



RENTAL MARKET

REPORT

2002 Survey - Kelowna

Canada Mortgage and Housing Corporation

Kelowna Vacancy Rate Edges Up

Highlights

The Kelowna area saw vacancy rates edge back up in 2002. The vacancy rate rose to 1.8 per cent by October 2002 from 1.3 per cent last year, ending a three year decline. Rising Core area vacancy rates - mainly one and two bedroom apartments, accounted for almost all the increase. Of the 4,354 apartment and townhouse units surveyed, only 78 were vacant and available for rent.

Strong competition from the home ownership market and job losses in some sectors have meant less demand for rental housing - pushing vacancy rates up. Recent additions to the stock of rental housing have also contributed to slightly higher vacancy rates. Though welcome news for renters, both the

Rutland and Core area rental markets have remained tight. Once again, family-oriented accommodation - three bedroom apartment and townhouse

Vacancy rate edges back up ... rental market remains tight.

units, was in shortest supply. The overall vacancy rate for publicly initiated housing remained low at only 0.5 per cent.

Rents are on the rise. Average rents have seen across-the-board increases for the second straight year, trending up in response to sustained low vacancy rates. Core area rents, both townhouses and apartments saw the

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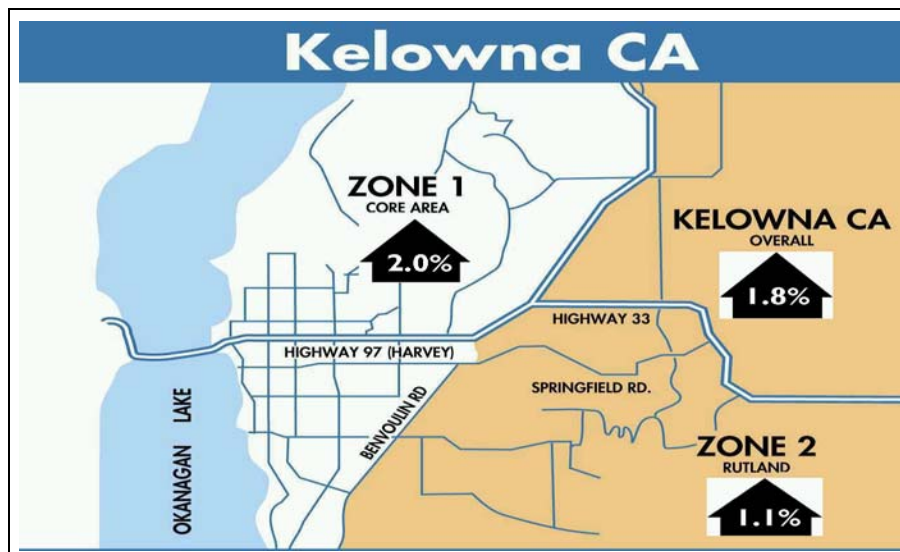
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biggest increases. Average rents remain significantly higher in the Core area than Rutland.

Nationally, the combined townhouse and apartment vacancy rate jumped to 2.2 per cent from 1.7 per cent last year - a trend

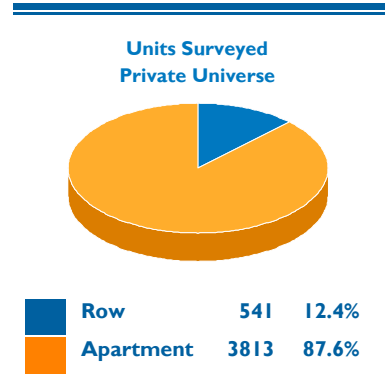
Rents on the rise ...Core area sees biggest increases.

consistent across all regions. Seventeen of Canada's metropolitan centres recorded higher vacancy rates in 2002. By province, vacancy rates were lowest in Quebec and highest in Saskatchewan and Atlantic Canada. The average two bedroom apartment rent was up in all metro centres except Thunder Bay.

Here in BC, the overall vacancy rate increased to 3.3 per cent from 2.9 per cent in 2001. Vacancy rates

remained highest in central and northern BC and Vancouver Island and the Kootenays - regions more closely tied to resource-based industry. Vacancy rates in Vancouver, Victoria and Kamloops were up slightly. Closer to home, Penticton and Salmon Arm vacancy rates fell by more than half, dipping to the lowest levels since 1994 and 1997, respectively. Vernon saw a smaller decline, the vacancy rate dropping for the fourth straight year. The Kelowna area vacancy rate remains among the lowest in BC, trailing only Vancouver and Victoria. Slightly higher vacancy rates and sharply reduced government funding have meant few rental housing starts in 2002.

A resurgent condominium market has also resulted in competing development opportunities.



Expect the Kelowna area vacancy rate to edge back down in 2003. The outflow of renters to the home ownership market will slow in the face of higher interest rates and rising prices. Steady employment and population growth also point to slightly lower vacancy rates next 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	2001	2002
Abbotsford	2.4	2.0
Calgary	1.2	2.9
Chicoutimi-Jonquiere	4.4	4.9
Edmonton	0.9	1.7
Halifax	2.8	2.7
Hamilton	1.3	1.6
Hull	0.6	0.5
Kingston	1.5	0.9
Kitchener	0.9	2.3
London	1.6	2.0
Montreal	0.6	0.7
Oshawa	1.3	2.3
Ottawa	0.8	1.9
Quebec	0.8	0.3
Regina	2.1	1.9
St. Catharines	1.9	2.4
Saint John	5.6	6.3
St. John's	2.5	2.7
Saskatoon	2.9	3.7
Sherbrooke	2.3	1.8
Sudbury	5.7	5.1
Thunder Bay	5.8	4.7
Toronto	0.9	2.5
Trois Rivieres	4.7	3.0
Vancouver	1.0	1.4
Victoria	0.5	1.5
Windsor	2.9	3.9
Winnipeg	1.4	1.2
Large Urban Area	2001	2002
Barrie	0.9	1.4
Belleville	5.1	3.5
Brantford	1.8	2.1
Cape Breton	11.1	7.4
Charlottetown	1.8	2.2
Chatham	11.3	9.1
Chilliwack	5.9	3.5
Cornwall	6.1	4.5
Courtney	8.6	8.1
Drummondville	1.8	2.2
Fredericton	1.5	0.9
Granby	2.5	2.5
Guelph	1.0	2.7
Kamloops	3.8	4.3
Kelowna	1.1	1.7
Lethbridge	3.1	2.2
Medicine Hat	0.7	1.6
Moncton	1.6	2.3
Nanaimo	3.8	3.4
North Bay	2.7	3.3
Peterborough	3.7	2.6
Prince George	12.2	11.9
Red Deer	1.1	4.0
Rimouski	**	2.6
St-Hyacinthe	1.3	0.7
St. Jean	1.2	0.6
Sarnia	6.3	4.4
Sault Ste. Marie	10.9	11.1
Shawinigan	7.7	8.5
Vernon	7.0	5.4
Total CANADA	1.2	1.7

Vacancy Rate Up - Kelowna Rental Market Remains Tight

At only 1.8 per cent vacancy, the Kelowna area rental market remains tight. The vacancy rate edged back up after dipping to an eight year low in 2001. Supply and selection remain limited despite the increase.

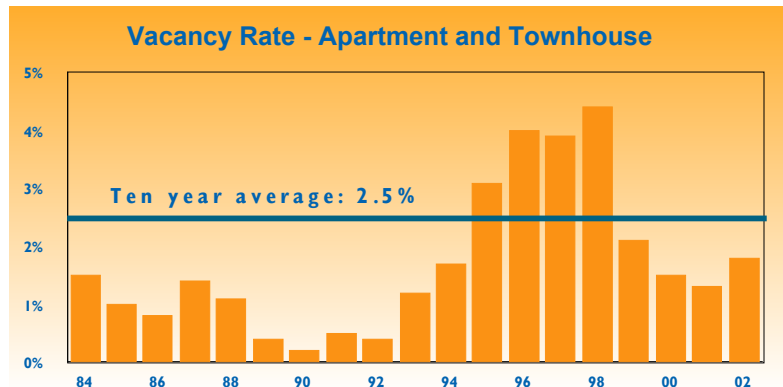
Low interest rates triggered an outflow of renters to the home ownership market in 2002. Resale house and condominium sales will reach record highs this year. New home construction is also up sharply, both singles and condominium starts climbing to the highest level since 1997. Job losses in the telecommunications, manufacturing, and public service sectors have lead to some out-migration. Big additions to the

growing supply of congregate housing and group home residences. The vacancy rate, though up in 2002, remains below the ten year average. The demand outlook points to lower vacancy rates in 2003.

The BC economy is poised to see stronger growth next year. Inter-provincial migration - a key source of Kelowna area population growth and housing demand has begun to turn around. BC is expected to see a net inflow by 2004. Also, Kelowna continues to benefit from a province-wide trend towards urbanization - an outflow of people from rural areas to larger urban centres. The central Okanagan remains among the fastest growing regions in BC. Kelowna's diversified economy continues to expand - construction, high tech, tourism, health care, retail and business and personal services sectors are the biggest sources of job creation. Fewer renters will make the jump to home ownership next year.

Low interest rates triggers outflow of renters to home ownership market in 2002.

stock of rental housing in both 2000 and 2001 have contributed to higher vacancy rates. The rental market has also seen increased competition from Kelowna's



Vacancy rate up - remains below ten year average.

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Slightly higher mortgage interest rates and rising prices will take a bite out of affordability in 2003. Also, the supply of lower priced listings is down sharply. Expect the Kelowna area vacancy rate to remain low, edging down to 1.5 per cent by year-end 2003.

The Core area apartment vacancy rate jumped to 1.9 per cent from 1.2 per cent in 2001. Rutland saw a much smaller increase. At 0.8 per cent the Rutland apartment vacancy rate remains at less than half the core area rate. Growing commercial development along the Highway 97 corridor has meant more jobs in and closer to Rutland, keeping vacancy rates low. Also, apartment rents are more affordable in Rutland, the differential ranging from three to 12

Family-oriented units in shortest supply

per cent, depending on bedroom type. Rutland, unlike the Core area, has seen no new supply come on stream since 1997.

Family oriented accommodation remained in shortest supply. Only two of 237 three bedroom units were vacant and available for rent - none in the core area. Rising apartment vacancy rates extended

Apartment Vacancy Rates By Rent Range - All Units

	2001	2002
\$400-499	0.3%	2%
\$500-599	1	1
\$600-699	1	2
\$700-799	0	2
\$800 plus	1	1
All Units	1	2

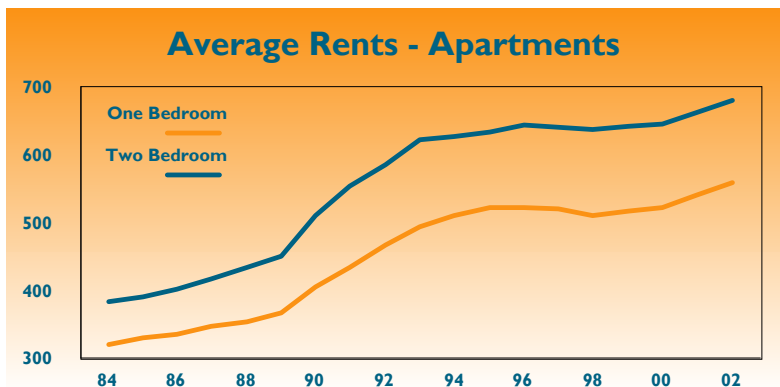
across all rent ranges, both older and newer buildings. Vacancy rates

Low vacancy rates point to higher rents in 2003.

remained lowest in newer buildings.

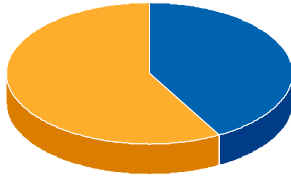
Low vacancy rates have pushed up rents, average one and two bedroom apartment rents rising 3.3 and 2.6 per cent, respectively. Core area rents posted the biggest increases. Rutland area rents, while remaining well below core area rates, saw bigger increases this year than last. Average townhouse rents, lead by the core area, were also up in 2002.

Newer buildings command significantly higher rents. Average one and two bedroom apartment rents in buildings built after 1985 are 15-17 per cent higher than in older buildings (1960-1984). The newest apartment projects are



Average rents up again in 2002.

**Units Surveyed
Public Universe**



Row	653	41.9%
Apartment	906	58.1%

achieving rents in the \$650-\$700 and \$775-\$800 ranges, for one and two bedroom units, respectively. Luxury buildings are capturing even higher rents.

Once again, sustained low vacancy rates point to higher rents. Expect average rents to move up another 2.0-3.0 per cent in 2003.

Rental housing construction will total only 60 units in 2002, down from almost 500 units during the previous three year period. The decline is due, in part, to slightly higher vacancy rates. High land and land development costs and scarcity of sites remain big challenges for developers. With demand for condominiums on the upswing, builders now have a greater range of development opportunities.

Most new projects have targeted the upper end rent ranges to achieve and maintain viability. Also, the luxury rental market was, until recently, largely untapped. Expect demand for this type of rental to begin flattening out as more new "high-end" supply comes on stream.

Kelowna has seen no significant additions to the stock of privately-initiated townhouses since 1990. Lower density rental housing remains a marginal proposition given costs and development alternatives.

Smaller subsidy allocations have also contributed to fewer rental housing starts. No publicly-initiated projects were begun in 2002 and none are anticipated next year.

Declining vacancy rates will trigger more rental housing construction in 2003. Rental housing starts will

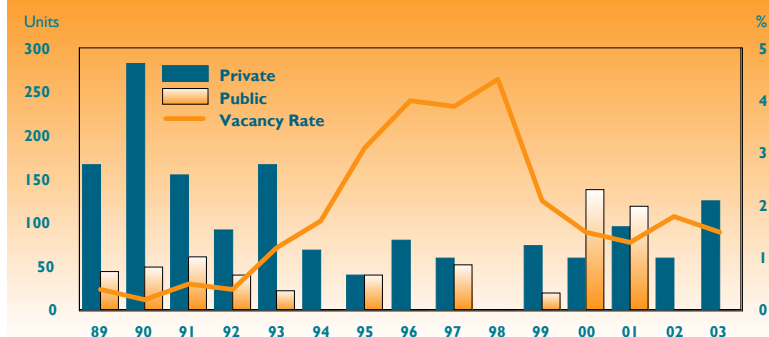
Rental housing starts - private and public, down in 2002 ...

total 75-125 next year. Look for development opportunities in Westbank, and areas experiencing strong employment growth - Orchard Park and the Highway 97 and 33 and Springfield Road corridors.

Forecast

- ◆ The Kelowna area vacancy rate will edge back down in 2003. Steady employment and population growth point to increased demand for rental accommodation. Also, the outflow of renters to the ownership market will slow in response to higher interest rates, rising prices and reduced supply of lower priced listings. Expect the overall vacancy rate to drop to 1.5% by year-end 2003.
- ◆ Family-oriented rentals - three bedroom apartment and townhouse units will remain in shortest supply.
- ◆ Low vacancy rates will push up rents. Expect average rents to increase another 2.0% - 3.0% in 2003.
- ◆ Slightly lower vacancy rates will mean more rental housing starts in 2003. Rental construction will total 75 - 125 privately-initiated units. No publicly funded units are expected to come on stream next year. The Westbank area, Orchard Park and the Highway 97, 33 and Springfield Road corridors may offer the best potential for rental construction.

Vacancy Rates and Rental Housing Starts



Rental housing starts down in 2002.



Table 1

Vacancy Rates in Private Apartment Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	1.2	1.9	0.9	5.6	1.1	1.7	1.4	1.9	1.0	0.0
Zone 2	0.5	0.8	0.0	**	1.2	**	0.2	0.5	0.0	0.0
Kelowna CA	1.1	1.7	0.9	5.5	1.1	1.7	1.1	1.6	0.8	0.0

Table 2

Vacancy Rates in Private Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	2.6	2.9	**	**	**	0.0	2.9	4.0	2.0	0.0
Zone 2	2.4	1.7	N/U	N/U	0.0	5.9	1.9	1.0	5.1	3.4
Kelowna CA	2.5	2.3	**	**	0.0	3.1	2.2	2.4	3.7	1.8

Table 3

Vacancy Rates in Private Apartment and Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	1.3	2.0	0.9	5.6	1.1	1.7	1.5	2.1	1.3	0.0
Zone 2	1.1	1.1	0.0	**	1.1	2.3	0.8	0.7	3.8	2.5
Kelowna CA	1.3	1.8	0.9	5.4	1.1	1.7	1.3	1.8	2.2	0.9

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	7	251	**	**	0	15	7	181	0	54
Zone 2	5	290	N/U	N/U	1	17	2	213	2	60
Kelowna	12	541	**	**	1	33	9	394	2	114
Apartment										
Zone 1	62	3,274	6	113	26	1,498	30	1,560	0	103
Zone 2	4	539	**	**	2	120	2	395	0	20
Kelowna CA	66	3,813	6	116	28	1,618	32	1,955	0	123
All Units										
Zone 1	69	3,525	6	114	26	1,513	37	1,741	0	157
Zone 2	9	829	**	**	3	138	4	608	2	80
Kelowna CA	78	4,354	6	117	29	1,651	41	2,349	2	237

** 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+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	610	628	469	483	546	563	678	695	724	739
Zone 2	580	598	350	**	494	**	610	621	712	720
Kelowna CA	605	624	464	478	541	559	663	680	722	736

Table 6

Average Rents in Private Townhouse Units										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Zone 1	658	674	**	**	**	531	624	661	763	775
Zone 2	620	626	N/U	N/U	408	436	604	605	714	725
Kelowna CA	635	649	**	**	425	489	612	631	736	747

Table 7

Apartment Vacancy Rates by Year of Completion and Bedroom Type (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
1960-1974	2.1	2.5	1.7	**	1.9	1.9	2.4	3.5	2.0	0.0
1975-1984	1.1	1.5	0.0	**	0.2	0.8	2.0	2.2	**	**
After 1985	0.2	0.9	0.0	2.4	0.5	1.6	0.1	0.6	0.0	0.0
Total	1.1	1.7	0.9	5.5	1.1	1.7	1.1	1.6	0.8	0.0

Table 8

Average Apartment Rents by Year of Completion and Bedroom Type										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
1960 - 1974	556	565	431	**	525	535	614	623	662	635
1975 - 1984	566	585	456	**	518	535	617	634	**	**
After 1985	674	697	478	501	593	625	708	728	774	801
Total	605	624	464	478	541	559	663	680	722	736

** 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 2002	116	478	3	1,618	559	3	1,955	680	3	123	736	2
Fall 2001	114	464	7	1,737	541	3	1,941	663	3	121	722	0
Fall 2000	103	435	2	1,646	523	1	1,861	645	0	132	718	1
Fall 1999	102	425	0	1,651	518	2	1,880	642	0	133	711	0
Fall 1998	94	423	1	1,628	510	-2	1,857	638		135	706	0
Fall 1997	101	418	-1	1,584	521		1,846	640	-0	132	706	
Fall 1996	101	423	0	1,563	523		1,822	644	2	130	707	0
Fall 1995	103	420	5	1,578	522	2	1,784	634		123	702	3
Fall 1994	107	401	1	1,559	510	3	1,768	633	2	119	682	3
Fall 1993	101	396	5	1,485	494	6	1,735	623	6	118	665	1
Fall 1992	107	378	13	1,447	468	8	1,657	586	6	111	657	9

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 2002	33	489	15	394	631	3	114	747	2
Fall 2001	19	425	-0	356	612		109	736	0
Fall 2000	19	429	-11	396	610	-1	107	731	-8
Fall 1999	18	484	18	371	618	0	103	793	8
Fall 1998	18	412		375	615	-1	105	732	4
Fall 1997	18	413	-1	372	623	-0	99	701	
Fall 1996	18	419	2	377	627	1	95	703	0
Fall 1995	16	409	3	374	621	1	95	698	2
Fall 1994	16	398	2	382	613	0	93	682	4
Fall 1993	15	391	0	356	610	3	91	654	4
Fall 1992	15	388	7	355	595	11	97	628	9

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