Report to Council



Date: March 9, 2020

To: Council

From: City Manager

Subject: Kelowna Annual Housing Report

Department: Policy & Planning

Recommendation:

THAT Council receives, for information, the report from the Acting Manager Long Range Policy Planning dated March 9, 2020, with respect to Kelowna's Annual Housing Report.

Purpose:

To introduce the Annual Housing Report which is an analytical report that monitors the performance of the rental and ownership housing markets of the previous year (2019).

Background:

The City's Annual Housing Report summarizes key data and statistics related to the ownership market and long-term rental housing market for the previous year. The Housing Report was last released in 2016 with the Housing Needs Assessment and the Healthy Housing Strategy providing comprehensive reporting on the housing market in 2017-18. This years refreshed Annual Housing Report (Attachment A) identifies key trends in the 2019 housing market in a narrative format that combines quantitative and qualitative analysis. The report investigates how the local housing market is impacted by demographic, economic or policy shifts occurring regionally or nationally with commentary on the performance of the housing market in relation to historical averages. The Annual Housing Report incorporates housing data from various sources including Canadian Mortgage and Housing Corporation, BC Assessment Authority sales data, as well as BC Stats population and employment information to understand key drivers of the housing market. This research-oriented report provides an opportunity to understand how the rental housing and ownership markets are performing in relation to key targets identified in the City's Healthy Housing Strategy.

Discussion:

A range of senior government policies as well as demographic and economic trends influenced Kelowna's housing market in 2019 and several of these points are highlighted in Figure 1:

National and regional drivers of the Kelowna market



Strong Economy:

The unemployment rate hovered around 4 per cent in 2019 with major employment growth in 2016-17.



Demographic Shifts:

Kelowna has seen steady population growth over last 5 years, with high levels of regional in-migration.



Mortgage Stress Test:

The implementation of the stress test in January 2018 has reduced purchasing power of first-time home buyers and retirees.



Housing Preferences:

Growing interest in walkable urban places and smaller household sizes are resulting in greater demand for multi-family options.

Figure 1: Key drivers of the Kelowna housing market

The following Kelowna 2019 housing trends are analyzed in greater detail in the attached report.



Multi-family Moves the Market: A growing proportion of building starts and housing sales are for multi-family units. This trend reflects growing importance of rental housing as well as the emergence of strata apartments as a desirable option for a growing number of households.



Kelowna's Rental Boom: A wave of rental units were completed in 2019, increasing the supply from 5,343 to 6,650 and boosting the vacancy rate to 2.7 per cent in 2019. The boom was the culmination of several years of record rental housing construction, highlighting the need for on-going supply to keep pace with the demand for rental in Kelowna.



Rental Goes Corporate: The combination of low interest rates and strong demand for rental housing is attracting major commercial real estate companies to the Kelowna market. For example, Skyline, Realstar and Starlight have all made major investments in the Kelowna rental housing market in the last year, acquiring close to 700 units.



Attainable Family-friendly Options: In the ownership market the mid-market segment was the most active with 44 per cent of all sales between \$400-700k. Activity in this segment of the market reflects the interest in family friendly housing options that are still attainable for middle income households earning \$75K-\$135K based on monthly mortgage costs not exceeding 25% of gross income.



Affordability Challenges: Kelowna has seen rising prices for single detached housing over the last five years and the mortgage stress test has reduced purchasing power. Based on 2019 prices, single-detached homes in the high end of the market (\$700k-\$1M) are only attainable for 15-20 per cent of Kelowna households based on mortgage cost not exceeding 25% of gross incomes.

Figure 2: Key trends of the 2019 Kelowna housing market

Outlook for 2020

While the Annual Housing Report does not make any formal policy recommendations, this research-oriented report is an important part of the City's on-going efforts to advance the key directions of the Healthy Housing Strategy. The Annual Housing report highlights the on-going need for purpose-built rental housing to keep pace with Kelowna's growing population as well as the need for subsidized rentals to ensure rental options are available for all residents. To advance the Healthy Housing Strategy, staff is currently developing an Affordable Housing Land Acquisition Strategy to secure land for affordable rental housing partnerships. Additionally, staff will investigate policy updates to encourage a greater variety of housing forms and tenures. In conclusion, the Annual Housing Report allows the City to monitor emerging trends or gaps in the local housing market, providing insight as to areas that could be addressed through partnership, and serve as a valuable information source for a wide variety of audiences in our community.

Internal Circulation:

Department Manager, Policy and Planning
Divisional Director, Planning and Development Services
Department Manager, Real Estate
Manager, Urban Planning and Development Policy
Divisional Director, Active Living and Culture
Department Manager, Corporate Strategy and Performance
Communications Consultant

Submitted by: R. Soward Acti	g Manager Long Range Policy Planning
Approved for inclusion:	D. Noble-Brandt, Department Manager of Policy and Planning

Attachments

Attachment A: 2019 Annual Housing Report