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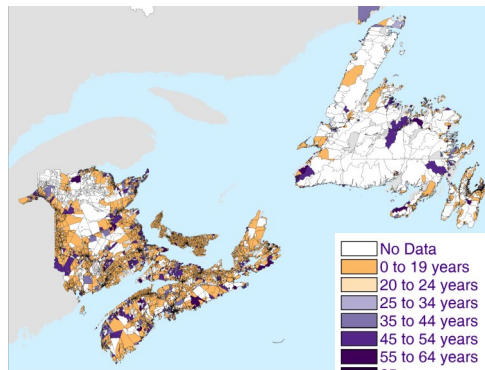


Subject: Two Thirds of Everything

Comments: As Dr. David Frost observed in his 1996 book "Boom Bust & Echo" demographics explain two thirds of everything. They allow us to predict with accuracy the demand for every type of real estate well into the future. Given that private sector investors typically have a time horizon of ten years, and public sector bodies measure longevity in perpetuity, it is tempting to assume that they feature into every real estate decision. Sadly not!

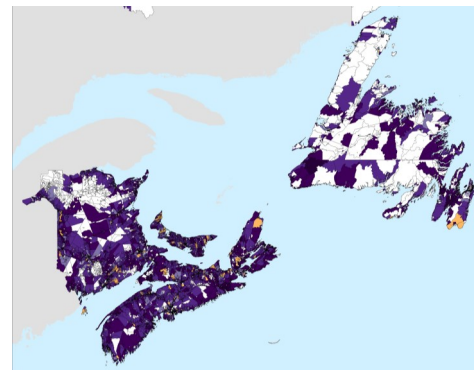
Coming of Age

2001 Demographic Map



Source: Statistics Canada 2001 Census

2011 Demographic Map



Source: Statistics Canada 2011 Census

PWGSC, the real estate arm of the Federal Government, are one of the few investors, in our experience, who look ahead 15 to 25 years when deciding whether they should rent or build instead. In 2012 they commissioned our Economic Intelligence Unit to mount seminars for their Atlantic Canadian staff to explain why we were predicting rising construction costs ... and falling office and industrial rental demand. Our maps illustrating the demographic changes uncovered by the 2001, 2006 and 2011 censuses elicited groans of dismay and gasps of disbelief. Two of those maps, displayed above, show the population distribution of the dominant age group and dramatically illustrate the transformation of the Atlantic Region from a youthful (gold) to elderly (purple) populace. The change during the next decade (2012 to 2021) will be less colourful but even more dramatic. We are now four years into it and already the stresses are starting to show: provincial governments are scrambling to rescue municipalities facing financial collapse; and accessing basic public health care even in HRM, the region's largest municipality, is increasingly problematic. (We recently interviewed a local university graduate whose father, an immigrant business owner, had returned to Beijing, China from New Brunswick so that he could get timely hospital care). Encouraged by the response to our seminars by what we considered, to be a phlegmatic audience, we published the demographic data in our Spring/Summer 2013 Newsletter (End of the Line) and attempted to attract the attention of local politicians. Apart from a call to arms by Prince Edward Island's Guardian newspaper, the response was underwhelming. The reaction to the Nova Scotia Commission on Building our New Economy February 2014 (Ivany) report was more pronounced but the initial response was largely confined to the Province that commissioned it and now appears to have subsided. Yet like the tide, demographic change is inexorable. The impact everywhere, especially on real estate, has already started and will be dramatic.

It has surfaced in the supply and demand for work style properties such as motels, restaurants, golf courses, vineyards. Their owners, frequently Canadians who "escaped" to Atlantic Canada in their '50s now wish to retire but find there is no cohort of purchasers. In the larger urban areas empty nesters are fuelling the demand for apartments, (condominiums and rentals) sometimes as "summer" homes ... in the winter they flee to Florida and other warmer climates.