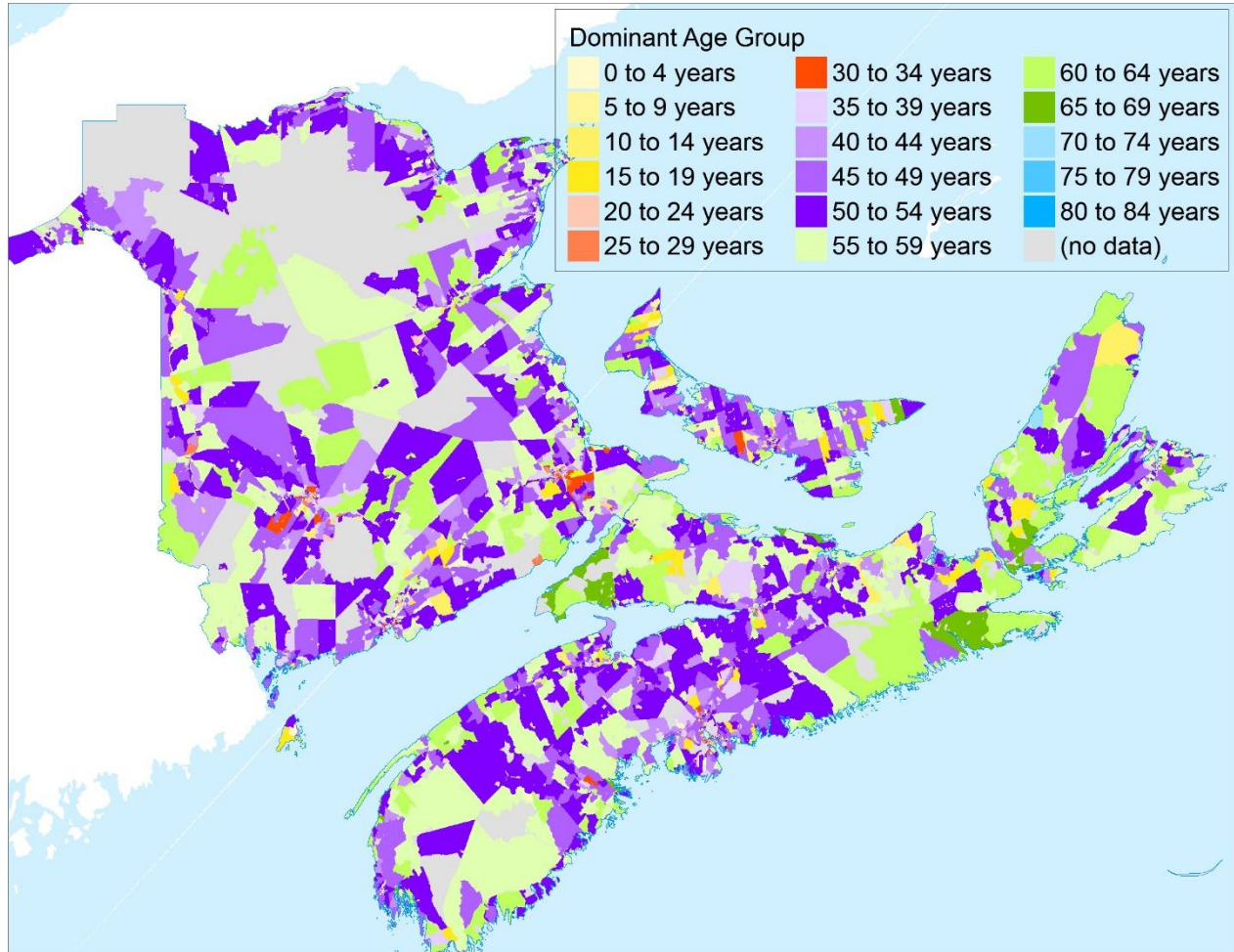# YOU ARE WHERE YOU LIVE

Your demographic profile is informed by a multitude of factors, including your age and family structure, education level, income and spending habits. Segmentation is the process of classifying neighbourhoods according to the predominant demographics, lifestyles and values of the residents. It's a useful tool for determining who makes up the customer base when location matters, such as for new housing developments or business ventures, and can be used to provide insight into who will occupy neighbourhoods. This is key for developers, who need to tailor developments to their target market. It is also vital for municipal planners, especially as they move from use-based to form-based planning regulations, allowing for more market input to land use. Since land use is long-term (once developed, a property is unlikely to be redeveloped for decades), it is important to get it right for the current market and for future conditions.

In 2015, the United Kingdom (UK) research and policy institute Centre for Cities published a study titled "Urban Demographics: Why People Live Where They Do", to provide a better understanding of the complexities involved in the decision regarding where to live at different life stages, a follow-up to a previous study examining where people live and work. That study found city centres are predominantly inhabited by young, single, highly educated people; suburbs by couples with children, and rural areas by empty nesters and retirees. They identified that there are push and pull factors involved in residential location choice. Unsurprisingly, the cost of housing stands out as a primary factor across age groups, though it is the *most* important factor only for those in the family rearing and middle aged life stage (aged 35 to 54). Those starting out in adult life (aged 25 to 34) placed more importance on proximity to their or their partner's workplace than any other age group, but 92% of those surveyed allocated some importance to this factor. But, the factor identified as important by the largest number of people was being close to friends and family, with 112% (participants could select more than one factor) of respondents indicating that this played a role in their residential location decision; it was *the* most important factor for those aged 25 to 34. If we make the assumption that people are demographically similar to their friends and family, this finding lends support to the idea that people will settle near others like themselves. Ergo, market segmentation analysis of who lives where *now* will provide an

indication of who is likely to move there in the *future*.

Our analysis of the Maritime Provinces using 2011 Census data supports the pattern suggested by the UK study. Our map (previous page) shows the dominant age group by Census Dissemination Area with the younger age groups choosing to live in urban areas (flashes of red); those in their family rearing years living in suburban locations (purple); empty nesters and retirees locating in rural areas (greens).

Market Segmentation

Environics Analytics classifies neighbourhoods by the dominant demographic profile of the inhabitants using colourful labels such as "Lunch at Tim's", "Pets & PCs", "Our Time", etc. Alex Baird Allen, Senior Manager of our Economic Intelligence Unit, and mother of young twins decided to find out if she was living in the right neighbourhood. Come along for the ride.

I looked up my postal code on Environics Analytics PRIZM5 lifestyle classification search tool. I found that, based on where I live, I belong to lifestyle #39 "Our Time", which makes me an older and mature, lower-middle-income suburbanite. Hmm. I'm not sure that fits me just yet: I'm a few decades shy of retirement, but have found myself of late muttering what amounts to "the kids these days," so I'm willing to explore it a little further. Who does "Our Time" describe? Setting aside the "over 60" age bracketing, this segment is made up of singles, couples and widow(er)s in low-rise apartment neighbourhoods with modest educations which led to service sector and white-collar careers. We can go with "ish" on this bit. The hobbies listed line up with things I do, surprisingly well, even if my MO is more DIY and less hobby: gardening, woodworking, crafting and sewing. Travel—yes. While I am not (yet?) on board with the suggested package holidays and RV trips, I do love a travel bargain, so "moderately priced" fits the bill; I'll say "yes" to the above. Food, wine, the arts, current events, health and wellness and the home: I'm starting to feel like I belong in this group. So do they think as I think? "Increasingly attracted to simplicity" - check. "Desire to connect with small, close-knit groups" - check. "Traditional family, but questioning of authority and opposed to traditional patriarchal and hierarchal relationships" - check. I am open-minded and curious, and of course not all knowledge must be logical. "yes" to learning from other cultures, "yes" to protecting the environment (and thinking that you need to as well), and "yes" to well-designed products that will last forever. Ok, this does sound quite a bit like me. It falls apart a little on the "where" and "how" I live descriptions, ("no thank you" to low-calorie sweeteners and whipped topping, turkey, cordials and liqueurs. And also, what is grocery store takeout, besides an oxymoron?), but overall, it's not too far off the mark. What's more, I live on a mixed-age street, and can see how it could fit some of my retired neighbours now, and how it might be tweaked to fit those of us in my own age group when we reach retirement age.

Even though I did check the postal codes of some friends, family and colleagues, to increase the sample size (and because it's fun; you can check it out at http://www.environicsanalytics.ca/prizm5), and found that they fit into their location based lifestyle categories fairly well overall, it has to be acknowledged this test was far from scientific and that there is definitely the possibility of confirmation bias. It supports the idea that people tend to choose to live near others like themselves, and maybe even the notion that you can predict what will be based on what currently exists, since newcomers may be similar to long time residents, but at a different life phase.

One Important Piece of the Puzzle

Market segmentation can provide a good starting point to identify the demographic characteristics of a neighbourhood, but localized expertise and further investigation is highly advisable: clearly, not everyone living in an area will fit into the dominant lifestyle category. Demographic analysis can pick up on the gaps left by lifestyle segmentation, filling in the proportion of people in age brackets other than the dominant one and providing an indication of how the profile of an area has changed, is changing and likely will change in the future: crucial information for anyone planning a development or creating zoning regulations.

The value of this research is obvious when it comes to private development, but a good understanding of the market is important for public sector work as well. While demographic forecasting is old hat when it comes to municipal planning exercises, typical practice falls short in its depth of analysis. Projections usually consider absolute population, and perhaps employment, but often all people and all jobs are considered equal. When greater effort is put into this analysis, it seems to be spent disproportionately on improving the accuracy of projections; trying to best guess where the future will fall in relation to the low-medium-high range predictions.

The only thing we can guarantee about projections is that they will be wrong. While it is important to ensure they are

based on sound methodology and defensible assumptions, time spent trying to read between the projection lines would be better spent diving deeper. Knowing more about who makes up those growth numbers – market segmentation analysis – helps us understand the types and proportions of housing, commercial, and institutional space they will require, and where those needs will be located.

Demographics heavily shape the decisions people make regarding where they live, work and play. The study by Centre of Cities identified the greatest causes of dissatisfaction that people had regarding where they live. The single biggest cause of dissatisfaction with residential location was distance from their own, or their partner's work, followed closely by living too far from friends and family and the cost of housing. This highlights the importance of housing availability close to employment at an affordable cost, a common and virtuous goal for most municipal plans.

Undefined, but Perfectly Formed

Form-based codes are becoming a popular method of regulating development compared to the traditional land use centred approach. Especially in urban areas and the town centres of smaller communities this makes a great deal of sense; built form is very influential in terms of how we experience and perceive our communities. With good design, the vast majority of land uses that occupy our built environment are perfectly compatible with each other. Further, the tendency with use based regulations is to become overly complex and sclerotic making them poorly suited to accommodating change. We are already undergoing significant demographic and economic restructuring in our communities, and this is not going to stop any time soon. As a result, inflexibility in the use of land is increasingly becoming a competitive disadvantage that weakens our communities and their prospects for the future.

However, one of the advantages of narrow, use based regulation, is that it is relatively easy to understand the servicing needs of those uses: when you zone for a specific type of house, you zone for a specific type of household and the well understood requirements for water and sewer, education, recreation, healthcare, and transportation that accompany them. As we move more and more towards only regulating the built form of a neighbourhood, less implicit is the number and mix of households and businesses that will likely occupy it.

Understanding market segmentation can help. Essentially the inverse of sorting households through defined categories of land use, it parses the population into combinations of social, economic and demographic factors that have uniform demands for real estate. With knowledge of the location and trends within each segment, regulation of built form can be interpreted to predict outcomes for neighbourhood population levels, servicing needs, etc. in aggregate numbers. Add in market absorption and we can anticipate the timeline over which these needs will accumulate. Going beyond simple planning policy and regulation, an awareness of how public space and municipal amenities fit into various market segments can enable municipalities to use capital investments as a strategic tool for shaping growth.

Regulation Redundancy

Location, location, location may be the mantra everyone is familiar with, but the development industry operates on a more sophisticated basis. What gets built and when, is the result of balancing geography with price, style, finish quality, and amenity packages, all targeted towards specific customers.

Growth is not simply location based, and thus growth patterns can be interpreted, anticipated, and influenced with help from market segmentation analysis. This understanding gives additional nuance to planning practice. Especially in larger, more complex real estate markets, tracking and managing growth based on broad location categories such as rural, suburban and urban can miss important details. Approved units may not capture available demand if they are targeted at a market segment for which there is no surplus demand. Thus growth potential may be limited not because there is insufficient real estate supply, but because the supply is inappropriate for available demand. Different types of residential and commercial development in the same general area may appeal to completely separate market segments. Proactively targeting the high-growth market segments will provide greater net returns for areas designated for growth than simply increasing the aggregate amount of real estate allowed. The public and private sectors must work in concert to realise the full potential of this practice. Private developers have a financial incentive to accommodate available demand with appropriate supply, potentially by developing classes of real estate which attract new market segments to an area over other categories which have always demonstrated local demand. If the goal is to encourage a change from past trends, allowing the market to dictate what gets built will achieve a greater impact than simply focussing on aggregate growth projections. In recognising when market forces will lead to desired outcomes, public planners have the opportunity to avoid implementing redundant regulation.