Research – for their work on the Report.



2. LIMITATIONS

This report is provided for information purposes and is intended for general guidance only. It should not be regarded as comprehensive or as a substitute for personalized, professional advice.

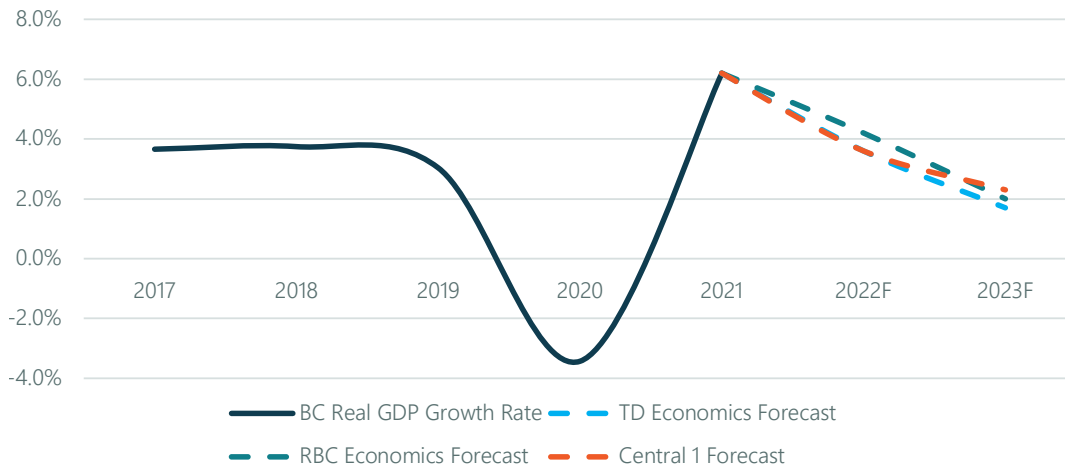
We have relied upon the completeness, accuracy and fair presentation of all information and data obtained from public sources, believed to be reliable. The accuracy and reliability of the findings and opinions expressed in the presentation are conditional upon the completeness, accuracy and fair presentation of the information underlying them. As a result, we caution readers not to rely upon any findings or opinions expressed for business or investment decisions and disclaim any liability to any party who relies upon them as such. Before taking any particular course of action, readers should contact their own professional advisor to discuss matters in the context of their particular situation.



3. MACROECONOMIC INDICATORS

GDP

BC Real GDP Growth Rate



Source: Statistics Canada. Table 36-10-0402-01 GDP at basic prices, by industry, provinces and territories; TD Economics, Provincial Economic Forecast (June 2022); RBC Economic Research, Provincial Outlook (June 2022); Central 1 (May 2022)

BC's GDP grew by 6.2% in 2021, ending the year 3% higher than in 2019. Key factors were continued migration from other regions of Canada which increased demand for housing, retail and personal services; continuation of construction on major projects and higher commodity prices that provided a boost to resource sectors. Acceleration in the adoption of digital technologies through the pandemic supported growth in the tech sector, while ongoing travel restrictions in key markets and testing requirements slowed recovery of tourism. Healthcare and public administration also expanded.

Mid-year projections for BC's GDP growth are in the 3.6% to 4.2% range for 2022 and then between 1.7% and 2.3% in 2023. Despite the relatively positive projections, there is significant uncertainty in the forecast and how demand for goods and services will evolve as the pandemic's effects wane and activity normalizes. Pandemic restrictions on travel and gathering in groups led to significant increases in demand for goods and declines for services. As restrictions have been lifted consumption patterns have pivoted toward services and demand for goods has declined year-over-year. As a result, major retailers have reported growing inventories and have had to discount products. Similarly, there is expected to be a shift from remote to hybrid work as business activity normalizes, which could affect migration patterns and regional impacts.

In the Southern Interior, strong population growth and a large increase in visitation through the pandemic period have supported the real estate and tourism sectors. Going forward, population growth is expected to continue to play an important role in growth in urban areas such as Kelowna and Kamloops. The outlook for mining is stable, while tourism is expected to revert to pre-pandemic patterns.

Inflation

Through the second half of 2021 and into the first half of 2022, inflation rates accelerated in Canada as well as much of the rest of the world. Rising inflation has been the result of a mix of global and domestic factors. Increases in global energy prices and drought conditions in many areas have led to higher costs for fuel and food. The invasion of Ukraine by Russia further increased commodity prices in the second quarter. Domestically, demand has increased, and labour shortages and continuing supply chain constraints mean businesses have struggled to increase production. As a result, both prices and wages are rising.

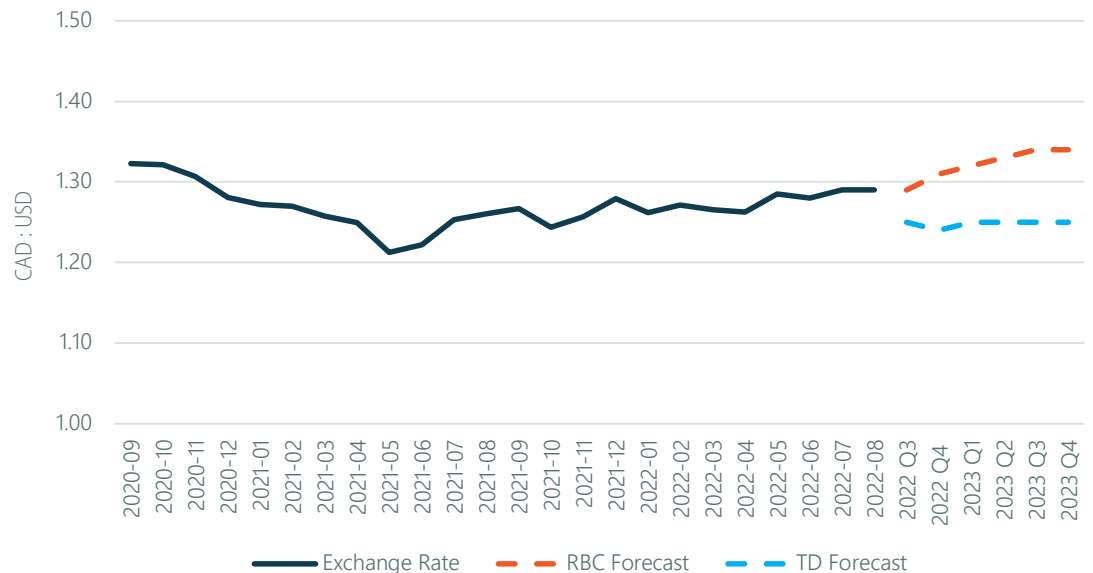
Against this backdrop there is some indication that expectations of higher inflation may be setting in among businesses and consumers. Higher inflation expectations can lead to higher long-term inflation as businesses factor these into wage and price adjustments. In response, the Bank of Canada has taken steps to reduce demand and slow inflation by increasing interest rates. Between March 2022 and September 2022 the key policy rate increased from 0.25% to 3.25%. Further increases are expected.

As of September 2022, the Bank of Canada expects inflation to gradually decline as demand slows but to remain elevated through 2024.

Source: Bank of Canada. Monetary Policy Report
<https://www.bankofcanada.ca/publications/mpr/>

Exchange Rate

Source: Bank of Canada. RBC Economics. TD Economics.



After gaining significant value through the end of 2020 and into the first half of 2021, the Canadian dollar gradually fell back to near pre-pandemic levels by mid-2022. Global market declines, interest rate hikes and recession fears have led to a flight-to-safety to the US dollar and corresponding depreciation of the Canadian dollar. As of September 2022, the Canadian dollar was trading at \$0.75 USD.

Looking forward, the value of the Canadian dollar will be heavily influenced by the price of oil and other export commodities. The ongoing conflict in Ukraine and tightening of monetary policy to combat inflation by central banks around the world is expected to slow global growth and reduce demand for commodities. In Q3 prices for oil and industrial inputs declined modestly, while the price of natural gas rose significantly. This suggests that demand is moderating, and that the CAD may trend lower in the near term.

At this level, the exchange rate is not expected to have a significant impact on tourism or export activity in the Southern Interior.

4. OVERVIEW OF THE SOUTHERN INTERIOR

Resource sectors, manufacturing and tourism are relatively large components of the economy of the Southern Interior; however, there are substantial differences by region. The Okanagan is the most urban region and has a more diversified economy than the Kootenay, Thompson-Columbia or Hope-Fraser Valley. The Kootenay region is the most dependent on resource sectors, while there are indications that there has been some diversification in the Thompson-Columbia.

Population growth has been an important factor in economic growth across the region. Between 2016 and 2021 the population of the Southern Interior grew by nearly 60,000 people, an overall increase of 8.1%¹. This exceeded the growth rate of the province (7.3%) and the Lower Mainland (7.6%). Over 60% of the population growth occurred in the Okanagan region, followed by the Thompson-Columbia (24%) and Kootenay (13%).

Population growth in the Southern Interior is primarily due to migration within Canada. Prior to the pandemic migration from other provinces had been slowing, while migration from within BC was increasing. Over the pandemic, migration from other parts of BC continued to grow modestly, while migration from other provinces increased substantially, and international migration was close to zero due to pandemic related restrictions in travel and delays in processing applicants.

There are indications from the housing market that in 2020 and 2021 the relative affordability of parts of the region as well as the shift to remote working arrangements led to an increase in migration from the Lower Mainland.

Economic Base

The economic base of a region comprises the industries that attract people to the region, drive employment, and support the retention of workers. In turn, workers and businesses within the economic base require supporting services, such as retail, public services, real estate, and support services for their businesses. These supporting industries are known as the local area market and are industries that exist to support the needs of residents and local businesses.

“Population growth has been an important factor in economic growth across the interior. Most of the growth has occurred in the Central-Okanagan and Thompson Columbia regions around urban centres such as Kelowna and Kamloops. In less urban areas growth has been slow and there is some indication that there are fewer opportunities in these areas.”

¹ BC Stats. BC Population Estimates.

Preliminary population estimates from 2022 suggest that international immigration has increased significantly as backlogs due to COVID-19 delays have cleared. Interprovincial and intraprovincial migration are expected to settle back into their long-term trends, along with international immigration, as post-COVID-19 economic conditions stabilize.

Labour Market

	2016	2019	2022 (January - August)
UNEMPLOYMENT RATE			
Thompson-Okanagan (excluding Kelowna)	7.6%	5.4%	5.9%
Kelowna	8.2%	4.1%	5.3%
Kootenay	7.9%	5.3%	5.0%
BC	6.1%	4.7%	4.9%
LABOUR FORCE			
Thompson-Okanagan (excluding Kelowna)	182.7	194.8	185.7
Kelowna	105.3	117.9	115.4
Kootenay	79.4	84.7	79.5
PARTICIPATION RATE			
Thompson-Okanagan (excluding Kelowna)	61.4	62.1	62.2
Kelowna	64.4	66.8	61.4
Kootenay	60.2	62	59.5
BC	64.9	66	65

Source: Statistics Canada, Labour Force Survey

Population growth in the Okanagan and Thompson-Columbia has been primarily among the working age population. This led to increases in the labour force and increases in the labour force participation rate between 2016 and 2019. Over the same period, the unemployment rate trended down, indicating that people entering the regional labour market were able to find jobs. Pandemic-related restrictions led to layoffs in hospitality, entertainment and recreation and an increase in the number of people who chose to retire early. This resulted in declines in labour force participation. As restrictions were lifted labour force participation increased, but as of August 2022 remains below 2019 levels. The unemployment rate is above pre-pandemic levels which suggests that there are fewer employment opportunities available or that there may be a skill mismatch between available employment opportunities and those seeking employment.

² Statistics Canada. Table: 17-10-0040-01. Estimates of the components of international migration.

In the Kootenay region population growth has been largely driven by migration among those 45 and over. This led to an increase in labour force participation between 2016 and 2019. However, as of August 2022 labour force participation rates are below 2016 levels and the unemployment rate is consistent with 2019 levels. This suggests that there are fewer employment opportunities available and that a substantial number of people exited the labour force during the pandemic.

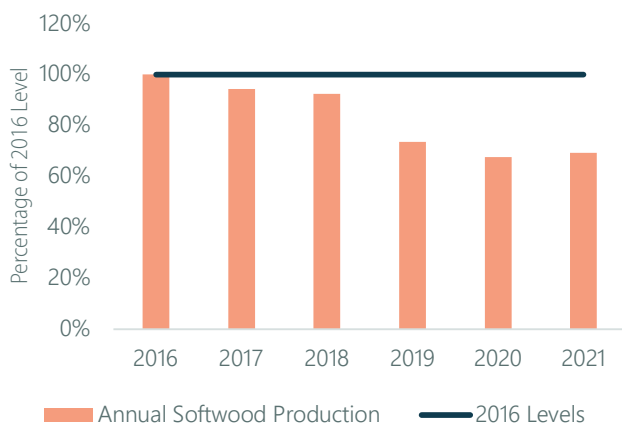
Resource Industries

Annual Harvest Volumes (Southern Interior) Relative to 2016 Levels



Source: BC Ministry of Forests, Harvest Billing System

Annual Softwood Lumber Production (Southern Interior) Relative to 2016 Levels



Source: Statistics Canada. Table 16-10-0017-01 Lumber production, shipments, and stocks by species, monthly (x 1,000)

Old Growth Deferrals

In November 2021, based on recommendations from the Old Growth Strategic Review, the BC government announced it would work with First Nations to defer 2.6 million hectares of old growth forest. The intent of the deferrals is to prevent irreversible biodiversity loss while First Nations, the Province and other partners develop a new approach to sustainable forest management that prioritizes ecosystem health and community prosperity throughout BC. The deferred area was in addition to the 3.5 million hectares already off limits to harvesting in BC. Of the 11 areas in BC that are designated for harvesting deferrals, four of them are located in the Southern Interior.

Source: Province of BC, Old growth deferral areas. Available here: <https://www2.gov.bc.ca/gov/content/industry/forestry/managing-our-forest-resources/old-growth-forests/deferral-areas>

BC's forest industry has undergone a significant rationalization in response to fibre supply constraints. In the Southern Interior, production capacity has been relatively stable while harvesting activity and production has declined. This has resulted in lower levels of employment in some areas.

Mining and associated manufacturing activity has remained stable, while exploration activity in BC has increased in response to a favourable outlook for key commodities.



Dinner at the Bear, Fish, Root and Berry - Osoyoos - ITBC - Dining | Credit: Indigenous Tourism BC/Brendin Kelly/The Bear, Fish, Root and Berry

Agriculture and Food and Beverage Manufacturing

Increasing interest in food security and local food has led to growth in agriculture and associated manufacturing in the Okanagan region. This growth has supported growth in culinary tourism and there are indications that some investments are being made in agri-food production in the Thompson-Columbia.

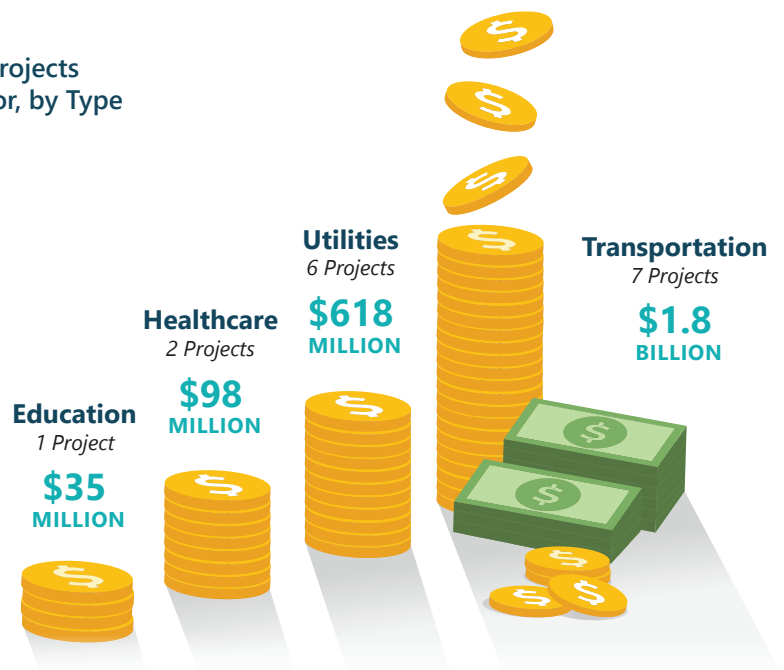
Tourism

Tourism in the Southern Interior is primarily related to a combination of outdoor recreation (e.g., hiking, mountain biking, camping, skiing and snowmobiling) and culinary activities. As such it tends to serve a regional market. The majority of visitors are from the Lower Mainland and Alberta, with some visitation from western US states. Pandemic related restrictions led to significant increases in visitation to the Okanagan and Kootenays in 2021. As travel restrictions lifted, there are indications that visitation is reverting to pre-pandemic patterns.

Major Infrastructure Projects

There are a number of major projects underway to upgrade infrastructure in the Southern Interior. In addition, damage to highway infrastructure and housing from floods in November 2021 is being undertaken.

Major Infrastructure Projects in the Southern Interior, by Type



Rose Valley Water Treatment Plant Construction³

The Rose Valley Water Treatment Plant construction is the largest project ever undertaken by the City of West Kelowna. The multi-year construction began in 2020 and has four primary phases. The design and earthworks phases are complete, while the water treatment plant and transmission main construction phases are underway. The project is expected to be complete in spring 2023, and once operational will provide clean drinking water to 18,000 residents.



Pipe connection to the Rose Valley treated water reservoir.
Credit: City of West Kelowna

Inland Gas Upgrades⁴

FortisBC is upgrading 29 sections of their natural gas lines throughout the interior of BC, including one line in the Thompson-Nicola region, three in the Kootenay region and 15 in the North Okanagan-Shuswap region. Upgrades include reducing bends, replacing fittings, replacing gas lines and adding pressure reduction stations. Construction in 2022 took place in 12 communities across the BC Interior and construction in 2023 and 2024 is expected to continue seasonally at 18 communities.

Kootenay Boundary Regional Hospital Upgrades⁵

The Kootenay Boundary Regional Hospital is undertaking a construction project to build a new ambulatory care clinic and expand the existing pharmacy. This will include a new emergency department, the creation of new outpatient rooms and add telehealth services. The pharmacy will triple in size, adding new patient consultation rooms. Construction began in 2021 and is expected to be complete in 2023. The project is estimated to create 156 direct jobs and 58 indirect jobs during the construction phase.

Kicking Horse Canyon Project - Highway 1 Improvements⁶

Kicking Horse Canyon is located east of Golden, BC in the Columbia-Shuswap Regional District. The construction project involves transforming 21 kilometres of a narrow, winding two-lane section of the Trans-Canada Highway into a four-lane, 100km/h standard road. Construction on this phase (Phase 4) began in 2021 and is expected to be complete in 2023/24.

³ City of West Kelowna.

Available here: https://www.westkelownacity.ca/en/our-community/rose-valley-water-treatment-plant-project.aspx?_mid_=38297

⁴ FortisBC. Available here: <https://talkingenergy.ca/project/inland-gas-upgrades>

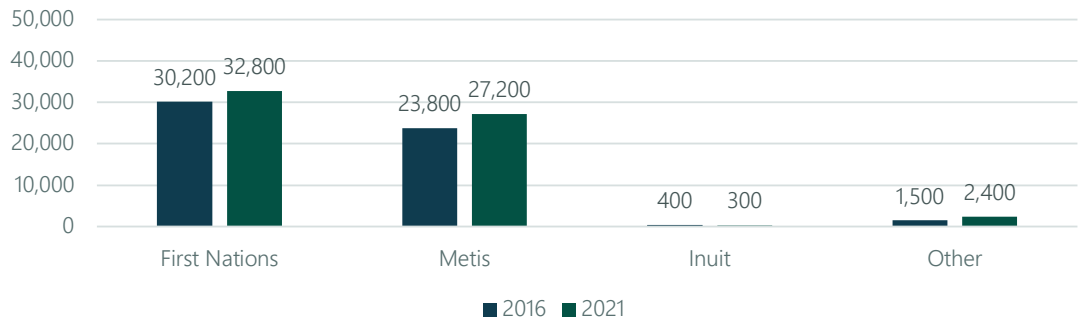
⁵ BC Government. Available here: <https://news.gov.bc.ca/releases/2021HLTH0038-000293>

⁶ Kicking Horse Canyon. Available here: <https://www.kickinghorsecanyon.ca>

INDIGENOUS PEOPLE – SOUTHERN INTERIOR

The contributions of Indigenous People to the Southern Interior include the activities of Indigenous households, Indigenous businesses and First Nations Administration.

Indigenous People, 2016 to 2021

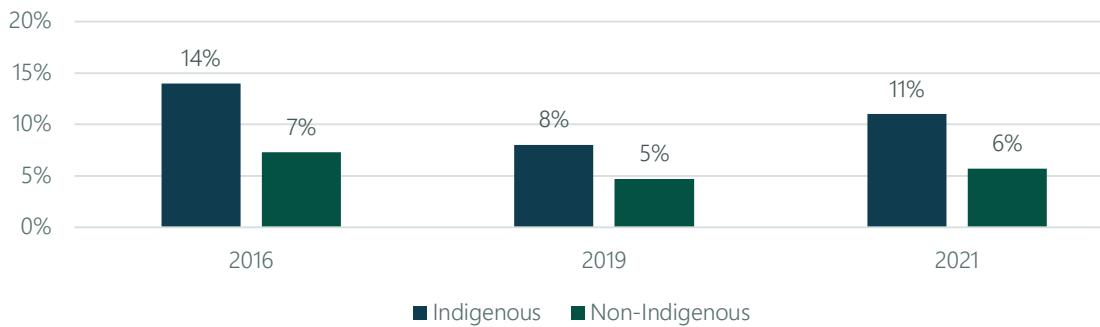


Source: Statistics Canada Census 2016 and 2021

“ Indigenous Peoples of the Southern Interior account for 8% of the population. Prior to the pandemic, there was some indication that the gap in employment outcomes between Indigenous and non-Indigenous people was closing. ”

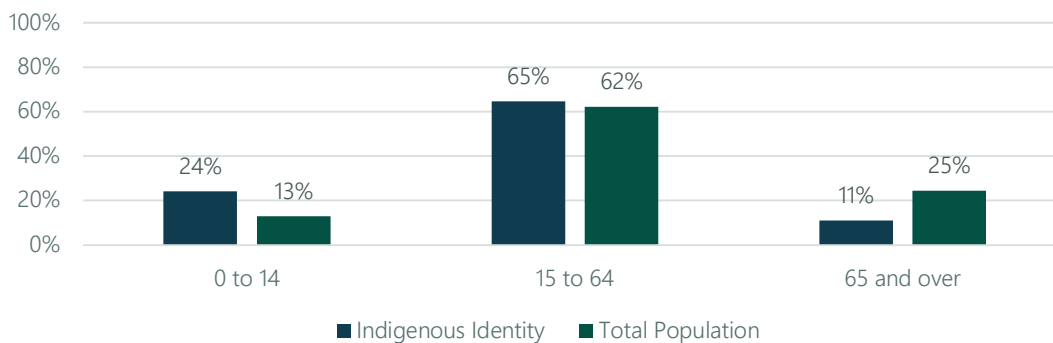
Horseback riding with Indian Grover Riding Stables in Osoyoos - ITBC
Credit: Indigenous Tourism BC/Indian Grover Riding Stables

Unemployment Rate, Off-Reserve Indigenous and Non-Indigenous People, Thompson-Okanagan Region - 2016, 2019, 2021



Source: Statistics Canada Census 2016 and 2021

Age Distribution, Indigenous People and Total Population, 2021



Source: Statistics Canada Labour Force Survey. Custom tabulation.

The Indigenous population of the Southern Interior grew from approximately 56,000 in 2016 to 62,700 in 2021, a growth rate of 12%, which is slightly greater than the growth in the overall region's population (11.3%)⁷. The Métis population of the Southern Interior grew by 14% over the same period, while the First Nations population grew at 9%. Approximately 70% of the Southern Interior's First Nations population lives off-reserve.

Within the Southern Interior, the largest populations of Indigenous people reside in the Central Okanagan and Thompson-Nicola regions, which includes the areas around Kelowna and Kamloops. The Thompson-Nicola region's population is approximately 13% Indigenous, the highest concentration of Indigenous peoples in the Southern Interior⁸. The region is home to the Shuswap Nation Tribal Council, a group of nine First Nations, including Tk'emlúps te Secwépemc, Simpcw First Nation, Adams Lake and Shuswap Band.

Spending by First Nations Administration

In 2021 First Nations Administrations in the Southern Interior spent over \$300 million on their operations. This included wages and salaries and spending on suppliers in their local area.

Source: Financial Statements published through the First Nations Financial Transparency Act

⁷ Statistics Canada Census 2016 and 2021

⁸ Statistics Canada Census 2021

The Indigenous population of the Southern Interior, and the rest of the country, is significantly younger than the overall population. Approximately 24% of the Indigenous population is under age 15 and 11% are 65 and over, compared to 13% and 25% of the overall population, respectively.⁹

In 2016, the Indigenous population of the Southern Interior had an unemployment rate double that of the non-Indigenous population (14% vs. 7%)¹⁰. This gap narrowed between 2016 and 2019, largely due to a reduction in Indigenous unemployment while the Indigenous labour force was stable. However, the unemployment rate gap widened throughout the pandemic due in part to the greater proportion of Indigenous peoples employed in sectors most affected by the pandemic like retail trade and accommodation and food services.

There was no information available on the footprint of Indigenous-owned businesses in the Southern Interior.

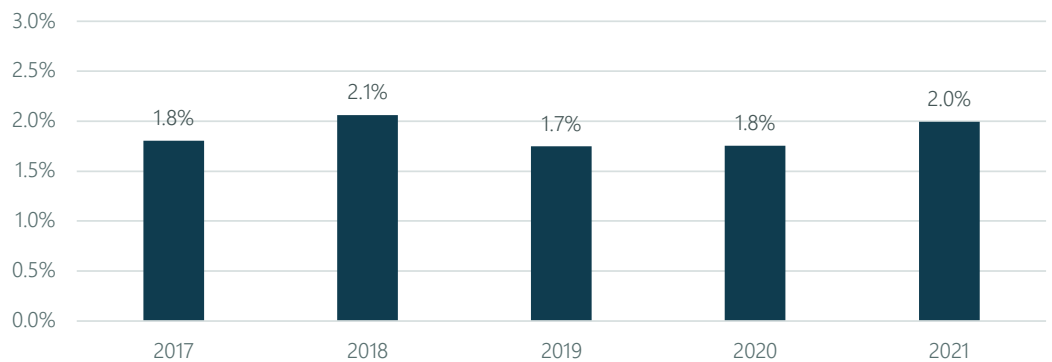
OKANAGAN

The Okanagan region is the largest region in the Southern Interior by population. It comprises the North Okanagan, Central Okanagan and Okanagan-Similkameen regional districts. Kelowna is the largest urban centre in the region with over one-third of the region's population.

Population

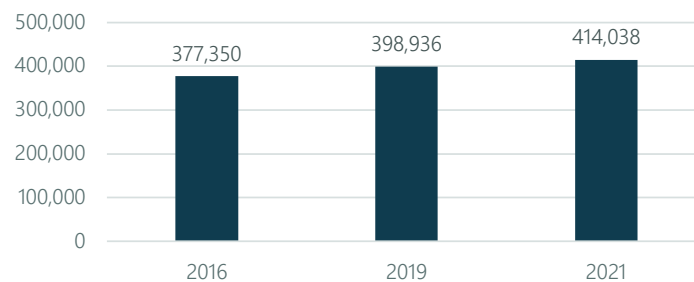
Population Growth Rate, Okanagan, 2017 to 2021

Source: BC Stats Population Estimates



Total Population, Okanagan, 2016, 2019, 2021

Source: BC Stats Population Estimates



⁹ Statistics Canada Census 2021

¹⁰ Statistics Canada Labour Force Survey. Custom tabulation.

The Okanagan region was the fastest growing area in BC between 2016 and 2021, with a growth rate of 9.7%¹¹. The region's major urban centre, Kelowna, grew by 12.1% over the same period, accounting for over 40% of growth in the region.

Migration from other provinces, primarily Alberta and Ontario accounts for the majority of population growth and approximately two thirds of those migrating to the region from other provinces are between 15 and 55 years of age. Among migrants from within BC, over half are between 15 and 55 years of age. Most migration is to the Central Okanagan which is the most urban region, with the most diversified economy. This suggests that migration is related to economic opportunities and that the demand for services and housing to support the growing population has grown.

As population has grown there are indications that affordability has become a concern, particularly in Kelowna, both in the re-sale and rental markets. Looking forward, the erosion of affordability in the Kelowna area would be expected to result in increased migration to some of the surrounding municipalities where the cost of living has not increased at the same pace.



Kelowna Construction | Credit: City of Kelowna, Michael Hintringer

¹¹ BC Stats. BC Population Estimates.

Employment

The economic base of the Okanagan region comprises agriculture, food and beverage manufacturing, post-secondary, forestry, tech and tourism. Between 2016 and 2019 employment in food and beverage manufacturing, tech and tourism related services increased modestly, while employment in forestry and agriculture was relatively stable.

Population growth led to growth in the service sector and increases in construction activity. As a result, the percentage of employment attributable to the economic base fell from 23% to 18%.

The impact of the pandemic on employment varied by sector and recovery in those sectors most impacted has been slow. At the start of the pandemic there were significant declines in employment in the hospitality sector and employment remains well below pre-pandemic levels despite strong visitor numbers. Employment in health care has also declined as health care workers have left the sector and this has resulted in reduced services and extended wait times. There have also been declines in retail employment.

After initially falling, construction employment has increased and is above pre-pandemic levels due to strong demand for housing. There are also indications that employment in tech and education increased during the pandemic and is above pre-pandemic levels.

	2016	2019	2021
Percentage of employment in the economic base	23%	18%	17%

Credit: City of Kelowna

Business Environment

Business Counts – 2016, 2019, 2021

Source: Statistics Canada, Business Register

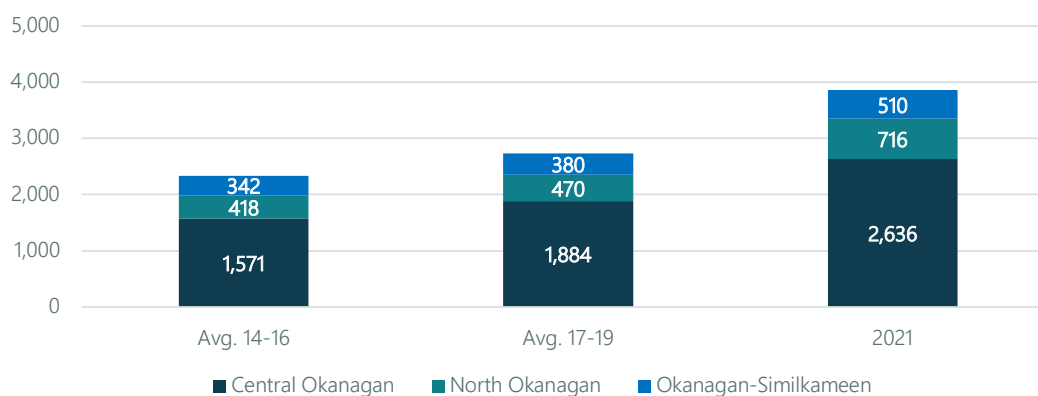
Category	2016 Total with Employees	2019 Total with Employees	2021 Total with Employees	Trend
Goods-Producing Sector	3,920	4,180	4,199	Growing
Agriculture, Forestry, Fishing & Hunting	903	932	923	Stable
Construction	2,264	2,468	2,460	Growing
Manufacturing (31-33)	645	682	728	Growing
Mining & Oil & Gas Extraction	81	71	63	Declining
Utilities	27	27	25	Stable
Service-Producing Sector	10,952	11,516	11,496	Growing
Accommodation & Food Services	1,017	1,033	967	Declining
Admin. & Support, Waste Mgmt. & Remediation	691	752	753	Growing
Arts, Entertainment & Recreation	272	303	298	Growing
Educational Services	174	174	160	Declining
Finance & Insurance	565	577	554	Stable
Health Care & Social Assistance	1,524	1,678	1,747	Growing
Information & Cultural Industries	159	195	202	Growing
Management of Companies & Enterprises	67	76	85	Growing
Other Services (excl. Public Administration)	1,257	1,326	1,303	Stable
Professional, Scientific & Technical Services	1,443	1,516	1,611	Growing
Public Administration	53	53	54	Stable
Real Estate & Rental & Leasing	766	902	840	Growing
Retail Trade (44-45)	1,851	1,872	1,883	Stable
Transportation & Warehousing (48-49)	510	480	459	Declining
Wholesale Trade	603	579	580	Stable
Total	14,872	15,696	15,695	Growing



Photo Credit: CHBACO

Business Formation Trends

Source: BC Stats, Incorporations by Region



Bankruptcy Trends

Source: Office of the Superintendent of Bankruptcy Canada

Geography	Average 2014-16	Average 2017-19	2021
CONSUMER BANKRUPTCIES			
British Columbia	5,582	4,117	2,172
Thompson – Okanagan DR	770	621	312
Kelowna	269	218	121
BUSINESS BANKRUPTCIES			
British Columbia	168	94	49
Thompson – Okanagan DR	23	10	35
Kelowna	10	3	4

The overall population growth of the Okanagan is reflected in the steady increase in the number of businesses in the region between 2016 and 2021. The sectors that experienced the largest increases included construction, professional services, real estate and healthcare, which is consistent with the growth in the working age population of the region.

The accommodation and food services sector experienced strong growth in the number of businesses between 2016 and 2019, before COVID-19-related restrictions caused a decline from 2019 to 2021. The information and culture sector experienced positive increases in the number of businesses through 2019, before stabilizing through 2021.

Business formations in the Okanagan region trended upwards from 2014 to 2019, before increasing more rapidly through 2021.

Consumer bankruptcies declined from 2014 to 2019 as economic conditions in the region improved, and then further declined through 2021. This is consistent with the government support measures that were available including the CERB, CEWS and mortgage deferral options. Business bankruptcies edged up in the region in 2021 compared to previous periods, though this is driven by a small number of businesses and preliminary data from 2022 indicates bankruptcies falling back into their long-term trend. Moving forward, there is not expected to be a significant increase in personal bankruptcies due to high rates of employment and tight labour market conditions putting upward pressure on wages. While there is an increased risk of default on mortgages as interest rates rise, stress tests introduced in 2018 are likely to mitigate the risk.

Tourism

Tourism in the Okanagan region is a mix of sightseeing, outdoor recreation and culinary experiences. The majority of visitors to the region are from the Lower Mainland and Alberta. US visitors and visitors from other parts of Canada are the next largest groups, and there are relatively few international visitors to the region. Prior to the pandemic there was steady growth in visitation.

The introduction of pandemic-related travel restrictions led to significant increases in visitors to communities such as Kelowna and Penticton beginning in the summer of 2020 as BC residents travelled within the province. Visitor numbers remained elevated into 2021. While visitor numbers were generally up, spending patterns were affected. Restrictions on dining led to an increase in purchases of food at grocery stores or visitors bringing food with them. Supply chain issues also impacted the availability of ingredients which resulted in the need for restaurants to update menus frequently and increased costs.

As restrictions have lifted there are indications that leisure travel is returning to pre-pandemic patterns. Tourism operators reported positive visitor numbers; however, there were fewer overall visitors than expected. At present, recovery of the meeting and convention market and major events is uncertain. Air services remain below pre-pandemic levels but are expected to be restored by the end of 2023. Another consideration is the cost of travel. Air travel and accommodation prices increased significantly as operators dealt with labour shortages, surging demand and increased costs of operation. This has the potential to affect the region's value for money proposition and has created some uncertainty with respect to the longer-term outlook.

Hotel Occupancy Rates

	ANNUAL		JAN - JUN	
	2016	2019	2019	2022
Kelowna	65.7%	64.2%	63%	56.8%
Penticton	51.9%	55.4%	47%	45.9%
Osoyoos	NOT AVAILABLE			49.1%

Source: Destination BC

“ The introduction of pandemic-related travel restrictions led to significant increases in visitors to attractions throughout the Southern Interior region. As restrictions have lifted there are indications that leisure travel is returning to pre-pandemic patterns. Going forward there is concern in the Okanagan that increases in prices are eroding the region's value proposition. ”

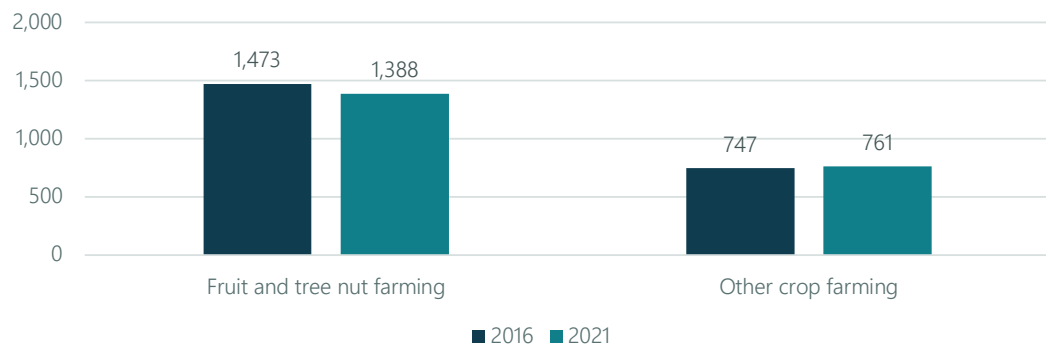


Apple picking at an orchard in Kelowna
Credit: Destination BC/Kari Medig

Agriculture

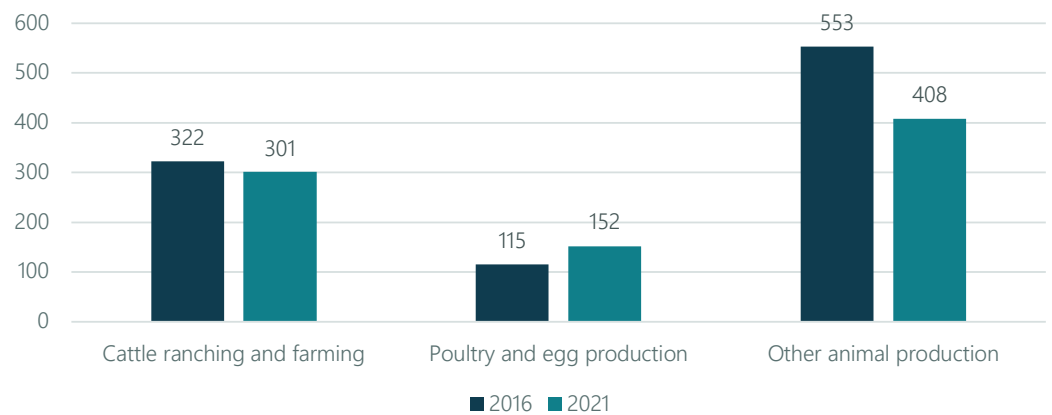
Farm Count – Crop Production, 2016 and 2021

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.



Farm Count – Animal Production, 2016 and 2021

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.



The Okanagan region is the province’s primary wine growing region as well an important area for apple orchards and stone fruit farms. The number of farms in the Okanagan region involved in crop production remained stable from 2016 to 2021. The popularity of the region for wineries and fruit farming, and resulting tourism, has prevented a decline in the number of farms that has occurred in most other regions in BC.

However, the number of farms engaged in animal production in the Okanagan region declined by 13% from 2016 to 2021. The majority of these declines were farms engaged in horse and equine production, which require significant acreage. This is consistent with trends at the provincial level.

Winery Counts and Acres Planted, 2022

Region	Wineries	Acres Planted
Okanagan Valley	186	9,617
Similkameen Valley	15	633

Source: Wine BC. Available here: <https://winebc.com/discover-bc-wine-country/>



Wineries in the Okanagan

The Okanagan’s wineries play a significant role in both the regional and provincial economy. Growth in the wine industry has led to the development of a local supply chain for fruit and other materials. It is also a key contributor to tourism and has influenced the emergence of a craft alcohol industry in the region. As of 2022 there are more than 50 wineries and 30 craft alcohol producers in the Okanagan.

Forestry

The Okanagan forest industry includes both primary and secondary production. It accounts for approximately one-third of the Southern Interior’s lumber capacity and 8.5 % of total provincial lumber capacity. The majority of production of poles, utility poles and posts in BC takes place in the Southern Interior and approximately a quarter of that production takes place in the Okanagan.

Since 2016, a number of small independent mills have closed in the region; however, overall capacity has remained relatively stable. Harvesting activity trended down between 2016 and 2021 due to a combination of fibre supply constraints and market conditions. This has led to declines in employment both in logging operations and production. As of 2022, between 4,000 and 5,000 people were estimated to be directly employed in harvesting and manufacturing in the Okanagan.

While demand for wood products is expected to remain strong, there is not expected to be significant changes in production in the Okanagan in the near term.

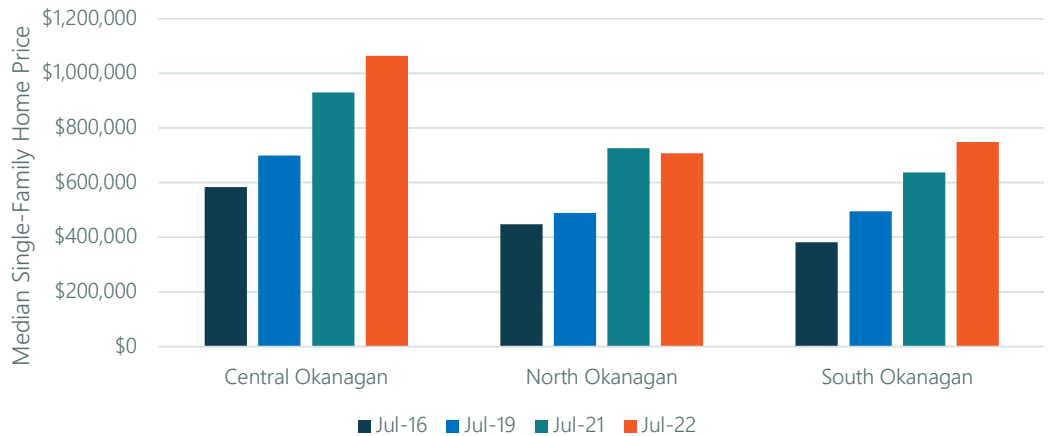
	Count	Share of Regional Capacity	Share of Provincial Capacity
Lumber Mills	9	33%	8.5%
OSB, Plywood, Veneer and Panel	3	33%	12%
Pellet	3	100%	19%
Chip	2	19%	5%
Pole, Utility Pole and Post	2	27%	23%

Source: BC Ministry of Forests, Major Timber Processing Facilities

Housing and Affordability

Median Single-Family Home Prices, 2016 to 2022

Source: BCREA



Real estate prices in the Okanagan maintained a stable upward trajectory from 2016 to 2019, while certain markets in the Lower Mainland and Vancouver Island experienced strong growth. However, beginning in the summer of 2020, housing prices began to accelerate across the Okanagan region. A combination of record-low interest rates, increased savings levels and the shift to remote work led to strong demand for housing in the region through 2021.

Average Rental Price, October 2021

Area	Two Bedroom Apartment
Kelowna	\$1,442
Vernon	\$1,253
Penticton	\$1,230

Source: CMHC Housing Market Information Portal

While the housing stock has largely grown in-line with population levels in the Okanagan region, there are indications from the tourism sector that the growth of short-term rental properties in the Okanagan has limited the supply of homes for sale and for rent.

Beginning in Q2 2022 after the Bank of Canada's increase in the Policy Interest Rate, housing sales and prices have shown signs of softening. However, there is not expected to be a significant price correction in the near term due to continued

population growth. Central 1 forecasts a 3.5% decline in median prices in the Interior in 2023 and a slight increase in 2024.¹²

On the rental side, limited supply due to short-term rentals and increased demand from families shifting away from purchasing homes is expected to push up prices. Central 1 expects an approximate 7% increase in rental rates in 2023 across BC, followed by a 5% increase in 2024.¹³

¹² Central 1. B.C. Housing Market Outlook: 2022 – 2024. June 2022.

¹³ Central 1. B.C. Housing Market Outlook: 2022 – 2024. June 2022.

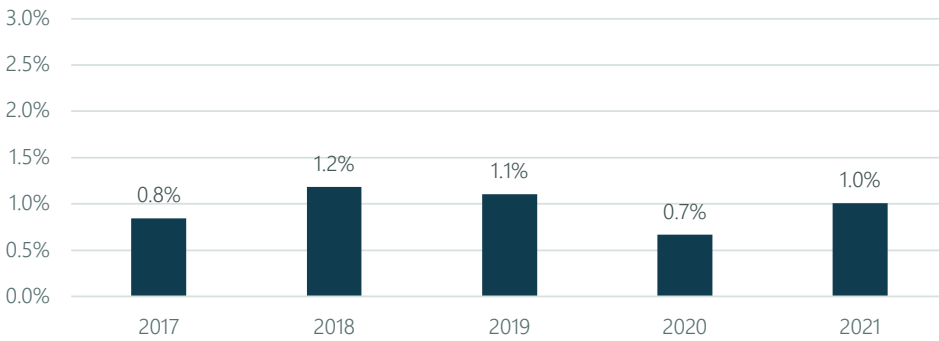
KOOTENAY

The Kootenay region is the second largest geographic region in the Southern Interior. It is bordered by the US to the south, Alberta to the east, the Okanagan region to the west and the Thompson-Columbia region to the north. It comprises the Kootenay Boundary, East Kootenay and Central Kootenay regional districts. Cranbrook is the largest community, though much of the region's population is spread out across smaller communities.

Population

Population Growth Rate, Kootenay, 2017 to 2021

Source: BC Stats Population Estimates



Total Population, Kootenay, 2016, 2019, 2021

Source: BC Stats Population Estimates

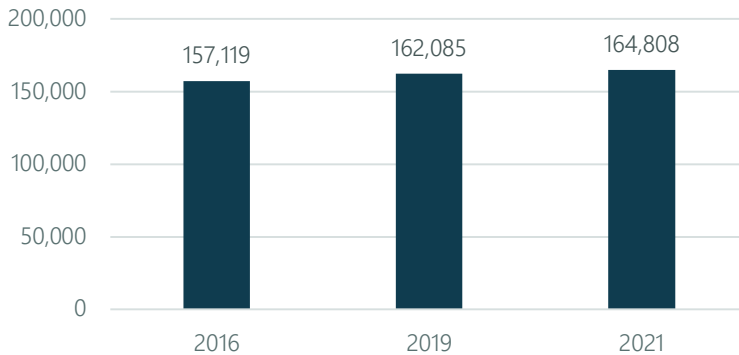


Photo Credit: CHBACO
Vacation Construction

The Kootenay region experienced moderate population growth between 2016 and 2021, with an overall growth rate (4.9%) below the province (7.3%), and the lowest in the Southern Interior. Nelson and Rossland were the fastest growing major population centres in the region, while the populations of Cranbrook and Trail remained largely stable.

Population growth in the Kootenay region is largely driven by interprovincial migration, though prior to the COVID-19 pandemic, international immigration was also an important component. Due to the pandemic, international immigration sharply declined while interprovincial migration increased to both Nelson and Cranbrook. Migration has largely been in the working age population, which is consistent with the overall shift to remote work that has led to families from larger population centres, moving to the region. Looking forward, population growth may rise modestly as international immigration returns; however, a major increase is not expected.

Employment

	2016	2019	2021
Percentage of employment in the economic base	22%	21%	21%

The economic base of the Kootenay region comprises forestry, mining, resource related manufacturing and tourism. Between 2016 and 2019 overall employment grew modestly due to increases in employment in public services such as health care and education. Overall employment declined during the

pandemic, but these declines were less pronounced than in other regions.

As of August 2022, overall employment is close to pre-pandemic levels. Employment in Transportation and Accommodation Services sits well below pre-pandemic levels, while employment in other tourism related sectors is comparable to pre-pandemic levels.



Northside Industries
Photo Credit: City of
Kelowna, Michael Hintringer

Business Environment

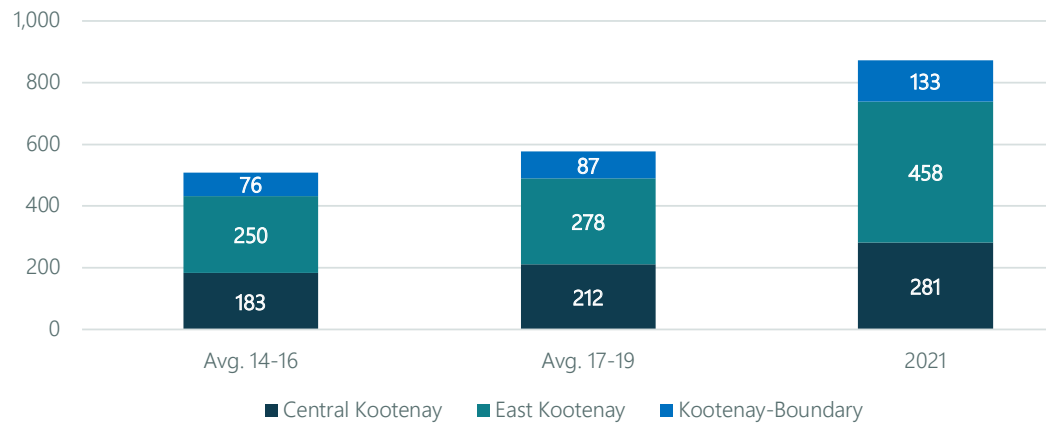
Business Counts – 2016, 2019, 2021

Source: Statistics Canada, Business Register

Category	2016 Total with Employees	2019 Total with Employees	2021 Total with Employees	Trend
Goods-Producing Sector	1,505	1,532	1,572	Stable
Agriculture, Forestry, Fishing & Hunting	326	307	316	Stable
Construction	884	925	948	Growing
Manufacturing (31-33)	223	237	239	Growing
Mining & Oil & Gas Extraction	51	41	44	Declining
Utilities	21	22	25	Stable
Service-Producing Sector	4,433	4,663	4,627	Stable
Accommodation & Food Services	527	555	525	Stable
Admin. & Support, Waste Mgmt. & Remediation	209	240	245	Growing
Arts, Entertainment & Recreation	172	179	168	Stable
Educational Services	56	65	72	Growing
Finance & Insurance	173	168	172	Stable
Health Care & Social Assistance	577	631	659	Growing
Information & Cultural Industries	82	92	87	Stable
Management of Companies & Enterprises	10	14	12	Stable
Other Services (excl. Public Administration)	534	562	539	Stable
Professional, Scientific & Technical Services	483	489	512	Growing
Public Administration	63	59	61	Stable
Real Estate & Rental & Leasing	275	290	265	Stable
Retail Trade (44-45)	851	885	885	Stable
Transportation & Warehousing (48-49)	256	271	260	Stable
Wholesale Trade	165	163	165	Stable
Total	5,938	6,195	6,199	Stable

Business Formation Trends

Source: BC Stats, Incorporations by Region



Bankruptcy Trends

Source: Office of the Superintendent of Bankruptcy Canada

Geography	Average 2014-16	Average 2017-19	2021
CONSUMER BANKRUPTCIES			
British Columbia	5,582	4,117	2,172
Kootenay	215	152	83
BUSINESS BANKRUPTCIES			
British Columbia	168	94	49
Kootenay	2	1	7

The number of businesses in the Kootenay region remained relatively stable from 2016 to 2021. Growth in migration among the working age population is reflected in increasing numbers of businesses in the professional services, education, construction and manufacturing sector.

Business formations in the Kootenay region trended upwards from 2014 to 2019, before increasing more rapidly through 2021 largely driven by the East Kootenay region. Consumer bankruptcies declined from 2014 to 2019, and then further declined through 2021. This is consistent with the government support measures that were available including the CERB, CEWS and mortgage deferral options. Business bankruptcies remain relatively minimal in the region, though a lapsing of pandemic-related government support measures may have contributed to the slight increase in 2021.

Moving forward, there is not expected to be a significant increase in personal bankruptcies due to high rates of employment and tight labour market conditions putting upward pressure on wages. While there is an increased risk of default on mortgages as interest rates rise, stress tests introduced in 2018 are likely to mitigate the risk.

Mining

Operating mines = 4 metallurgic coal mines

Smelting facilities = 1 zinc smelting facility

Proposed mines = 2 metal, 3 coal and 1 industrial mine

There are four metallurgical coal mines operating in the Elk Valley, which produce coal used in steel-making. These mines account for the majority of Canada's coal production and exports.¹⁴ There are also two proposed coal mines in the region which are in the pre-application stage of the environmental assessment process.

Mining activity in the region has been relatively stable due to sustained demand for metallurgic coal. In 2022, Russia's invasion of Ukraine resulted in sanctions on Russian commodities which increased coal prices and has led to an expectation of increased demand for North American production in the near term. This will support ongoing operations in the region, but there is not expected to be a significant increase in mining activity in the region.

Tourism

Tourism in the Kootenay region is primarily driven by outdoor recreation. In the winter visitors from the US, Alberta and the Lower Mainland come for skiing, snowmobiling and backcountry pursuits. In the summer camping, hiking and mountain biking draw visitors from other parts of BC and Alberta. Prior to the pandemic communities in the region were making investments in developing year-round recreation opportunities to attract visitors. As with other parts of the Southern Interior, visitation during the pandemic did not decline significantly. However, those businesses targeted primarily at international visitors such as heli-skiing struggled.

*Group of heli-skiers riding down a slope near Mica Heli Skiing Lodge.
Credit: Destination BC/Blake Jorgenson*

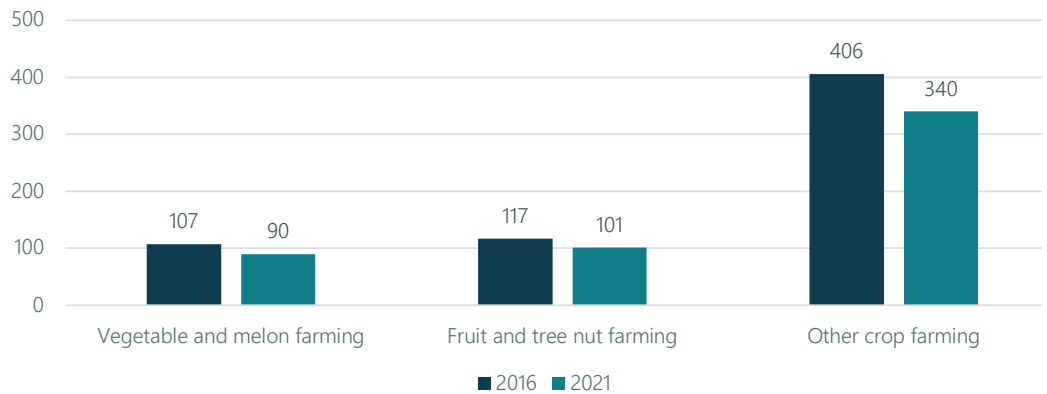


¹⁴ Hancock, Kirk. *Exploration and Mining in the Southeast Region, British Columbia. Information Circular 2022-01.*

Agriculture

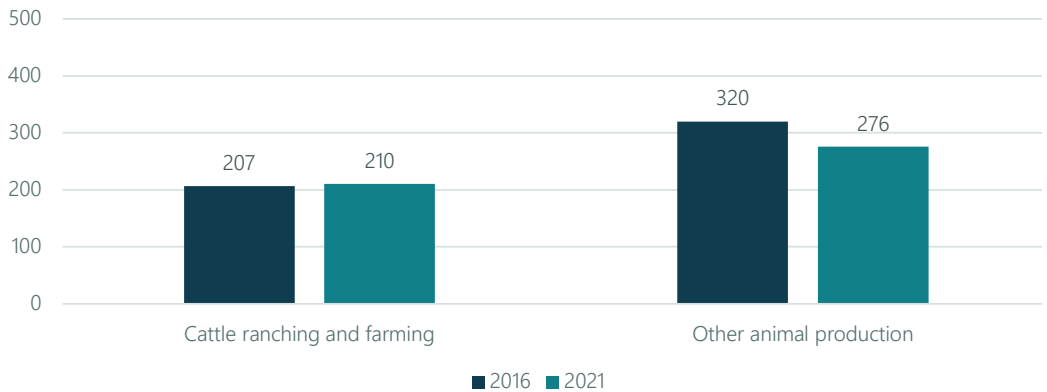
Farm Count – Crop Production, 2016 and 2021

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.



Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.

Farm Count – Animal Production, 2016 and 2021



Radium, BC Farmer's Market
Credit: Alison Bell

The Kootenay region's mountainous terrain is generally not conducive to large scale agriculture, and as a result there are relatively fewer farms in the region than in other parts of the Southern Interior. Central Kootenay has the largest number of farms in the Kootenay region. These farms are primarily engaged in fruit and tree nut farming, hay farming, cattle production, and horse and equine production.

Much like in the rest of the province, the total number of farms in the Kootenay region declined between 2016 and 2021. The number of farms engaged in crop production fell by 16%, led by declines in hay farming and horse and equine production.

Forestry

The forest sector in the Kootenay region is primarily focused on primary production. It accounts for approximately 37% of the lumber capacity and two-thirds of pulp capacity in the Southern Interior. Other products include chips, engineered panel products, poles, utility poles and posts. Production and capacity in the region was relatively stable between 2016 and 2021.

Approximately 3,500 people are employed in harvesting and production in the region. There is one old-growth deferral area in the region.

In the near term there is some indication that production will decline in 2022 and the outlook for 2023 is uncertain. Canfor, which operates three lumber mills accounting for almost 60% of lumber capacity in the region announced reductions in operating schedules at across its BC operations from the end of September through the remainder of 2022 due to reductions in market demand.¹⁵

	Count	Share of Regional Capacity	Share of Provincial Capacity
Lumber Mills	15	37%	10%
OSB, Plywood, Veneer and Panel	1	6%	3%
Pulp and Paper	2	66%	12%
Chip	1	13%	3%
Pole, Utility Pole and Post	6	35%	30%

Source: BC Ministry of Forests, Major Timber Processing Facilities

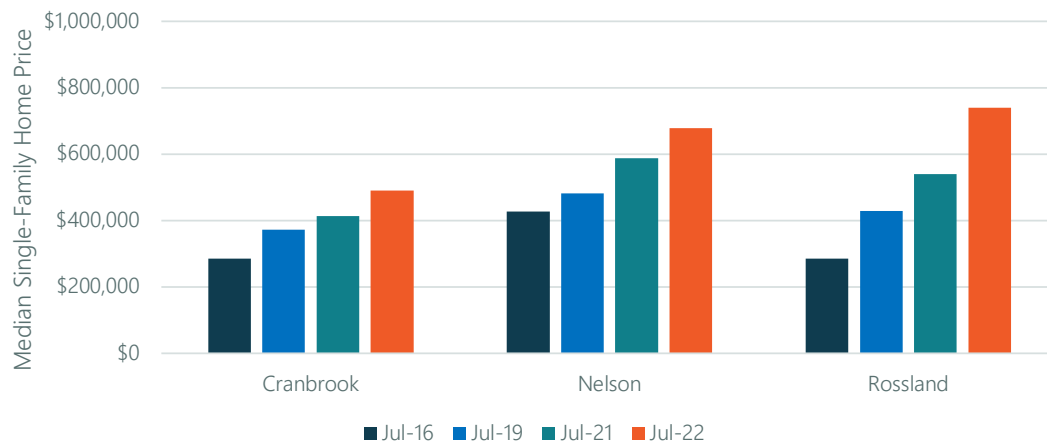


¹⁵ Canfor. *Canfor Reducing Production Capacity in British Columbia Through End of 2022*. September 19, 2022. Available here: https://www.canfor.com/docs/default-source/news-2022/nr2022-09-19_canfor-reducing-production-capacity-in-british-columbia-through-end-of-2022.pdf?sfvrsn=b69ce191_2

Housing and Affordability

Median Single-Family Home Prices, 2016 to 2022

Source: BCREA



Housing price growth in the Kootenay region varied significantly by community between 2016 and 2019, as well as during the pandemic and into 2022. It is important to note that median sales prices in many Kootenay region communities represent a relatively small number of transactions, compared to larger urban centres like Kelowna and Kamloops. Consequently, they can change significantly from period to period as a result of the composition of inventory and should be interpreted with caution.

Average Rental Price, October 2021

Area	Two Bedroom Apartment
Cranbrook	\$944
Nelson	\$1,103

Source: CMHC Housing Market Information Portal

Housing Supply

The rate of population growth in the Kootenay region outpaced that of its housing stock by 2.8 percentage points from 2016 to 2021.

Source: Statistics Canada, Census 2016 and 2021

Communities like Cranbrook, Nelson and Castlegar experienced slow, positive growth rates between 2016 and 2019, while Kimberley and Rossland experienced annual growth rates between 14% and 18%.¹⁶ During the pandemic, housing prices in Castlegar and Trail both accelerated, and growth rates were among the highest in the Southern Interior. In 2022, many Kootenay communities experienced continued strong growth in housing prices, despite higher interest rates and subdued demand in other parts of the province. The relative affordability of most communities in the region may be linked to the continued demand. Looking forward, housing prices are expected to stabilize as higher interest rates continue to limit demand and population levels grow moderately.

On the rental side, limited supply due to short-term rentals and increased demand from families shifting away from purchasing homes is expected to push up prices. Central 1 expects an approximate 7% increase in rental rates in 2023 across BC, followed by a 5% increase in 2024.¹⁷

¹⁷ Central 1. B.C. Housing Market Outlook: 2022 – 2024. June 2022.

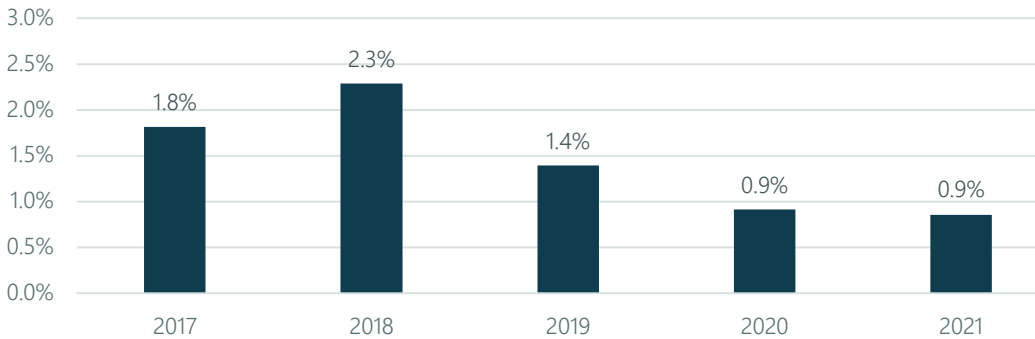
THOMPSON-COLUMBIA

The Thompson-Columbia region is the largest geographic region in the Southern Interior, stretching from Merritt to the Alberta border and north to the Wells Gray provincial park. It comprises the Columbia-Shuswap and Thompson Nicola regional districts. Kamloops is the largest urban centre in the region with approximately half of the region's population.

Population

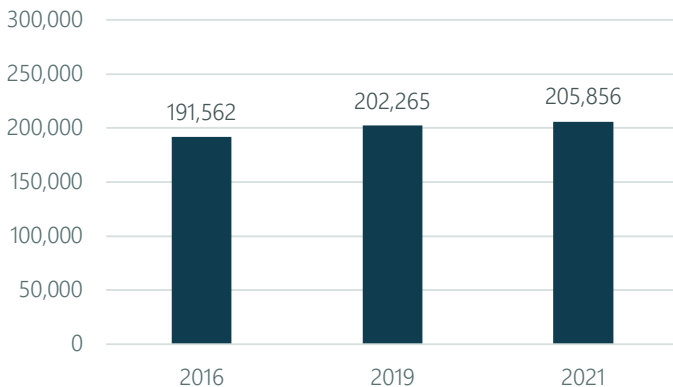
Population Growth Rate, Thompson-Columbia, 2017 to 2021

Source: BC Stats Population Estimates



Total Population, Thompson-Columbia, 2016, 2019, 2021

Source: BC Stats Population Estimates



The Thompson-Columbia region was among the fastest growing areas in BC from 2016 to 2019, before growth moderated during the COVID-19 pandemic. Between 2016 and 2019, growth in the Kamloops region was largely driven by intraprovincial migration and to a lesser extent interprovincial and international immigration. During the pandemic, international immigration was largely non-existent while intraprovincial migration also fell. Interprovincial migration to the Kamloops area increased during the pandemic, largely among the working age population, which contributed to an overall stabilization of population growth in the region.

Looking forward, as international immigration returns to pre-pandemic levels, the Thompson-Columbia's population growth rate is expected to increase. Additionally, the relative affordability of Kamloops, compared to other major urban centres in BC, may also result in further migration to the region.

Employment

	2016	2019	2021
Percentage of employment in the economic base	22%	20%	21%

The economic base of the Thompson-Columbia region comprises forestry, mining, agriculture and tourism. The share of employment accounted for by sectors in the economic base has declined marginally due to growth in employment in services to support the growing population. Within the

economic base employment in forestry harvesting has declined in line with harvesting activity, while there has been growth in food and beverage manufacturing.

As of 2022 overall employment is consistent with pre-pandemic levels. However the hospitality and construction sectors have been slow to recover. This may be due in part to flooding in November 2021 that damaged infrastructure and housing in affected communities.

Business Environment

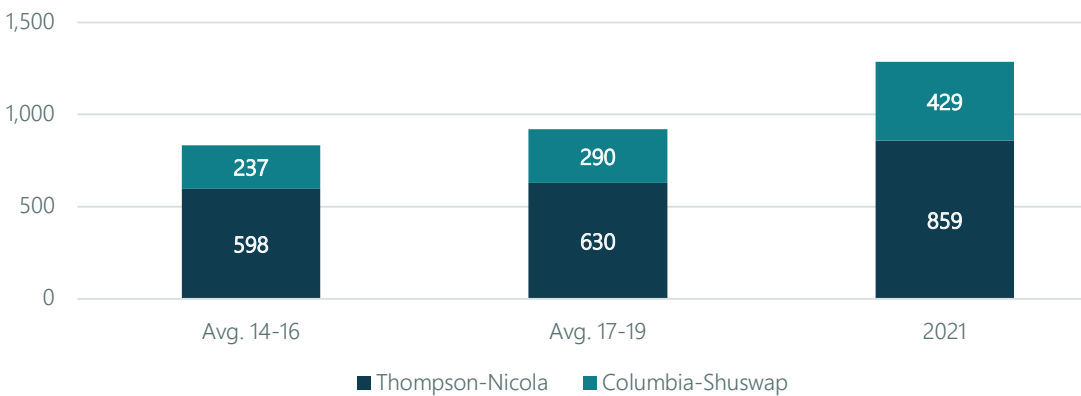
Business Counts – 2016, 2019, 2021

Source: Statistics Canada, Business Register

Category	2016 Total with Employees	2019 Total with Employees	2021 Total with Employees	Trend
Goods-Producing Sector	1,814	1,835	1,808	Stable
Agriculture, Forestry, Fishing & Hunting	465	408	392	Declining
Construction	1,022	1,095	1,083	Growing
Manufacturing (31-33)	274	274	274	Stable
Mining & Oil & Gas Extraction	38	44	45	Growing
Utilities	15	14	14	Stable
Service-Producing Sector	5,502	5,619	5,586	Stable
Accommodation & Food Services	678	681	667	Stable
Admin. & Support, Waste Mgmt. & Remediation	311	325	321	Stable
Arts, Entertainment & Recreation	149	170	161	Growing
Educational Services	77	77	64	Declining
Finance & Insurance	223	230	235	Stable
Health Care & Social Assistance	702	755	832	Growing
Information & Cultural Industries	74	94	93	Growing
Management of Companies & Enterprises	14	21	18	Stable
Other Services (excl. Public Administration)	637	665	647	Stable
Professional, Scientific & Technical Services	619	616	643	Stable
Public Administration	63	53	53	Declining
Real Estate & Rental & Leasing	352	369	358	Stable
Retail Trade (44-45)	954	937	908	Stable
Transportation & Warehousing (48-49)	416	396	362	Declining
Wholesale Trade	233	230	224	Stable
Total	7,316	7,454	7,394	Stable

Business Formation Trends

Source: BC Stats, Incorporations by Region



Bankruptcy Trends

Source: Office of the Superintendent of Bankruptcy Canada

Geography	Average 2014-16	Average 2017-19	2021
CONSUMER BANKRUPTCIES			
British Columbia	5,582	4,117	2,172
Thompson-Okanagan	770	621	312
BUSINESS BANKRUPTCIES			
British Columbia	168	94	49
Thompson-Okanagan	23	10	35

The number of businesses in the Thompson-Columbia region trended upwards from 2016 to 2019, as population levels increased. Between 2019 and 2021, the number of businesses stabilized as population growth moderated. The tourism, recreation, construction and healthcare sectors experienced overall growth from 2016 to 2021. However, difficult economic conditions for natural resources sectors, particularly forestry, is reflected in declining number of businesses in the agriculture/forestry and transportation sectors.

Business formations trended upwards in the Thompson-Nicola region between 2014 and 2021. In the Columbia-Shuswap region, business incorporations were largely stable from 2014 to 2019, before growing rapidly through 2021.

Consumer bankruptcies declined from 2014 to 2019, and then further declined through 2021. This is consistent with the government support measures that were available including the CERB, CEWS and mortgage deferral options. Business bankruptcies remain relatively minimal in the region, though a lapsing of pandemic-related government support measures may have contributed to the slight increase in 2021.

Moving forward, there is not expected to be a significant increase in personal bankruptcies due to high rates of employment and tight labour market conditions putting upward pressure on wages. While there is an increased risk of default on mortgages as interest rates rise, stress tests introduced in 2018 are likely to mitigate the risk.

Forestry

	Count	Share of Regional Capacity	Share of Provincial Capacity
Lumber Mills	13	30%	8%
OSB, Plywood, Veneer and Panel	8	61%	23%
Pulp and Paper	1	34%	6%
Chip	2	68%	18%
Pole, Utility Pole and Post	5	38%	32%
Shake and Shingle	1	100%	1%

Source: BC Ministry of Forests, Major Timber Processing Facilities

The Thompson-Columbia region has the most diversified forest industry in the Southern Interior. Products produced in the region include lumber, pulp, engineered wood products, chips, poles and posts. In 2016 the Tolko lumber mill in Merritt closed and since then a number of smaller lumber mills have also closed, resulting in a reduction in overall lumber capacity in the region.

As of 2022, just over 5,000 people are employed in harvesting and production. Three of the four old-growth deferral areas in the Southern Interior are in the Thompson-Columbia. This has led to slowdowns in harvesting and production in affected areas and has created uncertainty about the outlook longer-term.

“Fibre supply constraints have led to reductions in forestry production and employment. Old-growth deferrals announced in November 2021 have led to further slowdowns in the Thompson-Columbia and have created uncertainty about the outlook longer-term.”

Mining

Operating mines = 2 copper mines and 1 mine producing copper and gold.

The Thompson-Columbia region is the most productive copper mining region in Canada. In addition, Kamloops is a service hub for BC's mining industry.

Post-pandemic there is expected to be an increase in industrial production as economies recover and this has led to increases in commodity prices. In addition, copper, cobalt, nickel, and rare earth metals are key inputs into batteries for electric cars and demand for them has increased. This has led to increased exploration activity in BC. In the Thompson-Columbia most exploration activity has been focused on copper and gold.

Tourism

Tourism in the Thompson-Columbia region is primarily related to outdoor recreation and draws visitors from other parts of BC and Alberta. There are also some US and international visitors that come for attractions such as Yoho National Park and backcountry experiences in the Rocky Mountains. In the summer fishing, camping, mountain biking and hiking are the main activities, while in the winter it is snowmobiling and skiing.

Travel restrictions during the pandemic led to an increase in domestic visitation to the region. This extended into the winter season and through the summer of 2021. As a result, communities such as Revelstoke and Golden did not see significant declines in visits to seasonal attractions such as ski hills or snowmobiling sites. There was also an increase in the use of outdoor recreation sites by local residents. While visitation to attractions was strong, spending patterns were affected by restrictions on the operation of restaurants. Visitors were more likely to purchase food at grocery stores or bring groceries with them which negatively affected restaurants in the region.

In the first six months of 2022, hotel occupancy rates were above 2019 levels which suggest visitation has remained elevated.

Hotel Occupancy Rates

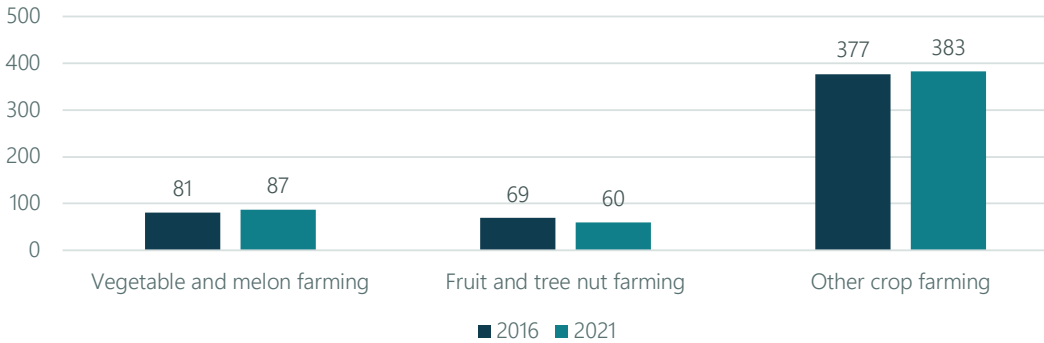
	ANNUAL		JAN - JUN	
	2016	2019	2019	2022
Kamloops	56.7%	64.5%	62%	72.3%
Revelstoke	NOT AVAILABLE			60.0%
Golden	NOT AVAILABLE			55.0%

Source: Destination BC

Agriculture

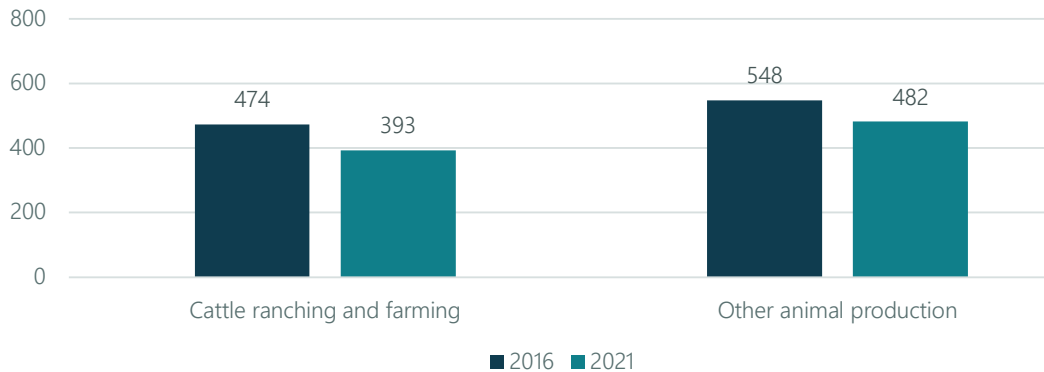
Farm Count – Crop Production, 2016 and 2021

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.



Farm Count – Animal Production, 2016 and 2021

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.

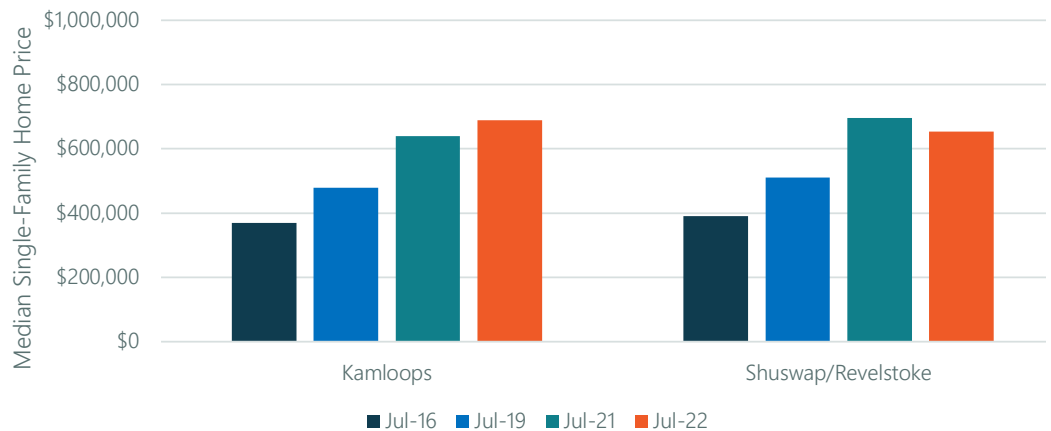


Agriculture in the Thompson-Columbia region is characterized by cattle ranching/farming, horse and equine production, and hay farming. The total number of farms in the region declined by 9% from 2016 to 2021, led by a 17% decline in the number of cattle ranches/farms. The number of farms engaged in crop production remained largely stable between 2016 and 2021 in the Thompson-Columbia region.

Housing and Affordability

Median Single-Family Home Prices, 2016 to 2022

Source: BCREA



Average Rental Price, October 2021

Area	Two Bedroom Apartment
Kamloops	\$1,235
Salmon Arm	\$1,041

Source: CMHC Housing Market Information Portal

Housing Supply

Housing supply in the Thompson-Columbia region grew by 4.7 percent between 2016 and 2021.

Source: Statistics Canada, Census 2016 and 2021

Real estate prices in the Thompson-Columbia region experienced growth from 2016 to 2019, as population growth in the region outpaced growth in the housing stock. Much like in the rest of the Southern Interior, housing prices accelerated in 2020 and into 2021 due to strong demand.

In 2022, housing prices declined in the Shuswap/Revelstoke region and fell back to long-term growth rates in Kamloops. This likely reflects rising inflation and the corresponding increase in interest rates, as well as the return to in-person work, limiting vacation property purchases in the Shuswap/Revelstoke region.

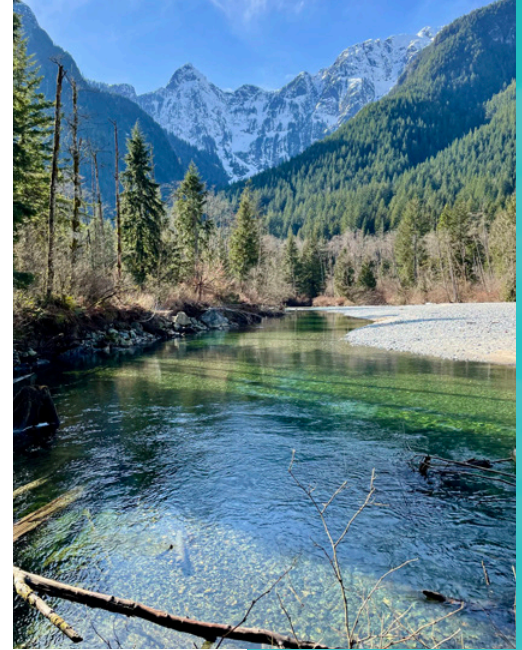
On the rental side, limited supply due to short-term rentals and increased demand from families shifting away from purchasing homes is expected to push up prices. Central 1 expects an approximate 7% increase in rental rates in 2023 across BC, followed by a 5% increase in 2024.¹⁸

¹⁸ Central 1. B.C. Housing Market Outlook: 2022 – 2024. June 2022.

HOPE-FRASER VALLEY

The Hope-Fraser Valley region is the smallest region in the Southern Interior both geographically and by population. It comprises the District of Hope as well as the two most eastern electoral districts in the Fraser Valley (Fraser Valley A and Fraser Valley B). It is bordered by the Lower Mainland in the west, the Okanagan and Thompson-Columbia regions in the east and the US to the south. Hope is the largest and only major population centre in the region.

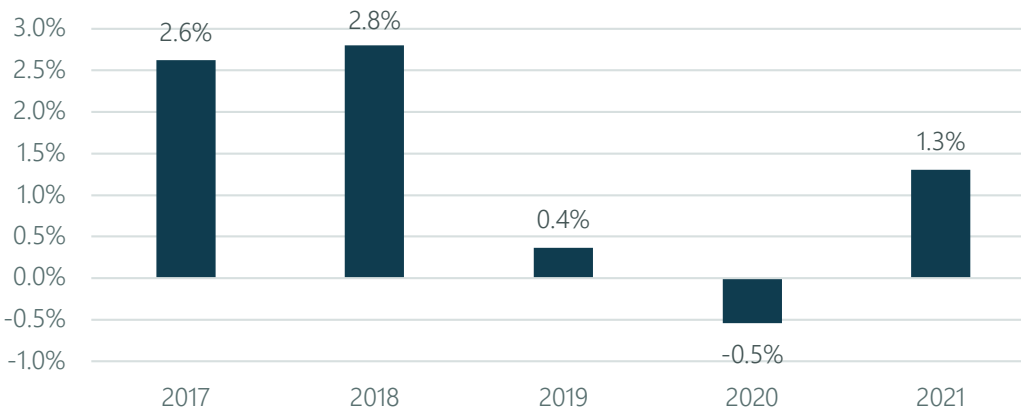
Hope is a service centre for those travelling between the Lower Mainland and the rest of Canada. It is also the base of operations for highway maintenance operations for the Highway 3, Highway 5 and sections of Highway 1 through the Fraser Canyon.



Population

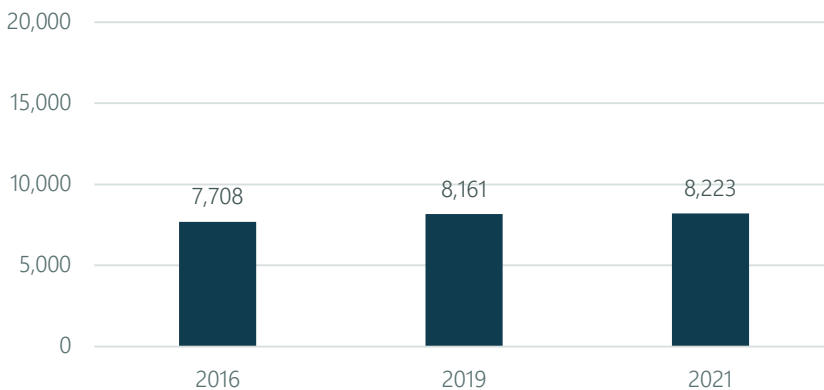
Population Growth Rate, Hope-Fraser Valley, 2017 to 2021

Source: BC Stats
Population Estimates



Total Population, Hope-Fraser Valley, 2016, 2019, 2021

Source: BC Stats
Population Estimates



The population of the Hope-Fraser Valley region grew modestly between 2016 and 2021, with a growth rate (6%) slightly below that of the province as a whole (7.3%). The region experienced growth in line with the province as a whole from 2016 to 2019, before the region's population stabilized throughout the COVID-19 pandemic.

Business Environment

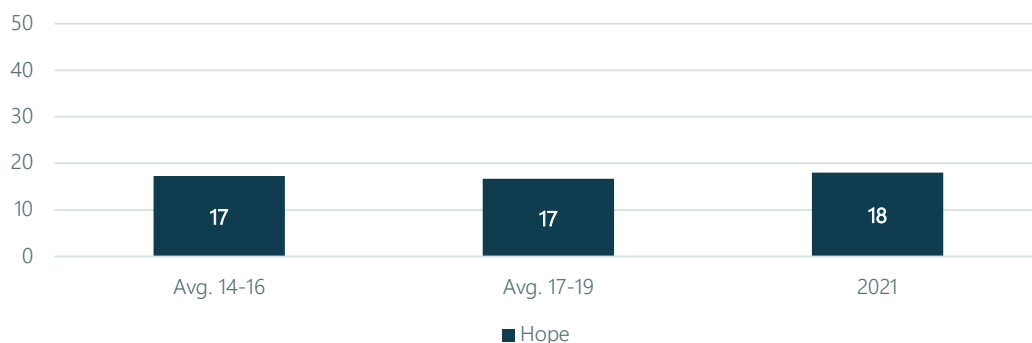
Business Counts – 2019

Source: Statistics Canada, Business Register

Category	2019 Total with Employees
Goods-Producing Sector	50
Agriculture, Forestry, Fishing & Hunting	16
Construction	26
Manufacturing (31-33)	8
Mining & Oil & Gas Extraction	0
Utilities	0
Service-Producing Sector	207
Accommodation & Food Services	46
Administration & Support, Waste Management & Remediation	8
Arts, Entertainment & Recreation	4
Educational Services	5
Finance & Insurance	6
Health Care & Social Assistance	15
Information & Cultural Industries	7
Management of Companies & Enterprises	1
Other Services (excl. Public Administration)	31
Professional, Scientific & Technical Services	15
Public Administration	9
Real Estate & Rental & Leasing	13
Retail Trade (44-45)	34
Transportation & Warehousing (48-49)	11
Wholesale Trade	2
Total	257

Business Formation Trends

Source: BC Stats. Business Incorporations by Region.

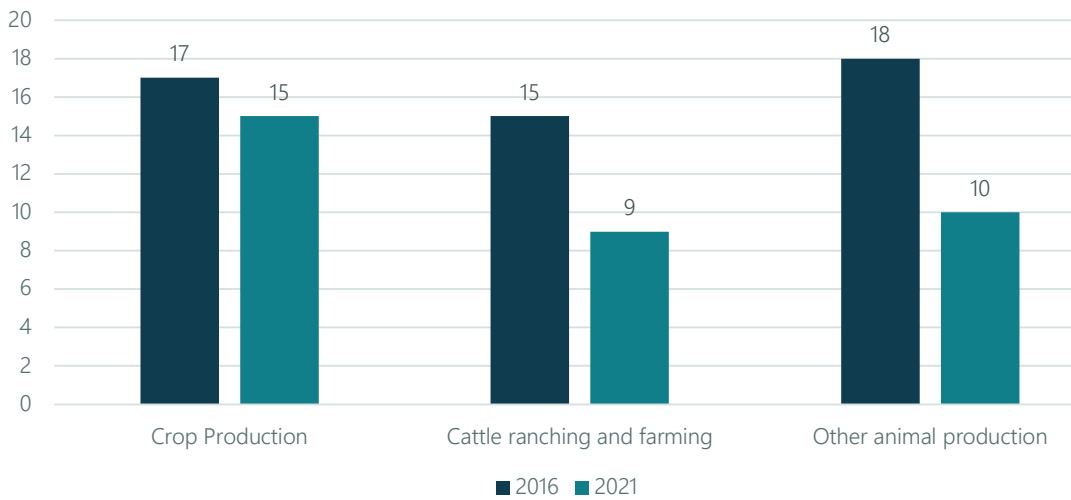


Data were not available for multiple years of business counts in the Hope-Fraser Valley region. The business counts reflect the key industries in the region, and the District of Hope's function as a transportation hub connecting the Lower Mainland to Interior BC. Accommodation and food services and retail trade businesses are the largest sectors in the region, in terms of business counts. Business formations in the region remained largely stable from 2014 through 2021, as the region's population grew only moderately.

Agriculture

Source: Statistics Canada.
Table: 32-10-0231-01
and Table: 32-10-0403-01.

Farm Count – Crop and Animal Production, 2016 and 2021



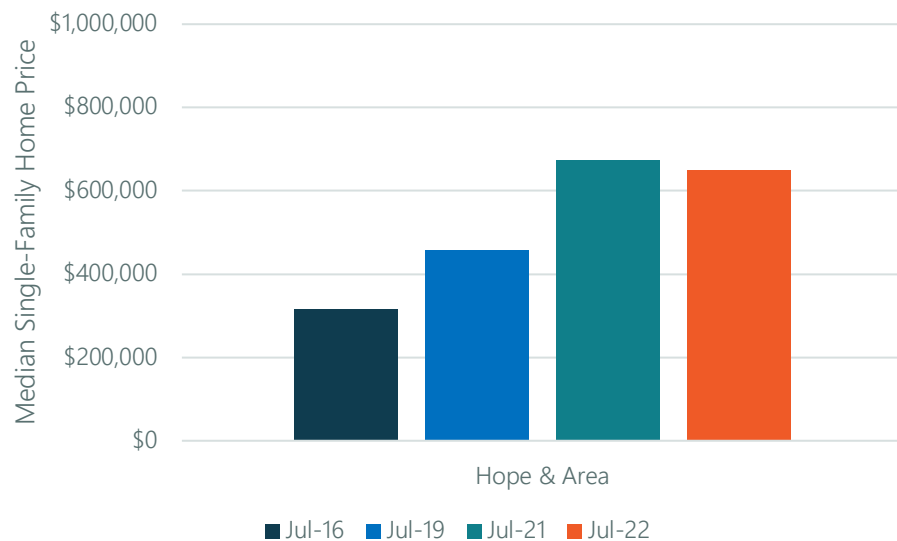
The area around Hope is largely characterized by mountainous terrain, though there are a limited number of cattle ranches/farms and some vegetable/melon farming as well. Much like in other regions in BC, the number of farms in the Hope-Fraser Valley region declined between 2016 and 2021. This may be related to rising real estate prices in the Fraser Valley that have led to farmers to sell their land and the aging agricultural workforce.



Housing

Median Single-Family Home Prices, 2016 to 2022

Source: BCREA



Housing Supply

Housing supply in the Hope-Fraser Valley declined by 0.9 percent between 2016 and 2021.

Source: Statistics Canada, Census 2016 and 2021

Housing prices in the Hope area followed a similar path to much of the rest of the Southern Interior. The region experienced modest growth between 2016 and 2019 before accelerating in the second half of 2020 and into 2021. However, the Hope area did experience a price correction in 2022 as demand faded across the province,





