



State of Campbell River

Prepared for the City of Campbell River

Final Report

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Contents

- 1 Overview..... 3
 - 1.1 Review and Outlook..... 3
- 2 Key Sectors..... 4
 - 2.1 Forestry..... 4
 - 2.2 Aquaculture..... 5
 - 2.3 Tourism..... 6
 - 2.4 Future-Forward Industries..... 7
- 3 Population Trends 9
 - 3.1 Population Growth and Migration 9
- 4 Overall Economic Conditions..... 10
 - 4.1 Housing Starts and Building Permits..... 10
 - 4.2 Business Counts and Licenses..... 11
 - 4.3 Labour Market..... 13
- 5 Affordability 14
 - 5.1 Housing Prices 14
 - 5.2 Non-Market Housing..... 15

1 Overview

1.1 Review and Outlook

To begin 2020, BC's economy was projected to grow by 2% due to continued population growth, stability in the housing market, and substantial investments in infrastructure projects.¹ In March 2020, the global COVID-19 pandemic spread to BC causing economic turmoil, as restrictions led to severe declines in business activity. BC's forecasted GDP growth rate for 2021 is between 4.2% and 6.1%, though the outlook is uncertain due to its reliance on vaccine rollout remaining on schedule.²

There are indications that the pandemic did not impact Vancouver Island as severely as other parts of the province. Overall employment levels declined by 4% year-over-year, compared with 8% in the Lower Mainland and 7% in the province as a whole.⁵ However, the sectors most impacted by restrictions such as accommodation and food services and arts, entertainment and recreation experienced employment declines of between 20% and 30% both on Vancouver Island and in the province as a whole.

BC's GDP is estimated to have declined by between 5.0% and 6.0%³ in 2020, its steepest decline since 1982.⁴

In Campbell River, and much of the rest of Vancouver Island, the housing market and construction sectors had strong years in 2020. Housing prices moved to record levels while building permit values and housing starts saw large year-over-year increases, driven by migration to Vancouver Island. The forestry sector was supported by strong market prices, while the aquaculture sector experienced modest declines. Campbell River's tourism sector was the hardest hit by the pandemic, though there are indications it was not as severely impacted as many other communities in BC.

Looking forward, Campbell River's housing market and construction sector are expected to continue their strong growth in 2021 as interest rates remain at historical lows and the region's relative affordability drives population growth. As vaccine rollout continues, Campbell River's tourism and hospitality sectors are likely to see improvements. The forestry sector should continue to be supported by strong market prices though major employment gains are unlikely. The outlook for the aquaculture sector in Campbell River is uncertain following the federal government's decision to close 19 fish farms in the Discovery Islands and changes in tenure rules expected in June 2022.

¹ BC Business Council. BC Economic Review and Outlook, February 2020.

² Central 1 Economics, Scotiabank Economics, RBC Economics, the BC Business Council.

³ Based on estimates published by Central 1 Economics, Scotiabank Economics, RBC Economics, the BC Business Council.

⁴ Statistics Canada. Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)

⁵ BC Stats. Employment and Unemployment Rates by Industry and Development Region. 2020.

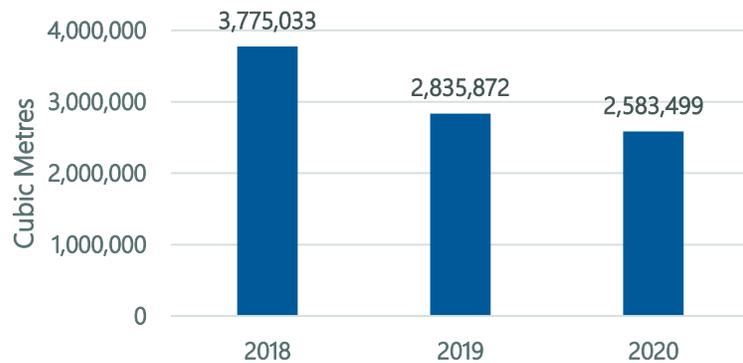
2 Key Sectors

2.1 Forestry

Campbell River is situated within the Campbell River Natural Resources District. There are 150 logging businesses registered in the City of Campbell River while the surrounding area is home to six small-scale sawmills and seven speciality mills, including shake and shingle, chip, and pole/post mills.⁶

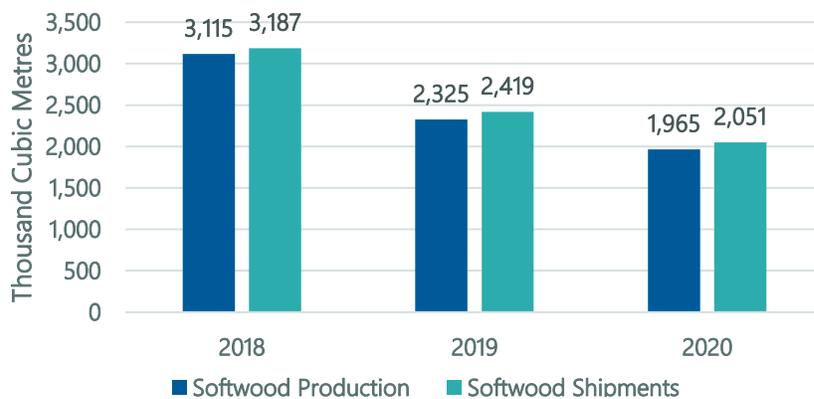
In February 2020, the eight-month long strike by Western Forest Products workers ended. The strike affected 3,000 forestry workers on Vancouver Island and stalled logging on the North Island.⁷ This was followed by COVID-19-related

Figure 1: Harvest Volumes on Crown Land, Campbell River Natural Resources District – 2018-2020



Source: Ministry of Forests, Lands and Natural Resources Harvest

Figure 2: Softwood Lumber Production and Shipments – BC Coast – 2018-2020



Source: Statistics Canada

shutdowns in March and April of 2020 that prolonged work stoppages in the sector.

Between 2018 and 2020 harvest volumes declined by 32% in the Campbell River Natural Resource District (Figure 1), while overall softwood lumber production on the BC Coast in 2020 declined by 37% from 2018 levels (Figure 2).

⁶ Major Timber Processing Facilities Survey. Available here: <https://www2.gov.bc.ca/gov/content/industry/forestry/competitive-forest-industry/forest-industry-economics/fibre-mill-information/major-timber-processing-facilities-survey>

⁷ CBC. Available here: <https://www.cbc.ca/news/canada/british-columbia/agreement-accepted-union-steelworkers-1.5465594>

Market demand for wood products in the second half of 2020 was strong and is projected to continue to remain strong through 2021. In Campbell River, growth in activity related to forestry is restricted by fibre supply constraints. As a result, the outlook for harvesting operators in Campbell River is for stability in the short- to medium-term.

2.2 Aquaculture

Aquaculture is a key industry in Campbell River, and major employer in the region. Campbell River is home to the headquarters of the BC operations of three large farmed-salmon producers: Cermaq Canada, Mowi Canada West and Grieg Seafood BC. The aquaculture industry employs individuals at head offices in a range of professional roles, as well as at the farming operations in the communities surrounding Campbell River.

Aquaculture production was relatively stable between 2017 and 2019 (Figure 3). Through 2020, export data suggest that aquaculture production was moderately impacted by COVID-19 as a result of restaurant closures that reduced commercial demand and supply chain disruptions that led to higher costs for producers. Looking forward, market demand is expected to

Figure 3: BC Aquaculture Production Volumes – 2017-2019



Source: Department of Fisheries and Oceans, Aquaculture Production Quantities and Values

Aquaculture Changes

In late 2020, the federal government ordered all fish farms in the Discovery Islands, between Campbell River and Sayward, to close by 2022, in an effort to protect wild salmon from sea lice and other pathogens. The decision affects 19 fish farms¹¹ and the BC Salmon Farmers Association estimates the closures could result in up to 1,500 job losses.¹²

In addition, the provincial government has announced more stringent rules for the renewal of salmon farm tenures in the province. Beginning in 2022, tenures will only be granted to fish farms that can verify to Fisheries and Oceans Canada that their operations do not harm wild salmon stocks and that negotiate agreements with First Nations in whose territory they operate.¹³

⁸ CBC. Available here: <https://www.cbc.ca/news/canada/british-columbia/court-orders-minister-to-rethink-stocking-fish-farms-in-b-c-s-discovery-islands-1.5977450>

⁹ BC Salmon Farmers Association. Available here: <https://bcsalmonfarmers.ca/discoverydamage/>

¹⁰ BC Government. Available here: <https://news.gov.bc.ca/releases/2018AGRI0046-001248>

increase as restaurants and borders re-open in 2021; however, there remain significant risks to the sector. Fish farm closures in the Discovery Islands and tenures not being renewed present a threat to employment and the overall health of the sector (see text box). Mowi Canada has indicated that 30% of its farms are in the Discovery Islands, and the closure of those farms puts the company's entire operations in BC at risk.¹¹

2.3 Tourism

Figure 4: Average Daily Room Rate, Campbell River – 2018-2020



Source: Destination BC

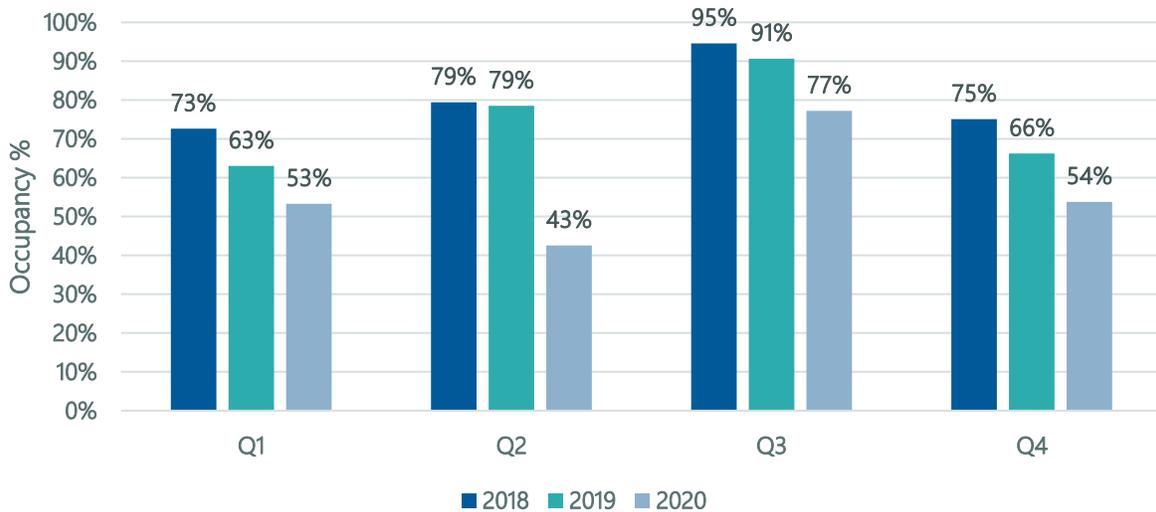
After a year of stability in 2019, 2020 was a challenging year for the tourism sector, as COVID-19-related travel restrictions and border closures reduced travel. During Phase 1 (March 2020 to May 2020) of the restrictions, non-essential travel was banned throughout the province and airport traffic in Campbell River was suspended. In Phase 2 restrictions on movement within the province were lifted, while the

border remained closed to all non-essential travel.

There are indications that Campbell River's tourism sector fared better than that of many other communities in BC. The average daily room rate for 2020 declined by 13% year-over-year (see Figure 4), a much lower rate of decline than for hotels in Vancouver (30%-45% declines) and Victoria (37% decline). Additionally, Campbell River's average hotel occupancy rate of 57% in 2020 was the highest level in the province. This suggests that travellers pivoted to intra-provincial destinations, like Campbell River, in a year when international travel was not possible.

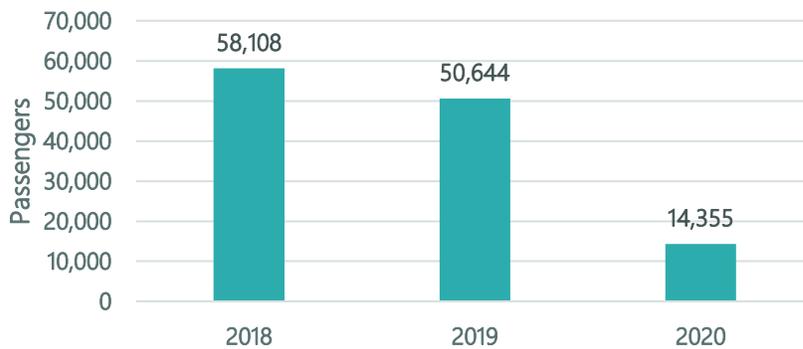
¹¹ Mowi. Available here: <https://mowi.com/caw/blog/2021/01/18/mowi-seeks-judicial-review-of-ministers-decision-on-discovery-islands-salmon-farms/>

Figure 5: Average Hotel Occupancy Rate, Campbell River – 2018-2020



Source: Destination BC

Figure 6: Total Passenger Volumes, Campbell River Airport – 2018-2020



Source: Destination BC

Data from Campbell River’s airport suggests that most visitors arrived by car, as passenger traffic fell by 73% in 2020 (Figure 6). Looking forward, 2021 is expected to be another difficult year for the tourism sector as travel restrictions and border closures are not expected to be relaxed until the vaccine rollout is complete.

2.4 Future-Forward Industries

Campbell River’s future-forward industries include technology, engineering, advanced manufacturing, robotics, technical services and film production. While these industries represent a relatively small proportion of Campbell River’s economy, they have exhibited growth in both the number of businesses and the size of business. In December 2019, there were 36 businesses, with employees in the future-forward manufacturing, engineering, consulting, research and motion picture industries (see Table 1).

This represents a 9% increase from 2016.¹² In addition, the size of the future-forward businesses has grown. In 2019 there were eight businesses with over 10 employees compared with four in 2016.

Table 1: Future-Forward Business Count, with Employees, Campbell River – 2019¹³

Industry Sector	Total, with Employees		Total, Over 10 Employees	
	2019	Growth from 2016	2019	Growth from 2016
Communications equipment manufacturing	1	+1	0	0
Medical equipment and supplies manufacturing	3	-1	0	0
Engineering services	14	-2	4	+3
Computer systems design and related services	5	+1	0	-1
Environmental consulting services	5	+2	1	+1
Other scientific and technical consulting services	5	+1	0	0
Research and development in the physical, engineering and life sciences	2	+1	2	+1
Motion picture and video exhibition	1	0	1	0
Total	36	+3	8	+4

Source: Destination BC

Film production is an important emerging industry in the City of Campbell River and Strathcona Regional District. Since 2018, there have been six major film and/or television productions filmed in the region including the Apple+ TV series See. The filming of See in 2018 and 2019 resulted in an estimated \$3.5 million in spending at local vendors in addition to a \$3.3 million payroll.¹⁴ To support growth in film production in the area, the Vancouver Island North Film Commission partnered with North Island College in Courtenay to offer courses for film skills training. In 2020, five grant applications were approved for film skills training and in 2021 three cohorts will be deployed in Film Production Assistant programming.

Growth in businesses in future-forward industries suggests there is a trend towards diversification of Campbell River's economy.

¹² Statistics Canada. Business Register. December 2019.

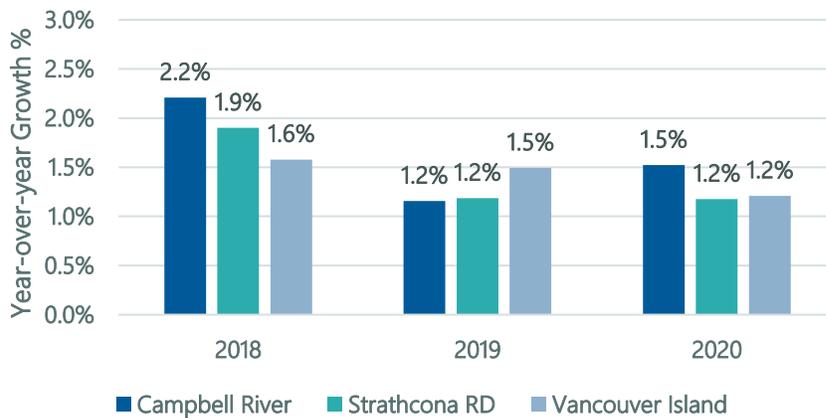
¹³ These businesses include the following NAICS codes: 3342, 3391, 541330, 541514, 541620, 541690, 541710, and 51213

¹⁴ Vancouver Island North Film Commission

3 Population Trends

3.1 Population Growth and Migration

Figure 7: Population Growth – Year-over-year, 2018-2020



Source: BC Stats, Population Estimates by Regional Districts and Development

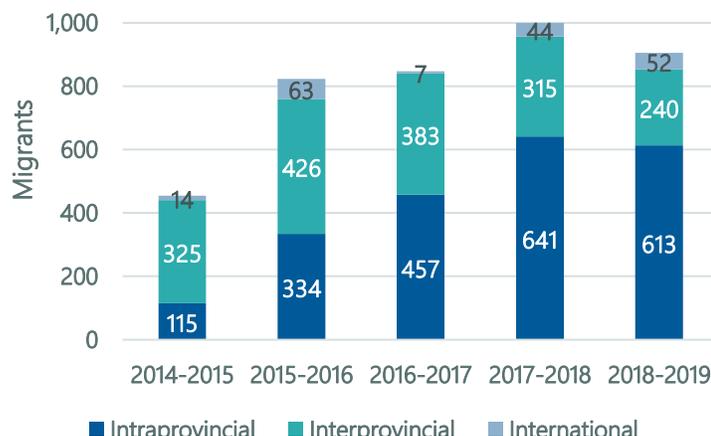
The City of Campbell River’s population grew to 36,167 in 2020. Its year-over-year growth rate (1.5%) is above both BC as a whole (1.1%) and Vancouver Island (1.2%) (see Figure 7). Over the past five years, the Strathcona Regional District has been among the fastest growing regions on Vancouver

Island, along with the Comox Regional District and Nanaimo Regional District.

Population growth in Campbell River is largely driven by migration from other parts of BC, and to a lesser extent, migration from other parts of Canada (see Figure 8). International migration is minimal. Migration from other parts of BC to Campbell River has increased substantially since 2016.

There are indications from the housing market that migration to Campbell River, as well as other communities on Vancouver Island, increased in 2020 and into 2021. This likely reflects the region’s relative affordability and shifts towards remote work environments encouraging migration out of the province’s major population centres in the Lower Mainland and Capital Regional District. Migration from other regions of BC to Campbell River is expected to continue through 2021.

Figure 8: Net Migration by Source – Strathcona Regional Districts, 2014/15-2018/19

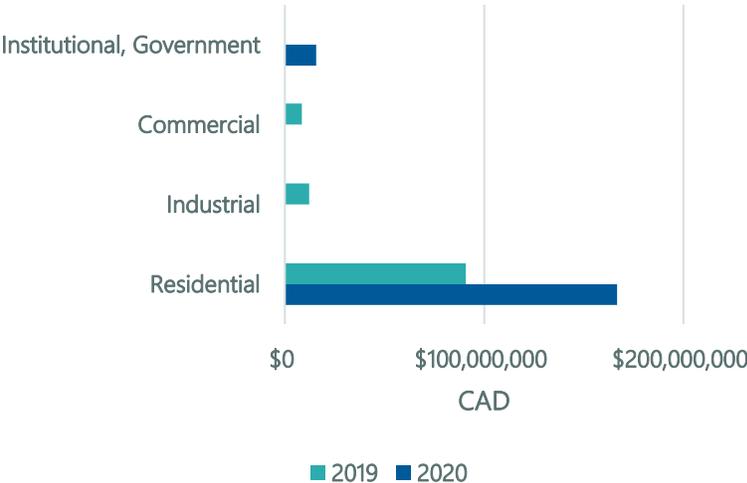


Source: BC Stats, Population Estimates by Regional Districts and Development

4 Overall Economic Conditions

4.1 Housing Starts and Building Permits

Figure 9: Value of Building Permits by Type , Campbell River - 2019-2020



Source: City of Campbell River

by a significant increase in the number of apartments (see Figure 10).

Figure 10: Housing Starts by Type, Campbell River – 2019-2020



Source: CMHC, Starts and Completions Survey

The outlook for construction activity in Campbell River remains positive through 2021.

The value of building permits in Campbell River increased by 64% in 2020 compared with 2019. This was driven by an 83% increase in the value of residential permits, while non-residential permit values dropped by 22% (see Figure 9).

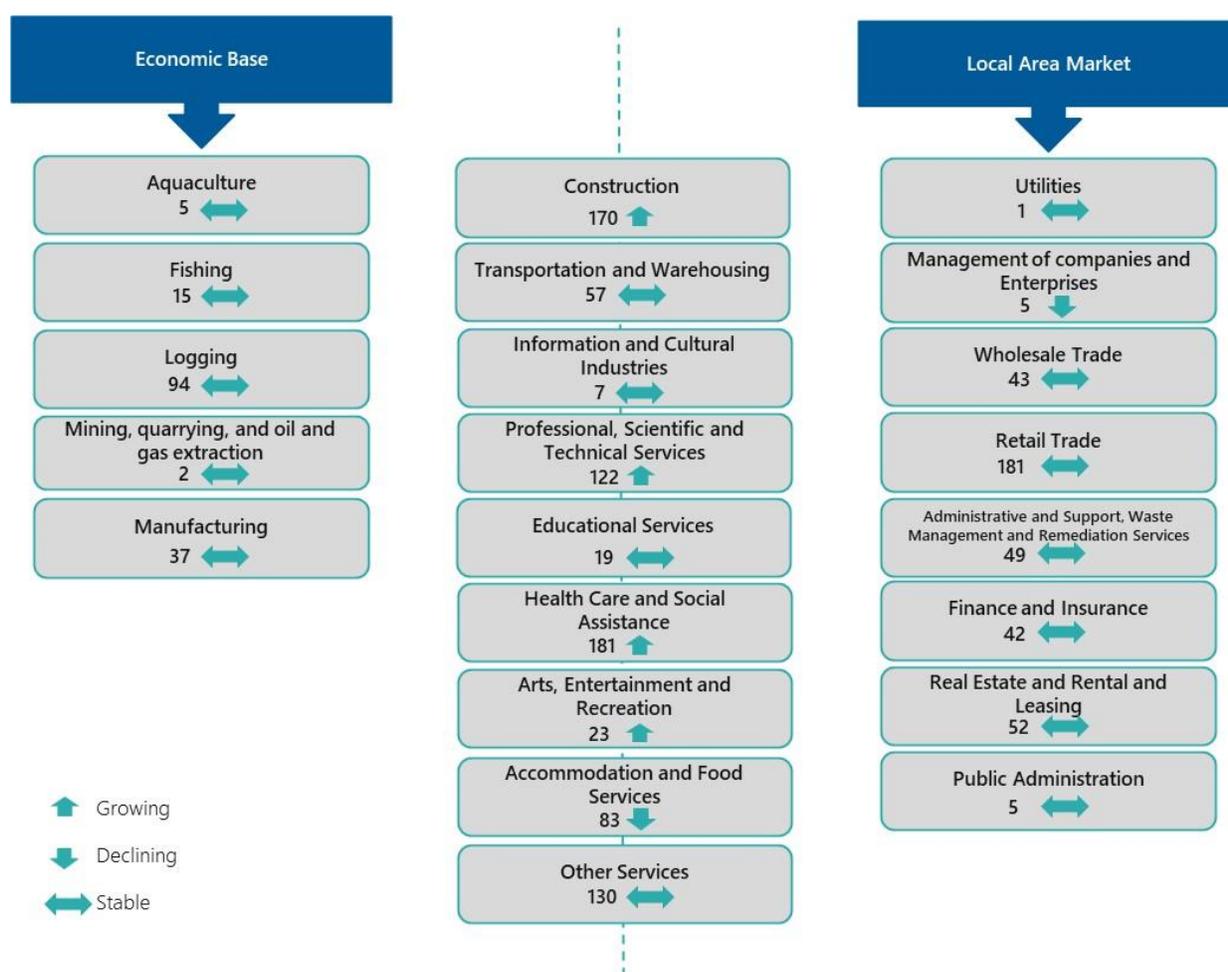
Building permits indicate construction intention while housing starts and completions indicate construction activity. In 2020, the number of housing starts in Campbell River increased by 55% year-over-year, largely driven

While the number of housing starts and value of building permits recorded significant year-over-year gains in 2020, the increase in the number of housing completions was more modest. Overall housing completions were up 22% year-over-year. This was primarily due to increases in the number of completed apartments and row-houses, while the number of completed single-family homes was flat year-over-year. This suggests that the COVID-19 pandemic subdued some of the potential growth in the construction

4.2 Business Counts and Licenses

Figure 11 displays the business types arranged by market sector (economic base, local area market, or both). The economic base is comprised of the core industries in the region that drive employment, by attracting and retaining workers. The workers in the economic base industries generate demand for support sectors like retail trade, real estate and public services. These businesses are categorized as the 'local area market'. There are also businesses that are both part of the economic base and local area market, like construction and professional services.

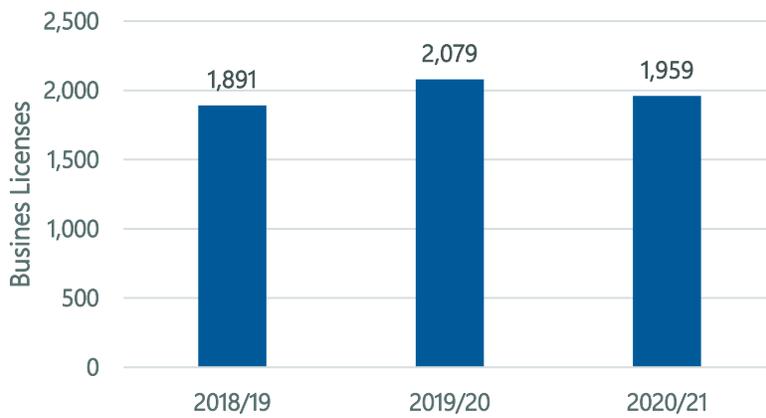
Figure 11: Number of Businesses with Employees by Sector and Growth Rate, Campbell River – December 2019¹⁵



Source: Statistics Canada, Business Register, December 2019

¹⁵ The number under each business sector indicates the number of businesses with employees in December 2019. The growth trend (growing, stable, declining) describes the sector trend between 2016 and 2019.

Figure 12: Number of Businesses Licenses, Campbell River – 2019-2021



Source: City of Campbell River

Data for business counts and business licenses reflect moderate growth prior to the COVID-19 pandemic, followed by declines through 2021.

At the end of 2019, the number of businesses in the construction, healthcare, arts and entertainment, and professional services sector was growing, while businesses in the hospitality and management of

companies sectors were declining. The business license data for 2019/20 (see Figure 12), indicates growth in contracting, manufacturing and personal service establishments (salons, barber shops and spas).

In 2020/21 (Figure 12), both business counts and business licenses declined modestly with the agriculture and forestry, information and culture, liquor establishments, and inter-municipal services (plumbing, heating, window cleaning, etc) sectors experiencing the most significant declines.

Looking forward, tourism and hospitality businesses are expected to experience growth once pandemic restrictions are lifted, while the outlook for contracting, trades and other construction-related businesses is also positive.

4.3 Labour Market

Data on employment insurance beneficiaries provides indications of conditions in the local labour market.

Figure 13: Employment Insurance Beneficiaries, Campbell River - 2020



In 2019 the number of employment insurance beneficiaries increased moderately, reflecting the slowdown in the forest sector due to the strike by Western Forest Products workers.

As the COVID-19 pandemic began, there was an increase in the number of employment

insurance beneficiaries as restrictions led to business closures in the spring of 2020 (see Figure 13). However, government support measures like the Canadian Emergency Responses Benefit (CERB) and Canadian Emergency Wage Subsidy (CEWS) replaced employment insurance for laid off workers, and the number of employment insurance beneficiaries declined through the summer of 2020. In October 2020, all individuals receiving CERB payments were transferred to the employment insurance program, which led to a large increase in beneficiaries.

In Campbell River, the initial increase in employment insurance beneficiaries to begin the pandemic, and subsequent decline, were in-line with the rates for the province as a whole. However, as the pandemic progressed the number of beneficiaries in Campbell River increased at a lower rate than in the province as a whole. This suggests that Campbell River's labour market is recovering faster than in other areas of the province.

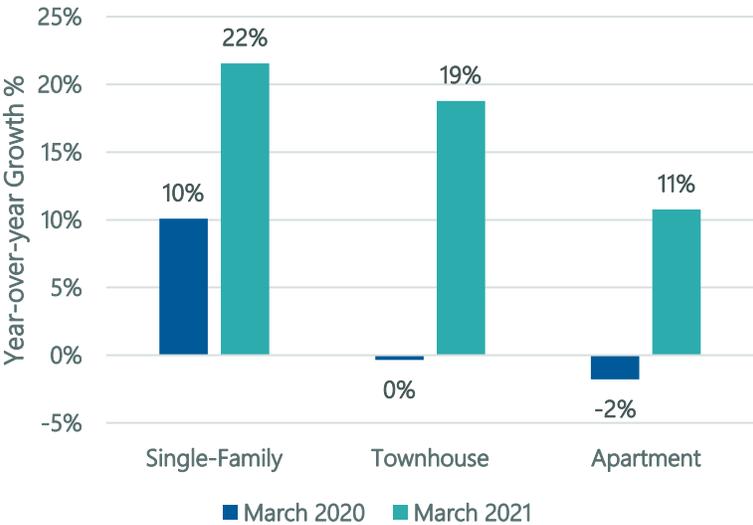
Summary of the Short-term Economic Outlook

Stability in key industries such as forestry, combined with an improved outlook for tourism in the second half of 2021, and indications that future-forward industries are growing in the area suggest that Campbell River is well-positioned to recover from the pandemic. However, the uncertainty with respect to the future of aquaculture in the region is a key risk factor for the regional economy.

5 Affordability

5.1 Housing Prices

Figure 14: Benchmark Housing Prices, Campbell River, Year-over-Year Change – 2019-2020



Source: Vancouver Island Real Estate Board

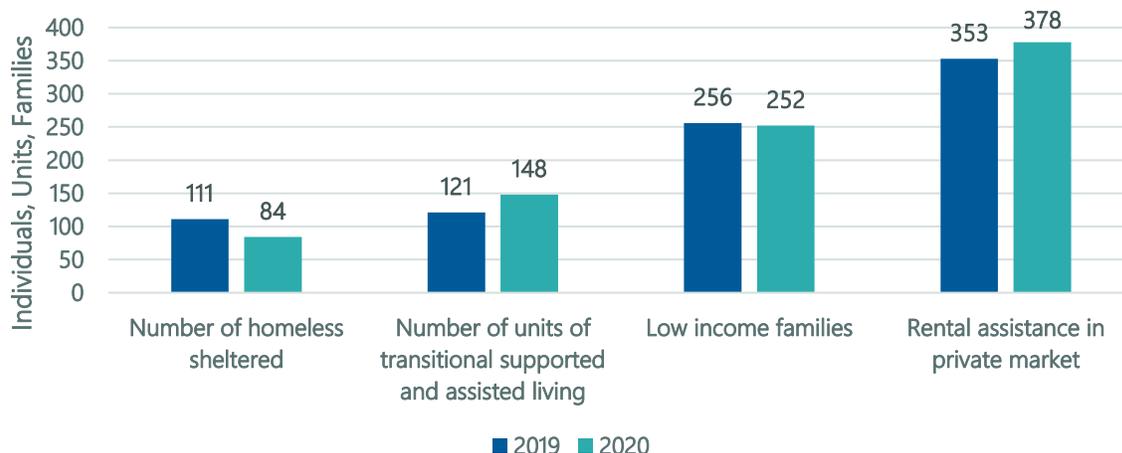
Throughout the second half of 2020 and into 2021, the Campbell River real estate market experienced strong growth. All segments of the market (single-family, townhome, apartment) experienced double-digit year-over-year gains in March 2021 (see Figure 14). The price of a benchmark single-family home reached \$564,000, while townhomes reached \$405,400 and apartments \$288,300. Housing prices in Campbell River grew faster than on Vancouver Island as a whole, with Campbell

River experiencing the largest year-over-year single-family benchmark price increase in March 2021. The gains have been driven, in part, by the affordability of the region relative to the Lower Mainland and Capital Region. In addition, after the onset of COVID-19, interest rates dropped to record lows and the shift to remote working arrangements have likely encouraged interest in real estate on northern Vancouver Island.

Despite the large gains, the benchmark prices for all segments of the market remain among the lowest on Vancouver Island making Campbell River a relatively affordable city. Continued migration to the region is expected to sustain housing prices.

5.2 Non-Market Housing

Figure 15: Non-Market Housing Indicators, Campbell River – 2019-2020



Source: BC Housing

Indicators of non-market housing in Campbell River remained relatively stable from 2019 to 2020. The number of low-income families declined slightly down while the number of rent-assisted families and seniors increased. The number of homeless individuals sheltered declined while the number of units of transitional support and assisted living increased. This segment includes housing for individuals with special needs, supportive seniors housing, and women and children fleeing violence.

In 2018, BC Housing found that approximately one-quarter of Campbell River's homeless population was over the age of 55, while just under half (46%) was of Indigenous identity.¹⁶ While both these rates are higher in Campbell River than for homeless in the province as a whole, compared with other communities on Vancouver Island Campbell River's homeless population has relatively fewer seniors and a higher percentage of Indigenous people. In addition, Campbell River's homeless population had higher rates of illness, physical disabilities and addiction, than for homeless in the province as a whole.

¹⁶ BC Housing. Report on Homeless Counts in BC.