



Top British Columbia Investment Towns

Based on Key Economic Fundamentals

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Executive Summary

During the recent economic downturn, this diversity was brought to light even more evidently, with properties in regions that were already suffering being hit the hardest while the Lower Mainland proved to be a Canadian leader in the market recovery.

BC is still poised to be one of the economic leaders in 2011 and 2012 as the economy finds its post recession footing and begins to create jobs across many regions of the province. For investors, the time to ensure they are focusing on positive cash-flow properties is here. This is not a time to buy hoping for values to skyrocket; it is a time for yield, return on investment and diligence.

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 BC are as follows:

Top British Columbia Investment Towns:

- 1. Surrey**
2. Maple Ridge & Pitt Meadows
- 3. Abbotsford**
4. Kamloops
- 5. Kelowna**
- 6a. Dawson Creek

- 6b. Fort St. John**
7. Comox Valley
- 8. Penticton**
9. Vancouver
- 10. Prince George**
11. Vernon



Surrey

As the second largest city in British Columbia, Surrey has already experienced tremendous growth. As the fastest growing city in Canada, Surrey is predicted to take Vancouver's place as the largest city in Canada in upcoming years. With two border crossings to the United States, links to five major highways, deep sea docks, and four railways, it's easy to see why. Surrey is a prime location to do business, with access to local, national, and international markets.

With major transportation projects underway in the region, more people will be attracted to Surrey as a place to live and do business. In the next decade, the city will continue to see explosive population growth, one of the most important factors to consider when deciding where to invest. This population growth - combined with the major transportation improvements the region will be enjoying over the coming years, and the relatively affordable housing (when compared to other cities in the Lower Mainland region) - will continue to position Surrey as one of the top regions in the province for economic and real estate growth.

Maple Ridge & Pitt Meadows

This region has been hampered by poor transportation infrastructure for decades. Thus, property values have been historically lower than other areas located the same distance from the CBD. Of all the regions in the Lower Mainland, Maple Ridge and Pitt Meadows are poised to enjoy the most positive impact from the TransLink and Gateway Transportation improvements. This new accessibility will bring a strong and consistent growth to the region, not just in residents but also in companies relocating to a lower cost region.

The construction of the bridges, along with the twinning of Highway 7, will add increased accessibility to the region, and shorten the commute times of residents working outside the city. Pitt Meadows will also feel this impact positively and benefit from the new transportation projects.

Abbotsford

With a population of over 134,000 people, Abbotsford has earned the title of the 5th largest city in British Columbia. From transportation changes to increased localized job growth, to an increasing population, Abbotsford will continue to attract people from across the province. A new high tech park has recently been opened, and along with a major expansion of the commercial and industrial lands on the Mt. Lehman Corridor, this will help the economic diversification to continue into the near future.

The development of an international airport and the recent addition of a new state-of-the art Hospital and Cancer Centre show that the provincial and federal governments also see the potential of this city. The recent release of 178.5 hectares from the Agricultural Land Reserve will add to the city's available residential, commercial, and industrial development space, ensuring the city will witness even more growth in the next decade.

Kamloops

With the hottest summers in the country, Kamloops has become a top vacation destination for residents of BC and the rest of Canada. In recent years, however, people have come to see the other commodities that the city has to offer. The city's location at the intersection of four major highways means that there is always a flow of goods and people into and out of the city. Kamloops's location as a transportation hub for businesses, along with its strong recreational draw, provides a unique combination of lifestyle and economic growth.

As a major transportation crossroads for the province, the city will continue to diversify its economy and attract an increasing number of jobs by bringing industries to the region. This potential, combined with the current economic conditions, sets Kamloops up for long-term growth.

Kelowna

With a trading area of approximately 450,000 people, the City of Kelowna is the largest metropolitan centre between the Lower Mainland and Calgary. 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. Already one of the most popular recreation areas of the province, the continued diversity of the economy, increased rental revenues and a slower real estate market will provide investors with opportunities not seen in the last few boom years.

Unprecedented population growth in the city lead to a runway extension at Kelowna International Airport to accommodate more flights. This extension will greatly impact the property market in the Okanagan. More incoming flights to the airport mean a greater number of people experiencing firsthand the benefits of living in the city.

Dawson Creek

Located just over the Alberta-BC border and an hour outside of Grande Prairie, Dawson Creek is beginning to ride the inevitable up and down cycles of the oil and gas industry. The City is a major transportation hub for N.E. British Columbia. As one of BC's largest Northeastern cities, Dawson Creek functions as a gateway to Alberta and the Horn River Basin's gas sector. The billions of dollars pouring into the region must flow through Dawson Creek or Ft. St. John as they enter the region. This will have a dramatic effect on all aspects of the local economy.

It is imperative that anyone investing in the city or other areas of northeast BC understand the inevitable cycles of gas exploration. However, once you do understand it, Dawson Creek can provide you with tremendous cash flow and potential capital appreciation opportunities. Actively managing your properties will be a challenge for investors in the region.

Fort St. John

Estimated to have one of the largest natural gas deposits in North America – most of it still largely untapped – Fort St. John will see an increase in oil and gas activity for the next several years as long as prices remain viable and profitable. As the natural wealth of the region is opened to the eyes of more and more industries, investors will begin to see the potential and want to experience the cash flow the region can create. However, potential investors must keep in mind that as an oil and gas city, Fort St. John experiences inevitable ups and downs in its economy.

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.

Comox Valley

One of the fastest growing regions in the province, Comox Valley includes the town of Comox and the city of Courtenay. With a population aging across the country, the impending retirement of boomers, and the outflow of tourists from colder regions to more moderate climates, Comox Valley is destined to see growth for the next several years. Its tourism industry and the economic stability provided by the Canadian Air Force base will assure population and residential expansion in the years to come.

As the current financial turmoil makes second homes less desirable, the region should see a decrease in the frenzy that has been in its real estate market. Cash flow will still be somewhat difficult to achieve, despite the high rents and flattening pricing, so investors will have to work extra hard to find an appropriate property. That being said, the current slowing of the market demand will assist those looking to move to the region.

Penticton

Nestled between two fresh water lakes and famous for its long hot summers and mild winters, Penticton is becoming a place to live for business and lifestyle. Like many other cities in the Okanagan region, the view of the city as a retirement and resort community is changing. Its links to several major highways and a base of 85,000 people within a half hour drive make it a prime location to invest and settle down. Tourism and agriculture will continue to provide the economic base for the region; however, as more manufacturing companies bring jobs to this affordable region we will witness a decrease in average age and an increase in average income of its residents. Watch for strong population growth which will drive demand for both rentals and home purchases after this current financial turmoil dissipates.

With the lowest manufacturing costs in the Pacific North American Region, people have begun to see Penticton as more than just a vacation town. Housing construction has increased in recent years as people

look to Penticton as a place to settle down and raise their families. As more manufacturing companies move into the region, it is predicted that we will witness a decrease in the average age of the population and an increase in the average income of Penticton residents.

Vancouver

With the city's population nearing 600,000 people, Vancouver is Canada's third largest city. As such, it offers amenities and business opportunities found nowhere else in North America. Functioning as a gateway between Asia and North America means that the city has great potential for current and future business development. With the completion of the 2010 Olympic Winter Games, the city's profile as a business community has been heightened, giving it access to more international markets and trade opportunities.

Its size and diversity make it hard to paint Vancouver with one single brush. Some neighbourhoods are far better for the real estate investor and some are not even on the radar. More importantly than ever, an investor must view this city at the micro level to ensure that the best real estate investment decisions are being made. Vancouver's diverse make-up provides the property investor with opportunities; however, the investor must complete extensive analysis before jumping in, as positive cash flow is difficult to uncover. Affordability and lack of cash flow will be the hindrances to the average investor.

Prince George

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.

The junction for several major road, rail and air routes, Prince George is located at the centre of it all - literally. As the geographical centre of British Columbia, Prince George functions as a major trade and transportation hub for the province. With approximately \$1.7 billion in major transportation and warehousing projects underway or completed in the region in recent years, Prince George's forward thinking economic development office is working hard to diversify PG's economy beyond forestry.

Vernon

In the last decade, the Okanagan region has experienced incredible growth, and the City of Vernon is no exception. The largest city in the North Okanagan Regional District, Vernon acts as the service centre for the entire region. The leaders of Vernon have been working diligently in the attraction of non-tourism based companies with the view of attracting year around jobs to the city. Although in its early stages, the impact of this focus will help to position the city well as an affordable place to operate a business.



Tier 2 Investment Regions

There are many regions and towns within the province of British Columbia that can provide an investor with decent returns on your real estate investments. Obviously not all can make the Top Investment Towns list every year. Some regions just didn't measure up when the actual underlying economic fundamentals were reviewed and a minimum five-year time horizon was considered.

Many regions seem to have great potential today and in fact are much talked about, but begin to pale when you begin projecting job growth, population growth, average income growth and property purchase prices out to 2015. That being said, a number of regions that did not quite make the Top Investment Towns did make the "Tier 2 Investment Regions." Carefully selected properties in these Tier 2 Regions can provide an investor with strong cash flow and opportunity for long-term equity appreciation, we just caution that you must have a very long-term investment horizon and be even more diligent on your investigations before moving forward.

These regions are not secondary or Tier 2 in any other way except for long term property investment potential. Of the hundreds of cities and towns in the province, these Tier 2 regions were specially selected for mention in this report as they were very close to making the main list. Some may not have made the list because of high housing values that preclude an investor from entering the market, vacancy rates that are a little too high, there is a lack of inventory for sale, infrastructure projects are too far from completion, or they areas in transition that still have a ways to go before becoming great investment locations. Here is the list of towns our economic model has indicated as Tier 2 opportunities. Make sure you do that extra little bit of due diligence when purchasing in these towns:



Chilliwack

With an estimated population of 84,103, a projected population of 115,221 in 2020 and links to 274,388 people within a 40km drive, the City of Chilliwack is poised for continued growth. Relatively inexpensive housing values make this community affordable. If the city continues on its projected rapid growth rate, the average vacancy rate in the city should

lower from 7.9% and there is no reason why Chilliwack won't make it on our Top Investment Towns list in the near future, as it too will reap the benefit of some of the transportation projects (such as the new Port Mann Bridge) by way of the ripple effect.



Cranbrook

A population of over 18,000 and a service region of 55,000 people makes the City a service centre for outlying areas. With spectacular views of the Rockies, some of

Canada's finest ski resorts located only a short distance away, many golf courses, and the Fort Steele Heritage Town, the City sees hundreds of its share of tourists annually. The average vacancy rate in the City was reported at 4.7% in October 2009, with average rents at a low \$631. The average rent for a bachelor unit was \$423! Negative population growth and lower than provincial average median income kept Cranbrook off the first tier. However, if these factors improve in the future, the City may well appear in the first tier in future editions of this report.



Langley City & Township

In the heart of the Lower Mainland, the City and Township of Langley sit side by side. With a population of approximately 25,000 people, the City of Langley is 10 square kilometers and contains 6 residential neighbourhoods. The Township is much larger with a purported population of 95,000 residents. Langley is well positioned to benefit from the Port Mann Bridge and Highway 1 expansion. This will increase demand for property in the region and help homeowners enjoy increased values after the bridge is complete. However, one of the main detriments for investors is the lack of affordable property that will create positive cash flow.



Port Moody

Located approximately 40 minutes from Vancouver, the City of Port Moody is home to 30,000 residents. With a 15.5% increase in population since 2001 and a median “all census families” income of \$81,787, \$19,441 more than the provincial average, Port Moody is fast becoming a booming city. However, there is currently not enough housing stock (and little that would cash flow anyway), which will make entering the market difficult for investors and homeowners alike. Already serviced by the popular West Coast Express commuter train, a recent announcement has confirmed that it will additionally be serviced with the Evergreen Line of the SkyTrain, which will drive demand for both residential and commercial property in the City. Watch this City in the near future as it will continue to grow.



Sidney

Located strategically near major arrival points on southern Vancouver Island such as Swartz Bay Ferry Terminal, Washington State Ferry terminal, and the Victoria International Airport, Sidney functions as the commercial hub for the region. The Town is a year round tourist destination and if its population continues to grow, it may eventually make its way up to our Top Investment Towns list.



Richmond

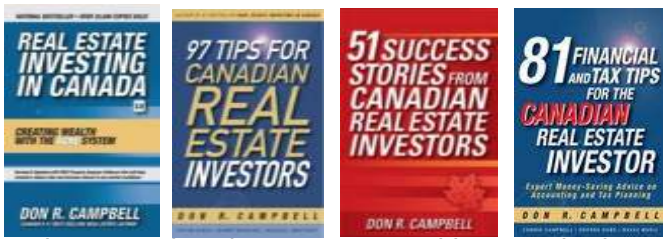
With the construction of the Canada Line SkyTrain, Richmond is well on its way to becoming a BC Top Investment Town. The new line will provide access between Richmond and Vancouver and was completed in 2009. Richmond provides some strong investment opportunities, but does not currently offer enough housing stock that would create positive cash flow, making investing here as feasible as in other locations.



Victoria

Located on Vancouver Island, the City of Victoria is the province’s capital and the Island’s largest service center. The city is a gateway to the Pacific Rim and close to US markets, making it a prime location for business and investment. While the City of Victoria appears to be a great place to invest, high home prices will keep the city out of the running for first tier. Victoria is a good place to invest, but there are many options to consider before the province’s capital city.

ABOUT THE AUTHORS



Don R. Campbell

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Don R. Campbell is a Vancouver-based national real estate educator, researcher, author and investor. He is president of the Real Estate Investment Network™, Canada's leading real estate education program, and is an authority on all aspects of Canadian real estate. Back in 1985, Don made his first investment into residential real estate and hasn't looked back since, amassing a significant portfolio of investment properties.

Don is also author of the best-selling Canadian real estate book *Real Estate Investing in Canada*. Published in May 2005, *Real Estate Investing in Canada* has just been updated to "Version 2.0" and with over 50,000 copies sold, it is the all-time best-selling real estate book in Canadian history. He is also the author of *97 Tips for Canadian Real Estate Investors*, released in April 2006, *51 Success Stories from Canadian Real Estate Investors*, released in 2007, and *81 Financial and Tax Tips for the Canadian Real Estate Investor: Expert Money-Saving Advice on Accounting and Tax Planning* releasing in 2010. He is highly sought by national, regional and local media to provide expert opinions on current topics and trends in real estate.

Don shares his analyses and strategies through the Real Estate Investment Network (REIN) and entertaining and informative presentations have been attended by thousands of real estate investors across North America and in Australia and Ireland. Based on his continuing factual research and personal contact with investors in most Canadian markets, Don can speak in detail on any market across Canada and is not afraid to talk frankly about where the market is headed. His company's research and systems have been developed and continuously refined over the last seventeen years and are based solely on proven Canadian strategies that work in today's market environment.

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Melanie joined REIN™ in 2006 as a research analyst and has contributed in many areas including Top Investment Towns; the Impact of Transportation Improvements on the Lower Mainland, Calgary, Edmonton and Greater Toronto and the Hamilton region; grow-ops and methamphetamine labs in rental housing and crime prevention through environmental design. Melanie holds a Master's Degree in Criminal Justice from California State University, San Bernardino and a Bachelor's Degree in Criminology from Simon Fraser University. She has worked with law enforcement agencies in southern California on many projects including a methamphetamine task force and Community Oriented Policing initiatives. In Canada, Melanie consulted with local transit agencies to help reduce crime at rapid transit stations along the Millennium line and has helped develop crime prevention and safety projects with various law enforcement agencies around the Lower Mainland.

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Allyssa is one of the latest additions to the research team and has contributed research to the Top BC Investment Towns report, Top Alberta Investment Towns report, Top Ontario Investment Towns report, The Gateway Effect, and Calgary and Edmonton Transportation Effect projects with REIN™. She is currently pursuing her Bachelor of Arts Degree at the University of the Fraser Valley.