

# HOUSING MARKET INSIGHT

## Kelowna CMA



CANADA MORTGAGE AND HOUSING CORPORATION

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*"Population growth, driven by strong migration, is anticipated to keep demand for all housing types elevated in Kelowna over the next five years, including a variety of multi-unit housing options."*



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## Strong Migration<sup>1</sup> to the Kelowna CMA Corresponds to Increased Demand for Multi-Unit Housing Options

*In 2014 and 2015, strong migration to the Kelowna CMA was observed at levels in line with those seen prior to 2008 when demand for new homes was significantly elevated. This article will examine the relationship between migration and demand for new homes over the past 14 years for which data is available. Migration plays a vital role in population growth and by extension, household formation, which can have significant impacts on the demand for new homes. Prior to the economic and financial crisis of 2008, demand for both single-detached and multi-unit homes was high in the Kelowna CMA while total migration to the area was strong. A detailed analysis of historical migration data provided by Statistics Canada revealed that stronger migration of certain age cohorts appears to be a consistent indicator of demand for multi-unit homes including rental, condominium and free-hold housing in the Kelowna CMA.*

### Why is Migration so Important?

Kelowna's population grew at a stronger rate over the past two years, with the 2015 estimated population growth exceeding growth achieved in any year during the 2002-2008 population expansion. In fact, the rate of population growth that the Kelowna area experienced in 2015 was the fastest out of all

Census Metropolitan Areas in Canada (see Figure 1).<sup>2</sup> Migration to the area has historically been the main driver behind the rate of population expansion and fluctuation in this measure can have an impact on things like the demographic makeup of the population, household formation and demand for different housing types over time (see Figure 2).<sup>3</sup> For further details on the sources of population change, see the Appendix.

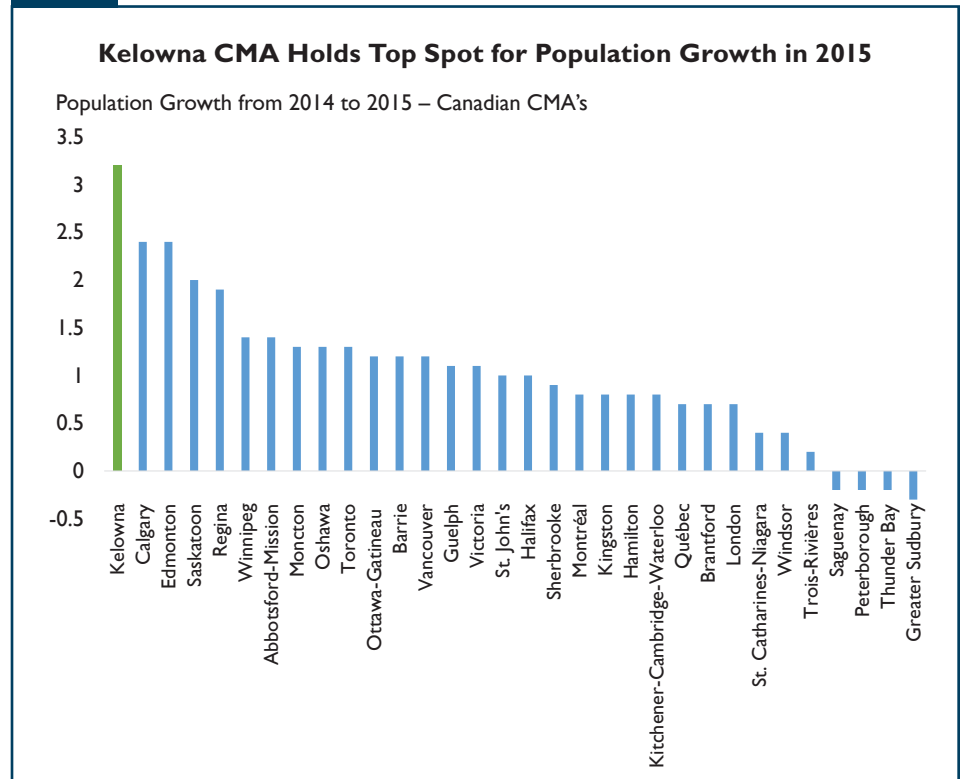
Kelowna's population expansion has spurred demand for all types of housing. This has resulted in a tighter primary rental market with an apartment vacancy rate of 0.7 per cent in 2015 along with strong resale market activity across all segments of the market, resulting in lower active listings and more competition amongst buyers.<sup>4,5</sup> The new home market has also begun to react to the growing demand for all home types, pushing housing starts upward in 2016.<sup>6</sup>

## When it comes to housing demand – age matters

Many of the people choosing to move to the Kelowna area have been migrating from provinces throughout the Prairies, particularly Alberta, as well as from Ontario. From within BC, major sources of migration to the Kelowna CMA include neighbouring Regional District Areas (RDA's) such as the Kootenays, as well as the Greater Vancouver Area and northern areas like the Fraser-Fort George RDA.<sup>7</sup>

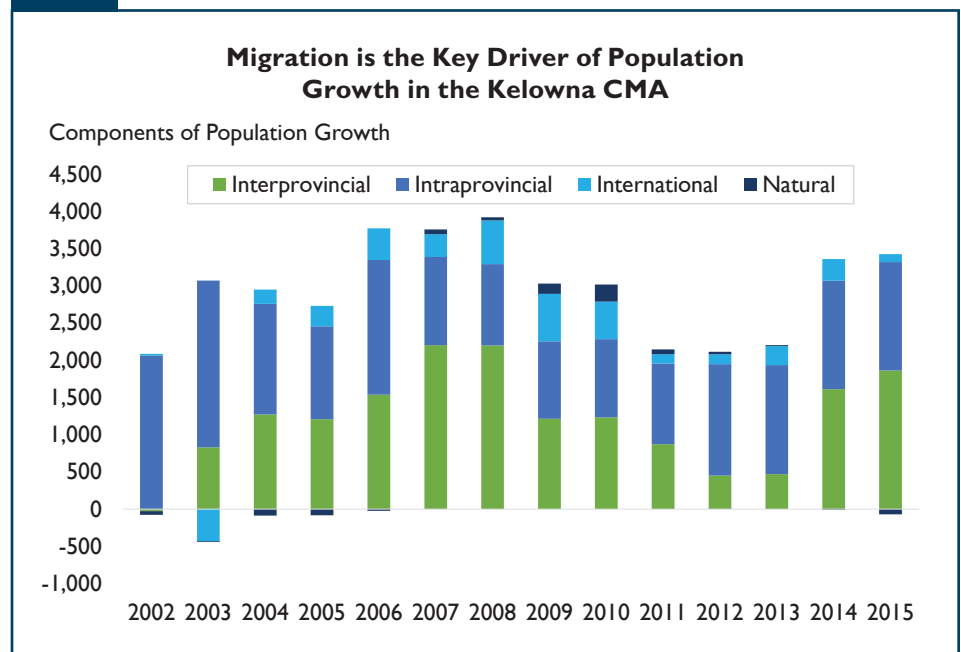
A closer look at the age characteristics of these newcomers can inform us of the types of housing

Figure 1



Source: Statistics Canada

Figure 2



Source: CMHC, Statistics Canada – CANSIM Table 051-0057

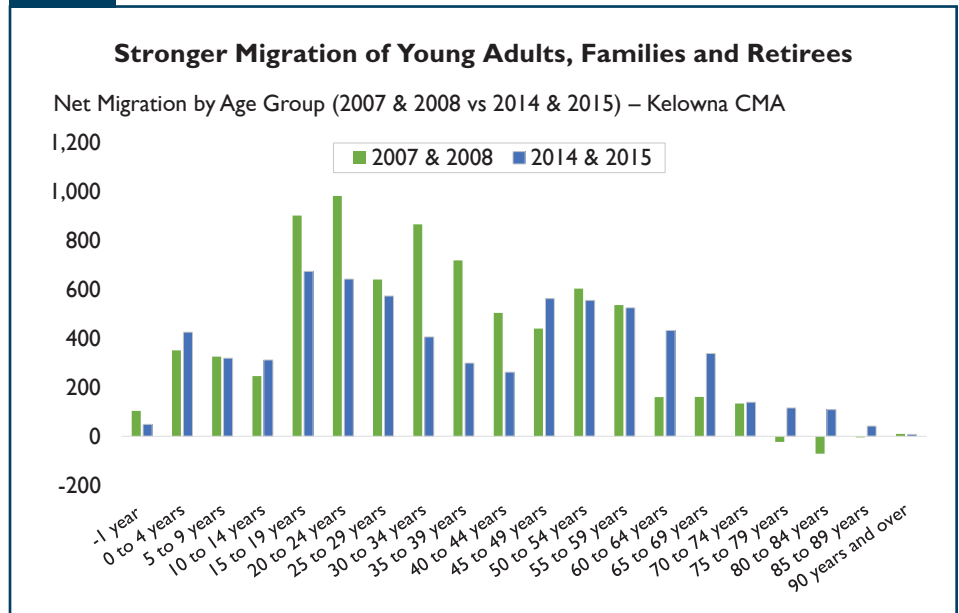
they may be looking for. Figure 3 depicts migration by age group with the years 2007 and 2008 grouped as well as the years 2014 and 2015 as a group. While there are some similarities in the demographic profile of those choosing to move to the Kelowna area there are also some key differences.

The estimated number of individuals moving to the Kelowna area between the ages of 15 and 24, an age cohort typically associated with demand for rental housing, has been on the rise over the last two years. Additionally, the number of people between the ages of 25 and 34, an age cohort typically associated with first time home buying, has also been on the rise again in 2014-15 but not to the magnitude that was seen in 2007-08. However, a higher number of individuals aged 60 and over have chosen to call Kelowna home over the past two years relative to the 2007-08 period. Individuals in their retirement years are living longer and more active lives now but may also be looking for homes that reduce the amount of upkeep and additional expenses that come with homeownership – whether they choose to rent or purchase condominium tenure housing.

## Population projections point to continuing demand for multi-unit housing options

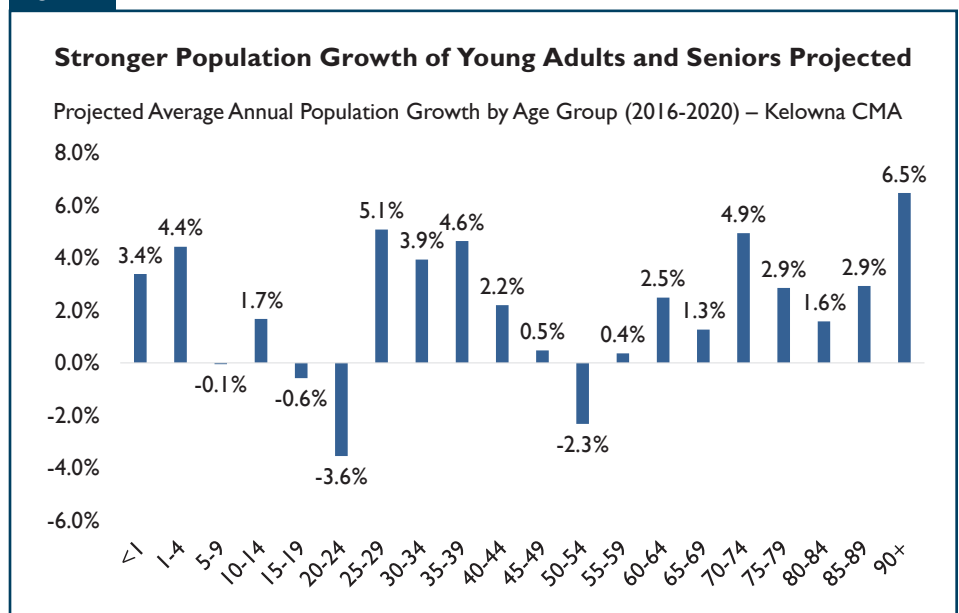
More people moving to Kelowna adds pressure to grow the housing stock and expand the variety of housing options available as new household are added.<sup>8</sup> As inventories of homes available on the resale market have been drawn down over the past few years and even more strongly in the first half of 2016, new construction will increasingly play a part to help satisfy the need for additional housing.

Figure 3



Source: Statistics Canada – CANSIM Table 051-0057

Figure 4



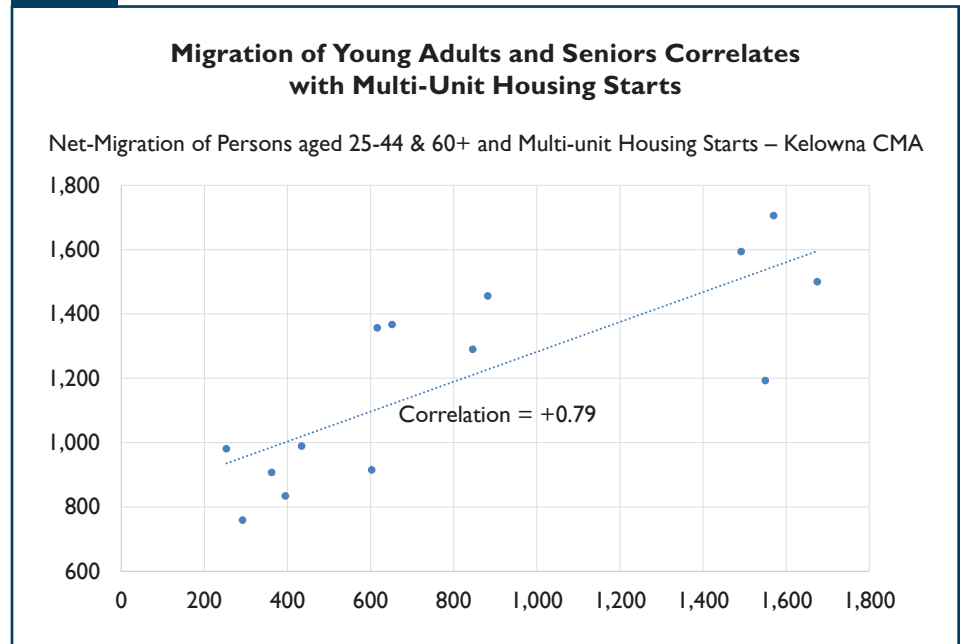
Source: BC Stats – P.E.O.P.L.E Population Projections 2015

With strong population growth expected to continue through 2020, demand for all housing types will remain elevated over the same horizon. Over the next five years, BC Stats projects that population growth will be centred around some key age cohorts (see Figure 4).<sup>9</sup>

Not surprisingly, many of these age cohorts that are anticipated to grow over the 2016-2020 period are the same ones that new migrants have been contributing to over the past few years. In particular, individuals between the ages of 25 and 44 are expected to continue to grow at a

fairly rapid pace over the next five years along with individuals 60 and over. Taking into consideration past migration patterns along with what has been taking place more recently we know that growth in these cohorts of the population has a strong positive association with increased demand for multi-unit homes of all kinds, including both rental, condominium and ownership tenure (see Figure 5).

Figure 5



Source: CMHC, Statistics Canada – CANSIM Table 051-0057

## APPENDIX

### Sources of Population Change:

- a) Natural Population Growth - the first source is what is referred to as “natural” population growth which is defined as the net of births and deaths in any given year and is therefore inherently related to the demographic balance and fertility rates of the geography in question. For instance, as is the case with Kelowna, areas with a higher percentage of seniors in the population tend to have lower levels of “natural” population growth.
- b) Net Migration - the second source of population growth is through a net gain in the number of people moving to the area from one of three sources;
- Interprovincial migration – the net number of individuals moving from other provinces to reside in the Kelowna CMA
  - Intraprovincial migration – the net number of individuals moving from somewhere within the same province to the Kelowna CMA
  - International migration – individuals moving from other countries to reside in the Kelowna CMA. Within the international migration component of population change the calculation of the net gain in persons from other countries is more detailed than a simple difference between persons gained and lost in any given year.<sup>10, 11, 12</sup> Therefore, the calculation is outlined below:<sup>13</sup> Note that the subscript ‘t’ for each variable denotes the year in which the calculation is being made.

### Equations:

$$\text{Net International Migration}_t = (\text{Immigrants}_t - \text{Emigrants}_t) + (\text{Returning Emigrants}_t - \text{Net Temporary Emigrants}_t) + \text{Net Non Permanent Residents}_t$$

$$\text{Total Net Migration}_t = \text{Net International Migration}_t + \text{Net Interprovincial Migration}_t + \text{Net Intraprovincial Migration}_t$$

$$\text{Population Change}_t = \text{Total Net Migration}_t + \text{Natural Population Change}_t$$

## ENDNOTES

- <sup>1</sup> This refers specifically to positive net-migration meaning that there were more individuals choosing to move to the Kelowna CMA than those moving away – hereafter referred to as just “migration”. The opposite, or negative net-migration, will simply be referred to as negative migration.
- <sup>2</sup> Statistics Canada – CANSIM Table 051-0056 – Estimates of population by census metropolitan area, sex and age group for July 1, based on the Standard Geographical Classification (SGC) 2011
- <sup>3</sup> Statistics Canada – CANSIM Table 051-0057 – Component of population growth by census metropolitan area, sex and age group for the period from July 1 to June 30, based on the Standard Geographical Classification (SGC) 2011, annual (persons) – Note: Net-migration estimates for 2015 are preliminary and are subject to revision.
- <sup>4</sup> CMHC Rental Market Report – Fall 2015. The primary rental market includes only privately initiated structures with at least three rental units, which have been on the market for at least three months.
- <sup>5</sup> Okanagan Mainline Real Estate Board (OMREB)
- <sup>6</sup> CMHC Starts and Completions Survey – Year-to-date housing starts as of June 2016 were up over 80 per cent relative to the same six month period in 2015.
- <sup>7</sup> Statistics Canada – CANSIM Table 051-0065 – Detailed migration data on the origin/destination of individuals is final up to 2014 while estimates for 2015 have not yet been released.
- <sup>8</sup> Statistics Canada – Household refers to a person or group of persons who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada or abroad. The dwelling may be either a collective dwelling or private dwelling. The household may consist of a family group such as a census family, of two or more families sharing a dwelling, of a group of unrelated persons or of a person living alone. Household members who are temporarily absent on reference day are considered part of their usual household.
- <sup>9</sup> BC Stats – P.E.O.P.L.E. Population Projections 2015
- <sup>10</sup> Statistics Canada – Net Non-Permanent Residents is the net change in the stock of non-permanent residents, which include persons residing temporarily in Canada who hold a student, work, or minister’s permit, or who are refugee claimants.
- <sup>11</sup> Statistics Canada – Returning Emigrants are Canadians who emigrated from Canada in the past, and who are returning with the intention of once again becoming permanent residents.
- <sup>12</sup> Statistics Canada – Net Temporary Emigration is the net change in persons who are temporarily emigrated; that is, residents who have temporarily moved to another country, but have the intention of returning to live in Canada.
- <sup>13</sup> Statistics Canada – Immigration (or an ‘immigrant’) is defined by Statistics Canada as referring to a person who is or has ever been a landed immigrant/permanent resident. A landed immigrant/permanent resident is a person who has been granted the right to live in Canada permanently by immigration authorities. Immigrants are either Canadian citizens by naturalization (the citizenship process) or permanent residents (landed immigrants) under Canadian legislation. Some immigrants have resided in Canada for a number of years, while others have arrived recently. Most immigrants are born outside Canada, but a small number are born in Canada. Conversely, an emigrant could be considered someone who has left Canada and is seeking permanent residence or citizenship in another country.

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