Introduction

In 2017 the South Island Prosperity Partnership (SIPP) started to gather data for a set of indicators that could inform the business and community leaders how the Greater Victoria regional economy was doing from a holistic, year-over-year perspective. This viewpoint, supported through generous sponsorship from Coastal Community Credit Union, enables decision-makers to set long-term goals and measure progress along the way. However, part way through production of our 2020 edition, the world completely changed. To adapt to this need for “real-time” data, SIPP launched this Monthly Economic Recovery Dashboard in May as a complementary tool of the annual index and as a way for the Rising Economy Taskforce to track the region’s economic fall-out and recovery in the months to come.

This third edition reports on the 11 indicators that were introduced in the May edition, with one indicator being removed (the monthly E.I. recipients which Statistics Canada has stopped reporting on) and one new indicator added (total business counts with employees in the Victoria Census Metropolitan Area). We are still assessing which new indicators are available that contribute to the narrative of our region’s economic state and recovery.

Overview

All indicators are tracked at the regional (Greater Victoria Census Metropolitan Area) level, this is Canada’s 15th largest metropolitan region and one of 35 CMAs across Canada.

- 11 of the indicators were updated since the previous edition, with one removed and a new one added.
- Of particular concern are that the data are starting to indicate that a “recovery” is taking place generally. This might be true for some sectors of the economy (local food for example), but the implications of the Phase 3 re-opening plan are only indication that some activities (and thus economic impacts of those) are resuming. A true regional economic recovery will take all sectors showing rebound, which will not be the case for some time.
- The indicators related to tourism and travel still clearly show the drastic and hard-hitting economic shock that this region is experiencing. Hotel occupancy is not only still way below seasonal normals, but the slight increase in the summer months is not garnering the revenues needed to sustain these businesses. Occupancies of 21% in the region are capturing average room rates of $138.85, far below 2019 figures of $223.26 and the revenues available per room are only at $29.16 compared to $200.38 in July 2019.
- Last month we were concerned about the rapid drop-offs of building permits normally approved throughout our region each and every month by local governments. Our theory was that this drop-off was due to process-related delays (e.g. municipal staff working remotely, lack of public hearings, etc.) and not due to sharp drop in market confidence. This theory appears to have been proven true as building permits reveal a rapid turn-around—and have even exceeded 2019 figures for same month last year.
- A positive signal we have received is the BC Transit ridership is starting to improve again. The May and June data might be as close to normal as we will get however since BC Transit ridership relies strongly on post-secondary student, most of whom will not be going to school in person this fall. As will be reflected in our Transportation Committee Report (being released August 26th as part of the Rising Economy
Taskforce work), it is important that our region continue to support transit frequency and convenience, as this is essential to our workforce. Once convenience levels for riders decreases it creates a downward-spiral (less riders, means less funding, which means less riders, etc.) that is difficult to recover from in terms of political will.

- The unemployment rates being reported are still quite high, though Statistics Canada reports these figures using three-month moving averages. We still do expect this figure to decrease slightly due to the Phase 3 re-open plan. The data do not yet reflect that prediction. Nevertheless, as was stated in our July report, with the hard hits to the tourism sector (which causes a ripple effect through the retail, service and restaurants sectors), don't expect to see anything like what we've grown accustomed to in the Victoria CMA in recent years.

- The biggest surprise from the data continues to be the real estate figures. With prices increasing as well as sale volume exceeding 2019 numbers (for July), this is a clear indication of two things: 1) this pandemic is impacting some households way more than others (high unemployment should rarely if ever result in stronger real estate market); and 2) many buyers still have the confidence in the market to make these purchases in the early stages of what could emerge as a prolonged recession. This is sign that, despite some troubling figures and economic impacts, our region is still perceived as a high quality place to live and invest.

- The new indicator added is a new statistic that Statistics Canada only started to measure starting in June 2020. This is total business counts (with employees). Our region had a total of 14,684 businesses (with employees) in June 2020, which gives us a benchmark to compare to once this pandemic has taken full effect. The next figure will be available in early 2021.
**Unemployment**

- It might seem like forever ago that our region had the lowest unemployment rate in Canada at just 3.2%, but it was just a few months back (in February). The current rate of 11.1% is up slightly over June, but it’s important to note that Statistics Canada reports these figures on a three-month moving average, which can sometimes lead us to believe that things are getting worse when in real terms, they are starting to stabilize (though a much higher rate of unemployed people than we are used to in this region). Last month we reported these figures were “the highest rate since these metrics have been measured in the region” which is only partially true. While even after the Great Recession that followed the 2008/09 financial crisis, the Victoria CMA unemployment rate peaked at 7.4%, the unemployment rate during the Great Depression was much higher than the current double-digit levels. The methodology used in the 1930’s was different, hence our statement that it was the highest ever recorded. As the Phase 3 re-open plan takes effect, we hope that these data start to show a lower employment rate. That stated, we have a long way to go before full recovery can be realized.

**Hotel Occupancy**

- This chart shows the average occupancy across the Greater Victoria region for each month on a lagged reporting period (with work completed each month by Chemistry Consulting group). As you can see, domestic travel within BC that started to occur in June is nowhere near high enough to off-set the strong reliance our region has on international travellers (mostly US). The occupancy rate of 21% improved very slightly from just 15% the previous month, but is still significantly lower than 2019 figures (89.76%)—and the average room rates in Greater Victoria of $138.85 and revenues available per room of $29.16 show incredible differences over 2019’s $223.26 and $200.38 respectively. For many hotels, this means operating at a significant loss for 2020 with fingers crossed that 2021 can show signs of off-setting these losses.
There are two indicators here that might tell us about the general openness of British Columbia internally, with emphasis on the connection of the general population to and from the Capital Region to the lower mainland: the number of vehicles and the number of passengers. We elected to include both to account for potential changes in travel behaviour.

It’s no surprise that these numbers, though still remarkably low year-over-year, have started to increase over the lows seen during the “shut-down” period in April. This is a good indication of just how important BC Ferries’ infrastructure is to our region.

With the tourism impacts, we are not expecting ferry ridership to return to anywhere near the 2019 numbers shown on the graphs for each month; the fall and winter numbers may get closer to normal.
Victoria International Airport
(passenger count)

- It’s hard to overstate the importance of a healthy and active airport when it comes to a vibrant, globally-connected, 21st century city economy. With this in mind, it is quite shocking to see how drastically these numbers fell off and continue to lag; though passenger counts did improve to 13,467 for the month of June which is double the previous month. Keep in mind though, our airport processed 171,848 passengers in this month last year.

- Our airport authority did recently receive recognition as being the most efficient mid-sized airport in North America. This should give us all increased confidence in the management team to weather this storm. The airport’s capital investment plan is already improving our airport (with the first phase now open to passengers).

BC Transit
(average weekday boardings across Victoria Regional Transit System)

- We selected this indicator specifically for weekdays as a proxy for two things: first, more bus ridership as our economy opens back up reveals a certain confidence that people have in being in close proximity to each other (even though we know that social distancing and mask-wearing will be the norm, for the foreseeable future at least). Second, it tells us that the economy is reactivating slightly. Even though the full ridership will not be possible (due to post-secondary student riders both now and for the fall months at least), more boardings on weekdays likely means more people traveling to work across the region.

- The May and June data for weekly ridership do reveal a slight improvement in ridership, but still nowhere near normal levels for these months (as compared to 2019). The July average weekday ridership of 41,403 is still only half of 2019’s July average of 94,819. The July data will be graphed in the next edition (as it came in just hours before time of publishing).
2019 housing starts were historically solid, albeit below the 42-year high reached in 2018. Inventories of unsold new homes were not high enough to discourage construction but price growth has been increasing.

There are several indicators here (selected from the monthly reporting done by the Victoria Real Estate Board and others from the CRD): Single-detached home (benchmark price) and condo (benchmark price) along with Sale Volumes of housing units. And then we look at building permits for both residential and non-residential/commercial across the region.

In order to accurately reflect the status of the market in a consistent manner, VREB uses a specific definition to describe housing prices, which they call their benchmark price. Also, an important note that VREB recommends using caution with pricing reports since there are many variables at play (like interest rate changes, dates that policy changes take effect, demographic shifts, strength of external markets, etc.) that can impact these numbers. However, the benchmark prices might tell us about consumer confidence (willingness to invest) and the indirect impacts that real estate sales have on other sectors of the economy. As shown in the three-month trends, the prices of both the single detached and condo benchmarks continue to be strong, perhaps even surprisingly so given the circumstances.

Normally during recessionary periods, house prices tend to drop as the consumer appetite to make large purchases declines. However, these figures tell us that the impacts that this pandemic is having on society is quite varied. Some segments of the population clearly still have strong confidence in both the housing market as their ability to pay a mortgage.
The second part of the real estate indicators is the sale volumes. These are also appearing very strong and even higher than 2019 levels for the month of July.

This indicator will actually have a positive cascading effect on the local economy as it not only supports jobs in the real estate and financial sectors, but the household spending associated with new home purchases (household goods, renovations, moving, etc.) will support local businesses.

It will be interesting to monitor how the post-COVID recession might impact market confidence in the months to come. If less people list their homes due to less people buying, it may actually lead to prices that remain high, even though recession conditions drive the demand down overall.
Real Estate & Construction:
Region-wide Building Permits Issued

- Two indicators we’re tracking in building permits are summarized as residential building permits and commercial/non-residential building permits by total value issued across the region. Permitting is a long-term process and therefore is not a good indicator of real time economic slow-down (or uptick!). However, using year over year and three-month trend lines over time will tell us about the confidence in our market. This is an area that lagged in the capital region after the 2008-2009 recession and in fact, took years to get back up to the 2007 record-breaking year that nearly reached a billion in permits (across all categories). The record has since been exceeded several times so it will be interesting to monitor how the market responds in the months to come. The region is a fairly solid market for long-term real estate investment and therefore any set-backs in this area (as is starting to show in the slowdown of residential building permits both month over month and year over year) should be temporary—but how long will the slowdown last?

- The permitting data for April and May revealed a sharp slow-down in the permits issued, especially in the commercial/non-residential categories. Our theory last month was that this was caused by process-oriented slow-downs (approvals process due to Municipal staffing issues or lack of public hearings, etc.) and would rebound with Phase 3 reopening measures. This theory did prove to be true as the rebound has been drastic and actually both categories exceeding permit values in 2019 for the same month.

- However, a long-term slow-down in construction would not be a surprising outcome given that the severity of this recession is still revealing itself. We are hearing from the development community that there remains strong confidence in the market.
Business Counts
(Greater Victoria) with employees

- This is a new indicator this month, but is only reported every six months by Statistics Canada which means it will be left here as a benchmark to compare to once we know the full extent that this pandemic is having on the region’s economy and business community. The BC stats are also included to give us some context on how our region may be impacted relative to the province as a whole.
Rising Economy Dashboard

The Monthly Economic Recovery Dashboard is produced by:

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