



Southern Gulf Islands Updated Housing Market Analysis Report

February 2022

Prepared for the Capital Regional District



Making a difference...together

By Urban Matters CCC

urban
matters

Acknowledgements

The Capital Regional District Southern Gulf Islands is located on the traditional territories of the territories of the Coast and Straits Salish peoples.

We are grateful for the contributions, time, and energy from the Capital Regional District Community Liaisons, Victoria Real Estate Board, and community members who participated in the development of this report.

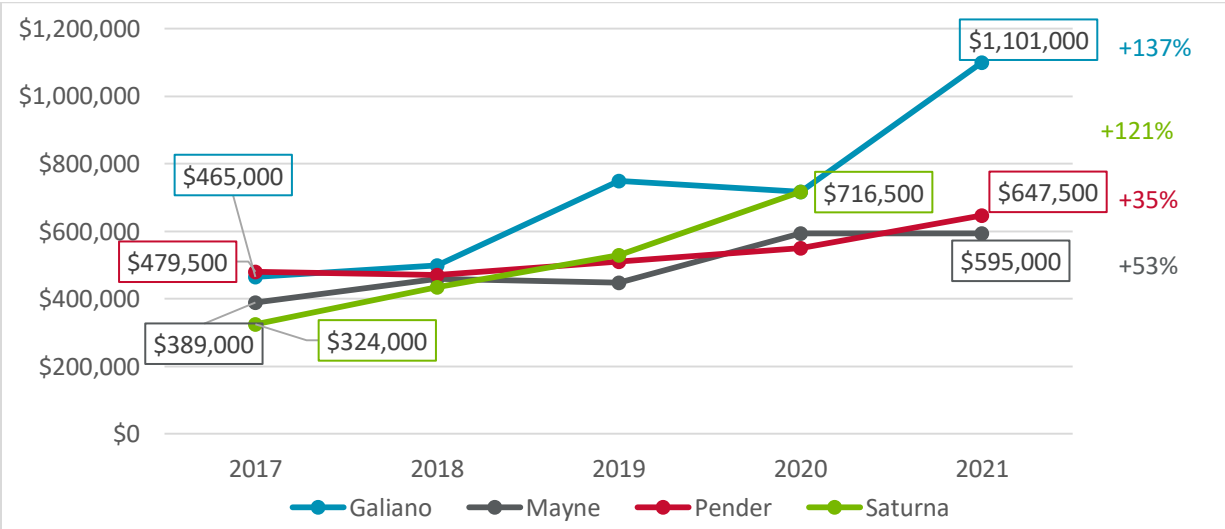
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Executive Summary

The Southern Gulf Islands (SGI) Housing Needs Assessment completed in 2018 provided the Capital Regional District (CRD) with insights on baseline and projected housing needs. Due to COVID-19, housing prices (sales and rentals) have increased. This is consistent with significant real estate increases seen in other parts of the province. This reporting provides an updated market analysis of the housing market across the SGI communities.

Between 2017 and 2021, median sales prices have increased significantly: between 35% to 137% depending on the island.

Median Sales Price for Single-Detached Dwellings by Southern Gulf Island¹, 2017-2021



From 2018 to 2021, the housing inventory and market conditions have made purchasing or renting housing less accessible for residents and workers on the SGI. Across the SGI, there has been moderate gains in new housing builds and starts (Recent Completions by Building Permit Data), primarily focused across Galiano Island and North and South Pender Islands.

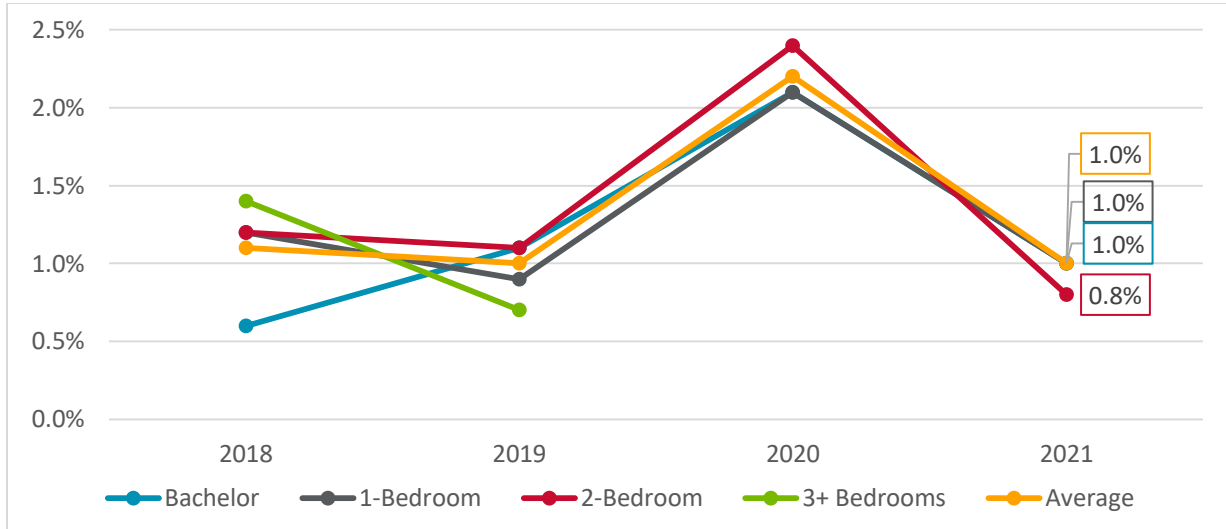
Since 2018, there has been limited improvement in housing affordability for homeowners and renters. Home ownership remains out of reach for many households due to increasing housing costs and challenges with attaining affordable mortgages.

Data on the primary rental market is limited and is not collected through the Canada Mortgage Housing Corporation’s (CMHC) Rental Market Survey. To understand the rental market across the SGI communities, a background review of Islands Trust and CRD documentation was completed, in conjunction with targeted interviews. Community members rely on word-of-mouth communication to prioritize housing for local residents due to the competitive nature of the limited rental housing stock. Rental stock is difficult to track due to the informal nature of how rental availability is shared (i.e., not through real estate platforms).

¹ Single-detached dwelling sales data is not available for Saturna Island for 2021. The percent change for Saturna is calculated from 2017-2020.

Regionally (i.e., across the CRD), the data shows rental pressures across all communities. Even where there is a high number of purpose-built rentals, rental pressures are high. The SGI has minimal purpose-built rental units, and communities face their own unique rental housing issues, which exacerbate existing regional rental pressures. Vacancy rates in purpose-built rentals have remained low averaging at 1%, where a healthy rate is 3%-5%.

Primary Market Rental Vacancy Rates, Capital Region (Victoria CMA), 2018-2021

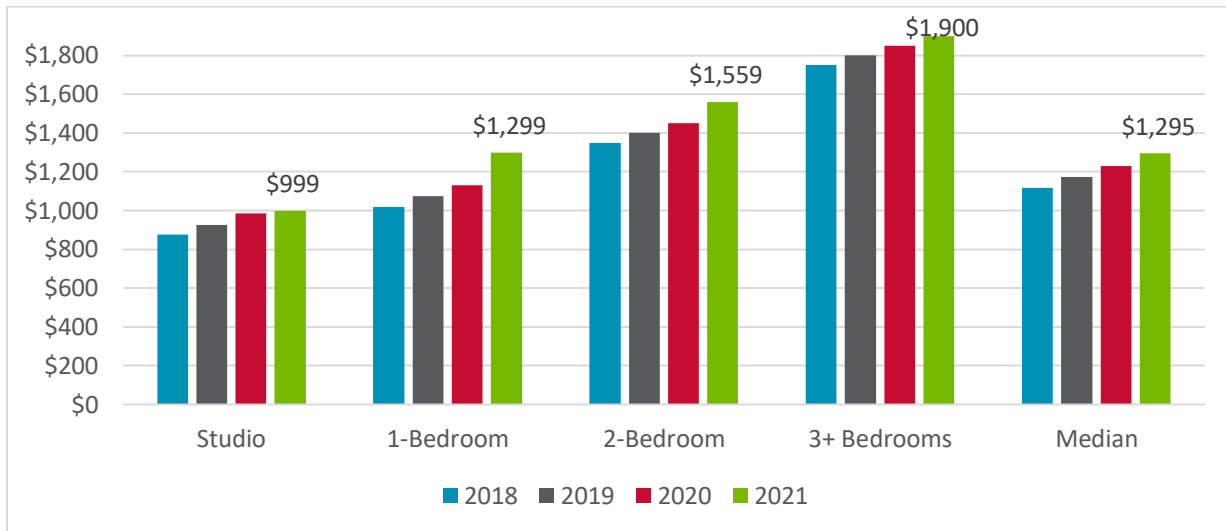


Renters face insecurity with the majority of rental housing across SGI comprising of secondary market rental units.² Seasonal housing demands places increased burdens on the rental market, which is limited across the SGI. Employers face challenges with staffing due to the employee challenges with securing affordable housing.

Between 2018 and 2021, regional median rental rates have increased between 9% to 27%. Rental rate increases in the primary market are somewhat controlled due to legislation which limits the annual amount rental rates can increase by.

² Fee simple single-family homes, secondary suites, strata condominiums, and townhouses being rented out by private owners.

Primary Market Rental Median Rent by Bedroom Type, Capital Region (Victoria CMA), 2018-2021



Key Areas of Need

The following outline the key areas of need across the SGI:



The 2018 Housing Needs Assessment showed that incomes and costs of housing were misaligned. This gap appears to have widened in the last 4 years.



The rental situation on the islands is desperate and is adversely impacting the local economy and the ability to deliver services.



Primary market rental stock is limited. The majority of rental units are through the secondary market which leads to insecurity for the renter. Renters are often precariously housed with a lack of proper renter protections. Rental pressures across the region are high, and this pressure is heightened across the SGI due to a lack of primary rental stock.



Hidden homelessness is being experienced by individuals across all islands. This continues to be an issue with individuals couch surfing, living out of cars and boats, and camping.



Housing supply is limited and lacks diversity, with development lagging, this has resulted in a persistent challenge for owners and renters trying to source affordable, adequate, and suitable housing.

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1 Introduction

The Southern Gulf Islands (SGI) are comprised of Galiano, Mayne, North and South Pender (Penders), and Saturna Islands, located within the traditional territories of the Coast and Straits Salish peoples. The Capital Regional District (CRD) is undertaking work across the SGI to make strategic recommendations to address housing challenges identified through the Housing Strategy (2022).

This report builds on the baseline data and key findings from the Southern Gulf Islands Housing Needs Assessment report completed in 2018. The following are key findings from the 2018 Housing Needs Assessment:

- Critical shortage of supply of suitable and affordable rental units
- Home ownership is out of reach for most households across the SGI
- Rental housing is impacted by seasonal short-term rental demands
- Local businesses and employees face serious housing challenges due to affordability and availability

Since 2018, market data indicates housing sales prices have continued to grow on each of the islands and the housing markets in each of the four communities have been impacted by the broader pandemic and economic conditions. This report provides an overview of market housing needs and challenges based on analysis of quantitative data from AirDNA, BC Assessment, BC Housing, Canada Mortgage and Housing Corporation, Capital Regional District, Vancouver Island Real Estate Board, Victoria Real Estate Board.

The market data was contextualized through background review produced by Islands Trust, Capital Regional District, and selective targeted interviews. This report is comprised of the following sections:

- Market Housing
- Rental Housing
- Non-Market Housing
- Community Context and Research Summary
- Conclusion

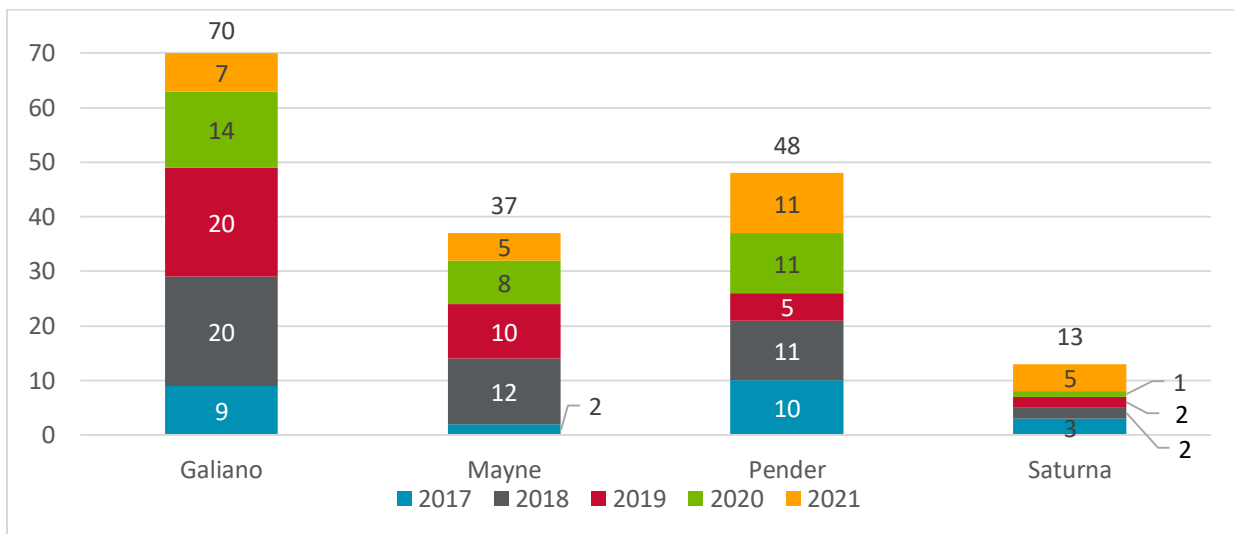
2 Market Housing

Housing across the SGI remains limited. Communities use internal networks to help prioritize housing for local residents due to challenges with supply. Housing stock continues to remain low due to increased material costs and labour support challenges (i.e., limited contractors across SGI).

2.1 Recent Completions by Building Permit Data

The SGI Electoral Area has seen a modest increase in the number of new dwelling units from 2017 to 2021 as shown by the CRD building permit data. In total, the CRD issued building permits for 168 new single-detached dwellings and 22 secondary suites and auxiliary dwellings during this time period.

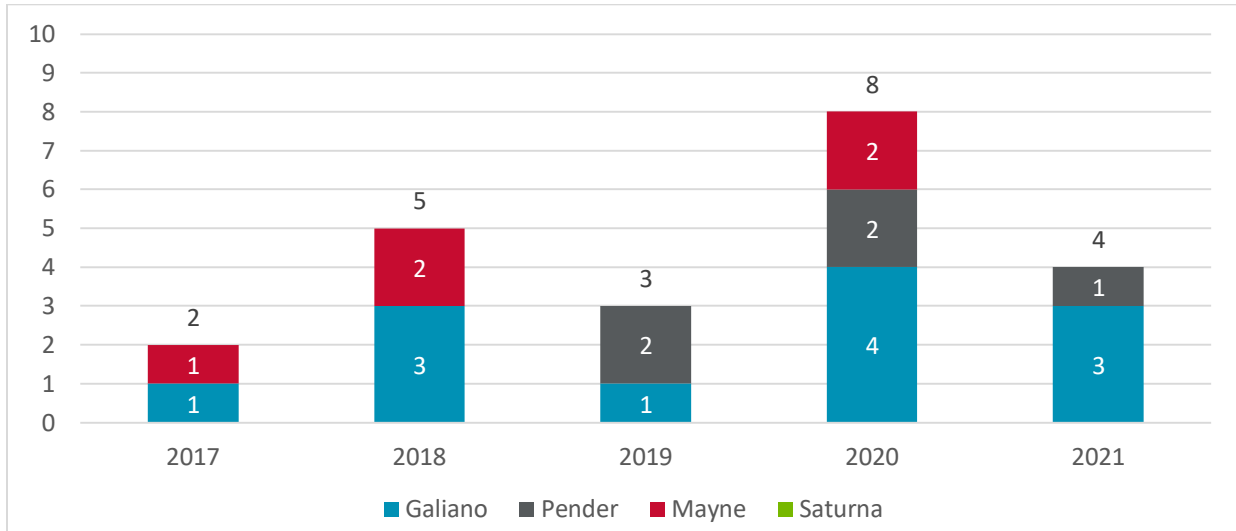
Figure 1: Building Permits Issued for New Single-Family Dwellings, Southern Gulf Islands, 2017-2021



Source: Capital Regional District Building Permit Data, Southern Gulf Islands Electoral Area

The SGI Electoral Area has seen a consistent number of building permits issued for accessory dwelling units (e.g., cabins, carriage houses, cottages). Between 2017 to 2021, a total of 22 building permits were issued. Of the 22, only 3 permits were issued for secondary suites, solely located on the Penders. Galiano Island held the largest share of the building permits for these two dwelling categories at 55%, with no building permits issued for Saturna Island.

Figure 2: Building Permits Issued for Secondary Suites and Auxiliary Dwellings, Southern Gulf Islands, 2017-2021



Source: Capital Regional District Building Permit Data, Southern Gulf Islands Electoral Area

2.2 Homeownership

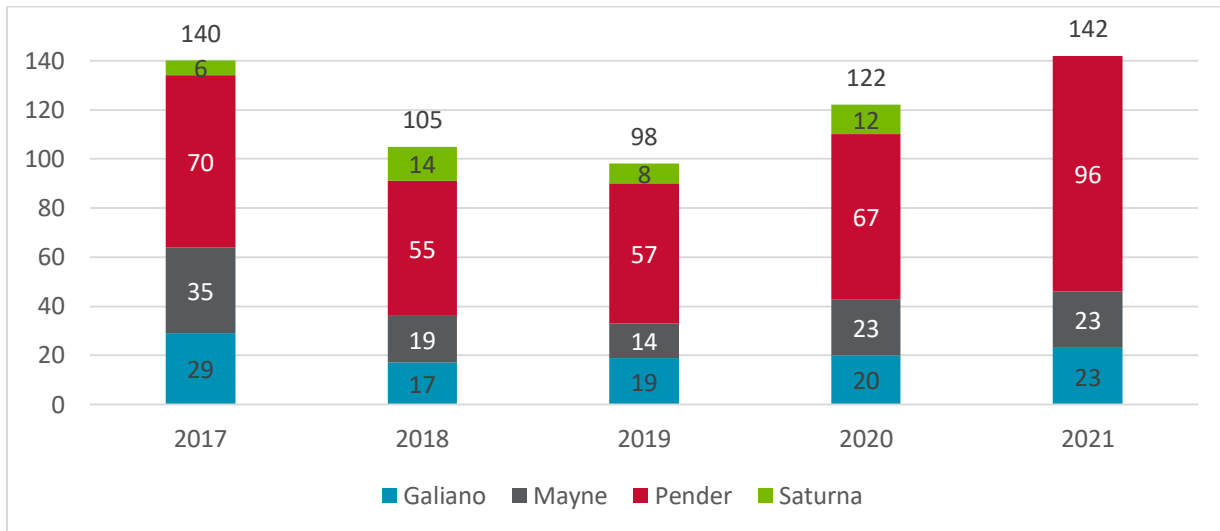
Single-detached dwellings are the primary form of housing available for prospective homeowners to purchase across the SGI. This reflects SGI’s housing composition as it is primarily made up of single-detached dwellings (96% in 2016). Recent housing sales data for the SGI indicate that the number of single-detached dwellings sold in 2020 and 2021 has not been impacted due to the pandemic and its economic impacts. Despite a slowdown in home sales in 2018-19, 2020 and 2021 saw an increase and has grown back to 2017 levels.

From 2017 to 2021, the Penders held the largest proportion of single-detached dwellings sold across the SGI, reflecting the relative availability of housing for purchase compared to the other islands. Saturna Island held the smallest proportion of single-detached dwellings sold during the same period.

Through this process, we heard that policies and regulations across all islands (i.e., Islands Trust policies, Capital Regional District bylaws) create a complex environment that limits development due to challenges with permitting approvals and density limits. Additionally, development across all islands is limited due to labour availability and the high costs of procuring construction materials, which face the additional cost of material transportation to the islands.

Key informants explained that the high sales prices of homes and land make it challenging for local prospective homebuyers to secure financing. Banks require high down payments and consider the SGI a high-risk lending zone. There are financing obstacles when purchasing raw land, which has discouraged new builds. As a result, many prospective home buyers need to source multiple incomes to afford living in the community. The increased cost of housing prices and land have widened the affordability gap for homeownership.

Figure 3: Number of Single-detached Dwellings Sold, Southern Gulf Islands³, 2017-2021



Source: Vancouver Island Real Estate Board and Victoria Real Estate Board

From 2016 to 2021, the average assessed value for a single-detached dwelling across the SGI has grown by 52% from \$382,753 to \$581,273. The average assessment value increases if the dwelling contains a suite or is located on a property with 2 acres or more. For single-detached dwellings and duplexes on 2 acres or more, the average assessed value in 2021 is over one million dollars at \$1,013,410.

Table 1: Average Assessment Value by Dwelling Type, Southern Gulf Islands⁴, 2016-2020

	2016	2017	2018	2019	2020	2021	2016-2021 (%)
Single Family	\$382,753	\$413,770	\$469,615	\$515,569	\$548,825	\$581,273	52%
Dwelling with Suite	\$447,314	\$482,678	\$534,406	\$588,261	\$633,073	\$667,775	49%
Seasonal Dwelling	\$310,177	\$344,975	\$389,275	\$422,538	\$429,072	\$454,414	47%
2+ Acres (Single Family Dwelling, Duplex)	\$724,580	\$759,898	\$833,581	\$933,110	\$953,780	\$1,013,410	40%

Source: BC Assessment

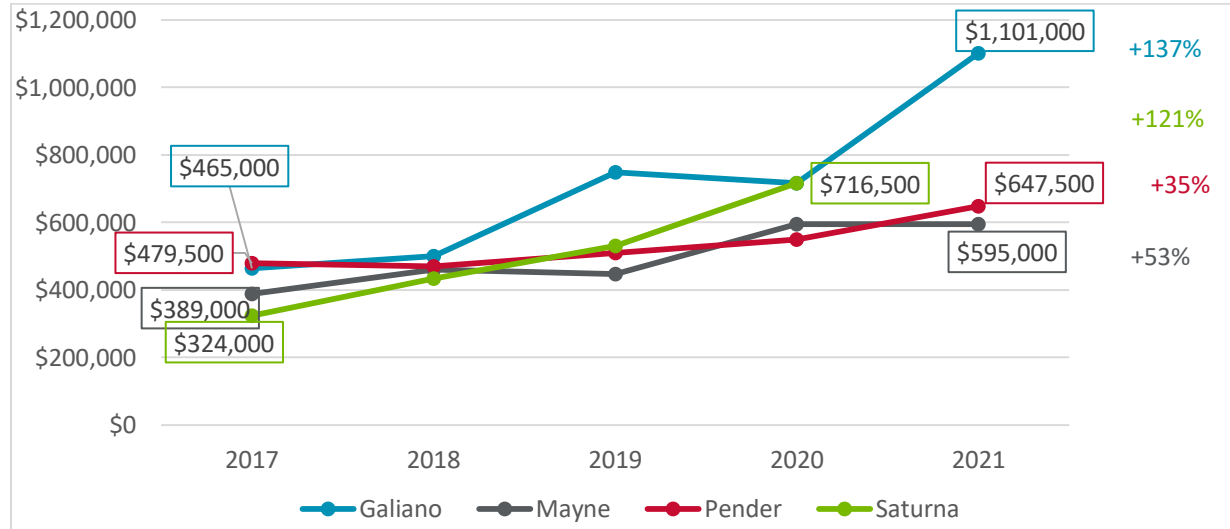
Recent sales data for single-detached dwellings on the SGI show the average sales prices are higher than the average assessed value, indicating strong demand for housing. Galiano Island leads in housing prices

³ Single-detached dwelling sales data is not available for Saturna Island for 2021.

⁴ Average assessment values for other dwelling type categories are not available for the Southern Gulf Islands due to limited public data.

across the SGI, with an average sales price of \$1,101,000 for a single-detached dwelling in 2021. Notably, Galiano Island saw the highest average sales prices jump for single-detached dwellings from 2017 to 2021, growing 137% and is followed by Mayne Island (53%) and the Penders (35%).

Figure 4: Median Sales Price for Single-Detached Dwellings by Southern Gulf Island⁵, 2017-2021



Source: Vancouver Island Real Estate Board and Victoria Real Estate Board

The homeownership market remains competitive for those seeking affordable homes. Across the SGI, the market for home sales has rebounded; however, homes over \$1M tend to remain on the market for longer periods due to the high price point.

⁵ Single-detached dwelling sales data is not available for Saturna Island for 2021. The percent change for Saturna is calculated from 2017-2020.

3 Rental Housing

The SGI's climate and recreation opportunities draw an influx of visitors throughout the year and the visitations peak during the summer months of the year, which results in seasonal evictions as homeowners return during the summer months. As such, rental housing is an important part of the housing stock year-round for visitors and for workers that support the tourism and hospitality sector across the SGI.

3.1 Primary Rental Market (Regional Trends)

While it is estimated from BC Assessment data that there were 14 units in the primary rental market on the SGI in 2020, there is no data currently collected and available on the market rents or vacancy rates for this component of the rental housing inventory.

To understand rental housing trends across the SGI, data on the Victoria Census Metropolitan Area (CMA)⁶, is used to provide context on the region. Regionally, there has been an increase in primary market rents and low vacancy rates for the last few years even while the total number of units in the primary market has increased. This indicates that rental housing is limited across the region and that there is significant demand for rental housing.

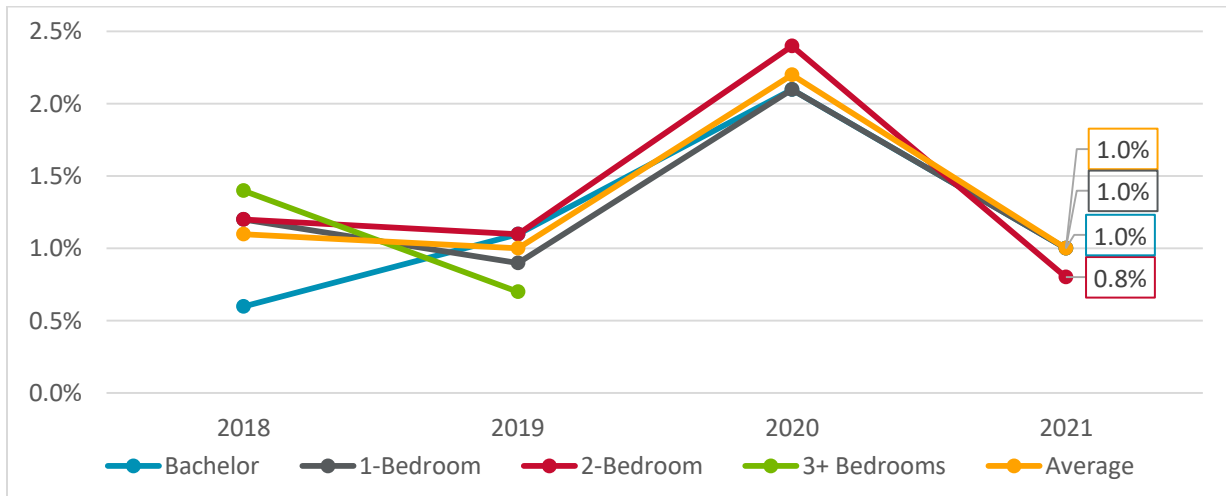
The primary market rental vacancy rates for the Capital Region have remained below 3% from 2018 to 2021 indicating low availability of rental housing. A healthy rental market usually has a vacancy rate between 3% to 5%.

Across the SGI communities, there are extremely low vacancy rates where community members are often seeking housing for extended periods of time.

Due to the limited primary rental market housing stock, the majority of rental housing is sought out through the secondary market which leads to insecurity for the renter. Renters are often precariously housed with a lack of proper renter protections. As a result of the limited affordable rental stock, hidden homelessness (e.g., living in boats, camping, overcrowded homes) has increased across the SGI.

⁶ The Victoria CMA consists of the following communities: District of Saanich, City of Victoria, City of Langford, District of Oak Bay, District of Esquimalt, City of Colwood, District of Central Saanich, District of Sooke, Town of Sidney, District of North Saanich, Town of View Royal, District of Metchosin, Electoral Area of Juan De Fuca (Part 1), District of Highlands, New Songhees IR 1A, East Saanich IR 2, South Saanich IR 1, Cole Bay IR 3, T'Sou-ke IR, Becher Bay IR 1, Union Bay IR 4, and Esquimalt IR.

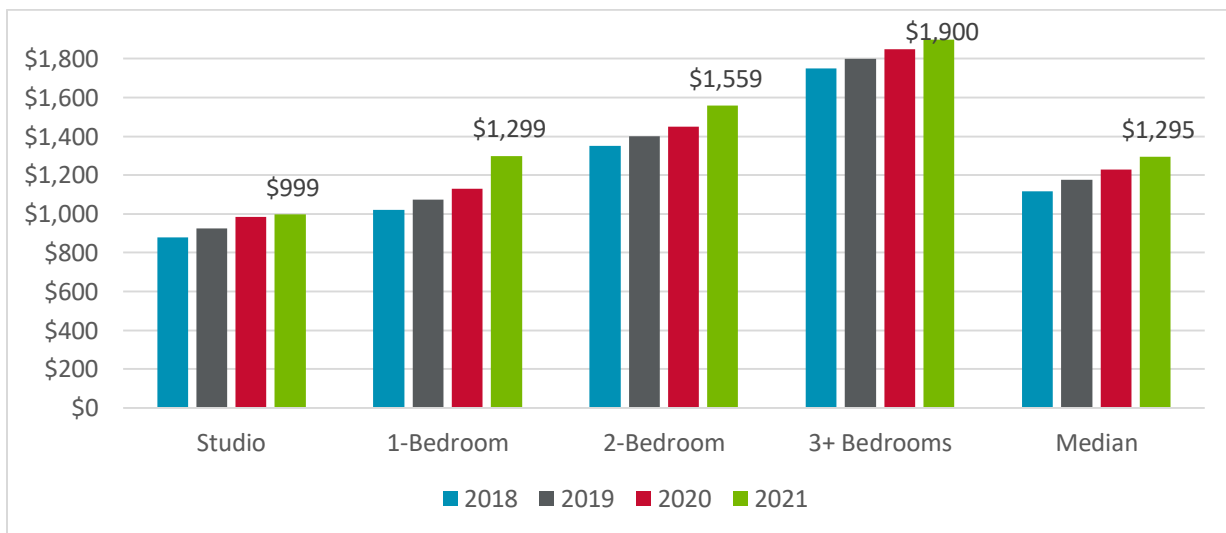
Figure 5: Primary Market Rental Vacancy Rates, Victoria CMA, 2018-2021



Source: CMHC Rental Market Survey

The median rent for all unit types in the primary rental market in the Capital Region has increased by 16% from 2018 to 2021 or an average annual rate of 5%. An increase in median market rents was experienced across all bedroom types in the Capital Region during this period.

Figure 6: Primary Market Rental Median Rent by Bedroom Type, Victoria CMA, 2018-2021



Source: CMHC Rental Market Survey

Rental housing availability across the SGI is communicated through informal networks such as word-of-mouth communication, social media groups, and community bulletin boards. As a result, fluctuations in rental housing stock are difficult to track.

3.2 Short-Term Rental Housing

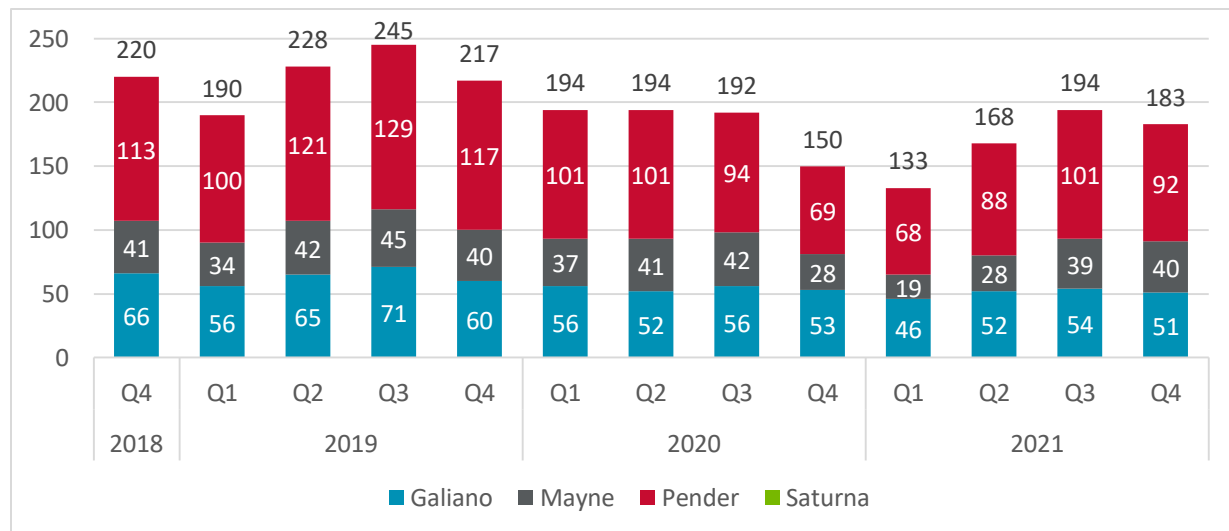
According to AirDNA⁷ short-term rental data, between 2018 to 2021 there was an average of 192 short-term rental units listed for rent across the SGI at any given quarter of the year. From 2019 to 2020 there was a 20% decrease in total short-term rental units between Q2 and Q3, likely due to COVID-19. This may be a trend worth monitoring to see if this increases in 2022 with the removal of COVID-19 travel restrictions.

There were no seasonal fluctuations in the number of available units, except for the last quarter of 2020 and the first quarter of 2021, and no major changes in the number of total units available for rent. This data indicates that the proportion of short-term rental units on Galiano Island, Mayne Island and the Penders has stayed consistent over the last few years.

Community employers struggle with staffing due to employees having challenges with sourcing affordable housing. Some employers have taken it upon themselves to source housing for their employees. Seasonal employment to address additional tourism demands have increased the burden of seasonal housing.

There is typically a significant increase in Q3 (summer months) to accommodate seasonal tourism (e.g., hiring staff / recreational visitors). Short-term rentals have decreased across all islands due to changes in ownership where household demographics have shifted to full-time residents, thereby reducing the rental units available over time.

Figure 7: Number of Short-Term Units Available for Rent, Southern Gulf Islands⁸, 2018-2021



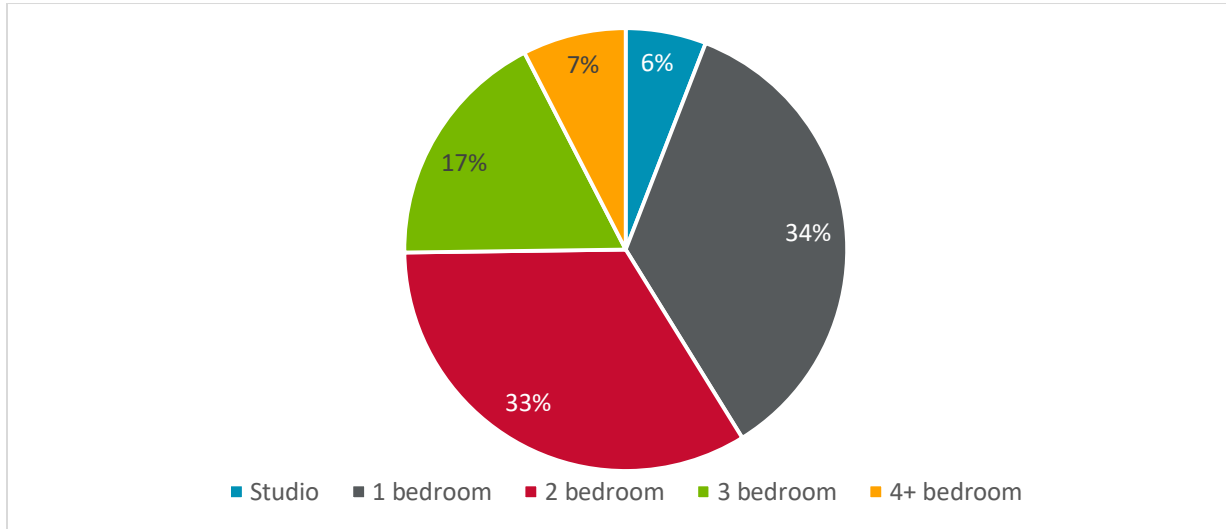
Source: AirDNA

⁷ AirDNA is a data analytics source for short-term rental data which tracks daily performance of properties on Airbnb and VRBO in 120,000 global markets.

⁸ Short-term rental data for Saturna Island is not available.

Short-term rental units on the SGI are offered in a variety of sizes and are available across a number of bedroom units per listing. Forty percent (40%) of the short-term rental units available for rent on the SGI as of January 19, 2022, are studio and 1-bedroom units, followed by 33% in 2-bedroom units and 30% of 3-bedroom or larger units. The data does not differentiate between whole dwellings for rent or single rooms for rent.

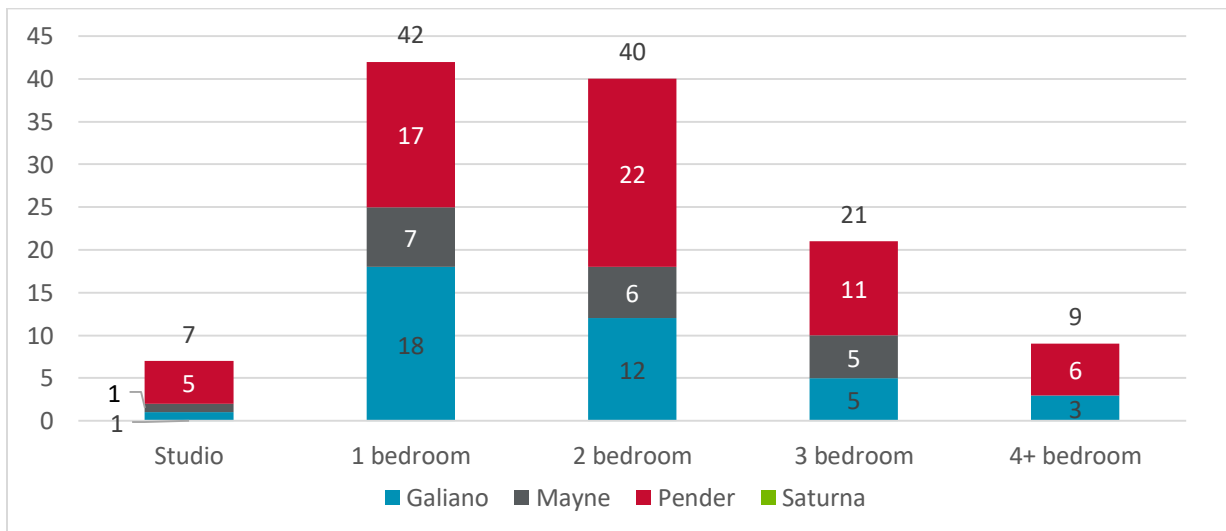
Figure 8: Short-Term Rental Availability by Rental Size, Southern Gulf Islands, January 2022



Source: AirDNA

The Penders and Galiano Islands provide the most short-term rental housing in the SGI as of January 2022, making up 85% of short-term rentals in the SGI. These two islands also have the largest share of short-term in each of the rental size categories.

Figure 9: Short-Term Rental Availability by Rental Size and Geography, January 2022

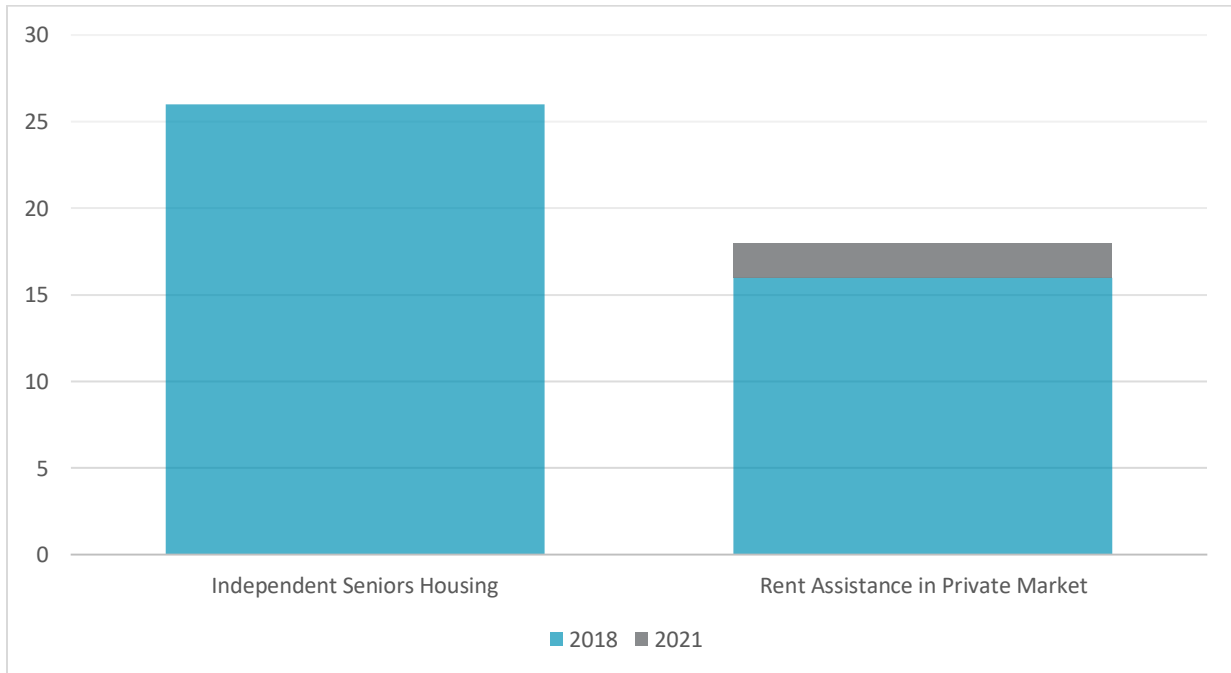


Source: AirDNA

4 Non-Market Housing

Since 2018, the SGI have seen no change in non-market housing, with 26 seniors' units located across the Penders, Galiano and Saturna Island. The number of households receiving rent assistance in the private market grew more modestly from 16 supplements to 18 supplements from 2018 to 2021.

Figure 10: Non-Market Housing Units, Southern Gulf Islands, 2021



Source: BC Housing

SGI communities have reported significant demand for non-market housing for lone-parent households, low-income families, seniors, and recent retirees.

5 Community Context and Research Summary

To better understand housing needs and challenges faced by the SGI communities, community context was developed through a background review of existing Islands Trust and CRD reporting, as well as selective targeted interviews. The following themes were identified:

Homelessness

Individuals experiencing homelessness are present across islands. Hidden homelessness continues to be an issue with individuals couch surfing, living out of cars and boats, and camping.

Land Use and Development

Building policy and zoning regulations have been challenging to navigate due to Islands Trust and Capital Regional District overlapping jurisdictions. Housing development could be expedited with more leniency in requirements for housing to be built.

Housing Stock

Communities use internal networks to help prioritize housing for local residents as housing supply remains limited across the SGI. Affordable rental and entry-level housing stock for homeownership remains low; opportunity to build new housing stock is limited due to increased material cost, labour support challenges and restrictive building policy and zoning regulation.

Employee Housing

Due to the lack of affordable short-term rental housing during the summer season, local businesses need to create their own staff housing solutions.

Homeownership

There is limited housing stock for those wishing to transition to home ownership. A high demand exists for affordable studio, 1- and 2- bedroom units. Home ownership changes has impacted volunteer-run community boards and services.

Rental Market

Rental housing stock is limited with minimal purpose-built rental housing units available. Seasonal housing demands increase the need for more short and long-term rental supply. The limited rental stock and fluctuating seasonal demand has created additional pressure on the secondary rental housing market. Vacancy rates are low across the SGI.

6 Conclusion

Since the 2018 Housing Needs Assessment, not much has changed across the SGI – the following are key takeaways between 2018 and 2021.



The 2018 Housing Needs Assessment showed that incomes and costs of housing were misaligned. This gap appears to have widened in the last 4 years.



The rental situation on the islands is desperate and is adversely impacting the local economy and the ability to deliver services.



Primary market rental stock is limited. The majority of rental units are through the secondary market which leads to insecurity for the renter. Renters are often precariously housed with a lack of proper renter protections. Rental pressures across the region are high, and this pressure is heightened across the SGI due to a lack of primary rental stock.



Hidden homelessness is being experienced by individuals across all islands. This continues to be an issue with individuals couch surfing, living out of cars and boats, and camping.



Housing supply is limited and lacks diversity, with development lagging, this has resulted in a persistent challenge for owners and renters trying to source affordable, adequate, and suitable housing.