



RENTAL MARKET

2001 Survey - Kelowna

REPORT

Canada Mortgage and Housing Corporation

Kelowna Vacancy Rate Down Again

Highlights

The Kelowna area saw vacancy rates drop again in 2001. The vacancy rate fell to only 1.3 per cent by October 2001 from 1.5 per cent last year, the lowest level since 1993. Both apartment and townhouse vacancy rates declined in 2001. Of the 4,398 apartment and townhouse units surveyed, only 55 were vacant and available for rent.

Vacancy rates have continued to edge down despite some outflow of renters to the home ownership market and additions to the stock of rental housing. Slow, but steady population growth has meant increased demand for rental accommodation, keeping vacancy rates low. Both the Rutland and Core area

rental markets remained tight. Once again, family-oriented accommodation - three bedroom apartment and two and three bedroom townhouses was in shortest supply.

Vacancy rates drop ... Rents begin to rise.

Rents have begun to rise in response to sustained low vacancy rates, increases extending across all bedroom types - both row and apartment. One and two bedroom apartment rents recorded the biggest increases since the mid 1990s. Average rents were up in both Rutland and the Core area.

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HOME TO CANADIANS
Canada

The overall vacancy rate for assisted housing was also down, slipping to only 0.4 per cent from 1.2 per cent in 2000.

Excepting Greater Vancouver and Victoria, the Kelowna area vacancy rate is the lowest among British Columbia's larger centres.

Kelowna vacancy rate ... among lowest in BC.

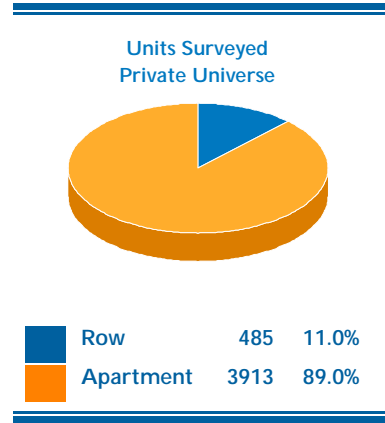
Vacancy rates remained highest in central and Northern BC and Vancouver Island - regions more closely tied to resource-based industry. Closer to home, the Kamloops vacancy rate fell by more than half to 3.8 per cent - a five year low. Vernon and Penticton posted smaller declines. The overall BC vacancy rate was down sharply, dropping to 2.9 per cent from 3.8 per cent in 2000.

Nationally, the combined apartment and townhouse vacancy rate declined to 1.7 per cent from 2.2 per cent last year - a trend pretty much consistent across all regions. Seventeen of Canada's 26 metropolitan centres recorded lower vacancy rates in 2001. Average apartment rents were up in all metropolitan centres, Edmonton and Calgary seeing the biggest increases.

Sustained low vacancy rates have triggered more rental construction in 2001. The Kelowna area has seen additions to the stock of both privately and publicly initiated rental housing. Low interest rates

Vacancy rates decline across Canada ... rents up.

and rising rents have, for some developers, made rental construction a more viable proposition.



Absorption has been strong, most new projects continuing to rent-up at or shortly after completion.

The Kelowna area rental market will remain tight, the vacancy rate easing upward - *slightly* in 2002. Strong competition from the home ownership market, increased supply and some job losses will all contribute to slightly higher vacancy rates this year.

METHODOLOGY - HOW CMHC DOES THE SURVEY

Canada Mortgage and Housing Corporation conducts the Rental Market Survey every year in October to determine the number of vacancies and the rents charged in rental structures. The survey is conducted on a sample basis in all urban areas with populations of 10,000 and more. Only structures which have been on the market for at least three months are included. While this publication is mainly about privately initiated apartments with three or more self-contained units, the CMHC survey also examines row houses and publicly initiated rental and co-op housing.

The survey is conducted by telephone or site visit, and rent information is obtained from the owner, manager or building superintendent. The survey is conducted in the first two weeks of October and these results reflect market conditions at that time.

Definitions

Vacancy: A unit is considered vacant if, at any time of the survey, it is physically unoccupied and available for immediate rental.

Rent: The rent data refers to the actual amount tenants pay for their unit. Amenities and services such as heat, light, parking, hot water and laundry facilities may or may not be included in the monthly rent reported in individual cases. The average rent figures reported in this publication represent the average of different units in the market area, some of which may have some or all of these services.

Rental Apartment Structure:

Any building containing three or more rental dwellings which are not ground oriented.

Rental row house structures:

Any building with three or more ground oriented rental dwellings.

Acknowledgment

The rental market survey could not have been conducted without the co-operation of the many property owners and managers throughout Canada. We greatly acknowledge their hard work and assistance in providing timely and accurate information. We sincerely hope that the

results of this work will provide a benefit to these clients and to the entire housing industry.

Zones

The survey zones reported in this publication are identified on page one, they are described as follows:

Zone 1: Kelowna city - Core area and Westside.

Zone 2: Kelowna city - Rutland and Lake Country.

Apartment Vacancy Rate in Centres Across Canada

Metro Areas	2000	2001
Calgary	1.3	1.2
Chicoutimi-Jonquiere	4.4	4.4
Edmonton	1.4	0.9
Halifax	3.6	2.8
Hamilton	1.7	1.3
Hull	1.4	0.6
Kitchener	0.7	0.9
London	2.2	1.6
Montreal	1.5	0.6
Oshawa	1.7	1.3
Ottawa	0.2	0.8
Quebec	1.6	0.8
Regina	1.4	2.1
St. Catharines	2.6	1.9
Saint John	3.4	5.6
St. John's	3.8	2.5
Saskatoon	1.7	2.9
Sherbrooke	4.7	2.3
Sudbury	7.7	5.7
Thunder Bay	5.8	5.8
Toronto	0.6	0.9
Trois Rivieres	6.8	4.7
Vancouver	1.4	1.0
Victoria	1.8	0.5
Windsor	1.9	2.9
Winnipeg	2.0	1.4
Large Urban Area	2000	2001
Abbotsford	3.7	2.4
Barrie	0.5	0.9
Belleville	4.9	5.1
Brantford	2.9	1.8
Cape Breton	14.0	11.1
Charlottetown	2.6	1.8
Chatham	10.8	11.3
Chilliwack	7.8	5.9
Cornwall	7.9	6.1
Courtney	11.9	8.6
Drummondville	1.8	1.8
Fredericton	1.3	1.5
Granby	2.0	2.5
Guelph	0.7	1.0
Kamloops	8.1	3.8
Kelowna	1.2	1.1
Kingston	1.8	1.5
Lethbridge	0.6	3.1
Medicine Hat	0.7	0.7
Moncton	1.7	1.6
Nanaimo	9.7	3.8
North Bay	5.5	2.7
Peterborough	3.2	3.7
Prince George	15.3	12.2
Red Deer	0.7	1.1
St-Hyacinthe	1.8	1.3
St. Jean	2.8	1.2
Sarnia	7.3	6.3
Sault Ste. Marie	11.8	10.9
Shawinigan	8.4	7.7
Vernon	8.7	7.0
Total CANADA	2.2	1.7

Rental Market Remains Tight - Vacancy Rate at Eight Year Low

The Kelowna area rental market remains tight, the vacancy rate, at 1.3 per cent, dipping to an eight year low in 2001. Employment and population growth has been key to low vacancy rates.

Kelowna's economy has continued to grow despite big job losses in the manufacturing sector - good news. The residential and non residential construction industries emerged as the biggest sources of job creation this past year, low interest rates spurring a modest surge in construction activity. Smaller high tech businesses, tourism and the service sectors including retail sales and personal services also saw limited employment growth in 2001. At the same time, rising concerns

especially low income seniors remain big consumers of rental housing.

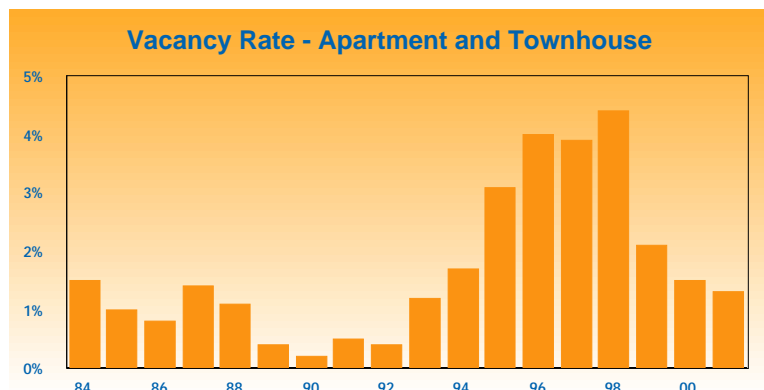
The demand outlook for 2002 is more mixed. Employment growth will slow in the face of increasingly sluggish BC and Canadian economies, a struggling forest products industry and impending government cutbacks. Closer to

Vacancy rate edges up slightly in 2002 ... rental market to remain tight.

home, the closure of Western Star will mean big job losses, leading to some out-migration and slower population growth. Recent international events have also had some impact on the regional tourism and travel industry. Expect the Kelowna area vacancy rate to edge upward in 2002, rising to 1.5% - 2.0% by year-end. Big additions to the stock of rental housing and competition from Kelowna's growing supply of congregate housing also point to higher vacancy rates next year. Low interest rates will, once again, mean brisk

Vacancy rate at eight year low.

over job security have kept some renters out of the home ownership market. The Kelowna area's large and growing seniors' population has also contributed to sharply declining vacancy rates. Single and



Vacancy Rate Drops Again in 2001.

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competition from the home ownership market. Though easing slightly, the Kelowna area rental market will remain tight in 2002. Demand for rental accommodation will see stronger growth later next year and on into 2003, strengthening as North American economies begin to recover.

Declining vacancy rates lead to higher rents.

Rental accommodation - all bedroom types, both row and apartment remains hard to find. The Rutland area apartment vacancy rate edged up slightly, but stayed low at only 0.5 per cent. Growing commercial development along the Highway 97 corridor has meant more jobs in and closer to Rutland, boosting demand for rental housing. Also, rents are more affordable than in the core area. Rutland, unlike the core area has seen no additions to the stock of rental accommodation since 1997. Lower rents, though good news for tenants have contributed to fewer rental housing starts. The core area apartment vacancy rate dropped to 1.2 per cent from 1.4 per cent in 2000, despite new supply coming on stream this year and last.

One and two bedroom apartment units, the most numerous unit type, accounted of the lion's share of

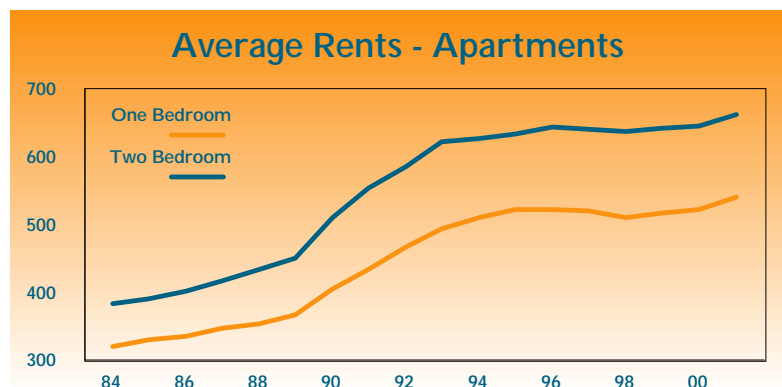
vacancies. Vacancy rates were lowest in larger, newer projects. Once again townhouse units - family-oriented housing, remains in very short supply.

Declining vacancy rates have lead to higher rents. One and two bedroom apartment rents shot up 3.4 and 2.8 per cent, respectively. Core area apartments saw the biggest increases. Rutland area apartment rents have begun to edge back up after declining in three of the past four years. Bachelor, one and two bedroom apartment rents remain about 10 per cent higher in the core area than Rutland - a long standing price differential. Townhouse rents recorded smaller increases - despite very low vacancy rates, reflecting in part, the older age of the stock and increasingly stiff price competition from the home

Expect rents to move up again in 2002.

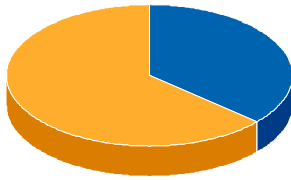
ownership market. Sharply declining interest rates have boosted affordability. For some, home ownership has now become a viable alternative to the cost of renting.

Sustained low vacancy rates point to higher rents next year. Expect average rents to move up by 2 - 2.5 per cent in 2002.



Average Rents See Bigger Increases in 2001.

Units Surveyed
Public Universe



Row	515	38.5%
Apartment	823	61.5%

Rental Housing Starts Increase

Low vacancy rates have led to more rental housing construction. Sharply declining interest rates and rising rents have also made rental construction more viable. Rental housing starts have totalled 500 units during the past three year period - 280 public or assisted units and slightly over 220 privately-initiated units. Though good news, new private sector projects must invariably target the mid to upper rent ranges to achieve and maintain viability.

Private sector rental construction has consisted mainly of mid-sized, 50-60 unit apartment buildings.

Lower density rental housing remains a marginal proposition given high land and land development costs, scarcity of sites and competing land uses. Kelowna has seen no significant additions to the stock of privately-initiated townhouses since 1990. New publicly-initiated housing has included both *family* and seniors'-oriented projects.

Rental housing starts were more widespread in 2001, Peachland and Westbank seeing the first rental construction in over a decade.

Slightly higher vacancy rates and smaller subsidy allocations will mean fewer rental housing starts in 2002. Expect only 50 - 100 starts this year. Look for development opportunities in areas experiencing stronger employment growth - the Highway 97, 33 and Springfield Road corridors and Orchard Park neighbourhoods. The recently announced Federal/Provincial

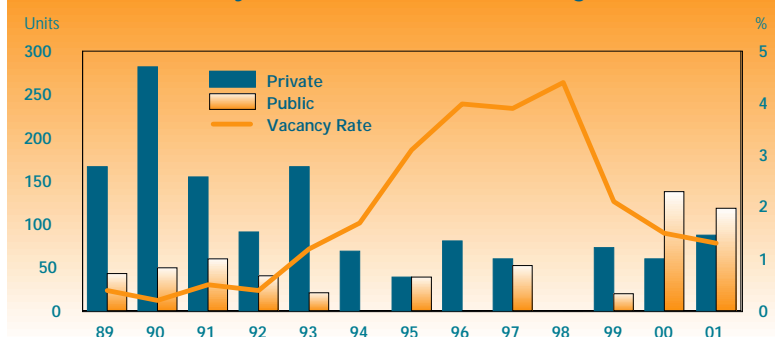
Low vacancy rates lead to more rental housing construction.

Housing agreement may have some impact on Kelowna, boosting rental housing starts. Similarly changes to CMHC Mortgage Insurance policies may also encourage more rental housing construction.

Forecast

- ◆ The Kelowna area vacancy rate will remain low in 2002. Slower population and employment growth, additions to the stock of rental housing and competition from the home ownership market point to slightly higher vacancy rates. The vacancy rate will edge up to 1.5% - 2.0% by year-end 2002.
- ◆ Low vacancy rates will extend across all bedroom types, both row and apartment. Privately-initiated townhouse rentals will remain in shortest supply.
- ◆ Once again, average rents will rise in response to sustained low vacancy rates. Expect rents to increase 2.0% - 2.5% in 2002.
- ◆ Slightly higher vacancy rates and smaller subsidy allocations will mean fewer rental housing starts in 2002. Rental construction will total 50 - 100 units. The core area including the Highway 97, 33 and Springfield Road corridors and Orchard Park areas may offer the best potential for rental construction.

Vacancy Rates and Rental Housing Starts



Rental Construction Totals 200 Units This Year and Last.



Table 1

Vacancy Rates in Private Apartment Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	1.4	1.2	1.0	0.9	1.9	1.1	0.9	1.4	0.9	1.0
Zone 2	0.3	0.5	0.0	0.0	0.6	1.2	0.2	0.2	0.0	0.0
Kelowna CA	1.2	1.1	1.0	0.9	1.8	1.1	0.8	1.1	0.8	0.8

Table 2

Vacancy Rates in Private Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	3.0	2.6	N/U	**	**	**	3.8	2.9	0.0	2.0
Zone 2	3.2	2.4	N/U	N/U	0.0	0.0	3.8	1.9	1.7	5.1
Kelowna CA	3.1	2.5	N/U	**	0.0	0.0	3.8	2.2	0.9	3.7

Table 3

Vacancy Rates in Private Apartment and Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	1.5	1.3	1	0.9	1.9	1.1	1.3	1.5	0.6	1.3
Zone 2	1.2	1.1	0.0	0.0	0.5	1.1	1.4	0.8	1.3	3.8
Kelowna CA	1.5	1.3	1.0	0.9	1.8	1.1	1.3	1.3	0.8	2.2

Table 4

Total Universe and Vacant Units in Private Apartments and Townhouses										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total	Vacant	Total
Townhouse										
Zone 1	5	193	**	**	**	**	4	140	1	50
Zone 2	7	292	N/U	N/U	0	17	4	216	3	59
Kelowna	12	485	**	**	0	19	8	356	4	109
Apartment										
Zone 1	40	3,282	1	107	17	1,565	21	1,509	1	101
Zone 2	3	631	0	7	2	172	1	432	0	20
Kelowna CA	43	3,913	1	114	19	1,737	22	1,941	1	121
All Units										
Zone 1	45	3,475	1	108	17	1,567	25	1,649	2	151
Zone 2	10	923	0	7	2	189	5	648	3	79
Kelowna CA	55	4,398	1	115	19	1,756	30	2,297	5	230

** Data suppressed - less than three structures.

N/U - Not in universe. Used when there are no structures in the universe.

Table 5

Average Rents in Private Apartments										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	592	610	439	469	527	546	660	678	719	724
Zone 2	569	580	374	350	490	494	596	610	710	712
Kelowna CA	588	605	435	464	523	541	645	663	718	722

Table 6

Average Rents in Private Townhouse Units										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
Zone 1	656	658	N/U	**	**	**	630	624	756	763
Zone 2	607	620	N/U	N/U	416	408	593	604	711	714
Kelowna CA	629	635	N/U	**	429	425	610	612	731	736

Table 7

Apartment Vacancy Rates by Structure Size and Bedroom Type (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
3-5 Units	0.0	0.0	N/U	N/U	**	**	**	**	0.0	0.0
6-19 Units	1.6	2.6	**	0.0	3.4	4.8	1.0	1.6	0.0	**
20-49 Units	1.3	1.1	1.9	1.9	1.5	0.7	1.0	1.5	2.6	**
50-99 Units	1.0	0.6	0.0	0.0	1.9	0.7	0.4	0.5	0.0	0.0
Total	1.2	1.1	1.0	0.9	1.8	1.1	0.8	1.1	0.8	0.8

Table 8

Apartment Vacancy Rates by Year of Completion and Bedroom Type										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001
1960 - 1974	1.9	2.1	1.7	1.7	2.6	1.9	0.8	2.4	1.5	2
1975 - 1984	1.7	1.1	0.0	0.0	1.8	0.2	1.7	2	**	**
After 1985	0.2	0.2	0.0	0.0	0.0	0.5	0.2	0.1	0.0	0.0
Total	1.2	1.1	1.0	0.9	1.8	1.1	0.8	1.1	0.8	0.8

** Data suppressed - less than three structures.
 N/U Not in universe. Used when there are no structures in the universe.

Table 9

Average Rents - All Private Apartments												
Survey Date	Bachelor Suites			One Bedroom			Two Bedroom			Three Bedrooms		
	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.
Fall 2001	114	464	6.7	1,737	541	3.4	1,941	663	2.8	121	722	0.6
Fall 2000	103	435	2.4	1,646	523	1	1,861	645	0.5	132	718	1
Fall 1999	0	425	0.5	1,651	518	1.6	1,880	642	0.6	133	711	0.7
Fall 1998	94	423	1.2	1,628	510	-2.1	1,857	638	-0.3	135	706	0
Fall 1997	101	418	-1.2	1,584	521	-0.4	1,846	640	-0.6	132	706	-0.1
Fall 1996	101	423	0.7	1,563	523	0.2	1,822	644	1.6	130	707	0.7
Fall 1995	103	420	4.7	1,578	522	2.4	1,784	634	0.2	123	702	2.9
Fall 1994	107	401	1.3	1,559	510	3.2	1,768	633	1.6	119	682	2.6
Fall 1993	101	396	4.8	1,485	494	5.6	1,735	623	6.3	118	665	1.2
Fall 1992	107	378	13.2	1,447	468	7.8	1,657	586	5.8	111	657	9.1
Fall 1991	105	334	7.7	1,448	434	6.9	1,589	554	8.4	94	602	8.3

Table 10

Average Rents - All Private Townhouses									
Survey Date	One Bedroom			Two Bedroom			Three Bedrooms		
	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.	No. Units	Avg. Rent	% Chge.
Fall 2001	19	425	-0.9	356	612	0.3	109	736	0.7
Fall 2000	19	429	-11.4	396	610	-1.3	107	731	-7.8
Fall 1999	18	484	17.5	371	618	0.5	103	793	8.3
Fall 1998	18	412	-0.2	375	615	-1.3	105	732	4.4
Fall 1997	18	413	-1.4	372	623	-0.6	99	701	-0.3
Fall 1996	18	419	2.4	377	627	1	95	703	0.7
Fall 1995	16	409	2.8	374	621	1.3	95	698	2.3
Fall 1994	16	398	1.8	382	613	0.5	93	682	4.3
Fall 1993	15	391	0.8	356	610	2.5	91	654	4.1
Fall 1992	15	388	6.9	335	595	11.2	97	628	8.7
Fall 1991	24	363	22.6	355	535	1.9	89	578	-7.1

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