

Kelowna Housing Review and Forecast

UDI Okanagan

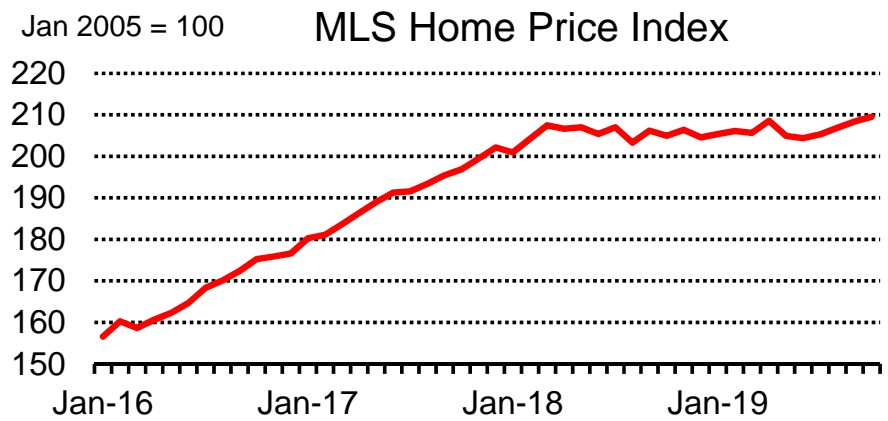
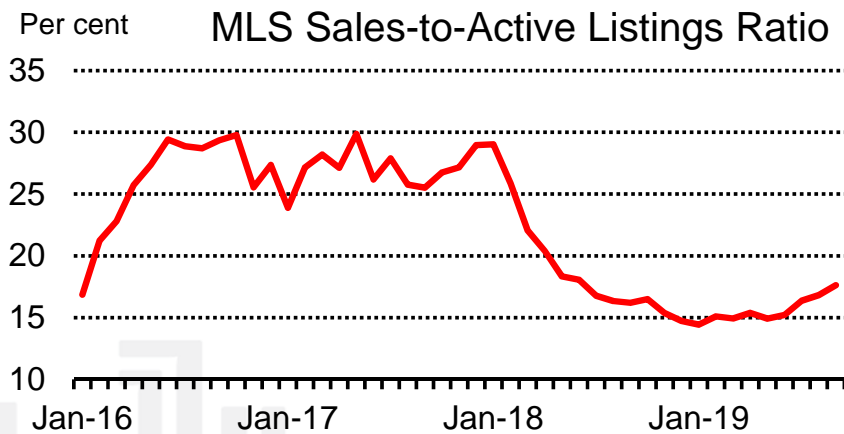
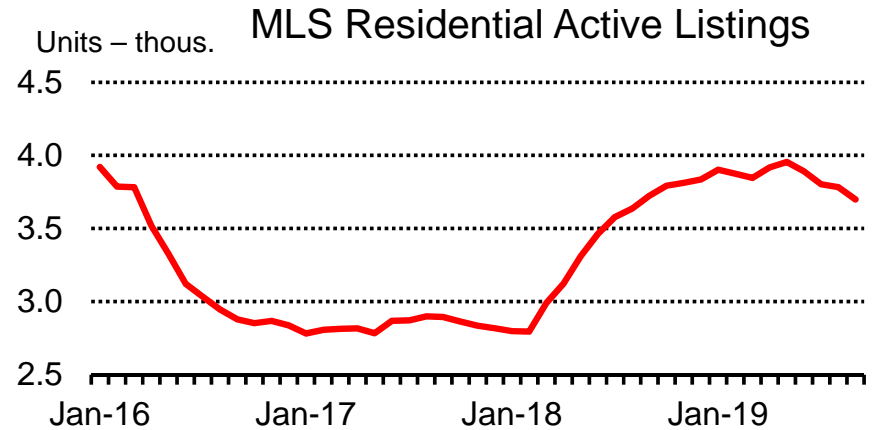
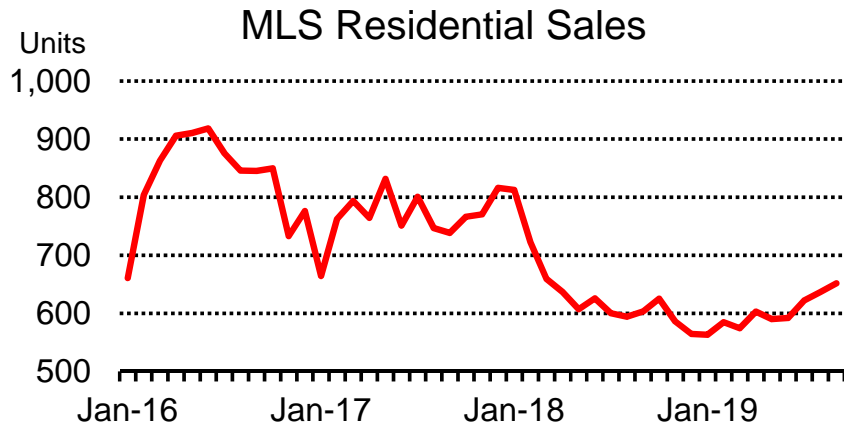
November 28, 2019

Helmut Pastrick
Chief Economist
Central 1 Credit Union

Outline:

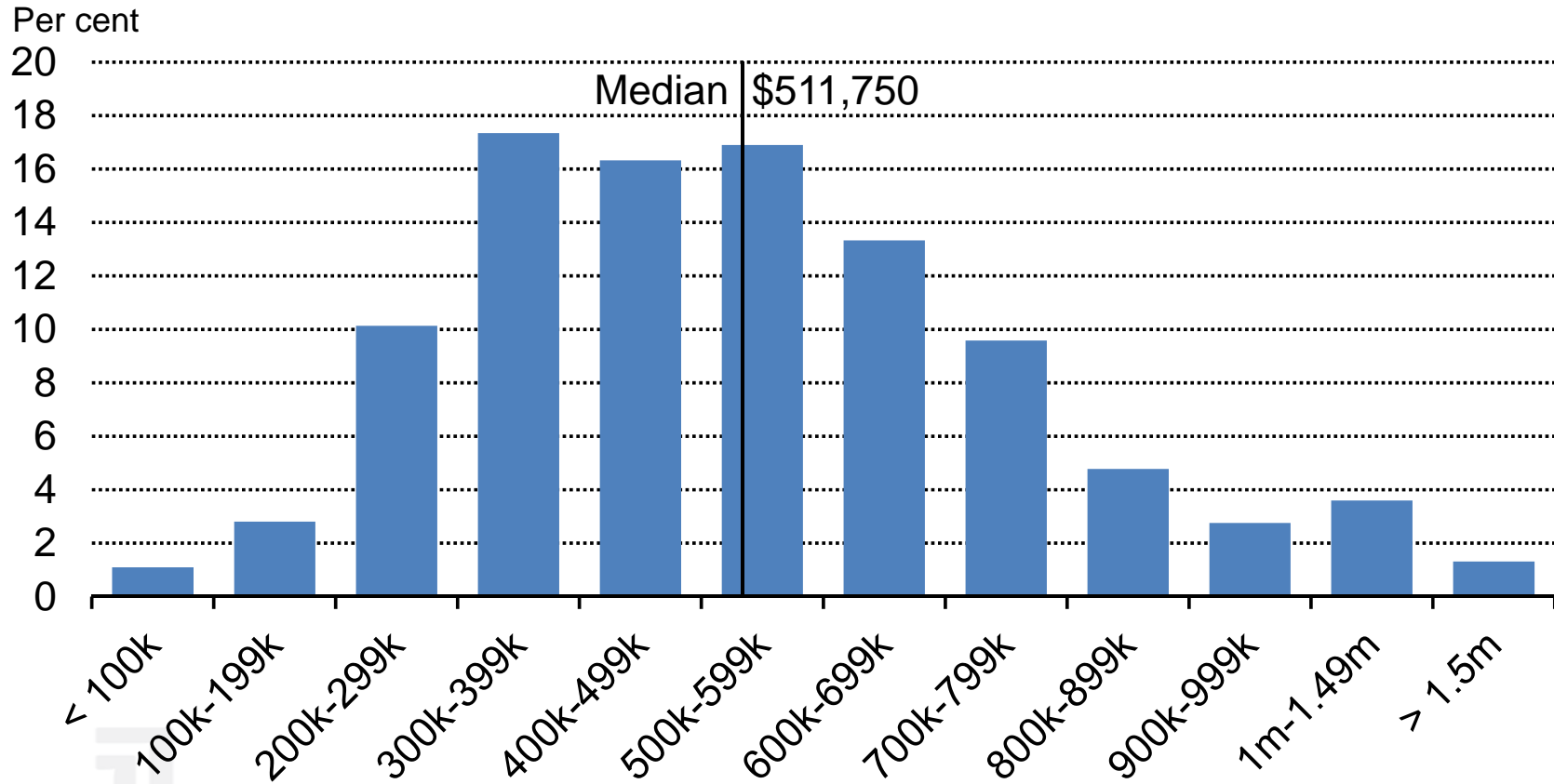
- Kelowna's housing market conditions
 - Resale market
 - New construction
 - Rental market
 - Housing need
 - Housing cycle and the long-term
- Economic and rate outlook
- Kelowna's economic and housing outlook

Resale housing market trends: Okanagan-Mainline REB



Source: CREA, Central 1. Note: Seasonally adjusted. Latest: Oct-19

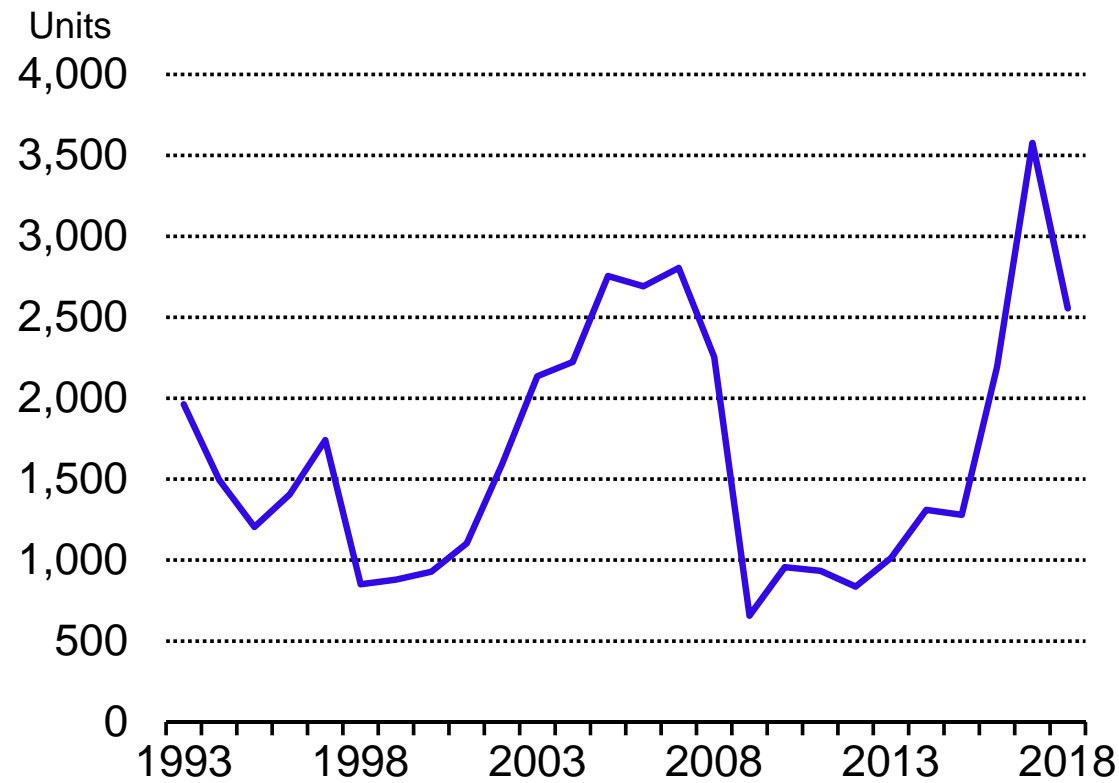
Resale Housing Sales Price Distribution 2019, Kelowna CMA



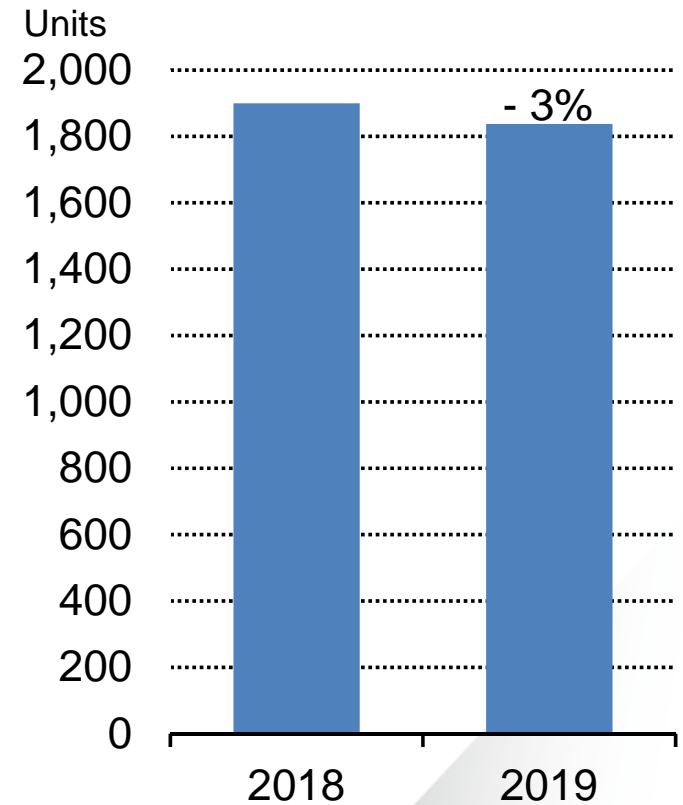
Source: Landcor Data Corp., Central 1.

New home construction down slightly this year

Total Housing Starts Annually: Kelowna CMA



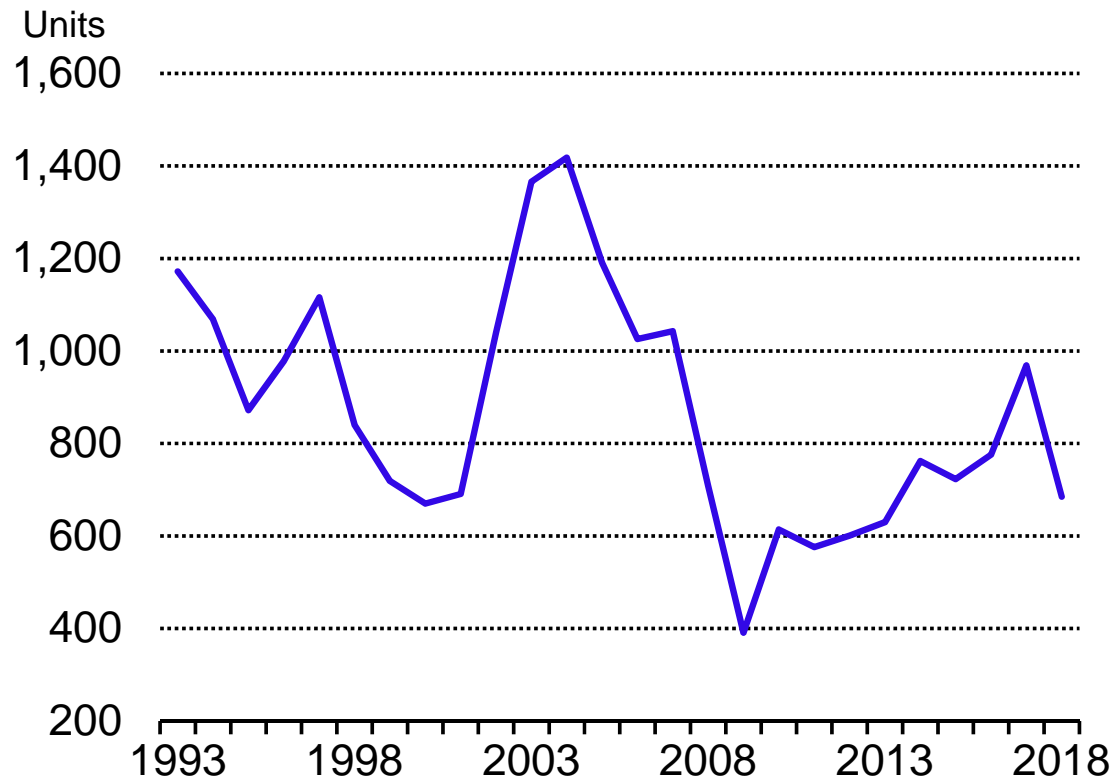
Jan. – Oct. Year-to-date



Source: CMHC.

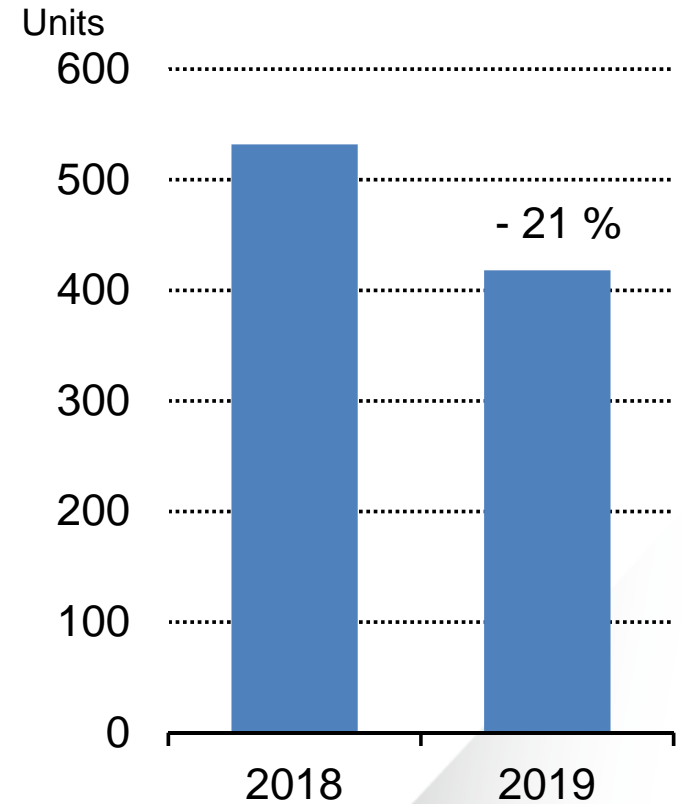
Larger decline here

Homeowner Housing Starts: Kelowna CMA



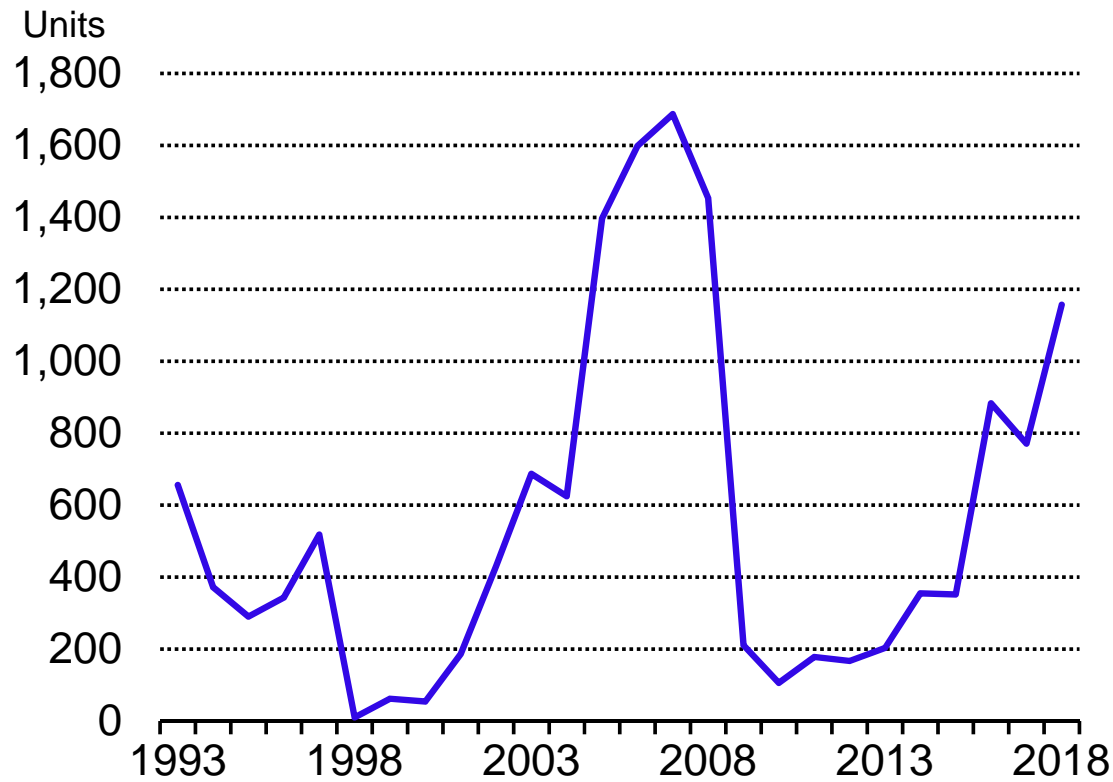
Source: CMHC. Note: Mostly detached, few semi-detached units.

Jan. – Oct. Year-to-date



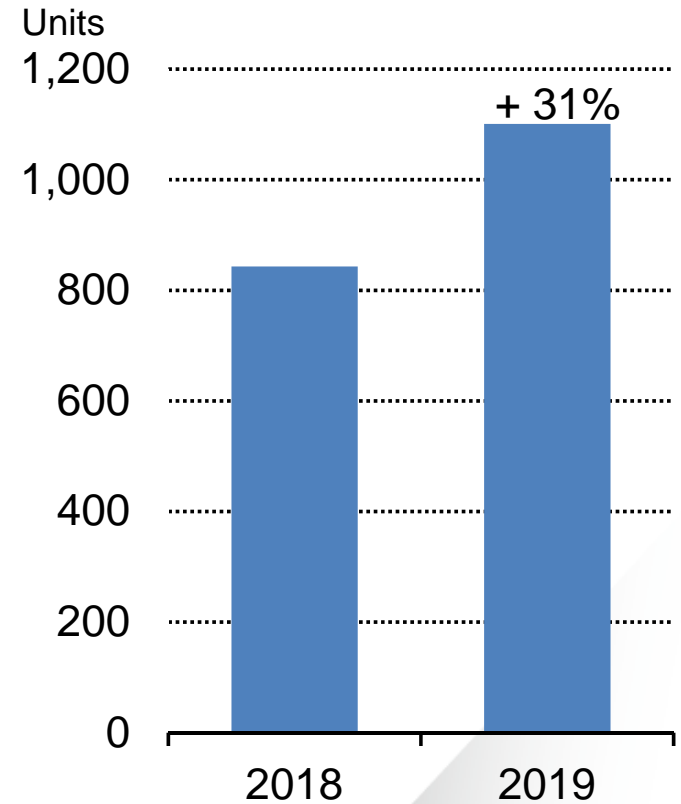
Strong upturn in condo construction

Condominium Housing Starts: Kelowna CMA

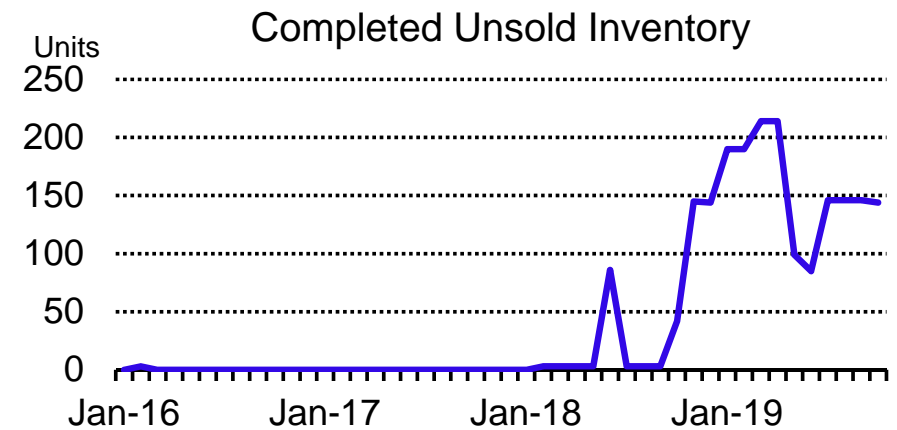
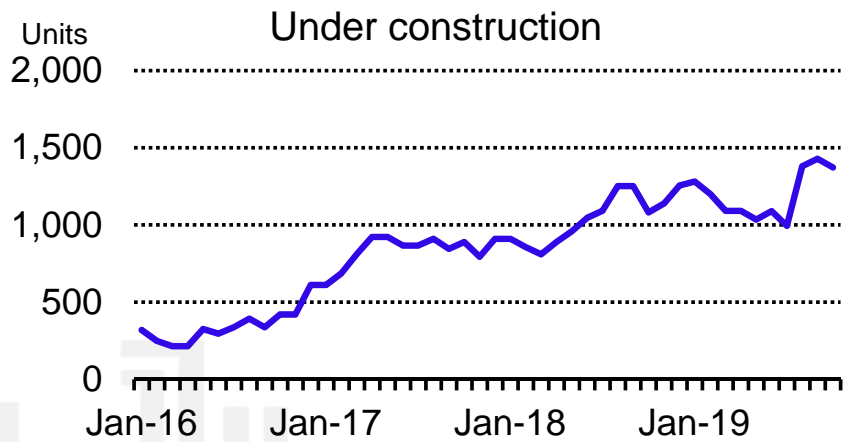
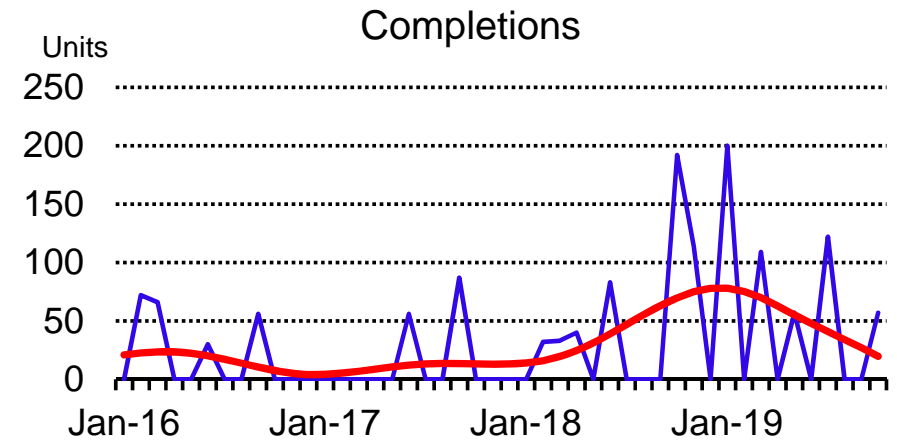
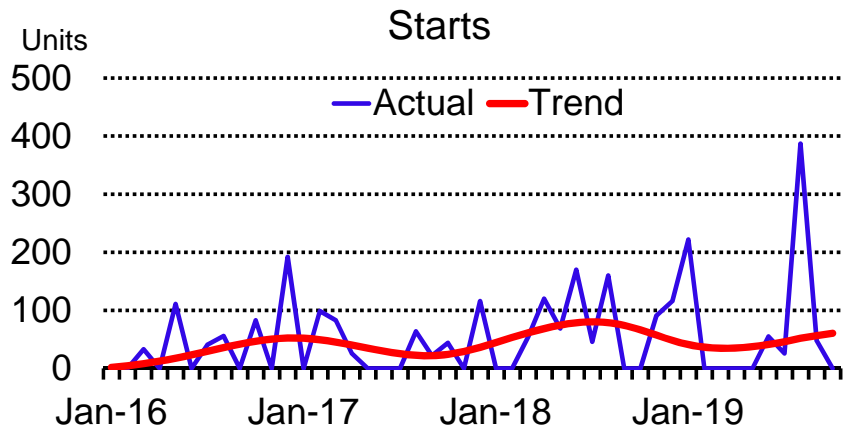


Source: CMHC. Note: All dwelling types, mainly apartment units

Jan. – Oct. Year-to-date

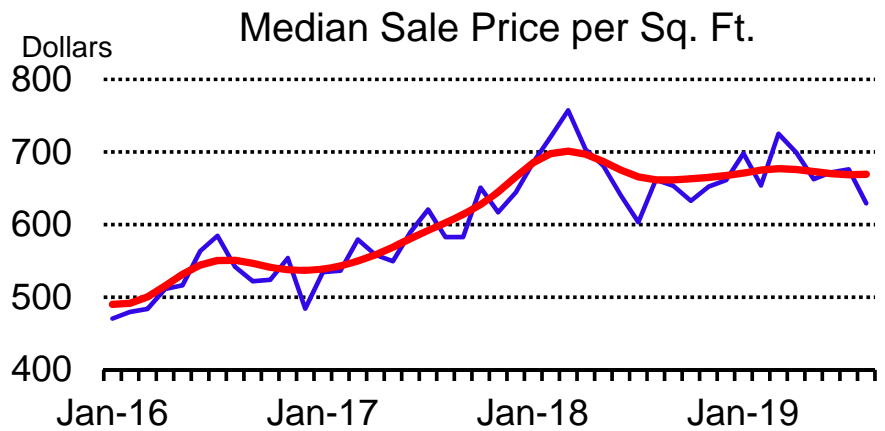
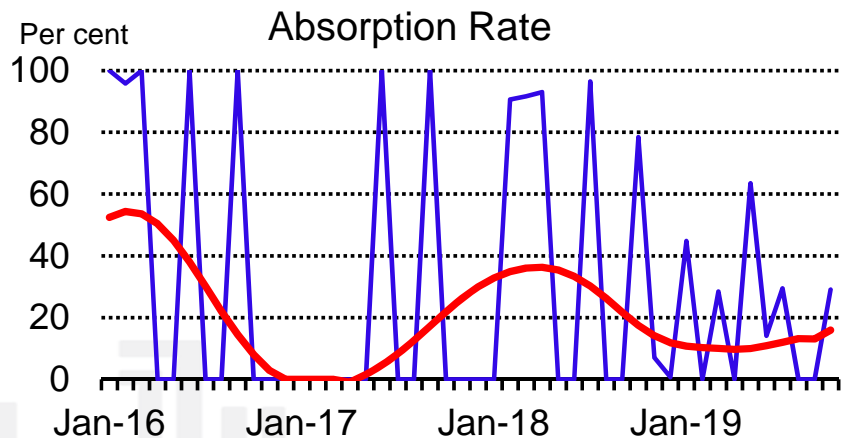
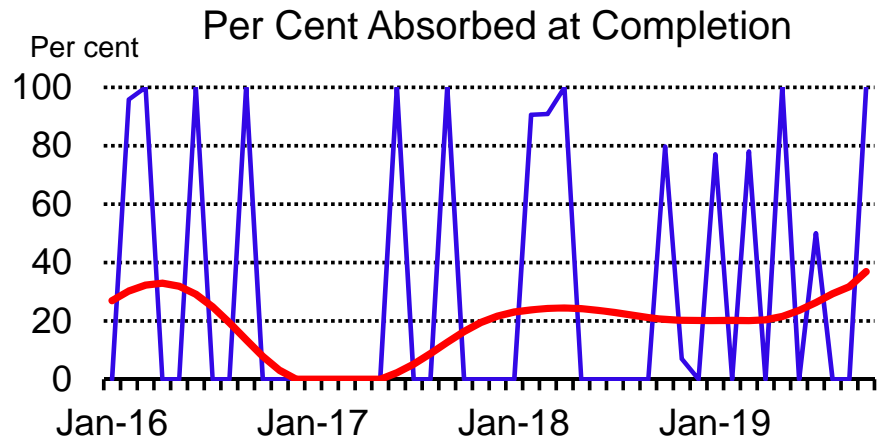
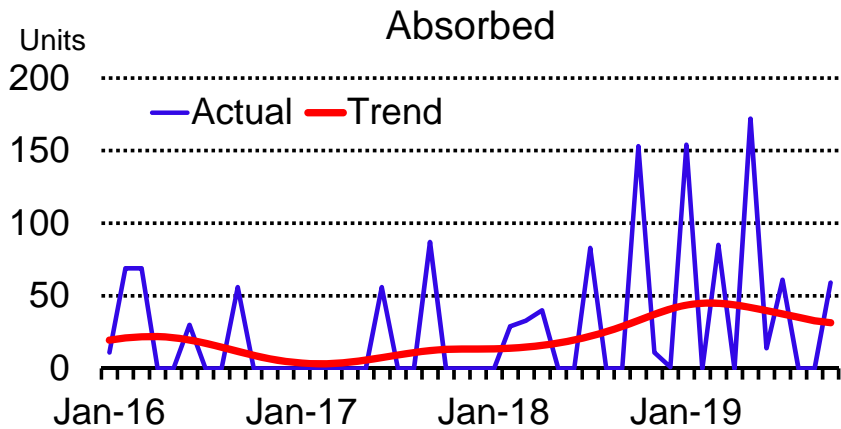


New apartment condo market trends: Kelowna CMA



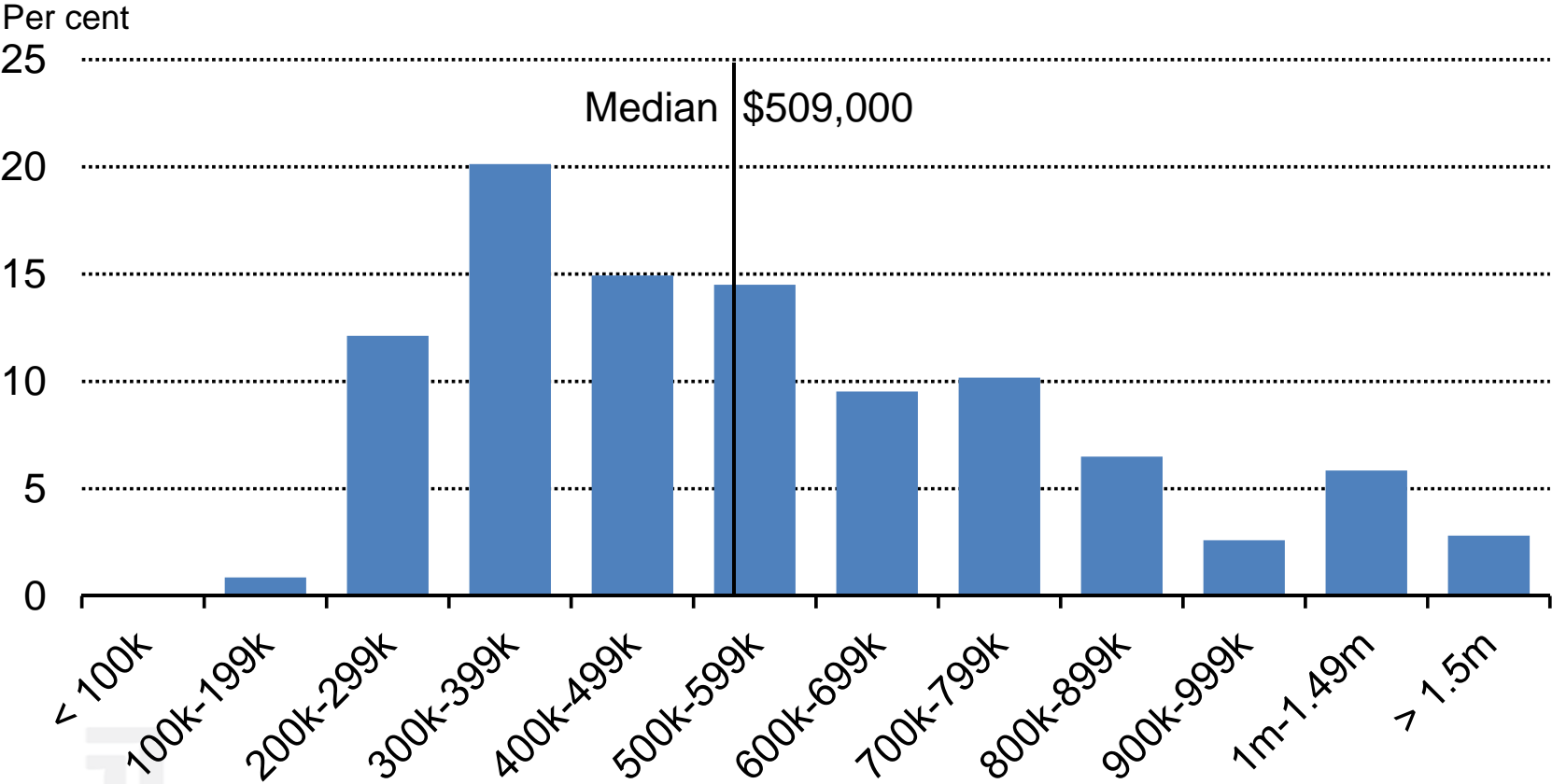
Source: CMHC, Central 1. Latest: Oct-19

New apartment condo market trends: Kelowna CMA



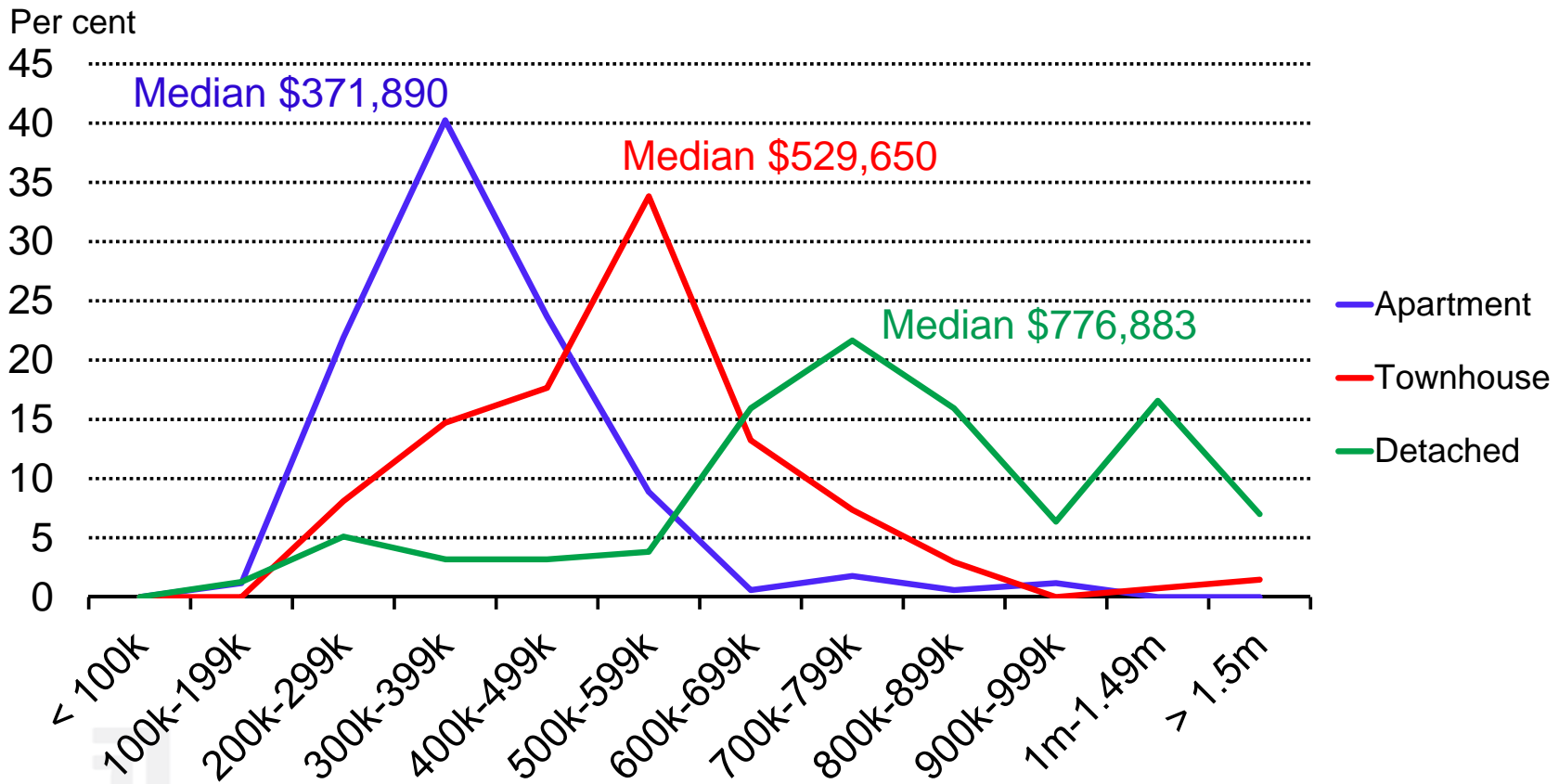
Source: CMHC, Landcor Data Corp., Central 1. Latest: Oct-19

New Housing Sales Price Distribution 2019, Kelowna CMA



Source: Landcor Data Corp., Central 1.

New Housing Sales Price Distribution by Dwelling Type 2019, Kelowna CMA

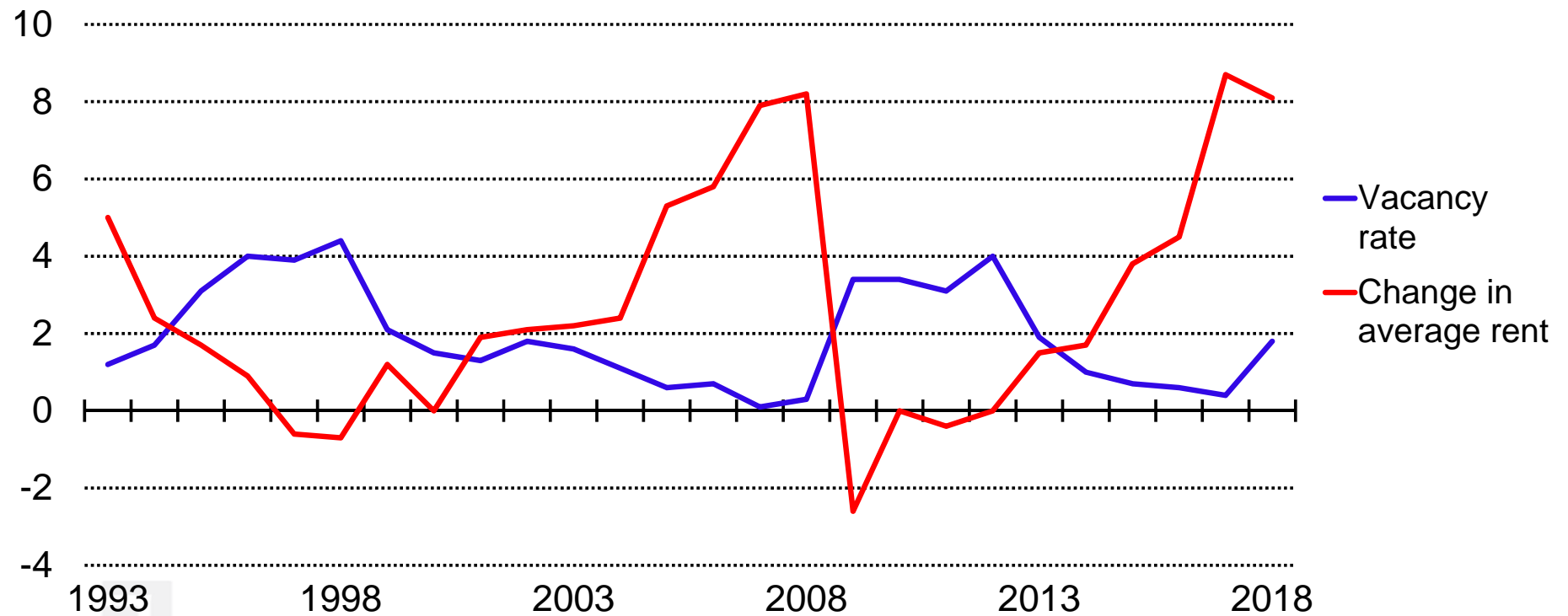


Source: Landcor Data Corp., Central 1.

Tight rental market conditions

Rental Market: Kelowna Metropolitan Area

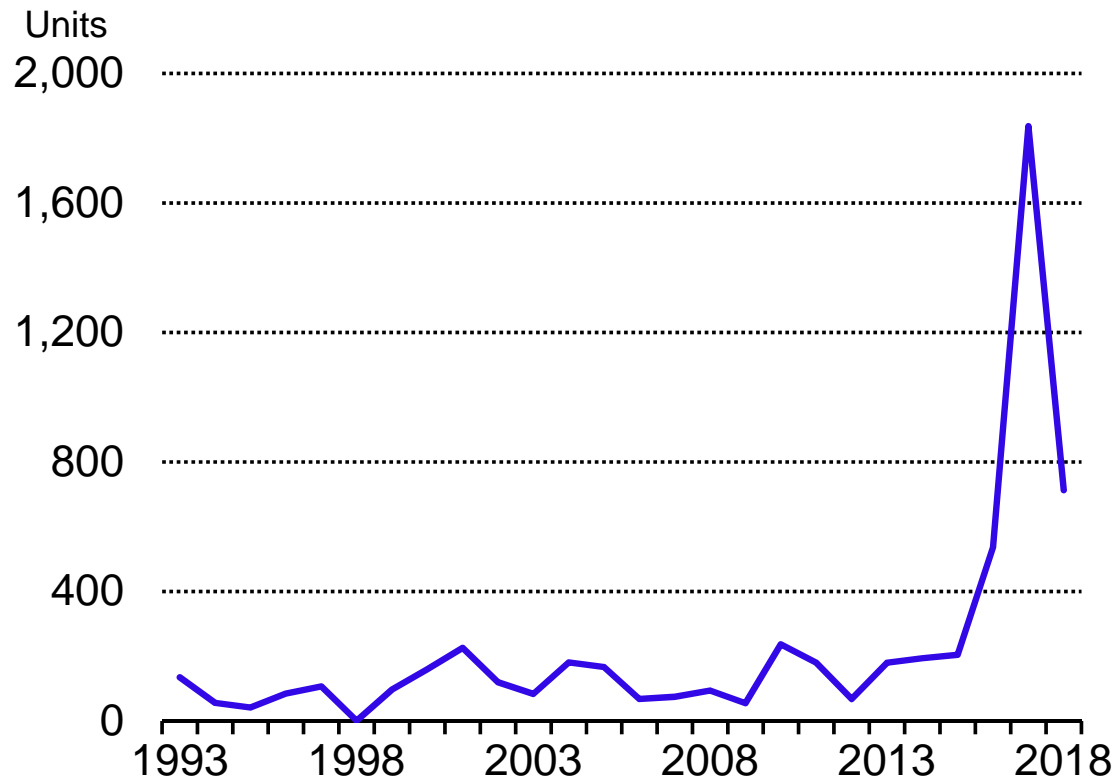
Per cent



Source: CMHC. Note: Private apartment and row structures, three units and over. As of October.

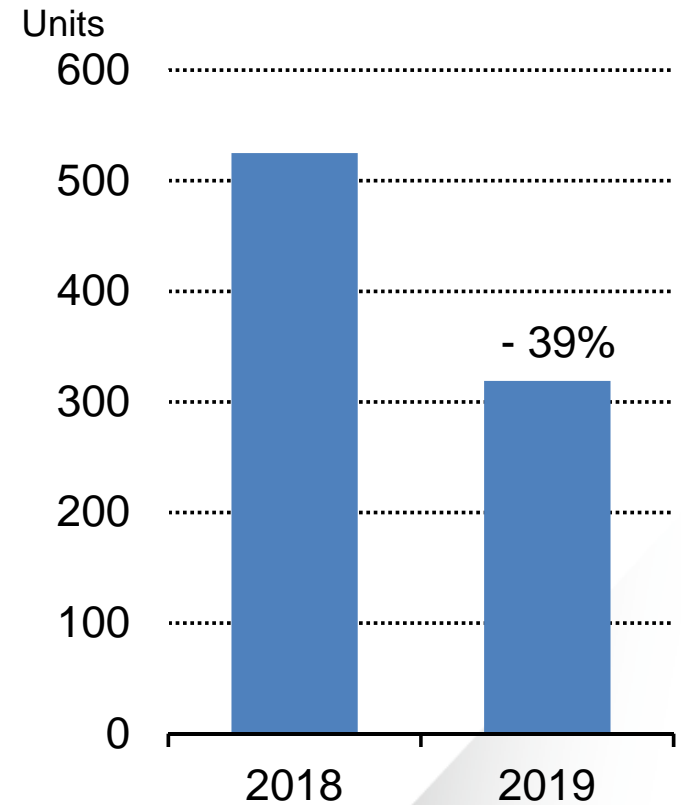
Surge in 2017, down since

Rental Housing Starts: Kelowna CMA



Source: CMHC. Note: Includes market and social units

Jan. – Oct. Year-to-date



Housing need stable, 2016 improvement likely due to softer 2015 market conditions

Number and proportion of households in core housing need – Kelowna CMA		
	Households in core housing need (number)	Proportion of households in core need
2006	6,615	11.1
2011	8,070	12.2
2016	7,435	10.2

Source: Statistics Canada Census Program, CMHC.

Note: Only private, non-farm, non-reserve and owner- or renter-households with incomes greater than zero and shelter-cost-to-income ratios less than 100% are assessed for 'core housing need.' Non-family households with at least one maintainer aged 15 to 29 attending school are considered not to be in 'Core housing need' regardless of their housing circumstances.

Affordability is greatest housing need

Core housing need by type, 2016: Kelowna CMA			
	Count	% Dist	Rate
Total – households in core need	7,435	100.0	10.2%
Unaffordable only	6,265	84.3	8.6%
Unsuitable only	105	1.4	0.1%
Inadequate only	145	1.9	0.2%
Below two or more standards	920	12.4	1.3%
Source: Statistics Canada Census 2016, CMHC.			

Notes: A household is said to be in 'core housing need' if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards).

Affordable housing has shelter costs equal to less than 30% of total before-tax household income.

Suitable housing has enough bedrooms for the size and composition of resident households according to National Occupancy Standard requirements.

Adequate housing is reported by their residents as not requiring any major repairs.

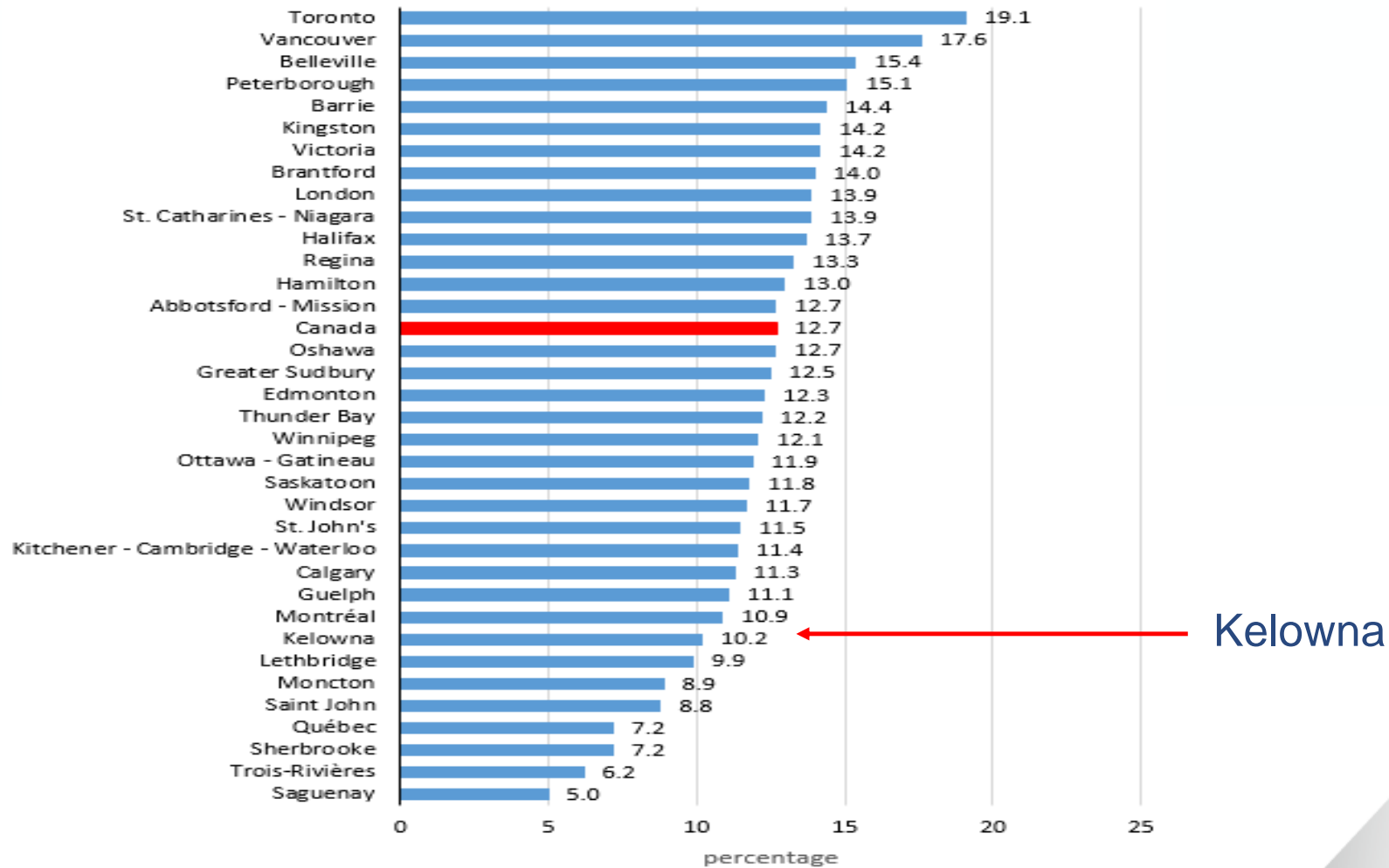
Rate is per cent of eligible households, see previous note.

Unaffordability more prevalent in renter households

Housing need measures – Kelowna CMA	
Measure	2016
Unaffordable – all households	26.2%
Owner households	18.8%
Renter households	45.9%
Unsuitable	2.8%
Inadequate	4.5%
Source: Statistics Canada Census 2016, CMHC.	

Note: Affordable housing has shelter costs equal to less than 30% of total before-tax household income. Expressed as per cent of households in category. Includes households not in core need and households not applicable for core need, i.e., can afford alternative housing in the local market.

Figure 1. Core housing need rate for Canada and census metropolitan areas, 2016



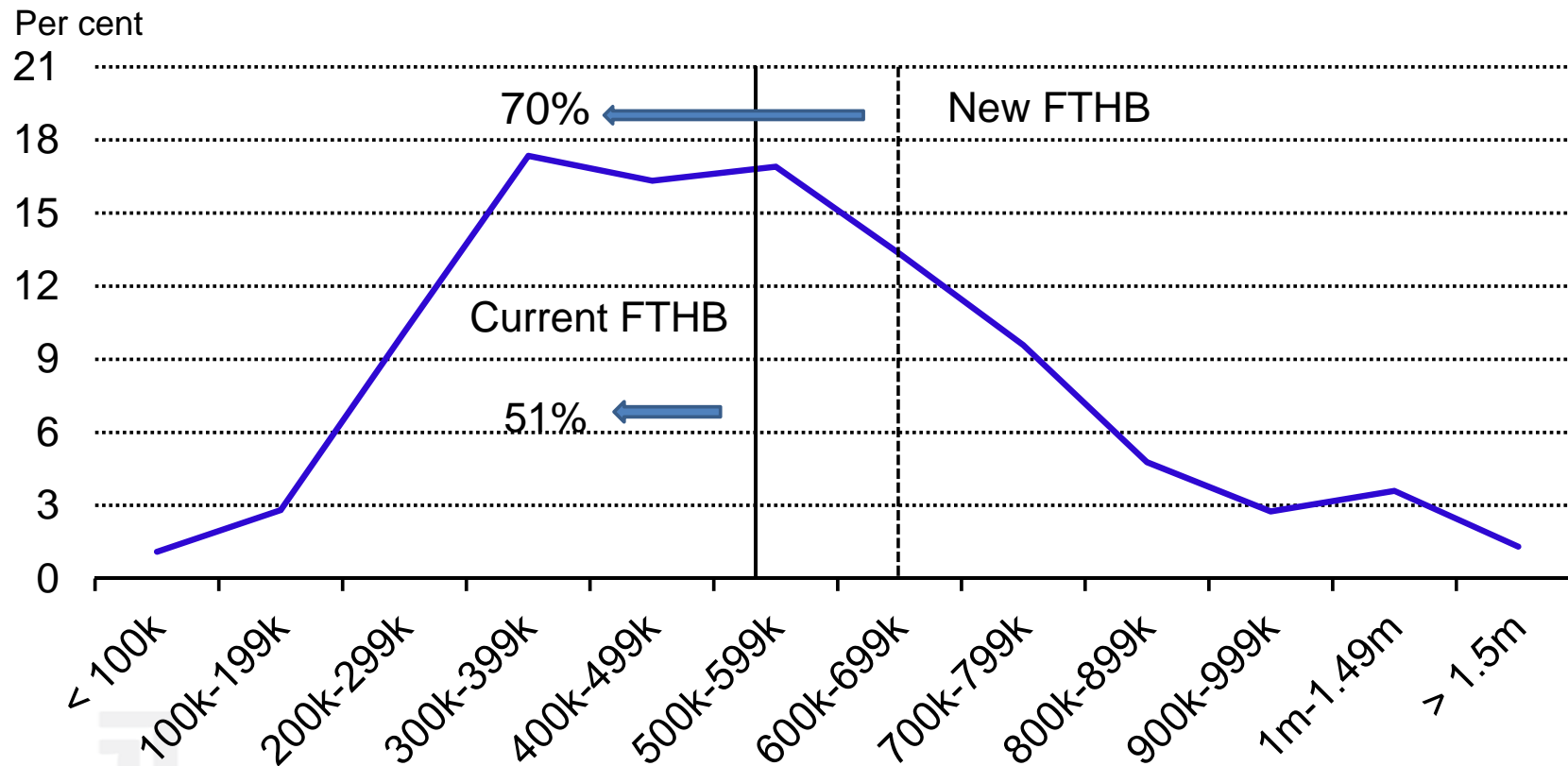
Source: Statistics Canada, Census of population, 2016.

Potential new housing policies:

- Increase limit to First-Time Buyer incentive in expensive markets to maximum income \$150,000
- National tax on vacant residential properties owned by non-Canadians who don't live in Canada
- Increase Canada Housing Benefit (currently \$2,500 per year per core need renter household)
- Increase non-market rental and co-op supply

First Time Home Buyer program Kelowna price limits

Resale Housing Sales Price Distribution 2019, Kelowna CMA

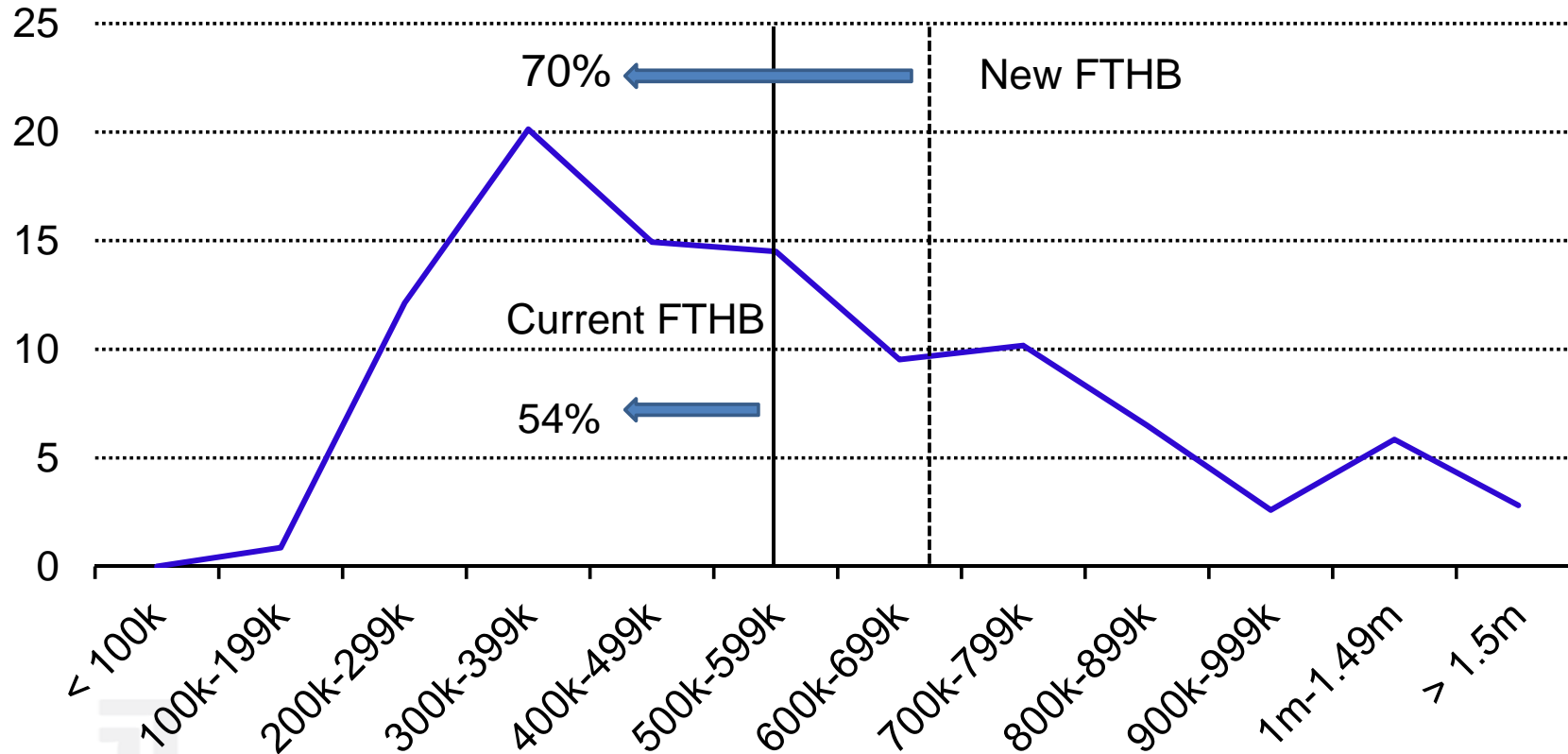


Source: Landcor Data Corp., Central 1. Note: FTHB based on 5.19% posted rate, maximum loan, 25-year amortization, PTT, property taxes, mortgage insurance fee.

First Time Home Buyer program Kelowna price limits

New Housing Sales Price Distribution 2019, Kelowna CMA

Per cent

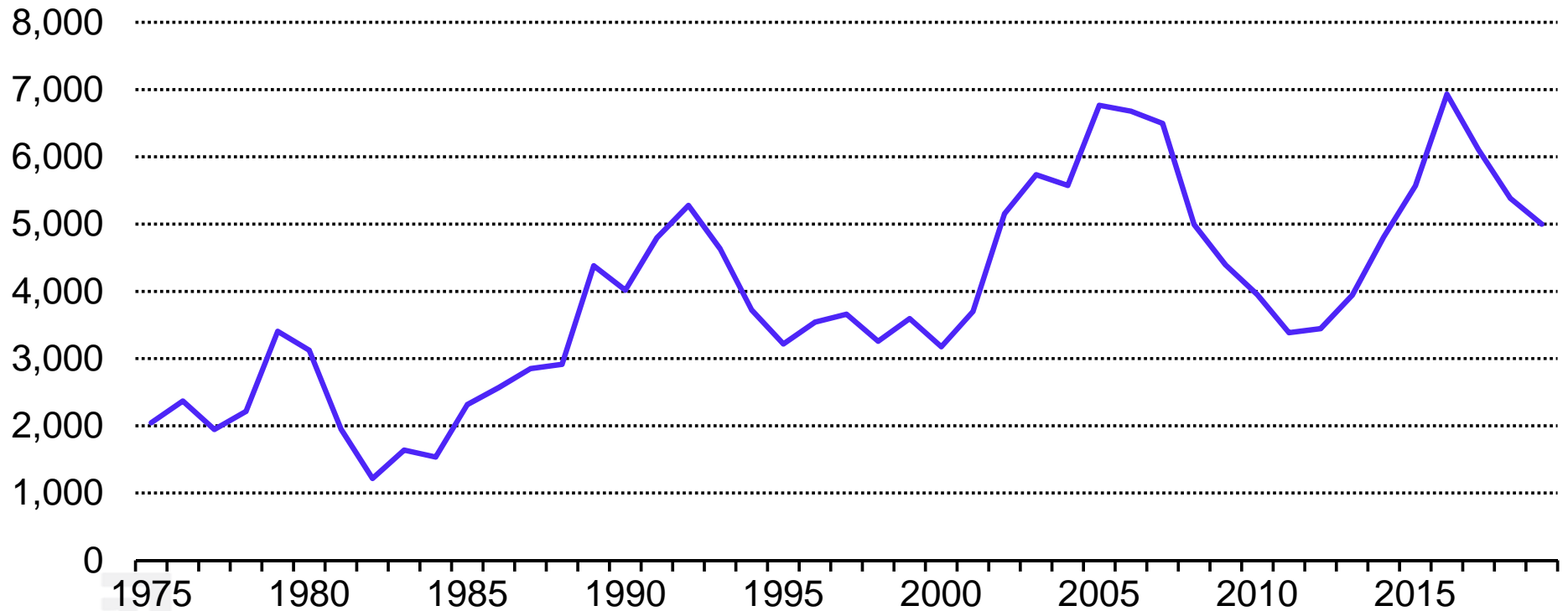


Source: Landcor Data Corp., Central 1. Note: FTHB based on 5.19% posted rate, maximum loan, 25-year amortization, PTT, property taxes, mortgage insurance fee.

Sales cycle over time

Residential Sales: Kelowna Metropolitan Area

Units

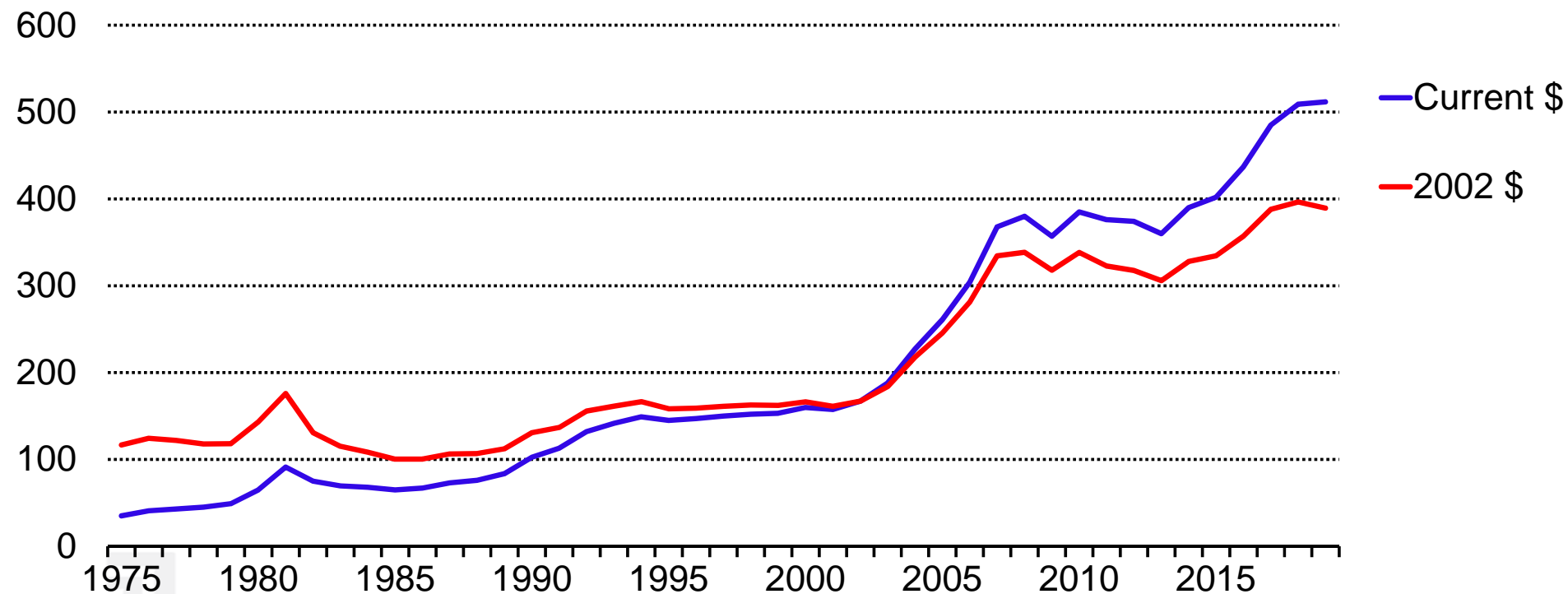


Source: Landcor Data Corp. Note: Arms length transactions only. Latest: 12 months ending October 2019

Long term rising price trend

Residential Median Sale Price: Kelowna Metropolitan Area

Dollars - thousands

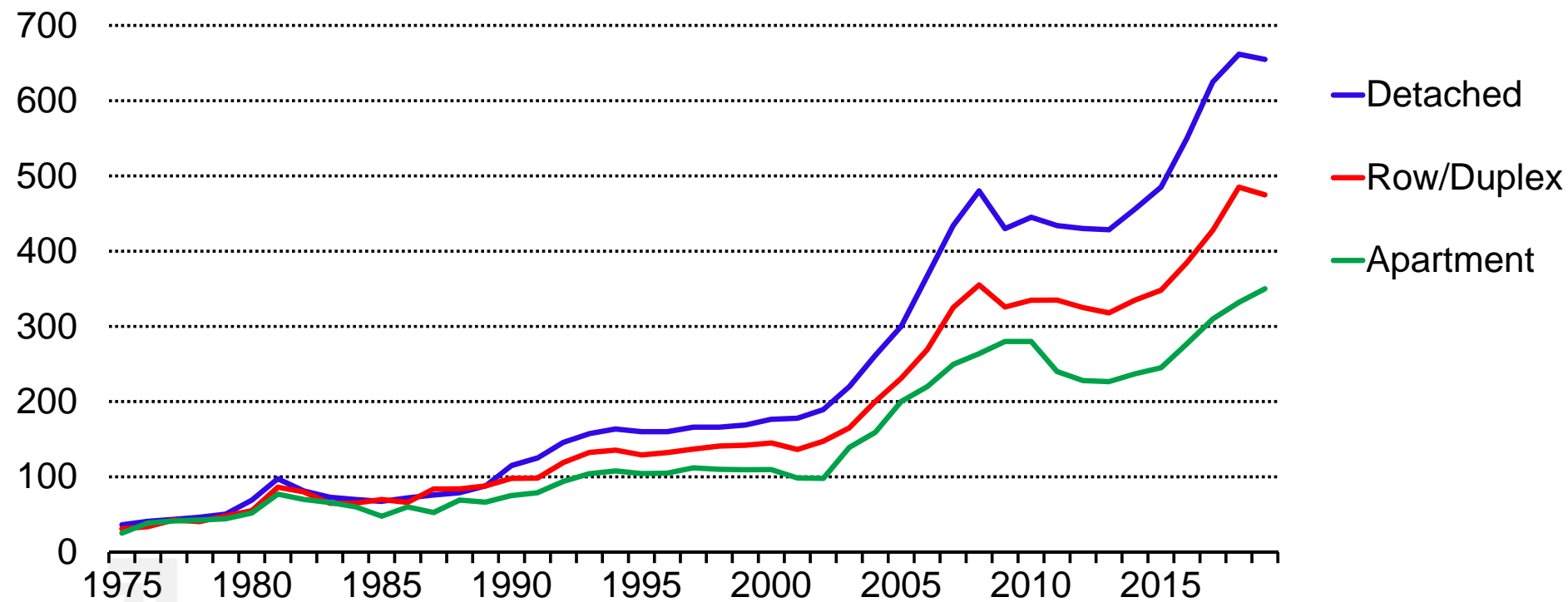


Source: Landcor Data Corp, Central 1. Note: Arms length transactions only. Deflated by BC CPI. Latest: 2019 to Oct.

Long term rising price trend

Residential Median Sale Price by Dwelling Type: Kelowna CMA

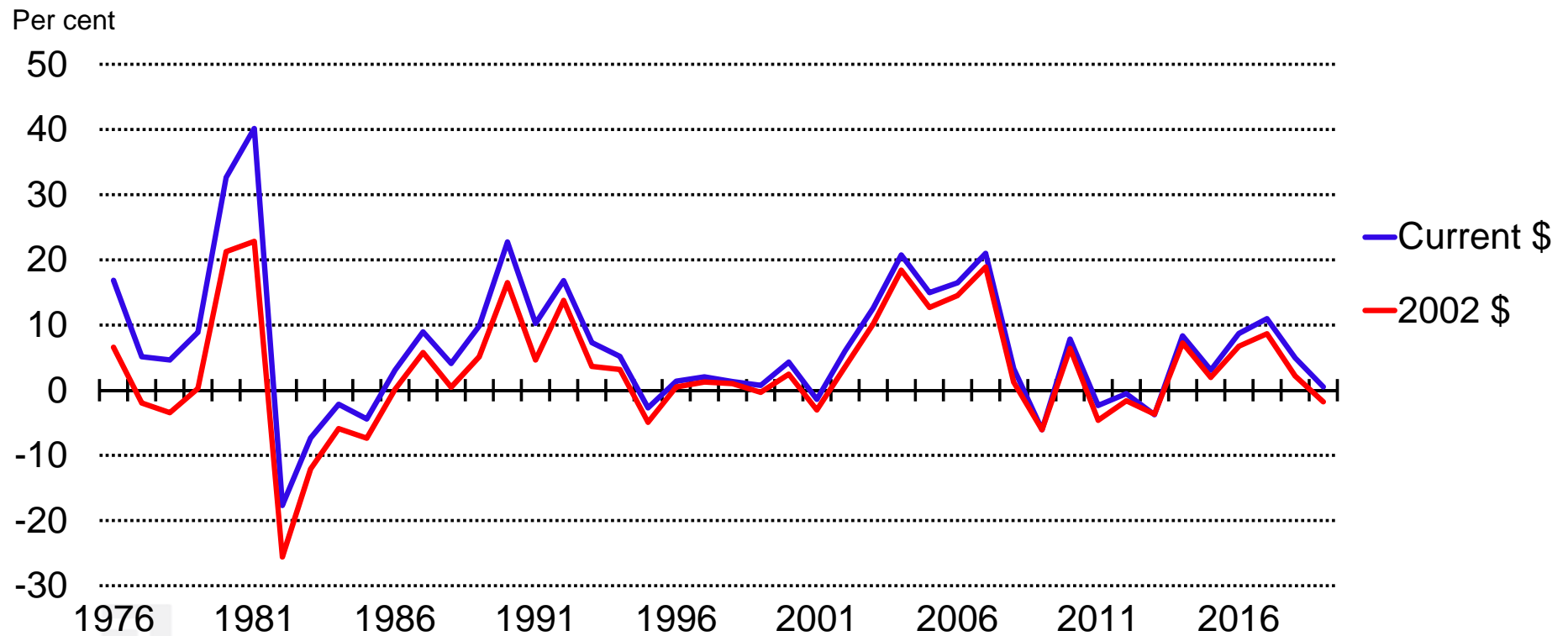
Dollars - thousands



Source: Landcor Data Corp, Central 1. Note: Arms length transactions only. Latest: 2019 to Oct.

Recent price cycle was mild

Change in Residential Median Sale Price: Kelowna Metropolitan Area

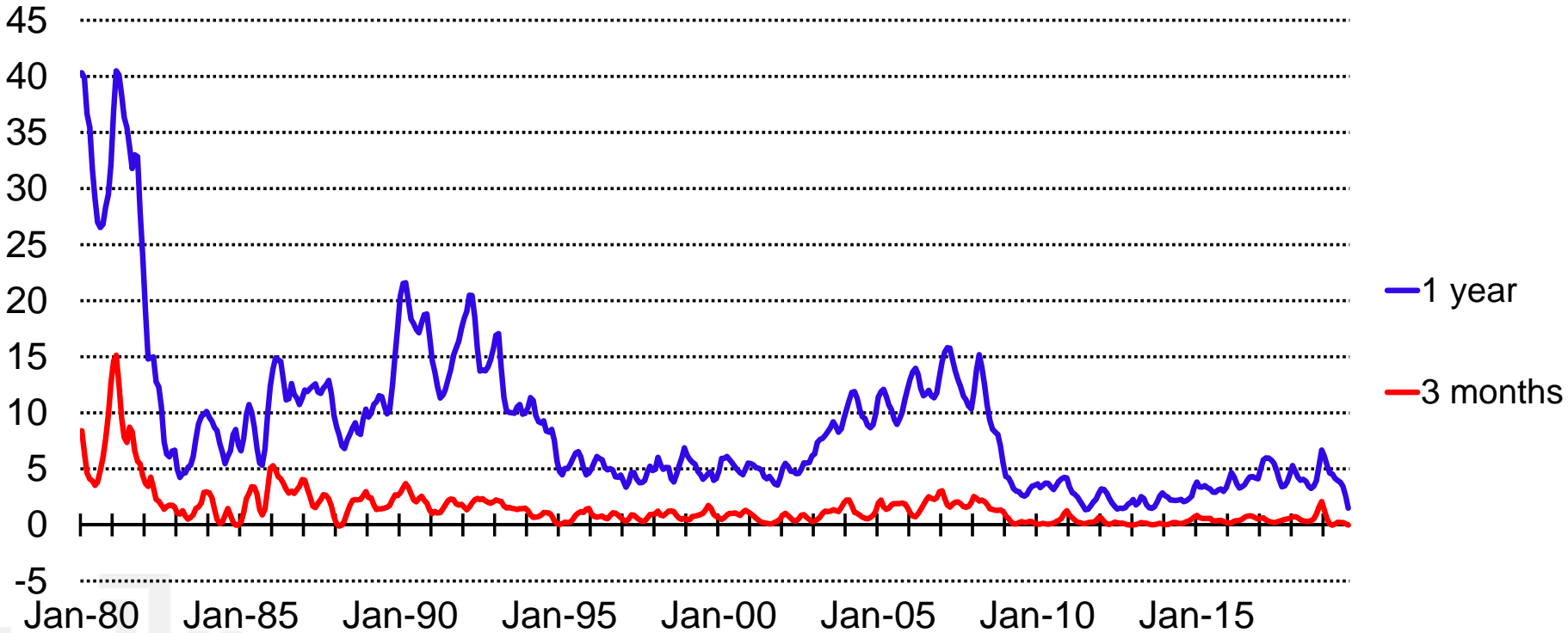


Source: Landcor Data Corp., Central 1. Note: Annual data. Deflated by BC CPI. Latest: 2019 to Oct.

Low speculative activity since 2009

Holding Period Flipping Indicator by Duration: Kelowna CMA

Per cent of sales held



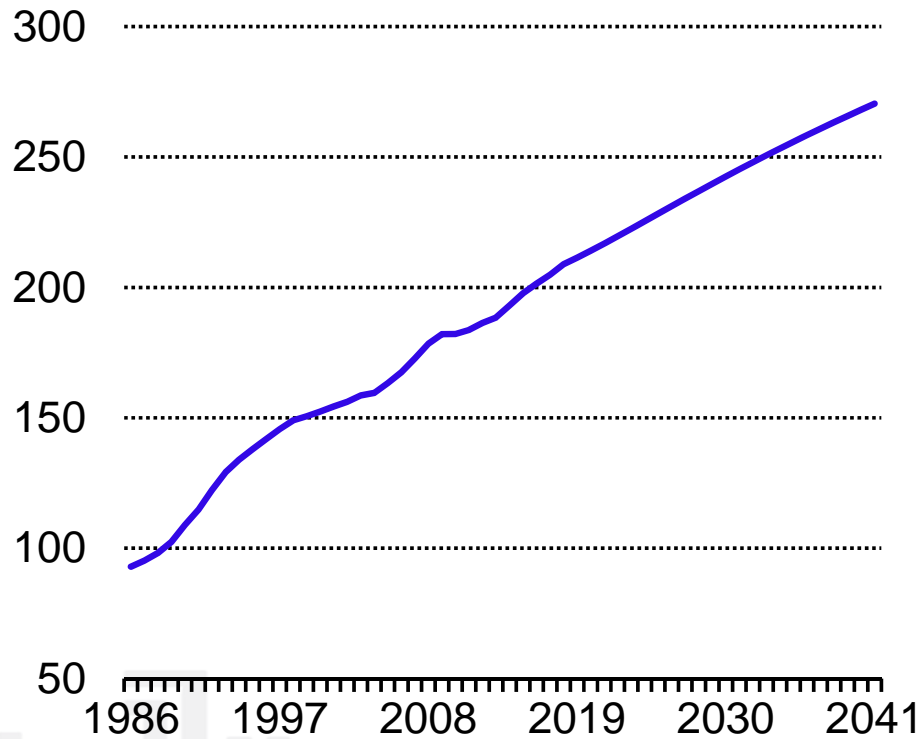
Source: Landcor Data Corp., Central 1.

Latest: Oct-19

Population up 35% 2016 to 2041

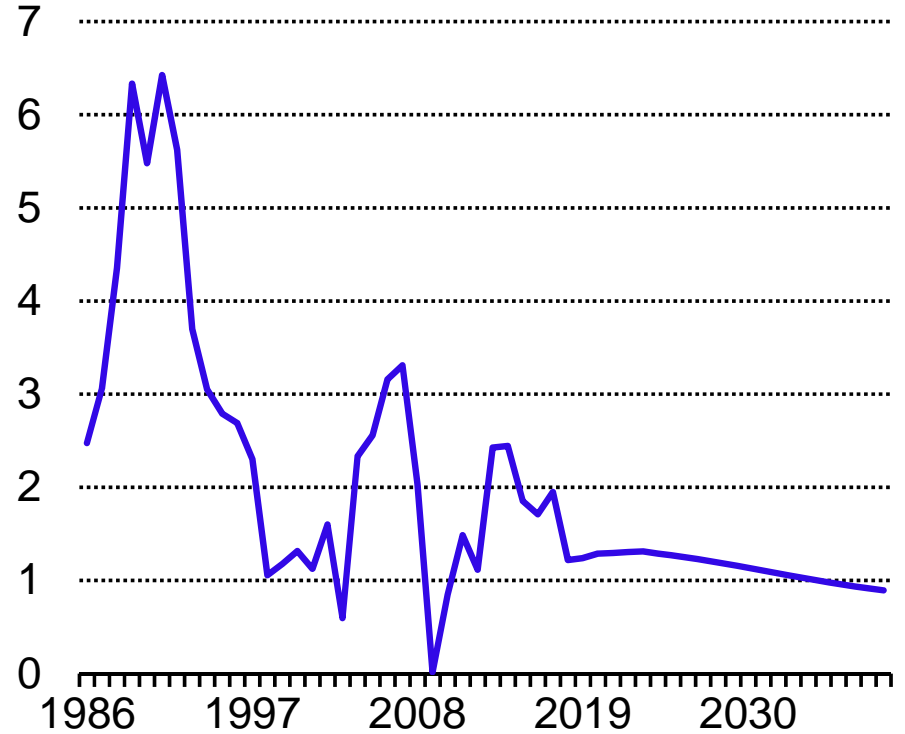
Population: Central Okanagan RD

Persons - thousands



Population Growth Rate

Per cent

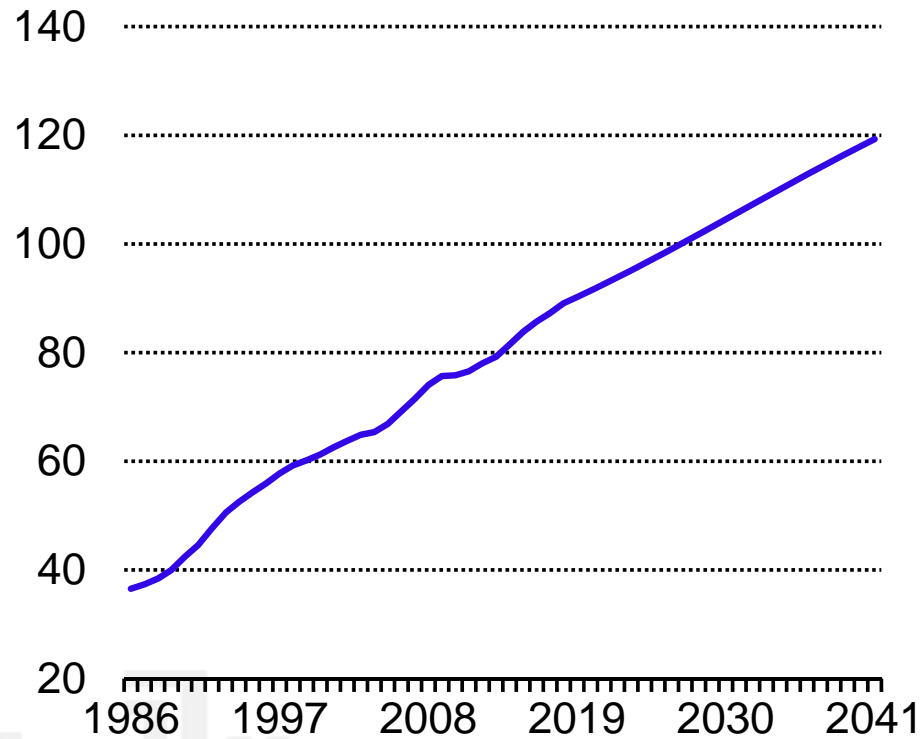


Source: BC Stats. P.E.O.P.L.E. 2019 projections. Forecast 2016 to 2041.

Households up 40% 2016 to 2041

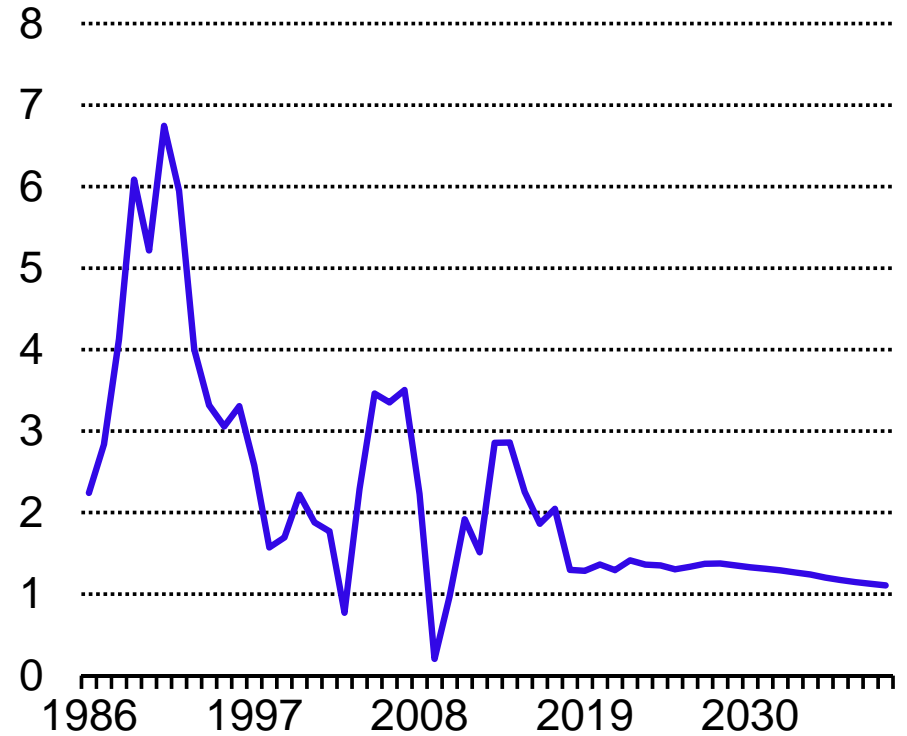
Households: Central Okanagan RD

Thousands



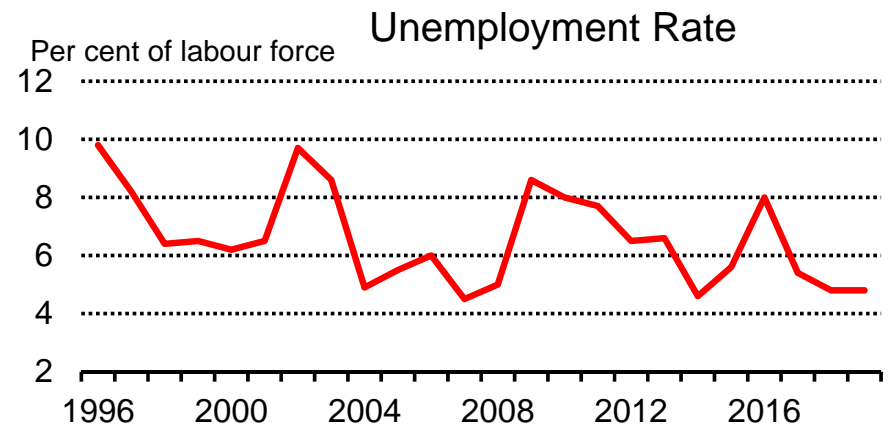
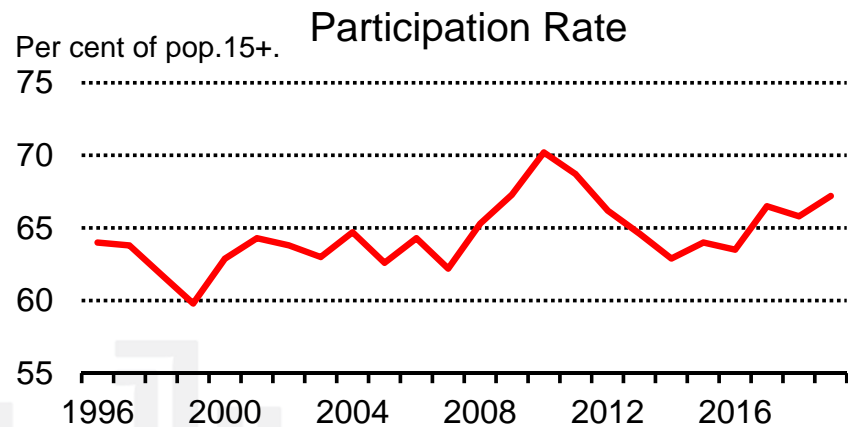
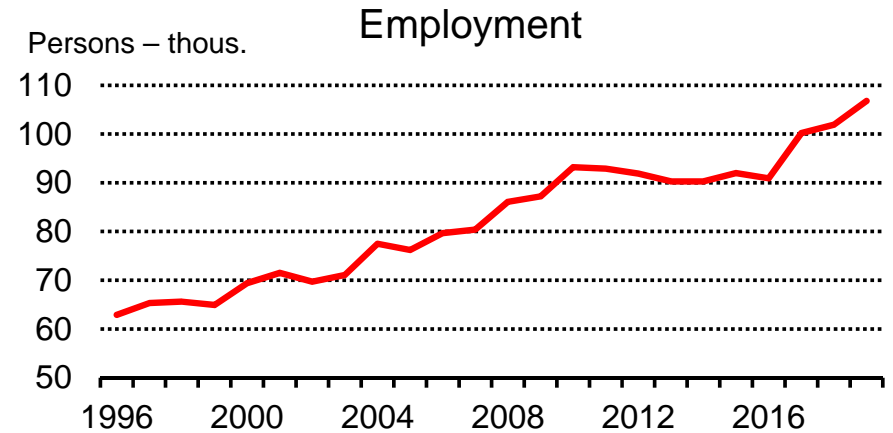
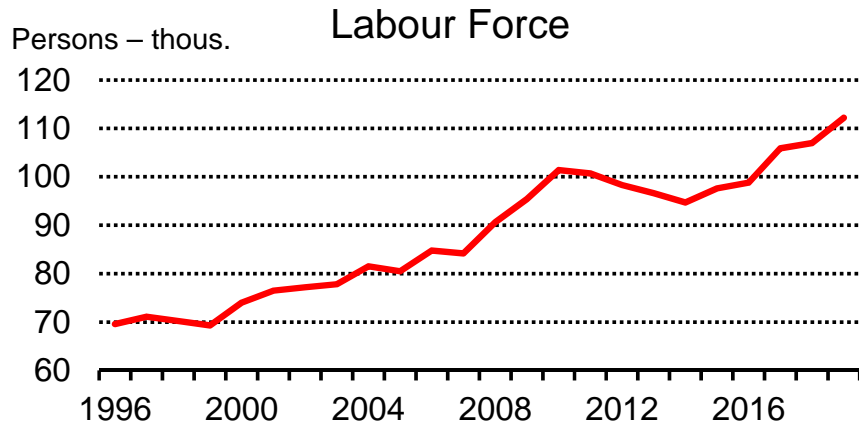
Household Growth Rate

Per cent



Source: BC Stats. P.E.O.P.L.E. 2019 projections. Forecast: 2016 to 2041

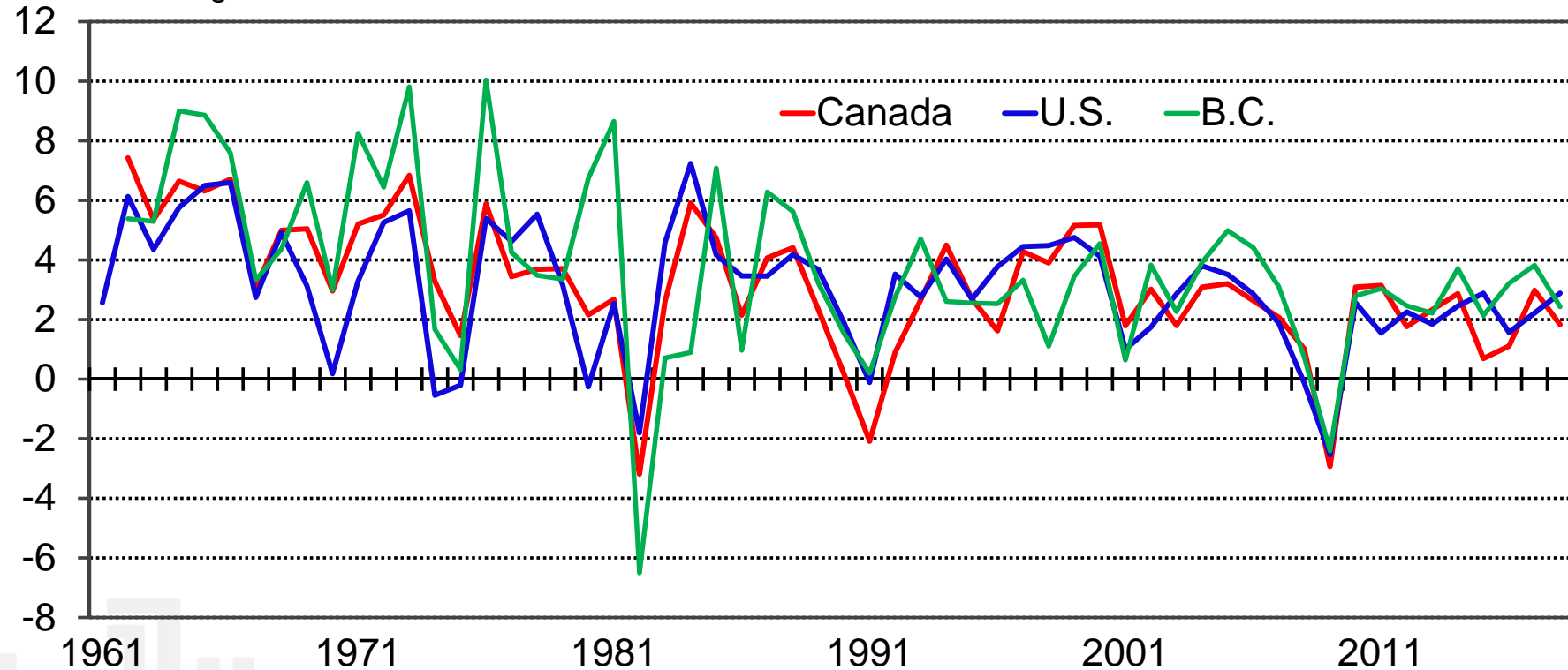
Labour market trends: Kelowna Metropolitan Area



Source: Statistics Canada. Latest: Jan-Oct. 2019

B.C., Canada, and U.S. economic cycles connected, particularly in recessions

Per cent change in real GDP

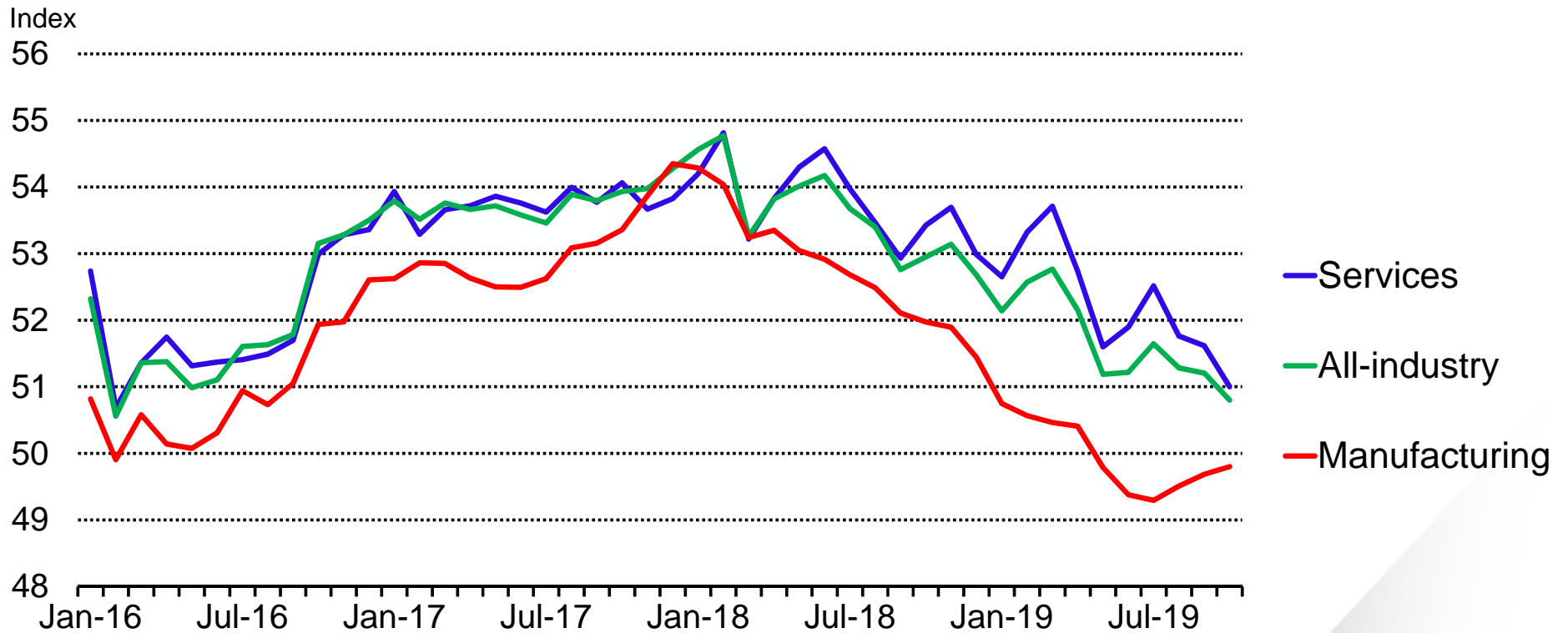


Source: Statistics Canada, U.S. Bureau of Economic Analysis.

Latest: 2018

Growth slowdown since 2017; early sign of turning

Global Purchasing Managers' Indexes



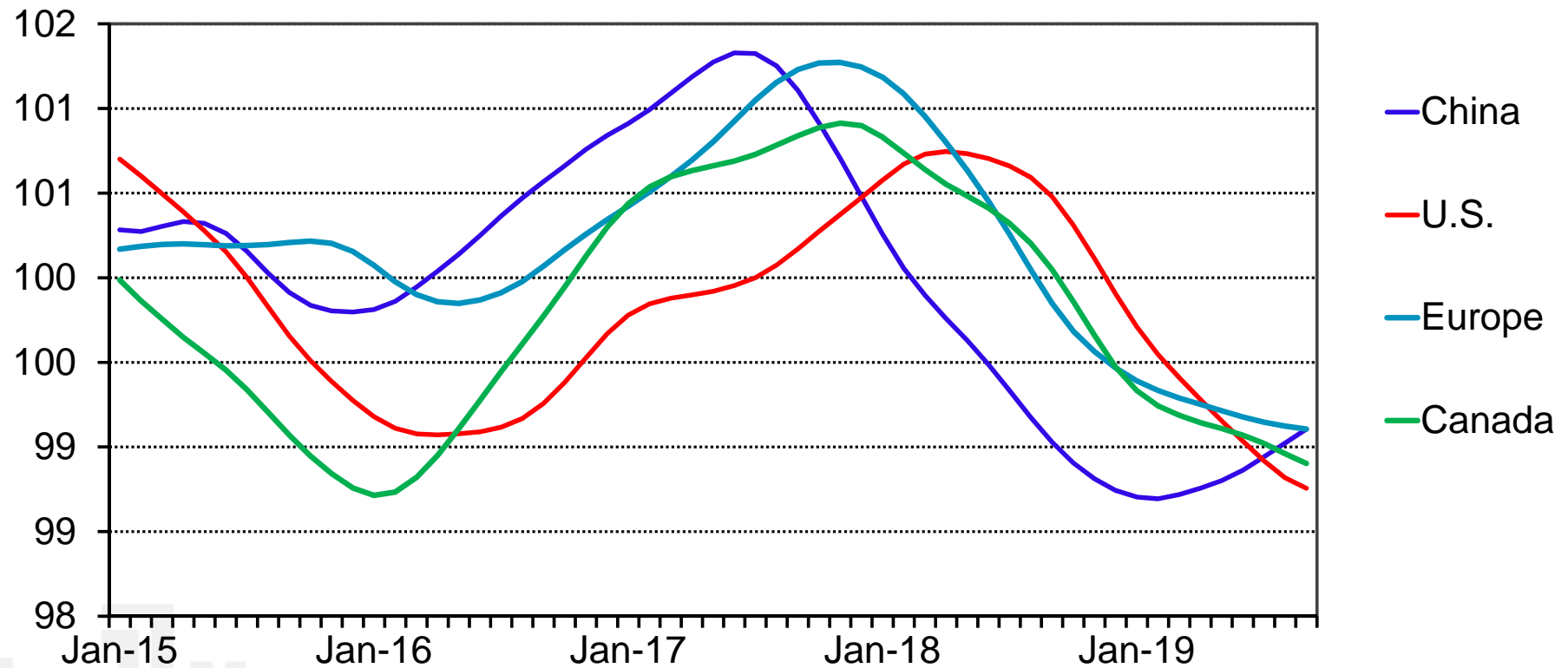
Source: JP Morgan IHS Markit. Note: Seasonally adjusted.

Latest: Oct-19

Slowdown to continue near-term; China possibly turning

Composite Leading Economic Indicators

Amplitude adjusted, Long-term average = 100



Source: OECD.

Latest: Sep-19

Recession risks:

- Trade war U.S.-China; U.S. auto tariffs
- Emerging market debt crisis – Argentina, Turkey, China...
- U.S. corporate debt bubble
- Europe: Banking crisis – Italy, Greece...; Brexit
- Geopolitical crisis – N. Korea, Middle East, South China Sea...
- Monetary, fiscal, regulatory policy errors

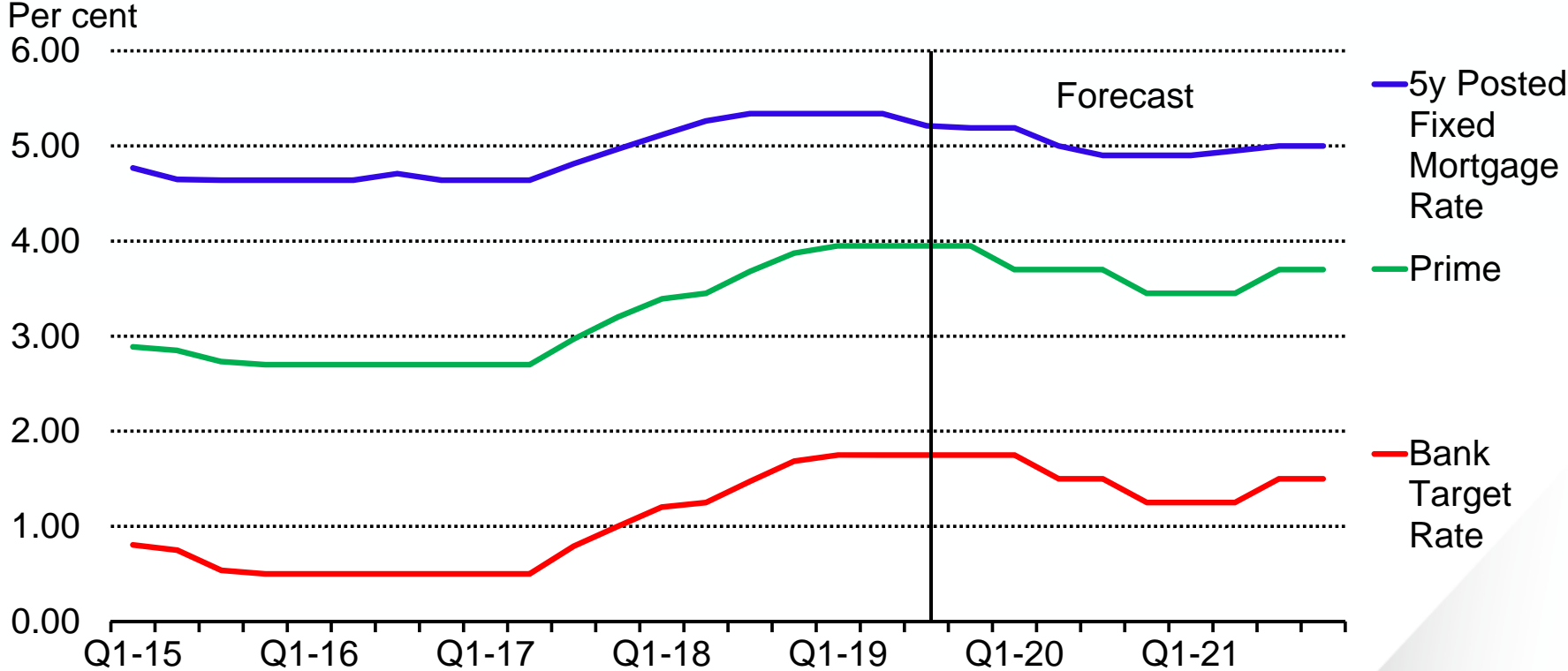
Sluggish then firming, no recession expected

Economic Forecasts					
Real GDP, % change	2017	2018	2019	2020	2021
World	3.7	3.6	2.9	2.9	3.0
U.S.	2.4	2.9	2.3	1.7	2.0
China	6.8	6.6	6.2	5.7	5.5
Euro Area	2.7	1.9	1.2	1.1	1.2
Japan	1.9	0.8	1.0	0.6	0.7
Canada	3.0	1.9	1.5	1.6	1.7

Source: OECD, WSJ, Central 1. Note: World GDP at market exchange rates.

Rate cuts in 2020

Selected Interest Rates: Canada



Source: Bank of Canada, Central 1. Latest actual: Q3-19. Forecast Q4-19 to Q4-21. Note: Quarter averages.

Positive prospects

Kelowna CMA Economic and Housing Forecasts					
Indicator	2017	2018	2019	2020	2021
Employment, % chg.	10.2	1.7	4.0	2.0	2.5
Unemployment rate, %	5.4	4.8	4.0	4.5	4.0
Population, % chg.	2.1	2.0	1.5	1.4	1.7
Housing sales, % chg.	-11.9	-11.8	-10.0	10.0	8.0
Housing price ¹ , % chg.	11.0	5.0	1.0	4.0	7.0
Housing starts, % chg.	31.7	10.6	-10.0	10.0	15.0
Rental vacancy rate, %	0.4	1.8	1.1	1.5	1.0

Source: Statistics Canada, Landcor Data Corp, CMHC, Central 1. 1. Median sale price.

Thank you
Questions?