

Buying a Home? Consult an Economist.

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Abstract

Calgary, Alberta and Halifax, Nova Scotia are two dramatically different cities in terms of their economic capabilities. Calgary's economy is high-growth, driven by the oil and gas industry, while Halifax is a low-growth, service based economy. The future of both Calgary and Halifax looks to be unfolding quite differently. The population of Calgary is young, it is growing and demand is high for all types of housing. Halifax is becoming older, smaller and urbanized, as the young labour force is leaving Nova Scotia in search of employment. Making the decision to move to either Calgary or Halifax should be done by closely examining one's personal finances and what the local economy has to offer. Calgary's housing market boasts some of the highest prices but this is bolstered by a supercharged economy, which affords its residents economic freedom and a positive price-to-income ratio. The average price of a home in Halifax is above the Canadian average but as the demographic changes in Nova Scotia, demand for single-detached homes is cooling. Maintaining steady, positive net migration numbers adds to the growth of an economy in three different ways, according to the Conference Board of Canada: productivity growth, growth in the capital stock, labour force growth. Many factors should be taken into consideration before moving with the intentions of investing in a home. A career in oil and gas can be lucrative, generating an affluent lifestyle but an economy such as Alberta's relies on global demand. Halifax's economy has historically been low-growth and it appeals to residents relying on its service base. Before buying a home, an economist should be consulted.

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List of Abbreviations

CA	Census Agglomeration
CMA	Census Metropolitan Area
CMHC	Canada Mortgage and Housing Corporation
GDP	Gross Domestic Product
HRM	Halifax Regional Municipality
NHS	National Household Survey
US	United States

1. Introduction

1.1 Purpose of the Research Project

The purpose of this research project is to analyze two different housing markets in Canada, based on their economic situations. Using historical data and economic indicators, this paper will consider purchasing a home, in the provinces of Alberta and Nova Scotia. An investment, such as buying a home should be done with internal financial and external economic stability in mind. Key economic indicators must be considered before choosing an area to call home. This project will clarify that decision for home buyers in the provinces of Alberta and Nova Scotia, with special emphasis on the cities of Calgary and Halifax.

1.2 Background

Before analyzing the economic situation in Alberta and Nova Scotia it is important to have an understanding of what residential housing actually is. Residential housing is defined by more than just “a house”, in the traditional sense. Residential housing in Canada is also much different throughout the country because of its size. Natural resources play a major role in local economies like Alberta and Nova Scotia. The strength of Canada’s economy comes from provinces like Alberta, with its opportunity for employment and economic prosperity. Due to the collective strength of the nation, the residential housing industry is intact.

What is residential housing?

Residential housing is a broad term which can be broken down into four different types for the purpose of defining dwellings. Single-detached dwellings would be most often referred to as a “house” which would be separated on all sides and represents one unit. Single-detached

units are also referred to as “Singles”. Single-detached homes are not limited to any particular size and locations vary from census metropolitan areas (CMA) across Canada. A CMA must have an urban core with at least 10,000 people and adjacent municipalities which form a population of 100,000. Due to land constraints in urban areas, single-detached housing starts are not as prevalent as other types of housing such as: Semi-detached, row housing, townhouses, apartments or condominium buildings.

Semi-Detached (Double) housing is considered a building that is attached to another building and joined to no other structure. A wall separates the two “semis” from basement to roof. Row housing or townhouses houses one family and is found to have three or more dwellings separated by a wall from basement to roof. “Apartment or other” describes all buildings that do not fall under the above three dwellings. Dwellings of this type could include: stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Canadian Housing Market

The overall Canadian housing market is showing signs of stability and promise for growth due to several factors. The demand for housing is driven by regional growth within Canada, net migration and global economic recovery. Buying a home in Canada is a possibility due to the average national wage and affordability of single detached homes. Statistics Canada, Income Statistics Division has recently released data showing 7 out of 10 Canadian households owning their dwellings in 2011. Age and household income are the major factors in homeownership: The homeownership rate increases with the age of the primary household maintainer up to the age of 75 years, after which the ownership rate starts to decrease.

- Household total income was also a factor in homeownership. Across all age groups, households with higher annual total income had higher homeownership rates.
- The largest differences in homeownership rates were among the three youngest groups of households. The ownership rate was 23.8% for the group aged under-25. It was almost double (44.1%) for the group aged 25 to 29 years. It further increased to 59.2% for the group aged 30 to 34.
- Households maintained by a person under 35 years old were more likely to own than rent when their household total income was \$60,000 or more.

Single-detached housing starts slowed in 2013 to 76,893 units and this trend will continue in 2014 and 2015. In 2014 housing starts will remain stable at 76,700 units and 76,200 starts in 2015. Housing demand will be tempered by modest and gradual increases in mortgage rates.

Compared to mortgage rates in 2014 and 2015, rates will remain relatively low by historical standards and supportive of housing demand in Canada. As Canada's economy is forecasted to see growth in the near future, interest rates will gradually rise, causing mortgage rates to be within 3 to 3.5 per cent in 2014. In 2015, the one year, posted mortgage rate will be in the 3.5 to 4.5 per cent range. Housing market activity will remain stable although mortgage rates will increase.

In 2013, Canadian gross domestic product (GDP) growth was estimated at 1.8 per cent. Recent forecasts expect growth of 2.2 per cent in 2014 and continued growth into 2015 with 2.5 per cent. This forecasted, national growth bides well for supporting housing demand in Canada. Experts are forecasting reduced unemployment levels and a population that will be able to support housing demand. Increases in employment, from 2012 to 2013 reached 1.3 per cent and employment will see growth of 1.5 per cent in 2014 and 1.8 per cent in 2015.

According to the NHS, average wages in Canada for full time employees in 2012 was \$25.20. Since 2007, wages have risen 16 per cent and show promise for further prosperity.

Wages vary greatly from city to city, province to province and many different professions exist in Canada. The Canadian dollar is showing signs of dropping which will create more demand for Canadian exports and upward pressure on wages.

The average home price in Canada for 2013 was \$381,100, with an average household qualifying income of \$80,700. Average home prices across Canada vary greatly from locations such as Prince Edward Island at \$155,100, to \$767,400 in Vancouver. These prices are relative, keeping in mind that regional wages adapt to support home buying.

Single-detached home builders will have to slow production down in order to maintain lower inventory levels. Overall housing starts cooled from 214,827 units in 2012 to 187,923 units in 2013. Should the demand for housing decrease so will new home starts in Canada. Inventories of newly completed, single-detached homes in the fourth quarter of 2013, per 10,000 population, stood at 1.5 units. This was higher than the fourth quarter of 2012 but lower than the historical average of 1.6 units. It is expected that inventories will stabilize and reach the historical average in 2014 and 2015.

Net migration is expected to show increases of 6 per cent (compared to the 10 year average of 247,400), which will represent 262,700 immigrants in 2014 and 266,450 in 2015. While this population growth will drive demand in the housing market, it will not greatly affect the single-detached housing market. Immigrants tend to seek out rental properties, in the form of multi-family housing, condos or apartment buildings, before moving to home ownership.

Canadians owe just over \$1.63 for every dollar of disposable income they earn in a year. This could be cause for concern if housing prices continue to rise and income levels fall but the forecasts show a stabilization of prices and continued economic growth in Canada.

2.0 Economic Situation for Alberta and Nova Scotia

When choosing a province to call home, one must be aware of what the local economy has to offer. Socio-economic indicators provide helpful information when choosing to migrate to another location. A high-growth economy such as Calgary's is currently a popular choice, due to high employment levels and higher wages. Halifax's low-growth economy provides a slow and steady option, which is also in demand due to its culture. The return on investment for a home can vary greatly from province to province. Calgary's economic freedom is undeniable and its regular spikes in growth prove to form a profitable resale market. Halifax recently experienced a price adjustment, which brought the average price of a home down in price. Factors that determine a healthy economy should be closely monitored when deciding to purchase a home. The following sections will describe the difference between the provinces of Alberta and Nova Scotia.

Socio-economic indicators

A province's economic performance can be gauged by looking at some key areas. Information is provided by analysing the many economic forces that work together to form socio-economic indicators. The indicators are: persistence in low income, income equality, sense of belonging to the local community, post-secondary education, life expectancy (at age 65), employment rates for visible minorities, labour productivity, net investment in capital stock, personal savings, consumer spending, gross domestic product, government debt, value of natural resources, value of renewable resources, electricity generated from fossil fuels, energy productivity.

While it is important to look at each province and its economy, other factors are integral with regards to the well-being of its residents. When social and environmental aspects are measured, as well as the economic output of a region, it becomes clearer why people choose to migrate. Along with volunteer work, goodwill and measures to protect the sustainability of the environment, a region might be attractive because of its history and culture. GDP was not designed to measure the warmth of a community, increased pollution or crime. It is important to understand why someone might choose to live in a province like Alberta, with a booming economy or to settle in Nova Scotia, with its low-growth economy.

High Growth vs. Low Growth Economies

The CMHC defines a High-Growth Metropolitan Centre as:

“Census Metropolitan Areas (CMA), whose urban core populations are at least 100,000 (e.g., Toronto, Vancouver, Calgary, Ottawa-Hull and Victoria). Many of the CMAs experience high rates of population growth compared to other smaller urban centres. These communities have a reasonably robust economy (with access to markets, a large workforce with a variety of skills, investment capital for business starts and expansions) and generally tend to be a destination for new migrants (both international and domestic). This submarket also includes the more dynamic, larger Census Agglomerations (CA), whose urban core populations are at least 10,000 (e.g., Moncton, Barrie and Brandon), where higher rates of population growth are more prevalent, driven in part by favourable locations and the presence of sufficient capital for economic development. Collectively, these places also tend to serve as important service centres for a variety of public services, including government services, health care, post-secondary education and much more.”

A Low-Growth Metropolitan Centre is defined as:

“The communities in this submarket generally have slower population growth rates and are not as attractive as destinations for migrants and immigrants because they have less-stable economies. In addition, many (but not all) of these communities would have traditionally relied on the economic activity associated with natural resource development and processing, which has experienced a long period of labour force reductions and continued changes in global market demand and prices. These include the CMA and CA urban communities in most of Atlantic Canada (Sydney, Saint John), as well as parts of Quebec (Chicoutimi-Jonquiere), Northern Ontario (Sault Ste. Marie), the Prairies (Moose Jaw) and British Columbia (Prince George) outside of the major growth centres. Another common feature of these places is that many have relatively fewer public and social services relative to the high growth urban centres, or are experiencing some type of difficulty providing full access to such services (for example, a shortage of doctors or medical professionals). Some of the communities in this category would be retirement communities as well.”

The CMHC’s *Literature Review of Socio-economic Trends Affecting Consumers and Housing Markets* has a list of trends affecting consumers when buying a home and it is as follows: Macroeconomic factors, demographic changes, labour force changes, housing construction and renovation, cost of housing, municipal infrastructure, smart growth, market failure, multiculturalism and housing variation, income disparity, rental markets and rental investment. These factors have been discussed in this paper but it is important to use them as a set of decision making tools when choosing to buy a home. Buying a home is a big life-step for any investor. If the process is handled properly, with care throughout homeownership, the

resale of a home can generate a healthy profit. The current economic state of Alberta and Nova Scotia is much different.

Return on Investment/ Resale of Homes in Nova Scotia/Alberta

The report put out by CMHC titled *Home Buying Step By Step* guides new home owners through the home buying process. Their step-by-step process is as follows:

Step 1: Is homeownership right for you?

Step 2: Are you financially ready?

Step 3: Which home is right for you?

Step 4: The buying process

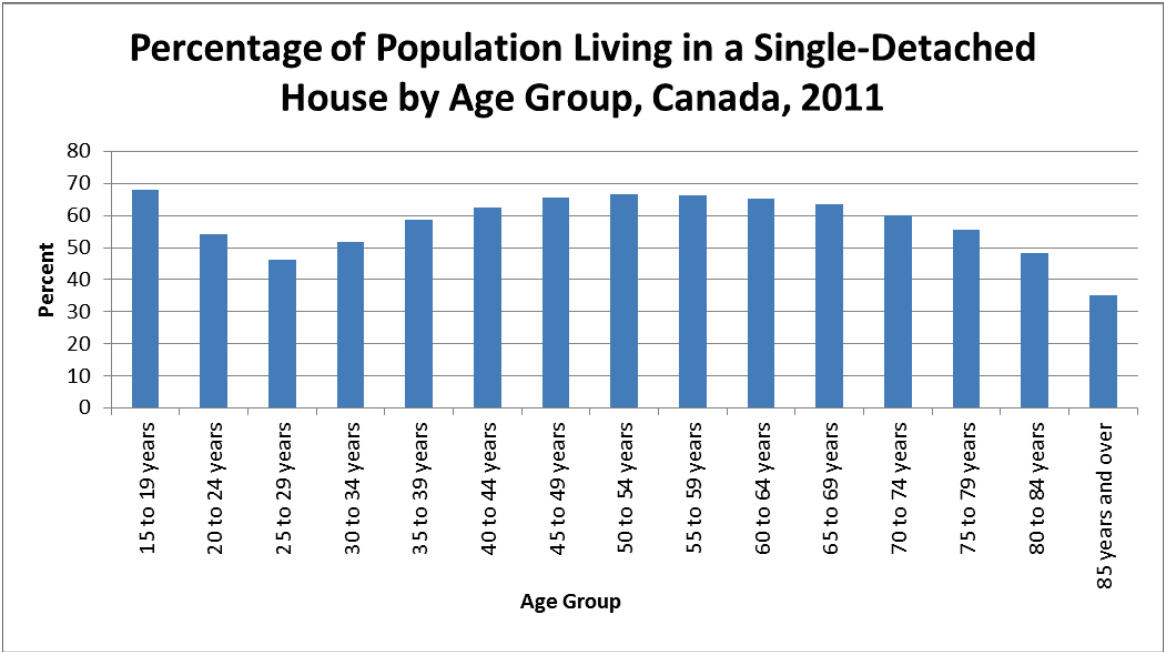
Step 5: Now that you're a homeowner

The final step which should be added is "Step 6: Consult an Economist". Having the money to pay a mortgage and maintain a home could come down to the success of the local economy.

The future of Nova Scotia's residential housing industry could be at the mercy of the baby boomer generation and Alberta's future is tied to the price of oil and gas. Outmigration and urbanization of Nova Scotia's population suggest that single-detached houses will lose their luster and rental units or condominiums will be in demand. Cities like Halifax and Calgary are shifting towards "building up" rather than outwards, resulting in urban sprawl. If one is to decide to purchase a home, the reality of resale value must be considered. Who will buy baby boomer houses or any single-detached unit, in the future? The baby boomer generation is made up of ages 46-67 and this makes up the majority of the population living in single-detached homes. The percentage of homeowners begins to drop as the "nest empties" and homeowners decide to reduce the amount of home maintenance and size of their dwellings.

Homebuilding in Nova Scotia has become a less feasible option for its ageing population, whereas Alberta has a younger population, in search of single-detached homes. Chart 1 displays the percentage of population who generally own a home. Condominiums, townhouses, apartments and retirement communities become the market for seniors or those approaching retirement.

Chart 1



Source: Statistics Canada (2011 Census)

Census data suggests that between 2001 and 2011, the proportion of one-person households increased from 25.7 per cent to 27.6 per cent. Single-detached homes will be in lower demand in certain regions due to the following reasons:

- Higher divorce rates
- Fewer marriages
- Aging population
- Affordability

- Attractiveness of the urban core
- Available, affordable land for building

Demand for housing will still exist, due to the demographic of younger families with the ability to afford single-detached housing and immigration.

2.1 Economic Freedom

According to the *Economic Freedom of North America 2013*, economic freedom can be described in the following way “Individuals have economic freedom when (a) property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and (b) they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. Thus, an index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions. The freest economies operate with minimal government interference, relying upon personal choice and markets to answer basic economic questions such as what is to be produced, how it is to be produced, how much is produced, and for whom production is intended. As government imposes restrictions on these choices, there is less economic freedom.”

The Fraser Institute has ranked all provinces and states in North America, based on the following criteria: Size of government, takings and discriminatory taxation, regulation, legal system and property rights, sound money, freedom to trade internationally. According to the study, Nova Scotia and Alberta are at opposite ends of the spectrum when it comes to economic freedom. Alberta ranked 1st out of all provinces and states in North America, while Nova Scotia ranked 59th, in front of last place Prince Edward Island. The implications for both

provinces, when potential buyers are deciding to purchase a home, might also rest at both ends of the spectrum.

2.2 A Tale of Two Economies: Alberta and Nova Scotia

2.3 Alberta Economy

Of the sixteen socio-economic indicators mentioned earlier, used to rank prosperity, Alberta ranked economically favourable, in comparison to the national average. Alberta's growing economy is driven by the oil and gas industry, although its economy has become more diversified since 1985. Of the \$93.1 billion worth of goods exported, 64.2 billion was either crude petroleum or gas and gas liquids. In 2011, energy accounted for 27.6% percentage distribution of the GDP (Total GDP \$286.6 billion). Other industries that have shown growth since 1985 are: business and commercial services (4%), finance and real estate (3.1%), health (1.5%) and construction (1.9%). In the past 20 years, Alberta's economy has led the nation in average annual economic growth, and this trend should continue through to 2015.

Negative Indicators

- Alberta is 1st for electricity generated from fossil fuels
- 2nd worst province behind Saskatchewan for energy productivity.
- Net investment in capital stock has dropped approximately 4% in the last 5 years

Positive Indicators

- Employment rates for visible minorities aged 25-44 are 1st in the country
- GDP is 1st in the country at \$49,249, much higher than the national average of \$38,826
- Personal savings rate is 1st in the country at 16.4%, well above the national average of 4.8%
- Consumer spending per capita is \$30,834, 1st in the country

Alberta has grown by 2.5% per annum since 2001, showing growth of 46,350 new jobs every year and in 2011, more than 2 million Albertans were employed. In 2011, Alberta had an unemployment rate of 5.5%, well below the national average of 7.4%. Judging a province by its

GDP alone does not paint a full picture, when other things exist which can enrich the lives of its residents. Alberta's economic prosperity allows its population to earn more family income, pay lower taxes and spend its disposable income in a culturally diverse atmosphere.

Alberta has had the highest median after tax income in Canada for the sixth consecutive year, at \$77,800. The Canadian average is \$63,800. Alberta's personal tax advantage results from a low single rate tax system, no general sales tax, and the lowest gasoline tax among the provinces. Albertans pay low personal income taxes, with the lowest top marginal income tax rate and the highest basic and spousal tax credit amounts in Canada. It is because of statistics like this that the Centre for the Study of Living Standards has ranked Alberta as the nation's leader for the last thirty years, on the Index of Economic Well Being.

Alberta's economy and way of life has attracted a wide variety of immigrants from Europe, Asia and other regions. This has formed a multicultural atmosphere with cultural benefits. Average household spending on live performing arts is the second highest in the country, at \$135 annual dollars. Residents of Alberta also lead the country in average annual donations, at \$562. The strong economy of Alberta and its disposable income create an environment where a high quality of life is available.

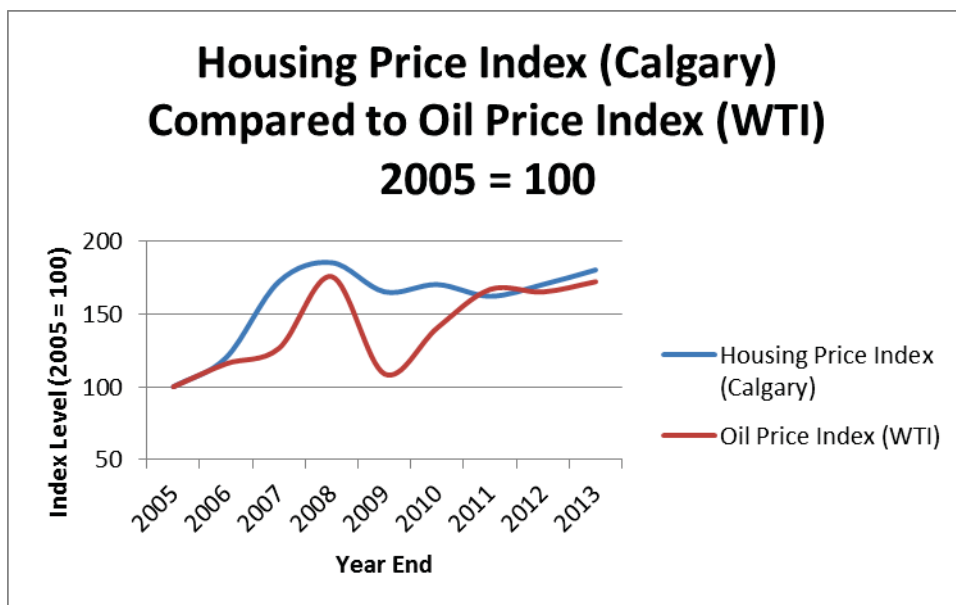
Oil/ House Prices

Housing prices in Alberta have historically moved in line with oil prices and this trend shows no sign of changing, as \$64.2 billion of Alberta's exports in 2011 was either crude petroleum or gas and gas liquids. Chart 2 displays data which shows a 72% correlation between the price of oil and resale prices for residential housing. The oil and gas industry dates back

more than a hundred years to the discovery of gas at Turner Valley and the early 1910's and of oil in the 1930's.

In 2008, the benchmark price for a barrel of oil was US\$130, twice its year earlier level and a tenfold increase from a decade earlier. Calgary's economy soared, increasing the population by 16% between 2003 and 2008 and driving demand for housing. Housing starts exceeded 17,000 units in 2006 and resale prices doubled between 2003 and 2007. The global recession became a reality when a barrel of oil dropped to US\$40 by February 2009. Calgary experienced a record drop in GDP and the population felt the crunch. Housing demand dropped significantly and housing resale prices dropped dramatically. Housing starts were barely a third of the 2006 peak.

Chart 2



Sources: US Energy Information Administration, Canadian Real Estate Association

The price of oil has rebounded (\$US 106 a barrel in March 2012) and the economy of Calgary followed. Population growth was back to 2.5% in 2012, in response to the price of oil and reinvigorated productivity growth in the region. Chart 2 once again shows the drop in prices and a rebound, as the price of oil recovers from a drastic drop. The boom and bust pattern of oil prices caused builders to carry high amounts of unabsorbed inventory, with lower adjusted prices. This situation has since shown signs of recovery as oil prices have stabilized. It is expected that price growth, housing starts and resale activity will remain balanced. With a steady flow of migrants to the city, Calgary's residential housing industry is not in any immediate danger. Anyone buying a home in Calgary should keep an eye on International Monetary Fund estimates of world economic GDP. A global economic slow-down and the ensuing reduction in demand for oil will be the determining factor in housing prices and demand.

Calgary Economy

Calgary is Canada's fourth largest market and home to a booming economy, due to its growing population and overall growth. With a young population (Median age of 35.8) that has grown more than any other city in the country over the past ten years, Calgary is poised for further growth. Calgarians are the highest paid in personal income per capita throughout Canada and they spend more on retail than any other city, as well. Calgary will lead the country in real GDP (3.7%) from 2013-2016. All facets of Calgary's economy show growth and consumer confidence is high. Calgary is the city with the most economic prowess in Alberta, which also shows some of the highest annual growth rates in the country.

TABLE 1- SUMMARY OF CURRENT ECONOMIC INDICATORS FOR CALGARY

INDICATOR	DATE	VALUE	CHANGE/ RATE %	GEOGRAPHY
POPULATION CHANGE OVER YEAR	JULY 1, 2013	1,468,689	4.2%	CMA
INFLATION RATE CHANGE OVER YEAR	JANUARY 2013		3.1%	CMA
EMPLOYMENT CHANGE OVER YEAR*	FEBRUARY 2014	792,100	3.5%	CMA
UNEMPLOYMENT RATE*	FEBRUARY 2014		4.7%	CMA
AVERAGE HOURLY WAGE* (HOURLY EMPLOYEES) CHANGE OVER YEAR	DECEMBER 2013	\$27.27	3.5%	ALBERTA
AVERAGE HOURLY WAGE* (SALARY EMPLOYEES CHANGE OVER YEAR	DECEMBER 2013	\$38.47	3.3%	ALBERTA
AVERAGE WEEKLY EARNINGS CHANGE OVER YEAR	DECEMBER 2013	\$1,145.63	4.6%	ALBERTA
GDP CHANGE OVER YEAR (REAL GDP GROWTH)	Q1 2014	\$111,875.3 (2007 \$MILLIONS)	3.4%	CMA
RETAIL SALES CHANGE OVER YEAR	Q1 2014	\$25,704.49	3.6%	CMA

* SEASONALLY ADJUSTED, MONTH MOVING AVERAGE

Sources: City of Calgary Corporate Economics, Statistics Canada, Conference Board of Canada, CMHC, CB Richard Ellis, Barclay Street Real Estate, Calgary Real Estate Board, Alberta Enterprise and Advanced Education

High-Growth CMA- Calgary

It is safe to say that Calgary is a high-growth CMA, due to the obvious strength of its economy for the last few years. Buying a home in Calgary does not seem risky but certain things should be taken into account when considering the purchase of a home.

Investing in a home in Calgary could be similar to buying stock in the oil industry. The near future will be defined by steady economic growth and in-migration to the province of Alberta, with Calgary as a key destination for settlers. The mayor abolished the grant of \$4800 to new home builders, as one method to control urban sprawl. The Urban Development Institute of

Calgary is also pushing for smart growth in the city. This would result in more sustainable building and living practices for the future.

The constant increase in population, due to the economic prosperity of Calgary, will continue to drive demand and prices up with all types of dwellings. If one is hoping to make a profit upon resale, the lessons learned from historical data which show the correlation between oil prices and average resale prices should be the barometer.

Boom and bust scenarios like the period of 1984-1987 in Boston is one example of this. Some say price increases and buying patterns are all due to economic forces such as the combined effects of employment growth, population growth, interest rates, income, construction costs, and a number of other variables but the argument in Case and Shiller (1988) is that home buyers and sellers were significantly influenced by psychology. That is, reacting to rising prices and generally favorable economic conditions, home buyers paid inflated prices in anticipation of future price increases and capital gains. Both economic and psychological factors are at play in Calgary, as the future looks bright. Selling a home during a bust period, like that of 2009, will be an immense inconvenience, to say the least. The good sign is that Alberta quickly adjusted to the slump in the economy and within three years, a full recovery had happened with positive indicators abound.

Table 2- Forecast GDP by Industry for Calgary CMA 2013-2017

INDUSTRY	2013	2017	TOTAL CHANGE
	2007 \$ Millions	2007 \$ Millions	2013-2017 (%)
Goods-producing industries	51,345	57,822	12.6%
Manufacturing	7,676	8,833	15.1%
Construction	8,771	9,939	13.3%
Primary and utilities	34,898	39,049	11.9%
Services-producing industries	57,369	64,954	13.2%
Transportation and warehousing	4,618	5,228	13.2%
Information and cultural industries	3,350	3,818	14.0%
Wholesale and retail trade	9,021	10,302	14.2%
Finance, insurance and real estate and leasing	15,331	17,471	14.0%
Business services	9,882	11,384	15.2%
Personal services	4,372	4,911	12.3%
Non-commercial services	7,722	8,532	10.5%
Public administration and defence	3,072	3,309	7.7%
All industries	108,714	122,776	12.0%

Source: Conference Board of Canada

Nova Scotia Economy

Of the sixteen socio-economic indicators mentioned earlier, Nova Scotia did not rank favourably, in comparison to the national average. Nova Scotia is becoming older, urbanized and the economy has seen a considerable decline in its manufacturing and goods industry. As people migrate away from the rural areas, its labour force is decreasing and productivity on the whole, is declining, along with its overall population.

Negative indicators:

- Built capital assets support productive economic and social activities. Ranked 10th of all provinces.
- Personal savings is ranked is -1.1% (2010), well below the Canadian average of 4.8%

- Government debt is 37.9%, more than double the Canadian average of 18.9%
- Nova Scotia is ranked third highest for electricity generated from fossil fuels

Positive Indicators:

- Energy productivity is fourth among provinces, 2.9% above national average.
- Employment rates for visible minorities are below Canadian average but the rate has increased.
- The percentage of 25-44 year olds with completion of post-secondary certificate, diploma or university degree is third in the country (68.4%).

Nova Scotia is entering into a period with an ageing population, increasing outmigration from rural areas and new residents that are choosing to live in the urban core. While these factors have not caused any catastrophic damage to the economy, the province of Nova Scotia could find itself in distress, due to the recent demographic trends.

The labour force in Nova Scotia is forecasted to decline in the near future, with no end in sight, partially due to the ageing population. Approximately one third of Nova Scotia's population is made up of baby boomers, which have either reached retirement age or will shortly. From 2002-2012 the 65-and-older population increased by 26.2%, increasing the seniors' population to 17.2%. Forecasts show that the 65-and-older population will increase by 62.5% to 2038, to be 28.6%. The city of Halifax has a younger senior population, at 13.5% but rural areas outside of Halifax have higher percentages. Out of all provinces in Canada, Nova Scotia has the highest proportion of people aged 65 or older.

Nova Scotia's ageing population will have a debilitating impact on the future workforce in the province. Population age structure is the demographic characteristic that will have the most impact on Nova Scotia's economy and the buying power of its residents. A smaller labour force will be the result, as the population of age group 18-64 (majority of workforce) will decrease by 47,000 as of the year 2023.

It is also true that Nova Scotia's population is decreasing due to outmigration from rural areas to the urban core or to other more prosperous provinces like Alberta or Saskatchewan. Residents living in rural areas of Nova Scotia make up 43% of the population, compared to the Canadian average of 19%. Cities that are close to the Halifax CMA tend to show modest growth in population but counties situated an hour outside of the city core showed declines in population. Halifax showed a 4.7% increase in population, while the Cape Breton region declined by 4.1%. Forecasting out 25 years, the population of Nova Scotia will decline by 2.4% to approximately 926,000 residents.

The implications of the recent demographic trends in Nova Scotia are a reduced workforce due to age and out migration. Businesses in the future will be faced with a reduced supply of labour, demanding higher wages. This pressure could force business out of the province and discourage productivity growth.

Nova Scotia has experienced major changes in the makeup of its economy. Since 1990, new businesses have become more prominent in the province and others have declined. With 81% of all employment (public and private) in the province based on one industry, Nova Scotia has become a service based economy. In 1990 the number was 74.8%. This is opposed to the decline of the manufacturing and goods industry. This industry employed 25.2% in 1990 but slipped to 18.7% by 2012.

From 1990-2012 the business, building and other support services industry grew 190% and professional/scientific/technical services grew 141.9% from 1990-2012. Some service industries that have shown growth are: finance, insurance, real estate, information, recreation,

culture, public administration, accommodation and food services, educational services.

Industries that have shown declines are: transportation, wholesale and retail trade, personal and laundry, grant-making, religious, civic and professional and similar organizations, private household services.

Manufacturing has seen the most dramatic change, as it dropped from the third highest industry by employment to the fifth. Industries such as non-durable manufacturing (food, beverage, pulp and paper) showed declines of 40.4% from 1990-2012. Other industries that also declined were: Primary employment (31% comprised of fisheries, forestry, agriculture, mining, quarrying and oil and gas), construction (21.9%) and utilities (40%). This increase in service based markets will force residents of Nova Scotia to adapt, based on employment opportunities. It will attract a population based on what the economy has to offer and force others to leave the province, in search of employment based on their skill set.

Nova Scotia is at a point in history when its productivity is not at par with the national average. To find Nova Scotia's labour productivity, we will find the ratio between real value added and hours worked. The labour productivity of the total Nova Scotia economy in 2012 was \$40.50, 79.7 per cent of the Canadian total economy (\$50.80). Productivity declined in all sectors throughout Nova Scotia since 2011. The goods sector of Nova Scotia's productivity was 58.9% of the Canadian average for the goods sector and its service sector productivity was 82.2% of the national average. Capital stock is a factor in productivity. In 2012 the real net capital stock per worker in Nova Scotia was \$58,404, the second lowest in the country and 67.8 per cent of the Canadian average (\$86,189).

Long term economic growth is a strong indicator of material well-being and productivity is the key to GDP growth. Long term growth is determined by the following factors: labour, capital, resources available and technology. Nova Scotia has the lowest compounded annual growth rate in the country, from 1990-2010, at 1.9%. The national average was 2.4%. This leads to some unfortunate truths about Nova Scotia's economy, such as:

- Lowest GDP per Capita in the country (\$37, 349)
- In 2012, Nova Scotia's total labour productivity was 79.7 % of Canada
- In 2012, business sector's productivity fell by 2% from the previous year

Some hope exists for the economic future of Nova Scotia, such as: non-residential construction projects, the shipbuilding contract, full production at Deep Panuke and offshore exploration. Although these projects will help boost the economy, the lack of a knowledge-based workforce and Nova Scotia's reduced quantity of labour will most likely cause a continuation of a low growth economy.

Low- Growth CMA- Halifax

It is safe to say that although Halifax is showing modest growth, the future will probably hold a low-growth pattern, if any growth at all. Choosing to buy a home in Halifax should be done by doing an internal analysis of one's finances and an external analysis of the external factors which will determine your security as a homeowner.

The economic future of Halifax looks to be on a path of slow growth, with rural decline. Buying a home in Halifax should not be looked at as an investment opportunity. Prices will slowly rise, and some fluctuations will appear due to news such as the shipbuilding contract or speculation of the Deep Panuke project but demand will continue to drop due to availability of

land and urbanization. Nova Scotia's has the highest proportion of residents over the age of 65 and the baby boomer population will continue to add to this statistic.

Buying a single-detached home in the future will always be an option for new residents of Halifax but the supply will start to taper off due to the demographic changes currently taking place. The Canadian Mortgage and Housing Corporation is forecasting a 90% drop in new home starts (471 down to 47) in the month of January from 2013-2014. While this number is not indicative of an average housing start reduction, it is a sign that builders are watching the data and trying to control the level of inventory they carry. It might seem as though prices should be driven higher as supply reduces but demand will be the determining factor. Prices should remain low on the single-detached side and steadily rise on the apartment and condo side.

Halifax has an economy which is much different than the overall economy of its province and in many ways it is the source of hope for the future. The Halifax CMA is forecasted to show modest growth over the short term.

A large part of Halifax's economy is manufacturing, trade, transportation and storage of goods. Trade construction and manufacturing lost 7100 jobs collectively. Halifax's goods-producing sector reduced by 900 jobs from 2011-2012 and the comparative level of growth since 2000 sits fourth among benchmark cities. Much like the province of Nova Scotia, Halifax relies on its service sector, which has grown nearly 2700 jobs each year since 2000. Public administration declined by 2,100 jobs, while healthcare grew by 1500 jobs. All other sectors grew by 2,400 jobs. Wages in Halifax grew by 3.7% in 2012, with particular growth in: primary

industries (9.1%), management (7.6%) and processing and manufacturing (7%). The only industry that declined in wages was the arts, culture, recreation and sports sector.

Halifax has an economy that is showing slow growth yet periods of decline in some sections of the economic indicators in Table 3. Real GDP, population, average weekly earnings and labour force numbers are forecasted to show modest growth in 2014, with none of the categories increasing by more than 2.8%. Construction in Halifax is forecasted to slow down substantially in 2014. Declines in the construction industry, such as housing starts (-90%), housing sales (-28.2%) and value of building permits (-61.6%) will be prominent, when comparing January 2013 to January 2014. Non-residential construction will, on the other hand, show an increase of 4% in the 4th quarter of 2014.

Some of the upcoming projects in the Halifax Regional Municipality that are valued at \$250 million or more are as follows (Estimated total value: \$4.6 Billion):

- Bedford West Development, \$1 Billion
- The Ravines of Bedford South, \$600 Million
- Halifax Shipyard* Frigate Modernization and Life Extension Contract, \$549 Million
- King's Wharf Waterfront Development, \$500 Million
- Russell Lake West Development, \$400 Million
- Portland Hills Development, \$370 Million
- Dalhousie University capital projects, \$304 Million
- Bedford Commons Development, \$300 Million
- Dartmouth Crossing retail/commercial development, \$280 Million
- Mount Royal Development in Clayton Park, valued at \$250 Million
- Harbour Isle Project, \$250 Million

Source: APEC Major Projects 2011, Greater Halifax Partnership

* Halifax Shipyard is also shortlisted for one of two contracts awarded

Prospective offshore natural gas production from development of the Deep Panuke gas field would offer the Halifax HRM and the rest of the province great economic benefits. Due to

the shift of energy users, natural gas prices are on the rise. Nova Scotia has the natural resources and the potential to develop liquefied natural gas facilities, for export. Halifax is forecasted to increase in population from 392,800 in 2008 to 423,000 in 2015. Educational attainment in Halifax (2006) was 67%, placing it amongst the top five cities in Canada. The employment by sector, in Halifax (2011-2012) is shown in Table 4 and displays the prominence of the city's trade and service industries.

Table 3- Halifax Economic Data

Indicator	Units	Period	2013	2014	Change
Real GDP	\$millions (2007)	Annual	18,110	18,611(f)	1.9%
Population	000's	Annual	416	420(f)	0.8%
Labour force	000's	January	240.9	243.6	1.1%
Unemployment rate	%	January	6.6	6.8	+2 pts
Participation rate	%	January	69.8	69.7	-1 pts
Average weekly earnings	\$	January	808	831	2.8%
Canadian price index	Index (2002)	January	124.1	126.0	+19 pts
Housing starts	-	January	471	47	-90.0%
Housing sales	-	January	277	199	-28.2%
Value of building permits	\$000's	Q4 (2012/13)	230,356	88,384	-61.6%
Non-residential construction	\$000's (2007)	Q4 (2012/13)	107,167	111,499	4.0%
Retail Sales	\$millions	Annual	6,799	7,021(f)	3.3%

Sources: Conference Board of Canada, Statistics Canada, Canadian Mortgage and Housing Corporation

Table 4- Employment by Sector, Halifax

Year	2011	2012
Total employed	223.4	225.2
Agriculture	X	X
Forestry, fishing, mining, quarrying, oil and gas	1.1	2.0
Utilities	2.6	2.5
Construction	15.2	14.2
Manufacturing	11.6	10.8
Trade	37.6	32.4
Transportation and warehousing	10.1	11.8
Finance, insurance, real estate and leasing	15.4	16.4
Professional, scientific and technical services	15.1	16.5
Business, building and other support services	10.6	10.4
Educational services	19.1	20.4
Health care and social assistance	30.7	32.2
Information, culture and recreation	11.3	11.5
Accommodation and food services	14.9	15.0
Other services	8.3	11.2
Public administration	19.6	17.5

X-Less than 1,000 employed

Source: Statistics Canada

Shipbuilding impact

On January 12, 2012, Irving Shipbuilding celebrated the conclusion of agreement in principle with government of Canada to build navy combat vessels. The contract promises economic growth and job creation, as \$500-600 million in personal income would be generated during the peak years of shipbuilding. Every \$1000 spent from the shipbuilding contract, through procurement and along the supply chain, another \$491 in real GDP would be generated across several regions across Canada. Across Nova Scotia, 8,500 jobs would be created every year with 11,500 in peak employment. The ripple effect from the contract should be substantial, according to the statistics released by Irving and the Greater Halifax Partnership. Total growth in real GDP from 1990 to 2009, in Nova Scotia ranks last with 40.6% growth, in

comparison to the Canadian average of 55.8%. Residents of Nova Scotia feel that some economic relief cannot come soon enough.

The “Combat Package” is worth \$25 Billion and takes place from 2012 until 2030. The other package is a “Non-Combat Package” and is worth \$5 billion, over the life of the project. The Conference Board of Canada reports that this package alone would produce 3,700 jobs per year, with peak employment reaching 9,900 jobs. Nova Scotia’s GDP would receive a boost, due to the annual \$477 million of disposable income produced by the shipbuilding contract. Statistics Canada’s breakdown of expenditures, lists shelter (which includes mortgages and repairs) at \$83 million. Residential housing would be a primary beneficiary of the expenditures arising from the contract.

The \$477 million in annual personal income generated by the contract will allow for expenditures to inflate, due to the growing workforce necessary for the construction of the vessels. It is assumed that 0.95 residential units (all types) will be constructed for every net new job, the shipbuilding contract brings, due to the historical average. In the first decade of the combat vessel project, the majority of the proposed 8,000 new residential units should be constructed. The size of the shipbuilding contract and its positive impact on the economy is predicted to reverse the trend towards the thinning of rural populations. The challenge that Nova Scotia has faced since confederation is labour mobility. Nova Scotia has a rich shipbuilding history and tradespeople who support it. Labour markets in Nova Scotia have gone through shifts but its people find ways to adapt to its ever-changing economic landscape. Interprovincial migration has pulled many talented workers westward, in search of work. The shipbuilding

contract provides hope for residential builders in the Halifax CMA, who are watching their economy slowly deteriorate, due to many factors beyond their control.

3. Housing

3.1 Alberta Housing Market

Housing affordability remains attractive in Alberta, although ownership costs as a percentage of household income modestly rose 0.6 per cent to 32.5 per cent for single-detached units. Alberta's population is steadily rising, supported by a "supercharged" economy and strong labour market. Demand for housing is driven by a lack of supply in the resale market and a favourable price-to-income ratio (3.9), is forecasted by experts.

Alberta is forecasted to see more housing starts in 2014, with 19,100 units, than the 18,431 units reported in 2013. This will taper off slightly, although remaining steady at 18,800 units in 2015. Flood remediation funding will provide a boost to the economy but demand for housing is linked to the consistently low supply levels. Calgary's population, as of the 2011 census report, was 1,214,839, with 464,000 privately-owned residences. Single-detached homes made up 60.5 per cent of that total at 281,130 units.

Multi-family starts increased to 17,580 starts in 2013 and should rise to 18,000 units in 2014 before dropping back to 17,600 units in 2015. The increase in starts is due to buyer demand and low supply levels as a reaction to the recession of 2009.

Alberta's roaring economy brings with it, economic growth and rising wages, therefore sales in the real estate market are healthy in Alberta. Sales rose to 66,080 units in 2013 and are projected to increase to 68,500 in 2014 and 70,100 in 2015. The average price of a home in Alberta for 2013 was \$380,969, which is projected to rise to \$401,000 by 2015. Due to the

steady increase in population, economic prosperity and recent floods, supply levels of housing are low in Alberta. This has caused builders to meet demand by increasing inventory levels, in the province, since 2011.

Average weekly earnings for residents in Alberta, is reported as \$1059 in the fourth quarter of 2013, compared to Canada's average weekly wage of \$893. The unemployment rate in Alberta is 4.8 per cent in Alberta, compared to the national average of 7.2 per cent in the fourth quarter of 2013 as well. The average Alberta resident is capable of supporting the housing industry due to its province's bright economic future. Alberta's population is steadily increasing due to its net migration in recent years. Alberta's strong economy and housing affordability have lured thousands of residents, in search of the economic benefits its province has to offer.

Average MLS prices will show steady increases in 2014 and 2015, with the average MLS price at \$391,100 and \$401,000 respectively. Prices have been rising, as sales-to-new listings have favoured sellers. In 2014 and 2015 more new listings will be available, which will cause prices increases to slow down.

3.2 Calgary CMA Residential Housing Market

With a strong economy, high levels of employment and an ever-growing population, the residential housing industry in Calgary is thriving. The Calgary CMA is divided into eight submarkets and prices vary in affordability, based on the region. Residential housing in the Calgary CMA is in high demand, due to the affordability of homes. Levels of income, compared to the price of housing, makes the Calgary CMA a recognized destination. Average prices for Single-detached housing units in the Calgary CMA were \$632,742 in December of 2013. This is a

drop in price from the year previous, when prices averaged \$666,630. Submarkets like Cochrane offer modestly priced houses at an average price of \$457,505, while Rocky View County tops the submarket list at an average price of \$992,752.

Single-detached housing starts have been declining, due to a shift towards multi-family starts in the region. Single-detached housing starts declined 21 per cent in the month of December of 2012 and 2013, with 415 starts, compared to the year previous at 528. Overall housing starts rose 7 per cent, finishing 2013 with 6,402 units. Calgary's labour market and stream of new residents to the city drive demand for housing.

Multi-Family starts reached 6,182 units in 2013, compared to 6,880 units in 2012. Foundations were poured for 363 apartment units in December of 2013, which is indicative of their high demand. This is compared to 95 units the previous year. Apartments saw a rise while semi-detached and row houses saw declines of 35% and 59% respectively.

Sales in 2013 were at 29,954 units, up 12% from 2012 at 26,634. Many of the listings are new, as homeowners are taking advantage of high prices. New listings in the fourth quarter of 2013 showed an 8% rise to 7010 units, up from the fourth quarter of 2012. The total of new listings in 2013 was 42,678. Average price of a home in Calgary was \$440, 117. Calgary's resale market has been booming and inventory levels are relatively low, which has helped drive demand for single-detached housing. This could be related to the need for temporary housing, after the floods that ravaged the city. Inventory levels were lower in December of 2013 at 405 unabsorbed units, 8 per cent fewer than December of 2012. The volume of complete and unabsorbed units is relatively low in Calgary.

Calgary boasts the second highest median total income in the country at \$93,410, trailing Ottawa-Gatineau at \$97,010. The national median total income is reported as \$72,240. 788,500 people are employed in the Calgary CMA, with a relatively low unemployment rate of 4.7 per cent. Average employment levels consistently rise due to high levels of net migration to the city. Calgary's price-to-income ratio has stayed steady throughout recent years and is forecasted to stay the same into 2015 at 3.9. This is below the Canadian average, at 5.6.

A steady flow of people have been moving to Calgary in recent history. The net migration for Alberta has increased in 2013 when compared to 2012. 88,053 people entered the province in 2013, with the majority heading to major CMAs like Calgary and Edmonton, in search of employment.

ENMAX Corporation is a wholly owned subsidiary of the City of Calgary. It generates, transmits and distributes electricity to approximately 836,000 customers throughout the province. Monthly power bills in Calgary, Alberta, based on 1,000 kWh residential services, totalled \$148.11.

3.3 Nova Scotia Housing Market

The housing market in Nova Scotia is cooling due to outmigration from rural areas and the aging population. Economic prospects show modest growth in 2014 and 2015, due to private investment and the proposed work to take place at the Halifax Shipyard.

Single housing starts in 2012 reached 2258 units, an increase of 10.4 per cent from the previous year. Starts have declined 27.4 per cent to 1639 starts in 2013. It is forecasted that housing starts will be 1690 and 1750 units in 2014 and 2015 respectively. With a population of

390,096 (as of the 2011 census), Nova Scotia has 165,030 privately owned housing units. Single-detached homes made up 51 per cent of that total with 84,265 units.

Nova Scotia's demographics are changing and the demand for housing has followed suit. Due to outmigration and an aging population, Nova Scotia's housing market has shown demand for more cost-efficient options like semi-detached and row houses. From 2014-2015, it is forecasted that 650 units will be started, in order to meet demand.

Once again, Nova Scotia has seen an increase in demand for housing alternatives like multi-family and apartments, due to the baby boomers and economic conditions. Halifax will see the majority of the forecasted 1250 units to be built in 2015. It is expected that 1585 starts will take place in in 2014.

Nova Scotia's resale market saw a sharp decline in 2013 but it is expected that sales will rise to 9300 units in 2014. This number will once again increase to 9600 units in 2015. Average house prices dropped close to 2% in 2013 but due to modest growth in the province, prices should rise to \$218,500 and \$219,500 respectively.

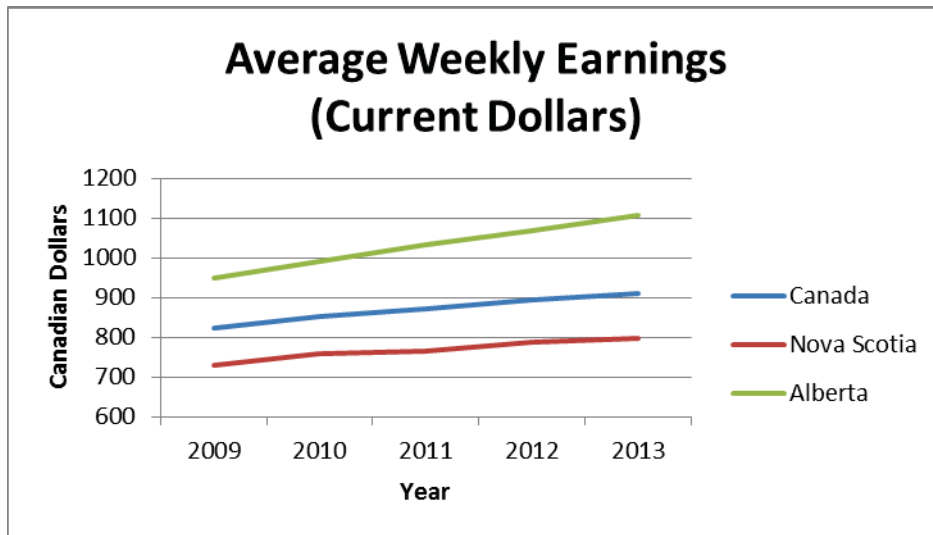
The population of Nova Scotia has been steadily declining, due to outmigration from the province. Nova Scotia's population declined by about 4,600 people in 2013 and forecasts indicate that this trend will continue in the future. Interprovincial migration will remain negative at 2,500 in 2014 and 1000 in 2015. Total net migration will return to positive numbers in 2015. Demand for housing has been affected by the negative growth in Nova Scotia.

Average weekly earnings in Nova Scotia during the fourth quarter in 2012 was \$767.01 and saw a 3.4 per cent increase, to \$792.96. The stagnant labour market, which will grow by 0.5 per cent in 2014 and 1 per cent in 2015, will not improve consumer confidence enough to drive

demand upwards in the housing market. As the labour force grows and employment levels reduce, the unemployment rate will rise to 9.3 per cent in 2014 and stay at that level into 2015.

Average weekly earnings in Nova Scotia were \$822.53 in December 2013, indicating an average salary of \$42,771.56, based on a 52 week work year.

Chart 3



Source: Statistics Canada

Nova Scotia's struggling economy and trending outmigration has caused the average price of an existing home to decline close to 2 per cent in 2013. Prices should show little change in 2014 and 2015 at \$218, 500 and \$219,500 respectively. Prices should remain stable until the economy shows signs of growth and net migration increases, driving housing demand in the province.

Nova Scotia Power, a subsidiary of Emera, is the principal supplier of electricity in Nova Scotia, meeting most of the province's needs for electricity generation, transmission and distribution. It supplies electricity to 490,000 customers. Monthly power bills in Halifax, Nova Scotia, based on 1,000 kWh residential services were \$154.46.

3.4 Halifax CMA Housing Market

Housing in the Halifax Regional Municipality (HRM) or Census Metropolitan Area (CMA) has shown a 7 per cent decline in price from 2013 to 2014. The Halifax CMA is divided into seven submarkets, which vary in pricing. Halifax CMA average price is \$396,929, compared to the most expensive submarket, Bedford-Hammonds Plains, at \$536,810. Prices in the urban core submarket of Halifax City dropped from 564,806 in 2012 to \$482,100 in 2013. The submarket of Sackville showed price increases of 10 per cent, resting at an average price of \$451,816.

Single-detached starts totaled 678 units in 2013, which display a sharp drop in comparison to the 989 starts reported in 2012. Houses that were completed and not absorbed stood at 86 units in December of 2013, which shows a higher level of inventory, in comparison to the 66 unabsorbed units from December 2012.

There were 120 semi-detached starts in 2013, a -35.5% drop from 2012, when 186 starts took place. This is similar to the drop in single-detached starts and speaks to the increase in other types of housing that is currently in demand.

The majority of residential construction taking place in Halifax was that of rental apartments. In 2013, 1474 apartments were started in Halifax CMA, of which 1402 were rental units. Halifax's apartment starts rose 2.5% from 2012 and above the five-year annual average of 1088 starts.

Single-detached housing prices dropped 7% to \$396,929 in 2013. Halifax CMA's most expensive submarket, Bedford-Hammonds Plains, had an average home price of \$536,810. The real estate market in Halifax has been rather weak due to low economic growth, low wages and

a shift from home-ownership to the rental market. The average sale price of a home in the Halifax Regional Municipality (HRM) was \$274,880 in 2013.

According to the 2011 census report, Halifax has shown steady growth of 4.7 per cent from 2006 to 2011. The Halifax CMA population, according to the census report of 2011 was 390,328. This is due to migration from rural areas to the urban core and immigration. In terms of the actual number of new persons, Halifax ranked 13th out of 33 cities listed.

Halifax has experienced employment growth of approximately one per cent in recent history. In 2013, employment growth was 0.8 per cent, boasting 184,000 full-time jobs and 43,000 part-time jobs. In the Halifax CMA, the two largest employment sectors are Trade and Health Care and Social Assistance. Both sectors grew by more than 3 per cent in 2013.

4.0 Assumptions based on population

Interprovincial migration is a statistic that has favoured certain provinces in Canada, and a strong correlation to economic growth has followed. Rural areas in Canada are being drained of their youthful, prospective workforce, with the majority heading to two provinces.

Saskatchewan and Alberta are the beneficiaries of thousands of new residents. As displayed in Table 4, the city of Calgary has grown by 7.1% from 2009-2012. Provinces like Nova Scotia and New Brunswick are two provinces that suffer from a consistent reduction of human capital.

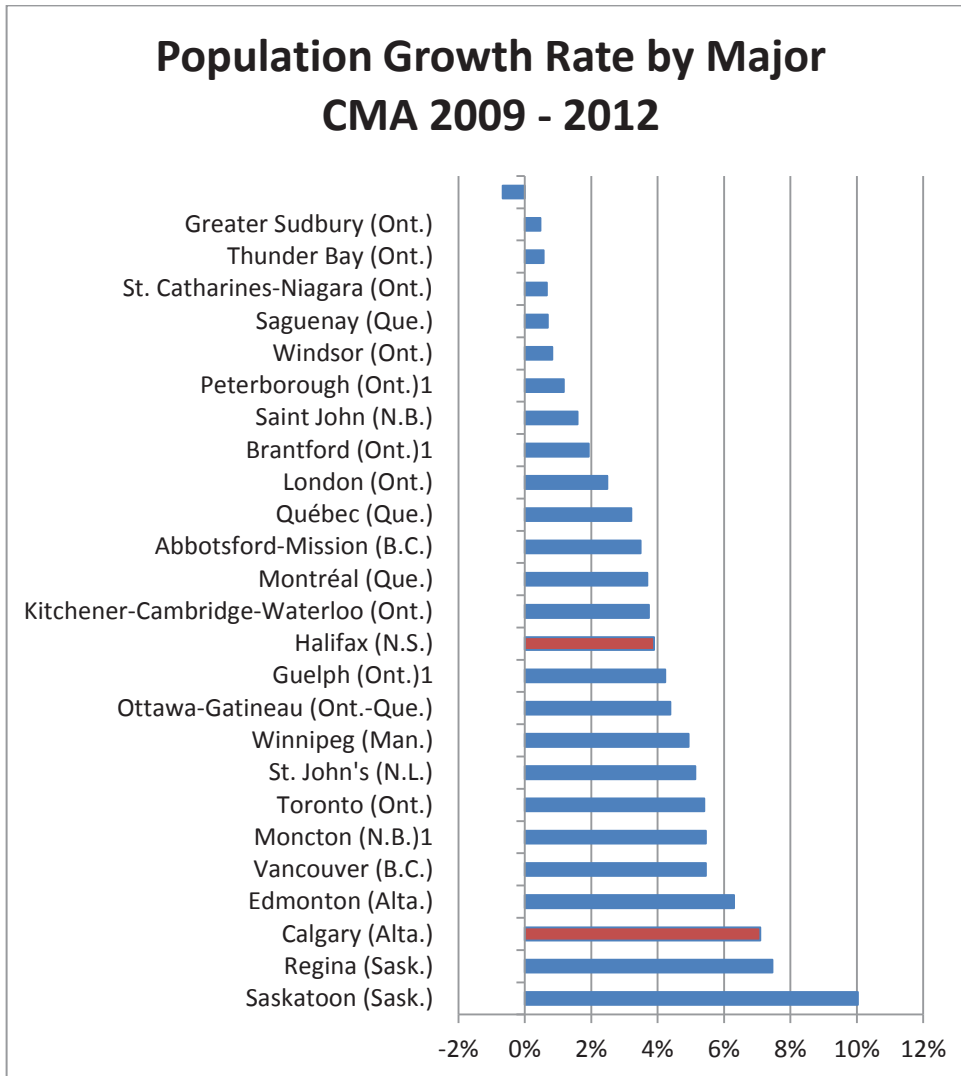
Maintaining steady, positive net migration numbers adds to the growth of an economy in three different ways, according to the Conference Board of Canada:

- productivity growth,
- growth in the capital stock
- labour force growth

Population growth in both Alberta and Saskatchewan has grown by at least 2 per cent for the last five years, compared to the national average at 1.2 per cent. The migrants entering CMAs in the West are in search of labour markets, and provide a deep labour pool for employers to draw from. The labour pool allows productivity growth, in turn, and attracts more residents as a result. On the other hand, provinces in the East suffer from a weakened labour force, and reduced productivity. Housing demand will therefore be healthy in the West, while provinces in the East watch demand retract.

Alberta has the highest economic growth rate amongst Canadian provinces at 3.3% per year for the last 20 years. Alberta also has the youngest median age of all provinces, at 35.6 years. Amongst the population of 3.7 million, Alberta carries a talented labour pool of 2 million residents with the following credentials: 61.6% with a university degree, post-secondary degree or diploma, 268,000 post-secondary students, 70,000 registered trade students. With a labour force such as this, Alberta has created more than 440,000 jobs from 1999 to 2009 and Alberta's labour productivity exceeded the national average by 17%. Cities like Calgary and Edmonton will see the majority of economic spillover and rural areas share in the prosperity.

Chart 4



Source: Statistics Canada

The Province of Nova Scotia has a much different economic landscape than Alberta. Nova Scotia has a declining population with a median age of 43.6, which is above the national average of 40.6. As baby boomers slide into retirement, Nova Scotia is facing a crisis. Productivity in the province is weak at 1.5% growth, compared to Halifax, which is growing at a rate similar to other CMAs in Canada at 2 3/4%. While the Halifax CMA has grown 3.9% from 2009-2012, its growth is still well below the growth rate of other CMAs such as Saskatoon

(10%), Regina (7.5%) and Calgary (7.1%). Personal income in Halifax increased 2.3%, from \$39,082 to \$39,996 and real GDP increased 1.4%. While these numbers are modest, Halifax continues to grow in population, growing from 408,198 to 413,710 last year. The decreasing labour force in Nova Scotia will cause productivity to decrease, while the Halifax CMA will feel the strain of supporting the rest of the province. Tax revenues from Halifax will be used to maintain and grow rural areas, while resources will need to be shifted towards the growing urban core. Attracting a talented workforce to the province will be crucial if productivity growth is Nova Scotia's goal. This makes it abundantly clear why population growth matters so much to CMAs in Canada.

Conclusion

The decision to buy a home is a big one, regardless of the location. To have the assurance that you can afford to finance a home and hopefully generate some equity, in the end, proper due diligence must be undertaken. This can be done in Canada by closely examining the economy of each province and major CMA. Alberta has prospered from its oil and gas driven economy and Nova Scotia's economy is highlighted by its service base. Choosing to buy a home in Calgary or Halifax can come down to the difference between a high-growth economy and low-growth economy. Closely examining the socio-economic indicators available will help determine the return on investment, upon resale of a home, in Calgary or Halifax. The economic freedom of Calgary comes with the uncertainty of global demand for oil and gas. One can earn a healthier income and profit from a booming economy but it must be understood that the bubble can pop and an economy suddenly goes bust. The productivity growth and labour force growth in Calgary along with a comfortable price-to-income ratio make it an

attractive location to call home. Halifax is slowly growing, while its rural population migrates away from the province. The population in the city is getting older, and demand for the typical home is declining. This trend will continue, as the average homeowner is deciding to live outside of a major CMA, to find affordable living. Due to the average wage in Calgary and the confidence that its growth inspires, owning a home is a realistic option. Upon resale, the investment will most likely pay off. Halifax has a much different economy, which is appealing to some, and an investment in housing should be closely linked to the financial future of the Nova Scotia economy. An economist can examine the state of an economy, socio-economic indicators and global forces that will enable a homeowner to make a conscientious decision.

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