

Report to Council



Date: March 15, 2021
To: Council
From: City Manager
Subject: Annual Housing Report – 2020 Update
Department: Policy & Planning

Recommendation:

THAT Council receives, for information, the report from Policy and Planning dated March 15, 2021, with respect to Kelowna's Annual Housing Report.

Purpose:

To introduce the Annual Housing Report that provides an update on the 2020 housing market and progress on the Healthy Housing Strategy and Housing Wheelhouse.

Background:

The City's Annual Housing Report (AHR) summarizes key data and shares insights related to all segments of the housing market for the previous year. Also, this year's AHR provides a strong reporting link to the Housing Wheelhouse. The first section of the AHR provides commentary on each segment of the Housing Wheelhouse that was developed through the City's Housing Needs Assessment. The second section of the AHR provides *Housing Insights*, which are deeper analyses on short-term trends that shaped the 2020 housing market.

The AHR (Attachment A) combines quantitative and qualitative analysis to understand trends in the housing market. The report is built upon background research on the demographics, economics, as well as a policy scan to understand regional and national drivers of the housing market. Also, the AHR incorporates data from various sources including City of Kelowna development statistics, Canadian Mortgage and Housing Corporation rental market data, and BC Assessment Authority sales data, to understand activity in each segment of the Housing Wheelhouse in 2020.

The commentary on each segment of the Wheelhouse allows for a deeper understanding of how the housing market is meeting the diverse needs of Kelowna's residents, and key actions the City is taking. By using the Wheelhouse as a reporting framework, it is easier to see the relationships between different segments of the market and to appreciate how the housing market functions as a system.

Discussion:

The strength of the local economy offers valuable context as it generally impacts demand in the housing market. If a region experiences job and population growth, robust housing demand typically follows suit.

Early reports indicate Kelowna experienced stronger than expected population growth in 2020. Although the region saw lower international migration, higher levels of interprovincial migration translated into robust growth even amid a pandemic. Although several sectors (tourism, food and beverage, and retail) of the economy faced challenges due to public health orders related to the pandemic and reduced travel, the overall regional labour market had a strong recovery at the end of 2020 with more people employed than at the end of 2019. The recovery of the labour market reflects the stability and strength of knowledge-based employment in 2020 (finance, professional and technical services). Overall, the economic impacts of the pandemic were most pronounced in lower-wage service sectors typically associated with people who are more likely to be long-term renters.

2020 Kelowna Housing Market

Kelowna's economy showed considerable resilience, translating into strong demand for housing even in the middle of the pandemic. The AHR identified the following key takeaways for the housing market in 2020:

- ***Demand for ground-oriented housing:*** With people spending more time at home during the pandemic and the rise of remote work, demand for ground-oriented housing drove sales and price increases in the region.
- ***Downtown sales strong:*** Demand for housing remained strong in the City's downtown, illustrating that condo living will continue to be a major part of Kelowna's future.
- ***Robust growth tightens rental market:*** Purpose-built rental demand continues to out-pace supply even after record construction in 2019, highlighting the need for on-going investment in rental housing.
- ***Rental rates out of reach:*** Strong demand for rental housing is driving rental rates out of reach for many, reinforcing the need for more subsidized rental units.
- ***Progress on Housing with Supports and other Safety Net Housing:*** There were several promising developments yielding results, but there is much more work to be done to tackle the immense challenge of housing Kelowna's most vulnerable citizens.
- ***Housing market mobility declines:*** Rising median housing prices and low rental vacancy rates suggest that it is getting harder for people to move between different segments of the Housing Wheelhouse to meet their housing needs.

Looking Ahead

The strong demand for housing in Kelowna is expected to carry over into 2021 and 2022, supported by the region's recovery from the pandemic and the return of post-secondary students, as well as a surge of international immigration as immunization plans roll-out.

While there was a shift towards single dwelling homes in 2020, this trend appears to be temporary based on the city's in-stream development data. Despite a lower-than-average number of building permits issued in 2020, there is a considerable amount of housing in the approval process. At the end of 2020 there were approximately 4,700 units under construction with roughly 84 per cent in the form of multi-family housing. We expect these units to be completed over the next 1 to 3 years, addressing near-term housing demand. The City's in-stream development statistics suggest the development community is already responding to the unpredicted strong demand for housing in Kelowna. Overall, it is difficult to determine if any of the short-term shifts in housing from 2020 will become long-term housing trends given the exceptional circumstances in 2020.

Conclusion:

While the AHR does not provide formal policy recommendations, the report provides valuable insight regarding the housing needs for different segments of the *Wheelhouse*. The AHR illustrates the continued need for market rental and subsidized rental housing to keep pace with the rapid growth of the region. The demand in these segments of the *Wheelhouse* underscores important role of the City in promoting the development of long-term rental housing. The City's incentives for new market rental housing and land acquisitions for affordable rental housing will be important actions for the City to support the Healthy Housing Strategy. Also, the City's efforts to encourage ground-oriented housing in the Core Area could provide options for centrally located family-friendly housing at an attainable price point in the years ahead. In conclusion, the Annual Housing Report demonstrates the need for on-going action from the City, development community, and other community partners to address housing needs of all residents in Kelowna.

Internal Circulation:

Policy and Planning
Planning and Development Services,
Real Estate Services,
Active Living and Culture,
Communications

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Attachment A: Annual Housing Report – 2020 Update

Approved for inclusion:



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