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Kamloops



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\$9.99

Released: November 2014

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Cover Photo Provided By: CliveRichey

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Source: Kyle Pearce - Kamloops River

Economy

With over 2,000 hours of sunshine annually and the hottest summers in Canada, Kamloops has become not only a top vacation destination for residents of BC, but the whole country. With outdoor recreational activities available year-round, many young families and outdoor enthusiasts have relocated to the region. The continuing development of commercial and residential infrastructure will draw even more families and businesses to the region.

Kamloops is a key transportation link for rail, truck and air transport. 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. 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. Businesses want to locate in areas where they can operate less expensively and more efficiently, and Kamloops is certainly a place that excels in these areas, giving it an advantage over other locations. Over 25 trucking and transport companies that ship goods across the province, the country, and into the United States are located in Kamloops¹.

While the economy has diversified in recent years, forestry and mining remain important economic sectors in Kamloops. The number of forestry-related industries continues to grow and currently includes: prefabricated housing units, plywood and veneer products, and custom kitchen cabinets. Many forestry-related companies have located their headquarters in Kamloops, including Compwood Products, Domtar, and Tolko Industries. In addition to forestry, Kamloops benefits greatly from mining. As a \$6 billion industry in British Columbia, Kamloops reaps its benefits through its 4 active mines with four more undergoing environmental assessment². Copper company New Gold Inc. recently began the underground development of its New Afton Copper-Gold project. The mine is estimated to produce 75 million pounds of copper, 80,000 ounces of gold, and 214,000 ounces of silver annually. The mine will directly benefit the Kamloops economy over its 12 year life span³.

While traditionally the region's economy was dependent upon resource extraction, today service-producing industries account for over 80% of the labour force in Kamloops, a proportion similar to the provincial average. Turning to occupational distribution, Kamloops has a smaller than provincial average share of professional occupations (15.0% vs. 17.9%), as well as a smaller than provincial average share of other high-skilled, semi-technical jobs (14.4% vs. 15.1%)⁴. On the other hand, Kamloops has a larger than provincial average share of trades jobs (19.3% vs. 16.2%), indicating the importance of trades workers in the local economy.

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. Post-secondary institutions also act as an economic stabilizer for communities, as in both good and bad economic times, people continue to strive for higher education. Thompson Rivers is the largest post-secondary institution in the province north of Vancouver. The university's enrollment at the Kamloops campus for the 2012/2013 school year was over 13,000 students. Thirty eight percent of students attending the university do not live in the Thompson Okanagan region, providing a continuous supply of renters⁵.

Outlook

In spite of some financial challenges over the last several years, B.C.'s mining sector continues to grow. Industry experts are forecasting the prices of most precious and non-precious metals produced in the province to see a moderate recovery over the next year. Increased demand in China, India and Brazil are expected to put an upward pressure on prices. Strengthening U.S. and European economies should also increase demand. B.C. mining companies will benefit from a lower Canadian dollar as commodities are priced in U.S. dollars⁶. Mining has been a strong economic sector in Kamloops for decades. There are currently four active mines in the Kamloops area, and an additional four proposed mines are undergoing environmental assessment. One mine proposed by KGHM Ajax Mining Inc. would cost an estimated \$795 million⁷ and see an open pit mine at the site of the former Afton mine.

The project is in the pre-application phase under the Environmental Assessment Act, but it would be set to be complete in 2015, and a 23-year mine life is expected to produce 109 million pounds of copper and 99,000 ounces of gold⁸.

After nearly a decade of trying to recover from the economic downturn, British Columbia's forest industry is on track for some slow but steady growth. The pine beetle has affected the interior's timber supply, but Chinese demand for lower grade lumber, which is coming out of beetle-killed forests, has kept production levels high. A weaker Canadian dollar has also buoyed the market, as international buyers choose Canada over the U.S. as their lumber supplier. With the Canadian economy recovering, analysts are predicting a super-cycle - when both North American and Asian markets are booming - to occur in 2016⁹. This would create many job opportunities and stimulate the economies of communities in the BC Interior.

According to the Government of British Columbia, the Thompson Okanagan Region will see 98,400 new job openings over the next decade: 20.1% from new jobs due to economic growth and 79.9% to replace retiring workers. The top five industries that will witness the highest average annual employment growth in the Thompson Okanagan Region are¹⁰:

- Health Care and Social Assistance (2%)
- Accommodation & Food Services (1.5%)
- Construction (1.4%)
- Professional, Scientific, & Technical Services (1.1%)
- Educational Services (0.9%)

Housing

Average Rents in Kamloops			
# of Bed-rooms	Lowest Price	Highest Price	Average Price
House			
2	\$800	\$1,300	\$1,143
3	\$1,350	\$2,400	\$1,750
4	\$1,600	\$2,050	\$1,800
Basement Suite			
1	\$700	\$1,000	\$843
2	\$800	\$1,333	\$1,001
Townhouse			
2	\$1,100	\$1,975	\$1,514
3	\$1,000	\$2,000	\$1,505
Condo/Apartment			
1	\$700	\$925	\$787
2	\$750	\$1,550	\$1,394

Source: www.kijiji.com, www.craigslist.com (November 2014).

Rental Market

Different neighbourhoods command different rent and value depending on their desirability, so be sure to know your market and buy not based on price, but on yield (what will your ROI be?). Buying new versus old inventory has its pros and cons. It is often harder to cash flow newer properties, (although they may be more desirable to tenants), but repairs and maintenance are much lower and lower operation costs means just as much as higher rents, when it comes to the bottom line.

The adjacent table outlines the average rental rate by the housing type and number of bedrooms.

Kamloops provides investors with plenty of student rental opportunities. The University does offer students with two on-campus housing options: The 11-storey student residence with lodgings for 570 students and a privately-owned and operated dormitory located on the campus with housing for 302 students¹⁴. As 38% of students attending the university do not live in the Thompson Okanagan region, the current on-campus student housing options cannot meet the demand. Thompson Rivers has set up an online registry where landlords can post their rental properties. To view the listings, click [here](#).

Sales Activity

The Kamloops real estate market remains very affordable, with house prices approximately one-third less than a comparable dwelling in the Greater Vancouver region.¹⁵ The median price of a home in Kamloops was \$367,500 in September, while the average price of a home in the Province of British Columbia was \$574,641 in September 2014¹⁶.

Demographics

Population Growth

According to the 2011 Federal Census, the population of Kamloops was 85,678, a 6.6% increase from 80,376 in 2006¹¹. City planners predict a population growth rate of between 1% to 1.5% annually for Kamloops between 2010 and 2018. At a 1.5% annual growth rate, the population in the city would top 100,000 by 2018¹².

Median Age

The median age of Kamloops residents currently sits at 41.5 years, on par with the median age of the province at 41.9¹³. As the baby boomers age, the median age of Canadian residents continues to increase. As Kamloops median age is in line with the provincial average, it is not attracting younger families – an important economic driver for the community. However, as 28.5% of the city's residents are between the ages of 35 and 54, a substantial number of residents will be retiring over the next decade, which could provide job openings to attract new residents.

- the difference between renting and buying a home for some people.

City of Kamloops Residential Sales Activity		
	YTD 2014	YTD 2013
\$ Value of Units Sold	\$503,940,640	\$525,346,797
# of Units Sold	1,589	1,662
# of New Listings	3,763	3,757
Kamloops and Area Median Sale Price	\$355,900	-
City of Kamloops Median Sale Price	\$367,500	-

Source: Kamloops and District Real Estate Association

Residential Development

In 2013, Kamloops witnessed 479 homes begin construction, with 219 single-family homes started and 260 multi-family units started¹⁷. As of September 2014, the city had witnessed 228 houses begin construction, down 9.9% from the same time period in 2014¹⁸.

New residential projects include the 52-unit Shiloh Place, currently under construction at 1393 9 Avenue. Units range in size from 481 to 867 square feet. Available units range in price from \$124,900 to \$339,900¹⁹. The West Highlands development is an established development located on the hillsides in southwest Kamloops. The community is well established, but opportunities exist for new single family and low density multifamily projects. Phases 1 through 5 of the project are completed and sold out. Phase 6 was completed in the fall of 2014, adding another 33 single family lots to the neighbourhood²⁰. Sun Rivers is a community on a 460 acre site located near Highway 16. The project includes the development of a country club, residential units (2,500 single- and multi-family units), a school, and retail with commercial space. Several phases are already complete, and lots in Visáio Estates and Sillaro Estates are currently for sale²¹.

Residential building permits are a reaction to demand in the past. What is important is to see if supply is keeping up with demand or if it is out of balance. A glut of inventory can diminish values and rents, giving renters and buyers 'too much' to choose from, from an investor's point of view. Currently, it seems as though demand is in line with supply, and while the future remains to be seen, Kamloops's economy will encourage housing demand in the mid-term future.

that doesn't have the capacity to educate its children, mend its ill-stricken, or arrest its bad guys. Hospitals, schools, emergency services, as well as water, sewer, and roads are of paramount importance. Here is what Kamloops has on its books as prioritized projects²²:

- Kamloops Wastewater Treatment Facility Upgrades to meet population needs - \$43 million (Summer 2014)
- Interior Residential Care Facilities to add 527 beds to the Kamloops Region - \$31 million (End of 2014)
- Royal Inland Hospital Clinical Services Building, parking and site infrastructure upgrading to meet growing population - \$80 million (Spring 2016)

Transportation

Continued improvement of the Trans-Canada Highway by the BC Ministry of Transportation and Infrastructure began in October 2011 and is set to finish in 2015. Kamloops will benefit from \$111 million in upgrades to the Highway throughout the region. Construction on the Highway through Kamloops began in Fall 2011, with the creation of 4 lanes of Highway 1 between Monte Creek and Pritchard, which will finish in the fall of 2015. Construction has also begun to widen 3 kilometres of the Trans-Canada Highway from Pritchard to Hoffman's Bluff to four lanes, including upgrading the Stoney Flats Road intersection. This, too, will be expected to finish in fall 2015²³. These changes benefit not only residents but will make it even more attractive for businesses to locate here, once again, creating jobs.

Kamloops residents are also serviced by the Kamloops Airport. Several capital projects have been completed at the airport over the last couple of years to meet growing passenger and business needs, including increasing the terminal size by 50% and a 2,000 foot runway expansion. Since 2004, the number of jobs at the airport has increased by 34%, the number of full time jobs has increased by 77%, and the number of travelers has increased by 80%²⁴.

The City of Kamloops is currently in the planning stage of a proposed mixed-use facility to include lumber reloading from truck-to-rail car. However, the proposed inland intermodal container facility has yet to determine an estimated cost or set start/finish timeline²⁵. Investors should keep an eye on this project, as it has the potential to substantially increase job opportunities in the Kamloops region.

Public Transit

Residents who don't want to commute via car have the option of taking BC Transit, the public bus system that operates on 17 lines throughout the City of Kamloops. For a view of current bus stops and stations, please visit [click here](#). The Sustainable Kamloops Plan sets a target of increasing transit ridership by 50 per cent (compared to 2008 levels) by 2020. If ridership continued to grow at this rate beyond 2020, the Kamloops Transit System would carry 7,125,000 passengers a year by 2036.

Infrastructure

As the city's population continues to grow, Kamloop's leadership must ensure that the city's infrastructure keeps up with resident demands. Infrastructure is important to meet the needs of the residents. People will leave a city

Political Climate

Rental Rules

According to the BC residential tenancies website, the maximum allowable rental increase for 2014 is 2.2%. This is set to increase to 2.5 in 2015²⁶.

Secondary suites in Kamloops are only allowed within certain residential zones, and potential landlords must go through an approval process. The city is a strict enforcer of illegal secondary suites, with many battles between landlords and the city occurring over the past five years. This has become a very contentious issue in the City of Kamloops, and something the city is looking into further. Keep an eye on this issue in future years, as the city's stance may change.

Business Incentives

Kamloops currently has several incentives in place to attract new businesses as well as retain existing ones. The following is a list of business incentives the city currently offers²⁷:

- **Downtown Revitalization Program** - Tax Incentive bylaw developed to encourage revitalization and new development in Kamloops' downtown core.
- **North Shore Neighbourhood Plan** - Incentives are intended to provide the property developer with the financial capacity to incorporate innovative and environmentally responsible building forms and site layouts into a development by reducing upfront and long-term costs.

- **Heritage Tax Incentive Program** - Assists property owners with the costs of preservation, restoration and/or rehabilitation of an eligible Heritage Resource within the city.

Economic Development

Investors should always be aware of how friendly a community's Economic Development team is, because how they treat you is how they are likely to treat potential employers looking to move into the region. The Venture Kamloops team has a great website that both businesses and investors will find easy to navigate. The team is fairly quick to respond, and was able to answer any questions we had.

Investment Rating

Kamloops is a great place to invest for local investors. In this market, finding the gems for sale is important and they may only show up with inside knowledge or as pocket listings from relators with whom the investor has a previous relationship. Like many cities it's size, know your neighbourhoods and purchase with insight and knowledge. For those that self-manage or have a good, consistent relationship with their property manager, Kamloops can be a winner. For investors outside of town or outside of the interior of BC, you are better served investing elsewhere from a distance for a better yield.

Economic Risk	7/12
Yield Growth Potential	6/12
Local Politics Conducive to Business	6/8
Access to Transportation	6/8
Investors' Insights	6/10
Total	31/50

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