# The Stories We Told in 2015

Our continued aim here at Urban Futures is to deliver thought-provoking research and analysis on trends that influence how people, businesses, and government interact. Because we also strive to make as much of our research available for public consumption as we can, we continue to devote significant amounts of time to writing reports and newspaper articles, conducting interviews, and giving presentations, in addition to the fee-based consulting projects that occupy most of our days.

Most of the publicly available research we published in 2015 was succinct in nature, and included a new feature for our followers: a weekly viz, sent out every Friday morning. Depending on the topic and the nature of the data being presented, the weekly viz takes various forms, from simple static charts, to interactive charts, infographics, and interactive maps. The topics vary widely and usually tie into recent news stories (like exchange rates, forest fires, and tuition costs) or local or international events (like chocolate consumption at Easter, or participation by women in soccer during the World Cup). Other times, the viz will describe demographic, housing, and economic trends and characteristics that we find interesting, such as the declining size of Canadian households, comparisons of provincial unemployment and arrears rates, and the prevalence of head offices in major Canadian markets. We began publishing our weekly viz in the spring, and covered 32 different topics this year. (If you're interested in receiving our weekly viz, you can sign up at www.urbanfutures.com/sign-up.

As in previous years, Andrew and Ryan spent time on the road giving presentations to a wide range of audiences at various events, including:

Royal LePage West Real Estate Services
Chartered Professional Accountants of Canada
A&W Food Services
Applied Science Technologists & Technicians of British Columbia
The Conference on Food Innovation - Alberta Innovates
Rennie & Associates
Packers Plus
Vancity
Edmonton Economic Development Corporation
Stratford Hall
Immigrants Employment Council of British Columbia
Real Estate Institute of British Columbia
SFU City Conversations
Canadian Roofers and Contractors Association
Urban Land Institute
PFM Executive Search
Townline Homes
Business Council of British Columbia

After considering both the diversity of conversations we had with clients, politicians, and other interested folks and the wide range of research we completed this past year, a few major themes emerged for us in 2015.

# Major themes in 2015

**1. Growing interest in contemporary, small-area changes.**

The Census provides a wealth of information on people, dwellings, and jobs within a geographic hierarchy that spans the national, provincial, and municipal levels, all the way down to dissemination areas and blocks. Unfortunately, the Census only takes place every five years, meaning that as we transition through the inter-census years, we move further away from the most recent actual count—at least until the next Census enumeration takes place in early 2016.

In part due to this timing issue, and in part due to a need for enhanced geographic precision, we have seen an increase over the past year in the number of clients requiring assessments of current trends at a small-area level. This has centred around a desire to understand both where growth has been occurring in the post-2011 period and where it is expected to be realized in the coming years through the development of major residential, mixed-use, commercial, and industrial projects. This type of information is proving useful for organizations that are planning for facility expansion, further market penetration, and infrastructure additions.

**2. Continued concerns about housing affordability.**

We started the year with the #donthaveamillion campaign (if you ask us, you #dontneedamillion, but we'll leave that debate for another day), and ended the year with BC Assessment sending letters to thousands of households indicating that the latest residential property assessments would be significantly higher than in 2015. In between, the debate continued to rage about how each of "foreign" investors, "empty and vacant" homes, "flipping", and baby boomer equity influenced the housing market. On top of this, the Vancouver region's rental market became evermore tight, with the regional purpose-built apartment vacancy rate falling to 0.8% as recently as October 2015, ranging from a low of 0.4% in the City of North Vancouver to a high of 1.9% in Surrey.

Certainly, low inventory and rising demand played a role in buoying the market in BC's southwest corner, but so did the perpetuation of historically-low interest rates, a falling CAD-USD exchange rate, and general lending conditions that have, well, lent themselves to high and increasing prices. Given the diversity of drivers to BC's housing markets, we do not expect the focus on affordability issues to go away in 2016.

**3. The withering of wild rose country.**

There's a line in the Tim Hus song *Hurtin' Albertan* about there being "too much oil money and not enough booze"; while this has been applicable over the past few years, it would be more apt today if "oil money" and "booze" switched places.

No matter which way you look at it, Alberta had a rough year. That said, the slide actually began in 2014, with the price of a barrel of Western Canada Select (WCS) oil falling from $86.56 in June to $43.24 by December of that year—a 50% decline. While some expected a quick rebound, it never came: through 2015, prices dropped even further, reaching as low as $22.51 in December. As expected, this has had wide-ranging implications for both the province's economy and its demography.

On the economy side, Alberta's exports between January and November of 2015 (the latest data available) were down 24% from the same period one year earlier, while the rest of Canada was up 6%. The consequence of this, among other things, is reflected in the provincial government's latest budget, which expects a $7.3 billion hit to its coffers due to falling oil prices, declining export values, and lower corporate income tax revenue.

On the population side, Alberta saw its net interprovincial migration flow fall to 1,234 people in Q3 2015—the lowest net inflow since Q4 2010. Furthermore, in what may portend further declines in economic activity based on the historical experience, Alberta has now seen six consecutive quarters of net outflows of population to BC after 12 consecutive quarters of net inflows. International migration is also down, with the 13,353 net international migrants coming to the province in the first three quarters of 2015 being 58% below the net inflow over the same period in 2014, and 70% below the same period in 2013. Expect more of the same on the demographic front through 2016.

## What will be seen in 2016?

**1. Oil prices, interest rates, and the CAD-USD exchange rate bottoming out.**

By the end of 2015, the price of a barrel of WCS oil was 26% lower than at the beginning of the year (falling to $22,51), the overnight bank rate was lowered by 50 basis points (to 0.50%), and the CAD-USD exchange rate fell by 18%, taking the value of the Canadian dollar down to $0.72 by the end of the year.

So what do we see for 2016? For one, continued interest in the Bank of Canada's assessment of Canadian and international economic conditions and what that portends for lending rates. These rates will, in turn, influence the value of the Canadian dollar, housing markets, lines of credit, automobile financing rates, savings accounts, and other financial instruments.

Additionally, with continued turmoil in the Middle East and a glut of oil relative to demand, the 2016 outlook for Canada's energy sector isn't great, with some market commentators postulating that prices could fall below $20 per barrel. While this will most directly impact Alberta and Newfoundland (and to a lesser degree Saskatchewan and British Columbia), there will certainly be knock-on effects for the rest of Canada. For Alberta in particular, this could lead to a change in the direction of migration flows, with many folks deciding to pack up and either head back home or move to provinces where job prospects appear to be brighter.

The softness in the Canadian dollar as a by-product of low oil prices benefits exporters and certain aspects of consumer spending, including at home (heating) and at the pump. But the low loonie is also boosting the price of other consumption goods in Canada, including foodstuffs, meaning rising grocery bills for the average Canadian household.

All of this said, we should see interest rates and the exchange rate bottom-out this year as the overall economy adjusts. Despite the prospect of Iranian oil coming to market—thus adding to the current glut—discontent within OPEC will likely result in a shift in strategy towards lowering output to at least moderate what have been dramatic price declines.

**2. A Tale of Two Cities: rising housing prices in Toronto & Vancouver and little movement elsewhere.**

With many indicators pointing towards a slowing of economic growth across the country in 2016, it would be surprising to see Canada's regional housing markets maintain the resiliency and upward trend in prices that characterized 2015. That said, Vancouver and Toronto (which saw average residential sales prices rise by 19% and 10% in 2015, respectively, compared to 5% throughout the rest of Canada) are expected to continue to dominate the real estate-related headlines this year, with both markets experiencing higher-than-average price increases due to strong demand and relatively low inventory.

This is expected to perpetuate conversations aimed at mitigating housing price increases in both markets—be they on-point or misguided, based on evidence or based on emotion—with a continued

focus on identifying the extent of non-resident ownership, vacant homes, and speculation and their impact on prices and availability. Furthermore, we can expect the sharpening of municipal and provincial policy pencils in regards to identifying what (if anything) government can and should do to intervene in provincial and regional housing markets. Only 20 short days into 2016 and the Bank of Canada has already decided to hold rates steady—at least until its next meeting in a couple of months—while CMHC has declared that as of February 15th, home buyers will be required to provide a minimum 10% down payment on home purchase prices between $500,000 and $1 million (with the minimum down payment remaining at 5% for values under $500,000 and at 20% for values of $1 million or more).

All of that said, with no formal policies currently tabled, we do not anticipate any maneuvers being undertaken in 2016 that would serve to slow the pace of price increases in either Vancouver or Toronto.

**3. Increased focus on investor owners and the possibly of a policy response.**

In the Lower Mainland, it's the million-dollar—or rather, the $1.265 million-dollar—question: what role are investor owners playing in the regional housing market? In 2015 we heard references to speculation taxes in speeches by prominent members of the real estate industry and in a petition by a certain mayor to discourage the practice of "flipping" homes, perceived abject profit-taking, and the prevalence of vacant properties; the feasibility of compiling a publically-generated list of homes thought to be vacant was discussed—essentially amounting to a "shame-thy-neighbour" database; and we saw a number of organizations embark, or indicate their intention to embark, on empirical research aimed at identifying both the magnitude and the impact that investor owners have on residential real estate here in the southwest corner of the province.

While we saw a limited sample of recent sales data being taken for a small sub-market of the City of Vancouver (that was, unfortunately, extrapolated to being representative of whole regional market), no empirical data was advanced that defined the extent of any of these issues. We expect these issues to be tackled more head-on this year as the provincial government tinkers around the policy edges and researchers throughout the region call for greater access to information that may shed light on these issues.

**4. Labour-related issues coming back into focus as the leading edge of the Baby Boomers turns 70.**

An aging Neil Young recently said: "70...is a good golf score." (If you play golf like us here at Urban Futures you'll know this statement is false. Seventy is a GREAT golf score.) The number 70 also represents the age that the leading edge of the post-World War II baby boom generation—Neil Young being one of them—turns in 2016, thereby representing both a symbolic and a substantive transition of Canadian society and economy.

Here at Urban Futures we saw the number of labour-related requests for research and presentations increase over 2015, and this is certainly a trend we expect to see continue over the course of this year. With demographics helping to broadly define markets for goods and services—and organizations' abilities to supply those goods and services—the topic of managing workforce-related change will be a hot one in 2016.