

# The Future Business Environment of the Sunshine Coast

June 2014 Update

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Economics

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## Summary

The Sunshine Coast's economic growth is influenced by external forces in an increasingly interconnected global economy since it is a small open economy and also to specific local factors. The region's economic structure has increasingly become more service and consumer-oriented and less dependent on natural resource extraction as an inflow of professionals and older residents drive demand for related services. Detailed analysis of the region's economy reveals its resource-oriented industries are shrinking in relative and absolute terms while some service industries are growing.

The SCRD economy remained in a relative soft patch since the recession. Weak external economic growth has led to a slowdown in migration to the region and recreational housing demand. As a result, population levels have remained flat while residential transactions and new home construction have slowed to recessionary levels. Nonetheless, other economic indicators point to some improvement in the economy. Unemployment has declined, while non-residential permits, timber harvest were up in 2013 relative to 2012. Tourism likely improved given broader trends in the province.

A rise in incorporations propelled net business formations higher in 2013. The private sector is generally populated by smaller enterprises with the majority of businesses in the SCRD having no employees and firms with employees are generally small. Industries recording the most growth in 2013 included health care and social assistance, arts/entertainment/recreation, and information/culture.

Future economic growth in the SCRD is dependent on growth in the broader economy. The global economy is in a mid-cycle expansionary phase, which is entering its fifth year following the 2008/09 recession. This cyclical expansion has been sluggish but positive growth is sustainable.

U.S. economic growth is a key condition for a strengthening growth cycle in the Canadian and B.C. economy. Despite the disappointing pace of recovery in recent years, there remains considerable upside growth potential in the U.S. economy. The consumer and housing sectors are improving following job and income growth along with improved household balance sheets and less excess housing inventory for conditions to generate a release of pent-up demand for housing and consumer durables.

The normalization of interest rates has been delayed by shallow economic growth. Interest rates trend higher through the end of the decade but will remain abnormally low through 2017. The Bank of Canada delays its first rate hike to late-2015 and continues to hike at a measured pace in 2016. Modest hikes of about 75 basis points per year are forecast from 2017-2019. Bond yields, deposit rates and mortgage rates follow a similar path. The Canadian dollar is seen holding steady near 90 cents.

B.C.'s growth profile is moderate through to 2015 due to tempered domestic demand. However the growth trend is positive as the U.S. business cycle, increased trade with China, and lower Canadian dollar pulls export growth higher. GDP growth averages about 2.5 per cent in 2014-15, before shifting to near four per cent from 2016-19. The strong growth upshift in the latter half of the decade is contingent on the successful development of B.C.'s liquified natural gas (LNG) sector and commencement of at least two LNG projects.

The SCRD's long-term economic outlook is mildly positive. Persistent weakness following the 2008-09 recession lingers for another year and an upshift in growth is contingent on a lasting recovery in the external economy. External growth is a key driver for the region's forestry and aquaculture economy, but also in driving migration flows to the region and recreational home purchasers.

Employment growth from 2011-2016 is expected to grow by less than four per cent from 2011 through 2016. A combination of cyclical and structural factors fuels acceleration in employment growth later in the decade and through the early part of next, as the housing cycle picks up and migration flows to the region rebound. The region's high unemployment rate is forecast to decline to about four per cent later in the decade. Labour scarcity will become a greater issue with the aging population.

The broader economic recovery and demographic pressures shift migration higher in the latter half of this decade. More robust migration pushes population growth to about 1.7 per cent per year. Migration holds steady from 2021 to 2026 but eases slightly near the end of the period.

The SCRD population is forecast to reach 29,500 persons by census year 2016, up three per cent from 2011. This primarily reflects backloaded growth given recent years weakness. Inter-census year growth

accelerates to 7.8 per cent from 2016 to 2021 with nine per cent gain from 2021 to 2026.

Housing is in a post-recession slump but a rising market is forecast to take hold by 2015 with a cyclical peak reached around 2017. This cycle foreseeably drives sales to a peak of near 900 units per annum as recreational demand combines with population driven demand. Following this cycle peak will be an inevitable downturn which will push sales below projected levels by the end of the decade. This decline is a normal market adjustment phase to balance supply and demand and not a severe downturn brought about by an economic recession.

Over the course of this next decade, we expect the median price level to follow the shape of the sales trajectory. Given that sales remain in a cyclical lull, price gains are expected to remain muted until the second half of the decade. As the economy recovers, homeowners ramp up demand for recreational or secondary housing and retirees will be in a better position to transition to retirement housing. The median price is projected to reach \$421,000 by 2021, reflecting no growth in the first half of the decade followed by average annual growth of about 3.5 per cent. Average annual growth of five per cent from 2021 to 2026 pushes the median value to \$538,500. Sales will outpace the growth in inventory and new supply bidding up price levels in the region

## Report Objective

The purpose of this research is to determine the most likely economic and demographic conditions in the Sunshine Coast Regional District (SCRD) during the next ten years.

## Report Outline

The report begins with a broad view of the region's economy followed by an industry analysis. Trends and developments in the SCR D's economy and industries are identified helping to shape the region's economic forecast. A macro-economic forecast is used to shape the business cycle and feed into the B.C., lower mainland, and SCR D forecasts.

Next, the region's population and demographics are examined and forecast. Overall population growth and migration forecasts are influenced by the economic forecast as well as non-economic factors such as the aging of the population and the quality of life

motivation. Population projections by age-cohort are presented as well.

Housing market activity and trends since 1976 are presented along with an analysis of current conditions. The housing stock by local and non-local ownership reveals a prominent feature of the SCR D market. Housing forecasts of sales and prices through to 2026 are made.

## Location and Features

The SCR D is part of the Lower Mainland-Southwest economic region (LM-SW) of British Columbia located on the eastern shore of the Strait of Georgia and to the northwest of Metro Vancouver. The SCR D is accessed by water and air only since no roads connect it with the rest of the province. From Vancouver, BC ferries is a 40 minute trip from Horseshoe Bay to Gibsons and at the northern end of the region, BC ferries travel from Earl's Cove to Saltery Bay.

The majority of the SCR D is sparsely populated and concentrated along the coast in Gibsons, Roberts Creek, Sechelt, Halfmoon Bay, Secret Cove, and Pender Harbour. The 2011 Census reported a total population of 28,619 persons in a land area of 3,776.62 km<sup>2</sup> for a density of 7.6 persons per km<sup>2</sup>.

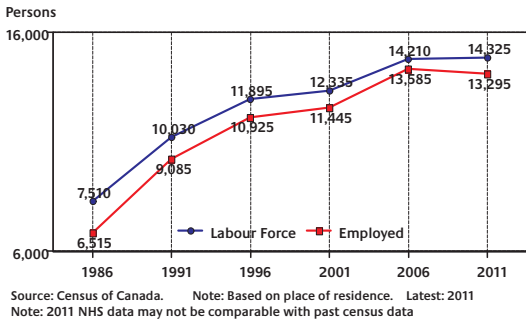
## Data Sources

Data from the Census of Canada, Statistics Canada, B.C. Stats, Landcor Data Corp, the Real Estate Board of Greater Vancouver, and others were utilized. This provides the base of quantitative information to analyze the region's economic and labour market performance and prospects moving forward. A key challenge in regional economic analysis is the availability of data. Information published at the provincial and large metro area level is often not available for areas such as the SCR D or is compiled infrequently with significant time lags.

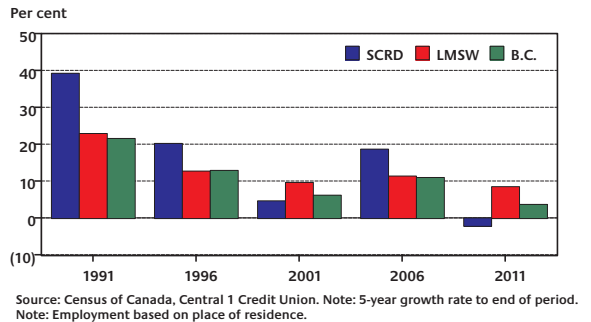
Changes to the Canadian Census in 2011 introduced significant data challenges. While a full census was maintained to enumerate total population and age/sex distributions, the mandatory long-form census was replaced with a voluntary National Household Survey (NHS).

The long-form census/NHS is used to estimate population characteristics including labour market activity, commuter patterns, and other socio-economic factors. However, the voluntary nature of the NHS introduced sampling and non-response bias, potentially

**Chart 1: Labour Force and Employment - SCRD, 1986 - 2011\***



**Chart 2: Employment Growth - SCRD, Lower Mainland-Southwest DR and B.C., 1986 - 2011**



leading to results that are incomparable to previous census year estimates. The global non-response rate (GNR) for the Sunshine Coast region was 36.1 per cent compared to 26.1 per cent at the provincial level. A lower GNR denotes a lower risk of inaccuracy.

**Regional Economy**

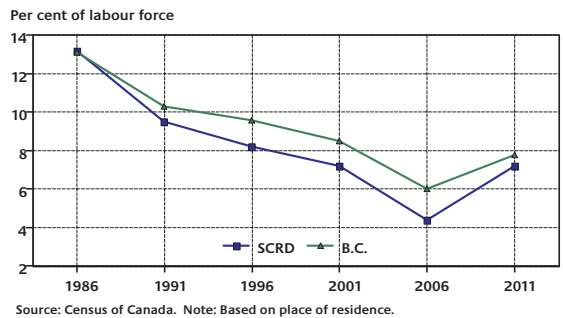
The SCRD’s regional economy is evolving along well-established trends in the context of its own natural resource endowment and geographic situation while mirroring some broader provincial, national, and global trends. The SCRD economy, though somewhat physically isolated, is integrated into the LM-SW region economy.

Changes in the SCRD economy over time are similar to those observed in many other regions with a similar makeup as well as changes at the provincial level. The region’s economic makeup and trends are documented in the following sections which helps set the stage for the ten-year economic forecast.

**SCRD Historical Economic Performance**

The SCRD’s economic growth ebbs and flows with external trends and developments and also to specific local factors. Total employed in the SCRD based on census data more than doubled between 1986 and 2006 with a growth surge in the late 1980s to early 1990s followed by a relative lull in the late 1990s. The economy picked up once again in the first half of the new millennium only to stall in the latter half when the global financial crisis and economic recession emerged. From 2006 to 2011 census years, employment fell 2.1 per cent to 13,295 persons. However, it should be reiterated that a change in methodology – namely from the long form-census to a national household survey – impedes direct comparisons between years.

**Chart 3: Unemployment Rates - SCRD, Lower mainland-southwest DR and B.C., 1986 - 2011**

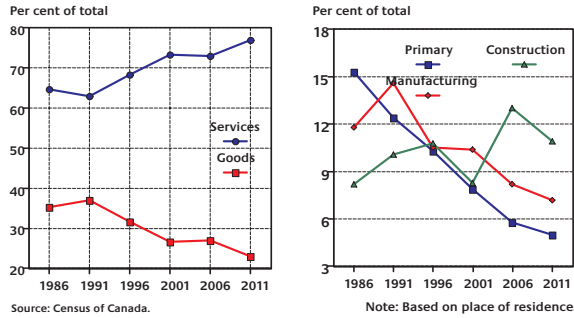


The SCRD’s unemployment rate was consistently below the LM-SW and B.C. since 1991 according to Census data. An alternative, and timelier, measure of unemployment available since 1980 is the Employment Insurance (E.I.) beneficiaries count. Although claims may expire before employment is gained, E.I. figures provide a reliable indication of major swings in the labour market. Regional unemployment was high in the early 1980s following the 1981/82 global economic recession and declined in the late 1980s. Another global economic recession in the early 1990s caused a large increase in regional unemployment. The most recent unemployment increase prompted by the 2008/09 recession will be discussed in more detail later in the report.

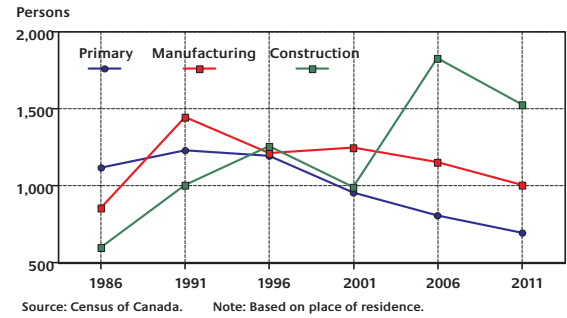
A small open economy such as the SCRD is heavily influenced by external forces in an increasingly interconnected global economy. The region’s economic structure evolves under these forces is becoming more service oriented and less dependent on natural resources. The region’s economic makeup is examined next.



**Chart 4: Industry Composition of Labour Force - SCRD, 1986 - 2011**



**Chart 5: Employment in Goods Industries SCRD, 1986 - 2011**



**Economic Structure and Base**

Technology and global industry forces are changing the economies of advanced or industrialized regions away from goods towards service-producing activities and the SCRD is part of that change. In the SCRD, the proportion of the labour force in goods-producing industries declined to 27.0% in 2006 from 35.3% in 1986 according to census data. Service-producing industries expanded their share to 73.0% in 2006 from 64.7% in 1986. The presence of the construction in the goods industry in the SCRD masks a stronger shift away from goods production.

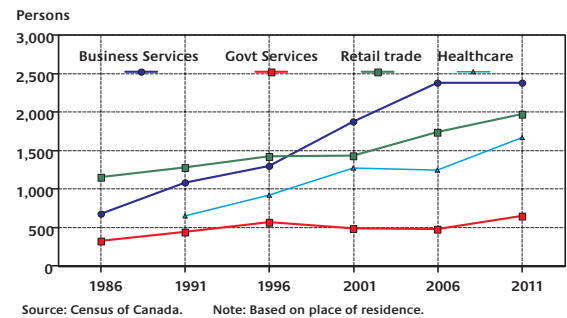
This services-oriented shift reflects structural shifts in the local economy from one driven by resources extraction and manufacturing to one oriented towards a consumer-oriented economy driven by inflows of older residents, and demand for related services.

According to the National Household Survey, the region’s good-producing sector further contracted from 2006 to 2011 in both level and as a share of the total experienced labour force, falling to about than 23 per cent.

Primary industries – agriculture, forestry and logging, fishing, hunting, mining, and others – have declined to a small share of the economy. In 1986, primary industries accounted for 15.3% of the labour force and shrank to about 5% by 2011. This long term decline is evident in other jurisdictions as well.

Manufacturing, which is largely forest related, declined to 7.2% of the labour force in 2011 from 11.8% in 1986 and from a high of 14.6% in 1991. This decline is larger than in LM-SW manufacturing and reflects the SCRD’s narrow manufacturing base and inability to expand into new activities.

**Chart 6: Employment in Select Services Industries SCRD, 1986 - 2011**



The construction industry is highly cyclical and skews the results for the overall goods industries share. Construction activity was at a cycle high during the 2006 Census and at relative cycle lows in 2001 and 1986. A down-cycle in the new home market contributed to fewer construction workers in the labour market relative to 2011. Census data are only a snapshot in time and are influenced by cyclical and other factors.

The service sector has continued to expand in both level and share of the economy, led by health, trade and government services. Cyclical activity related to real estate showed declined with the broader housing market.

There are a number of other methods to track changes in the local economy. Another technique is to examine sources of income. A convenient summary is provided from the study, *British Columbia Local Area Economic Dependencies: 2006* produced for BC Stats. This study utilized census data from 1991 to 2006 along with other data to identify and quantify sources of income supporting local economies in B.C. An update based on the 2011 NHS has not been

**Table 1: Income Dependency Changes SCRD 1991 to 2006**

Year	Forestry	Mining	Fish & Tr	Ag & Food	Tourism	Public	Other	Transfers	ONEI
1991	20	2	4	1	4	14	15	11	30
1996	20	2	2	1	5	19	14	19	19
2001	19	1	2	1	5	21	11	20	19
2006	14	2	1	1	3	20	17	18	22

Source: British Columbia Local Area Economic Dependencies - 2006.

Notes: After-tax incomes. Forestry includes related manufacturing, Mining, oil & gas & related processing, Agriculture & food processing, Other is all other basic industries, ONEI is other non-employment income. Based on place of residence data.

**Table 2: Employed by Place of Work Status, Sunshine Coast RD, 1991 - 2011**

	1991	1996	2001	2006	2011
Total employed labour force 15 and over	9,085	10,925	11,445	13,585	13,290
Usual place of work	7,625	7,870	7,870	9,070	8,920
Within Sunshine Coast CD	6,805	6,795	6,815	7,645	7,825
Outside Sunshine Coast CD	820	1,075	1,055	1,425	1,090
At home	1,115	1,270	1,680	2,040	1,900
Outside Canada	30	10	40	85	80
No fixed workplace address	315	1,770	1,855	2,400	2,390

Source: Census of Canada. Notes: CSD - census sub-division, CD - census division. \* a small portion in other provinces.

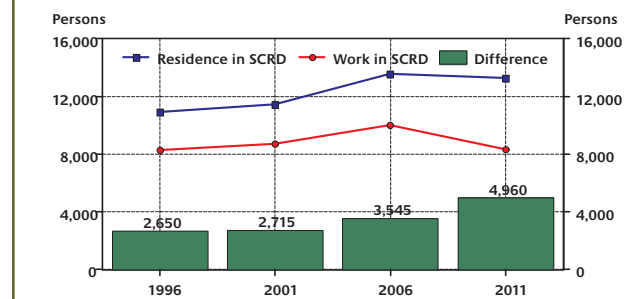
produced, but dependency trends are likely to have remained similar. The information for the Sunshine Coast shows a declining dependency on forestry and related manufacturing and on the fishing sector with little or no growth in tourism. A rising income share from the public sector, which includes health, education, public safety, and government administration, is present. The remaining industries also show growth but this is heavily influenced by the active construction sector around the 2006 Census. A small share of income from high tech and film production is reported in 2006.

The remaining sources of income come from government transfer payments and other non-employment income from various investment assets. In the SCRD, these two sources account for more than 40% of total income, well above the LM-SW and BC averages. Pension income is the largest source in this category and reflects the demographic makeup of the SCRD.

The labour force, employment, and income data presented thus far are based on place of residence, which is appropriate for most analysis except when there is a substantial mobile or commuter element in the economy. Custom census tabulations were obtained from Statistic Canada quantifying the number of employed by place of work.

In the SCRD, there is a growing difference between employed by place of residence and employed by place of work since 1996. For example, in 1996 the

**Chart 7: Employed by Place of Residence and Place of Work - SCRD, 1996 - 2011**



Source: Statistics Canada custom tabulations.

number of employed persons living in the SCRD was 10,925 persons compared to 8,275 persons working in the SCRD for a difference of 2,650 persons. By 2006, there were 13,585 employed persons living in the SCRD and 10,040 persons working in the SCRD yielding a difference of 3,545 persons. This differential climbed to 4,960 as per the 2011 NHS, due in large part to a drop in local area employment. This suggests a growing proportion of SCRD residents are commuting outside the region for employment purposes, generating a flow of external income for the local economy.

One caveat with the data is the large component of employed persons living in the SCRD with no fixed workplace address. In the NHS 2011 Profile, nearly 2,400 persons living in the SCRD cited this as pertaining to their work situation. This proportion of total employed is higher than the LM-SW and B.C. proportions. Some construction workers likely fall into this category along with business support/security personnel, transportation, salespersons, and others. It is likely that some of these workers actually work in the SCRD but do not go from home to the same workplace location at the beginning of each shift. The extent of these persons working in the SCRD may skew the place of work results.

Place of work data provides a clearer perspective on the makeup of the SCRD economy than place of residence data, with the exception of the caveat above. Of course, place of residence data in the midst of a substantial commuter element also skews the results. An examination of both data sets was undertaken and mostly yielded similar results in identifying the broad economic trends in the SCRD.

Additional tools to analyse local economies include location quotients and shift-share analysis. These techniques were employed on data spanning 1996 to 2006, and reveal the same broad trends in the initial scan of labour force changes by industry with some additional insights. Its resource-oriented industries are shrinking in relative and absolute terms while some service industries are growing. Details related to this analysis can be found in Appendix A.

### Private Businesses in the SCRD

While census statistics provide a more complete snapshot of the region's economic and employment structure, it is less timely. The Business Register from Statistics Canada maintains an up-to-date list of all active businesses in Canada that have a corporate income tax account<sup>1</sup>. The Business Register provides more timely information on business-sector expansion in regional areas. Information is limited to businesses with at least \$30,000 in sales revenue.

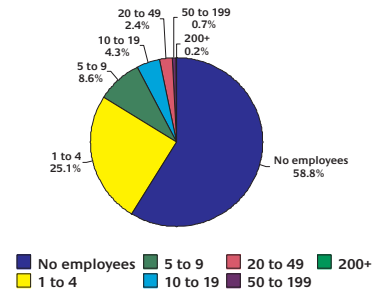
According to the Business Register, there were 3,051 businesses in the SCRD region as of December 2013. The highest proportion was located in Sechelt with 1,090 businesses or 35.7 per cent of all SCRD businesses, with Gibsons second with 505 businesses or 16.6 per cent. The remainder was distributed across Electoral Areas.

The highest concentration of businesses (not necessarily employees) in the SCRD, were in the construction, professional services, retail trade, and real estate/rental/leasing industries. Similar patterns were recorded in both Gibsons and Sechelt.

The SCRD's private sector is generally populated by smaller enterprises, with the majority of businesses in the SCRD – 1,793 or 58.8% - having no employees. This is higher than the proportions observed at the regional (56.3) and provincial (54.8%) levels. Business establishments without employees on the payroll may include part-time employees, contract workers,

<sup>1</sup> <http://www.statcan.gc.ca/cgi-bin/imdb/p2SV.pl?Function=getSurvey&SDDS=1105&lang=en&db=imdb&adm=8&dis=2>

**Chart 8: Number of Employees by Business - SCRD, 2013**



Source: Statistics Canada, Central 1 Credit Union

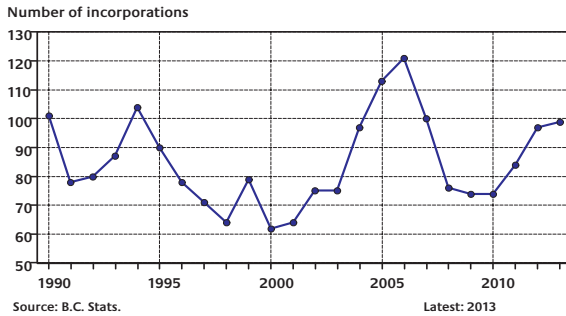
family members, or owner operated (self-employed). Firms without employees were largely concentrated in construction, real estate/rental/leasing, and professional, scientific and technical service industries.

Of firms with employees, SCRD businesses are generally smaller. Nearly 61% of these firms employ less than five employees and approximately 82% employ less than ten. However, this represents a slight increase in average firm size. Since 2010, the share of businesses with less than five employees has declined the share of businesses with 5 to 9 employees increased. In contrast, the corresponding estimates at the provincial level are 57% and 77%, respectively. Similar to those without employees, these firms were concentrated in construction, retail trade, and professional, scientific, and technical service industries.

Net business formation has increased at a stronger pace in the SCRD than observed at the provincial level. While the business count methodology was modified slightly in 2008, the impact on trend was modest. From 2000 through 2010, the number of businesses in the SCRD grew by 30%, while the corresponding provincial figure was slightly below 28%. However, net growth was generally captured in the first half of the decade, despite incorporations peaking during the 2005 through 2007 period. The strongest gains in net business formation during the decade were observed in the construction industry, which added 142 registered businesses (+35%), and professional/scientific/technical service industries, which saw a gain of 160 businesses over the period (+78%).

Business counts surged in 2013 by nearly eight per cent relative to 2012. While the count may be influenced by more businesses moving above the \$30,000 revenue threshold, a rebound in business incorpora-

**Chart 9: Business Incorporations - SCRD, 1990 - 2013**



tions point to growth in business counts. Industries recording the most growth include health care and social assistance, arts/entertainment/recreation, and information/culture.

The pattern of industry gains suggests some rebound in demand in region from an aging population and possibly of an increase in the number of professionals able to work remotely

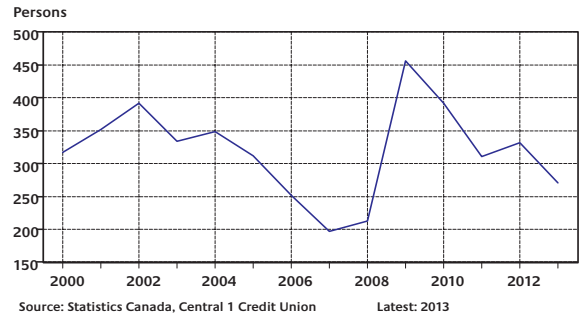
Growth in the number of businesses with no employees (indeterminate) at 8.7 per cent exceeded gains in businesses with employees of 6.3 per cent.

The increased number of businesses in the professional and technical service industry is important. This suggests that in the information age, where professionals can be located anywhere and still be linked instantaneously to their clients via the internet; regions such as the SCRD can be competitive in a knowledge-based economy. Small-scale consultants searching for a natural setting could find the SCRD to be a good fit for their companies.

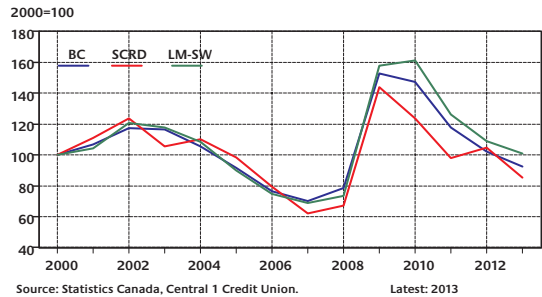
**Recent Labour Market Trends - Employment Insurance Claims**

More recent data on employment in the SCRD than from the last National Household Survey does not exist, however data on local unemployment is available from HRDC using Employment Insurance (E.I.) claims data. This data is not strictly comparable to the unemployment measure used in the census understating actual unemployment since some unemployed do not receive E.I. HRDC is unable to supply new claimants and expired claims data at the local level, which is helpful to understanding the movement in total claimants.

**Chart 10: E.I. Beneficiaries Receiving Regular Benefits - SCRD, Annual**



**Chart 11: Trends in E.I. Beneficiaries - SCRD, LM-SW, and B.C., Annual**



Despite this limitation, trends in the number of E.I. recipients are useful for revealing broad trends in unemployment. A strong positive correlation between E.I. recipients and the provincial unemployment rate is present and is likely also present for the SCRD labour market. Thus, insights can be extracted from local E.I. information.

SCRD's E.I. count dropped sharply in late 2009 and early 2010 suggesting a substantial improvement in the region's economy. This is a positive sign though the magnitude of the drop in late 2009 could be due more to the expiration of benefits rather than to more job opportunities. The level of EI beneficiaries have continued to decline but remained above pre-recession levels which coincides with a period of slow employment growth in the region as per NHS 2011 estimates. Comparing E.I. trends in the SCRD and to the LM-SW and B.C. reveal similar trends.

The limited number of other current economic indicators for the SCRD point to a mixed performance in the local economy. Business formation, non-residential

building permits, and timber harvest were up in 2013 compared to 2012, but the influential residential housing sector remained sluggish. Growth in job opportunities were likely modest but enough to contributed to a decline in E.I. counts.

However, claims expiration may be a factor. E.I. regular benefits extend for a period ranging from 14 to 45 weeks and after the sharp claims run-up in late 2008 expiration would set in by late 2009 and early 2010, contributing to some of the decline.

### Economic Outlook

The economic outlook needs to be divided into two time frames – short-to-medium term and long-term and into two geographic segments with a global and regional scope and the local SCRD.

Notwithstanding the presence of the business cycle, economic forecasters have a difficult time predicting cycle turning points beyond a five-year horizon since recessions are often due to non-economic events such as geo-political events, policy missteps, or natural disasters. Within a five-year period it is possible to reasonably anticipate the cycle but not with a great deal of timing precision. Consequently, most long term forecasts are driven by demographic considerations influencing labour supply combined with assumptions about labour productivity. More sophisticated models use growth in the capital stock as well.

### Macro-economic Setting

The global economy is in a mid-cycle expansionary phase, which is entering its fifth year following the 2008-09 recession. This cyclical expansion has been sluggish but sustainable despite a series of setbacks related to high private and public debt, sovereign risk, global geo-political uncertainty, and concerns over U.S. Fed monetary policy normalization. Policy-makers have much to contend with but a muddle-

through outcome is likely. Economic growth is the normal state of affairs with recessions occurring less than 20% of the time.

Key cyclical patterns are generally sustainable economic growth with higher inflation and an upward trend in interest rates. Despite the disappointing pace of recovery in recent years, there remains considerable upside growth potential in the U.S. economy. The consumer and housing sectors are improving following job and income growth along with improved household balance sheets and less excess housing inventory for conditions to generate a release of pent-up demand for housing and consumer durables. U.S. economic growth is a key condition for a strengthening growth cycle in the Canadian and B.C. economy.

Long-term trends are faster growth in emerging market countries than in developed countries, increased demand for commodities from emerging countries, and fiscal challenges in those countries with aging demographics, large entitlement programs, and slowing labour force growth.

The long-term economic forecasts in Table 3 are from a survey of forecasters by Consensus Economics. Forecasters see a growth pickup in the U.S. to about three per cent before it slows due to demographic considerations particularly in the 2020-2024 time-frame. Canada’s economic upturn is expected to lag the U.S. due to a delayed export upturn. These forecasts are presented as reference only. Central 1 incorporates a stronger growth cycle in its B.C. forecast than the consensus.

The shallow pace of economic recovery has delayed the normalization of interest rates. While interest rates trend higher through the end of the decade, levels will remain abnormally low through 2017. The Bank of Canada delays its first rate hike to late-2015 and continues to hike at a measured pace in 2016. Modest hikes of about 75 basis points per year are forecast from 2017-2019, corresponding with stron-

**Table 3: Long-Term Economic Forecasts - GDP % change over previous year**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-24
U.S.	2.5	1.8	2.8	1.9	2.7	3.0	3.0	2.8	2.6	3.0	2.5
Canada	3.4	2.7	1.7	2	2.2	2.5	2.5	2.4	2.2	2.2	2.1
Japan	4.7	-0.6	1.9	1.5	1.3	1.3	1.2	1.4	1.4	1.1	1.2
China	10.4	9.3	7.7	7.7	7.3	7.2	7.1	6.9	6.8	6.5	5.9
Euro zone	1.9	1.6	-0.6	-0.4	1.2	1.5	1.6	1.6	1.6	1.5	1.5

Source: Consensus Economics, Apr/14. Note: 2020-24 is annual average.



Table 4: Interest Rate and Exchange Rate Long-Term Economic Forecasts

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-25
3 Month T-Bill Rate (%)	0.60	0.92	0.97	1.00	1.00	1.05	1.70	2.50	3.25	4.00	4.75
10 Year Gov. Bond (%)	3.66	3.21	2.33	2.68	3.00	3.35	4.00	4.65	5.35	6.00	6.75
Exchange Rate (\$US)	97.08	101.09	100.06	97.09	90.00	88.89	90.50	90.50	89.69	88.11	89.00

Source: Statistics Canada, Central 1 Credit Union. Note: 2020-25 is annual average.

ger economic growth. Bond yields, deposit rates and mortgage rates follow a similar path. The Canadian dollar is seen holding steady over the forecast period after a 10 per cent slide against the U.S. dollar in 2013. A stronger relative pace of U.S. economic growth and interest rates maintains the exchange rate near 90 cents.

B.C.'s long-term forecast incorporates a stronger cyclical pickup in the U.S. economy than the consensus view. U.S. economic growth approaches 3.5% in 2016 and averages above three per cent from 2015-2019. Growth in 2020-25 averages about 2.5 per cent. Canada's growth profile is on similar cyclical path though less robust due in part to weaker domestic factors and a more modest recession downturn.

The growth rate profile for B.C.'s economy is moderate through to 2015 due to tempered domestic demand. However the growth trend is positive as the U.S. business cycle, increased trade with China, and lower Canadian dollar pulls export growth higher. GDP growth averages about 2.5 per cent in 2014-15, before shifting to near four per cent from 2016-19. The strong growth upshift in the latter half of the decade is contingent on the successful development of B.C.'s liquified natural gas (LNG) sector and commencement of at least two LNG projects.

Population growth in B.C. trends at about one per cent through 2016 which reflects lower interprovincial migration as stronger economies in neighbouring

Alberta and Saskatchewan attract workers. In the later years, the net interprovincial outflow reversed due to strengthening B.C. economy, an aging population and a larger inflow of retirees.

Housing lags other sectors of the economy due to rising interest rates, slow uptick in demand and some inventory overhang. Housing starts hold steady below 30,000 units through 2018. Housing prices, though, rise to new highs by the end of 2021 and climb almost every year following a flat performance in recent years.

## SCRD Industry Analysis and Economic Outlook

The region's industries are examined for key trends and developments followed by the economic outlook for the SCRD.

### Industry Analysis

#### Forestry

The competitive edge of the SCRD forestry industry has fluctuated since 1996. While activity declined from 2001 to 2006, it has picked up since the recession. Although wood processing activities faced challenges in the 2000s, logging activities have rebounded. In 2011, about 220 persons living in the SCRD were employed in forestry and logging, not including those in associated support activities.

Table 5: B.C. Long-Term Economic Forecasts

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020-2025
Real GDP - % chg.	3.3	2.7	1.5	2	2.2	2.6	3.7	4.6	3.9	3.8	2.8
Nominal GDP - % chg.	5.1	4.4	2.3	1.8	3.2	4.4	5.6	7	6.3	5.9	5.4
Employment - % chg.	1.7	0.8	1.7	-0.2	1.1	1.6	1.8	2.2	1.9	1.7	1.5
Unemployment Rate - %	7.6	7.5	6.7	6.6	6.4	5.9	5.9	5.1	4.8	4.1	4.3
Population - % chg.	1.3	0.7	1	0.9	0.9	0.9	1.1	1.2	1.2	1.4	1.6
Housing Starts (000s)	26.5	26.4	27.5	27.1	26.5	27.3	28.7	28.2	28.7	35	35.0
CPI - % chg.	1.4	2.3	1.1	0.2	1.6	2.3	1.7	2	2.2	2.1	2.2
Personal Income - % chg.	2.9	5	4.4	2.1	3.3	4.8	6	6.8	6.8	7.1	5.5

Source: Statistics Canada, Central 1 Credit Union. Note: 2020-25 is annual average.

About 70 persons were employed in wood products manufacturing. Meanwhile, pulp and paper manufacturing remains a significant economic activity, with 520 SCRD residents employed in the sector in 2011.

The Sunshine Coast Timber Supply Area (TSA) covers about 1,555,100 hectares on the southwest coast of British Columbia. About 223,000 hectares (14% of the total area) are considered available for timber production and harvesting under current management practices. It includes the Powell River RD and the Sunshine Coast RD.<sup>2</sup> Major tree species available for harvest include Douglas-fir, hemlock, and balsam.

The current Annual Allowable Cut (AAC) in the TSA is 1,204,808 cubic metres per year. According to the Forest Ministry timber supply analysis from 2012, an initial harvest level of 1,363,000 cubic metres, 14 per cent above the AAC at the time could be maintained for 100 years before gradually increasing to 1,404,000 cubic metres over the following 50 years.

Timber harvest volume in the SCRD has turnaround since plunging in 2009. A decade-long downtrend in harvest activity has given way to the strongest activity since the early 2000s. The annual timber harvest has averaged more than two million dry cubic metres since 2011 – a reflection of strengthening U.S. housing markets.

According to the Ministry of Forest and Range, seven mills operated in the SCRD in 2011 producing pulp and paper, wood chips, and log homes. Since the 2002 permanent closure of the Bayside Sawmills Ltd. in Port Mellon, the number of mills operating in the SCRD has remained constant.

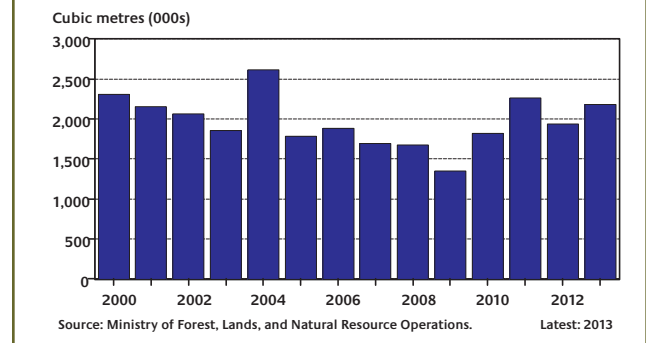
The Small Business Forest Enterprise Program is allocated about 14% of the total AAC. There are some woodlot operations and they have been allocated a small (1%) portion of the total AAC. A woodlot licence is an agreement entered into under the Forest Act allowing for small-scale forestry to be practiced in a described area (Crown and private) on a sustained yield basis.

### Pulp and Paper

The pulp and paper sector provides significant regional employment in the SCRD. The Howe Sound pulp and Paper mill complex at Port Mellon is one of the largest employers in the region. The firm employs approximately 540 workers and has production

<sup>2</sup> <https://www.for.gov.bc.ca/hts/tsa/tsa39/tsr3/39tsra12.pdf>

**Chart 12: Annual Timber Harvest - Sunshine Coast Forest District**



capacity of 425,000 tonnes of northern bleached softwood pulp and 230,000 tonnes of newsprint.<sup>3</sup> Formerly owned jointly by Canadian company Canfor Co. and Oji Paper Co. of Japan, the operations were purchased by Paper Excellence BV, the Netherlands based unit of Indonesia's Sinar Mas<sup>4</sup>. The firm has embarked on an aggressive expansion strategy in Canada, purchasing idle mills in Mackenzie, B.C. as well as Prince Albert, Saskatchewan. The purchase by Paper Excellence will open up new sources of demand by manufacturers of high-quality paper in Asia. Anecdotal evidence suggests that employment at the mill has increased since the sale.

The Port Mellon mill produces high quality kraft pulp and mechanical paper. Kraft pulp is sold to customers around the world. Newsprint is designed to meet the stringent requirements of the Japanese presses. The mill is an industry leader in environmental protection and underwent a \$1.3 billion modernization and expansion project in the 1990s. More recently, it received \$6-million funding by the Government of Canada to improve its environmental performance under the Pulp and Paper Green Transformation Program for its Evaporator Capacity Increase Project. This project will allow the mill to improve its environmental performance by increasing its energy efficiency and production of renewable energy. The mill plans a series of upgrades to its evaporator to redirect more steam for the production of electricity and to reduce its reliance on natural gas and greenhouse gas emissions. The upgrades are also expected to produce an excess of 8,200 megawatt-hours of electrical power, which the mill sells to BC Hydro.

<sup>3</sup> <http://www.paperexcellence.com/mills/howe-sound-pp/>

<sup>4</sup> <http://www.canada.com/vancouver/news/business/story.html?id=5bc38d97-1c27-45b7-806c-b58b86a942b3&k=83415>

Pulp, like most commodities, is a cyclical industry. While the demand from China and other markets should expand over time, particularly when the U.S. and European economies return to more normal activity levels, another recession for either industry specific reasons or a macro event such as in 2008 is likely in the next ten years. A pulp industry recession is the more likely outcome and would result from fast supply growth overtaking demand causing lower prices. Several large pulp mills in Latin America are expected to appear within the next ten years along with some additional new capacity in China.

The outlook for the pulp and newsprint market is mixed. For pulp, the main storyline remains emerging markets, which are increasing the demand for and supply of pulp. However, demand has been held back by global unease and a slowdown in Chinese economic growth which has kept prices below peak. An upshift in global growth should underpin pulp and paper markets going forward, which will fuel higher prices as manufacturers increase paper production.

The implications for the Port Mellon pulp and paper mill and the SCRD economy are generally positive. While pulp prices and demand will go through another cycle in the next ten years, the important consideration is how will this mill fare? Is it an efficient operation able to withstand a long-term price decline due to technological change or to an increase in supply from lower cost producers in Latin America and elsewhere? B.C. and Canada's pulp industry is littered with examples of unprofitable mill closures in the past two decades. Recent investments in the mill are positive for its longer term viability and no closure is expected in this ten year forecast.

### Fishing and Aquaculture

The fishing and aquaculture industry includes commercial fishing, sport fishing, and seafood manufacturing activities. Timely employment and GDP figures are not specifically available for this sector since it is aggregated with agriculture and logging. To further cloud the matter, commercial fishing is one of those activities for which there is no fixed place of work.

Fisheries and aquaculture is a relatively small industry in B.C., and accounted for only 0.4% of total nominal GDP, or \$860.7 million in 2011. Of this amount, aquaculture generated \$182 million, while fish processing made up \$183 million. Commercial fishing comprised \$135 million.

As part of the primary industries, which declined in local specialization and competitive advantage commercial fishing has been the weak link, while aquaculture has generally expanded over the past two decades.

Aquaculture, which includes establishments engaged in farm-raising finfish, shellfish or other aquatic animals or plants, is spread around coastal regions of the province. While the sector is significant for the local economy, it plays a marginal role for the province as a whole. According to BC Stats, the aquaculture sector made up a scant 0.1 per cent of provincial nominal gross domestic product in 2011.

The aquaculture sector experienced a moderation in activity following the recession. Average annual real (inflation-adjusted) output declined more than 10 per cent in 2009-2011 relative to the 2006-2008 performance. This corresponds to a decline in farmed finfish and shell fish exports during the period. Nonetheless, sector-GDP was still up about three-fold compared to the 1990s.<sup>5</sup> Even with a salmon moratorium in place from 1995 to 2002, growth was still strong, and further accelerated once the moratorium was removed.

Aquaculture employment held steady from 2007-2011, but remained below mid-decade highs. There were about 1,700 persons employed in the sector in 2011. Despite an increase in economic output, sector employment has held range-bound since the 1990s, a reflection of an industry that is not as labour-intensive as others.

Major aquaculture operations in the SCRD include Greig Seafood, a Norway-based global aquaculture giant. The company has eight farm sites in Sechelt, producing Atlantic, Coho, and Chinook salmon. Target Marine Hatcheries near Grey Creek produces Coho, Chinook, Atlantic salmon and Sturgeon. The SCRD also contains some shellfish production and processing operations. The primary shellfish species harvested are oysters and clams, which are destined for markets in the USA, Canada, and Asia.

The outlook for this sector is affected by several factors including the market for seafood products, local costs of production and the high Canadian dollar, land use conflicts between aquaculture operators and other users of this resource, regulations governing aquaculture, First Nations considerations, and

<sup>5</sup> BC Stats, British Columbia's Fisheries and Aquaculture Sector, 2012 Edition. <http://www.bcstats.gov.bc.ca/StatisticsBySubject/BusinessIndustry/FisheriesAquacultureHuntingTrapping.aspx>



sport fishing issues. Declining salmon runs are an overarching concern. Ongoing research and innovation in aquaculture is required and to that end the Deep Bay Marine Field Station on Vancouver Island is nearing completion with the goal of supporting sustainable shellfish aquaculture development and preservation of coastal ecosystems.

The job growth outlook for the next ten years is generally weak to poor under current circumstances. On the positive side, there is increasing demand for seafood products due to a growing world population but how and whether the SCRD can maintain or capture a larger share of this growth is quite uncertain. This forecast assumes no material change in employment levels.

### Agriculture

Agriculture is a small industry in the SCRD that has contracted over the past decade. There were 89 farms in the region in 2011, down from 96 in 2006. There are no dominant farm types in the region, although nursery/tree and horse/other equine production make up a substantial proportion of total farms. The farm footprint declined from 867 ha down to 621 ha between census periods, with the average farm size falling to about seven ha.<sup>6</sup> Gross farm receipts in 2011 were \$2.55 million, down about 1.3 per cent from 2006. A decline in the farm footprint contributed to a rise in per hectare farm receipts, but the sector was less profitable in 2011 compared to 2006. Net margin (receipts less operating expenses) was negative two per cent, compared to 3.7 per cent in 2006. Margin was well below the provincial value of 10.7 per cent.<sup>7</sup>

The SCRD specialization in agriculture is low and likely not expanding. Future expansion opportunities are tapping into the local food or 10 mile diet consumer movement and into the agri-tourism market.

### Mining

Activity in this sector in the SCRD is highlighted by Construction Aggregate's open pit sand and gravel mine in Sechelt – the largest in North America. Other

<sup>6</sup> Statistics Canada, 2011 Census of Agriculture. <http://www29.statcan.gc.ca/ceag-web/eng/data-type-selection-type-donnees.action;jsessionid=7C192B05512936BAD23F325973B53209?geoId=590229000>

<sup>7</sup> SCRD, Sunshine Coast Agriculture Area Plan: Stage 1 Background Report, 2013. <http://www.scrd.ca/files/File/Community/Planning/Projects/AAP%20Background%20Report%20Jan%2030%202013%20compressed.pdf>

smaller quarries are in the vicinity. The Construction Aggregate site has been operating since the late 1980s and has a life span of another 40 years or so. Its product is shipped to the lower mainland and to the Pacific Coast of the U.S. About 110 persons living in the SCRD were employed by the mining and quarrying sector in 2011 according to the NHS.

This sector is an area of specialization for the Sunshine Coast and a source of job growth. The geological potential of the SCRD is considerable and there is potential to develop new aggregate mines. Two proposed projects are listed on the *Major Projects Inventory* compiled quarterly for the B.C. government.

The McNab Aggregate Mine proposed by BURNCO Rock Products Ltd. is a sand and gravel pit and processing plant located on the northwest shore of Howe Sound in the McNab Valley with a production capacity of 1 to 1.6 million tonnes/year and a projected mine life of 20-30 years. A marine loading facility, maintenance building, small craft dock and electrical substation will be included in the project. The total value of the project is \$60 million but a there is no estimated start or finish date associated with the project. This project is in the pre-application stage at the Environmental Assessment Office.<sup>8</sup>

The controversial Sechelt Carbonate Mine Project by UK based Pan Pacific Aggregates Ltd project with an estimated project cost of \$100 million seems to have been shelved. The project which proposed a large carbonate rock mine with a production capacity of up to 6 million tonnes/year is on hold and faces considerable local opposition for its large mining footprint and its delivery method of the product to the coast. While still listed on the MPI, the environmental assessment was terminated on May 14, 2012 due to environmental concerns, suggesting the project will not go forward.<sup>9</sup>

Other projects in the region are possible but all hinge on meeting environmental regulations, overcoming local opposition, and favourable market conditions. Since most, if not all, of the new supply would be exported to the U.S., the demand for construction aggregates depend on the state of that economy and its construction activity. The U.S. is on a cyclical upswing, which will fuel demand for aggregates from non-residential and engineering construction sectors

<sup>8</sup> Canadian Environmental Assessment Agency, <https://www.ceaa-acee.gc.ca/050/index-eng.cfm>

<sup>9</sup> Canadian Environmental Assessment Agency, <http://www.ceaa-acee.gc.ca/052/details-eng.cfm?pid=26740>

of the economy. That said, new projects will likely face significant environmental opposition related to new mine proposals. The ten year forecast sees some new job growth when the U.S. economy is on a sufficiently strong cyclical upswing. More robust construction activity in B.C. is helpful but a healthier U.S. market is what is required to bring on new supply of construction aggregates.

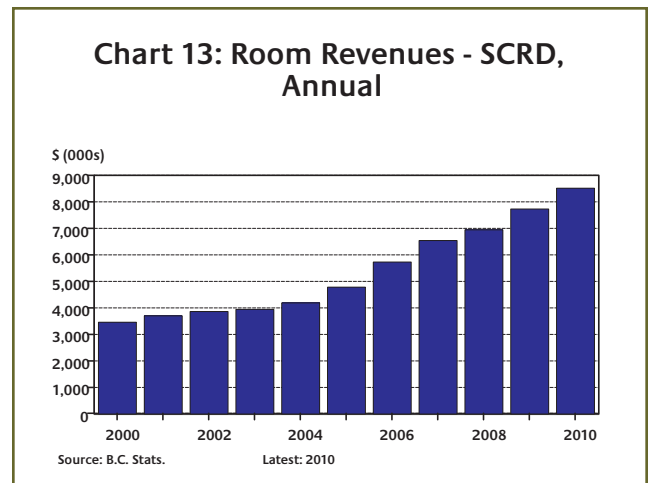
**Tourism**

Tourism is not a specific industry classification but rather a combination of several industries such as accommodation, food, transportation, retail, arts, culture, and recreation. The Local Area Economic Dependency study in 2006 identified tourism generating about 3% of the income in the Sunshine Coast, down from 4 to 5% in previous Censuses.

Accommodation room revenues, which include lodgings such as hotels, motels, vacation rentals and fishing lodges, rose at a faster pace in the second half of the first decade in the SCRD. While large seasonally-adjusted quarterly declines were observed in the first quarters of 2009 and 2010, annual year-over-year revenues growth has been positive growing 10% in 2010 following 11% the previous year. Revenues in the region have grown at faster pace than the province as a whole over the last decade. Tourists to the SCRD come largely from the Lower Mainland and the rest of BC.

Room revenue estimates for July 2010 onwards in the SCRD are unavailable. Revenue estimates were based on a Hotel Tax that was repealed and replaced by the Harmonized Sales Tax on all services, which includes accommodations. However, regional tourism activity has likely picked up. SCRD and provincial tourism has historically been positively correlated, and the latter has exhibited signs of stable to rising room revenues and rising hotel occupancy rates.

The stock of available rooms in the SCRD has increased since declining to near 400 in 2006/07. At the beginning of the last decade, the stock was closer to 500 units. Declines reflected a drop in hotel rooms in 2002 and a subsequent decline in motel rooms in 2004. Recent gains in room counts were led by the miscellaneous component, which include guest ranches, bed and breakfasts and houseboats. It should be noted that there are significant limitations in this data, in particular, properties with three or fewer rooms, such as smaller bed and breakfast operations are not captured. An internet search yielded



	Revenues (\$000s)	Change	# of Rooms
2000	3,461	**	510
2001	3,699	6.9%	496
2002	3,858	4.3%	464
2003	3,951	2.4%	476
2004	4,199	6.3%	414
2005	4,773	13.7%	447
2006	5,743	20.3%	406
2007	6,543	13.9%	390
2008	6,948	6.2%	441
2009	7,732	11.3%	466
2010	8,522	10.2%	462

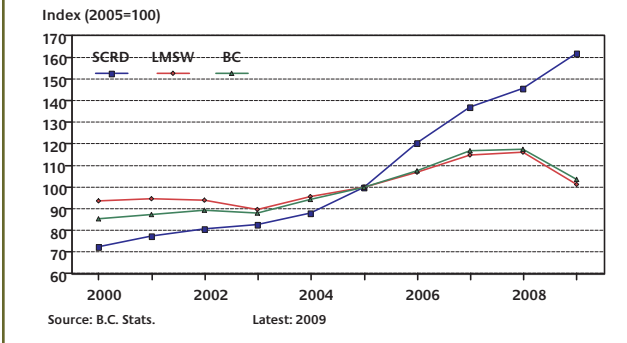
Source: BC Stats, Central 1 Credit Union

more than 60 bed and breakfast establishments in the region.

Room revenue data may also understate actual tourist visits due to the large proportion of residential property owned by individuals residing outside the SCRD. Seasonal owners would not be captured in the room revenue statistics, nor would rentals of these units to tourists.

Key factors affecting the tourism outlook are access, costs of transportation and accommodation, energy prices, the exchange rate, political events, the economic cycle, and the number, quality, and service level of tourist facilities. The SCRD has scenic and environmental advantages and is in reasonable proximity to a major metropolitan area. However, tourist offerings in the SCRD are small-scale and not well known outside the lower mainland region or province. There is no high-profile attraction that can attract large numbers and serve as an anchor for businesses to develop or expand.

**Chart 14: Index Room Revenues, Annual**



Major proposed projects include the Jervis Inlet Resort and Spa and the Seaside Park Resort. The Jervis Inlet project is a \$220 million luxury ocean front resort, spa, villas, and marina development on 136 acres and a 44 acre waterfront lease located at Foley Point at the entrance of the Princes Louisa Sound. There is no projected start date and needs the market to improve. Development permits are in place.

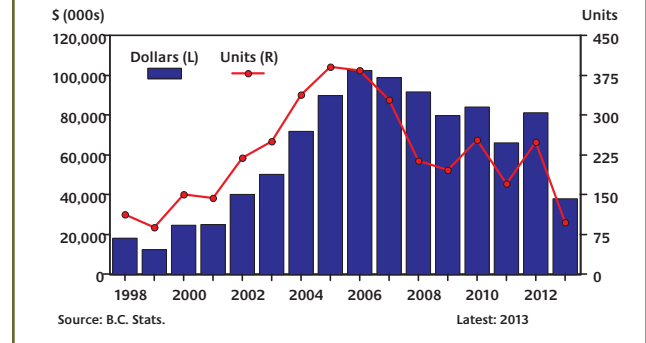
Tourism in the SCRD is likely to remain on a modest long-term growth path pulled along by broader regional growth. Should a significant facility or venue open in the next ten years, it would boost local growth above the long term trend. Job growth about 1 to 2% per year is expected.

**Construction**

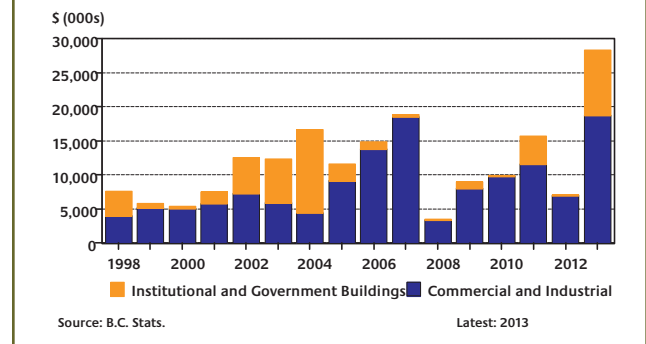
The economic and real estate cycles are the dominant force in determining construction activity. The cycle upswing post-2001 until 2006-07 is evident in residential building permits. Regional construction has struggled to rebound over the past few years with a housing market in a prolonged soft patch. In 2011, there were 1,530 SCRD residents employed in the construction sector – but as is the nature of construction trades, many were not tied to a particular fixed work address.

Since 2012, two major residential construction projects in Sechelt have commenced construction, including the Edgewater at Porpoise Bay, a 116 unit townhome development in Sechelt, and the Watermark, a 104 unit six-storey condominium building. Each project was valued at about \$20 million, and expected to complete in 2014. However, residential building intentions fell again in 2013, suggesting another downleg in construction.

**Chart 15: Residential Building Permits - SCRD, Annual**



**Chart 16: Non-Residential Permits by Type - SCRD, Annual**



Non-residential building activity also surged during the economic upswing and has shown a moderate albeit range-bound revival since 2008. Private sector investment in commercial real estate usually lags the recovery in residential building and the general economy. However, 2013 marked a banner year for non-residential building despite weak residential activity. Dollar-volume permits exceed \$28 million, marking the highest level going back to at least 1998. In comparison, 2011 permit volume was closer to \$7 million.

Growth reflected industrial and government projects in Sechelt and Gibsons. In particular, projects that began construction included the \$21 million Sechelt-Biosolids Handling Facility and Gibsons Elementary School (\$14 million). The St. Mary’s hospital expansion was also underway, but phase 3 is on hold.

The Business Register records 547 business locations in the SCRD with 359 having no employees as of Dec. 2013. Of the remaining, most are small operations, with 135 having 1 to 4 employees, 38 with 5 to 9 employees, 7 with 20 to 49, and one with more than 50 employees.

### **Real Estate, Rental, and Leasing**

Real estate dominates this industry group but economic activity is highly cyclical, moving with housing market conditions.

The Business Register as of Dec. 2013 captured 235 locations with no employees, 61 with less than 20 employees, and 2 with 20 to 49 employees. This sector includes a large number of real estate agents that would be self-employed businesses.

This sector is driven by population and household growth, the economic cycle, and the demand for secondary homes. A prominent feature of the SCRD real estate market is the large proportion of owners residing outside the SCRD. According to data from Landcor Data Corp. using the BC Assessment roll, more than 50% of the owned properties were held by non-SCRD residents.

Real estate activity is currently at the lower part of the cycle but up from the recession bottom. The outlook is for the cycle to rise and peak sometime in the next five years and decline to a higher cycle low. The long-term trend will be rising with anticipated population and income growth and the aging demographic shift favouring greater demand for secondary vacation homes.

Major potential residential developments are limited and dependent on a stronger recovery in the general economy.

### **Finance and Insurance**

This industry serves the domestic market and is driven by population, housing, and business growth along with product and technological changes in the financial services. The Business Register as of Dec. 2013 captured 80 locations with no employees, 21 with less than 20 employees, 2 with 20 to 49 employees, and 1 with 50 to 199 employees.

### **Professional, Scientific, and Technical Services**

This sector comprises legal services, accounting and related services, architectural, engineering and related services, surveying and mapping services, design services, management, scientific and technical consulting services, scientific research and development services, and advertising services. Most of the services are largely dependent on human capital.

The Business Register as of Dec. 2013 recorded 279 business locations (unique physical production units) in the SCRD with no employees, another 124 locations having less than 20 employees each and 2 location with 50 to 199 employees.

A relatively high proportion of persons in this sector work outside the SCRD and in Metro Vancouver which speaks to the location attributes of the SCRD such as a high quality of life and relatively lower housing costs. Transportation is an issue but today's technology and more flexible work arrangements can mitigate some of this negative aspect.

### **Administrative, Support, and Waste Management Services**

This sector comprises various administration activities, security, cleaning buildings, and other services to a variety of businesses and, in some cases, to households. Waste management services involve the collection, treatment, and disposal of waste material, the operation of material recovery facilities, and the remediation of polluted sites.

According to the Business Register Dec. 2013, the number of business locations in the SCRD with no employees totaled 84 with another 52 locations having less than 20 employees each and four locations with 20 to 49 employees.

### **Transportation and warehousing**

This sector comprises establishments primarily engaged in transporting passengers and goods, warehousing and storing goods, and providing services to these establishments. The modes of transportation are road (trucking, transit and ground passenger), rail, water, air and pipeline. National post office and courier establishments, which also transport goods, are included in this sector.

A low degree of specialization in the industry exists locally with little change in total employment during the past ten years. About one-half of the employed do not have a fixed address for their place of work and the main form of employment is in water transportation. Air travel only makes up a very small percentage of travelers to the area, and the majority of the access by air is via float plane companies that fly into Sechelt Inlet where there are two landing docks. The District of Sechelt Airport is very small and can only accommodate smaller aircraft because of its runway length.



According to the *Major Projects Inventory* airport expansion is on hold pending further funding. The proposed expansion includes terminal upgrades, extending the runway to 1,200 m, 12 new hangars and a light industrial area at a cost of \$15 million slated. This will improve access to the area and facilitate economic growth.

Issues facing this sector are transportation costs not only ferry fares but also energy and gasoline prices. Energy prices are seen on a long term upward trend in the next ten years, albeit with some cyclical movement along the way. Higher carbon taxes are a possibility as well. Higher energy prices will restrain some demand growth and prompt businesses to seek operating efficiencies.

In addition to the airport expansion, the SCRD would benefit from additional marina and harbour redevelopment and expansion to support and enhance its tourism and sport fishing sectors. Should another large aggregate mine site emerge, its shipping needs would spur some development.

The warehousing sector is small in the SCRD with many goods shipped in from Metro Vancouver and then distributed to retailers.

Some components of transportation are tied to local population growth, e.g. transit, while business growth is another factor. The long term employment trend was slightly positive since 1996 and the ten-year projection is for a modest trend increase aided by population growth, the airport expansion, and a probability of additional water-based facilities appearing.

### **Retail Trade**

This sector comprises store and non-store retailers and is one of the largest employers in the SCRD. They typically sell merchandise to the general public for personal or household consumption, but some also serve business and institutional clients. Non-store retailers sell their merchandise and services at non-fixed point of sale locations via the internet, broadcasting and publishing channels, and by other means. The Business Register recorded 299 retail business locations with 123 having no employees as of Dec. 2013.

The retail sector has a relatively stronger footprint in the SCRD than what is found for the LMSW region as a whole. There are a couple of reasons for high concentration of retail activities in the SCRD economy.

Tourists demand some retail services during visits and probably a larger influence is the substantial presence of vacation or secondary homeowners who have permanent residence elsewhere, typically in Metro Vancouver. Their influx into the SCRD causes retail activity to be higher than what could be supported by the local population.

Future employment growth will depend on population and demographic change, tourism, non-resident homeownership, technological change (internet and e-commerce), and economic/income growth.

### **Wholesale Trade**

Wholesalers primarily sell merchandise to retailers, and business and institutional clients and this is a small sector in the SCRD. The degree of concentration is one of the lowest of any industry at 0.25 in 2006 by place of work and reflects the dominance of the LM-SW whose wholesalers can serve the SCRD through same-day shipping. The difference between place of residence and place of work employed was 42% in 2006. The Business Register has 74 business locations for this sector with 34 having no employees, 39 with less than 20, and 1 with 20 to 49 employees.

Employment growth is minimal in the past several years and there is nothing on the horizon to suggest a material change. At some point due to higher transportation costs and a local population sufficiently large a larger wholesaling presence will emerge.

### **Utilities**

In employment terms, the utilities sector in the SCRD is very small and encompasses electric, gas, water, sewer systems and treatment facilities. By place of residence, there were 125 persons employed in the 2006 Census while only 35 persons mentioned the SCRD as their place of work. Population growth is usually its main driver.

A number of small energy projects are on the Major Project Inventory list: Box Canyon Hydroelectric Project, the NI Hydro Holding Corp. project 30 km north of Sechelt, Phantom Lake Hydropower Project, and Jervis Inlet Hydro Project.

These projects are in the early stages and none are close to receiving the necessary go-ahead from BC Hydro or the Environmental Assessment Office. BC Hydro's Clean Energy Call of 2008 issued approvals to a couple of those projects. It is not clear when and if

these projects will proceed due to substantial environmental and community concerns. The NI Hydro Project located on Chickwat Creek, and Upper and Lower Romana Creeks remains in the review phase of the Environmental Assessment Act, but received an Electricity Purchase Agreement from BC Hydro in March 2010.

A water treatment plant is proposed for the Sechelt area and the site has received approval from the Agricultural Land Commission. Its construction schedule or cost is not known. The construction job impact will be larger than the operating job impact.

Utility facilities are capital intensive with a low labour content. The long term employment forecast tracks population growth with some uplift from some of the proposed projects.

### **Health and Social Services**

This industry's employment growth stagnated between 2001 and 2006 following a significant expansion in the previous five-year period. The degree of specialization for this sector is usually around one since it follows population growth. Local conditions subtracted from total job growth, whether measured by place of residence or place of work data.

A significant expansion at St. Mary's Hospital is underway which includes renovations to the existing facility, expanding ambulatory and emergency care, special care, and acute care. Phase 1 expansion is expected to complete in Spring 2012, with phase 2 renovations to complete in Dec 2012. The project cost is \$44 million. When complete, it will increase acute care beds to 63 from 41.

Employment will see a one-time increase as a result of the hospital expansion and a longer term growth trend of 1 to 2% per year. Public health funding will grow over time in response to a variety of cost increases and some service expansions in the context of regionalization of specialized services to the larger centres in the province. Expansion of health and social services generally follows population growth as well as the aging population shift. The demand for private health services is increasing and will increase from relatively affluent baby-boom retirees.

### **Education Services**

Similar to health, the SCRD's specialization in the education industry is close to one as it is largely determined by population and demographics.

Longer term data from 1986 on the sector's labour force residing in the SCRD reveals large swings between every censal period. The school-age population peaked in the late 1990s and is on a declining trend. This trend will remain in place until after 2020, though the elementary age school population will be increasing while the high school population is declining.

A growing demand for retraining due to job or career turnover, technological change, and lifelong learning points to more post-secondary education – both private and public. The SCRD's smaller population base could limit the establishment of new facilities and demand could be satisfied in Metro Vancouver facilities.

Employment growth is flat to negative through to 2015 and expected to grow somewhat thereafter.

### **Public Administration**

Little to no employment growth in the government sector in the past decade is largely due to provincial government downsizing. Local government employment likely increased, though specific data are not available. The concentration of government employment in the SCRD is in less than one which is fairly typical for similar areas. About 20% of public administration workers live in the SCRD but work elsewhere or have no fixed workplace.

The outlook is mixed depending on the level of government. Local government employment will increase roughly with the rate of population growth while provincial and federal employment is dependent on budgetary and policy decisions. The current fiscal situation in the federal and provincial government suggests job reductions lie ahead, especially at the federal level. However since the number of federal government jobs in the SCRD are limited, cutbacks will be few if any. Long term job growth is roughly pegged to the rate of population growth.

### **High Technology**

The sector is an amalgam of several industries often categorized into manufacturing and services. In the SCRD, high tech is services-based in areas such as computer services, telecommunications, internet, software development, consulting, and the like. High tech emerged as a significant force in the past 20 years driven by technological change. No doubt future employment growth will depend on further

technological change but less in the next ten years than in the prior ten years.

### Economic Outlook – Sunshine Coast RD

The SCRD's long-term economic outlook is mildly positive. Persistent weakness following the 2008-09 recession lingers for another year and an upshift in growth is contingent on a lasting recovery in the external economy. External growth is a key driver for the region's forestry and aquaculture economy, but also in driving migration flows to the region and recreational home purchasers. Following a weak 2006 to 2011 growth period, employment growth is expected to grow by less than four per cent from 2011 through 2016. A combination of cyclical and structural factors fuels acceleration in employment growth later in the decade, as the housing cycle picks up and migration flows to the region rebound. The region's high unemployment rate is forecast to decline to about four per cent later in the decade. Labour scarcity will become a greater issue with the aging population.

The timing of the expected growth resurgence is subject to some uncertainty and may occur later than assumed in this forecast but the resurgence is not uncertain. When the U.S. economy enters its robust growth phase, it is a rising tide that lifts all economies as when it falls into recession dragging down nearby and interconnected economies. Local factors are also at play during the next ten years

Industries with above-average forecast growth in the SCRD over the long-term are construction, real estate, professional/technical services, and retail trade. Industries with below-average forecast growth are logging, agriculture, aquaculture, health, education, and public administration. Moderate growth industries are transportation, high tech, finance/insurance, administrative/support/waste management, tourism, utilities, and the pulp-paper sector.

## Population and Demographics Analysis and Outlook

This section presents local population and demographic information and forecasts.

### Population

Population growth in the SCRD was high and out-paced B.C. by a wide margin the 1970s, late 1980s and early 1990s, and post 2001. These high growth periods occurred during a robust economy and housing market and by a weaker economic environment during low growth periods, further highlighting the interconnectedness of the SCRD with broader economic forces.

The most recent census counts available are those compiled in 2011. At that time, the population observed in the Sunshine Coast Regional District numbered 28,619 individuals, which was 3.1 per cent higher than that observed in 2006. While the SCRD has typically outperformed benchmark provincial growth, the latest intra-period performance has lagged provincial gains of seven per cent.

Within the regional district, population growth was concentrated in Sechelt DM which grew 9.9 per cent and Gibsons which recorded a 6.1 per cent increase in the population level. Electoral Area A (Egmont/Pender Harbour) grew 2.1 per cent while Electoral Area B (Halfmoon Bay) recorded a 4.6 per cent increase. In contrast, contractions were recorded in other areas, led by a 9.8 per cent decline in Electoral Area F (West Howe Sound).

### Post Census Estimates

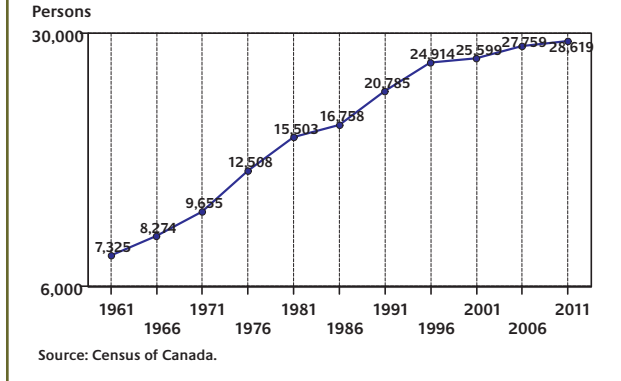
Post-2011 Census population estimates are compiled by both Statistics Canada and B.C. Stats. While the methods vary, annual growth rates between the two are consistent. Both data sources are used in this report, but due to more granular estimates at the sub-regional district level, B.C. Stats estimates are generally referenced.

**Table 7: Long-Term Economic Forecast - Sunshine Coast Regional District**

	1991	1996	2001	2006	2011	2016	2021	2026
Labour Force	10,030	11,895	12,335	14,210	14,325	14,800	15,800	16,900
% change	33.6	18.6	3.7	15.2	0.8	3.3	6.8	7.0
Employment <sup>1</sup>	9,085	10,925	11,445	13,585	13,295	13,800	15,000	16,200
% change	39.4	20.2	4.8	18.7	-2.1	3.8	8.7	8.0
Unemployment Rate (%)	9.5	8.2	7.2	4.4	7.2	6.8	5.1	4.2

Source: Statistics Canada, Central 1 Credit Union. Forecast commences 2016. 1. Place of residence.

**Chart 17: Population - SCRD, 1956 - 2011**



According to the BC Stats Generalized Estimation System (GES) model<sup>10</sup>, estimated population growth in the SCRD has been weaker than the provincial benchmark since 2011. As of July 1, 2013, population was estimated to reach 29,017 individuals. This was down slightly from 2012, and up only 1.3 per cent from 2011. In comparison, provincial growth was close to 1.8 per cent over the two-year period.

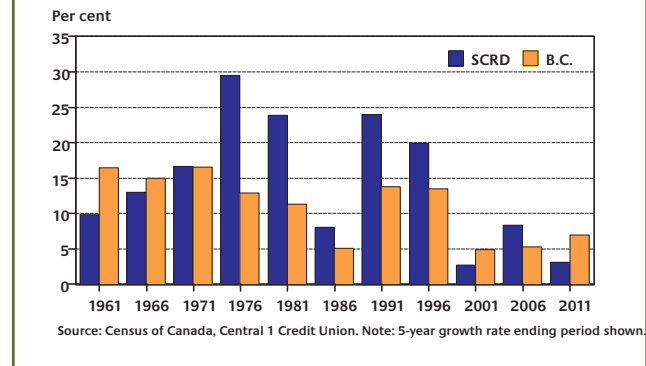
Population growth has slowed since the recession, shifting from an average annual gain of 1.3 per cent from 2001 to 2008 to 0.4 per cent per year since that time. The downshift in growth suggests that external economic conditions can negatively impact net-inflows of migrants to the region. Slow population growth was also observed early in the millennium during the previous period of weak economic growth.

Regional population growth since the last census count was driven by areas outside the trading areas of Sechelt DM and Gibsons. Population in the former has been flat since 2011, while the town of Gibsons grew by 0.7 per cent. Growth was led by two per cent growth in the combined unincorporated areas, while the Sechelt Indian Government District grew by 5.8 per cent, albeit from a small base.

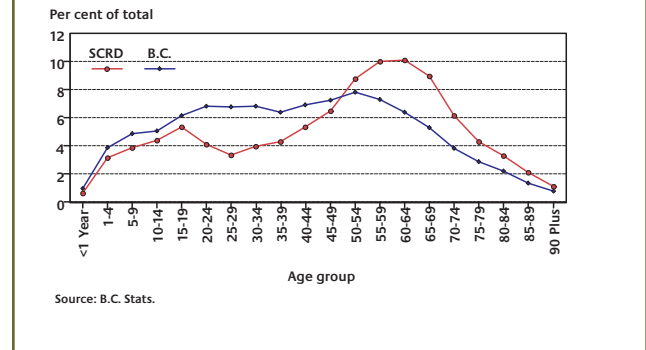
Recent growth trends have had a modest impact on the geographic distribution of the region's population. The Sechelt DM remained close to 32 per cent of the region's population in 2013. The Town of Gibsons hovered at 15.5 per cent in 2013, while unincorporated areas represented just below 50% of total regional population.

<sup>10</sup> The Generalized Estimation System (GES) estimates sub-provincial population estimates using administrative data sources. These include residential electrical connections as at July 1 and health care registrants as of July 1. <http://www.bcstats.gov.bc.ca/pubs/bcbi/bcbi0911.pdf>

**Chart 18: Population Growth - SCRD and B.C., 1961 - 2011**



**Chart 19: Population Age Distribution - SCRD and B.C., 2013**



**Demographic Profile**

The population base in the SCRD region is significantly older than most other regions in the province and in fact the country as a whole with slightly larger share of women than men in the population. In 2011, the Sunshine Coast ranked among the top ten oldest census divisions in Canada. The estimated median age in the region reached 51.6, which compared to a median of 41.9 at the provincial level. The region was only one of three with a median age above 50. The median age in the Okanagan-Similkameen region was only marginally higher at 52.

Population distribution estimates compiled from B.C. Stats provides a more complete picture of the region's current age profile. The SCRD population is largely skewed to an older age cohort. Based on 2013 projections, more than a quarter of the regional population was above the age of 65. This figure increases to 46 per cent once the 55-64 cohort of near-retirement aged individuals is included. The corresponding figure at the provincial level is 16 and 30 per cent.



**Table 8: Sunshine Coast Population Estimates**

Year	Total	Town of Gibsons	Sechelt DM	Sechelt I.G.D.	Unincorporated Areas
2001	25,947	3,960	7,864	804	13,319
2002	26,177	3,963	7,881	812	13,521
2003	26,450	4,016	7,939	802	13,693
2004	26,619	4,011	7,955	801	13,852
2005	27,349	4,118	8,251	816	14,164
2006	27,921	4,198	8,491	827	14,405
2007	28,198	4,336	8,676	811	14,375
2008	28,462	4,362	8,837	810	14,453
2009	28,528	4,454	8,906	825	14,343
2010	28,590	4,416	9,134	818	14,222
2011	28,656	4,455	9,286	797	14,118
2012	29,115	4,526	9,356	822	14,411
2013	29,017	4,486	9,285	843	14,403

Source: B.C. Stats, Central 1 Credit Union

The evolution of the region’s age profile since the mid-1980s has shown declining individuals in the 15 to 34 age cohort, both as a proportion of the total population and in absolute terms. This reflects the natural aging in the population, but more importantly an influx of older individuals to the region and an outflow of working age individuals.

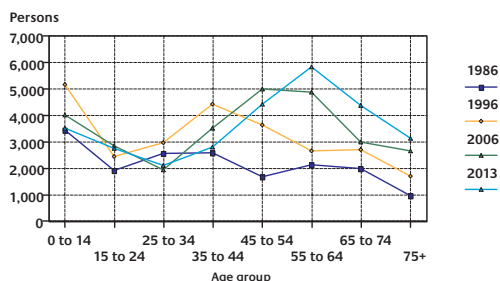
Population growth in the SCRD entirely reflects net inflow of individuals from outside the region, according to Statistics Canada. Natural population increase - births minus deaths - has been negative since 1997/98. Since 1996/97, net-migratory gains to the SCRD have been driven by positive intra- and inter-provincial net-migration. Gains from other regions in British Columbia were particularly strong from 2001/02 through to the recession.

As noted, there are differences in the estimation procedure between Statistics Canada and BC Stats that influence final population estimates, particularly for the latest years. Detailed migration estimates for 2012/13 have yet to be released by BC Stats, but Statistics Canada estimates points to a net outflow of residents from the region. Figures from B.C. stats will likely be marginally higher but will be in line with the key message of low population growth.

**BC Stats Population Projection**

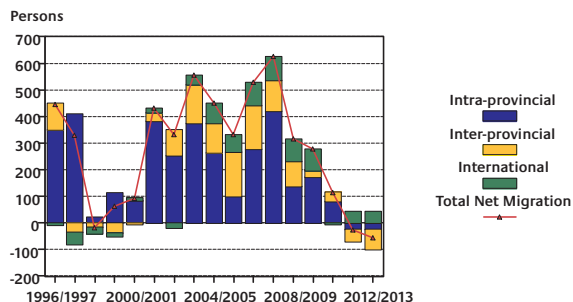
Long-term population projections by regional district are constructed by BC Stats and will be considered the benchmark levels for the purpose of this report. While BC Stats baseline model has not been calibrated to their more recent population estimates for

**Chart 20: Evolution of SCRD Population Age Distribution**



Source: B.C. Stats, Central 1 Credit Union.

**Chart 21: Migration Components, Sunshine Coast RD, Annual**



Source: Statistics Canada, Central 1 Credit Union.

Latest: 2012/13

2013, the key variable is the long-term growth path. Under current projections, population in the SCRD lags provincial growth through 2030. Annual growth averages 0.7 per cent over the projection horizon. Growth is projected to rise to about 0.8 per cent in

the 2018-2024 period before easing to 0.6 per cent by 2030.

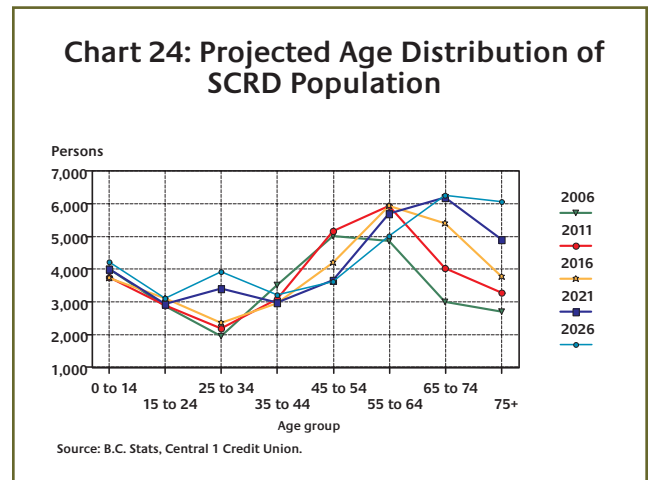
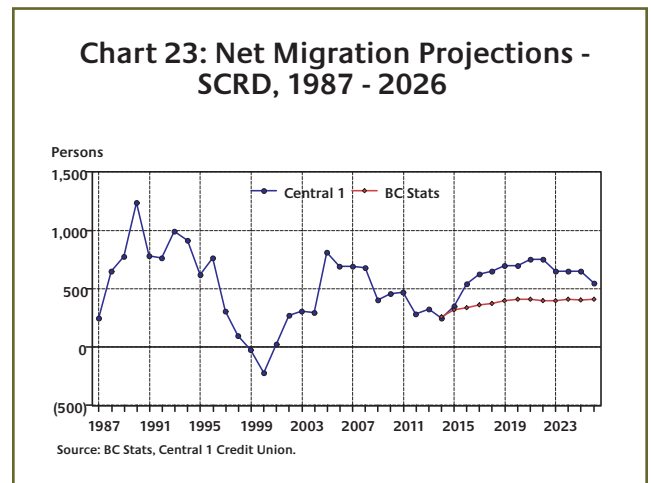
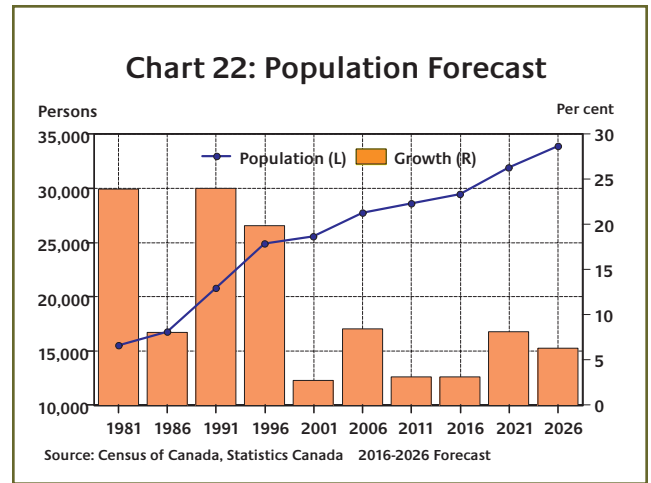
BC Stats projects the SCRD to lag provincial gains by a significant margin. While B.C.'s population is projected to rise by 17% between 2013 and 2026, representing average annual growth of 1.2%, the SCRD is projected to expand by a modest 10% over the same period. Relatively weaker population growth in the SCRD reflects a conservative long-term net-migration projection significantly lower than actual net-migration observed over the last decade.

Natural increases are projected to remain negative, and draw down the population by an average of 150 individuals annually through 2030 at an increasing pace. An aging population and naturally higher mortality associated with a more elderly population is the key factor. Over this time span, the median age in the SCRD is projected to reach a peak of 54.7 years of age in 2020-2022, up from 51.7 in 2010.

### Central 1 Population Forecast

While birth and death rates change slowly over time, migration is more volatile and driven by demographics and varies over the business cycle. B.C. Stats baseline net-migration projection from 2010 through 2026 averages less than 400 net entrants to the region per year. Central 1 considers this to underestimate what is likely to occur given the continued expansion and aging of the province's population. From 1986 through to 2009, net-migration averaged 520 persons per year with a strong cycle related to economic performance. During economic upswings, net migration averaged 600 to 800 persons per year exceeding 1,000 persons in 1990. The region is currently in a population growth down-cycle related to the lingering impact of the recession.

However, a number of factors are expected to push net-migration above BC Stats projection. The main factor is the projected economic cycle. Also the baby-boom population has yet to peak among retirees, which will continue to add to the number of persons settling in the area. Normally an aging population means less mobility and lower migration rates, but for a local area that attracts such age cohorts, migration flows improve. The SCRD's high quality of life and proximity to Metro Vancouver's aging population and long-term home price appreciation will lift net migration. Further, small professional service-based businesses that can work remotely from their client's



locations, i.e. consulting, advisory will be attracted by the quality of life and natural environment.

The broader economic recovery and demographic pressures are forecast to shift migration higher in the latter half of this decade. More robust migration pushes population growth to about 1.7 per cent per year in the latter half of this decade. Migration holds steady from 2021 to 2026 but eases slightly near the end of the period.

The SCRD population is forecast to reach 29,500 persons by census year 2016, up three per cent from 2011. This primarily reflects backloaded growth given recent years weakness. Inter-census year growth accelerates to 7.8 per cent from 2016 to 2021 with nine per cent gain from 2021 to 2026. The net migration and population forecasts are driven largely by the economic cycle forecast and should the actual timing of the cycle stray from forecast so too would the population forecast. The likely timing error is for the economic resurgence to occur later than forecast.

The age distribution of the population shifts to older age groups throughout the forecast with age 65 plus accounting for 30% of the population or by 2018.

### **Housing Market Analysis and Outlook**

The vast majority of residents in the Sunshine Coast Regional Districts are homeowners. According to the 2011 NHS, only 18.1 per cent of households in the region rented, down from 19.3 per cent in 2006. This was substantially lower than the provincial renter proportion of 29.8 per cent. The converse is that ownership rates are high in the region, which reflects the relatively low proportion of younger-aged individuals (which are more prone to rent), and the large retiree population.

Canada Mortgage and Housing Corporation do not conduct an annual rental market survey for the region. This section focuses on recent market trends in the housing market. Analysis of the housing stock and the state of external demand for recreational properties was previously conducted for 2010 data and can be found in Appendix B.

### **Housing Market Trends**

Housing market trends in the SCRD have closely followed provincial trends over the past three decades. In the most recent decade, total residential sales in the SCRD surged from 2000 to 2003, and averaged above 1,000 units per year from 2003-2005. Strong demand for property in the region resulting from favourable mortgage rates and stronger population gains placed upward pressure on housing prices from 2000 through 2008. The median home price more than doubled during the period to peak at 364,000

Sales volume plunged in 2008 through mid-2009 reflecting the cuts in demand for secondary and retirement properties, coinciding with declining sales in the Lower Mainland and the subsequent recession.

With listings outpacing sales activity, the market sunk into buyers' market condition, where it continues to languish due to elevated inventory.

Despite a brief post-recession rebound, housing transactions have trended lower since 2010. Combined new and existing home sales fell to 500 units in 2013, down more than five per cent from 2012. This was half of the mid-decade peak, and below previous cycle-lows observed in the 2000s. Low demand held price levels in check at \$355,000, which was unchanged from 2012 and in line with the range-bound performance since 2007.

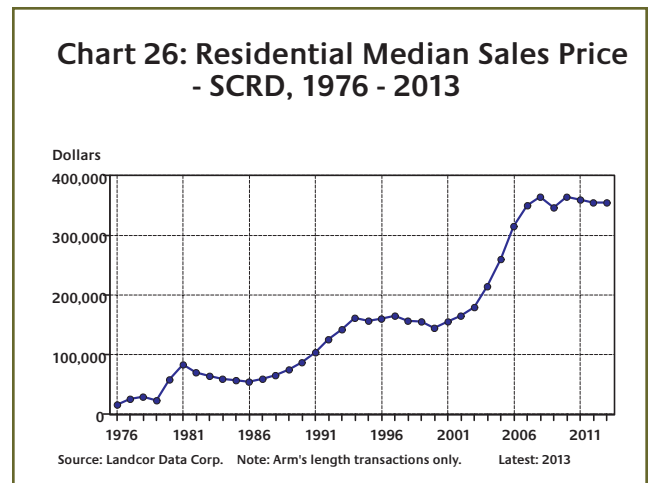
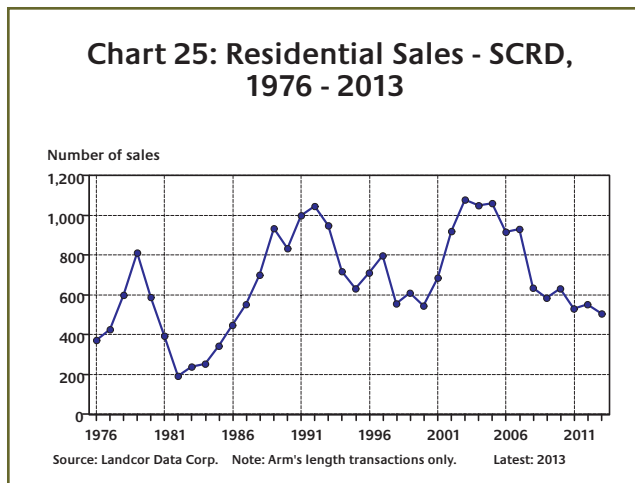
### **Housing Forecast**

Annual residential transactions in the region will reflect the size and growth of the housing stock due to population growth and cyclical factors such as the strength in the underlying economy, mortgage rates and demand for recreational real estate. Housing cycles are a basic characteristic of housing markets but it is difficult to predict a cycle turning point.

Nonetheless, the underlying trend for housing sales will be positive in the latter half of this decade. Given that the market is currently in a trough reflecting a post-recession lull in demand, we expect a rising market to take hold by 2015 with a cyclical peak reached around 2017. This cycle foreseeably drives sales to a peak of about 900 units per annum as recreational demand combines with population driven demand. Following this cycle peak will be an inevitable downturn which will push sales below projected levels by the end of the decade. This decline is a normal market adjustment phase to balance supply and demand and not a severe downturn brought about by an economic recession.

The long-term trend in the median price of homes sold in the SCRD is characterized by sustained periods of growth followed by periods of stagnation or modest declines. The median home price from 1980 through 2010 increased at a compound rate of approximately 6.2% per year, with gains concentrated from 1988 through 1994 and 2000 through 2007. Price levels have stagnated following the recession reflecting a lull in in-migration and recreational demand.

Over the course of this next decade, we expect the median price level to follow the shape of the sales trajectory. Given that sales remain in a cyclical lull, price gains are expected to remain muted until the



**Table 9: Long-Term Population and Housing Forecast- Sunshine Coast Regional District**

	1986	1991	1996	2001	2006	2011	2016	2021	2026
Population	16,758	20,785	24,914	25,599	27,759	28,619	29,500	31,800	34,800
% change	n.a.	24.0	19.9	2.7	8.4	3.1	3.1	7.8	9.4
Annual Housing Transactions (3-year centred average)	448	960	714	719	971	572	650	850	875
% change	14.2	114.4	-25.7	0.7	35.0	-41.0	13.6	30.8	2.9
Median Price (\$)	55,000	103,400	160,000	155,000	315,000	360,000	357,000	421,000	538,500
% change	-31.2	88.0	54.7	-3.1	103.2	14.3	-0.8	17.9	27.9

Source: Statistics Canada, Landcor Data Corp., Central 1 Credit Union. Forecast commences 2016.

second half of the decade. As the economy recovers, homeowners ramp up demand for recreational or secondary housing and retirees will be in a better position to transition to retirement housing. Sales will outpace the growth in inventory and new supply bidding up price levels in the region. This should lead to stronger price growth from 2016 onwards.

Median price growth for this decade is forecast to be below average and back-loaded. Price levels ease over the first half of the decade before returning to a higher growth trajectory in the second half. The median price is projected to reach \$421,000 by 2021, reflecting no growth in the first half of the decade followed by average annual growth of about 3.5 per cent. Average annual growth of five per cent from 2021 to 2026 pushes the median value to \$538,500

Median residential price growth could be further dampened as higher prices yield a larger proportion of apartment and other multiple-family units being built.

Modest population gains in the SCRD and continued housing price appreciation in Metro Vancouver will contribute to an expansion of the housing stock over the next decade.

A simple model relating the residential housing stock to population levels and Metro Vancouver home prices suggests that the owned housing stock could rise by 35% from 2010 through 2026, given population projections and annual growth in Metro Vancouver price levels of 4.5%. The latter is an important determinant of recreational and retiree demand. Metro Vancouver price appreciation projection is set below the long-run compound growth rate observed since 1980. This would yield a housing stock of approximately 14,650 units and translates into a gain of about 3,950 additional owned housing units in the region during the 2010-2026 period.

Consistent with trends observed over the last decade, growth in the locally-owned and occupied housing stock is expected to outpace non-local ownership. This will reflect the permanent relocation of retirees to the region as well as growth in the number of small-businesses setting up in the region. Nonetheless, non-local ownership as a share of the owned housing stock will remain relatively steady with a modest downward trend.

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## Appendices

### Appendix A: Location Quotients and Shift-Share Techniques

A more technical approach and the standard analysis technique of a local economy is the location quotient and shift-share methods. Location quotient is one of the most widely used measures of specialization and industrial concentration of a local economy.

The location quotient takes the relative size of any sector (usually by employment) and compares it with equivalent rate in a reference economy (usually the provincial level). This calculates how closely the local economy mirrors the structure of the provincial economy and in which sectors the local economy is more or less specialized. Typically, this is the primary tool used to identify where clusters may exist in the local economy and to identify the import and export sectors in the local economy, as a part of an economic base analysis.

Shift-share analysis assesses the performance of the sectors of a local economy—typically measured by employment growth—relative to a larger reference economy. This is a relatively simple and effective way to measure the competitiveness of both individual sectors and the local economy. Specifically, shift-share analysis calculates how much of the employment growth experienced by a local economy can be accounted for by the economy's mix of sectors, because different sectors grow at different rates; by the reference economy growth rate since there are similar forces at work; and by local factors since its economy may possess a competitive advantage in certain sectors. If a local area's employment in a sector is growing at a faster rate than the reference employment growth in that sector would suggest, the local economy is assumed to possess a competitive advantage in that sector.

The reference base most often chosen is the province but since the SCRD is more integrated with the LM-SW region than with B.C., it is chosen as the reference base in this study. Both reference base data sets

**Table 10: Components of Employment Growth and Industry Specialization, Sunshine Coast RD, 1996 to 2001**

SIC Industry	Sources of growth (number of persons)				2001 Location Quotient
	Regional share	Industry mix	Local growth	Total growth	
Total - Industry	736	-258	-23	455	1.000
Agricultural and related service industries	10	9	36	55	1.127
Fishing and trapping	9	-41	17	-15	13.055
Logging and forestry	36	-97	-15	-75	13.193
Mining (including milling) quarrying and oil industries	10	-37	-13	-40	3.886
Manufacturing	89	-49	-0	40	1.158
Construction	39	-106	-78	-145	1.180
Transportation and storage	32	1	-58	-25	0.835
Communication and other utility industries	11	-4	-16	-10	0.397
Wholesale trade and industries	24	-8	-42	-25	0.465
Retail trade	114	-25	5	95	1.240
Finance and insurance	22	-1	-51	-30	0.529
Real estate operator and insurance agent industries	17	-26	-27	-35	0.701
Business services	34	84	87	205	0.627
Government services	34	-38	-1	-5	0.940
Education services	57	47	-148	-45	0.864
Health and social services	67	54	129	250	1.065
Accommodation, food and beverage service industries	71	-11	-10	50	1.155
Other services	58	-13	165	210	1.217

Source: Statistics Canada, Central 1 Credit Union. Notes: 1. Based on place of work and work activity in 1995 and 2000. 2. SIC 1980 industry definition. 3. Regional reference base is lower mainland



were examined and the LM-SW yielded slightly better results than B.C.

Data from three census periods spanning 1996 to 2006 were compiled. One data complication is the shift to the NAICS industry classification in the 2001 Census from the SIC industry classification previously used distorting some industry comparisons, especially in some service industries.

A comparison of 1996 and 2001 Census place of work data suggests that growth in the reference economic region compensated for an unfavourable industry mix in the SCRD during the latter half of the 1990s. While the SCRD gained 455 employed persons during this period, broader regional growth suggested a gain of 736 persons for the SCRD. The area's larger proportion of construction, logging and forestry industries employment which underwent unfavourable conditions during the period was a negative factor. Local-area effects were largely neutral at the aggregate level, although the local environment for educational

services was particularly weak, which is possibly due to public funding issues at the time as well as newly emerging growth in private education services in Vancouver. The strongest industry performers with the highest local growth effects were other services and health services. Business services were another outperformer from a low base. Overall, the local economy's performance during 1996 to 2001 was poor.

In contrast, local area and broader regional factors drove growth from 2001 to 2006. The SCRD's industry mix did not provide a significant contribution to growth. Total employment gained between census periods was 1,275 persons, with 774 jobs associated with general conditions in the regional economy and 460 jobs attributed to local-area effects or local competitive advantages.

The largest local-area effect was observed in industries related to construction, real estate and related services, and retail trade. Since the economy, migra-

**Table 11: Components of Employment Growth and Industry Specialization, Sunshine Coast RD, 2001 to 2006**

NAICS Industry	Sources of growth (number of persons)				2006 Location Quotient
	Regional share	Industry mix	Local growth	Total growth	
Total - Industry	774	41	460	1,275	1.000
Agriculture, forestry, fishing and hunting	44	-36	-159	-150	1.081
Mining and oil and gas extraction	6	54	-36	25	2.384
Utilities	2	-4	17	15	0.678
Construction	28	86	205	320	1.907
Manufacturing	92	-78	-70	-55	1.019
Wholesale trade	11	3	6	20	0.252
Retail trade	120	-24	154	250	1.344
Transportation and warehousing	29	-42	8	-5	0.637
Information and cultural industries	13	-24	96	85	0.715
Finance and insurance	23	-14	26	35	0.566
Real estate and rental and leasing	15	18	171	205	1.395
Professional, scientific and technical services	44	48	48	140	0.670
Management of companies and enterprises	0	0	0	0	1.411
Admin., waste management and remediation services	17	20	88	125	0.878
Educational services	51	19	120	190	0.982
Health care and social assistance	91	-26	-25	40	1.032
Arts, entertainment and recreation	36	19	-70	-15	1.679
Accommodation and food services	70	19	-74	15	0.949
Other services (except public administration)	47	27	-44	30	0.969
Public administration	34	-27	-1	5	0.859

Source: Statistics Canada, Central 1 Credit Union. Notes: 1. Based on place of work and work activity in 2000 and 2005. 2. NAICS 2002 industry definition. 3. Regional reference base is lower mainland

tion, and housing markets observed a cyclical upturn during the period, the out-sized growth in those domestic industries affected the results. The SCRD attracted in-migrants, retirees and recreational buyers contributing to the significant increase in real estate related, retail trade, and other services employment.

The SCRD economy's cyclical upturn in the mid-2000s also affected the industry specialization or concentration results with the construction, real estate, and retail trade industries at high location quotient values. The forest logging sector remains a source of specialization relative to the LM-SW though on a shrinking basis since 1996.

At the low end of industry concentrations are mostly private service industries such as transportation, wholesale trade, finance and insurance, information, communications, and cultural and business services. During 1996 to 2006, these industries remained at low location quotient values, though the information, communications, and cultural industry gained. Shift-share analysis also identified this industry growing from local comparative advantage factors.

Not surprisingly, this analysis of the SCRD economy reveals the same broad trends in the initial scan of labour force changes by industry since 1986 but with some additional insights. Its resource-oriented industries are shrinking in relative and absolute terms while some service industries are growing. The causes behind these trends and their future outlook are examined later in the report.

## Appendix B: Analysis of the SCR D Housing Stock - 2010

### Housing Stock Growth

A growing population base necessitates growth in the housing stock. Data relating to new home starts in the SCR D is not readily available as Canada Mortgage and Housing Corporation does not enumerate markets in urban centres below 10,000 population. However, growth in the new home activity can be observed through building permits and B.C. Assessment information.

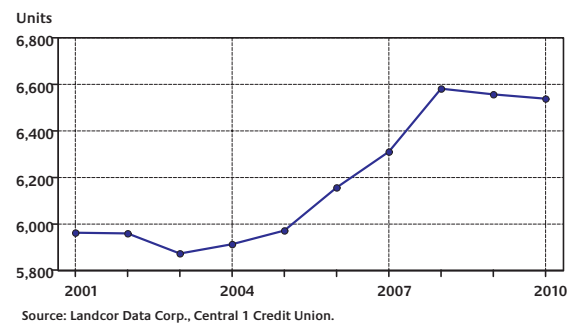
Building permits in the SCR D followed an upward trend from 2000 through to 2006, peaking at an annual permit value of \$102.5 million. Peak permits in local markets were generally consistent with data at the regional district level, reflecting broad-based demand for housing in the region. Absolute permit volumes were highest in the aggregate unincorporated localities. This reflects the fact that the region's population is largely located outside the Town of Gibsons and DM of Sechelt.

Based on residential assessment data obtained from Landcor Data Corporation, the owned residential housing stock (excluding raw land) in the SCR D grew by 1,540 units to 11,091 units from 2001 through 2010 for a 16% gain. Relative to the existing ownership stock in 2001, the largest gain was observed in the DM of Sechelt, which recorded a 24% expansion in the stock while the Town of Gibsons observed a gain of 19% and the Sechelt rural area recorded an increase of 11%.

The region's owned housing stock is dominated by single-detached units (76% in 2010) but multiple-unit dwellings which include apartment, townhomes and condominiums, were the primary source of growth since 2001. Owned multiple-family residential units rose 46% from 2001 through 2010 to reach 1,005 units. Nearly all of these new multiple-family units were added to the DM of Sechelt and Town of Gibsons.

Growth in multiple-unit housing as a share of the market likely reflects a number of factors including demand for low maintenance recreational housing from outside buyers, demand for lower maintenance retiree housing, and a lower cost alternative to single-detached houses.

Chart 27: External Ownership of Housing in SCR D, 2001 - 2010



### External Ownership

The sizeable share of external ownership is a significant characteristic of the SCR D market and points to a large contingent of recreational home activity. Trends in external ownership can be observed through an analysis of assessment data.

For the purposes of this report, an estimate of external buyers is constructed by examining property records that have a different property owner record than the actual property itself. If there is a difference and city of the owner address is also different, then it is considered non-local. Based on this definition, the number of external residences grew by 576 units from 2001 through 2011, representing an increase of 8%, which was less than the growth in the overall owned housing stock in the region.

Coupled with estimates of the owned residential stock (including raw land), it can be estimated that that roughly 54% of the housing stock was owned by non-local individuals in 2010. Based on a decade of data, this proportion has remained relatively stable, but has edged lower in recent years.

Table 12: Owned Residential Stock - 2010

	Includes Raw Land	Excludes Raw Land
Total Stock (units)	12,006	11,091
Proportion of Total <sup>1</sup>		
Town of Gibsons	14%	14%
Sechelt, DM	33%	33%
Sechelt Rural	51%	50%

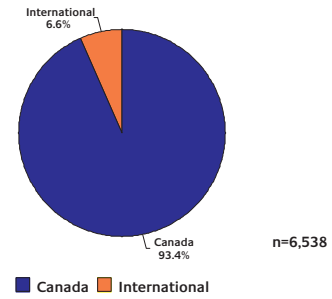
<sup>1</sup> Table excludes Sechelt Indian Govt District (SD46) due to small counts. Source: Landcor Data Corp.



External ownership of residential real estate in the SCRCD can be traced to a Canadian mailing address 93% of the instances, with the vast majority located in Metro Vancouver. Metro Vancouver made up 78% of the SCRCD's non-local ownership – with ownership concentrated in the City of Vancouver, the North Shore and West Vancouver.

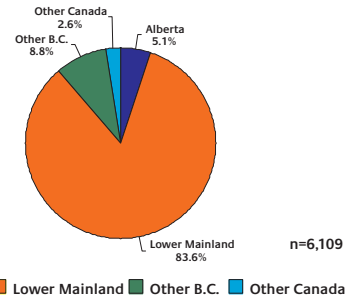
Residents in other parts of B.C. made up 8.2% of non-local ownership, while Alberta residents made up 4.8% and U.S. residents 5.2%.

**Chart 28: External Ownership of SCRCD Housing by Location, 2010**



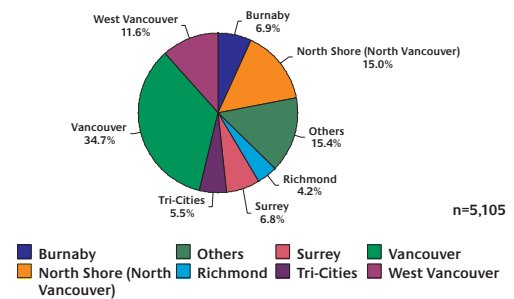
Source: Landcor Data Corp, Central 1 Credit Union.

**Chart 29: Canadian External Ownership of SCRCD Housing, 2010**



Source: Landcor Data Corp, Central 1 Credit Union.

**Chart 30: Lower Mainland External Ownership of SCRCD Housing, 2010**



Source: Landcor Data Corp, Central 1 Credit Union.

## Appendix C: Additional Tables

Table 13 - Industry Composition of Labour Force, Sunshine Coast RD, 1986 - 2011

	1986	1991	1996	2001	2006	2011
Total experienced labour force 15 years and over	7,310	9,945	11,615	12,045	14,050	13,975
Agriculture and other resource-based industries	1,120	1,230	1,195	955	810	695
Construction	600	1,005	1,260	995	1,830	1,530
Manufacturing	860	1,450	1,215	1,250	1,155	1,005
Wholesale trade	n.a.	285	365	190	240	340
Retail trade	1,160	1,280	1,425	1,440	1,740	1,975
Finance and real estate	290	395	565	570	780	645
Health care and social services	n.a.	655	925	1,275	1,250	1,675
Educational services	n.a.	580	815	720	985	765
Accommodation and food	n.a.	830	955	900	880	880
Business services	680	1,090	1,300	1,880	2,385	2,385
Other services	2,270	690	1,010	1,380	1,515	1,420
Government services	325	445	575	490	480	650
Goods industries	2,580	3,685	3,670	3,200	3,795	3,230
Services industries	4,730	6,260	7,945	8,845	10,255	10,745
Per cent of total labour force						
Goods industries share	35.3	37.1	31.6	26.6	27.0	23.1
Primary industries share	15.3	12.4	10.3	7.9	5.8	5.0
Construction industry share	8.2	10.1	10.8	8.3	13.0	10.9
Manufacturing industry share	11.8	14.6	10.5	10.4	8.2	7.2
Services industries share	64.7	62.9	68.4	73.4	73.0	76.9

Source: Statistics Canada Census Profiles (1986-2006), NHS Profile (2011).

Note: Based on place of residence. n.a. not available

Table 14: Registered Businesses - Sunshine Coast RD (2013)

Sector	Employee Size Range							All Sizes
	0	1 to 4	5 to 9	10 to 19	20 to 49	50 to 199	200 plus	
Total, All Industries	1,793	767	262	130	72	22	5	3,051
Agriculture, Forestry, Fishing & Hunting	133	57	12	5	6	-	-	213
Mining & Oil & Gas Extraction	9	-	-	2	1	1	-	13
Utilities	3	3	1	-	-	-	-	7
Construction	359	135	38	7	7	1	-	547
Manufacturing (31-33)	49	33	14	2	4	1	1	104
Wholesale Trade	36	21	10	2	-	1	-	70
Retail Trade (44-45)	123	80	52	31	9	3	1	299
Transportation & Warehousing (48-49)	55	23	8	10	2	-	-	98
Information & Cultural Industries	39	11	1	6	2	1	-	60
Finance & Insurance	80	12	5	4	2	1	-	104
Real Estate & Rental & Leasing	235	51	8	2	2	-	-	298
Professional, Scientific & Technical Services	279	104	14	6	-	2	-	405
Management of Companies & Enterprises	62	7	2	-	-	-	-	71
Admin. & Support, Waste Mgmt. & Remedtn.	84	34	14	4	4	-	-	140
Educational Services	10	13	2	3	-	-	1	29
Health Care & Social Assistance	62	52	21	18	6	5	1	165
Arts, Entertainment & Recreation	45	24	5	3	3	-	-	80
Accommodation & Food Services	41	34	28	16	18	4	-	141
Other Services (excl. Public Administration)	87	71	25	7	2	-	-	192
Public Administration	2	2	2	2	4	2	1	15

Source: Statistics Canada Business Register, BC Stats, Central 1 Credit Union

Table 15: Annual harvest volume (in m<sup>3</sup>) in Sunshine Coast Forest District\*

Year	Crown Land	Federal Land	Private Land	Total Harvest
2000	1,809,101.2	1,131.0	501,929.3	2,312,161.5
2001	1,768,683.7	0.0	388,310.1	2,156,993.8
2002	1,690,131.2	1,892.0	373,308.3	2,065,331.5
2003	1,435,883.8	246.1	425,026.7	1,861,156.6
2004	2,076,788.4	0.0	540,304.7	2,617,093.1
2005	1,417,861.4	0.0	370,316.7	1,788,178.1
2006	1,483,171.8	0.0	398,174.4	1,881,346.2
2007	1,279,056.3	0.0	418,576.4	1,697,632.6
2008	1,319,300.0	0.0	356,130.7	1,675,430.7
2009	1,121,020.0	0.0	227,886.6	1,348,906.6
2010	1,644,404.1	0.0	174,319.8	1,818,723.9
2011	2,025,356.9	0.0	238,623.7	2,263,980.6
2012	1,792,381.9	18.3	144,274.8	1,936,675.0
2013	2,030,438.6	0.0	152,407.3	2,182,845.9

\* source: HBS, volume scaled with waste, reject and Christmas tree volume excluded.

Ministry of Forests, Lands and Natural Resource Operations

Table 16: Sunshine Coast Timber Supply Area Mills

COMPANY	DIVISION	LOCATION	ESTIMATED CAPACITY
<b>Sunshine Coast RD</b>			
Terminal Forest Products Ltd.	Chipping Operations	Langdale Dryland Sort	91,000 BDUs
Suncoast Lumber and Milling	Lumber Operations	Sechelt	11.5 million bd feet
West Coast Log Homes	Log Home Operations	Gibsons	
Goat Lake/Lois Lumber Forest Products	Lumber Operations	Lang Bay	8.6 million bd feet
Howe Sound Pulp & Paper Ltd.	Pulp and Paper Operations	Port Mellon	725,000 tonnes
Howe Sound Pulp & Paper Ltd.	Pulp and Paper Operations	Port Mellon	259,000 tonnes
Pacific Fibre	Chipping Operations	Port Mellon	149,000 BDUs
<b>Powell River RD</b>			
Goat Lake Forest Products	Shake and Shingle Operations	Powell River	58,000 squares
Catalyst Paper	Pulp and Paper Operations - Powell River	Powell River	354,000 tonnes
Catalyst Paper	Pulp and Paper Operations - Powell River	Powell River	424,000 tonnes

Source: Ministry of Forests, Lands and Natural Resource Operations, C1CU. BDU: Bone dry units

Table 17: Sunshine Coast Regional District Population Growth Components

Year	Natural Increase			International			Interprovincial			Intraprovincial		
	Births		Net	Immig.	Emig.	Net <sup>1</sup>	In	Out	Net	In	Out	Net
1996/1997	259	250	9	14	19	-6	277	177	100	1486	1135	351
1997/1998	242	211	31	11	37	-46	236	271	-35	1543	1133	410
1998/1999	214	249	-35	16	38	-25	255	271	-16	1152	1130	22
1999/2000	233	234	-1	27	39	-14	247	283	-36	1243	1130	113
2000/2001	222	250	-28	46	35	12	225	229	-4	1203	1119	84
2001/2002	184	205	-21	44	52	15	285	251	34	1533	1150	383
2002/2003	184	211	-27	25	66	-18	325	230	95	1386	1131	255
2003/2004	162	273	-111	24	36	34	330	182	148	1435	1061	374
2004/2005	182	241	-59	42	18	76	316	205	111	1360	1095	265
2005/2006	196	248	-52	27	26	65	341	173	168	1196	1096	100
2006/2007	204	266	-62	42	21	86	330	163	167	1374	1097	277
2007/2008	224	292	-68	46	11	87	290	172	118	1463	1043	420
2008/2009	231	243	-12	60	23	83	273	179	94	1067	929	138
2009/2010	224	293	-69	56	15	79	225	199	26	1188	1016	172
2010/2011	222	282	-60	36	19	-4	258	222	36	1105	1024	81
2011/2012	221	287	-66	64	47	43	n.a	n.a	-45	n.a	n.a	-23
2012/2013	223	289	-66	62	47	43	n.a	n.a	-75	n.a	n.a	-23

Source: Statistics Canada, B.C. Stats

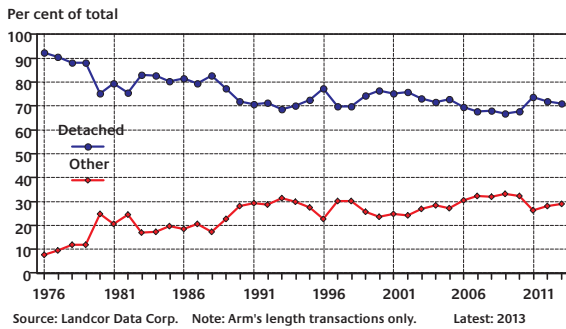
<sup>1</sup> Net International Migration also includes non-permanent residents, returning emigrant and net temporary abroad

Note: Net values correspond to Statistics Canada estimates, in/outflows for intra and interprovincial migration by BC Stats

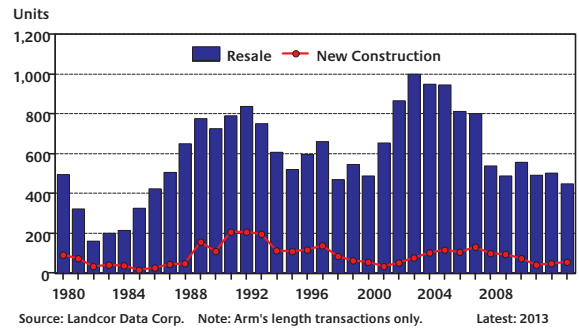
Data for year ending June 30.

### Appendix D: Additional Charts

**Chart 31: Dwelling Type Composition of Residential Sales - SCRD, 1976 - 2013**



**Chart 32: Residential Transactions by New and Resale - SCRD, Annually**



**Chart 33: International External Ownership of SCRD Housing, 2010**

