

# Kelowna Housing Markets Outlook and Trends

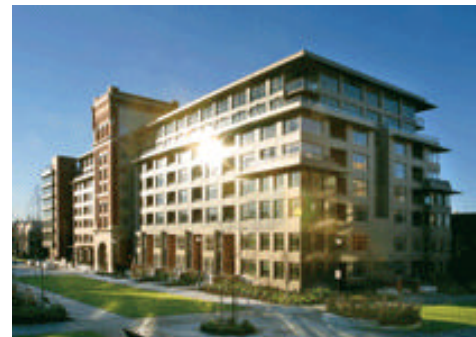
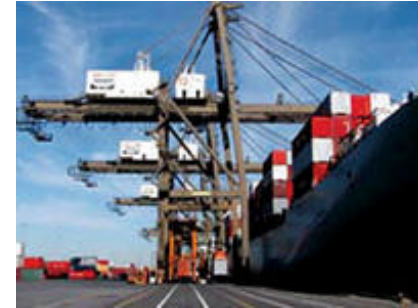


# Today's Topics

- BC Overview
  - Economic Update
  - Implications for Housing Market
- Kelowna Overview
  - The Economy
  - Housing Markets

# Components of Economic Growth Remain Positive

- Consumer spending +
- Residential investment +
- Business investment +
- Net Exports -
- Government spending +



# Some Industry Sectors Performing Better

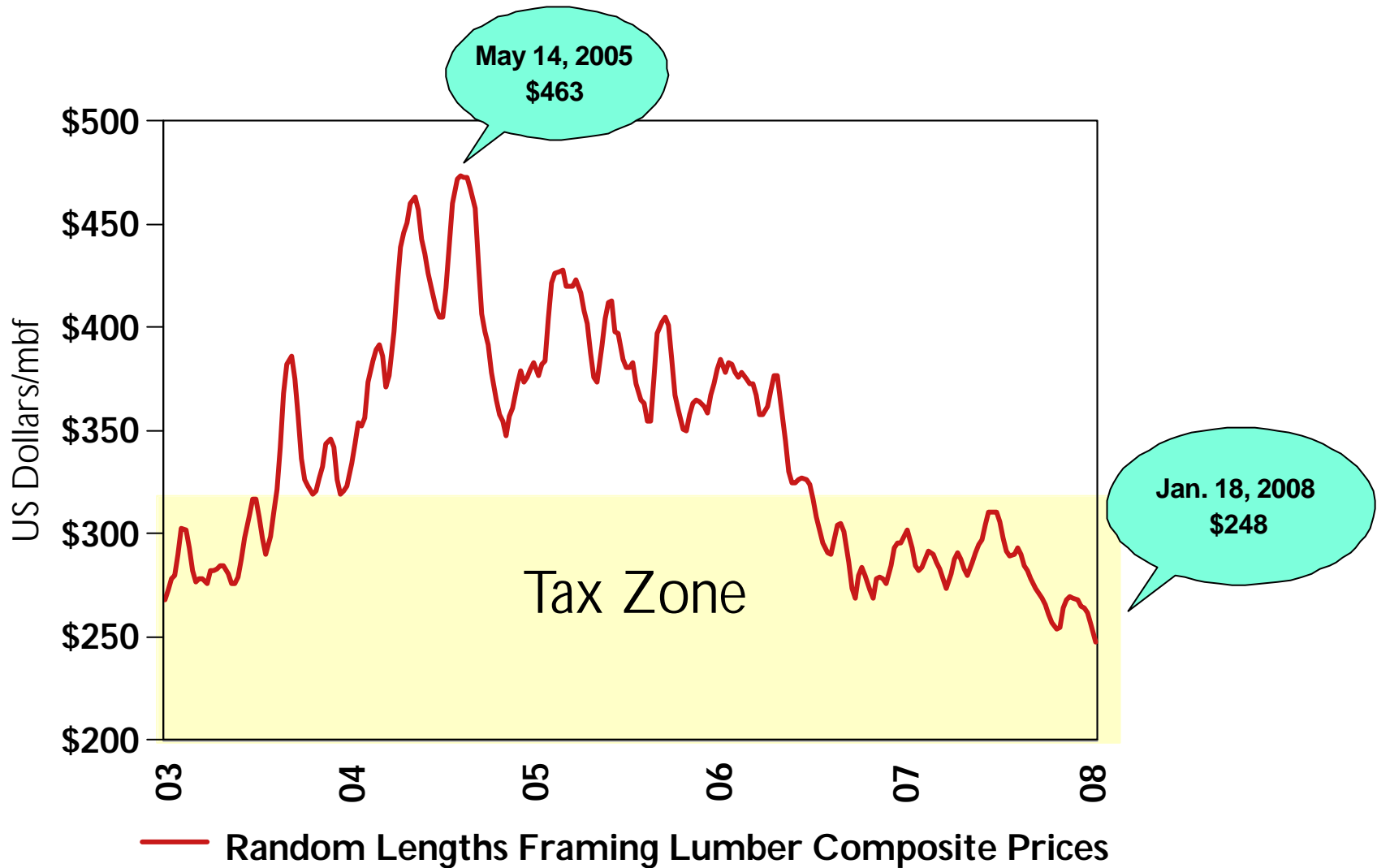
## Growth Sectors

- Construction
  - Residential
  - Non- Residential
- Mining
- Consumer services
- Finance, insurance and related
- Health and education

## Challenged Sectors

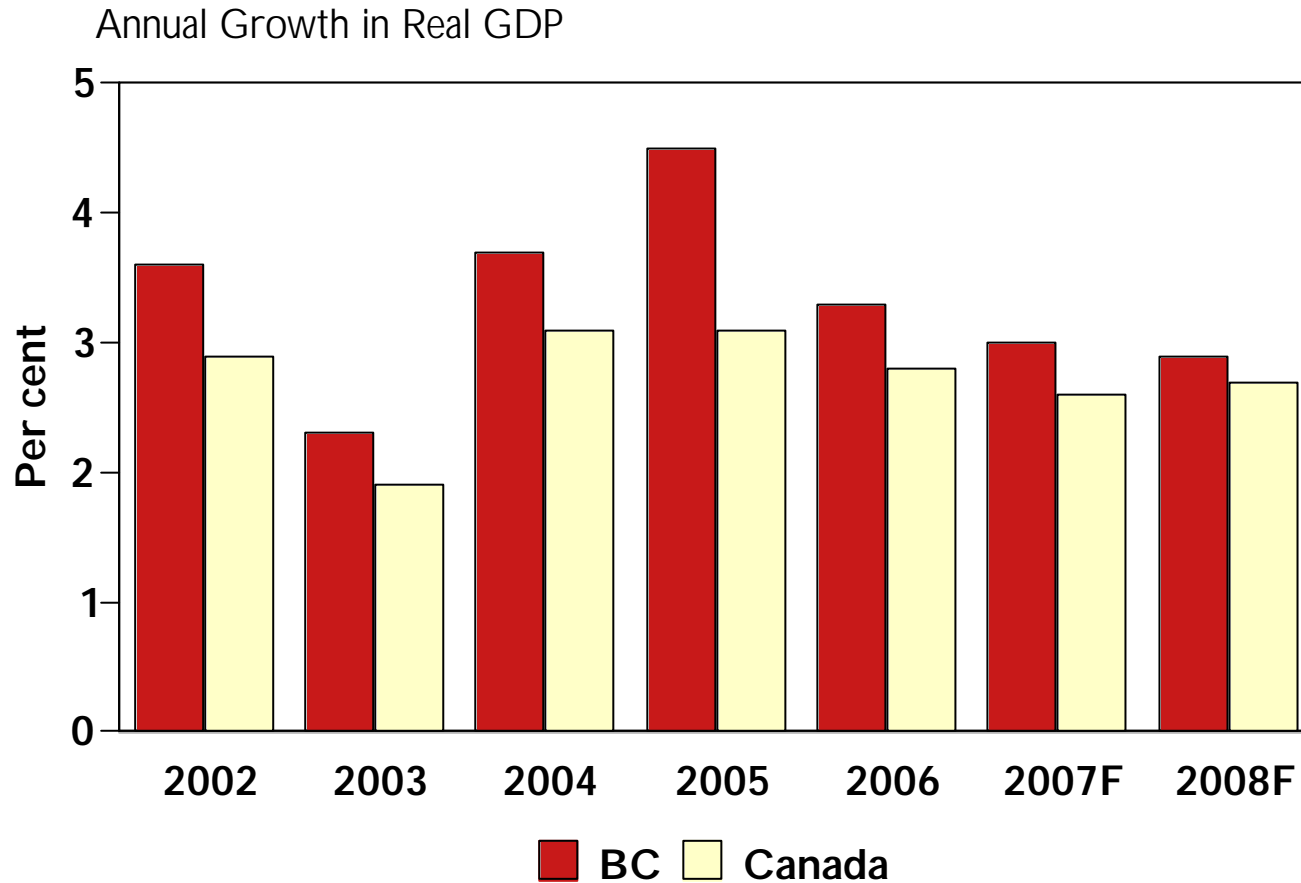
- Forestry
- Tourism
- Retail Trade

# Forest Products Industry Faces Challenging Year



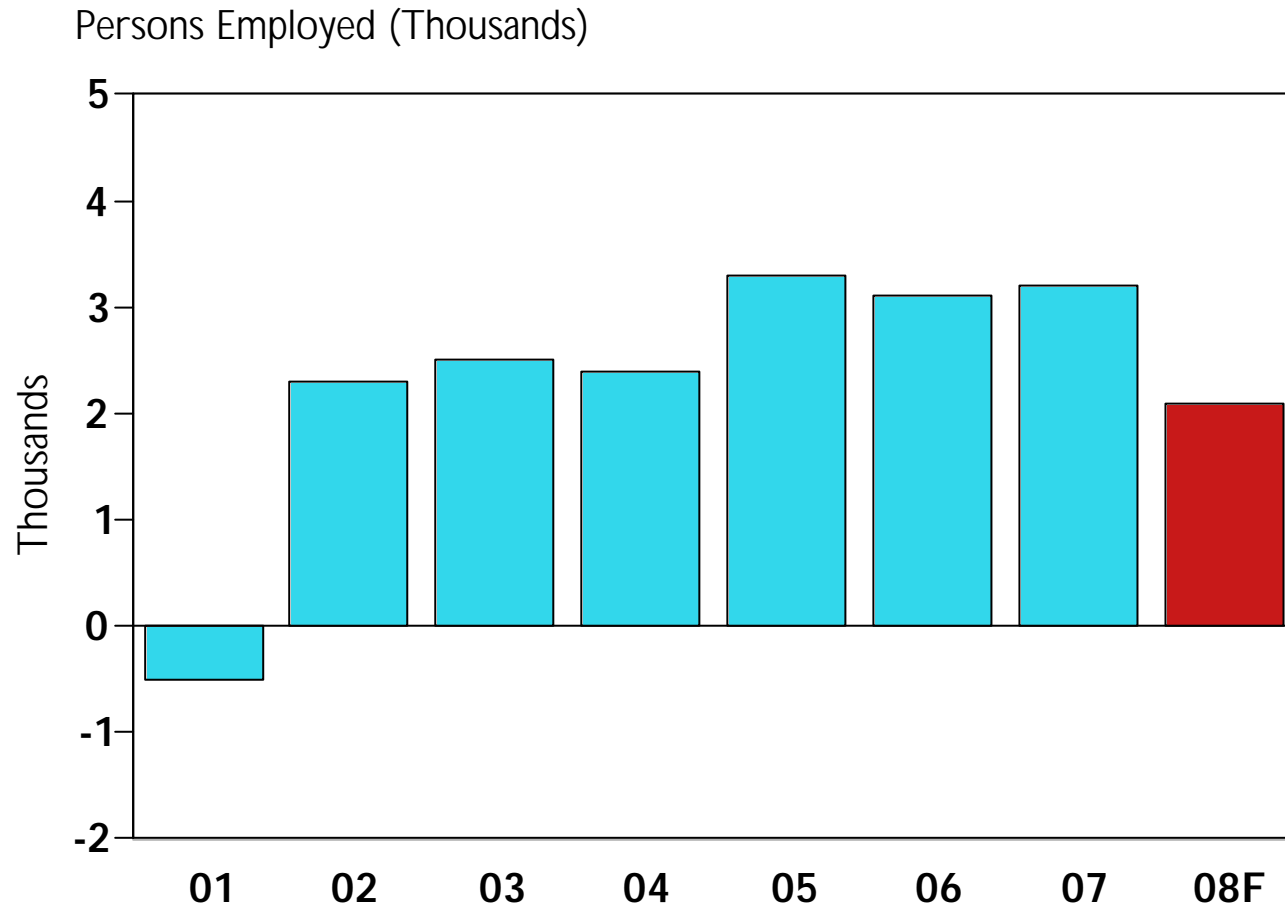
Source: Random Lengths.

# BC Economy Sees More Moderate Growth in 2008



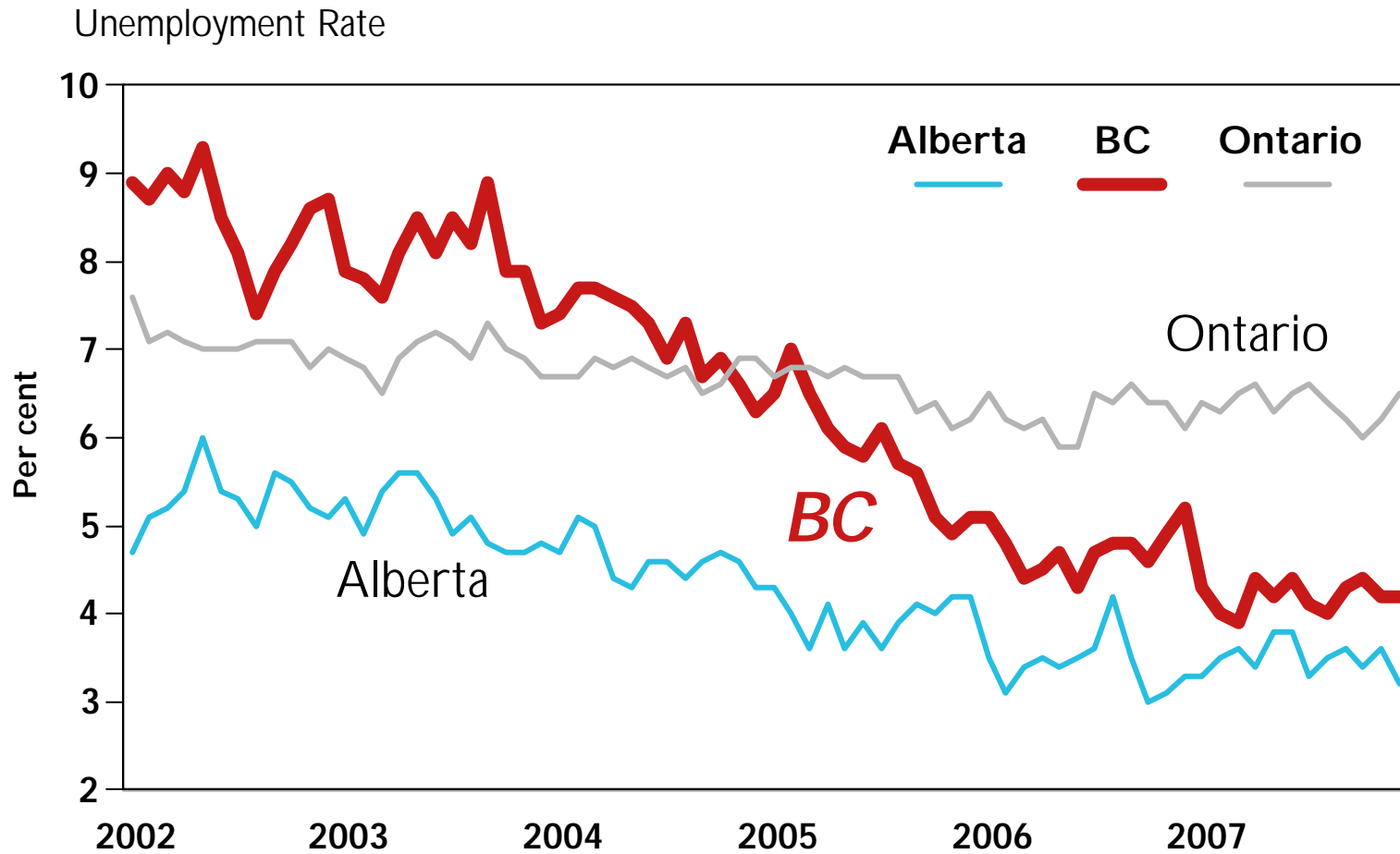
Source: Statistics Canada. \*CMHC Forecast.

# BC Sees Solid Employment Growth



Statistics Canada. Labour Force Survey.

# BC's Low Unemployment Rate Approaches Alberta's

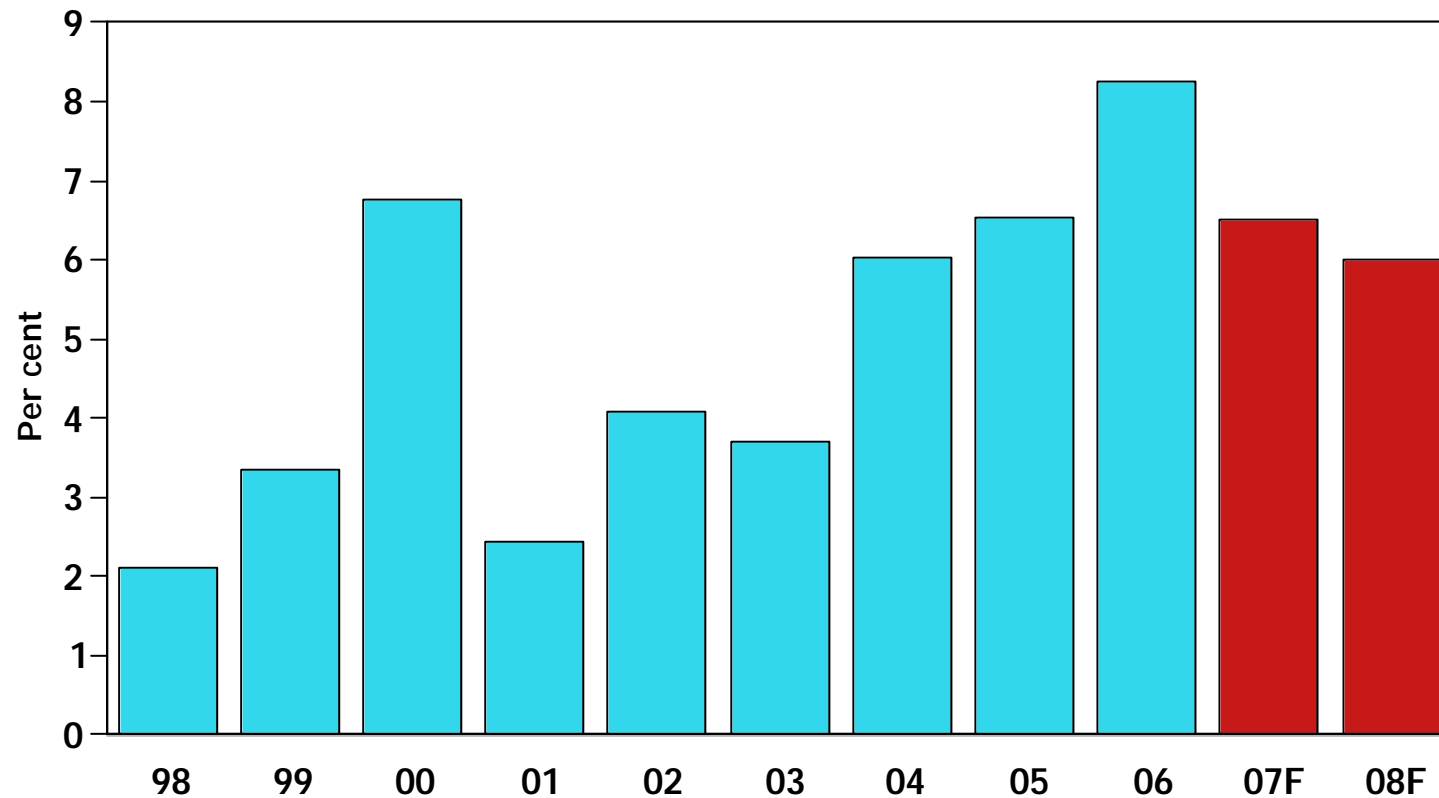


Source: Statistics Canada.



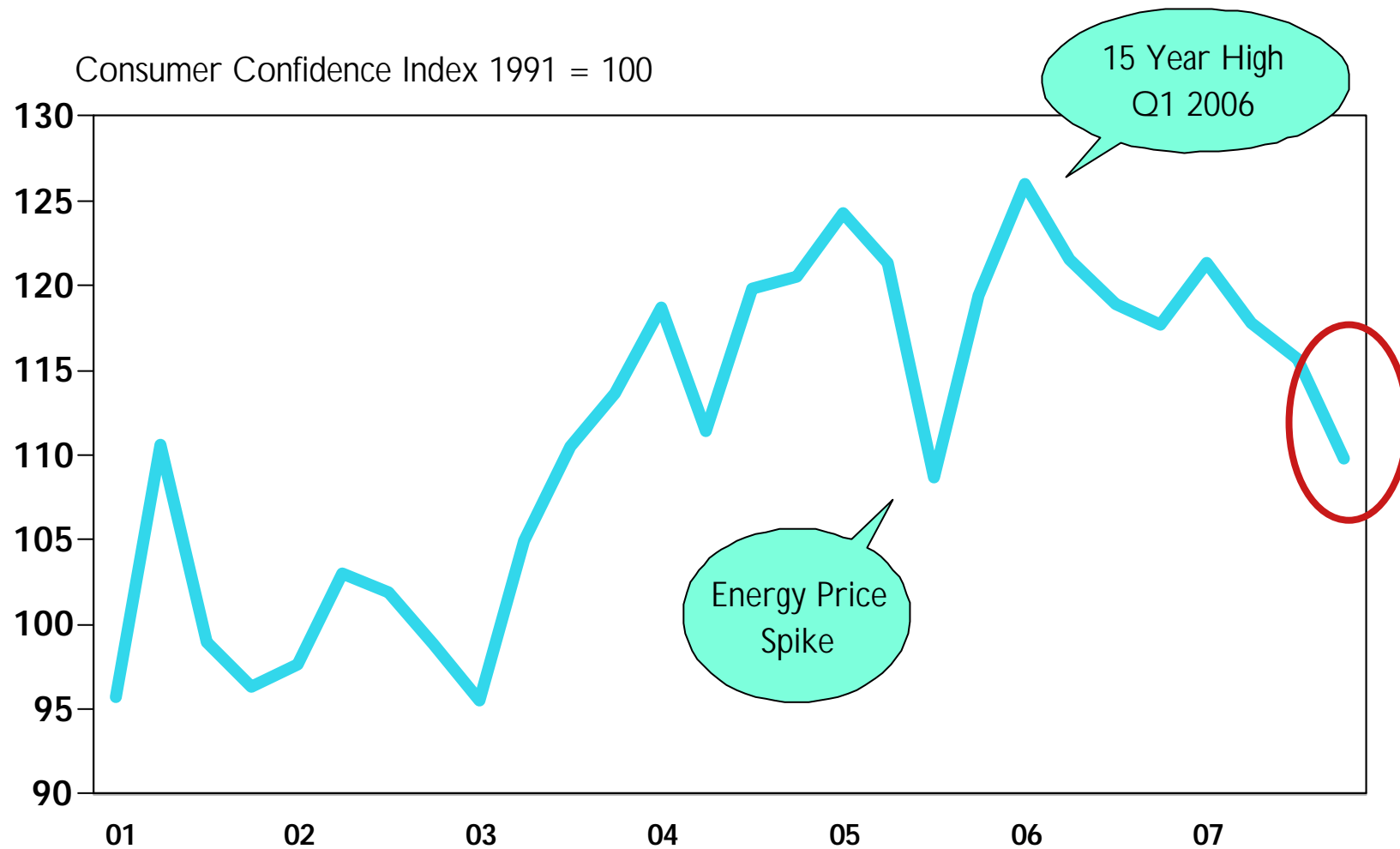
# Incomes Growing in British Columbia

Year-over-year percentage change in wages  
salaries and supplementary labour income



Source: Statistics Canada. CMHC Forecast.

# British Columbians More Cautious in 2008



Source: Conference Board of Canada

# Job Opportunity and Lifestyle Attract Migrants to BC

## 100,000 People Come to BC in 2007 and 2008

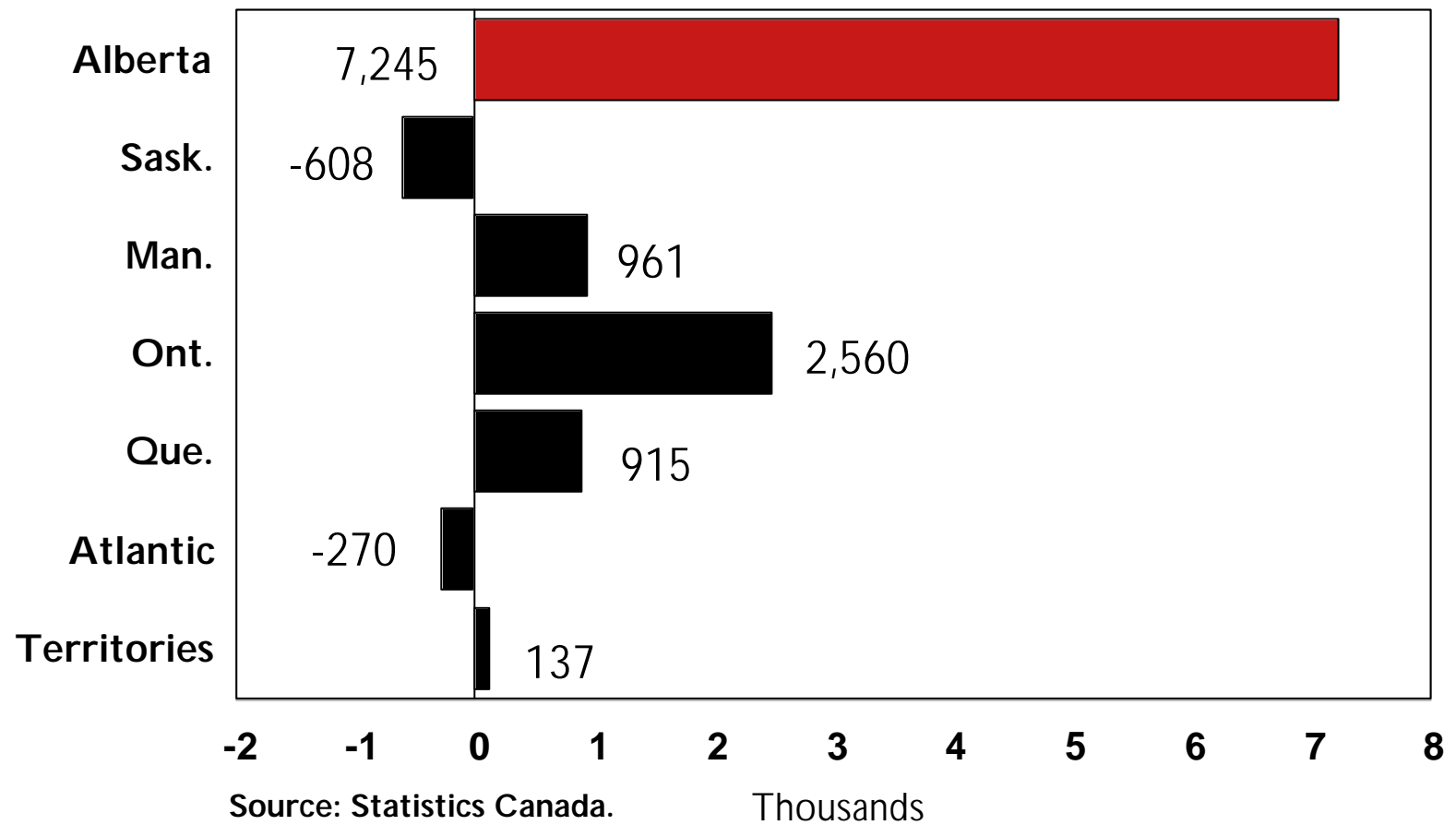
	2007	2008
International	37,700	40,000
Inter-Provincial	12,000	12,800
Total	49,700	52,800

CMHC Forecast.



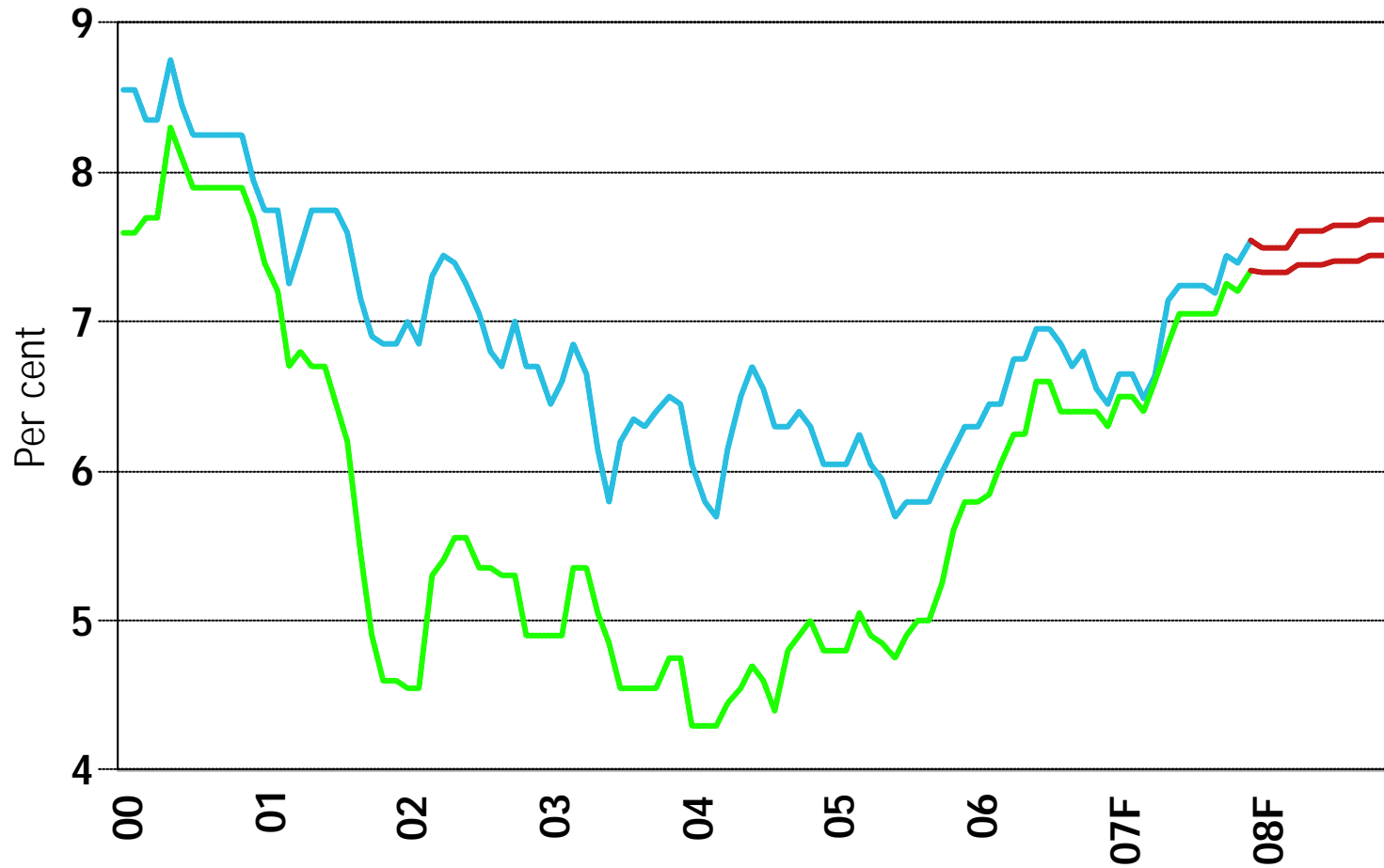
# Coming and Going

## BC Net Inter-Provincial Migration By Province - January - September 2007



# Mortgage Rate Outlook Flat

Posted One and Five Year Residential Mortgage Rates



Source: Bank of Canada, CMHC Forecast.



# Demand Outlook Remains Positive

- ✓ Solid economic growth.
- ✓ Rising Wages.
- ✓ Strong employment growth.
- ✓ Low interest rates.
- ✓ Migration.
- ✓ Aging population/Search for lifestyle.

## Risks to the Outlook

- US housing and economic slowdown.
- High Canadian Dollar.
- Consumer confidence
- Labour shortage.
- Alberta real estate markets cool down.

So ....

- Migration, economy and labour market developments support ongoing high levels of housing activity.
- Monetary conditions remain favourable.
- Risks greater in 2008, but generally on the downside.

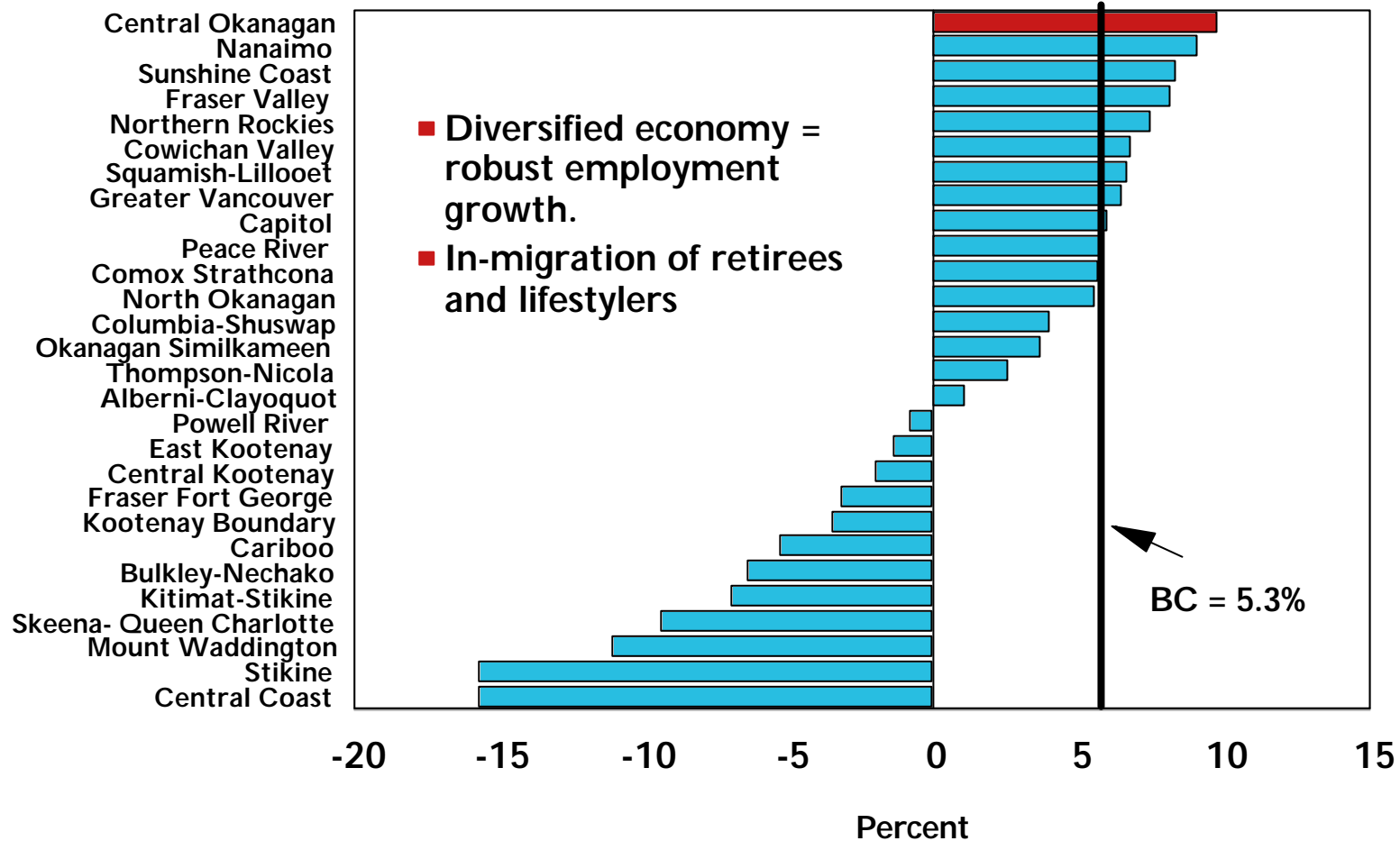
# Kelowna Housing Markets



# Kelowna Sees BC's Strongest Population Growth

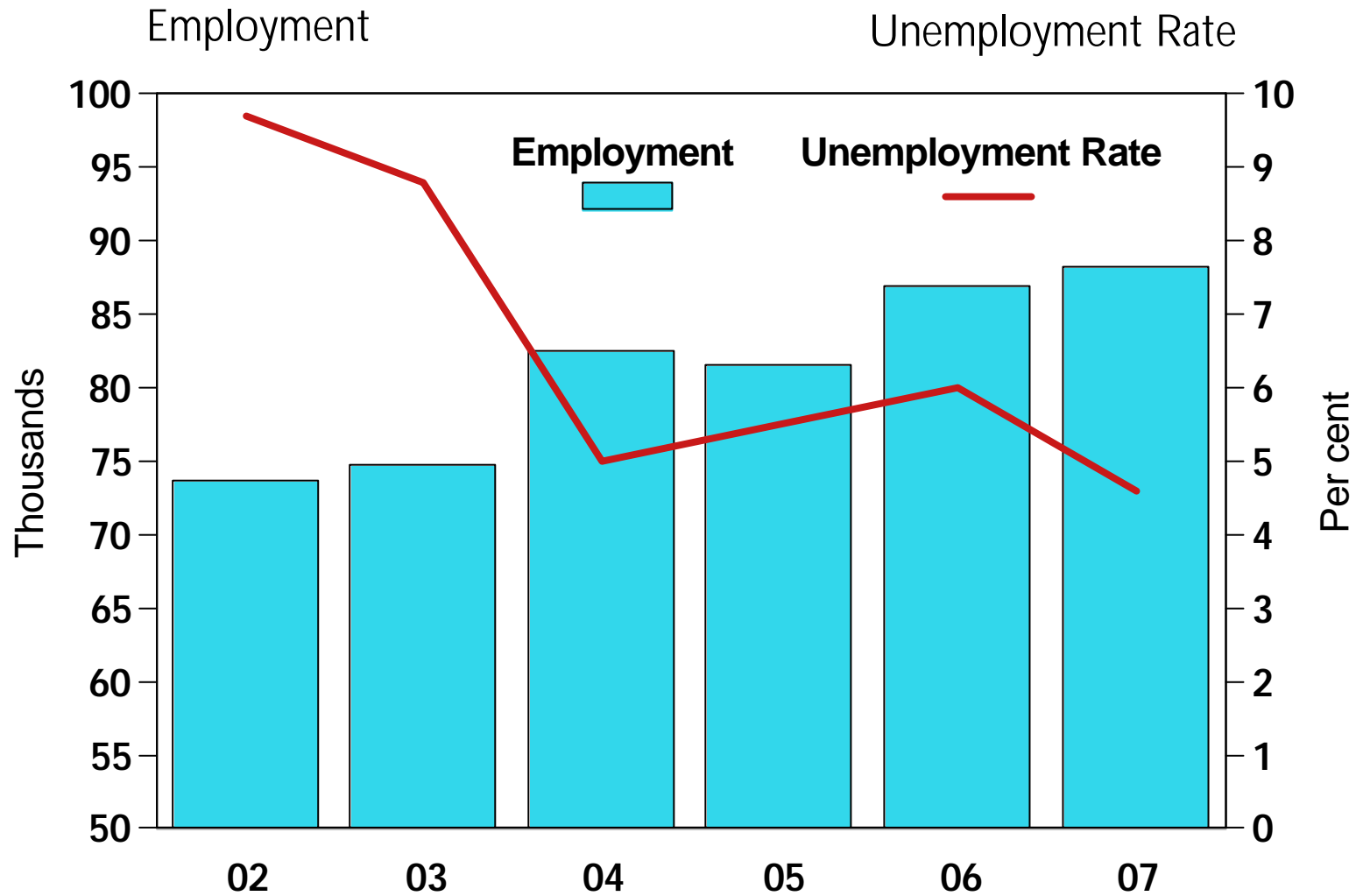
Per cent Increase 2001/2006

Regional District



Source: Statistics Canada.

# Employment Growth Boosts Demand for Housing



Source: Statistics Canada.

# Airport Expansion Key to Growth



- Ninth busiest in Canada.
- Passenger volumes up 42% since 2003.
- Direct Employment: 1,250.
  - Kelowna Flightcraft: 550.
- \$300 million in annual economic activity.
- Industry/institutional partnerships.

# New UBC Okanagan Major Economic Driver



- Student enrollment projected to reach 7,500 by 2009 from 3,987 in 2006.
- Direct employment forecast to double to 760 by 2009.
- \$334 million in new construction activity since 2005. \$490 million projected by 2009.
- \$300 million in annual economic activity.

## **Westside Incorporation Boosts Regional Economy**

- Town centre redevelopment.
- Infrastructure.
- Public buildings.
- More services and prospects of new bridge across Lake Okanagan attract more home buyers to Westbank area.

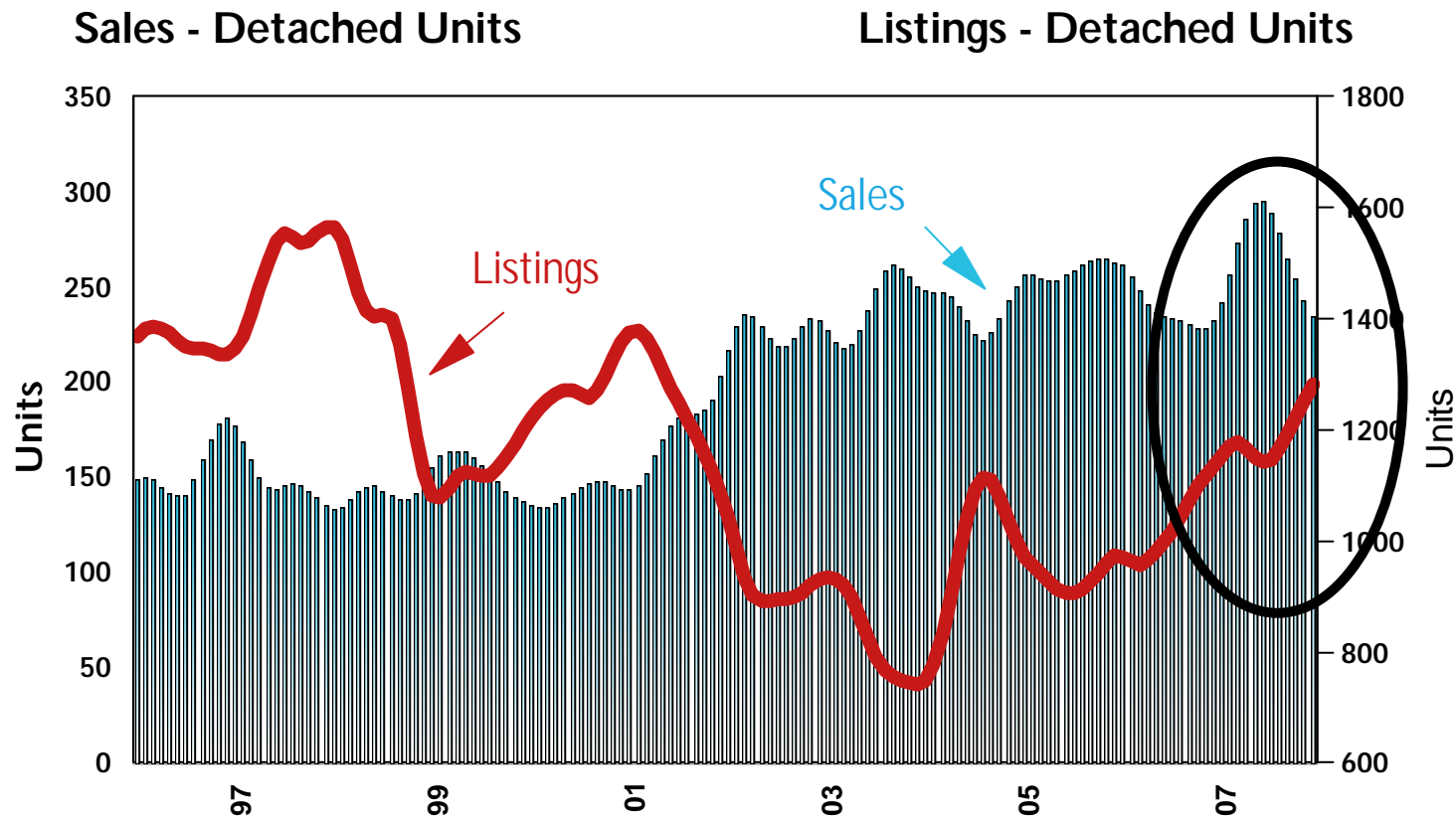
# The Search For Lifestyle

## Retirees and Resort Markets Sources of Housing Demand



- Aging Population
- "Wealth Factor" Equity gains induce spending.
- Hot BC and Alberta Economies
- Climate, setting
- Services
- Access
- Housing choices

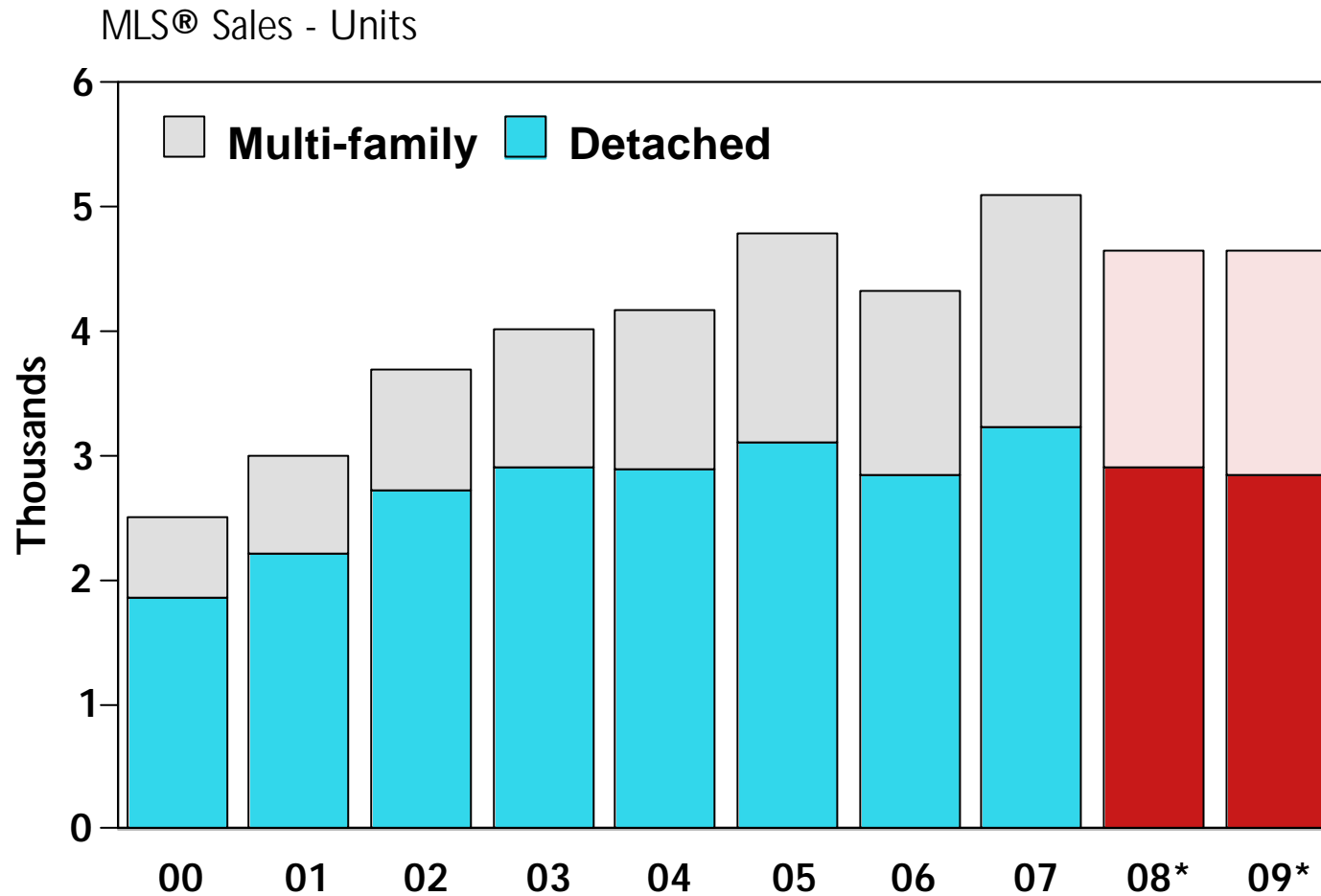
# Sales of Existing Homes Rebound in 2007



Source: OMREB

Data seasonally adjusted.

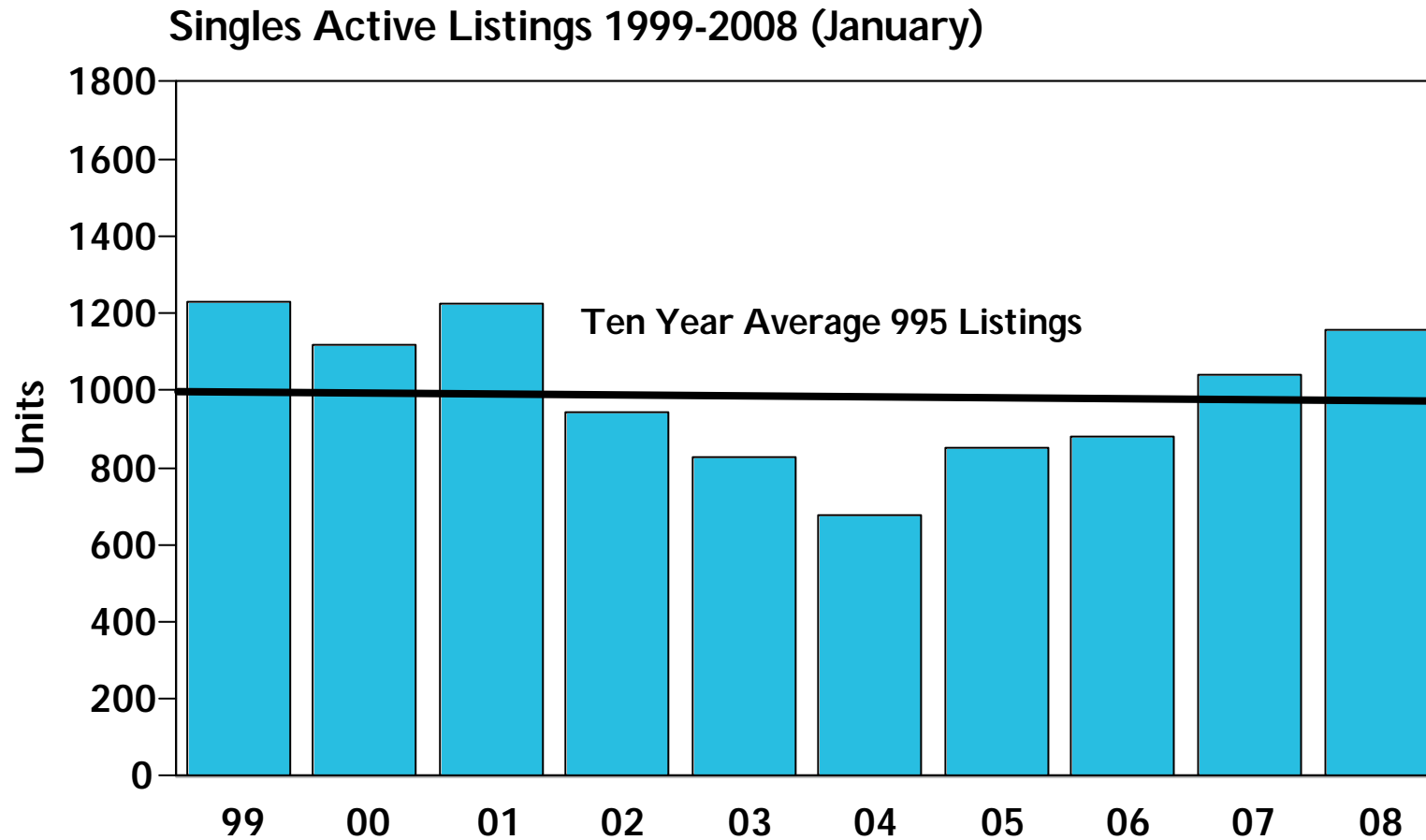
# Sales Moderate - Remain at High Levels in 2008



Source: OMREB. Multiples: Apartment and all Townhouses. CMHC Forecast.

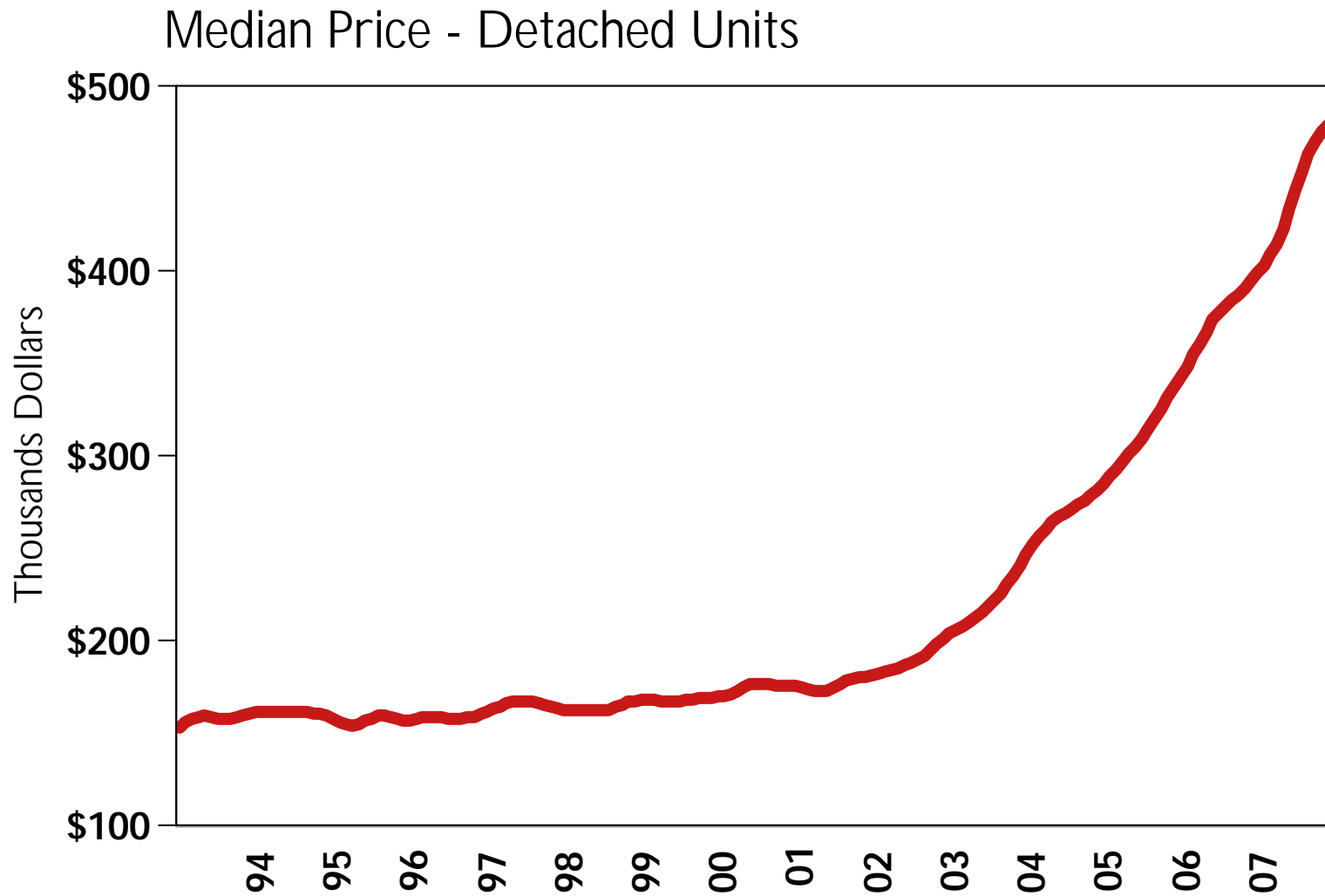


# Supply of Singles Listings at Six Year High



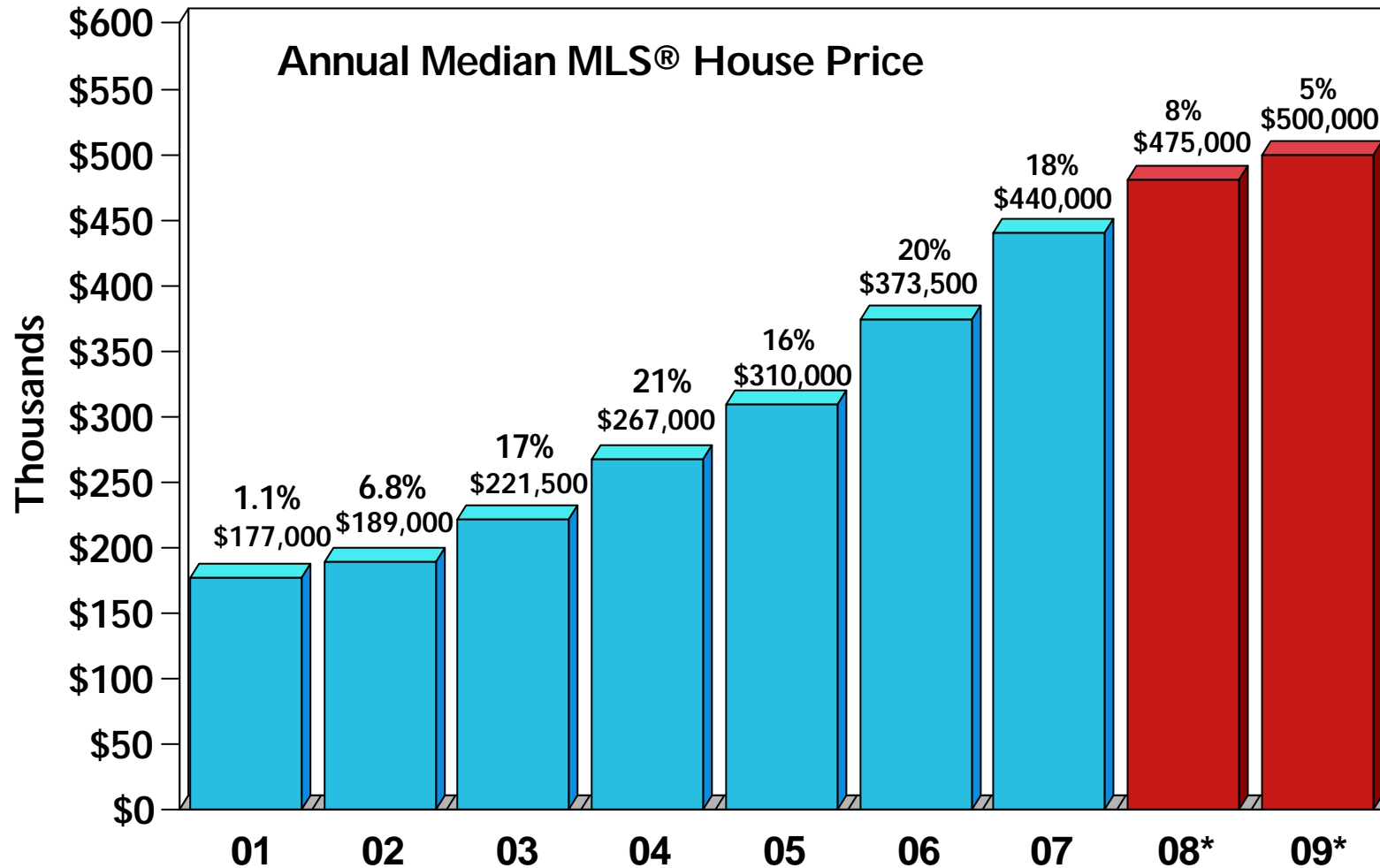
Source: OMREB.

# Kelowna House Prices Continue to Trend Up



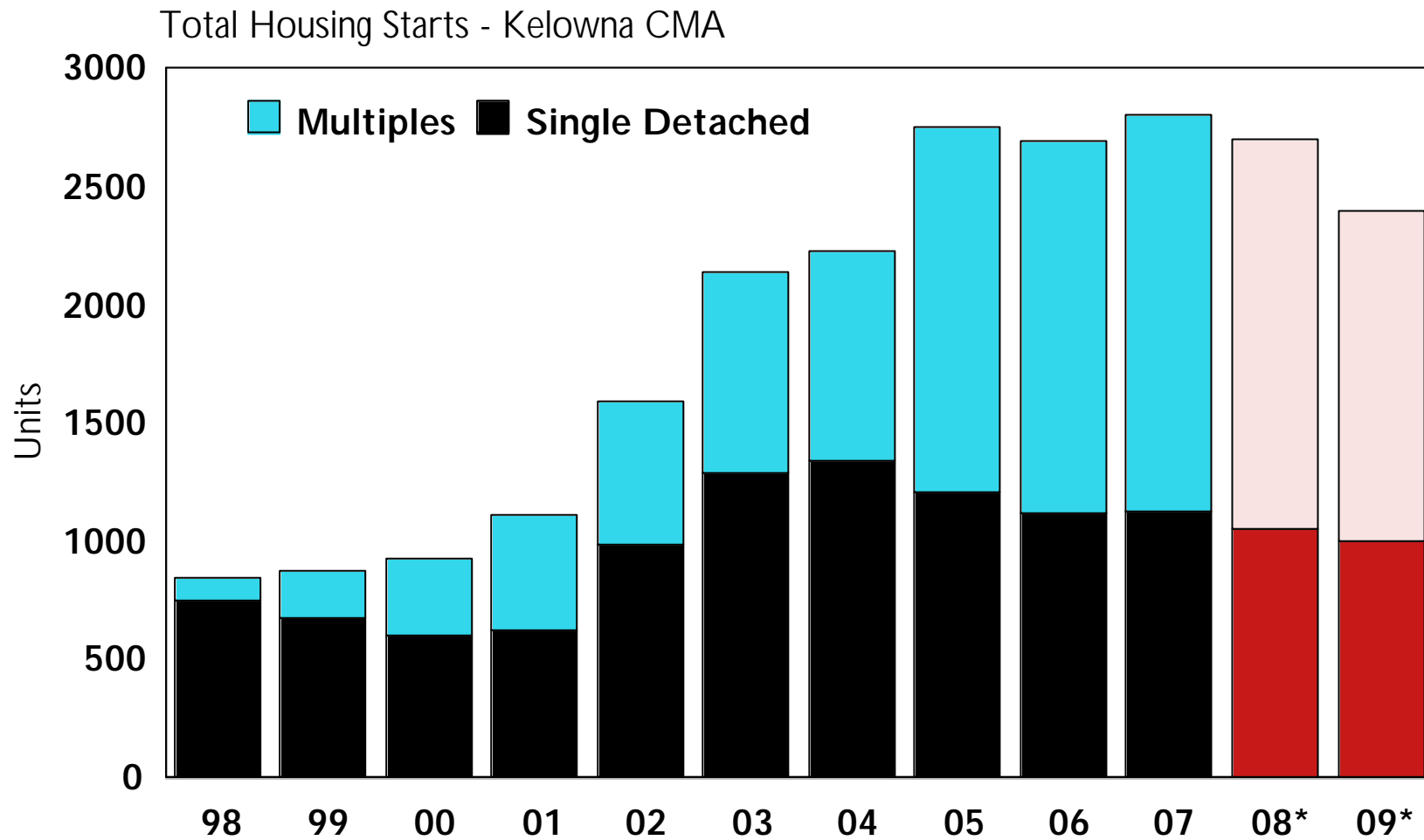
Source: OMREB. Data Seasonally Adjusted.

# Expect Smaller Price Increases in 2008 and 2009



Source: OMREB \* CMHC Forecast.

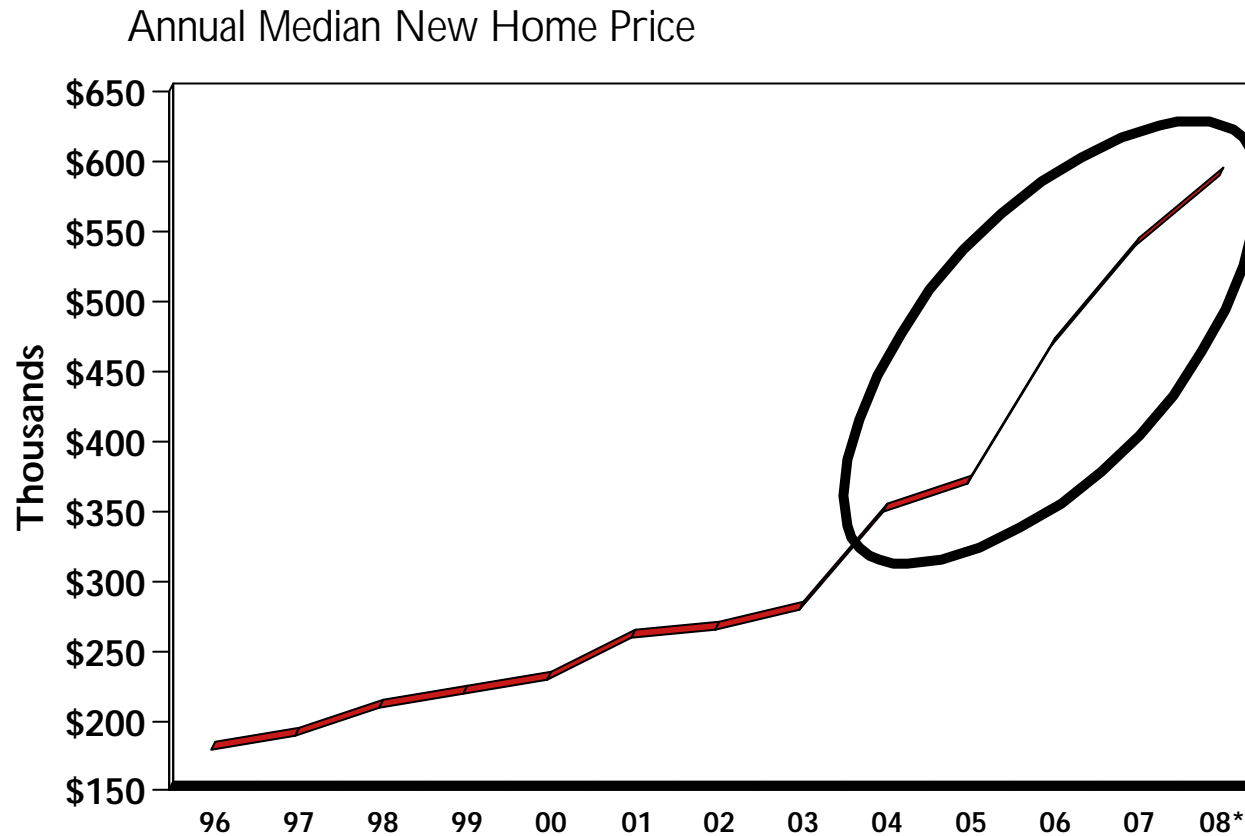
# Housing Starts Stay Near Record Highs in 2008



Source: CMHC

\* CMHC Forecast

# Price of New Detached Units Doubles in Five Years

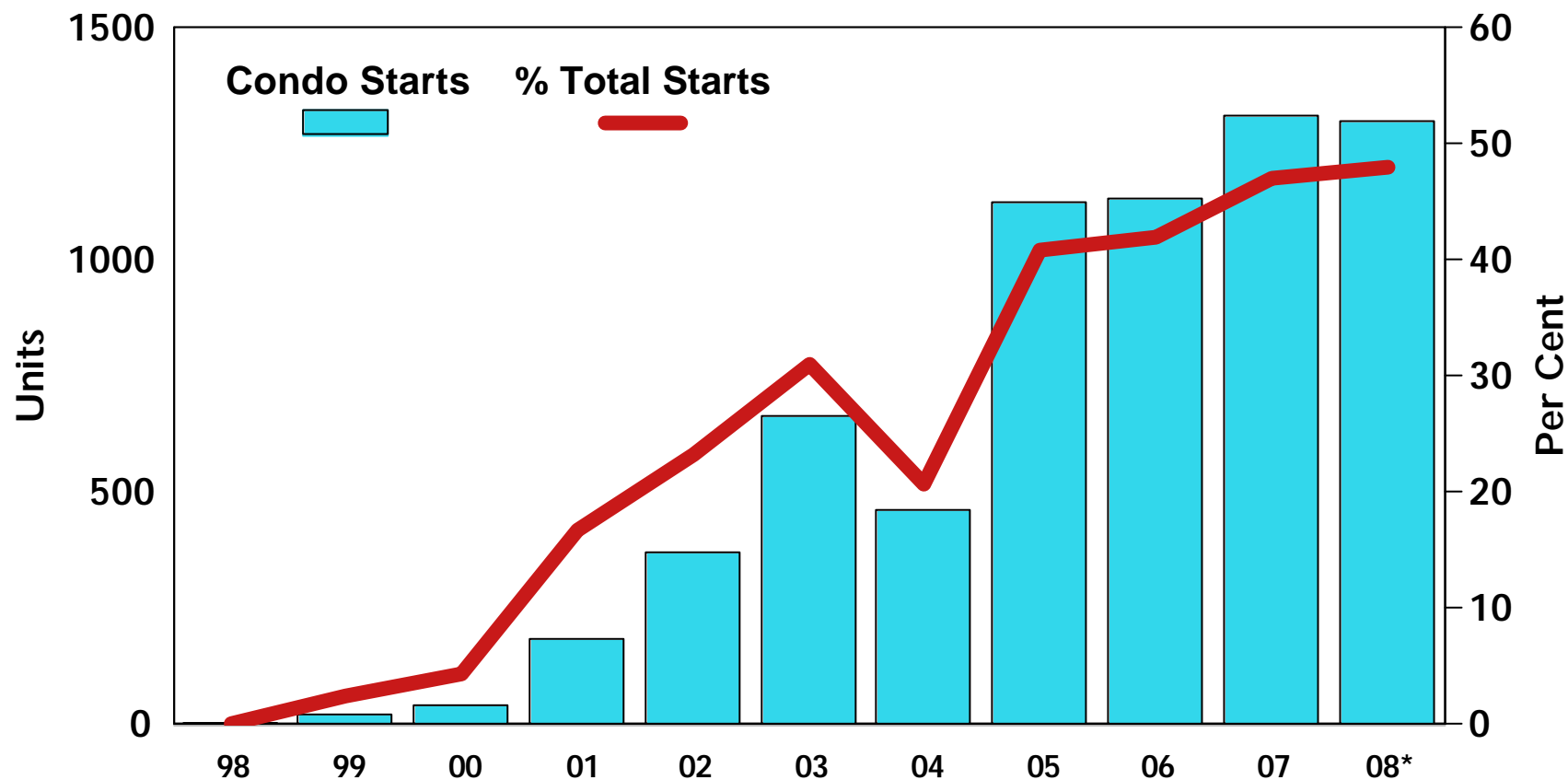


Source: CMHC \* CMHC Forecast

**Rising land, land development and other costs push up new home prices.  
Move-up and retiree markets seek quality, lifestyle-oriented homes.**

# Condominium Starts Stay at High Levels

## Retiree and Resort Condos Fastest Growing Markets



Source: CMHC. CMHC Forecast.

# More First-time Buyers Turn to Multi-family Housing

## "Price" Key Driver

Median New and MLS® Price - 2007

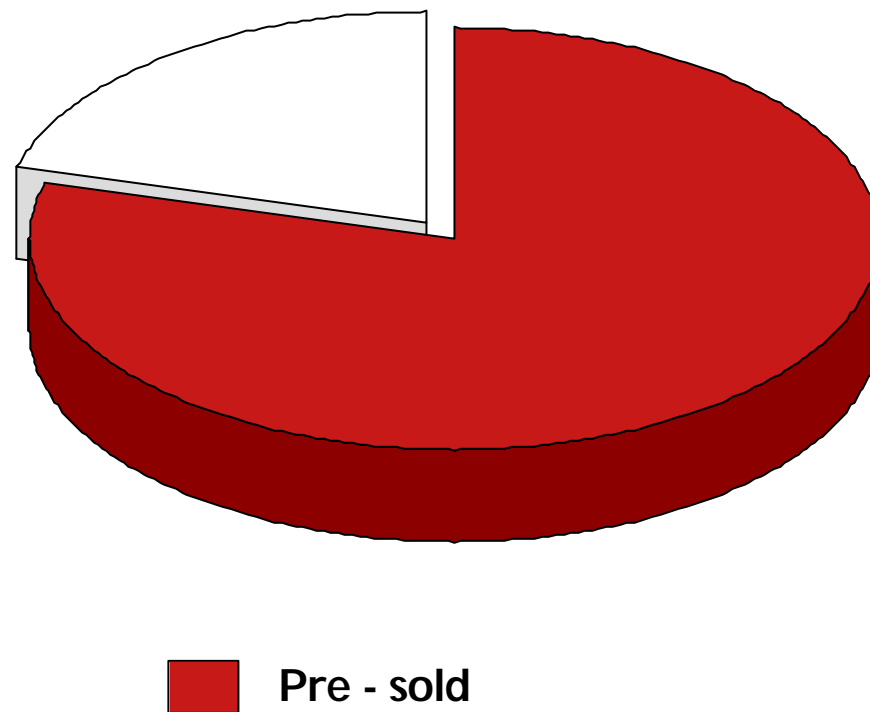
		New	Resale
Detached		\$539,955	\$440,000
Apartment Condo	One Bed	\$259,900	\$197,950
	Two Bed	\$322,900	\$255,250
	All	\$304,900	\$245,000
Townhouse Condo	Two Bed	\$348,500	\$259,500
	Three Bed	\$529,900	\$335,000
	All	\$348,500	\$297,500

Source CMHC, OMREB.

# Condominium Pre-sales Remain Strong

- Lifestyle, resort-oriented - more upscale units focus remain of demand.
- More first-time buyers are turning to new condo market.
- 79% of 2,505 units under construction presold.
- Condo market ***increasingly competitive*** in 2008 and 2009.
- Market seeing more speculation
- Balancing presale activity with escalating costs ***key*** challenge for developers.

## Apartment Condominiums Under Construction

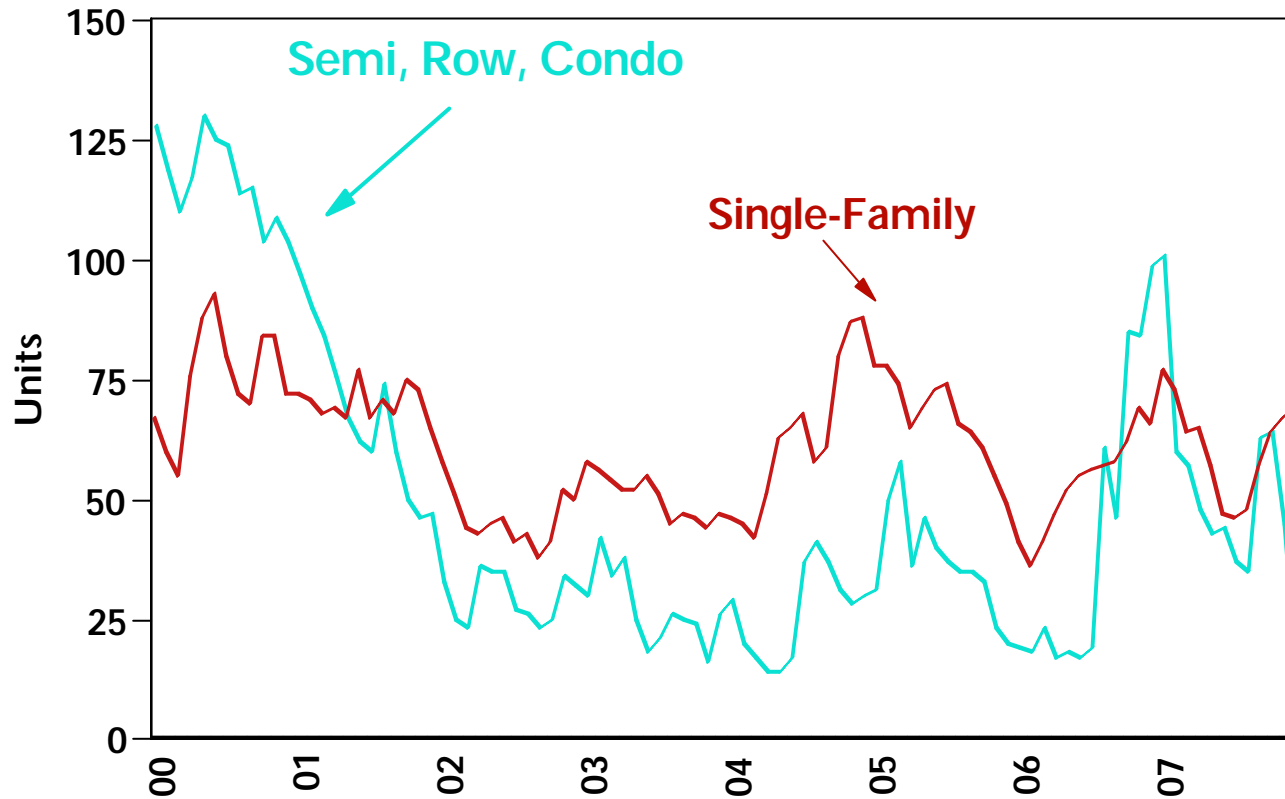


Source: CMHC. August 2007.



# Inventories Remain Low By Historical Standards

Inventory of Complete and Unoccupied Units



Source: CMHC

**Absorption remains strong, keeping inventories low.**

# Kelowna - What to Expect in 2008

- Strong demand for new, resale and rental housing this year and next.
- Expect sales activity to ease back from 2007's record high.
- Housing starts stay at near record highs.
- Multi-family sector, both new and resale, continues to see strongest growth in demand.
- Sustained upward pressure on prices - both new and resale units. Expect smaller price gains in 2008 and 2009.
- Low vacancy rates/rising rents.

# Kelowna - Challenges

- Affordability, Affordability, Affordability
- Rising Costs
  - Building lots
  - Materials
  - Labour
- Shortage of skilled trades
- Rental Housing