

Questions submitted to Andrew Ramlo at Jan. 28, 2021 UDI Okanagan Webinar

1. Focus seems to be on the residential real estate market. Does Rennie see corresponding growth in commercial demand?

Yes, to the degree that local population serving employment will grow in lockstep with residential growth, there should be a corresponding increase in commercial demand. To the degree that Kelowna continues to diversify its economy and grow as central BC's metro hub, non-local population serving aspects of commercial demand should also continue to expand. All of that said, unlike the demography, I did not directly model the employment aspects of the Okanagan's future economy.

2. Looking back 10 years, how significant has been the demand for residential real estate in Kelowna / the Okanagan from Alberta; and, given the protracted slowdown in the oil & gas business, and declines in property and other asset values in Alberta, what impact will that have on the Kelowna/Okanagan market in the next 10 years? From what regions, outside Kelowna/the Okanagan might any the 'replacement demand' come?

Yes, our neighbours to the east have been a significant drive to residential real estate historically. Remember however that Alberta started seeing economic challenges back in 2013 when provincial Gross Domestic Product (GDP) began to fall due to softening oil prices. Further to this, it has been two years since BC introduced the Speculation tax, so I believe that much of the investment demand from Alberta would have bottomed out. I do still think that there is a potential market for those moving from Alberta for primary residency or, as I mentioned in the Q&A period, what I would call quasi-primary residency, such as retiring snowbirds.

3. What has been the trend in condo values / sq. ft. over the past 5 - 10 years, and what do they project will happen to values over the next 5 - 10 years?

Sorry, did not look at the size data for recent condo sales in the area, just overall prices.

4. Looking outside Kelowna, where does Rennie believe the greatest demand uptick will be for residential housing in the BC Interior?

Any community that can offer a (relatively) diverse employment base and good connectivity to the rest of the province and beyond. BC (before COVID) this would have meant an airport, but I think that this requirement has softened AC (after COVID) as employers and employees have become more comfortable with remote work (note that the technology has been there do to this for a decade or more, it has just been that most employees and employers have not been early adopters!)

5. What is your insight or opinion on real wage growth/loss for employees who have taken advantage of the new "work from anywhere" distributed workforce changes due to COVID? Will employers look to reduce labour costs for those employees who have relocated from the office to home or remote offices and participate in the employee's savings on home ownership costs, reduction in commuting expenses and time savings, etc.?

Great question, but it requires a long answer that I can not cram into this space! I believe that we have yet to see which way this will go as I have heard both sides on the wage growth side. I have also heard

talk on both sides about what it means for work life balance. We will have to keep a close eye on both wages and employee/employer sentiment surveys to see where it goes.

6. I realize this is central Ok figures, but does this translate through to the south OK? Similar numbers and trends?

Sorry, did not look specifically at South Okanagan. Would have to dig through the numbers to see, but I would expect the trends to move in the same direction, but maybe a bit more muted than what was seen in the Kelowna CMA (specifically on the jobs front)

7. Wondering if the stats you have on employment numbers take into consideration those who are/were self-employed entrepreneurs which Kelowna is known for having a high percentage of?

Yes, the Labour Force Survey includes self employed so they are in there and yes potentially driving some of the trends

8. Curious if these numbers are significantly higher with developer sales: many homeowners were unwilling to show homes during a pandemic, developer sales are largely unrepresented on MLS, so these numbers could be materially higher/better

Good question. I did not look at any of the presales data to see how they compared. Perhaps something for your local UDI chapter to undertake!

9. While you say that the natural population will decrease due to the aging baby boomers. Is there going to be a baby boom due to COVID. wink, wink.

Yes, fascinating! If we look to the fertility data they show a dip during tough economic times and increases during good economic times. Certain events, such as the ice storm back east, have also been shown to have an implication on fertility rates. SO, to the degree that a household is weathering COVID well they may be more inclined to have kids and a baby boom may emerge. On the other hand, to the degree that households are challenged economically, they may postpone (pushing rates down). Believe me when I say I am watching these data closely to see what emerges!

10. Can you comment on the numerous reports for expected record foreclosures in 2021?

This was the perspective of CMHC when they published their outlook for a decline in average Canadian housing prices. Need to note the incredible amount of federal stimulus that has been thrown at the market and the recognition of the banks of financial challenges for some households and mortgage deferrals. It's not in the banks best interest to see mass deferrals so I think they will be doing everything they can to work with clients who are in distress.

11. Your noted metro exodus - are you predicting this is elastic (will snap back fully post corona) or that some of it is sticky and we will see permanent WFH changes and such?

Sticky. As I mentioned on the call, I think there is a long tail to pandemic -related migration. I see a long tail as it coincides with leading edge of the Post War Boom being 75 and the big bulk of the boom in their mid to late 50s. COVID may have instigated some of the exodus, but demography will ensure it

continues (especially in the face of significant increases in housing prices in major Metro regions in Canada).

12. You had mentioned an analogy that we are pulling future demand to the present. Based on this statement, would you expect the demand side to slump moving into 2022-2023?

To some degree yes. I say to some degree as I have to layer on top of this the outlook for population growth driven by increasing immigration targets. Pulling some of that demand forward could be filled in by the added migration. Also have to look at this in the context of available supply.

13. There are a lot of towers being approved here in Kelowna, 30+ stories, with many housing units. Were those new buildings factored into the potential housing crisis?

Yes! If those buildings have reached ground level in their construction then they are part of the starts database we use to consider the short term of housing supply. Further to this, if they are have not reached this level of construction they would fall into the permits database that we consider.

14. Is there still a pent-up demand as intra/inter provincial buyers are not supposed to travel due to restrictions DC

There could be. We will need to keep a keen eye on the BC level migration data in the coming quarters to see what the flows into the province are (within province data are only published by Stats Canada annually).