



RENTAL MARKET

REPORT

2003 Survey - Kelowna

Canada Mortgage and Housing Corporation

Vacancy Rate Edges Back Down

Highlights

The Kelowna area vacancy rate edged back down in 2003. The vacancy rate fell to 1.6% from 1.8% last year. Fewer vacancies among core area two bedroom apartments accounted for all the decline. Rutland recorded a small increase. Kelowna's vacancy rate has remained below two per cent since 1999.

Steady population and employment growth has kept vacancy rates low. Sharply rising resale house prices and big drop in the supply of lower priced listings have meant fewer first-time buyers this year. Also, people displaced by this past summer's wild fires have contributed to increased demand for rental accommodation. Family-oriented accommodation was in shortest supply, Core area three bedroom apartment and townhouses recording zero

vacancy. Overall, the Kelowna rental market, both Rutland and the Core area, has remained tight.

Vacancy rate has remained below two per cent since 1999.

Once again, the vacancy rate for publicly initiated rental housing remained low at only 0.8 per cent.

Rents have continued to trend up, rising in response to sustained low vacancy rates. Core area rents, for the most part, saw the biggest increases. Average apartment and townhouse rents remain significantly higher in the Core Area than Rutland.

On the supply side, Kelowna has seen few additions to the stock of rental housing in 2003.

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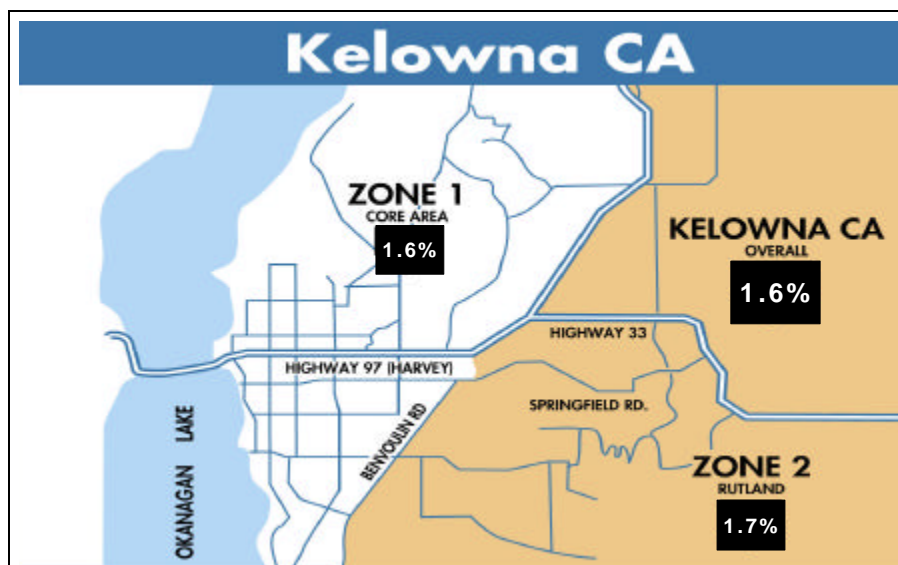
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HOME TO CANADIANS
Canada

Rental housing starts have included only one larger apartment project in each of the past three years. A strong condominium market has lead to competing development opportunities. Reduced government

Kelowna's vacancy rate remains among the lowest in BC.

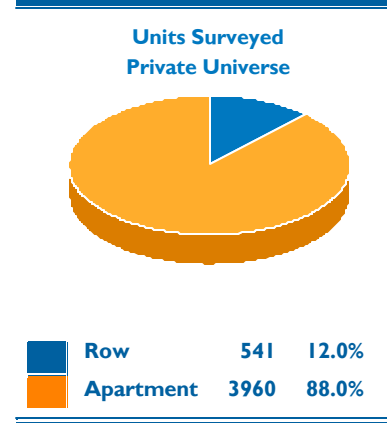
funding has also resulted in fewer rental housing starts.

Expect Kelowna area vacancy rates to remain low through 2004.

Nationally, the combined townhouse and apartment vacancy rate increased for the second straight year. The vacancy rate jumped to 2.6 per cent from 2.2 per cent in 2002. Low interest rates in combination with high levels of condominium construction this year and last have triggered an outflow of renters to the home ownership

market. In many centres, condos are the most affordable ownership option. Soaring condo starts have boosted the supply of investor owned rentals. Reduced immigration and slower employment growth have also contributed to rising vacancy rates. The increase was widespread, twenty of Canada's 28 metropolitan centres recording higher vacancy rates in 2003. By province, Ontario and Alberta saw the biggest increases. Once again, vacancy rates were lowest in Quebec and highest in Saskatchewan. Average rents were up despite rising vacancy rates, all provinces and most metropolitan centres seeing an increase.

Here in BC, the overall vacancy rate was unchanged at 3.3 per cent. Vacancy rates remained highest in central and northern BC, the Kootenays and some centres on Vancouver Island - regions more



closely tied to resource based industry. Victoria posted the lowest vacancy rate in BC. Vancouver jumped to a three year high. Closer to home, vacancy rates in Kamloops, Penticton and Salmon Arm were up slightly in 2003. Vernon saw it's vacancy rate tumble to a ten year low. The Kelowna area vacancy rate remains the lowest among BC's larger centres, trailing only Victoria.

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	2002	2003
Abbotsford	2.0	2.5
Calgary	2.9	4.4
Edmonton	1.7	3.4
Halifax	2.7	2.3
Hamilton	1.6	3.0
Hull	0.5	1.2
Kingston	0.9	1.9
Kitchener	2.3	3.2
London	2.0	2.1
Montreal	0.7	1.0
Oshawa	2.3	2.9
Ottawa	1.9	2.9
Quebec	0.3	0.5
Regina	1.9	2.1
St. Catharines	2.4	2.7
Saguenay	4.9	5.2
Saint John	6.3	5.2
St. John's	2.7	2.0
Saskatoon	3.7	4.5
Sherbrooke	1.8	0.7
Sudbury	5.1	3.6
Thunder Bay	4.7	3.3
Toronto	2.5	3.8
Trois Rivieres	3.0	1.5
Vancouver	1.4	2.0
Victoria	1.5	1.1
Windsor	3.9	4.3
Winnipeg	1.2	1.3
Large Urban Area	2002	2003
Barrie	1.4	3.3
Belleville	3.5	3.9
Brantford	2.1	3.2
Cape Breton	7.4	6.8
Charlottetown	2.2	3.5
Chatham	9.1	8.0
Chilliwack	3.5	3.0
Cornwall	4.5	3.7
Drummondville	2.2	2.5
Fredericton	0.9	1.6
Granby	2.5	1.7
Guelph	2.7	3.9
Kamloops	4.3	4.2
Kawartha Lakes	**	2.0
Kelowna	1.7	1.4
Lethbridge	2.2	2.6
Medicine Hat	1.6	2.8
Moncton	2.3	2.9
Nanaimo	3.4	1.2
Norfolk	**	1.6
North Bay	3.3	3.3
Peterborough	2.6	1.4
Prince George	11.9	10.3
Red Deer	4.0	4.3
Saint-Jean-Iberville	0.6	0.5
St. Jerome	**	**
Sarnia	4.4	6.1
Sault Ste. Marie	11.1	8.1
Shawinigan	8.5	7.3
Vernon	5.4	2.0
Total CANADA	1.7	2.3

Rental Market Remains Tight

At 1.6 per cent vacancy, rental accommodation remains hard to find in Kelowna. Only 71 of the 4,501 units surveyed were vacant and available for rent.

Strong population growth remains a key driver, fueling demand for rental housing. Kelowna is the second fastest growing center in BC. Unlike BC overall, Kelowna is beginning to see a net inflow of migrants from other provinces. Also, Kelowna has benefited from a province-wide trend towards urbanization, spurred in part, by shrinking employment opportunities in resource dependent communities. Intra-provincial migration - people moving to Kelowna from within BC, has been, in recent years, the biggest source of population growth. Kelowna's population growth driven economy continues to expand, the residential construction and related manufacturing, high tech, retail and personal and business service sectors key sources of job creation.

The outflow of renters to the home ownership market has slowed in response to double-digit price increases and fewer listings. The year-to-date median resale house

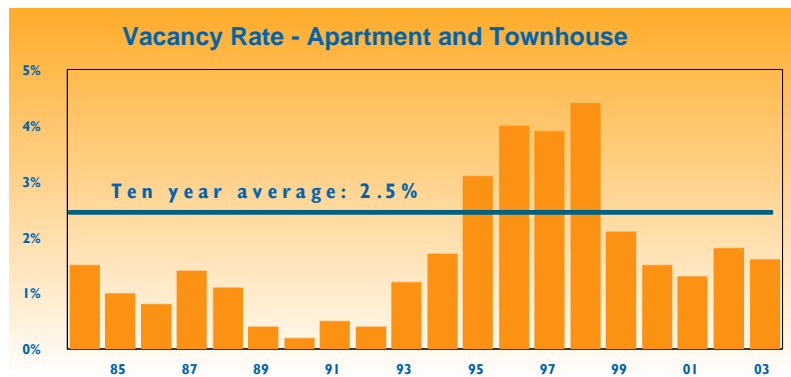
price has jumped 17% to 220,000 from \$188,500 in 2002. Resale condo prices have also seen big gains. Both singles and condo listings have tumbled to historic lows. The supply of singles listings

Strong population growth fuels demand for rental housing.

priced at less than \$200,000 has dropped by more than half from a year ago.

Rental housing starts have declined for three straight years. Supply has lagged behind demand, contributing to low vacancy rates.

The demand outlook points to sustained low vacancy rates. Fewer renters will make the jump to home ownership in 2004. Slightly higher mortgage interest rates will take a bite out of affordability. The Kelowna area will continue to see steady population and employment growth. The BC economy is poised to see stronger, more broadly based growth, exports recovering in tandem with the US economy. Inter-provincial migration is slowly turning around. Look for a net inflow by 2005. Expect the



Vacancy rate edges down - rental market remains tight.

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Kelowna area vacancy rate to remain in the 1.5% - 2.0% range through 2004.

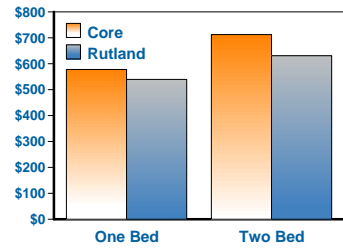
The core area apartment vacancy rate dipped to 1.6% from 2.0% in 2002. Demand has been strongest for two and three bedroom apartment units. Low vacancy rates and rising rents have lead to more sharing. Also, the core area and larger unit types have been the focus of demand for those who lost homes in this summer's wild fire. Rutland was unchanged at 0.8% vacancy, half the core area rate. Growing commercial development along the Highway 97 corridor has meant more jobs in and closer to Rutland. Also, apartment rents are more affordable in Rutland, the differential ranging from six to twelve per cent, depending on bedroom type. Rutland, unlike the core area, has seen no new supply come on stream since 1997. The

Vacancy rates lowest in newer projects despite higher rents.

townhouse vacancy rate rose to 2.9% from 2.3% in 2002. The increase represents a small number of units. With only 25 three bedroom townhouse units coming on stream since 1993, this segment of the rental market - family accommodation - has remained chronically under supplied.

Despite higher rents, vacancy rates

Average Apartment Rents By Zone



	Core	Rutland	% Ch.
1 Bed	\$579	\$540	7.2%
2 Bed	\$713	\$632	12.8%

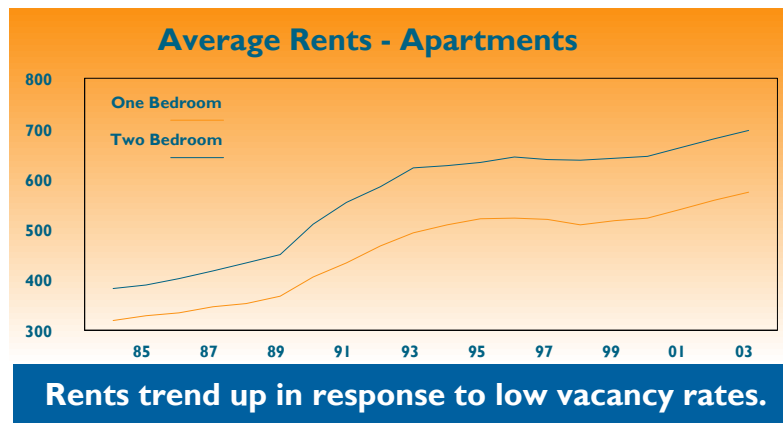
were lowest in newer buildings. Though targeting higher income renters, suites in some newer

Sustained low vacancy rates push up rents ... again.

buildings are better equipped to facilitate multiple occupancy or sharing. At least one project includes "lock-off" suites which can be sub let to another renter.

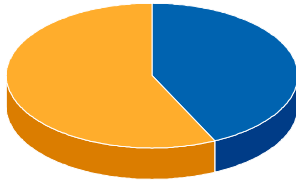
Sustained low vacancy rates have pushed up rents again, average one and two bedroom apartment rents rising 2.5% - 3.0% for the third straight year. Higher core area rents reflect proximity to the lake, health care and other services and the availability of newer, more upscale accommodation.

Newer buildings, especially in core area locations are commanding significantly higher rents.



Rents trend up in response to low vacancy rates.

**Units Surveyed
Public Universe**



Row	681	42.9%
Apartment	906	57.1%

Apartment projects built since the mid 1990s are achieving rents in the \$625-\$700 and \$775-\$850 ranges for one and two bedroom units, respectively. A few luxury buildings are capturing even higher rents.

Low vacancy rates point to higher rents in 2004. Expect rents to increase another 2.0-3.0 per cent, one and two bedroom apartment rents climbing to \$585-\$590 and \$710-\$715 per month, respectively, by year-end.

Rental housing starts will total only 54 units this year. Two apartment projects totaling 106 units (2002 and 2003 starts) are currently under construction and will come on stream early in 2004. High land and soaring construction costs and scarcity of sites remain big challenges for developers. With

demand for condominiums on the upswing and condo prices trending up sharply, many builders have focused on the home ownership market this year and last. Condo starts will reach a ten year high in 2003.

Most rental projects built since 1998 have targeted renters seeking more upscale accommodation, until recently, a largely untapped market. Expect demand for this type of product to flatten out as more new supply comes on stream. Demand for new rentals will shift to more modest, medium priced units in 2004. Lower density rental housing remains a marginal proposition given land costs and competing residential development alternatives.

No publicly initiated rental projects

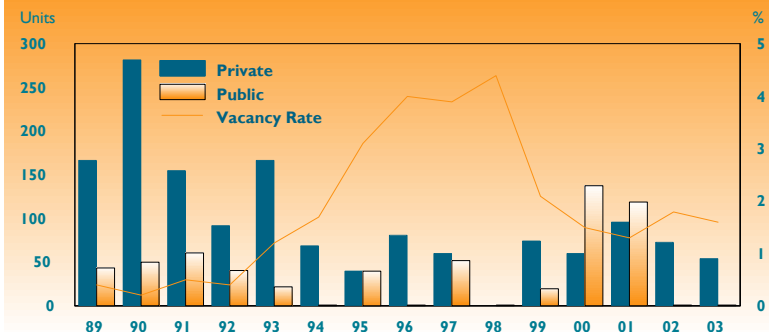
Look for more rental housing construction in 2004.

were begun in 2003 and none are anticipated next year. Sustained low vacancy rates will trigger a higher level of rental construction in 2004. Rental housing starts will total 100-125 units next year. Look for development opportunities in Rutland, Westbank and locations near areas experiencing strong employment growth - the Highway 97 and Springfield Road corridors.

Forecast

- ◆ The Kelowna area vacancy rate will remain in the 1.5%-2.0% range through 2004. Steady employment and population growth will keep vacancy rates low. 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.
- ◆ 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 2004.
- ◆ Sustained low vacancy rates will mean more rental housing starts in 2004. Rental construction will total 100 - 125 privately-initiated units. New projects will focus on more modest medium priced accommodation in 2004. 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 again in 2003.



Table 1

Vacancy Rates in Private Apartment Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	1.9	1.5	5.6	5.8	1.7	1.9	1.9	1.0	0.0	0.0
Zone 2	0.8	0.8	**	**	1.8	0.0	0.5	0.9	0.0	5.0
Kelowna CA	1.7	1.4	5.5	5.6	1.7	1.7	1.6	1.0	0.0	0.8

Table 2

Vacancy Rates in Private Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	2.9	2.1	**	**	0.0	0.0	4.0	2.9	0.0	0.0
Zone 2	1.7	3.5	N/U	N/U	5.9	**	1.0	3.9	3.4	3.3
Kelowna CA	2.3	2.9	**	**	3.1	0.0	2.4	3.4	1.8	1.8

Table 3

Vacancy Rates in Private Apartment and Townhouse Units (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	2.0	1.6	5.6	5.8	1.7	1.8	2.1	1.2	0.0	0.0
Zone 2	1.1	1.7	**	**	2.3	0.0	0.7	1.9	2.5	3.7
Kelowna CA	1.8	1.6	5.4	5.5	1.7	1.6	1.8	1.4	0.9	1.3

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	251	**	**	0	15	5	181	0	54
Zone 2	10	290	N/U	N/U	**	**	8	211	2	63
Kelowna	15	541	**	**	0	32	13	392	2	116
Apartment										
Zone 1	51	3,329	7	114	28	1,535	16	1,572	0	108
Zone 2	5	631	**	**	0	175	4	430	1	20
Kelowna CA	56	3,960	7	120	28	1,710	20	2,002	1	128
All Units										
Zone 1	56	3,580	7	115	28	1,550	21	1,753	0	161
Zone 2	15	921	**	**	0	192	12	641	3	83
Kelowna CA	71	4,501	7	121	28	1,742	33	2,394	3	244

** 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+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	628	644	483	488	563	579	695	713	739	748
Zone 2	598	609	**	**	511	540	621	632	720	705
Kelowna CA	624	639	478	483	559	575	680	697	736	741

Table 6

Average Rents in Private Townhouse Units										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Zone 1	674	684	**	**	531	531	661	671	775	790
Zone 2	626	663	N/U	N/U	**	**	605	656	725	705
Kelowna CA	649	673	**	**	489	488	631	663	747	744

Table 7

Apartment Vacancy Rates by Year of Completion and Bedroom Type (%)										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
1960 - 1974	2.5	1.6	**	3.8	1.9	1.5	3.5	1.6	0.0	0.0
1975 - 1984	1.5	1.4	**	**	0.8	1.4	2.2	1.3	**	**
After 1984	0.9	0.7	2.4	0.0	1.6	1.3	0.6	0.5	0.0	0.0
Total	1.7	1.4	5.5	5.6	1.7	1.7	1.6	1.0	0.0	0.8

Table 8

Average Apartment Rents by Year of Completion and Bedroom Type										
Area	All Units		Bachelor Suites		One Bedroom		Two Bedroom		Three Bedroom+	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
1960 - 1974	565	583	**	444	535	548	623	648	635	654
1975 - 1984	585	603	**	**	535	557	634	653	**	**
After 1984	697	709	501	488	625	640	728	741	801	806
Total	624	639	478	483	559	575	680	697	736	741

** 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 2003	120	483	1	1,710	575	2.9	2,002	697	2.5	128	741	0.7
Fall 2002	116	478	3	1,618	559	3.3	1,955	680	2.6	123	736	1.9
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	102	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

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 2003	32	488	-0.2%	392	663	5.1	116	744	-0.4
Fall 2002	33	489	15	394	631	3.1	114	747	1.5
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

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