

GROWTH INVESTIGATED

COMMUNITY TRENDS REPORT

Prepared by the City of Kelowna



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INTRODUCTION

The City of Kelowna's Community Trends Report aims to provide an engaging examination of key trends that will influence Kelowna's future. In doing so, the report offers the City, businesses, community groups, and residents the necessary information to prepare for and respond to the impacts of these trends.

The Community Trends Report examines current trends from four key areas: our people, our economy, our homes, and our environment. In each area, the report summarizes key data, providing a snapshot of how the city is doing today. Then, key trends are selected in each area for more detailed examination. The report relies mostly on data from 2015, with updated 2016 data added where available.

Wherever possible, the information provided in this document refers to the city of Kelowna. Some data, however, is only available for the Kelowna Census Metropolitan Area (CMA), which includes the entire Central Okanagan Regional District from Peachland to Lake Country.

EXECUTIVE SUMMARY

In 2015 Kelowna experienced significant growth. The momentum from 2014 carried over to 2015 with building permit statistics indicating that Kelowna is in the midst of a building boom. 2015 was also a big year for the tourism sector and the Kelowna Census Metropolitan Area (CMA) was one of the fastest growing regions in Canada.

The Community Trends Report highlights the factors that are fueling Kelowna's transformation as well as some of the challenges that accompany rapid growth and development. The trends report also illustrates how Kelowna can be affected by broader economic or demographic shifts when it comes to the growth of the region.

The 2016 Community Trends Report examines the following key trends that were evident in 2015.

Housing boom? - Recent population growth and building permit data indicate Kelowna is booming, fueled by migration to Kelowna and significant multi-unit development. At the same time, the growth in the region has put significant pressure on the supply of rental housing. In 2015, the vacancy rate dropped to 0.7 per cent prompting the City to explore further incentives to encourage rental housing and specifically family-friendly rentals.

Tourism boosted - Kelowna's tourism sector benefited from a low Canadian dollar and a dip in gas prices. Tourism Kelowna reported a significant increase in occupancy rates and total room revenue as the hotels experienced a banner year.

Regional connections drive growth - Over the last two years the Kelowna CMA saw a major increase in interprovincial migration and intraprovincial migration as Kelowna attracted students, young adults and retirees from the lower mainland and other provinces

Water quality varies - Many Kelowna residents have varied access to safe and clean drinking water. Kelowna residents who are in the Glenmore-Ellison Improvement District and the South East Kelowna Irrigation Districts have been under water quality advisories or boil water advisory for the better part of the last five years. Meanwhile, residents who are part of the City utility have had zero advisories over the last five years.

The trends report is about more than just reporting on data and trends. The project reflects the City's efforts to continue to be proactive in its strategies and operations. For example, at the same time the City is identifying the challenges associated with accessing housing, staff are exploring opportunities to adjust incentives for rental housing. The Community Trends Report also reflects a broader evidence-based approach to decision making within the City of Kelowna where data, analysis and trends are used to make informed decisions that shape the community. Recent plans and strategies such as Imagine Kelowna, Infill Challenge, Urban Centres Roadmap and Dark Fibre Network all reflect the City's on-going efforts to anticipate broader changes in society.

POPULATION » 127,500



MEDIAN HOUSEHOLD INCOME



\$67,340

Up \$4,754 from 2014

TOURISM



Up
10%

ROOM REVENUE HITS \$90 MILLION



HOUSING



MEDIAN SINGLE DETACHED HOUSE

\$500,000

6.8% increase from 2014

of sales over a Million dollars



87 HOMES



Up from 69 in 2014

VACANCY RATE **0.7%**

TECH SECTOR ECONOMIC IMPACT



\$1.3 BILLION



ONLY 52% OF RESIDENTS ON KELOWNA WATER UTILITY

2015 SUMMER HOUSEHOLD WATER CONSUMPTION

DOWN 6% FROM 2012



WALKING ACCOUNTS FOR **22%** of all trips Downtown



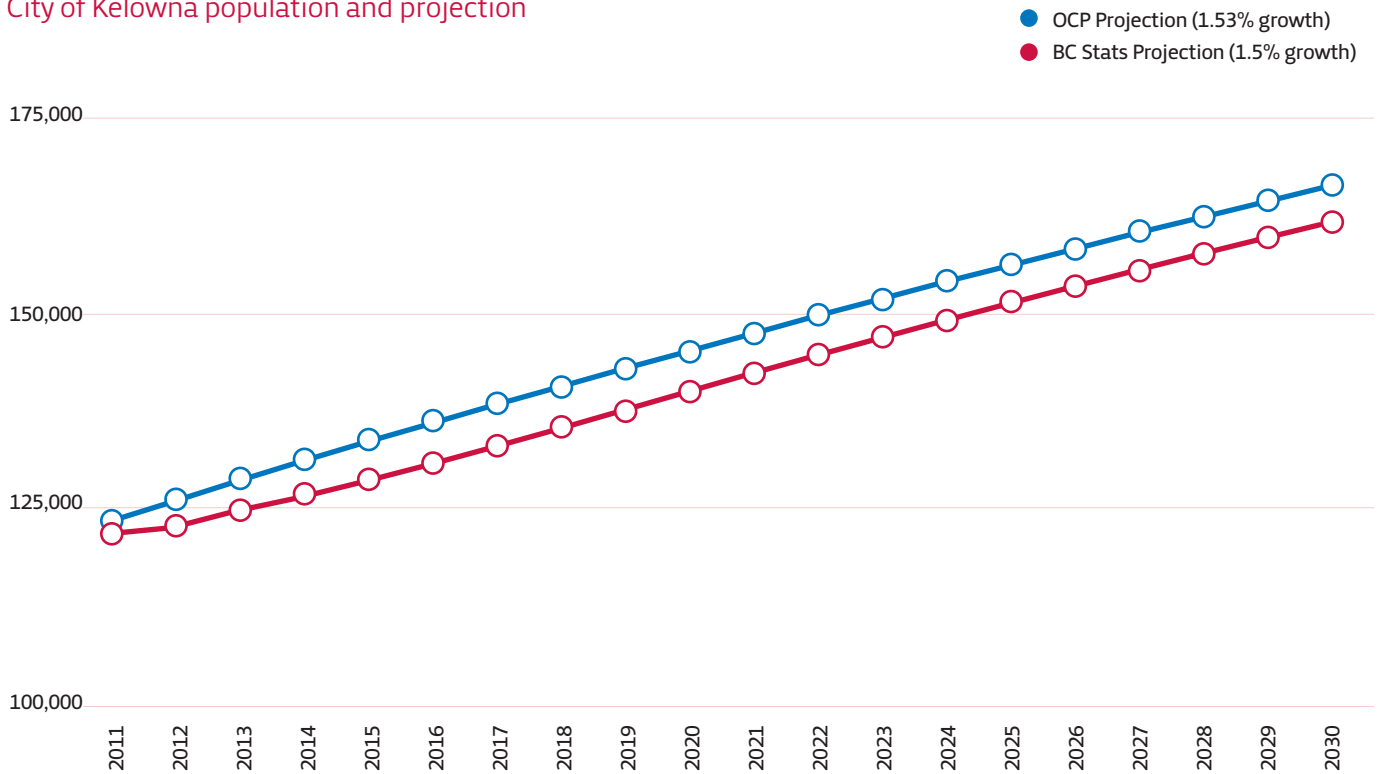
OUR PEOPLE

Strong growth

Kelowna's 2016 population is estimated at 127,500 representing an increase of approximately 4,000 residents over the last year.ⁱ The Kelowna CMA was the fastest growing region in British Columbia. The rate of population growth is still slightly lower than the City's 2030 Official Community Plan projection, but consistent with the BC Stats projections.

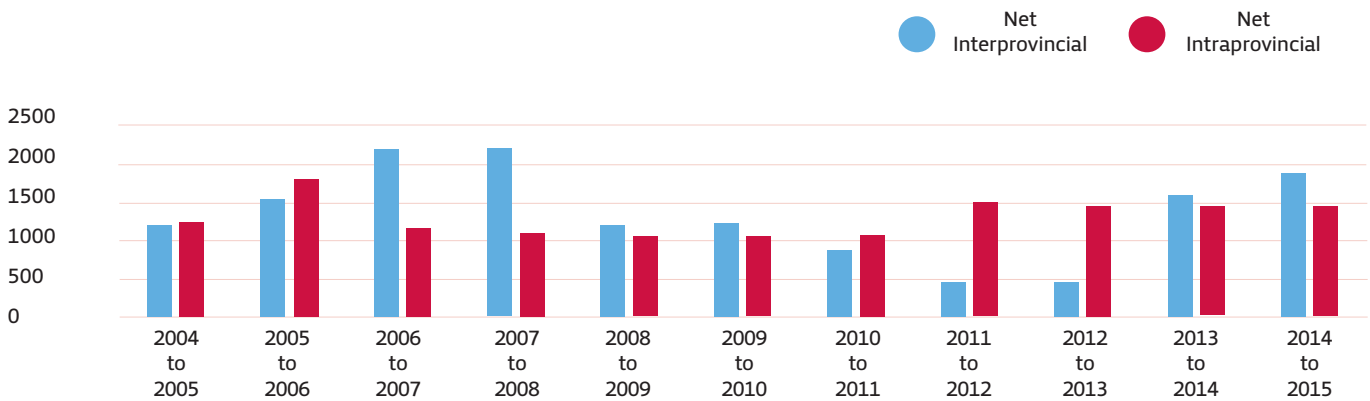
The growth of the CMA was driven by an increase in interprovincial migration as well rising rates of intraprovincial migration.ⁱⁱ The region continues to be a destination for seniors, requiring services and supports for the ageing population over the next 10-20 years. However, the increase of young adults (25-34) points to a shift in the city's demographics beyond a region that attracts retirees.

City of Kelowna population and projection



Source: 2030 OCP and BC Stats

Regional migration to Kelowna CMA



Source: Stats Canada, Table 051-0057 - Components of population growth by CMA.

Trend | Regional connections drive growth

There are several regional connections that appear to be fueling the growth in Kelowna. Over the last two years, the Kelowna CMA saw a major increase in interprovincial migration (3,500 between 2013-2015) as more people from other provinces moved to the area.ⁱⁱⁱ This points to how growth in Kelowna has been impacted by the Alberta oil and gas sector and the rise of BC as a job creator in Canada's current low-oil economy.

Another population trend is the rise of intraprovincial migration over the last four years. Historically, migration within the province has had a strong link to retirees, but recent increases to intraprovincial migration have added a different dimension. For example, the largest age-group in 2014-2015 for new migrants was the 25-34 cohort, a group associated with first time homeownership, students and young families.ⁱⁱ Accordingly, the rise in intraprovincial migration could be connected to the growing number of people leaving the lower mainland and Vancouver Island due to increasing housing costs. Also, the growth of UBC Okanagan has resulted in 1,000 graduates each

year choosing to remain in the region.

As Kelowna continues to grow, becoming a destination for young professionals and families, the City will need to support new residents. Part of easing the transition for new residents is improving the sense of community within the city's neighbourhoods. The City's Strong Neighbourhoods program is providing grants to support resident-led projects that empower neighbours to take action locally, build relationships, and gain a greater sense of neighbourhood pride.

As more people move to the area, access to housing and employment options for new residents will also be critical. The City's existing housing incentives (Rental Housing Grants program, housing revitalization tax exemption program, micro-suites development cost charges exemption and innovative projects like the Infill Challenge are great examples of how the City is working to ensure there will be a range of housing options to accommodate future growth.



OUR ECONOMY

Indicators of growth

Kelowna's economy continues to show indications of a strong business climate despite the recent increase in the unemployment rate for the CMA. The median household income increased to \$62,586, keeping pace with growth provincially, but there was a one per cent increase in the annual unemployment rate.^{iv} At the same time, the number of business licenses granted in 2015 increased to 8,219.^v Major areas of the labour market relate to construction, wholesaling and retail, tourism, health services, education and the technology sector. Recent reports show that the economic impact of the technology sector is up 30 per cent since 2013.^{vi}

In 2015, building permits accounted for \$464 million, a 33 per cent increase from 2014.^{vii} The Kelowna International Airport continued to report high activity with 1.6 million passengers in 2015 and 2016 has already had nine record breaking months as of October 2016.^{viii}

Many of these indicators contributed to Kelowna's ranking by Financial Post as the second most entrepreneurial city in Canada for 2015.^{ix}

Overall, the economic picture is strong for Kelowna even with a slight increase in the area's unemployment rate.

18% of tech companies in the region identified "lifestyle" as the major reason they have located their business in the Okanagan.

Source: Accelerate Okanagan, Economic Impact of the Okanagan Technology Sector, 2015



Bardel Entertainment is a tech firm specializes in animation that chose Kelowna as a location for one of its BC offices.

**\$1.3
BILLION**

**TOTAL ECONOMIC IMPACT
OF THE OKANAGAN
TECHNOLOGY SECTOR**

Source: Accelerate Okanagan, Economic Impact of the Okanagan Technology Sector, 2015

355

**CENTRAL OKANAGAN TECH
BUSINESSES UP 11% SINCE 2013**

Source: Accelerate Okanagan, Economic Impact of the Okanagan Technology Sector, 2015

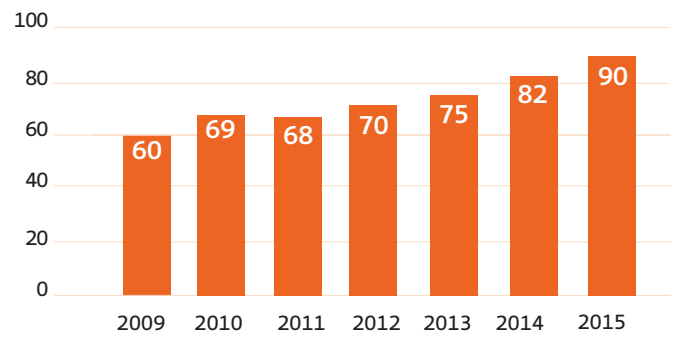
Trend | Tourism boosted

In 2015, Kelowna saw growth to the tourism sector. Tourism Kelowna reported a 9.9 per cent increase in Actual Room Revenue in local hotels between 2014 and 2015, increasing to \$90,689,000.^x Hotel occupancy rates have also increased by 2.9 per cent over the last year.^x With \$90 million dollars in hotel room revenue, tourism continues to have a significant economic impact in Kelowna.

The Conference Board of Canada identified the weak dollar and low gas prices as factors contributing to almost 600,000 more domestic pleasure trips in 2015.^{xi} Destination Canada noted a 7.5 per cent increase in overnight guests for 2015 attributed to a weakening dollar, motivating Americans to travel north.^{xii} As these trends continue, Kelowna is poised for continued growth in this sector.

The City continues to promote the tourism sector in partnership with Tourism Kelowna by supporting the Hotel Tax, and making infrastructure investments to ensure Kelowna is a desirable place for residents and tourists alike. Recently, several major hotel chains have initiated development applications, reinforcing the attractiveness of Kelowna as a tourism destination.

Hotel room revenue (millions of dollars)



Source: Tourism Kelowna: Kelowna Tourism Industry Indicators

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The Civic Precinct Plan identifies how to increase the number of people living downtown as well as new public spaces to make the area even more people-friendly. These actions will ensure the area continues to be a premier destination for tourists.

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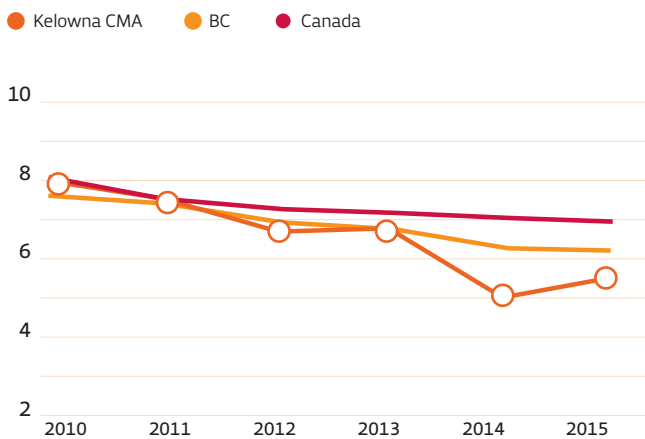


Employment losses

Although the Kelowna CMA has seen significant growth, annual unemployment rose one per cent to 5.6 per cent in 2015.^{xiii} The unemployment rates for early 2016 were above the provincial and national averages but the most recent jobs data has shown steady decreases in the unemployment rate.^{xii} The increase in unemployment rates may seem counterintuitive, considering BC has emerged as a job creator in Canada in 2016; however, the trend may be connected to seasonal employment shifts and Kelowna's profile as a solo-entrepreneur destination.^{xiv}

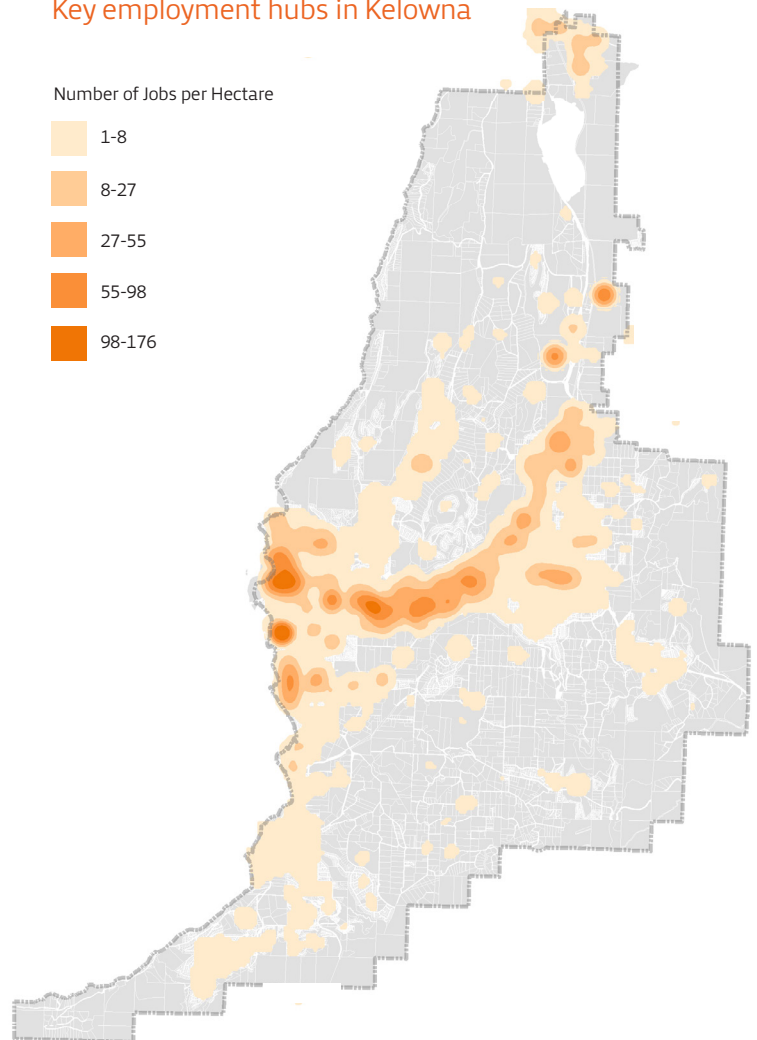
The downturn in Alberta's energy sector may also be a contributing factor to Kelowna's higher unemployment rate in 2015 with an estimated 5,000 people from the Okanagan valley working in the Alberta oil and gas sector in 2014.^{xv} Since the price of oil dropped in 2014, the Alberta oil and gas sector has seen significant job losses. Regardless of the connection with the oil and gas sector, the recent increase in unemployment highlights the need for a diversified economy to ensure residents have access to meaningful employment in Kelowna.

Unemployment rate



Statistics Canada, Labour Force Survey Estimates, Cansim Table 282-0110, Unemployment rate Canada/BC CANSIM Table 282-0002

Key employment hubs in Kelowna





OUR HOMES

Housing revs up

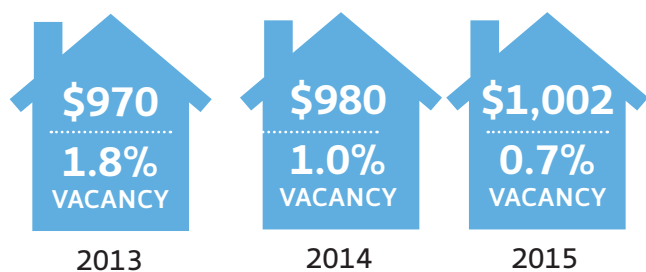
The housing sector posted its strongest year since 2008 with 1,426 building permits issued. A significant amount of this growth (60 per cent) was driven by multi-family housing projects (848 units).^{xvii} As of October, 2016 has already eclipsed the total number of 2015 units with a large number of multi-family projects moving forward.^{xvi}

As the population of the region has expanded over the last several years, the development market has struggled to keep pace. The median price for single family dwellings reached \$500,000 in 2015, representing a 6.8 per cent increase from 2014 (\$468,000).^{xvii} As single family housing prices increase, it will become more challenging for residents to own a single family home. At the same time a lack of rental housing supply has squeezed the rental housing market to the point of 0.7 per cent vacancy rate and zero per cent vacancy for three bedroom units.^{xviii}

The City’s incentives for rental housing (rental housing grants, tax exemption etc) appear to be contributing to a response, with a large number of rental housing projects slated for completion over the next one or two years.

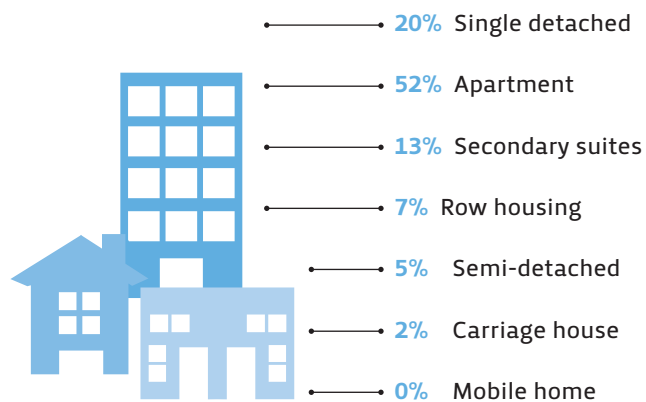
Another project that responds to the need for more housing options is the Infill Challenge. This innovative project led by the City, challenged local designers and developers to create new designs for sensitive infill housing. By encouraging infill housing, the growth will be directed to areas with existing infrastructure (e.g.: roads, schools, parks, transit, etc...). This strategy will discourage sprawl, but also build resilient neighbourhoods with access to daily services, transit and a wider variety of housing types. Winning projects were used as the basis for new zoning regulations and design guidelines that will guide the development of infill housing options in select areas of the urban core.

Average rent and vacancy rate for a 2 bedroom apartment



Source: CMHC Rental Market Survey - Kelowna CMA - Fall 2015. Data represents units in purpose-built private rental structures with three or more self-contained units, and may be townhouses or apartments.

2015 Kelowna development by unit type



Source: City of Kelowna Annual Developments Stats Report 2015



Trend | Housing boom?

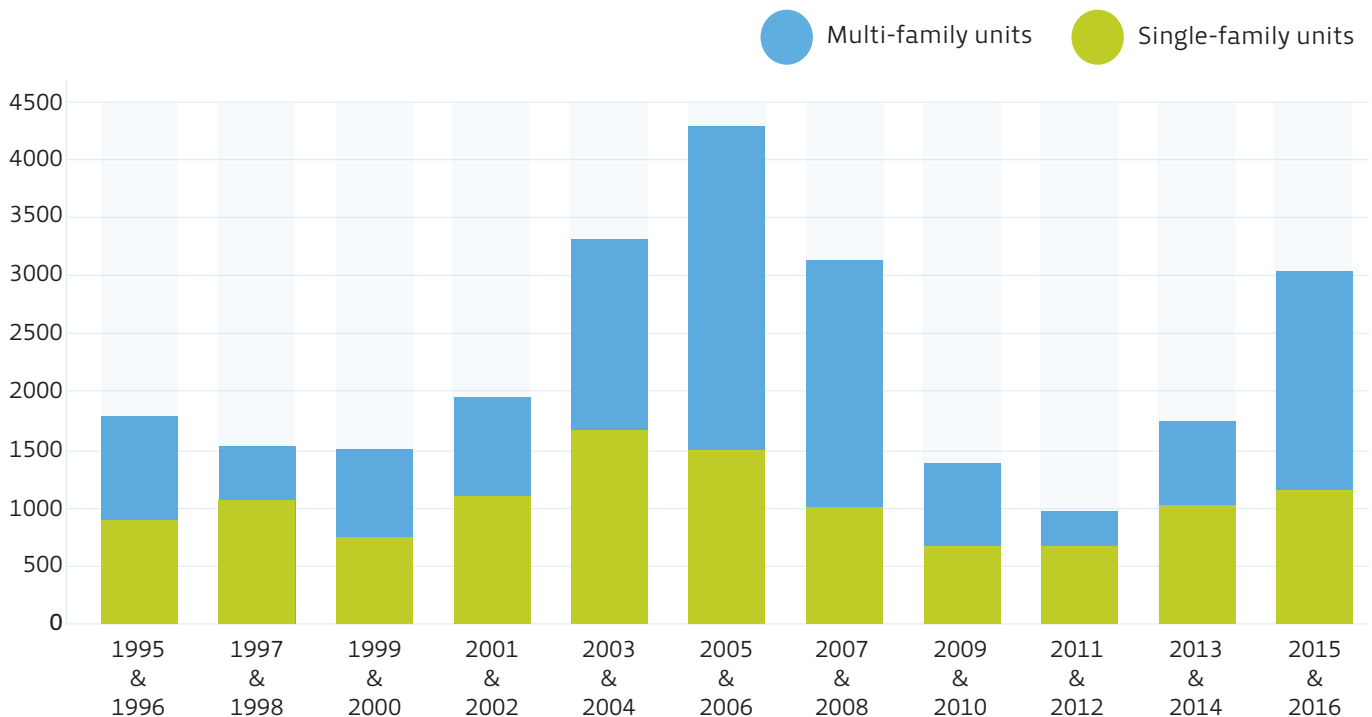
Over the last 25 years, Kelowna has experienced the impact of two housing booms. In the early 1990s Kelowna boomed as the Glenmore community was built-out. This was followed by a period of slow growth in the late 1990s. Subsequently, the housing market grew nationally in the early 2000s. This boom was felt throughout BC and locally in Kelowna, as low interest rates and economic growth contributed to record levels of multi-family and apartment growth.

Kelowna experienced roughly 10-15 year gaps between the peak of the building booms that occurred in the 1990s and 2000s. Local experts have pointed to the similarities between the current market and the early 2000s but the 1,426 building permit issued in 2015 is below the building permit rates for boom years in the 1990s and 2000s.^{xvii} As of October, year to date

totals for 2016 have already exceeded the 2014 and 2015 building permit totals, indicating that Kelowna could be in the early stage of a boom cycle. The previous building booms in Kelowna were characterized by roughly five years of above average growth with year-over-year increases.

It is difficult to predict how much development Kelowna can expect for this period of growth. In reviewing the data ten years from now, will 2015-2016 be the peak of growth or just the tip of the iceberg?

Number of building permits issued annually



UBCO a hub for growth

One of the drivers of the current boom is development around University South Village Centre, catering to the growing number of UBC Okanagan students. Since 2006, the number of students living on campus has increased from 336 to 1,676 as of 2015.^{xvi} Over this time the student population has doubled to over 15,000 and growth is now spilling over to the nearby University South Village Centre.^{xvi}

In 2015, 362 building permits were issued for multi-family units in the area, accounting for 42 per cent of the multi-family units citywide.^{xvii} Many of the units approved in 2015 were in the form of micro-units, highlighting the trend of development catering to students.

As UBCO grows it will be vital to ensure the area becomes a complete community where students living on or near campus have access to local services and amenities.



**506 MULTI-FAMILY UNITS
ISSUED BUILDING
PERMITS IN UNIVERSITY
SOUTH SINCE 2011**

*Source: City of Kelowna Development Stats Reports,
2011-2015*

A large number of the residential projects in the University South Village Centre are on Academy Way (shown here). The majority of the projects are catering to UBC Okanagan students with several of the projects offering micro-units (314 square feet or less).



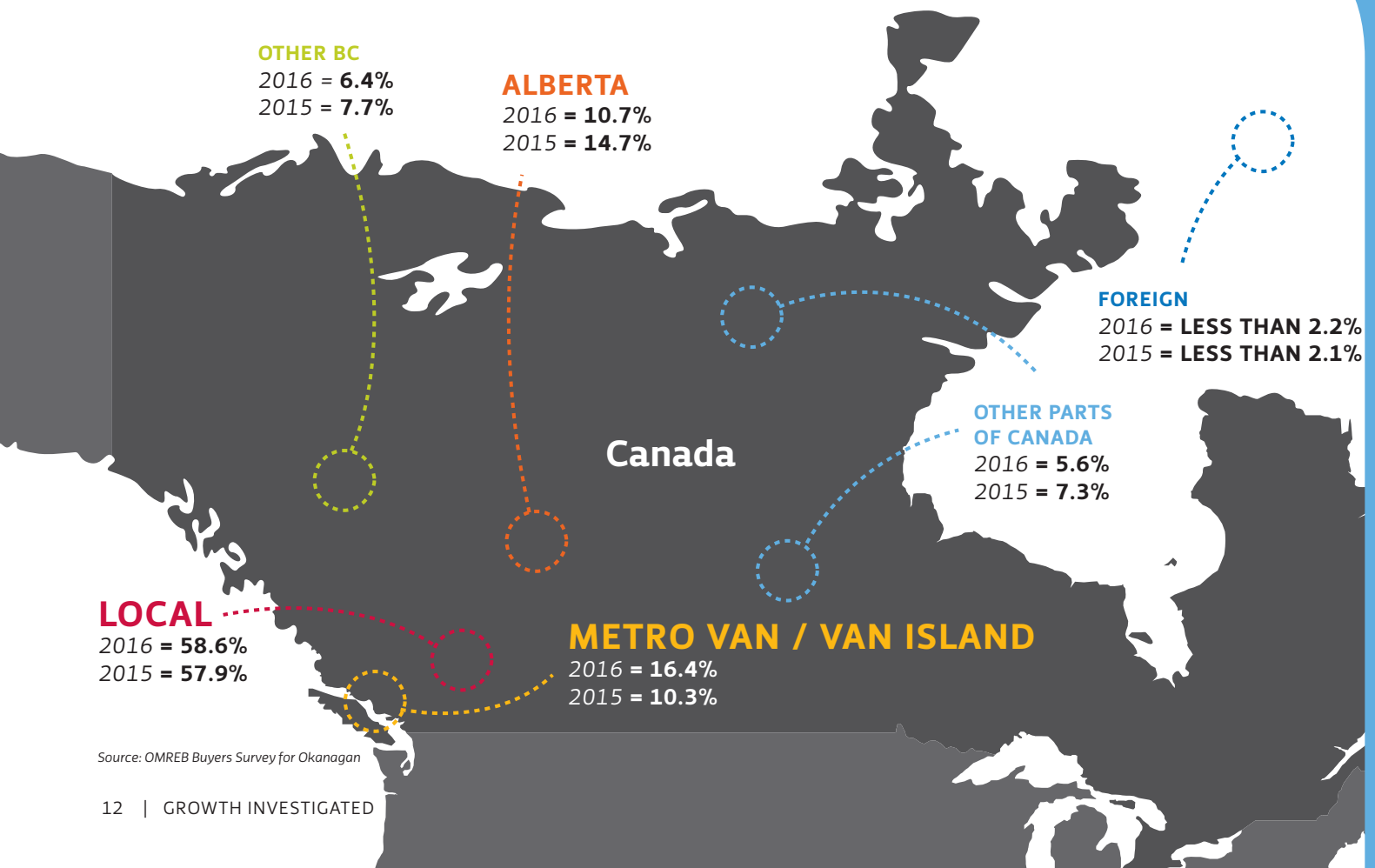
Not only locals buying

The Okanagan region is seeing a shift in terms of who is buying real estate. Historically, the majority (56-60 per cent) of buyers were local to the Okanagan region and this trend remains.^{xx} But, the proportion of buyers from two other regions have changed significantly over the last five years. Alberta residents have historically been a significant buyer group, rising in 2014 to account for 18.3 per cent of sales, but this number dropped to 10.7 per cent in 2016, reflecting the economic recession in Alberta.^{xx} At the same time, the proportion of buyers from the Lower Mainland and Vancouver Island is on the rise. In 2014, 8.5 per cent of buyers were from the Lower Mainland or Vancouver Island, increasing to 10.3 per cent in 2015 and 16.4 per cent as of September 2016.^{xx}

The increase in the number of buyers from the Lower Mainland and Vancouver Island may be connected to the escalating housing costs in these regions. As housing becomes less affordable, first-time homebuyers or existing homeowners looking for more space may be exploring other centres such as Kelowna. For example, the median price for single detached homes in 2015 was \$1.25 million in the Vancouver area, compared to \$500,000 in Kelowna.^{xxi}

Overall, housing may be one factor that is motivating people to move to Kelowna from other areas of BC.

Where are people coming from to buy real estate in the Okanagan



Source: OMREB Buyers Survey for Okanagan

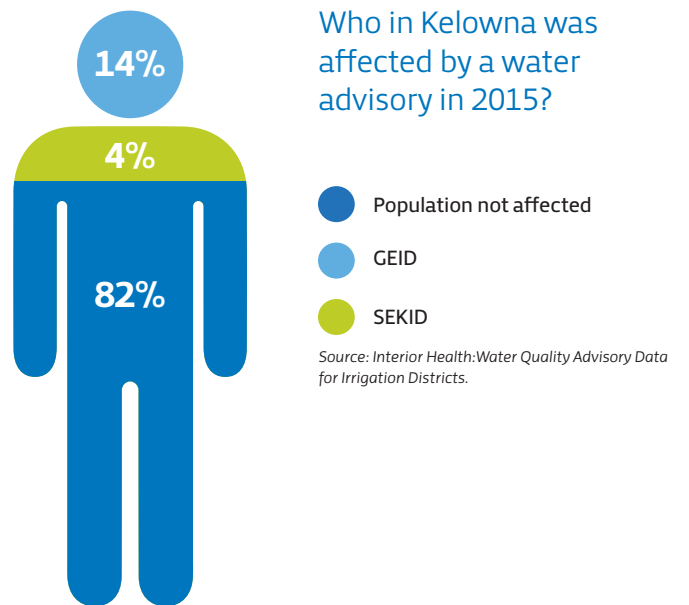
OUR ENVIRONMENT

Trend | Water quality varies

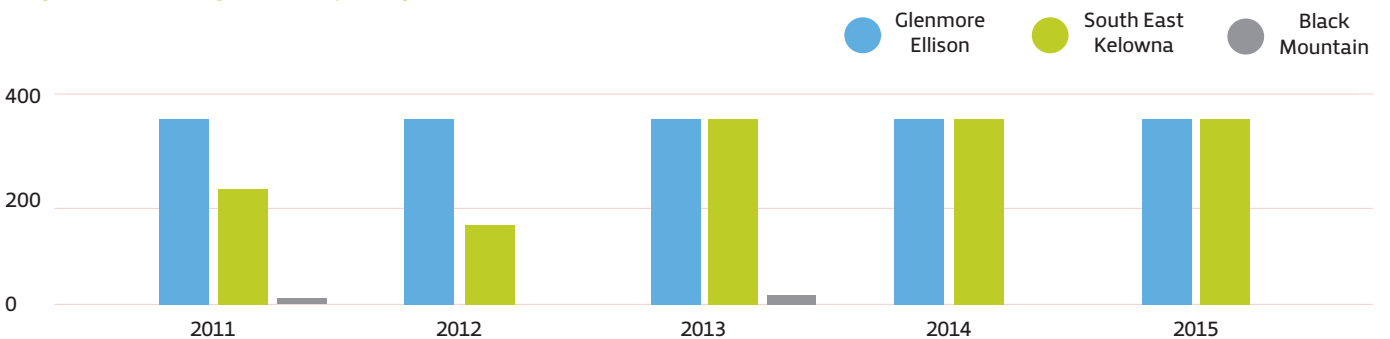
Water needs to be managed to protect human health, the local economy (i.e. agricultural industry & tourism) and the environment. In Kelowna, water is supplied from multiple sources and different purveyors resulting in the quality of water varying significantly.

Currently, the City of Kelowna water utility serves 52 per cent of residents. The other 48 per cent of residents are served by the improvement districts: Glenmore Ellison Irrigation District (GEID), South East Kelowna Irrigation District (SEKID), Black Mountain Irrigation District (BMID) and Rutland Waterworks.^{xxii} Another 27 small, private water districts also supply water to small groups of citizens throughout Kelowna. Water quality in GEID and SEKID meets the needs of agricultural groups, but the domestic water quality often does not meet the needs of ratepayers in those improvement districts. For example, due to water quality advisories in SEKID and GEID, 18 per cent of the city's population was impacted by water quality advisories for all of 2015.^{xxiii} Since 2011, the GEID system had 1,825 days of water quality advisories or boil water advisories and SEKID has had slightly less at 1,481 days of advisories.^{xxiii} In contrast, the City of Kelowna and Rutland Waterworks had zero water quality advisories over the last five years, highlighting the inequity that residents of Kelowna face in terms of access to clean, safe and sustainable water.^{xxiii}

Under provincial policy, all improvement districts in BC are to eventually dissolve and integrate with municipal systems. Public health, water sustainability and avoiding unnecessary costs to ratepayers are just a few of the advantages of an integrated system. The City continues to work with the province and water districts to explore the potential for an integrated water supply and distribution to improve access to safe, sustainable water at affordable rates for residents and agricultural groups.



Days affected by water quality advisories



Source: Interior Health: Water Quality Advisory Data for Irrigation Districts.

Water conservation

Another element of water management is conservation. Based on statistics from Kelowna's water utility, water use spikes during the summer months primarily due to an increase in outdoor water use (e.g. sprinklers).

In 2015, overall water consumption in the City water utility from mid April to July 24 was fifteen percent higher than the previous 10-year water average.^{xxiv} Most of the increase can be attributed to the high temperatures in spring 2015 that contributed to the drought. In July 2015, the City Water Utility responded to the drought and implemented residential water restrictions. Subsequently, the Kelowna Utility customers responded positively to the conservation measures with usage from July 25 to Sept 15 down 8 per cent from the previous 10-year average.^{xxiv}

The City's water use regulations have been updated to ensure water restrictions will be in place to conserve the City's water supply in future times of drought.



**WATER CONSUMPTION
PEAKED ON JULY 9, 2015**

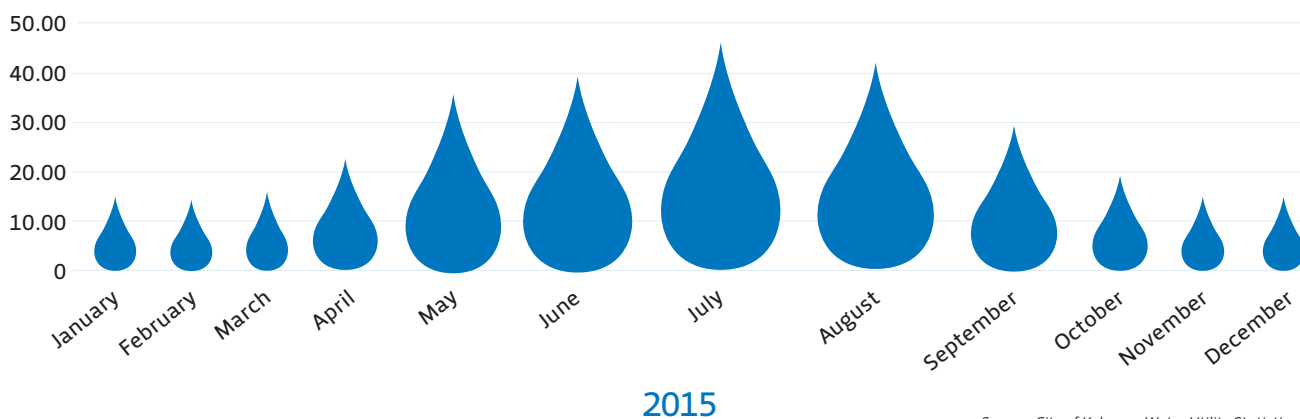
Source: City of Kelowna Water Utility Statistics



**SUMMER HOUSEHOLD
WATER CONSUMPTION IN
2015 FROM 2012 RATES**

Summer is defined as July and August
Source: City of Kelowna Water Utility Statistics

Monthly household water consumption for the City water utility (cubic metres)



Source: City of Kelowna Water Utility Statistics

Notes

- I. Based on the BC Stats growth rate applied to the 2011 Census population.
- II. Canada Mortgage and Housing Corporation (CMHC), Housing Market Insight, Kelowna CMA: August, 2016.
- III. Statistics Canada. Table 051-0057 - Components of population growth by census metropolitan area. Accessed: August 09, 2016.
- IV. Environics Analytics. DemoStats 2015. Based on 2011 National Household Survey.
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- VI. Accelerate Okanagan. Economic Impact of the Okanagan Tech Sector: 2015 Edition. September 2016. Prepared by Small Business BC.
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- IX. Canadian Federation of Independent Business. Entrepreneurial Communities. October 2015.
- X. Tourism Kelowna. Kelowna Tourism Industry Indicators. Updated August 2016.
- XI. Globe and Mail. Tourism to the rescue. February 12, 2016.
<http://www.theglobeandmail.com/report-on-business/economy/canadas-tourism-sector-looks-to-cash-in-on-lowloonie/article28749122>
- XII. Destination Canada. 2015 Annual Report: Ambitious Together. 2016.
- XIII. Statistics Canada, Labour Force Survey Estimates, Cansim Table 282-0110, Unemployment rate Canada/BC CANSIM Table 282-0002
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(<http://www.macleans.ca/economy/economicanalysis/what-the-new-job-numbers-tell-us-about-canadas-economy-in-2015/>)
- XV. Central Okanagan Development Commission. 2014. Growing in the Okanagan: 2020 Labour Market Outlook. (http://www.investkelowna.com/sites/default/files/uploads/growingintheokanagan_labourmarket2020.pdf)
- XVI. University of British Columbia. 2015 Campus Enrollment Update UBC's Okanagan Campus. Okanagan Planning and Institutional Research. 2016
- XVII. Source: City of Kelowna Development Stats Reports, 2011-2015
- XVIII. Canada Mortgage and Housing Corporation (CMHC), Housing Market Insight, Kelowna CMA: August, 2016.
- XIX. Canada Mortgage and Housing Corporation (CMHC), Housing Market Outlook, Kelowna CMA: Fall, 2015.
- XX. Okanagan Mainline Real Estate Board. Buyer Survey Results Annual Reports. <https://news.interiorbc.ca/2016/09/> (Accessed October 2016).
- XXI. Canada Mortgage and Housing Corporation (CMHC), Housing Market Outlook, Vancouver and Abotsford CMA: Fall, 2015. (https://www.cmhc-schl.gc.ca/odpub/esub/64363/64363_2015_B02.pdf)
- XXII. City of Kelowna Utility Services, Kelowna Water Utility – Consumption Update, Council Report, October 5, 2015.
- XXIII. Interior Health. Water Quality Advisory Data for Irrigation Districts. Data current as of December 31, 2015.
- XXIV. City of Kelowna Utility Services, Kelowna Water Utility 2015 consumption statistics.



City of
Kelowna

City Hall
1435 Water Street
Kelowna, BC V1Y 1J4
T. 250-469-8773
F. 250-862-3363
pplanning@kelowna.ca

kelowna.ca/about

