

Kelowna Housing Market Outlook and Trends

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Market Analyst



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Outline

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- Existing Home Market
- New Home Construction
- Rental Market
- Demand Outlook
- Forecast Summary

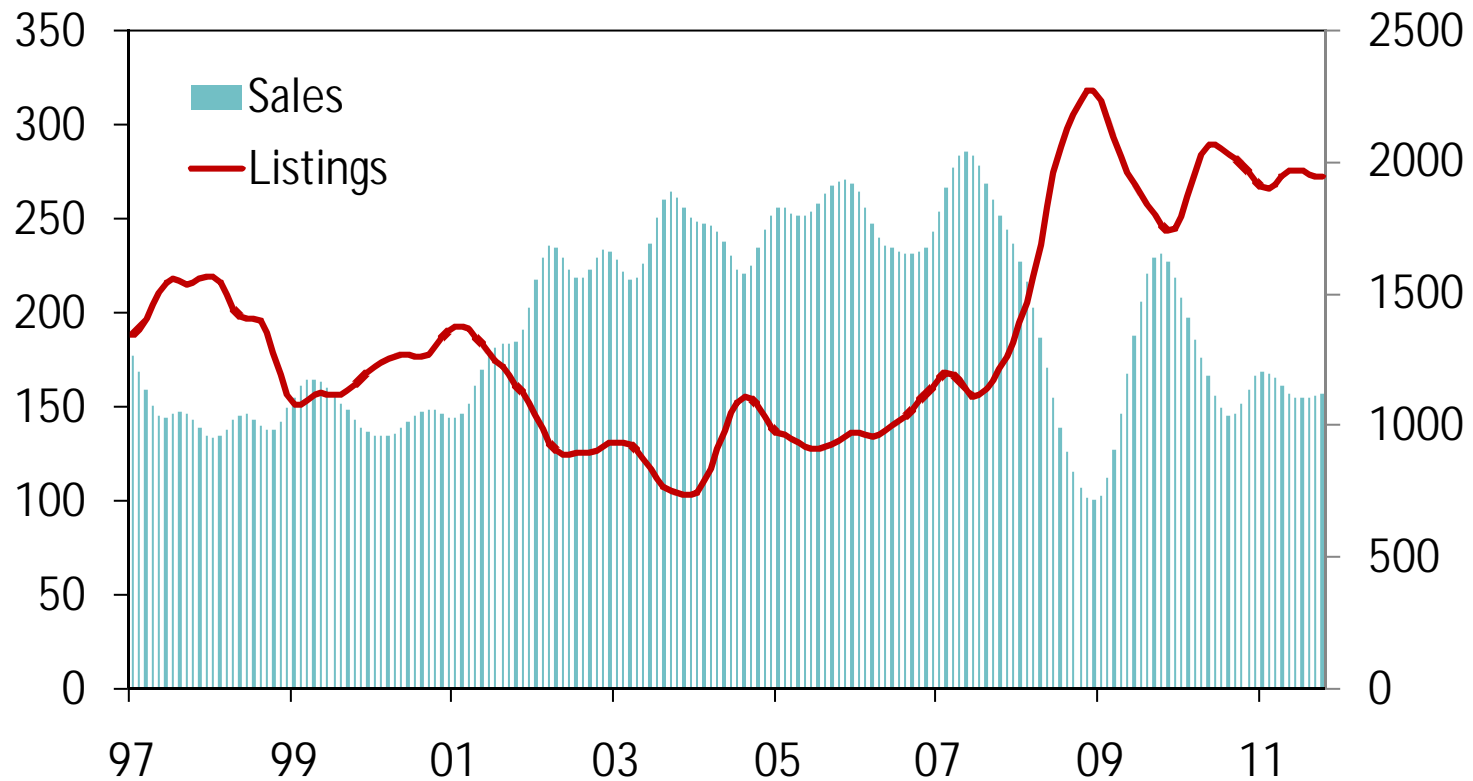


Kelowna Existing Home Sales Trend Lower

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Sales – Detached Homes

Listings – Detached Homes

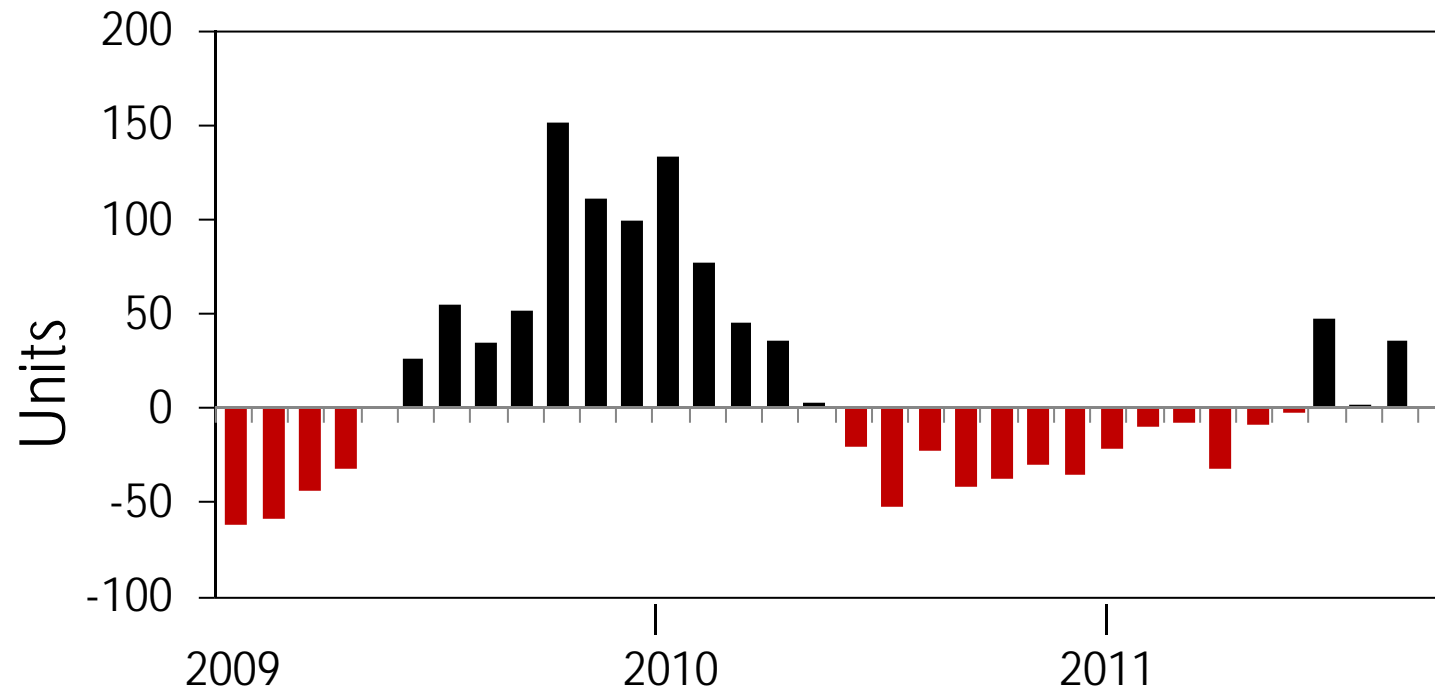


Source: OMREB. MLS® Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association. Data is seasonally adjusted

Sales Stabilize in Third Quarter

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Per cent Change in Year-Over-Year MLS[®] Sales 2011/2010/2009

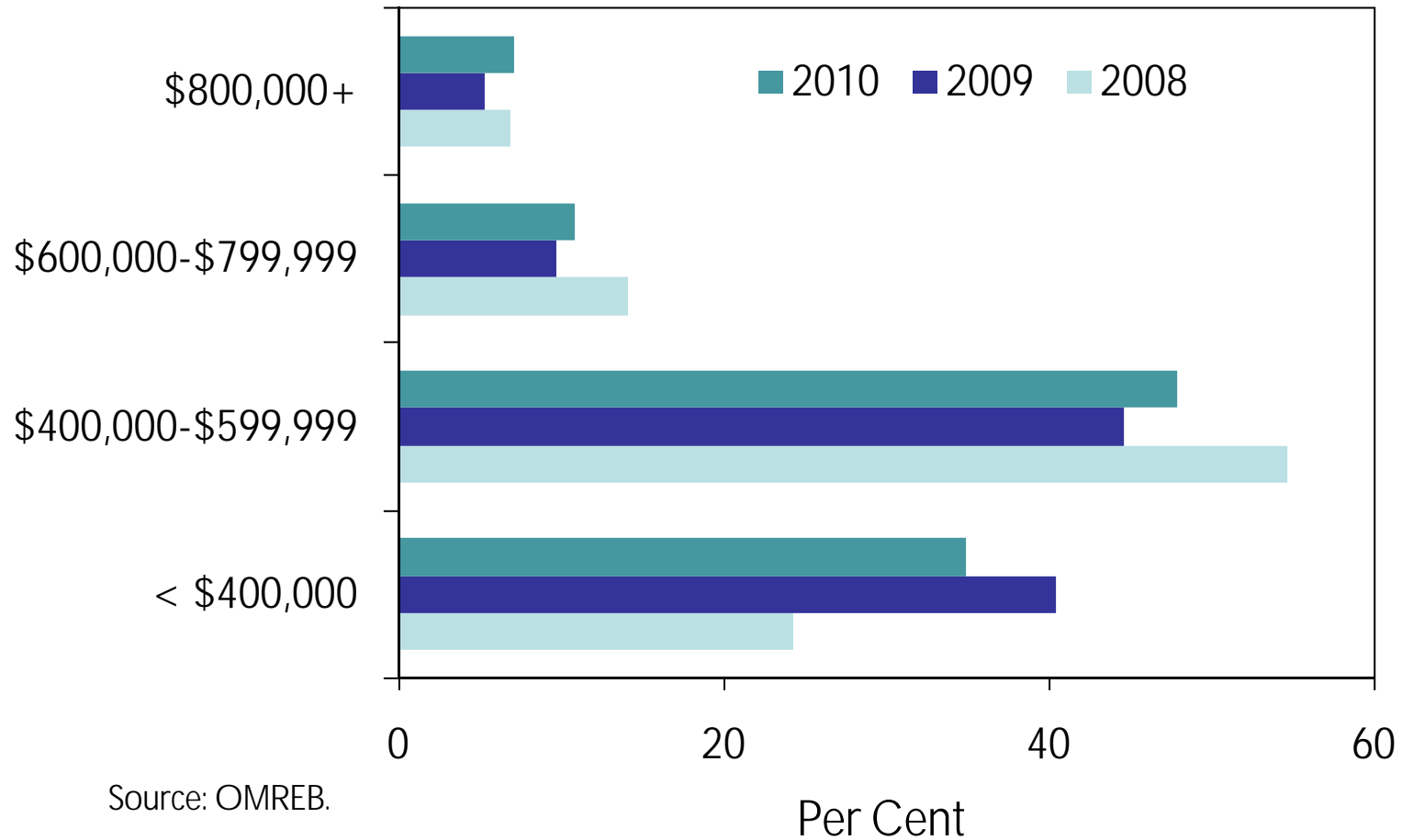


Source: OMREB. Single Family Residential, Apartment and Townhouses. MLS[®] Multiple Listing Service (MLS[®]) is a registered certification mark owned by the Canadian Real Estate Association.

Demand Shifts Away From Higher Priced Homes

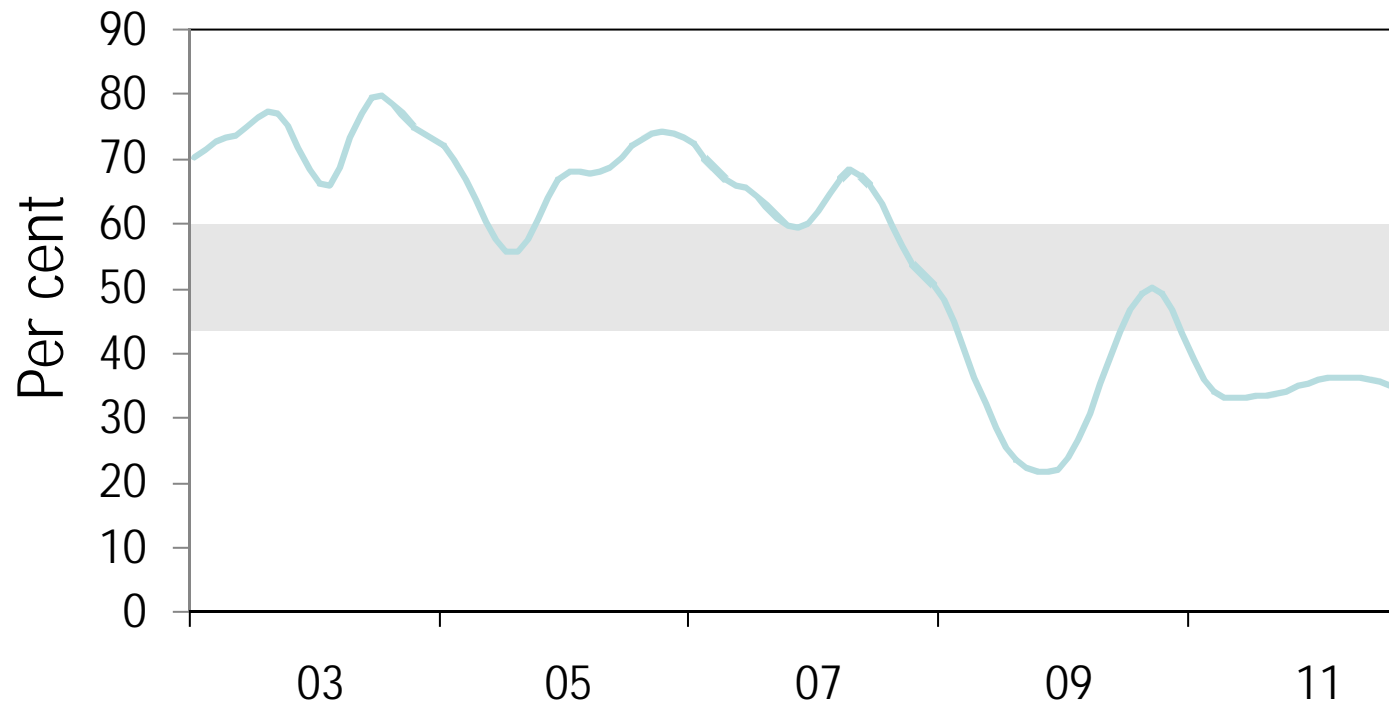
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Price Distribution of MLS® Sales - Detached Units 2008/2009/2010



Source: OMREB.

Sales to New Listing Ratio Single Family Residential Units

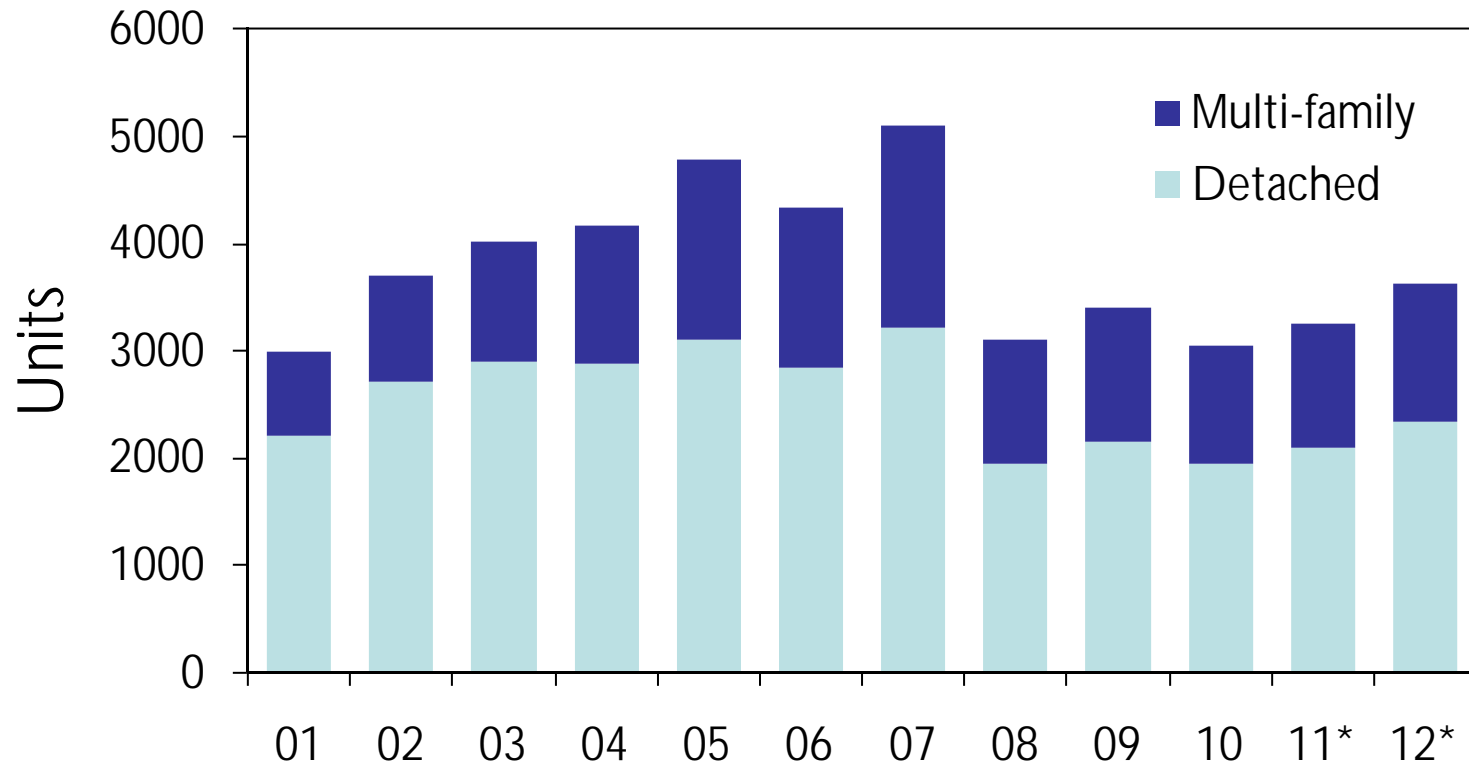


Source: OMREB. CMHC. Data is seasonally adjusted.

Existing Home Sales Record Modest Gains

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MLS® Sales

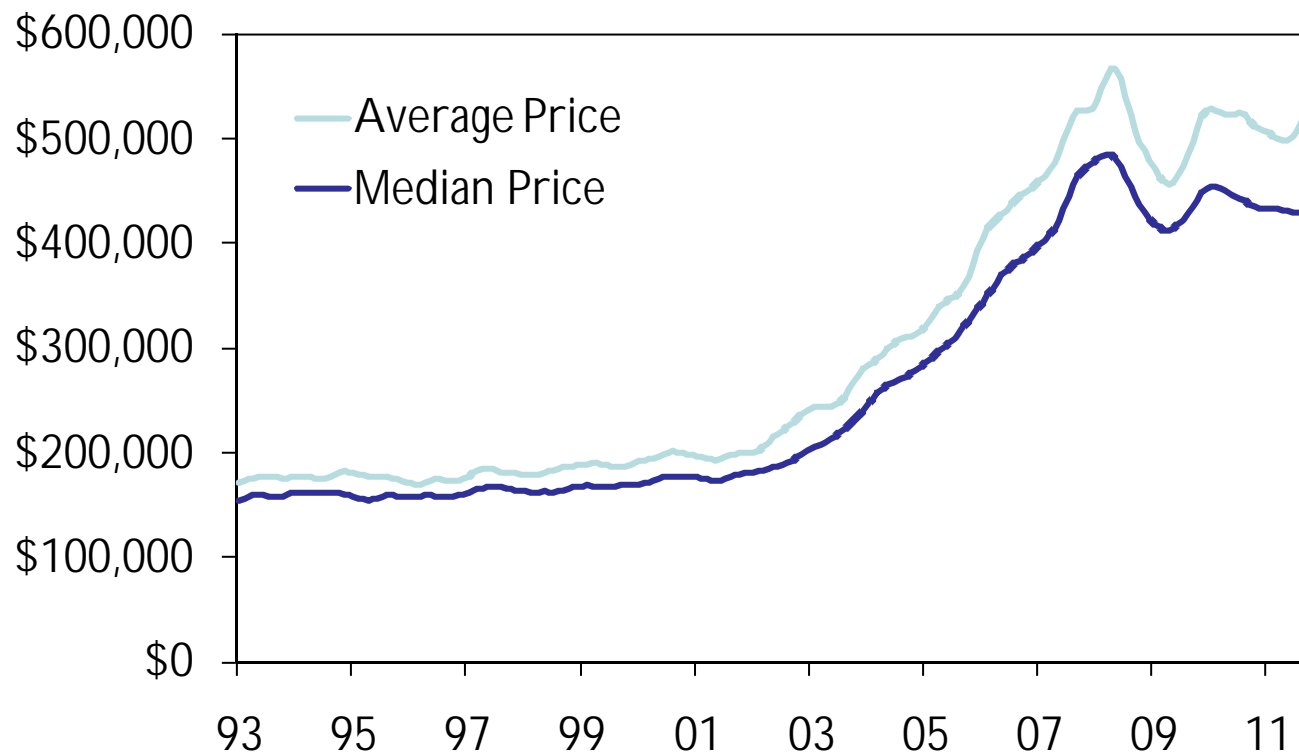


Source: OMREB. Multiples: Apartment and all Townhouses (Less Big White). CMHC Forecast. MLS® Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association. *CMHC Forecast.

Home Prices Flatten Out

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Price - MLS® - Single Family Residential Units

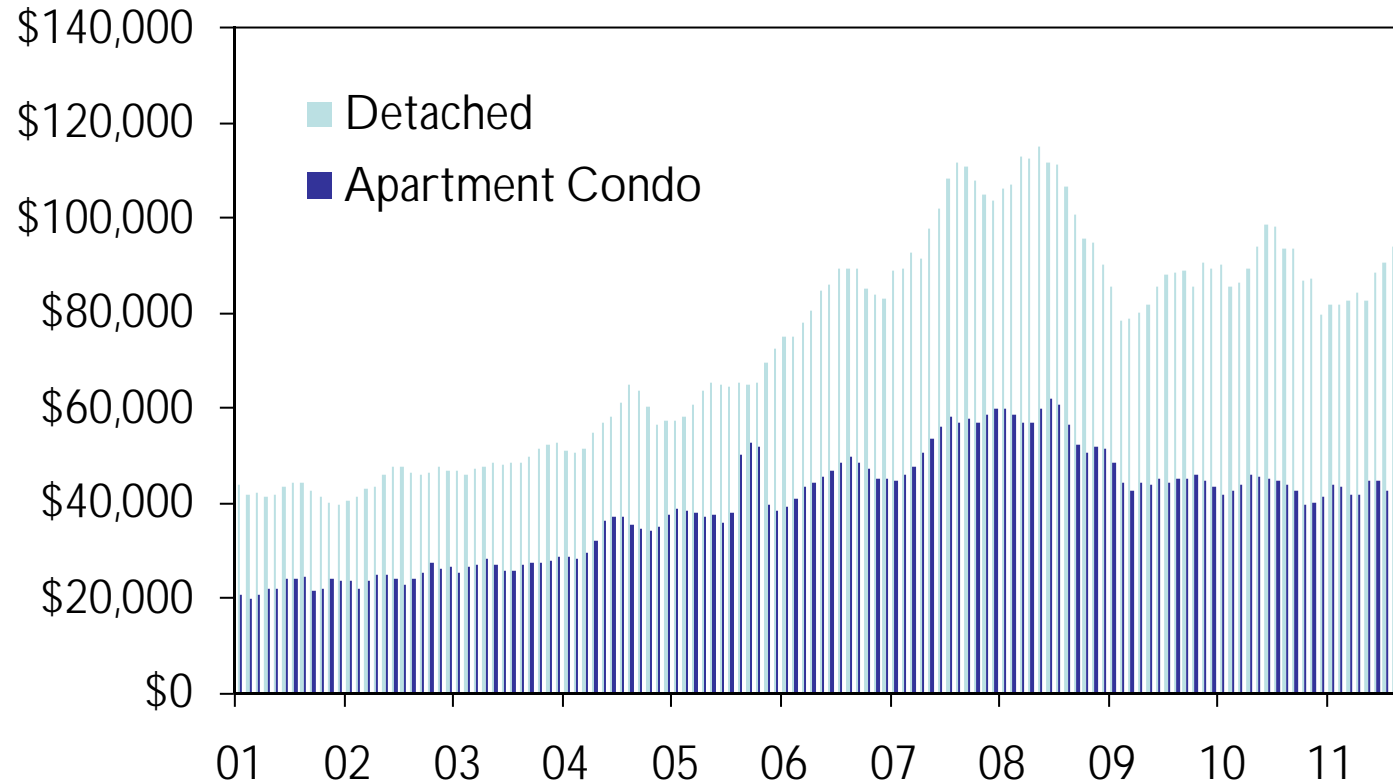


Source: OMREB. MLS® Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association. Data Seasonally Adjusted.

Income Requirements Remain Below Peak Levels

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Annual Income

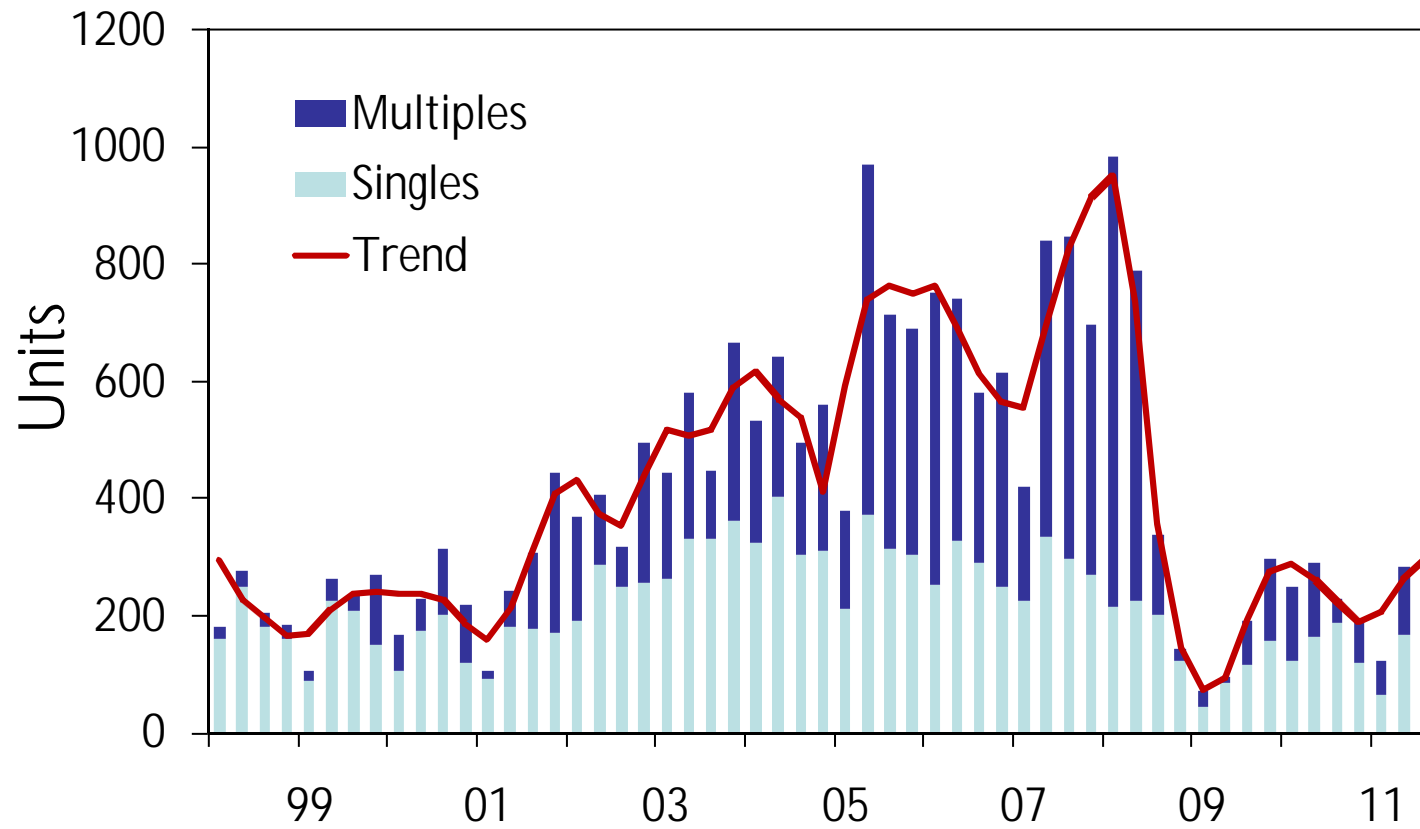


Source: CMHC – Adapted from OMREB, Statistics Canada and Bank of Canada. Assumes average monthly price, 25% down payment, 25 year amortization period and 5 year fixed mortgage interest rate.

Housing Starts Move Down From Record Levels

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Quarterly Housing Starts – Kelowna CMA



Source: CMHC.

Demand For Resort Homes Moderates

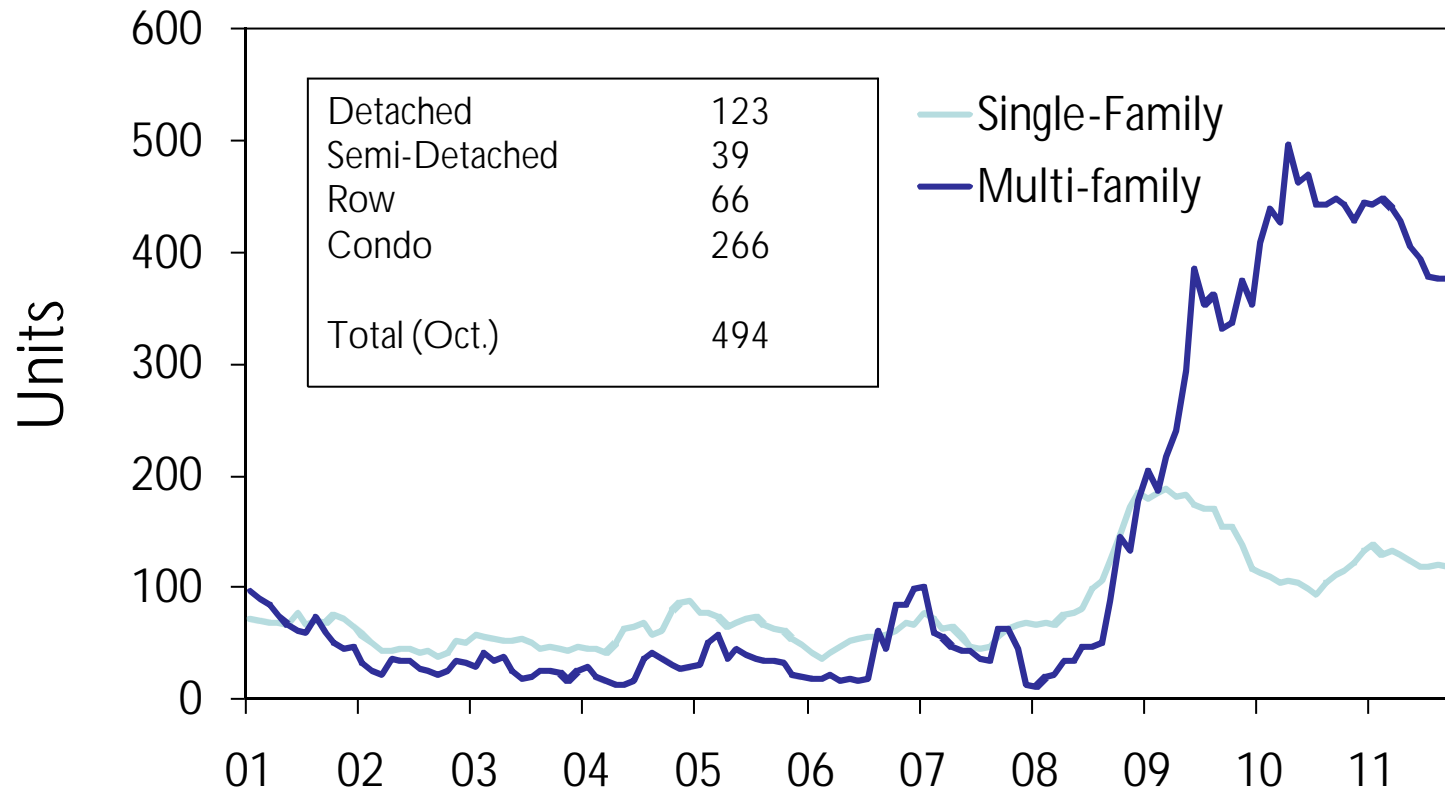
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- Demand for discretionary housing cools off as economies across North America experience slower growth.
- Investors pull back in the wake of heightened uncertainty and softening prices.
- Financing harder to come by.
- High C\$ - stronger competition from US resort markets.
- Stronger competition from resort markets elsewhere in the BC southern interior.

High Inventories Dampen Multi- Family Starts in 2011

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Inventory of Complete and Unoccupied Units

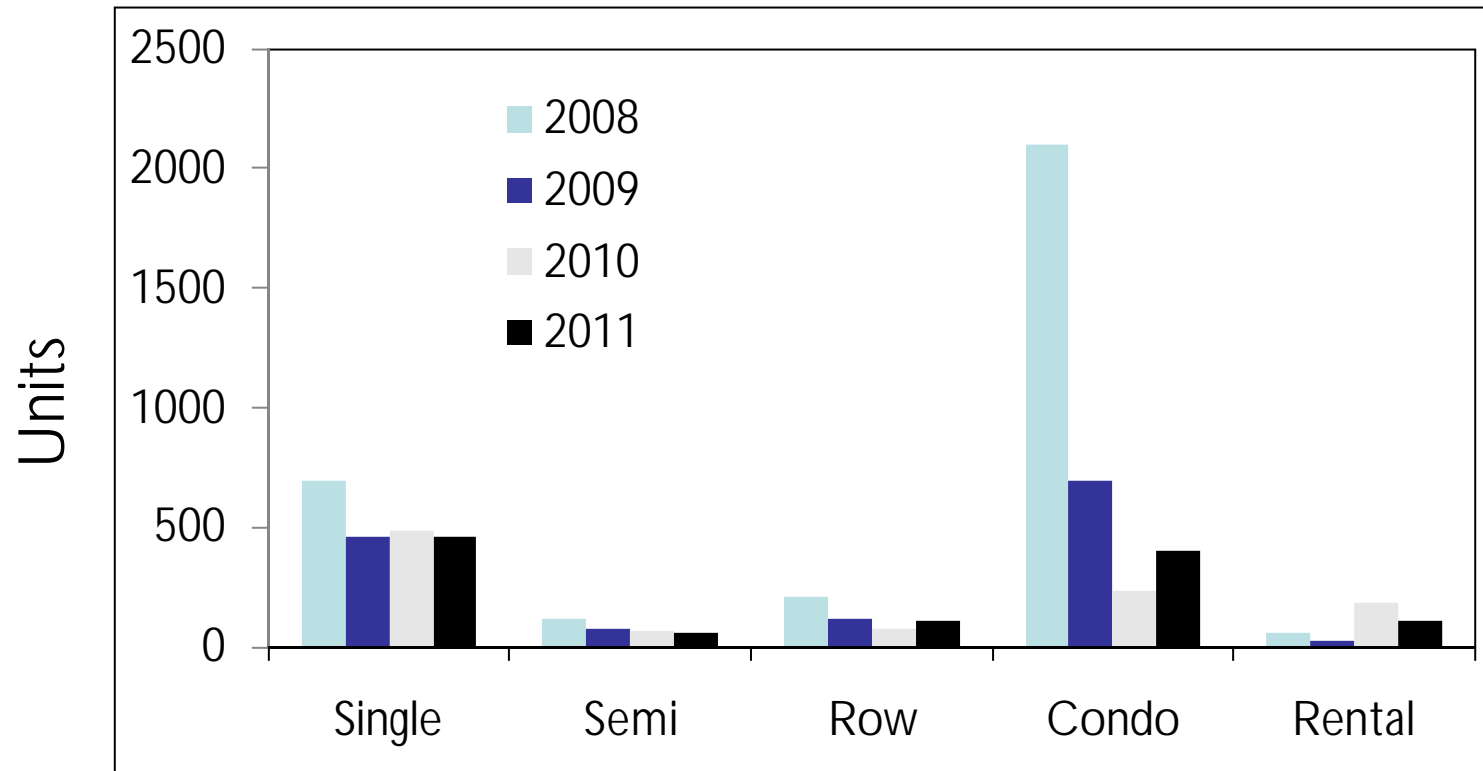


Source: CMHC.

Supply of Homes Under Construction Comes Down

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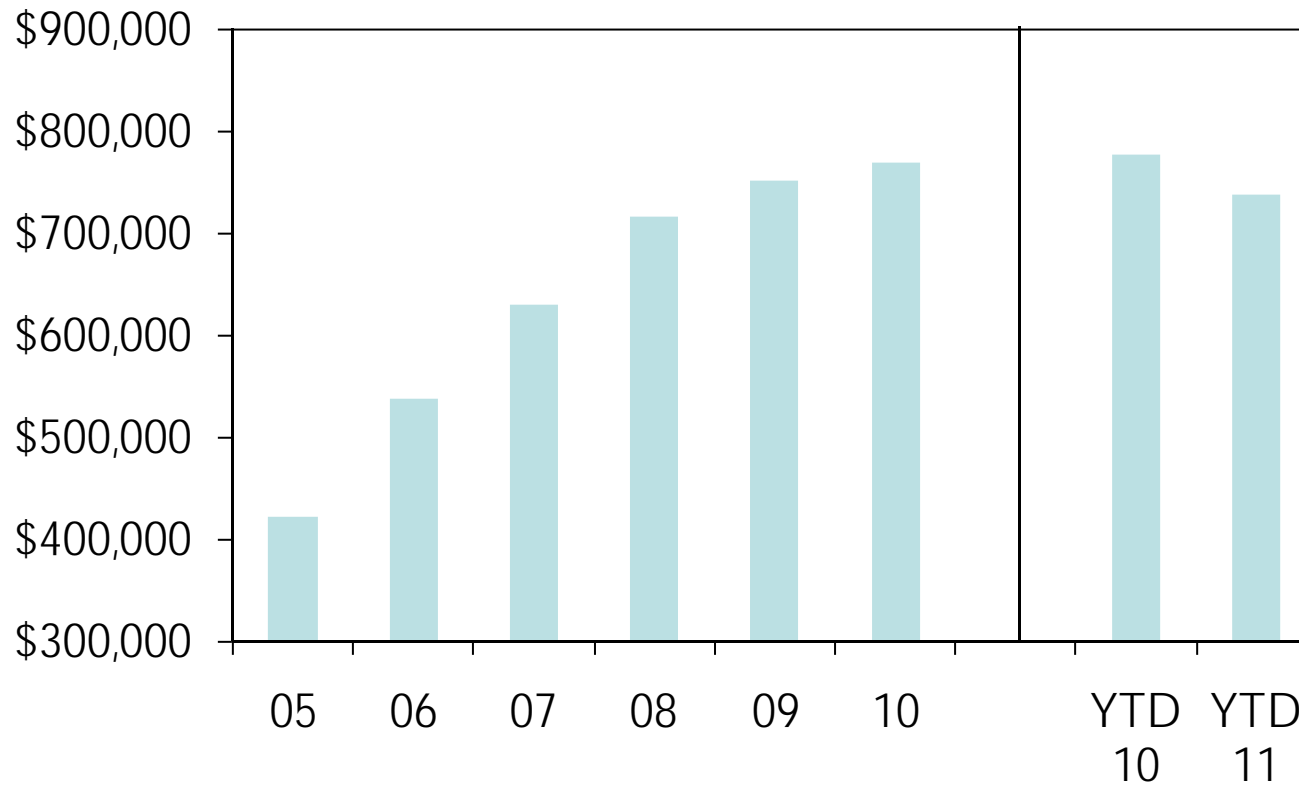
Homes Under Construction – October



Modestly Priced New Detached Homes in Demand

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New Detached Home Average Price

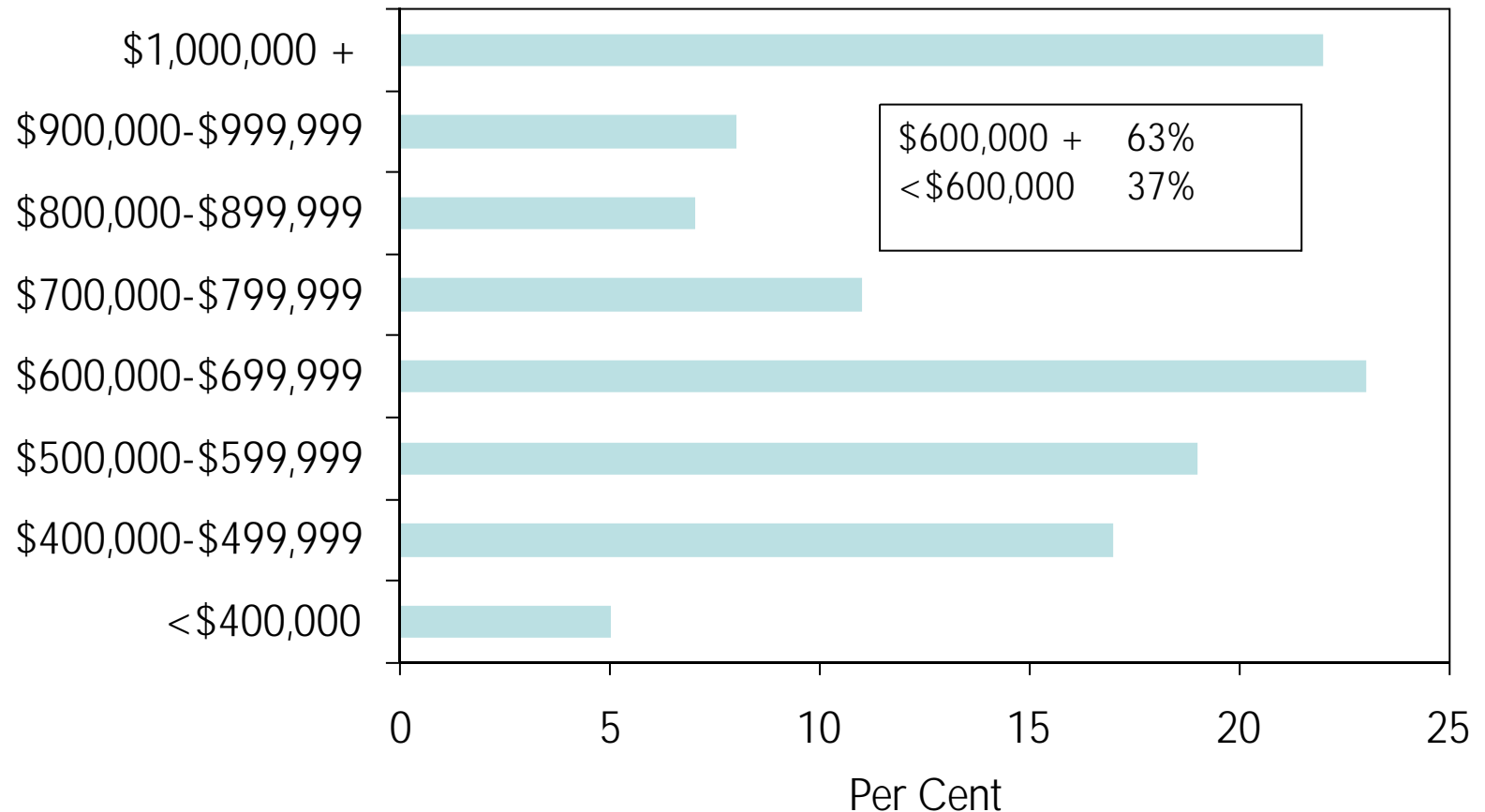


Source: CMHC. YTD : January- October

Fewer Lower Priced Detached Homes in Inventory

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Inventory of New, Completed and Unoccupied Detached Units by Price Range – September 2011

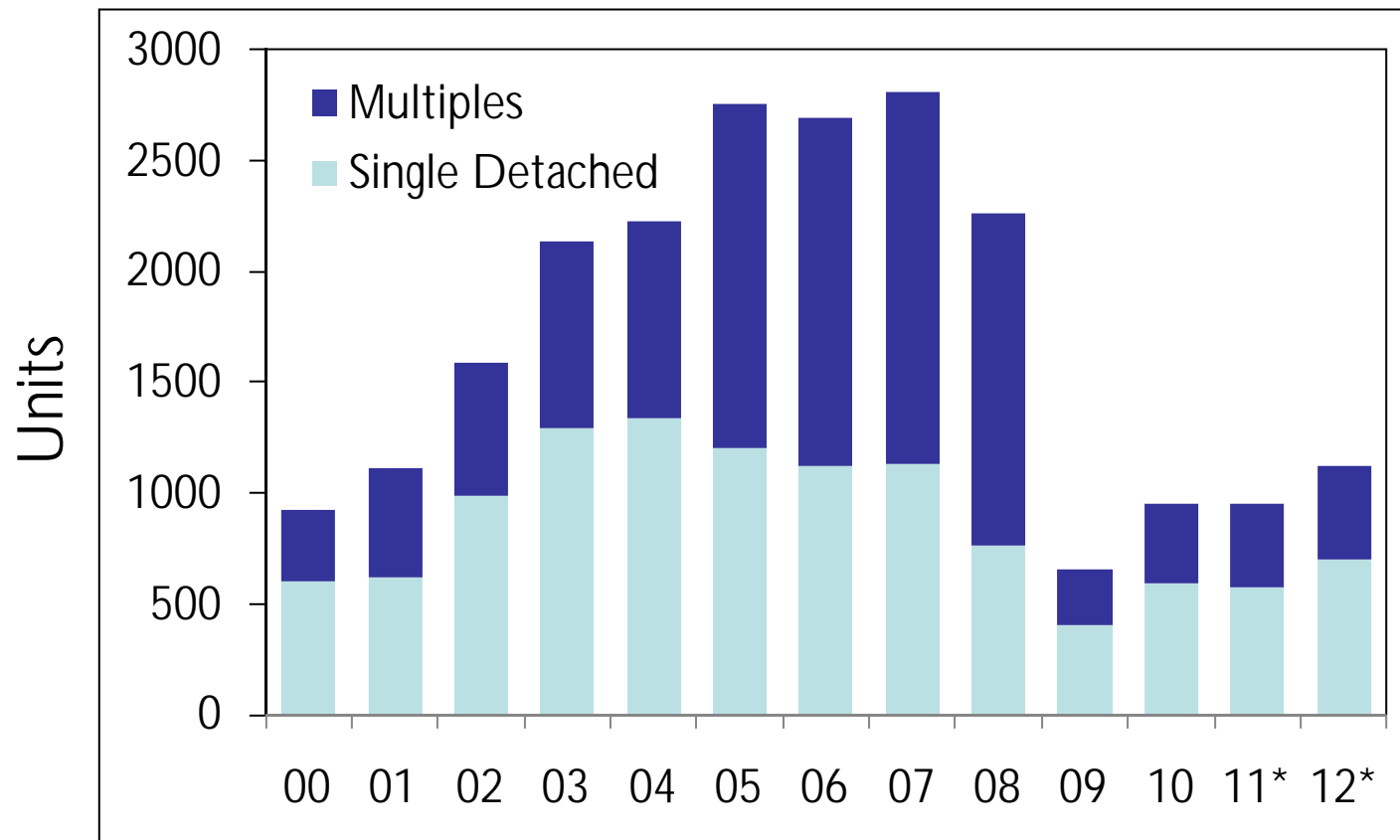


Source: CMHC.

Housing Starts See Modest Gains

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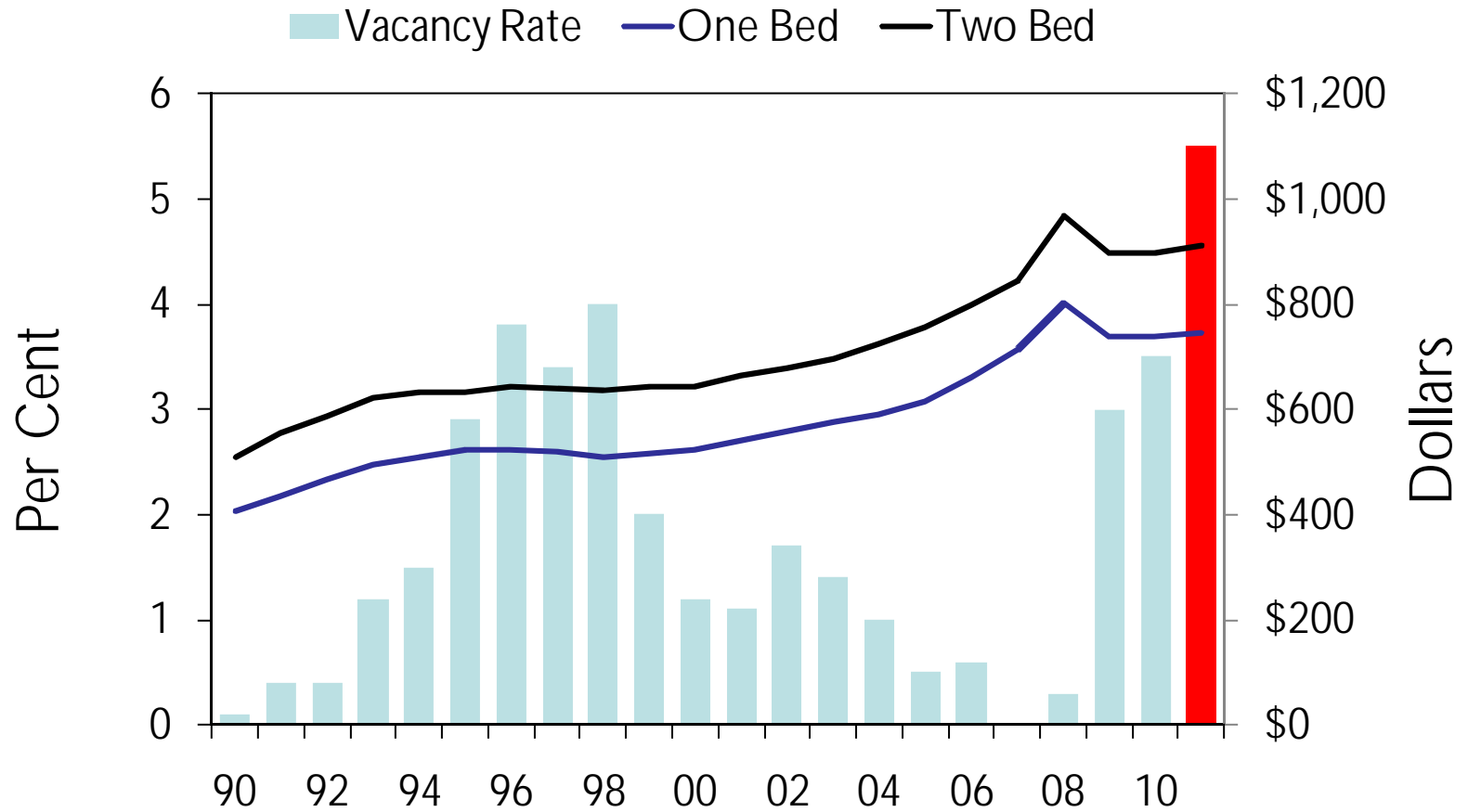
Kelowna Housing Starts



Source: CMHC. *CMHC Forecast.

Tight Rental Markets Ease

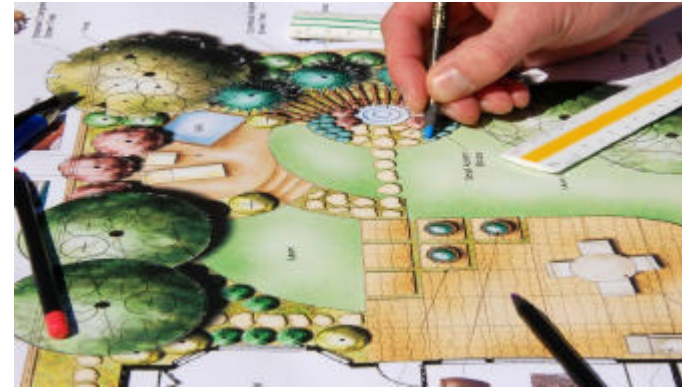
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Source: CMHC. CMHC Forecast.

Looking Forward – Housing Demand Outlook

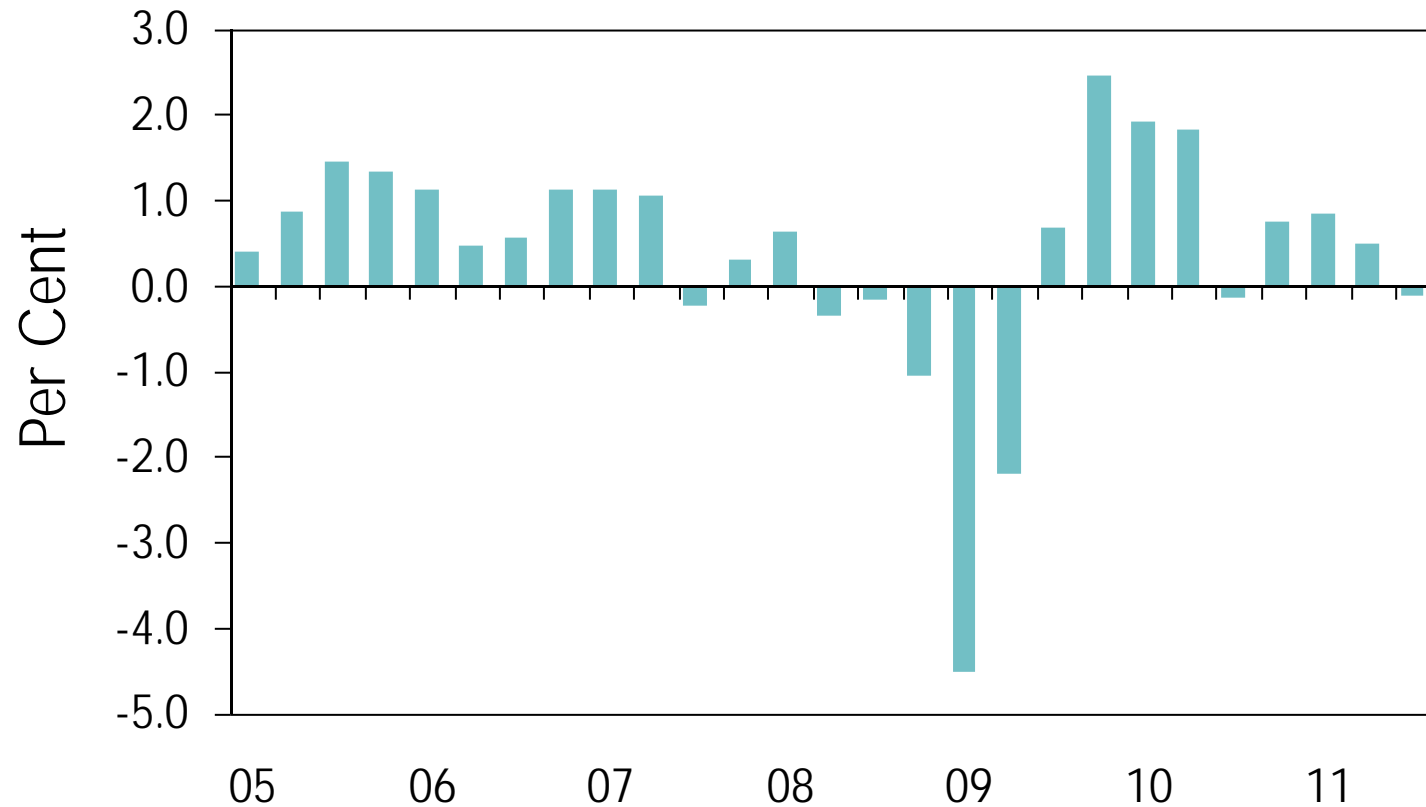
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Economic Index Shows Growth in BC Economy

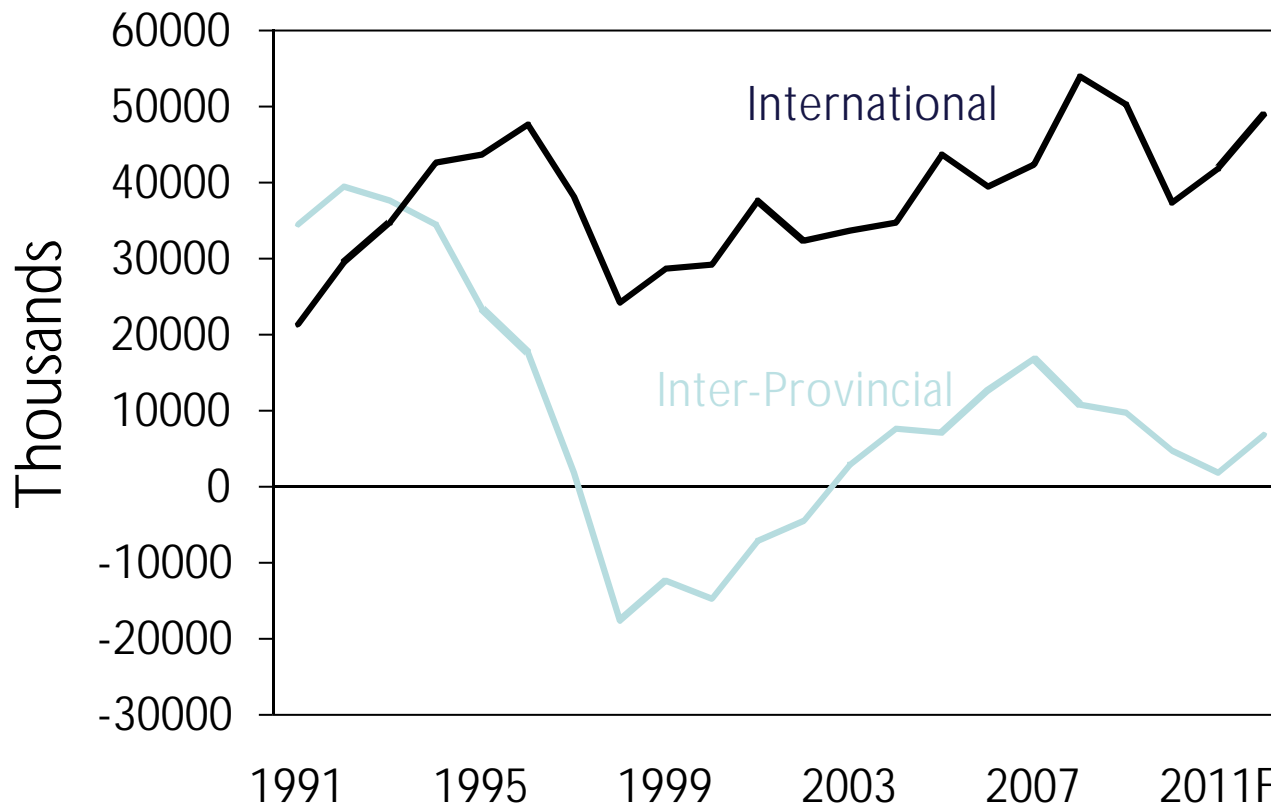
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Quarterly Per Cent Change - BC Economic Index



Source: British Columbia Business Council – First Quarter 2011.

Net Migration From People Moving into BC

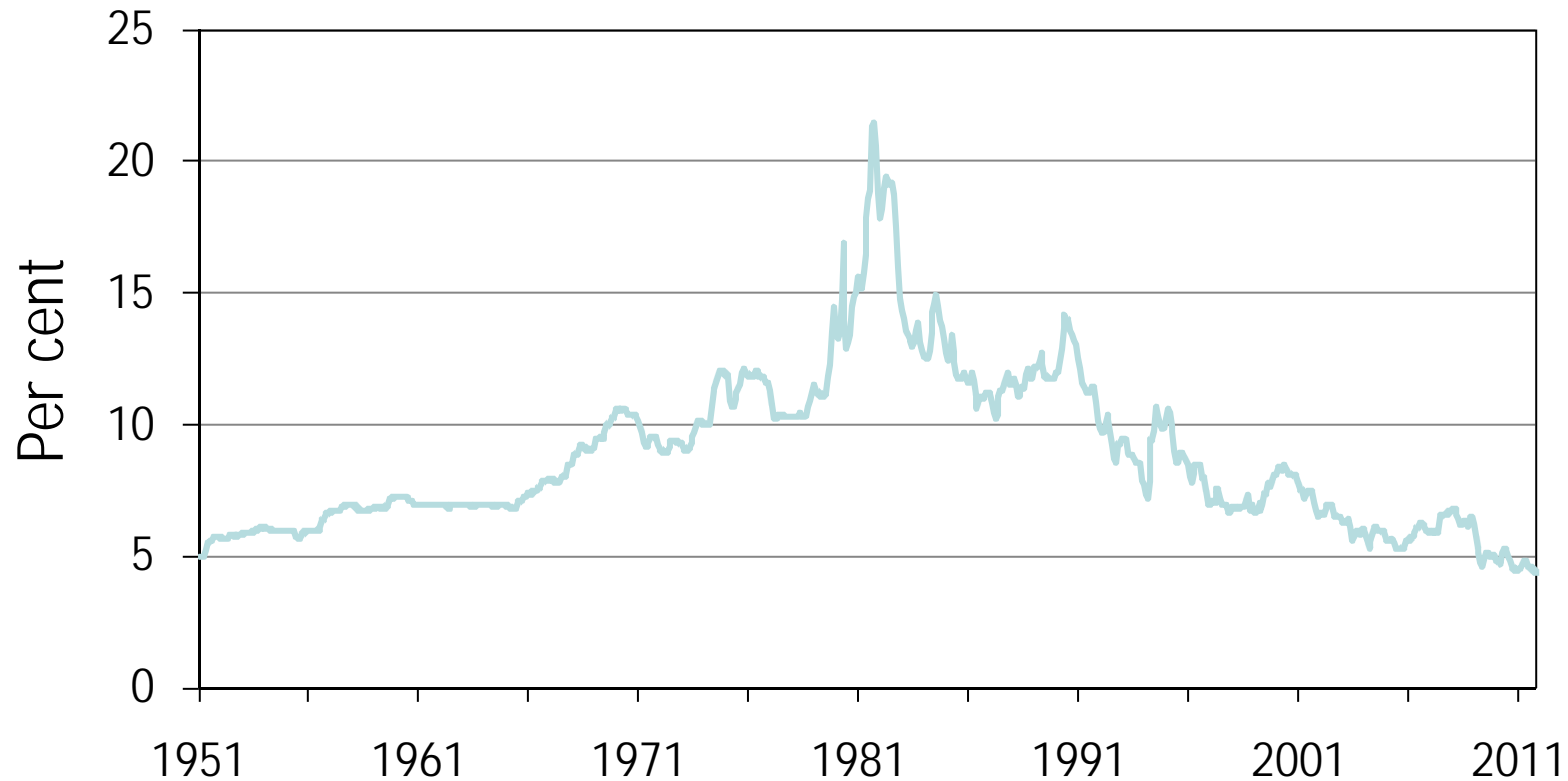


Source: Statistics Canada. CMHC Forecast.

Mortgage Rates Low Compared to Past

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Average Five Year Residential Mortgage Rate



Source: Bank of Canada.

Growth Sectors in the Okanagan

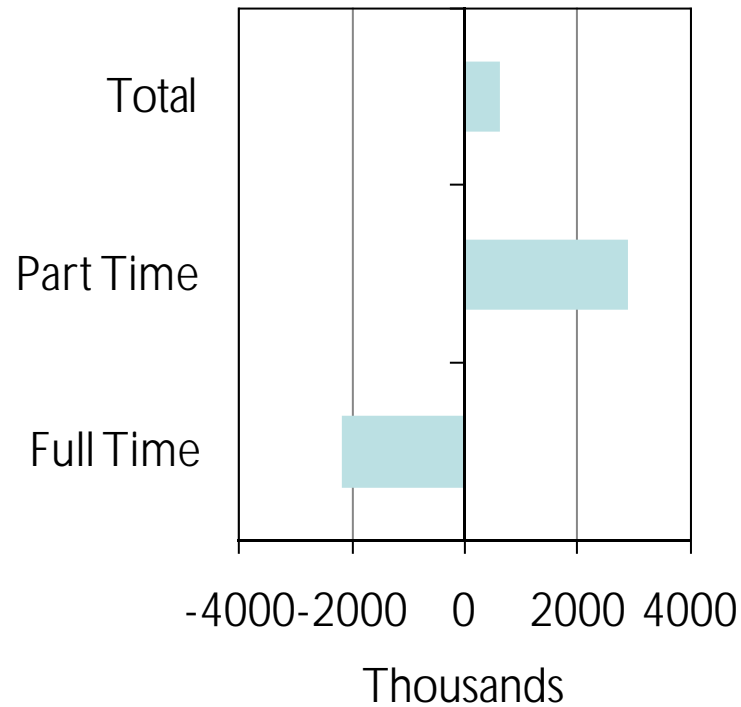
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- **UBC Okanagan.**
- **Kelowna International Airport Expansion.**
- **Kelowna General Hospital Expansion.**
- **Westside Incorporation.**
- **Non Residential Construction.**
- **Residential Construction Stronger.**

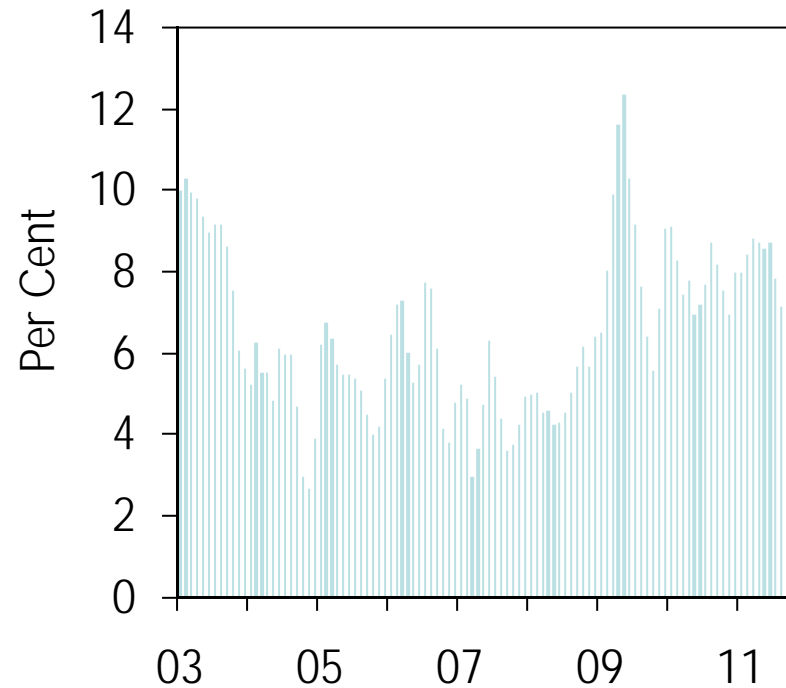
Employment Near Peak Levels

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Change in Employment YTD Average 2011 vs 2010



Unemployment Rate

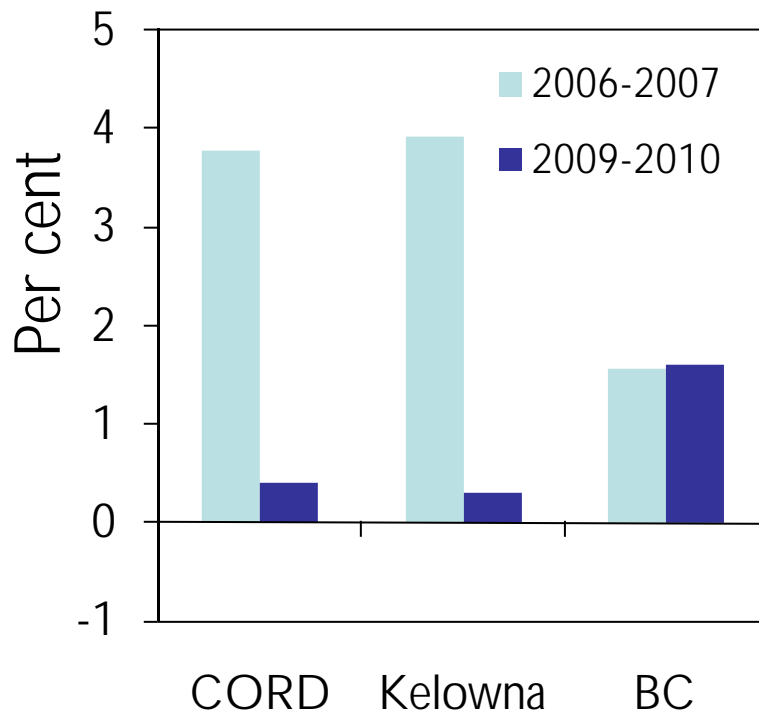


Source: Statistics Canada.

Population Growth Moderates

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Per cent Change in Population Growth



Source: BC Stats. Population Estimates

- Slower population growth consistent with most other interior centres.
- Greater Vancouver, Fraser Valley and Capitol District record strongest population growth.
- Migration from other provinces and within BC remain CORD's biggest source of population growth in 2010.

Kelowna – What to Expect in 2011 and 2012

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- BC population, economy and employment growth outlook support demand for housing in 2011 and 2012.
- Sales of existing homes move higher in 2012.
- Buyers benefit from good supply of both new and existing homes, lower construction costs and strong price competition.
- Prices stable, edging up later this year and next as demand improves and the supply of existing homes available for sale and inventories of new homes slowly come down. Gains will be modest.
- New home construction, led by detached home sector, picks up in 2012. Strong price competition from a well supplied resale market and high inventories of new, completed and unoccupied units constrain condo construction.
- Vacancy rate remains at higher level in 2011. Rents stabilize in response to rising vacancy rates.