

# CMHC - Kingston Housing Industry Roundtable

March 9, 2016 Discussion Summary

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## Summary

- Local economy still facing challenges as most jobs being created are contract or part-time jobs. This makes transition into homeownership more difficult especially for first time buyers.
- MLS® sales rebounded strongly from the previous year. Homes priced in the mid-range are toughest to sell. Properties that are selling in Kingston tend to be in the lower or the higher end of the price spectrum.
- Home builders face challenges in keeping the cost of new homes down. Limited land availability for further development is constraining builder's choices.
- Vacancy rates were on the rise in the periphery as more units were built. Demand remains high to live in the downtown core, particularly among the student and senior's population.
- Affordable housing funding comes from two main programs, Investment in Affordable Housing Program (Federal & Provincial Funding) and the Community Homelessness Prevention Program. These plans are very flexible, allowing the municipalities to use them according to their situation and needs. The City of Kingston also provides municipal funding, some of which has supported the creation of secondary units.

CMHC's Kingston Housing Industry Roundtable

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Dear Participant:

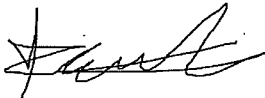
Thank you for attending our annual CMHC Kingston Housing Industry Roundtable session at the Travelodge Hotel on March 9, 2016.

In addition to the networking opportunity our annual industry roundtable event provides, we hope that the short CMHC presentation provided you with insights and short-term housing market outlook for Kingston and Ontario. Below you will find the meeting notes of this year's roundtable discussion. As promised, the summary notes are not ascribed to a particular individual.

To find out more about all the programs and services CMHC provides, please visit our website ([www.cmhc.ca](http://www.cmhc.ca)) for housing market intelligence you can count on. CMHC has industry experts across Canada that analyse individual local housing markets. Successful annual conferences, seminars, and roundtable events help strengthen CMHC's ability to develop and maintain vital housing programs and services for all Canadians.

Thank you again for attending this year's CMHC Kingston Housing Industry Roundtable session. We look forward to having you join the 2017 discussion.

Sincerely,



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Aris Gianneskis  
Market Analyst  
Canada Mortgage and Housing Corporation (CMHC)

## **Kingston Industry Roundtable Meeting Notes**

### **Economy:**

Kingston's economy is still facing challenges though the impact of a lower Canadian dollar seems to be gaining some traction. Key areas of potential growth include healthcare, tourism, logistics, and some trades. Nonetheless, the strong employment gains of the past year were centered in the part-time or contract positions, which also tend to be low paying jobs.

The older age groups continue to work longer, and an increasing share of the labour force is over the retirement age, in part because they wish to fund their children's education. Some of them choose to purchase condos for their kids that attend the educational institutions.

Upon graduation most students from Queen's University leave the area to find employment elsewhere. This is partly explained by the low availability of jobs for high calibre professionals.

The local economy is getting a boost by the positive effects of the lower Canadian dollar as more Canadians opt to visit Kingston as opposed to travelling to the U.S.A. This helps explain in part the lower hotel vacancy rates of the recent year.

Some challenges still remain: spousal employment opportunities. Most of the partners of military staff are underemployed putting a pressure on family incomes.

Attracting international firms to invest in Kingston is a challenge. Notwithstanding, a specific Portuguese company decided to invest in Kingston and will be creating 50 to 100 new positions. Interest has emerged also from local investors to establish medical facilities in the east end of the City in the business park.

Lastly, there is concern that a lot of contract or part-time employees will soon leave Kingston once their projects are completed, putting downward pressure on employment.

### **Housing Finance:**

Disposable income has not kept up with housing prices. The younger population appears to have a hard time saving for the initial down payment and underestimates the cost implications of home ownership. This may be a result of low paying contract positions dominating new employment for this age group.

Financing conditions for Canadian Forces Base (CFB) staff appear to be the toughest alongside contract staff. This explains why about half of the CFB staff own their homes while the other half rent.

### **Housing Market:**

Year-to-date, existing home sales have been higher than last year. The majority of properties that are selling in Kingston tend to be in the lower price ranges. Houses priced in the mid-range are

staying on the market for a longer time. Notwithstanding, higher end priced homes appear to be easier to sell as these homes are typically purchased by individuals with above average incomes.

First-time home buyers continue to be active in the market. However, some are having trouble with affordability and qualifying according to new lending guidelines. Popular prices for this group are under \$300,000.

More expensive homes sell easier. Homes prices in the \$400,000 to \$600,000 range appear to be receiving multiple competitive offers. The hardest homes to move are in the \$250,000 to \$350,000 range, which is traditionally targeted by the first time buyers.

Some military staff face difficulty qualifying for mortgage loans as most banks will not count the spousal income if it comes from a contract or part-time position. This makes it more difficult for military staff to get approved for mortgage loans. Many military families that are transferred are keeping their house in Kingston for their retirement. The needs of military personnel often shape what is in demand in the resale market.

#### **New Home Construction:**

New home buyers are typically move-up or repeat buyers. The average new single-detached home in Kingston is generally not affordable for first-time buyers. The demand for less expensive new town homes has increased in recent years leading to more units built than the historical average.

Home builders face challenges in containing the cost of new homes. Construction inputs, most notably the value of land, which has doubled in the last 10-15 years, have added significantly to price increases. Moreover, land scarcity is putting further upward pressure on the price of land. The existing land, particularly in the downtown core, is expensive and limited.

In terms of permit applications, the singles are up on an YTD basis. However, for 2015, the permits for multiple units were up a lot and singles was trending down.

#### **Rental Market:**

The majority of rental properties geared towards students are being bought by out of town investors. Most of these investors appear to be purchasing multiple units with increasing percentages of down payment implying a certain confidence in this market. Compared to other markets, such as Toronto, the cost for these investments remains low.

The most popular type of rental unit is the two bedroom, which tends to rent at \$1,400 in the west and \$1,200 in the east end. The one bedroom units tend to be the hardest to fill and, thus, are staying vacant longer.

There are concerns among existing rental property owners that a possible substitution effect is taking place between the secondary market and the new condo market. Both students and seniors, appear to be upgrading their lifestyle choice in favor of these newer buildings which offer more amenities.

Some seniors' decision to rent or own is tied to the performance of the stock market. This is mainly due to the reason that many sophisticated investors live in Kingston and are active investors.

Regarding commercial real estate, the west end has the highest vacancy rates, which appears to be the highest level since 2008. This is mainly due to lower employment opportunities in this region.

### **Demographics:**

#### Seniors

Kingston is one of the top three retirement destinations in Canada. Seniors tend to age in place. Most of the younger seniors opt to stay in their existing home until they are forced to move. This reluctance to move creates an opportunity for renovations. Most seniors prefer to upgrade their existing units so they become more suitable to meet their current needs.

A shortage of accommodation for seniors in many areas is forcing them to relocate downtown making the adjustment more cumbersome.

#### Students

Student attitudes towards renting have changed. Supported by the parents desire to upgrade the student lifestyle experience, the younger generation is moving away from the traditional student housing arrangements of multiple students living within one home to a more independent living arrangement.

Developers have taken note of this. Anticipate more apartment units to follow as a result. Not only more units will be supplied, but also the layout will change. Also the shape of the new buildings is changing promoting a mix of retail and residential. Greater amenities imply higher rents can be charged for these units. Consequently, investors will reap higher returns as rents are increasing for this niche market.

Anecdotal evidence seems to suggest that some overseas investors appear to be interested in investing in the local student rental market.

Smaller developers have been converting older commercial buildings downtown into residential units.

Students have associated Kingston with their university of college years and seem to be reluctant to return and invest in this city. In particular, Queen's alumni, appear to be shying away from investing in the city upon graduation.

### **Affordable Housing:**

Opportunities exist for increasing the affordable housing stock in Kingston with programs offered by the Service Manager (City of Kingston), the Ministry of Municipal Affairs and Housing (MMAH) and CMHC. Agreements between the three levels of government provide funding for affordable

rental housing developments, affordable homeownership, housing allowances, rent supplements and Ontario Renovates.

Funding comes from two main programs, the Investment in Affordable Housing Program and the Community Homelessness Prevention Program. These plans are very flexible, allowing the municipalities to use them according to their situation and needs. A homelessness prevention approach ensures more options are available for housing low income households.

CMHC has several programs that are geared towards affordable housing. CMHC SEED funding and Proposal Development Funding offers developers of affordable housing assistance with predevelopment activities.

Through the Strong Communities Affordable Housing Act, new amendments to the Planning Act encourage the creation of secondary suites. Subsequent by-law changes in Kingston with respect to secondary suites have piqued interest in building such units.

Secondary suits are expanding and appear to have become very popular. The east end of the city is still prevented from legally developing secondary suits; anticipate this restriction to change, possibly soon.

All in all, there appears to be a move towards the need to create more units as opposed to supplementing rental income. In Rideau Heights, there is a two year plan for moving to mixed housing (approximately 40 townhomes). There is a need, however, to engage partners from the private sector to make this feasible. More in line with a private-public partnership initiative.

### **Immigration:**

Immigrants land elsewhere in Ontario and come to Kingston as their second destination. Most of them come to Kingston as a result of finding employment with the larger institutional employers or choose to stay upon completing a graduate degree.

Immigrants who are lucky enough to get jobs, often end up with contract positions. This is a further obstacle for their move from the rental market into home ownership as it is harder to qualify for financing.

Spouses of these economic migrants often have a hard time finding employment, and this makes it harder for employers to attract employees not already living in Kingston. If they do come it can result in underemployment of their spouse.

**List of Participants:**

Name	Organization	Email
John Henderson	City of Kingston (Housing)	jhenderson@cityofkingston.ca
Annemarie Eusebio	City of Kingston (Planning and Development)	aeusebio@cityofkingston.ca
Christa Wallbridge	Kingston Economic Development Corporation	Wallbridge@kingstoncanada.com
Ruth Noordegraaf	Kingston Immigration Partnership	ruthn@kchc.ca
Mila Kolokolnikova	Ministry of Municipal Affairs and Housing	Mila.Kolokolnikova@ontario.ca
Chantal Rook	Mortgage Brokers Kingston	chantalr@mortgagebrokerskingston.com
Nick Harrington	Home Builders Association	khba@khba.ca
Amanda Blommestyn	Caracco Development Corporation	amandab@caraco.net
Brendan Lloyd	CJM Property	brendan@cjmproperty.net
Mariah Hamilton	Milborne Real Estate Inc.	mariah@milborne.com
John Price	Sutton Group	jprice3@cogeco.ca

Name	Civilic	Email
Christina Haddad	RVP, Office of the RVP Ontario	chaddad@cmhc.ca
Jean-Sébastien Michel	Principal, Market Analysis	jmichel@cmhc.ca
Vivian Chih	Consultant, Affordable Housing	vchih@cmhc.ca
Stephanie Guistini	Account Manager, Client Relations	sguistin@cmhc.ca
Aris Gianneskis	Market Analyst, Market Analysis	agiannes@cmhc.ca

Industry
Homestead Land Holdings CFB Kingston Queens University DTZ

