

New apartment/condo construction could help rental rates in Kelowna

by Kevin Parnell - Kelowna Capital News
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Image Credit: Kevin Parnell

Canada Mortgage and Housing Corporation market analyst Taylor Pardy says 2016 will be a record year for real estate sales in Kelowna.

An increase in the number of apartments and condominiums under construction in the City of Kelowna could help alleviate a rental vacancy rate that hasn't been this low since 2007.

According to Taylor Pardy of the Canada Mortgage and Housing Corporation (CMHC), help for potential renters won't be coming in 2016 but could be on the horizon next year.

"This is the most apartment rentals under construction since before we have been keeping data, all the way back to 1990," said Pardy. "This is a good thing. The rental market has been fairly tight the last few years. We're not anticipating this will increase vacancy rates in 2016. In fact we're anticipating them to go down this year before increasing next year when some of those buildings under construction start to hit the market."

Pardy, a senior market analyst with CMHC, spoke to a packed room of developers and home builders at a luncheon hosted by the Urban Development Institute at the Coast Capri Hotel on Thursday.

He said the latest figures on the vacancy rate in Kelowna showed 0.7 per cent available rental units, a figure he called "fairly low" but not as low as 2007 when there was a zero per cent vacancy rate in Kelowna.

The number of available units for rent this year is tiny, he said.

"There is zero new apartment and condominium inventory on the market for all eight months of this year, which is something that has never really happened before," he said. "The number of apartment and condominiums is hovering around the same level it's been since about 2011."

Pardy said there are apartments and condos available on the market, but those units coming up for sale or rent were built between 2006 and '09.

"There is a lot of this old supply coming onto the market," he said. "Overall the active listings in apartments and condos is still low."

In other housing news, Pardy said that new home construction is up right across the Central Okanagan with housing starts up in 2016 in Kelowna (97 per cent), West Kelowna (116 per cent), Peachland (25 per cent) and Lake Country (10 per cent) when compared to 2015. Only the Westbank First Nation was down to the tune of 38 per cent, but Pardy said the small sample size was a factor in those numbers.

Looking at trends, sales of million-dollar or above single detached homes in Kelowna moved the market forward, pushed prices higher and put Kelowna into record territory when it comes to real estate sales.

"We definitely saw a record pace of sales in 2016, well past the previous high in 2007," he said. "Single detached sales in 2016 shifted to higher-end sales. Sales above a million dollars were very strong this year. Sales between \$500,000 and \$1 million are way up and one of the reasons why we are seeing the average price move up so strongly."

The average price of a single family home moved higher than \$600,000 this year in Kelowna, according to Pardy's figures.

"Kelowna pushed well past what would be considered a balanced market in 2016," he said. "It hasn't really turned downward as of yet, but the general trend across B.C. after the second quarter has been that sales have begun to slow. Active listings have been on a fairly steep downtrend since 2013 and this year that's continued and that creates more competition in the market."