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**RETHINK LONDON: GROWTH FORECASTS  
P. YEOMAN**

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|                 | <b>CHAIR AND MEMBERS -<br/>PLANNING &amp; ENVIRONMENT COMMITTEE</b>              |
| <b>FROM:</b>    | <b>JOHN M. FLEMING<br/>DIRECTOR, LAND USE PLANNING AND CITY PLANNER</b>          |
| <b>SUBJECT:</b> | <b>CITY OF LONDON GROWTH PROJECTIONS: 2011-2041<br/>MEETING ON JUNE 18, 2012</b> |
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| <b>RECOMMENDATION</b> |
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That, on the recommendation of the Director of Land Use Planning and City Planner, the attached draft report prepared by Altus Group Economic Consulting entitled “Employment, Population, Housing and Non-Residential Construction Projections, City of London, Ontario, 2011 Update” **BE RECEIVED** for information, and that the draft report **BE CIRCULATED** for comments from members of the public through the ReThink London process.

It being noted that the draft projections report contains growth forecasts that will be used as the basis for the Industrial Lands Development Strategy, ReThink London Growth Plan, and the 2014 Development Charges Study.

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| <b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b> |
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October 16, 2006      “Growth Forecasts to be used for Land Needs Background Study for the 2006 Official Plan Review.” Planning Committee.

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| <b>BACKGROUND</b> |
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**Purpose of this Report**

The City of London Planning Division retained Altus Group Economic Consulting in November 2011 to prepare growth projections for population, employment, housing and non-residential construction (industrial, commercial and institutional) to the year 2041. The growth forecasts provide an important foundation for long-range planning studies (including the Official Plan, the Development Charges Study, and engineering master servicing plans), as well as for business planning purposes.

**Altus Group Economic Consulting**

Altus Economic Consulting has been significantly involved in the preparation of City of London forecasts for almost a decade. The attached draft report represents the third projections study prepared by Altus (previously known as Clayton Research Associates Limited) for the City. Altus also provided additional growth forecasting assistance for the 2009 Development Charges Study and the Growth Management Implementation Strategy.

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P. YEOMAN**

Altus is a highly regarded firm of urban and real estate economists that provides strategic advice and information to private and public sector clients across Canada. The company has a sound understanding of the factors that shape economic, demographic, real estate, and land development trends. Given the company’s long history of studying the London area, the knowledge possessed by the Altus team about our city is highly beneficial to producing robust forecasts of London’s future growth.

**OVERVIEW OF GROWTH FORECASTS**

Growth forecasts represent an informed estimation of future conditions. Forecasted results are based on past and present economic, demographic and construction trends. Assumptions are made about changes that are likely to take place over time to produce future estimates. These assumptions are based on research, acquired technical knowledge, and established projections methods. While every effort is made to develop accurate projections, they cannot be considered precise predictions of the future. A full description of methods, data and results is provided by Altus in the attached draft report. The following represents highlights of the report and its findings.

**Growth Forecasts vs. Growth Targets**

It is important to recognize the difference between growth forecasts and growth targets. Growth targets are aspirational goals of desired rates of growth. They provide motivating outcomes for initiatives to stimulate the economy and to attract population. However, growth forecasts are based on an informed estimate of the future, as described above. Forecasts provide a baseline for anticipated growth, and can inform growth targets.

**Methods Used to Prepare Growth Forecasts**

Altus utilizes four interrelated models to derive growth projections: economic, population, housing demand and non-residential building space. The methods used for these models are well accepted in the industry and have been used by Altus Group Economic Consulting to model growth in many other cities across Canada.

In general, the forecast begins with an examination of the London economy within the context of the international, national, provincial, regional and local economy. Prospects for growth are considered by economic sector and an employment forecast is prepared. The employment forecast largely determines the population projections since employment is the key motivation for migration, which drives population growth. Forecasts for future population are based on a cohort survival model (births minus deaths plus net migration by sex for five year age groups) that is consistent with the population projection methodology guidelines established by the Ministry of Municipal Affairs and Housing. Population forecasts are converted through Altus’ housing demand model to project anticipated household growth for the City of London. Potential household growth is a function of the projected population by age using headship rates (number of people in each age group who are projected to head up a household). Demand by structure type is determined from historical housing start and completion data examining the relationship between family type and dwelling types as the population ages.

With respect to non-residential growth, the employment forecast also informs the anticipated future industrial, commercial and institutional floor space demand by the use of floor space to employment ratios.

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**Results**

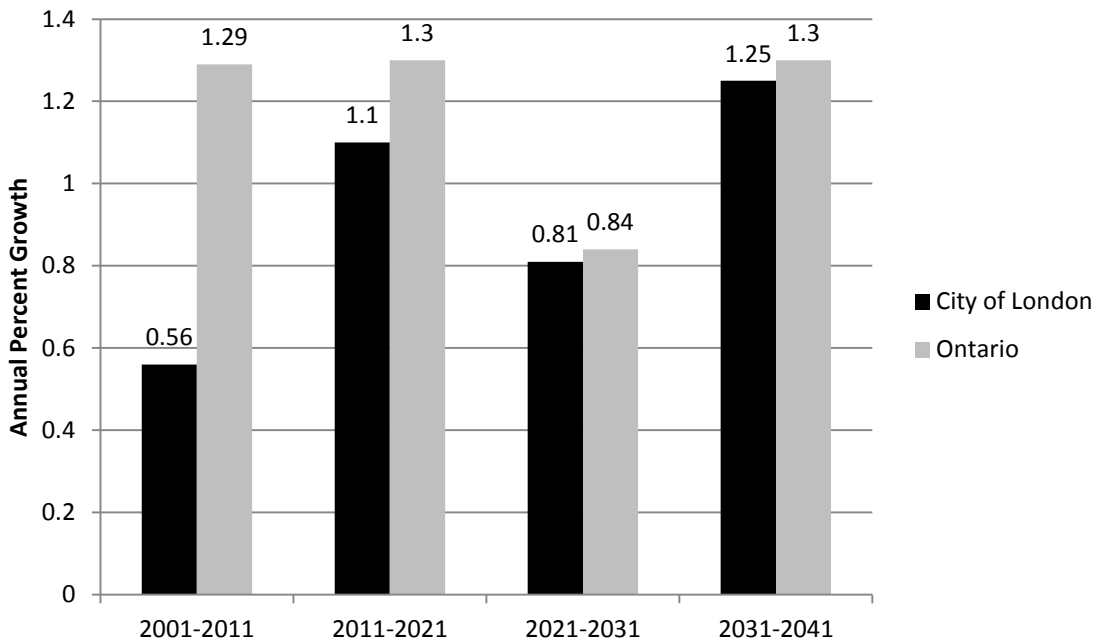
The draft projections report contains results for employment growth, population growth, residential construction, industrial, commercial and institutional floor space requirements, as well as high growth and low growth scenarios for the projection period of 2011 to 2041.

Employment Projections

Employment growth is a key driver for increases in population. New job opportunities encourage migration to the city and lessen the number of individuals that move from London each year.

- As noted in Figure 1, Altus anticipates continued total employment growth, but slightly lower than the provincial average.
- The sectors anticipated to experience the most employment growth are transportation, trade, education, health care, and other services. Manufacturing will continue to grow, but at a slower rate than in the past.

**FIGURE 1: ANNUAL TOTAL EMPLOYMENT GROWTH: LONDON AND ONTARIO**

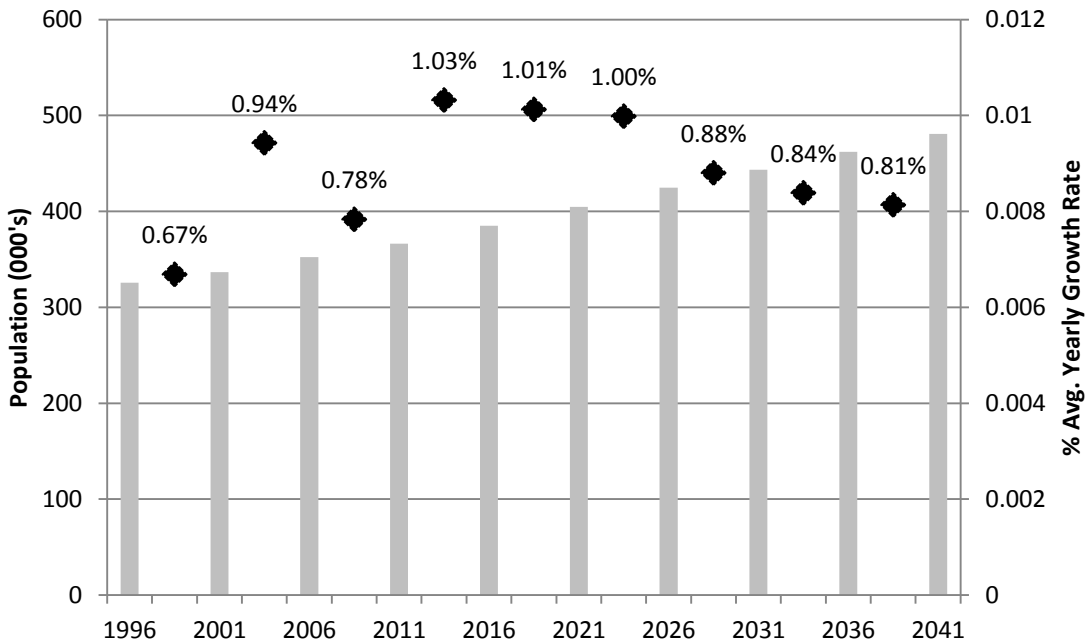


Population Growth

London’s population is forecasted to continue to grow throughout the forecast period at an annual average rate of 0.93%. Figure 2 provides total population growth in 5 year increments as well as the projected yearly growth rate. Altus anticipates the following issues to affect population growth:

- birth rates are climbing, contributing to a higher natural population increase than in previous years;
- baby boom retirements will increase labour force demand, attracting new residents to London; and,
- positive net migration is anticipated for London, contributing to population growth.

**FIGURE 2: POPULATION PROJECTIONS (2011-2041) AND ANNUAL GROWTH RATE**



Residential Construction

Within the forecast period of 2011 to 2041, construction of London’s new housing stock will experience changes based on structure type.

- Altus anticipates that there will be a need for 61,000 new residential units.
- Increased demand for apartment-style housing is anticipated throughout the projection period. As a result, the low density share of residential construction will be approximately 52% going forward, with row housing at approximately 15% of total housing completions.
- While the share of low density housing is forecasted to stabilize at approximately 52% of all housing types, the total number of required units is anticipated to be higher than previous forecasts.

Industrial, Commercial and Institutional Floor Space Requirements

Non-residential construction for the projection period is based upon industrial, commercial and institutional (ICI) space demand derived from projected employment for each land use category.

- Industrial: Altus anticipates continued demand for new industrial space over the forecast period, with 18,120,000 square feet in total required by 2041. This equates to an average of 604,000 square feet per year. Space demand is relatively consistent for each 5 year period, until 2031 when higher levels of space requirements are anticipated.
- Commercial: Commercial space demand is projected to be relatively light between 2011 to 2026 due to significant over-supply that exists in the present market. Moderate commercial construction can thus be anticipated until the latter half of the projection period when demand proceeds at a higher rate. While there is a projected demand for additional commercial space in the near- and mid-term, this will not result in an equal amount of new commercial development, as there is a significant over-supply of commercial space constructed over the past five years.
- Institutional: Overall space requirements for institutional users are expected to decline for each five year period, until 2026. However, nursing home construction is expected to increase during the projection period as the “baby boomers” move into their senior years.

Agenda Item # Page #

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**RETHINK LONDON: GROWTH FORECASTS  
P. YEOMAN**

High and Low Growth Scenarios

Altus has prepared two additional alternative growth scenarios to inform future planning discussions: a high growth scenario and low growth scenario of 1.5% and 0.75% annual population growth, respectively.

- The high growth scenario assumes increased net migration to the City of London as a result of heightened employment prospects; conversely, the low growth scenario assumes that economic recovery will be slower than anticipated, producing fewer jobs.
- Employment, household and non-residential construction projections are provided for each of the alternative growth scenarios, reflecting the assumptions about economic growth.
- The high and low growth scenarios provide a range of growth possibilities for individuals and organizations that use the projections report for future planning studies. Additionally, the growth scenarios can inform aspirational growth targets and be used as monitoring tools for infrastructure planning.

**NEXT STEPS**

The attached draft report has been received by City Staff for review and initial feedback. Given the use of the growth forecasts in future planning studies, it is anticipated that members of the public will want to review the report and provide comments prior to the completion of the final projections report.

With Council direction, Staff will circulate the draft projections report for public consideration through the communications channels established as part of the ReThink London process. Comments received from members of the public will be compiled and forwarded on to the Altus Group for consideration in the preparation of the final report.

It is the intent of City Staff to have the final projections report completed by September. A presentation to the Planning and Environment Committee regarding the projections will also be made by consultants from Altus Economic Consulting with the submission of the final report.

Agenda Item # Page #

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**RETHINK LONDON: GROWTH FORECASTS  
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| <b>PREPARED BY:</b>  | <b>SUBMITTED BY:</b>  |
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| <b>PAUL YEOMAN<br/>RESEARCH ANALYST<br/>PLANNING DIVISION</b>                          | <b>GREGG BARRETT, AICP<br/>MANAGER, CITY PLANNING AND<br/>RESEARCH, PLANNING DIVISION</b> |
| <b>RECOMMENDED BY:</b>   |   |
|  |   |
| <b>JOHN M. FLEMING, MCIP, RPP<br/>DIRECTOR OF LAND USE PLANNING &amp; CITY PLANNER</b> |   |

May 29, 2012  
PY/py

APPENDIX 1: Altus Economic Consulting (2012). "Employment, Population, Housing and Non-Residential Construction Projections, City of London, 2011 Update"

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Agenda Item #

Page #

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**RETHINK LONDON: GROWTH FORECASTS  
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**APPENDIX 1:**

**ALTUS ECONOMIC CONSULTING: "EMPLOYMENT, POPULATION, HOUSING AND NON-RESIDENTIAL CONSTRUCTION PROJECTIONS, CITY OF LONDON, 2011 UPDATE"**