

## THE END OF THE LINE

In 2011, four provinces (British Columbia, New Brunswick, Nova Scotia, Newfoundland) had more Seniors (65 + years) than children (0-14 years). Quebec and Prince Edward Island were more or less equally balanced. What is startling however, is the rate at which the Atlantic Provinces (New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland) are aging. Our Economic Intelligence Unit (EIU) has studied the impact this will have on the demand for real estate in the Region. Although the aging effect has been masked in the six main population centres (Fredericton, Saint John, Moncton, Charlottetown, Halifax, St. John's) by the migration from the countryside to these urban areas, we have now reached the tipping point for some major real estate sectors. *Unless there is a reversal in the trend, due to large scale immigration of working age population, we already have as much real estate as we will ever need.* In future, the only new real estate needed, will be that required to replace buildings that are physically, functionally or economically obsolete. For cities such as Halifax, which is hoping new development will rescue its decrepit downtown, it is probably the end of the line.

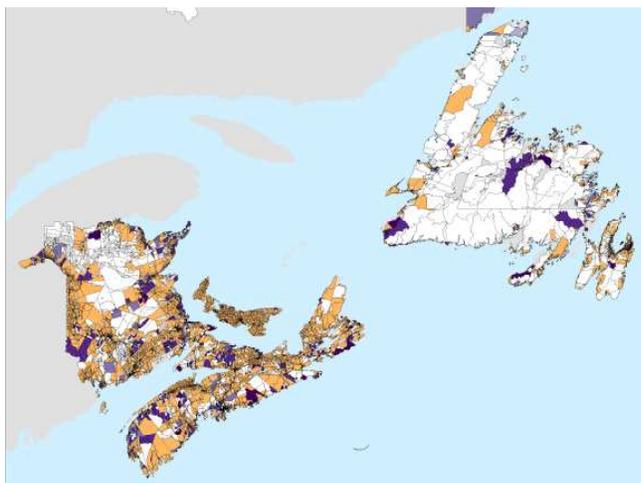
### Coming of Age

The Demographic Maps illustrate the population distribution of the dominant age group using the following colour code key:

□	No Data
■	0 to 19 years
■	20 to 24 years
■	25 to 34 years
■	35 to 44 years
■	45 to 54 years
■	55 to 64 years
■	65 +

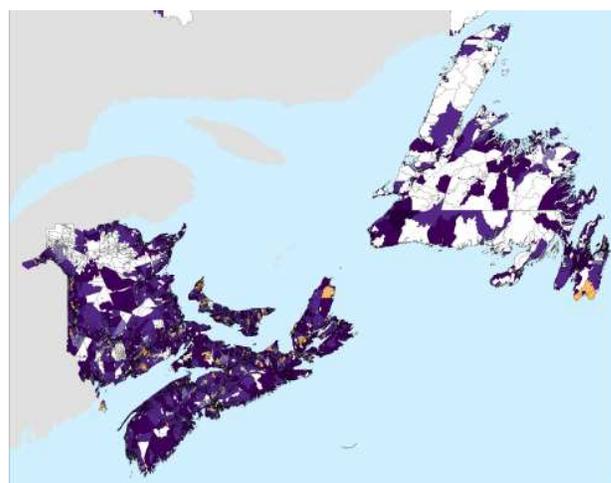
The change in the age distribution over the recent ten years (2001 to 2011) is startling: the next decade will be less colourful but more dramatic. This is a tsunami, but the municipal and provincial governments exercise self denial, and continue to proceed as they have in the past, even though everything is changing ... has changed.

2001 Demographic Map



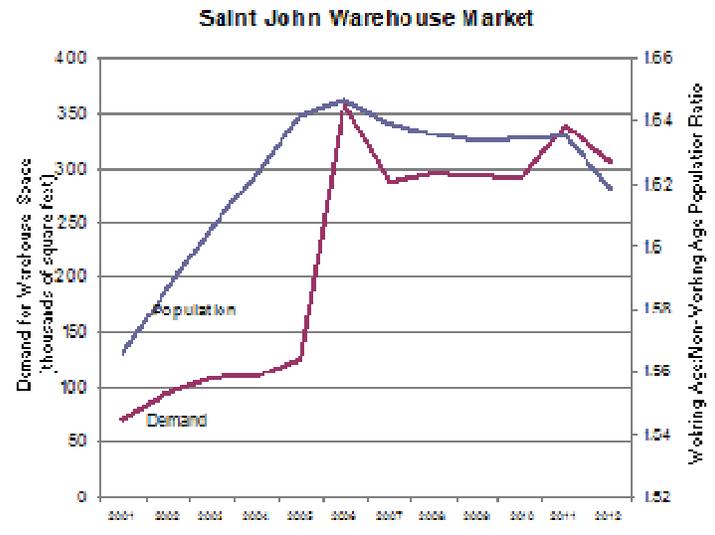
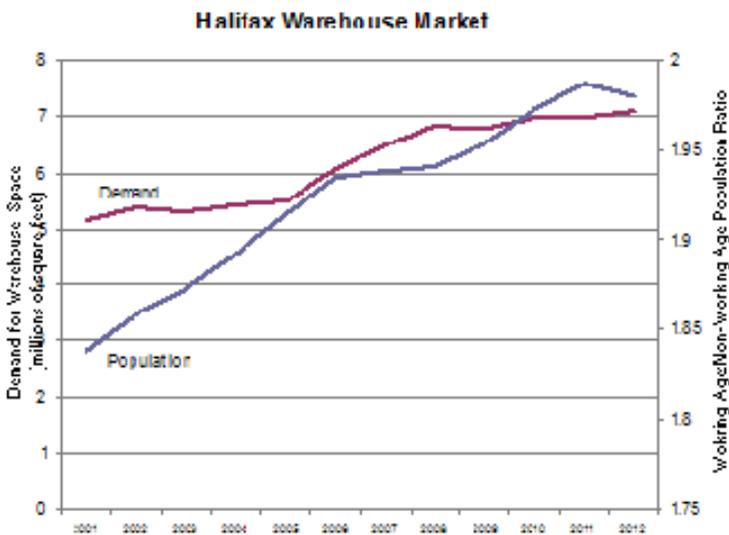
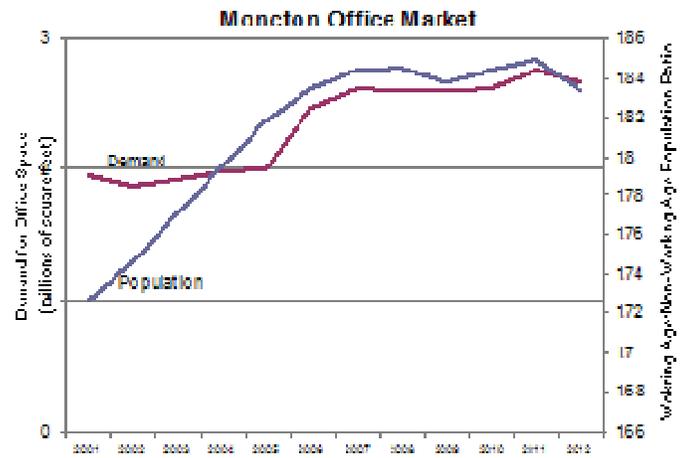
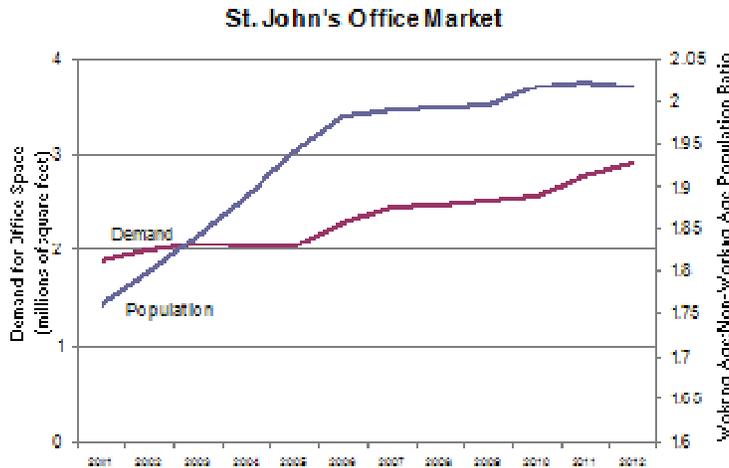
Source: Statistics Canada 2001 Census

2011 Demographic Map



Source: Statistics Canada 2011 Census

We are at the cusp: government's ability to collect income and property taxes in the future will be constrained by an aging population, reduced work force and falling property values (in some sectors) yet they continue to acquire, rather than liquidate, their real estate and business assets ... their mostly unionised personnel fiercely resist any opportunity to reduce their cost of operations.



Our EIU has studied the impact of our aging population on office and warehouse demand in the four urban areas for which Statistics Canada has yearly estimates of population viz. Greater St. John's, HRM (Halifax), Greater Moncton, Greater Saint John. Our demand estimates are based on the semi-annual surveys we conduct for the Federal Government (PWGSC). The pre-2006 demand data is based on similar but smaller surveys conducted by Cushman & Wakefield Lepage. (We have attempted to correct for the smaller survey sample with algorithms). In each case we have graphed demand against the ratio of the working age (20-64 years) to non-working age ( $\leq 19 + \geq 65$  years) population. This produced a higher correlation than using total working age population. In every urban area, apart from Saint John, the working age population was *increasing*, albeit at a declining rate.

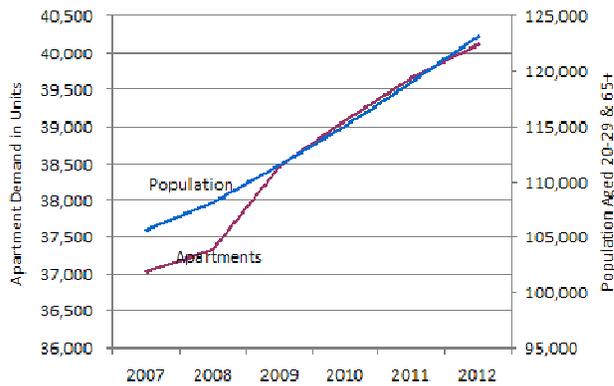
### Offices

The office markets are fully built out in HRM (Halifax), Greater Moncton and Greater Saint John. New office developments are planned, or underway in HRM. As they are completed they will cannibalise existing, older and more physically, functional, and economically obsolete buildings. Halifax Municipality is hoping that new office developments will resurrect its moribund downtown and has even subsidised some of them to "kick start" the central business district. In all likelihood they will simply capture tenants from other buildings in the CBD. This has already happened with The Armour Group's Waterside Centre. Its anchor tenant, the Royal Bank of Canada, will move from an existing building in the downtown, albeit occupying less space than previously. Demand for office space in St. John's, Newfoundland, is still increasing though we anticipate that developments coming on stream shortly will rectify the supply/demand imbalance. We anticipate that demand will level out shortly since the working age population is only increasing at 1.45% per annum.

## Warehouses

This sector includes light industry. The Saint John market is overbuilt. Demand is still increasing in the other markets (HRM, Moncton, St. John's) but the ratio of working age to non-working age population is declining so we anticipate that those markets are close to being fully built out.

## Apartments



As might be expected there is a very high correlation between the demand for rental apartments and the total population in the 20 to 29 and 65 + age groups. We analysed data for Halifax (HRM) using estimates of rental demand supplied by CMHC and population estimates provided by Statistics Canada for the period 2007 to 2012. 97% of the variation in apartment rental demand is explained by the change in population of these groups. Although the rental market in HRM is soft at present due to an oversupply, market demand continues to grow at the rate of about 500 units per annum. This will continue as the population ages.

 Our Economic Intelligence Unit provides Market Surveys, Trade Area Analysis, Site Selection, and Supply & Demand Analysis on Office, Industrial, Retail, Apartment and Sub-division property. Consult our web site [www.turnerdrake.com](http://www.turnerdrake.com) for more details ... or call Alex Baird Allen at 1-800-567-3033 Ext. 323.