



# RENTAL MARKET

## REPORT

### Kelowna

Canada Mortgage and Housing Corporation  
www.cmhc.ca

### Highlights

## Vacancy Rate Dips To Twelve Year Low

The Kelowna rental market has remained tight. The vacancy rate fell to only 1.1% by October 2004 from 1.6% a year ago. Vacancy rates were down in both the Core area and Rutland. Fewer vacancies among Core area apartments accounted for most of the decline.

Strong employment growth has spurred in-migration, boosting demand for rental housing. Also, more “empty-nesters” and retirees are now seeking quality rental accommodation, an increasingly popular lifestyle choice. Fewer renters

are making the jump to home ownership, keeping vacancy rates low. Rental housing starts have lagged behind growth in demand,

### Vacancy rates down in both Rutland and the Core area.

contributing to lower vacancy rates.

Rents continued to trend up in response to sustained low vacancy rates. Average apartment rents rose for the fifth straight year. Both the Core area and Rutland saw stronger

continued on page 2

### October 2004 Survey

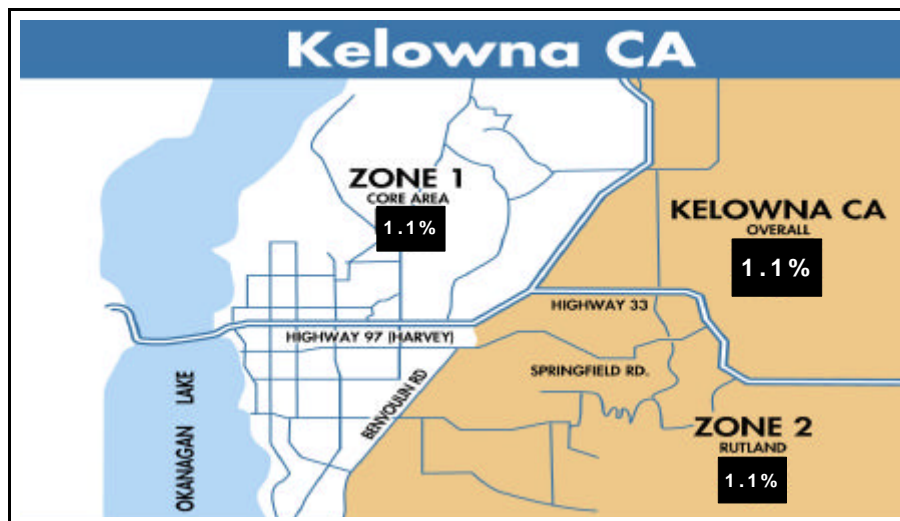
## IN THIS ISSUE

### Analysis

Highlights.....	1/2
Survey Zone Boundary Map.....	1
Methodology.....	2
Vacancy Rates Across Canada.....	3
Vacancy Rate Down Again.....	3
Forecast.....	5

### Statistical Tables

Vacancy Rates in Private Apartment Units.....	6
Vacancy Rates in Private Townhouse Units.....	6
Vacancy Rates in Private Apartment and Townhouse Units.....	6
Total Universe and Vacant Units - All Private Units.....	6
Average Rents in Private Apartment Units.....	7
Average Rents in Private Townhouse Units.....	7
Apartment Vacancy Rates By Year of Completion and Bedroom Type.....	7
Average Apartment Rents By Year of Completion and Bedroom Type.....	7
Historical Average Rents - All Private Apartments.....	8
Historical Average Rents - All Private Townhouses.....	8



upward pressure on rents in 2004. Two and three bedroom unit types recorded the biggest increases. Average apartment and townhouse rents remain significantly lower in Rutland than the Core area.

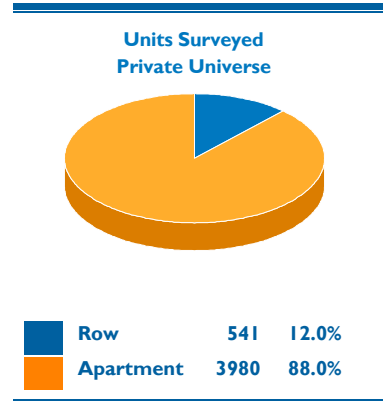
Nationally, the apartment vacancy rate increased to 2.7% from 2.2% in 2003. Low mortgage rates in combination with high levels of condo

### Kelowna vacancy rate lowest in BC interior.

construction have triggered an outflow of renters to the home ownership market. Condos are typically the most affordable ownership option, the first choice among entry-level buyers. Also, new condos are often purchased by investors, who in

turn, rent them out. Rental apartment completions have added new supply in some centres, pushing up vacancy rates. The increase was widespread, 21 of Canada's 28 metro areas recording higher vacancy rates in 2004. Though trending up since 2002, the vacancy rate remains below the ten year average.

Here in BC, the combined apartment and townhouse vacancy rate dropped to 2.5% in 2004 from 3.3% a year ago - the lowest level since 1995. The decline extended across most regions. The Vancouver area vacancy rate was down sharply. Victoria, at 0.7%, posted the lowest vacancy rate among Canada's major centres. Vacancy rates remain highest in central and north west BC and



in some Vancouver Island and Kootenay locations - areas with economies more closely tied to resource-based industry. Rents were up in most centres.

Closer to home, Kamloops, Salmon Arm, Vernon and Penticton all saw vacancy rates fall to ten year lows. Kelowna recorded the lowest vacancy rate in the BC interior.

## METHODOLOGY - HOW CMHC DOES THE SURVEY

Canada Mortgage and Housing Corporation conducts the **Rental Market Survey (RMS)** every year in October to estimate the relative strengths in the rental market. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. The survey targets only structures with at least three rental units, which have been on the market for at least three months. The data collected for a structure depends on its initiation type ( public or private) and whether it is an apartment or row structure. The survey collects vacant unit data for all sampled structures.

The survey is conducted by telephone interviews and site visits, and information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and the results reflect market conditions at that time.

### Definitions

**Vacancy:** A unit is considered vacant if, at any time of the survey, it is physically unoccupied and available for immediate rental.

**Rent:** The rent refers to the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking and hot water. For vacant units, the rent is the rent being asked for by the owner of the unit.

**Rental apartment Structure:** Any building containing three or more rental units, of which at least one unit

is not ground-oriented. Owner occupied units are not included in the rental building unit count.

**Rental row house structures:** Any building containing three or more rental units, all of which are ground-oriented. Owner-occupied units are not included in the rental building unit count.

### Acknowledgment

The Rental Market Survey could not have been conducted without the co-operation of the rental property owners, managers and building superintendents throughout Canada. CMHC acknowledges their hard

work and assistance in providing timely and accurate information. As a result of their contribution, CMHC is able to provide information that benefits the entire housing industry.

### Zones

The survey zones reported in this publication are identified on page one. They are described as follows:

**Zone 1:** Kelowna city - Core area and Westside.

**Zone 2:** Kelowna city - Rutland and Lake Country.

Apartment Vacancy Rates		
Metro Areas	2003	2004
Abbotsford	2.5	2.8
Calgary	4.4	4.3
Edmonton	3.4	5.3
Greater Sudbury	3.6	2.6
Halifax	2.3	2.9
Hamilton	3.0	3.4
Kingston	1.9	2.4
Kitchener	3.2	3.5
London	2.1	3.7
Montreal	1.0	1.5
Oshawa	2.9	3.4
Ottawa-Gatineau	2.5	3.5
Gatineau	1.2	2.1
Ottawa	2.9	3.9
Quebec	0.5	1.1
Regina	2.1	2.7
St. Catharines	2.7	2.6
Saguenay	5.2	5.3
Saint John	5.2	5.8
St. John's	2.0	3.1
Saskatoon	4.5	6.3
Sherbrooke	0.7	0.9
Thunder Bay	3.3	5.0
Toronto	3.8	4.3
Trois Rivières	1.5	1.2
Vancouver	2.0	1.3
Victoria	1.1	0.6
Windsor	4.3	8.8
Winnipeg	1.3	1.1
Large Urban Area	2003	2004
Barrie	3.3	3.0
Belleville	3.9	3.4
Brantford	3.2	1.7
Cape Breton	6.8	5.9
Charlottetown	3.5	4.2
Chatham	8.0	8.2
Chilliwack	3.0	2.6
Cornwall	3.7	3.4
Drummondville	2.5	3.4
Fredericton	1.6	3.7
Granby	1.7	2.2
Guelph	3.9	3.3
Kamloops	4.2	2.7
Kawartha Lakes	2.0	3.1
Kelowna	1.4	1.0
Lethbridge	2.6	3.4
Medicine Hat	2.8	1.6
Moncton	2.9	5.0
Nanaimo	1.2	1.4
Norfolk	1.6	4.2
North Bay	3.3	3.7
Peterborough	1.4	1.7
Prince George	10.3	9.7
Red Deer	4.3	3.5
Saint-Jean-Iberville	0.5	0.5
St. Jerome	**	**
Sarnia	6.1	6.1
Sault Ste. Marie	8.1	5.8
Shawinigan	7.3	6.3
Vernon	2.0	2.0
Total CANADA	2.2	2.7

## Vacancy Rate Down Again

Rental accommodation has become harder to find, the Kelowna area vacancy rate declining this year and last. Both apartment and townhouse vacancy rates dropped in 2004.

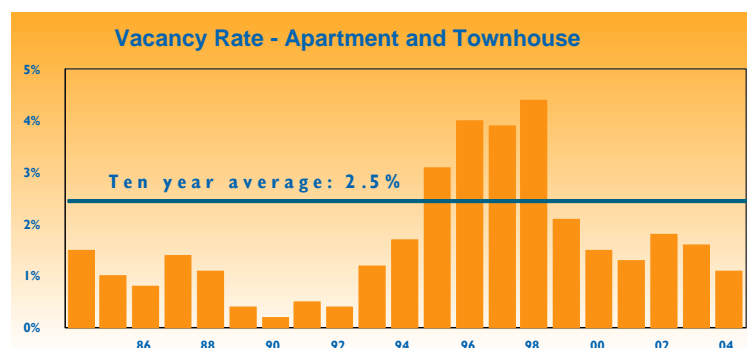
Demand for rental housing is on the rise. Kelowna is now seeing more broadly based population growth - retirees, "lifestylers" **and** job seekers. The Central Okanagan is leading BC in employment growth for the second straight year. Inter-provincial migration has begun to turn around. Also, Kelowna continues to benefit from a province-wide trend towards urbanization. Kelowna remains among BC's fastest growing larger centres.

The outflow of renters to the home ownership market has slowed in response to soaring prices and rising interest rates. The resale singles market will see double-digit price increases again in 2004. The median resale house price is expected to reach \$265,000 by year-end,

up 20% from \$221,500 in 2003. Both condo and townhouse prices are also up sharply.

Despite low vacancy rates, rental housing starts have averaged only 75 units per annum during the past three year period. Rental construction has become less attractive in the face of rising land and other costs and competing development opportunities.

The demand outlook points to sustained low vacancy rates. The Kelowna area economy and population will continue to grow, fueling demand for rental housing. Plans to expand Okanagan University College to a full service university - UBC Okanagan - are moving forward. Enrollment is expected to double by 2010. The BC economy is poised to see stronger growth in 2005. People are coming back to BC from other provinces. Rising interest rates will mean reduced affordability and fewer first-time buyers next year.



**Kelowna vacancy rate drops to twelve year low in 2004.**

**CMHC Publications  
Give You  
Information  
For Today's  
Housing Markets**

**Housing Market Outlook**

Find out where your market is headed. **Housing Market Outlook** - a semi-annual report, provides an in-depth forecast of your local new home, resale and rental markets. Look for the latest housing market trends and opportunities.

**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. Clear, concise and easy to read. **Housing Now** is the ideal resource to help you stay on top of local trends and state of the market.

**Seniors' Housing  
Market Report**

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. The 2004 report is available now!

**To Subscribe call:**

Lisa Preston - Administrator,  
Products and Services.  
BC & Yukon Business Centre.  
Phone: (604) 737-4088  
Fax: (604) 737-4021  
e-mail: lpreston@cmhc-schl.gc.ca

The Kelowna area vacancy rate will remain low, edging down to only one per cent in 2005.

The Core area apartment vacancy rate dropped to 1.0% from 1.5% in 2003. Rutland was unchanged at 0.8% vacancy. Lower rents than in the Core area and closer proximity to Okanagan University College have kept apartment vacancy rates below the one per cent level since 1998. Also, growing commercial development along the Highway 97 corridor has meant more jobs in and closer to Rutland. Rutland, unlike the Core area, has seen no new supply come on stream in recent years.

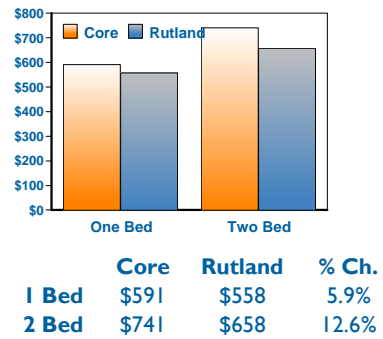
Family oriented accommodation - three bedroom apartment and townhouse units - remains in short supply. Only 50 three

**Family-oriented units remain in short supply.**

bedroom units have come on stream since 1990, leaving this segment of the rental market under supplied.

Despite higher rents, vacancy rates were lowest in newer buildings. Most rental projects

**Average Apartment Rents By Zone**



built since 1998 have targeted renters seeking more upscale accommodation, until recently, an untapped market. This type of product has attracted retirees, empty nesters and higher income earners - especially those without sufficient savings for entry into the home ownership market. Take-up has been strong. Also, suites in newer buildings are better equipped to facilitate sharing.

Sustained low vacancy rates have pushed up rents again, the average one and two bedroom apartment rent increasing 2.4% and 3.7%, respectively, in 2004. Higher Core area rents reflect the proximity to the lake, health care and other services and the newer age of the stock. Newer

**Average Rents - Apartments**



**Declining vacancy rates push up rents ... again.**

projects have seen the biggest increases. Newer apartment buildings are achieving rents in the \$625-\$700 and \$775-\$875 ranges for one and two bedroom units, respectively. A few more upscale projects are capturing even higher rents.

Low vacancy rates point to higher rents next year. Expect rents to increase another three per cent in 2005, one and two

**Low vacancy rates point to higher rents in 2005.**

bedroom apartment rents reaching \$607 and \$745, per month, respectively, by year-end.

Rental housing starts will total 105 units this year, including Rutland's first rental apartment project since 1997. Two apartment projects totaling 106 units (2002 and 2003 starts) have come on stream in 2004. No publicly initiated rental housing projects were begun this year or last.

Demand continues to outstrip supply, keeping vacancy rates low. High land, land development and construction costs and scarcity of sites remain key challenges for developers. With demand for condominiums on the upswing and condo prices trending up sharply, many builders are, for now, focusing on the home ownership market.

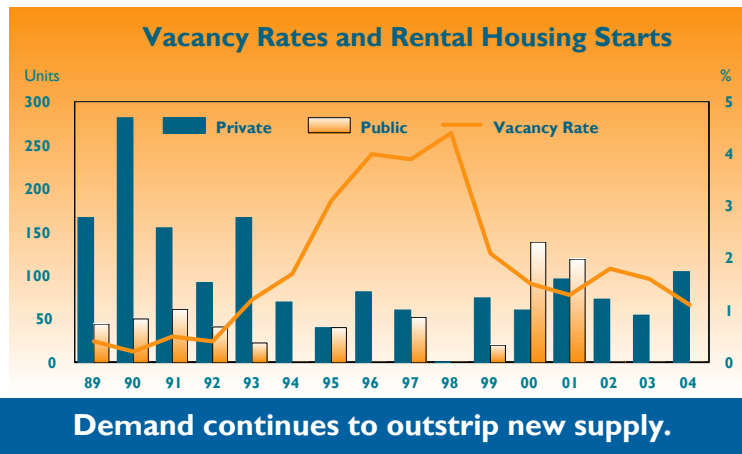
Recent reductions in Development Cost Charges may help trigger more interest among builders. The City is currently examining ways to develop affordable rental and

ownership housing on lands owned by the municipality. Other types of housing have helped pick up the slack, boosting the stock of rental housing. Attached "carriage home" and in-unit secondary suites - "mortgage helpers" - have become increasingly popular. The condo market is a growing source of rental accommodation. Expectations of price appreciation, low cost of financing and tight rental market conditions have lead to more interest among investors. Also, many condominiums are purchased in anticipation of retirement or as seasonal residences and made available for rent.

Rental housing starts will total 50-100 units in 2005. Apartments will account for the lions share of new rental housing. Plans to double enrollment at UBC Okanagan will boost demand over the next several years. Look for development opportunities in Westbank and areas experiencing stronger employment growth - the Orchard Park and Highway 97 corridors.

**Forecast**

- \* The Kelowna area rental market will remain tight, the vacancy rate edging down to one per cent in 2005. Strong employment and population growth and rising enrollment at UBC Okanagan will keep vacancy rates low. Also, fewer renters will make the jump to home ownership next year.
- \* Rents will continue to trend up in response to sustained low vacancy rates. Expect rents to increase another three per cent in 2005.
- \* Rental housing starts will total only 50-100 units in 2005, including one publicly initiated project. Once again, high land and other costs, scarcity of sites and competing development alternatives will remain limiting factors. Look for development opportunities in Westbank and along the Hwy. 97 Orchard Park corridor.



**Table 1**

Vacancy Rates in Private Apartment Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	1.5	1.0	5.8	0.0	1.9	1.1	1.0	0.9	0.0	1.8
Zone 2	0.8	0.8	**	0.0	0.0	0.6	0.9	0.9	5.0	0.0
Kelowna CA	1.4	1.0	5.6	0.0	1.7	1.1	1.0	0.9	0.8	1.5

**Table 2**

Vacancy Rates in Private Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	2.1	2.1	**	**	0.0	6.7	2.9	1.7	0.0	1.9
Zone 2	3.5	1.8	N/U	N/U	**	0.0	3.9	1.9	3.3	1.8
Kelowna CA	2.9	1.9	**	**	0.0	3.1	3.4	1.8	1.8	1.9

**Table 3**

Vacancy Rates in Private Apartment and Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	1.6	1.1	5.8	0.0	1.8	1.2	1.2	1.0	0.0	1.9
Zone 2	1.7	1.1	**	0.0	0.0	0.5	1.9	1.3	3.7	1.3
Kelowna CA	1.6	1.1	5.5	0.0	1.6	1.1	1.4	1.1	1.3	1.7

**Table 4**

Total Universe and Vacant Units in Private Apartments and Townhouses										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
<b>Townhouse</b>										
Zone 1	5	251	**	**	1	15	3	181	1	54
Zone 2	5	290	N/U	N/U	0	17	4	216	1	57
Kelowna CA	10	541	**	**	1	33	7	397	2	110
<b>Apartment</b>										
Zone 1	34	3,347	0	114	17	1,533	15	1,590	2	110
Zone 2	5	633	0	6	1	176	4	431	0	20
Kelowna CA	39	3,980	0	120	18	1,708	19	2,021	2	130
<b>All Units</b>										
Zone 1	39	3,598	0	115	18	1,548	18	1,771	3	163
Zone 2	10	923	0	6	1	193	8	647	1	77
Kelowna CA	49	4,521	0	121	19	1,741	26	2,418	4	240

\*\* Data suppressed - sample size not large enough to publish reliable results.

N/U - No structures in the rental universe. N/A - No structures in sample responses.

**Table 5**

Average Rents in Private Apartments										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	644	663	488	471	579	591	713	741	748	**
Zone 2	609	635	**	399	540	**	632	658	705	**
Kelowna CA	639	659	483	467	575	589	697	723	741	**

**Table 6**

Average Rents in Private Townhouse Units										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Zone 1	684	719	**	N/A	531	**	671	708	**	**
Zone 2	663	671	N/U	N/U	**	**	**	658	**	**
Kelowna CA	673	693	**	N/A	**	**	663	680	**	**

**Table 7**

Apartment Vacancy Rates by Year of Completion and Bedroom Type (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1960 - 1974	1.6	1.1	3.8	0.0	1.5	1.1	1.6	1.4	0.0	**
1975 - 1984	1.4	1.3	**	**	1.4	1.1	1.3	1.5	**	**
1984-1994	0.3	0.2	0.0	0.0	0.4	0.4	0.4	0.2	0.0	0.0
After 1995	**	**	**	**	**	**	**	**	**	**
Total	1.4	1.0	5.6	0.0	1.7	1.1	1.0	0.9	0.8	1.5

**Table 8**

Average Apartment Rents by Year of Completion and Bedroom Type										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1960 - 1974	583	593	444	443	548	558	648	656	654	**
1975 - 1984	603	617	**	**	557	570	653	675	**	**
1984-1994	700	722	463	476	618	629	725	747	838	875
After 1995	**	**	**	**	**	**	**	**	**	**
Total	639	659	483	467	575	589	697	723	741	**

\*\* Data suppressed - sample size not large enough to publish reliable results.

N/U - No structures in the rental universe.

N/A - No structures in sample responses.

**Table 9**

Average Rents - All Private Apartments												
Survey Date	Bachelor Suites			One Bedroom			Two Bedroom			Three Bedrooms		
	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.
Fall 2004	120	467	-3.3%	1,708	589	2.4%	2,021	723	3.7%	130	**	**
Fall 2003	120	483	1	1,710	575	2.9	2,002	697	2.5	128	741	0.7
Fall 2002	116	478	3	1,618	559	3.3	1,955	680	2.6	123	736	1.9
Fall 2001	114	464	6.7	1,737	541	3.4	1,941	663	2.8	121	722	0.6
Fall 2000	103	435	2.4	1,646	523	1	1,861	645	0.5	132	718	1
Fall 1999	102	425	0.5	1,651	518	1.6	1,880	642	0.6	133	711	0.7
Fall 1998	94	423	1.2	1,628	510	-2.1	1,857	638	-0.3	135	706	0
Fall 1997	101	418	-1.2	1,584	521	-0.4	1,846	640	-0.6	132	706	-0.1
Fall 1996	101	423	0.7	1,563	523	0.2	1,822	644	1.6	130	707	0.7
Fall 1995	103	420	4.7	1,578	522	2.4	1,784	634	0.2	123	702	2.9

**Table 10**

Average Rents - All Private Townhouses									
Survey Date	One Bedroom			Two Bedroom			Three Bedrooms		
	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.
Fall 2004	33	**	**	397	680	2.6%	110	**	**
Fall 2003	32	488	-0.2	392	663	5.1	116	744	-0.4
Fall 2002	33	489	15	394	631	3.1	114	747	1.5
Fall 2001	19	425	-0.9	356	612	0.3	109	736	0.7
Fall 2000	19	429	-11.4	396	610	-1.3	107	731	-7.8
Fall 1999	18	484	17.5	371	618	0.5	103	793	8.3
Fall 1998	18	412	-0.2	375	615	-1.3	105	732	4.4
Fall 1997	18	413	-1.4	372	623	-0.6	99	701	-0.3
Fall 1996	18	419	2.4	377	627	1	95	703	0.7
Fall 1995	16	409	2.8	374	621	1.3	95	698	2.3

## CMHC - Your Source of Rental Market Information

**CMHC's Rental Market Reports** give you the latest trends in vacancy rates and average rents for all apartment and townhouse structures of three or more self-contained units. Available for many centres across Canada. **New! Rental Market Provincial Highlights** provides rental and vacancy rate data in a quick reference format for urban centres over 10,000 population. A report is available for each province.

### To Subscribe call:

Lisa Preston, Administrator  
 Products and Services  
 BC & Yukon Business Centre  
 Phone: (604) 737-4088  
 Fax: (604) 737-4021  
 E-mail: lpreston@cmhc-schl.gc.ca

### For further analysis or information about this report please contact:

Paul Fabri, Market Analyst  
 CMHC - Kelowna  
 Phone: (250) 712-4334  
 Fax: (250) 712-4322  
 E-mail: pfabri@cmhc-schl.gc.ca

© 2004 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 to be 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.