

# H

# OUSING MARKET

Kelowna - Spring 2002

# OUTLOOK

Canada Mortgage and Housing Corporation

## RESALE MARKET

### RESALE MARKET STRONG IN 2002

The Kelowna area resale market will remain buoyant, last year's upswing carrying over into 2002. Singles sales jumped almost 19 per cent in 2001, declining interest rates, good supply and selection and tight rental market conditions drawing out both first-time and move-up buyers. Apartment and townhouse condo sales also recorded big gains. Pent-up demand, triggered by low interest rates, will remain the key driver. Though sales will begin to flatten out later this year, look for another robust performance overall in 2002.

The demand outlook remains mixed, but positive. The BC economy is poised to see stronger growth by

2003, recovering in tandem with the US economy. The outflow of BC residents to Alberta and Ontario has begun to slow. Also, an increasingly buoyant Vancouver real estate market will mean more buyers from the lower mainland this year and next. Mortgage interest rates are expected to remain low for the

**Resale market buoyant ...  
Pent-up demand, low interest  
rates key drivers in 2002.**

balance of 2002. Closer to home, Kelowna's diversified economy continues to grow despite job losses in some sectors. Kelowna remains among the fastest growing centres in the province, trailing only the

### IN THIS ISSUE

**Resale Market ..... 1**  
Strong demand and sharply reduced supply mean higher prices in 2002. Sales volumes flatten out later this year.

**New Home Market ..... 3**  
Singles starts rebound sharply in 2002. Move-up market remains strongest performer. Condo market sees greater opportunity for expansion.

**Rental Market ..... 5**  
Rental market remains tight - vacancy rates up slightly. Rents on the rise.

**Economic Overview ..... 6**  
Economy and population continue to grow. Pent-up demand - triggered by low interest rates, drive housing markets in 2002.

**Housing Market Overview ... 7**

**Forecast Summary ..... 8**

HOUSING MARKET OUTLOOK is CMHC's bi-annual forecast for new and resale home markets. Issues are released in the spring and fall each year.

To become a subscriber for only \$40 annually or for more information about CMHC's wide range of housing related information, please call: (604) 737-4088.

**Resale Median  
House Price  
By Sub Area  
2001**



HOME TO CANADIANS  
Canada

Vancouver and Whistler areas. Though good news, some downside risk remains. The BC forest products industry faces another difficult year and the potential for even bigger job losses. Provincial government cutbacks will also mean job losses and fewer publicly funded construction projects. Here in Kelowna, Western Star, the city's largest private sector employer, will close operations this year.

The resale singles market began the year on a strong note, first

**Look for more move-up buyers in 2002 ...**

quarter sales up 44% over 2001. Expect the resale market to cool down *somewhat*, sales flattening out through the second half of 2002. Slightly higher interest rates, stronger upward pressure on price levels and sharply declining supply of lower priced listings point to fewer first-time buyers this year. The first-time buyer market rebounded strongly in 2001. Rutland and Kelowna North and South, areas offering more affordably priced detached units saw big gains. Homes priced at less than \$200,000 accounted for almost 65% of all singles sales last year. The move-up buyer market remained a strong performer, the \$200,000 - \$300,000 price range capturing a bigger slice of the market in 2001. Look for even more move-up buyers this year. Sales of higher priced homes - \$320,000 plus, leveled out in response to stiff competition from the new home market.

The supply of singles listings has

plummeted, dipping to a twelve year low. The lower and mid price ranges have seen the biggest decline. List prices are up sharply from last year.

Prices have begun to rise, gains occurring in all price ranges and sub market locations. The median resale house price edged up to \$177,000 last year from \$175,000 in 2000. Strong demand and sharply reduced supply of listings will mean bigger price increases this year, the median resale house climbing to \$183,000 by year-end 2002.

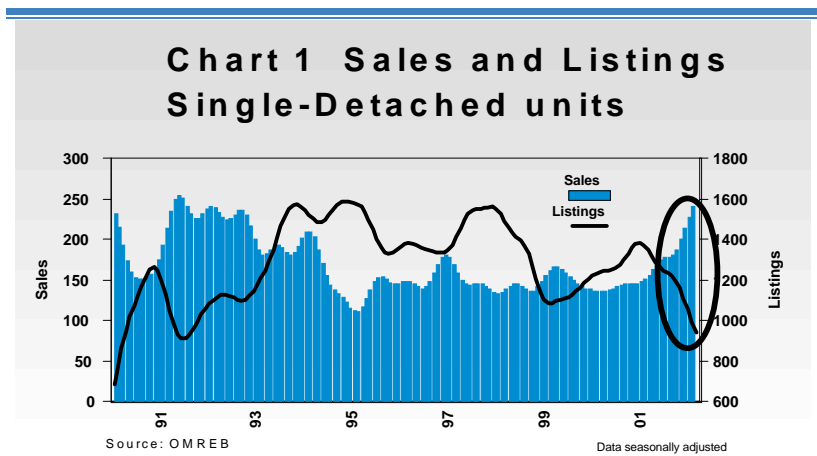
Dilworth Mountain, the Mission and sections of West Kelowna and Lakeview Heights still command the highest prices. The core area, Rutland, Black Mountain, Westbank and Glenrosa remain the most affordable locations. Glenmore, North Glenmore, Lake Country, Shannon Lake, Peachland, Lakeview Heights and West Kelowna at \$175,000-\$215,000, offer the biggest selection of mid priced homes.

Apartment and townhouse condominium sales surged ahead in 2001, shooting up 18% and 24%, respectively. More first-

**Strong demand, fewer listings mean bigger price increases this year ...**

time buyers have turned to the condominium market as the supply of lower priced singles listings declines. Low interest rates, rising rents and tight rental market conditions have also drawn out a few more investors. Apartment condo listings are down by almost half from a year ago. Townhouse and apartment condo prices are beginning to edge back up after steadily declining since the mid 1990s. The resale market remains the primary focus of demand for retiree-oriented housing in gated communities, no new projects having come on stream in over four years.

Kelowna resale markets are balanced, moving towards a seller's market position.



**First-time buyers boost sales in 2001- Listings down sharply. Prices on the rise. Expect more move-up buyers this year.**

# NEW HOME MARKET

## HOUSING STARTS UP - SINGLES SECTOR LEADS

The Kelowna new home market, lead by the singles sector, will move ahead in 2002. Housing starts will edge up to 1,180 units this year, increased singles and apartment condo construction offsetting fewer rental housing starts.

The new home market, both singles and multiples sectors are well positioned for expansion.

### **Singles starts rebound in 2002 ...**

With resale house prices on the rise and supply of listings steadily trending down, more buyers will turn to the new home market in 2002. Inventories of new and unsold units - all types, are low and declining. Also, this year's first quarter surge in singles starts - despite mixed economic news, points to significant pent-up demand.

Singles starts will rebound sharply in 2002, fueled by strong move-up, niche retiree and move-down markets. Demand for higher priced single-detached units has grown dramatically. Houses priced at \$200,000 or more accounted for almost 80% of all new singles absorbed at completion in 2001. The \$300,000 plus price range captured over 30% of the new home market last year, up from only 12% in 1997. Expect mid to higher priced homes to remain the focus of demand.

Upper Mission, Southeast Kelowna, Dilworth Mountain, Lakeview Heights and West Kelowna remain locations of choice for buyers seeking more upscale new housing.

Low interest rates and sharply reduced supply of lower priced resale houses will mean a few more first-time new home buyers this year. Though good news, high land development and other costs remain big challenges for builders trying to penetrate this segment of the market. Small lot homes - detached units in the \$150,000-\$180,000 price range are now generating more interest. Some builders have achieved better success targeting the "upper end" first-time buyer,

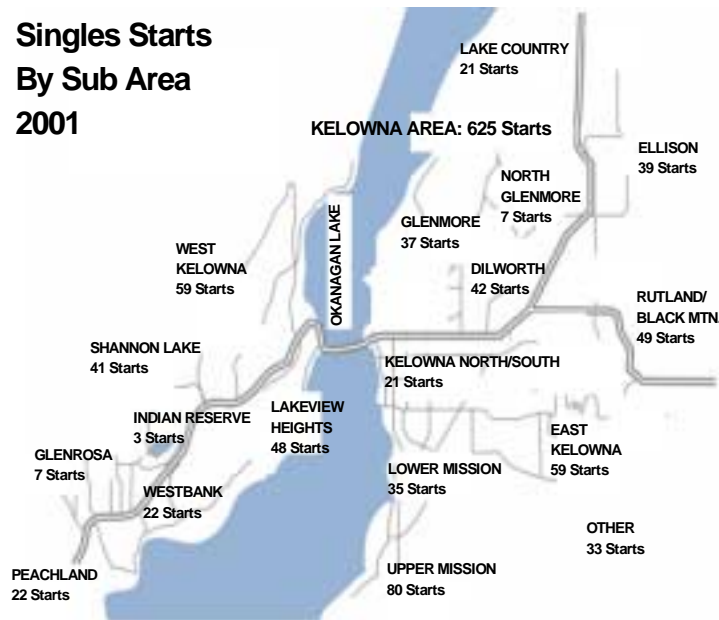
building more upscale, fully featured units rather than the most basic, lowest cost homes.

### **Mid to higher priced houses remain focus of new home demand.**

Westside locations continue to offer the biggest supply of entry level new homes. Smaller pockets of lower priced homes are available on the City side of Lake Okanagan including Black Mountain and South Kelowna.

Buyers are looking for "people friendly" developments - regardless of price, offering a well defined, attractive lifestyle component. Look for at least one new golf course community to come on stream this year. View properties remain strong sellers.

### **Singles Starts By Sub Area 2001**



Absorption has kept pace with completions, keeping inventories low. With 340 singles currently under construction, supply and demand remain balanced.

The median new house price soared to \$260,000 last year

**Developers scrambling to bring more lots on stream ...**

from \$229,000 in 2000. Though higher lot prices have pushed up the cost of new detached units, more sales of expensive homes accounted for most of the increase. Strong demand for more upscale housing will keep prices high in 2002.

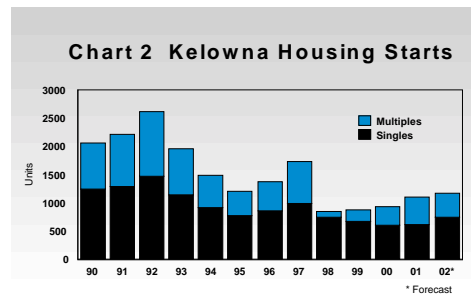
The supply of building lots has been drawn down, this year's first quarter surge in construction leaving some developers scrambling to bring more lots on stream. The City continues to face a long standing shortage of lower priced building lots. Higher land development costs - "leap-frogging" past lands in the Agricultural Land Reserve, more costly hillside development and Development Cost Charges, have all contributed to higher lot prices. Though new developments and additional

phases to existing subdivisions are currently under construction, most are targeting the mid and upper price markets. The Westside remains the biggest source of affordably priced building lots. The median lot sale price (MLS sales only) has risen 23% since 1996, increasing to \$80,000 in 2001.

The apartment condo market will see greater opportunity for expansion this year. The inventory of complete and unsold units has dropped from 217 units in October 1998 to only 16 units by March 2002. Excepting a niche lake front project, no frame apartment condos are currently under construction. The apartment condominium market is now under supplied. Also, with listings down sharply, the new condo market faces less com-

**Apartment condominium market under supplied ...**

petition from the resale market. Look for more lower density projects, including gated communities, targeting retiree and move-down buyers in 2002



**Singles starts rebound in 2002.**

and 2003. Higher land and land development costs and scarcity of big sites close to core area services and amenities will mean smaller projects than seen in the early 1990s. Lakefront and resort condos will remain strong performers in 2002. More first-time buyers will turn to the new condo market as the price

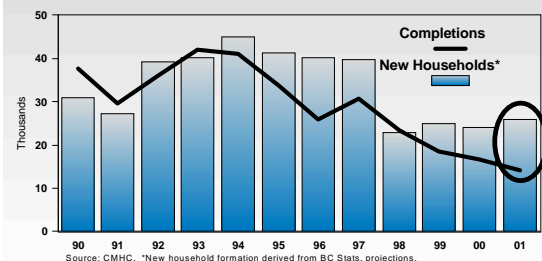
**Lakefront and resort condos remain strong performers.**

of both new and resale detached and condo units rise. Slightly higher vacancy rates and government cutbacks point to fewer rental housing starts this year. The congregate housing market remains well supplied following last year's surge in construction activity. Expect rental and congregate housing construction to pick up next year.

**First quarter housing starts have surged ahead despite modest economic and population growth. Why? Pent-up demand!**

BC household formation has outstripped new additions to supply, pointing to significant pent-up demand. New additions to the housing stock typically follow household formation. Though BC's population growth rate has slowed in recent years, additions to the stock of new housing have not kept pace, leading to a big shortfall. Some households have found accommodation in secondary suites or through doubling up. With the existing stock already occupied, only new housing units can meet the shortfall. Low interest rates have triggered this build-up in demand, boosting housing starts this year and last.

**Widening Gap Between Supply and Demand**



Pent-up demand drives BC housing markets in 2001 and 2002.

# RENTAL MARKET

## VACANCY RATE AT EIGHT YEAR LOW

The Kelowna area rental market remains tight, the vacancy rate dipping to an eight year low in 2001. The vacancy rate edged down to 1.3% last year from 1.5% in 2000. Slow, but steady population growth has meant increased demand for rental accommodation, keeping vacancy rates low.

### Rental market tight ... Vacancy rate dips to eight year low in 2001.

Low vacancy rates extended across all bedroom types, both townhouse and apartment.

Strong competition from the home ownership market and big additions to the stock of rental housing last year, point to slightly higher vacancy rates in 2002. Also, job losses in the

public service, health care and manufacturing sectors will lead to some out-migration, contributing to higher vacancy rates. The Kelowna area vacancy rate, though easing slightly, will remain low at 1.5%-2.0% in 2002.

Rents have shot up in response to sustained low vacancy rates, apartment rents seeing the biggest across-the-board increases since 1994. Average one and two bedroom apartment rents jumped 3.4% and 2.8% last year to \$541 and \$663 per month, respectively. Expect average rents to continue trending up in 2002.

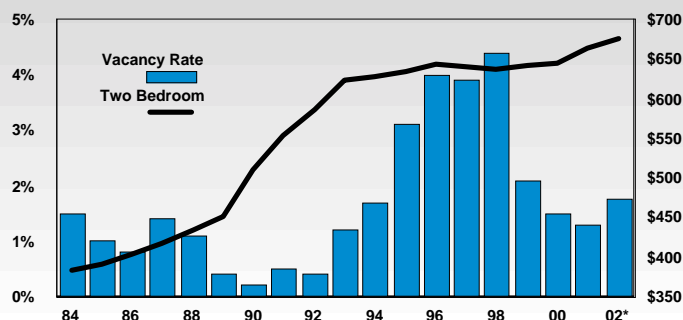
Declining vacancy rates, rising rents, low interest rates and big subsidy allocations boosted rental construction in both 2000

and 2001. Rental housing starts have totaled 500 units during the past three year period. Though good news, high land and land development costs, scarcity of sites and competing

### Rents continue trending up in 2002.

residential development alternatives remain big challenges for builders. Slightly higher vacancy rates and smaller subsidy allocations will mean fewer starts this year. Expect only 50 - 75 rental housing starts in 2002. Look for more development opportunities in Westbank and areas experiencing strong employment growth - the Highway 97 and Springfield Road corridors and Orchard Park neighbourhoods.

**Chart 3 Vacancy Rate and  
Two Bedroom Apartment Rent**



Vacancy rate edges up in 2002 - Rental market remains tight.  
Low vacancy rates mean higher rents this year and next.

## RENTAL MARKET INFORMATION

### The Kelowna Rental Market Survey Report

gives you the latest trends in vacancy rates and average rents for all apartment and townhouse structures of three or more units. To get ahead of your competition subscribe to *FASTFAX* and receive survey results the day they are released.

### To subscribe to The Rental Market Survey and FASTFAX Reports

Telephone: (604) 737-4088

Fax: (604) 737-4021

E-mail: lpreston@cmhc-schl.gc.ca

# ECONOMIC OVERVIEW

## ECONOMY AND POPULATION GROW IN 2002

The Kelowna area economy will grow in 2002. The short-term outlook is mixed, but positive.

A lack luster BC economy and sharply reduced government spending will dampen prospects for employment growth in 2002. Closer to home, the final layoffs at Western Star and some of its suppliers will occur this year.

The economy will continue to expand despite job losses in some sectors. High technology,

---

### Short-term outlook mixed, but positive.

---

tourism, construction, retail sales and personal services remain the biggest sources of job creation. Kelowna's more diversified economy will help soften the impact of Western Star's shutdown and job losses in the public service and health care sectors. Look for stronger employment growth as the US and BC economies begin to recover later this year and on into 2003.

Tourism remains a growth sector despite last year's downturn in air travel. Uncertainty following 911, heightened airport security, rising costs and ongoing restructuring of the Canadian airline industry, all contributed to reduced passenger volumes in 2001. Expect more cross-border "rubber tire" traffic this year, the low Canadian dollar

remaining a big draw for American travelers. Ski, golf and other Okanagan resort destinations continue to expand. Recent improvements to the Kelowna airport and plans for another hotel/convention centre will enhance the City's ability to compete for major events and convention business. Kelowna has emerged as a premier convention destination, successfully competing with much larger centres.

Residential construction is on the rise, helping offset a drop in non-residential construction activity. Expect to see fewer big commercial and institutional construction projects in 2002.

Inter-provincial migration - a key source of Kelowna area population growth and housing demand, has slowly begun to turn around. BC is now seeing a nominal inflow from all provinces except Alberta and

Ontario. A resurgent Vancouver area real estate market will lead to more migrants from the Lower Mainland. Also, Kelowna will continue to benefit from a province-wide trend towards urbanization - an outflow of

---

### Mortgage rates edge up ... remain low in 2002.

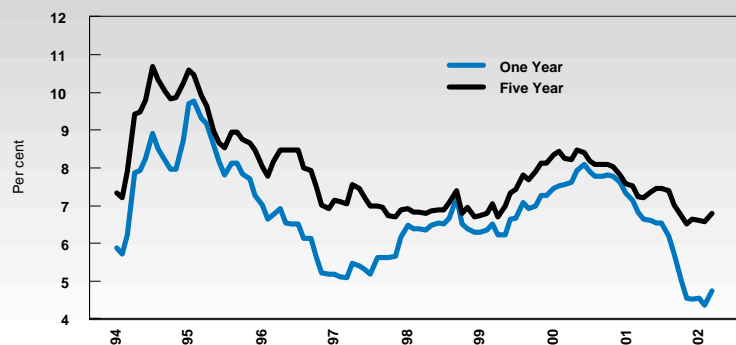
---

people from rural areas to larger urban centres. The Kelowna area population will grow by 1.5% this year and 1.75%-2.0% in 2003.

Long term mortgage rates have begun to edge up as the economy strengthens, but will remain low overall in 2002.

The one, three and five year rates are forecast at 4.0-5.0, 6.0-7.0 and 7.0-8.0 per cent, respectively. Competition among lenders remains intense, many continuing to offer discounts counts ranging from 0.25 to 1.25 per cent.

Chart 4 Mortgage Interest Rates



Interest rates begin edge up , but remain low in 2002.

## HOUSING MARKET OVERVIEW

### Resale Market Strong in 2002

- The Kelowna area resale market will record another robust performance overall in 2002. This year's first quarter surge in sales activity will flatten out as the supply of listings declines and interest rates begin to rise. The supply of listings - both singles and multi-family units have dropped off sharply, especially in the lower price ranges. Look for more move-up buyers in 2002. Higher interest rates, fewer lower priced listings and stronger upward pressure on price levels will mean fewer first-time buyers this year. Prices are on the rise. Strong demand and reduced supply point to bigger price increases in 2002.

### Housing Starts Up - Singles Sector Leads

- The New home market is well positioned to expand in 2002. Inventories of complete and unsold units- all types, are low. With resale house prices trending up and supply down sharply, more buyers will turn to the new home market in 2002.
- Singles starts will see big gains. Last year's focus on higher priced homes - move-up, niche retiree and move-down markets, will carry over into 2002. Look for a few more first-time *new* home buyers this year.
- The apartment condominium market - conventional frame buildings, is now under supplied. Lower density retiree-oriented product and resort markets will remain strong performers. Rising singles and condominium construction will offset fewer rental housing starts. Demand for congregate housing will subside following last year's surge in construction activity. Expect congregate and rental housing construction to pickup in 2003.
- Pent-up demand, triggered by low interest rates, will remain the key driver in 2002.
- The Kelowna area economy will continue to grow despite job losses in some sectors. High tech businesses, tourism, residential construction, retail sales and personal services remain the biggest sources of new jobs. Kelowna remains among the fastest growing larger centres in BC.
- Mortgage rates will begin to edge up, but remain low in 2002.

### Rental Market Remains Tight in 2002

- Vacancy rates will remain low at 1.5%-2.0%, edging up slightly as new supply comes on stream. Some outflow of renters to the home ownership market and job losses also point to higher vacancy rates. Rents will continue to rise in response to sustained low vacancy rates. Smaller subsidy allocations will mean fewer rental housing starts in 2002.

## LOCAL PUBLICATIONS GIVE YOU INFORMATION FOR TODAY'S HOUSING MARKETS

### HOUSING NOW

A monthly housing report focusing on your local market. It combines the latest data with expert analysis to answer all your critical information needs. Every issue contains local statistics on starts, absorptions, inventory, price trends and the economic factors that affect your market most. Clear, concise and easy to read. *Housing Now* is the ideal resource to stay on top of local trends and the state of the industry.

### SENIORS' HOUSING MARKET SURVEY

Find out more about the Okanagan's big and growing seniors' rental housing market - current inventories, price trends and preferences. The *Okanagan Seniors' Report* is an annual publication. Available by Year-end.

### To subscribe call:

Lisa Preston - Administrator,  
Products and Services

Phone: (604) 737-4088

Fax: (604) 737-4021

e-mail: [lpreston@cmhc-schl.gc.ca](mailto:lpreston@cmhc-schl.gc.ca)

**Order your  
subscription  
today!**

## FORECAST SUMMARY

### Kelowna Area Spring 2002

| RESALE MARKET                        | 1999      | 2000      | 2001      | 2002*     | % CHG. |
|--------------------------------------|-----------|-----------|-----------|-----------|--------|
| <b>MLS Active Listings (Mar.) **</b> | 1,531     | 1,631     | 1,772     | 1,193     | (33)%  |
| <b>MLS Sales</b>                     |           |           |           |           |        |
| Total                                | 2,544     | 2,421     | 2,882     | 2,800     | (3)%   |
| Single-Family                        | 1,982     | 1,865     | 2,212     | 2,165     | (2)%   |
| Apartment                            | 332       | 318       | 374       | 355       | (5)%   |
| Townhouse                            | 230       | 238       | 296       | 280       | (5)%   |
| <b>MLS Median Price</b>              |           |           |           |           |        |
| Single-Family                        | \$168,900 | \$175,000 | \$177,000 | \$183,000 | 3.4%   |
| Apartment                            | \$101,750 | \$99,000  | \$95,000  | \$98,000  | 3.2%   |
| Townhouse                            | \$137,950 | \$139,900 | \$132,500 | \$137,000 | 3.4%   |

## NEW HOME MARKET

|                                       |           |           |           |           |       |
|---------------------------------------|-----------|-----------|-----------|-----------|-------|
| <b>Complete and Unoccupied (Mar.)</b> | 323       | 165       | 152       | 67        | (56)% |
| Single-Family                         | 74        | 55        | 68        | 44        | (35)% |
| Multi-Family                          | 249       | 110       | 84        | 23        | (73)% |
| <b>Starts</b>                         |           |           |           |           |       |
| Total                                 | 879       | 928       | 1,111     | 1,180     | 6%    |
| Single-Family                         | 675       | 603       | 625       | 750       | 20%   |
| Multi-Family                          | 204       | 325       | 486       | 430       | (12)% |
| <b>Median New House Price</b>         | \$220,000 | \$229,000 | \$260,000 | \$250,000 | -     |

## Rental Market

|                                  |      |      |      |           |
|----------------------------------|------|------|------|-----------|
| Vacancy Rate                     | 2.1% | 1.5% | 1.3% | 1.5%-2.0% |
| Rental Rate - % Chg. two bedroom | 0.6% | 0.5% | 2.8% | 2.0%-2.5% |
| Rental Housing Starts***         | 94   | 194  | 213  | 50        |

## ECONOMIC OVERVIEW

|                             |       |       |       |            |
|-----------------------------|-------|-------|-------|------------|
| Mortgage Rate (3 year term) | 7.38% | 8.17% | 6.88% | 6.00-7.00% |
| Mortgage Rate (5 year term) | 7.56% | 8.35% | 7.41% | 7.00-8.00% |
| Net Migration               | 2,300 | 2,350 | 2,500 | 2,750      |

\* Forecast. \*\* Single-detached, apartment and townhouse. \*\*\* Privately and publically initiated units. Source: CMHC, Okanagan Mainline Real Estate Board.

© 2002 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada

Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this publication may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation. The information, analyses and opinions contained in this

publication are based on various sources believed reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibilities.

