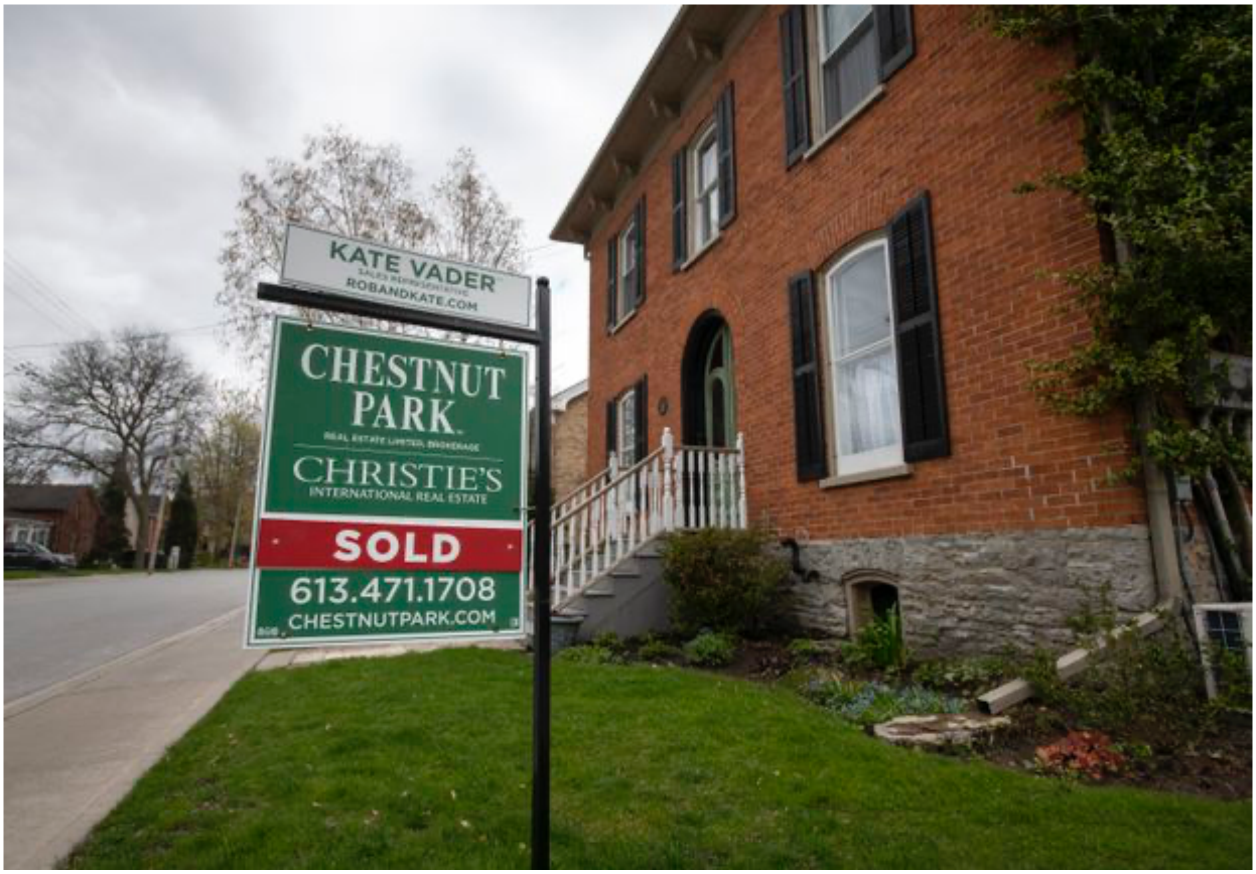
THE GLOBE AND MAIL CANADA

Remote work has boosted Canada's hot housing market, but how long will the boom last?



A home that has recently been sold in Picton, Ont. on April 30, 2021

Fred Lum/The Globe and Mail

The dunes and vineyards of Prince Edward County have attracted weekenders from Toronto for decades. Sharon Armitage has often been their real estate agent. She sold to the political pundit David Frum and the restaurateur Jamie Kennedy.

But Ms. Armitage has never seen anything like the "avalanche" of city-dwellers that have turned up in the past 12 months. It's not just aspiring wine moguls ("grapers") or wealthy retirees any more. Young families who can work remotely during the pandemic have been pushing home prices skyward – by more than 30 per cent since last year.

“It’s crazy down here!” said Ms. Armitage. “But it’s crazy everywhere.”

She’s right on both scores: What’s happening in The County is part of a familiar trend in Canada and across the world that has seen urbanites leave expensive downtowns for leafy suburbs and smaller cities because of this year’s work-from-home revolution.

The question now is whether the flight from cities, and the corresponding real estate boom in newly favoured precincts, will last. As vaccination brings Canada closer to the end of the pandemic, despite a crushing third wave, some economists and urbanists are skeptical. They believe we have already reached the high-water mark of remote work and that some snap back is inevitable, as offices reopen and people remember the joys of urban living postpandemic.

Whether they’re right will help determine the fate of communities, the look of middle-class life, and billions in home equity, for decades to come. Ms. Armitage sides with the skeptics. She’s waiting for the “comeuppance,” when some of the craziness will subside.

“I don’t see how it can continue,” she said. “My son keeps trying to buy back into the market, and I just say, ‘Hang on, Freddy.’”

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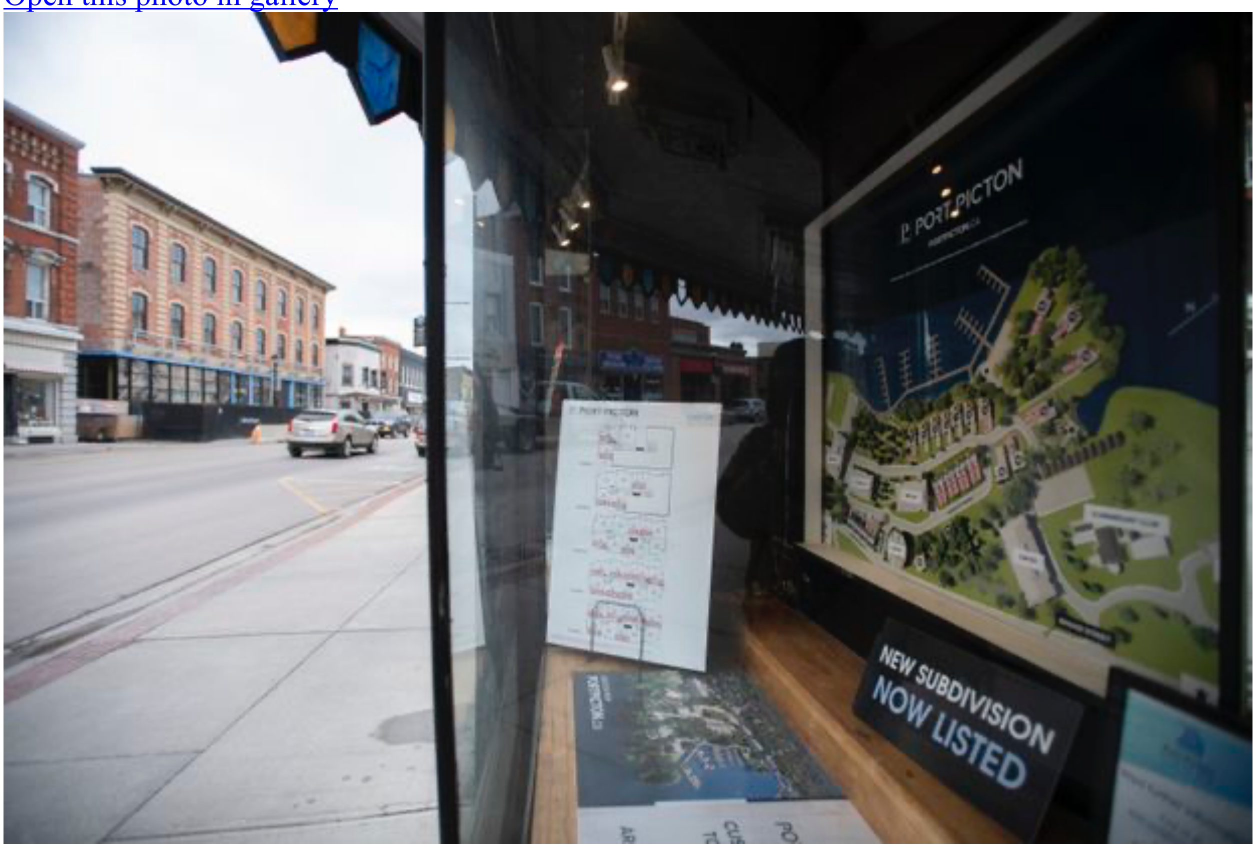

Picton Main Street in downtown Picton, Ont. on April 30, 2021.

Fred Lum/The Globe and Mail

Some forecasters are still betting on a more permanent rearrangement of white collars – whole nation-states among them. This year, sun-dappled Greece began allowing expatriates to halve their income tax for seven years in a bid to lure newly unshackled office workers. “If you can work from anywhere, why not work from Greece?” beckons a promotional slogan.

Ireland is hoping the same forces will reshuffle people within the country’s borders. The national government recently announced plans to revitalize moribund rural districts by encouraging office workers to relocate from Dublin, with promises of better broadband and financial support to help local authorities create remote working hubs.

But these incentive packages also suggest the limitations of working from home. If a flight from Irish cities was happening organically, for example, “they wouldn’t have to be incentivizing it,” said Ronan Lyons, an assistant professor of economics at Trinity College Dublin.

One hard cap on the mobility of labour after the pandemic will be the nagging persistence of the office. Massive firms such as Google and HSBC have announced they plan to experiment with a hybrid work model after the pandemic, with employees splitting their time between the office and home. Canadian tech leaders including BlackBerry chief executive officer John Chen say they expect a hybrid model to become common.

That lines up with people’s preferences in survey after survey: Statistics Canada recently found that among new teleworkers, about 40 per cent wanted to spend half their work hours in the home and half outside of it after the pandemic, far more than any other option. Just 15 per cent said they wanted to work from their kitchen tables full-time.

Bosses are even less enthusiastic about a fully remote future. Many still believe in the creative and team-building power of communal brick-and-mortar spaces. In a recent paper, the economists Jose Maria Barrero, Steven Davis and Nicholas Bloom drew on their own survey of thousands of Americans to show that employers expect just a fifth of working hours to be completed from home after the pandemic.

That still represents a huge increase over life before COVID, when Americans spent only 5 per cent of their working time at home. In that sense, the remote work revolution appears here to stay. But a hybrid model – whether it lands on one, two, or three days a week in the office – will still sharply limit where employees are able to live. Laptop jockeys who have answered Greece’s call may yet find themselves called back from Santorini for bi-weekly meetings in a Mississauga office park.

Less frequent commutes could still allow office workers to venture further outside of city centres than before. The French newspaper Le Monde reported in March on the trend of young Parisian families moving to smaller outlying cities, with one member of the couple taking occasional day trips into the metropole for work.

The calculus may be different in Canada. Whereas most Parisians live in apartments and have easy access to the hinterland by train – making the "*allers-retours*" lifestyle both tempting and feasible – Canadians have less reason and fewer means to manage that sort of shuttle.

About 60 per cent of Canadian city-dwellers already live in houses, for example, according to Statistics Canada. (The figure is 57 per cent, including semi-detached and rowhouses, even in dense Toronto.) The relative spaciousness of the country's urban housing may dampen the urge to seek greener pastures in some rural fastness.

Meanwhile, high-speed trains zip between Bordeaux and Paris in a little over two hours, but commuting from the wine country of Prince Edward County to Toronto – a journey about a third as far – takes at least as long by car. For many people, making that trip a few times a week will be prohibitive.

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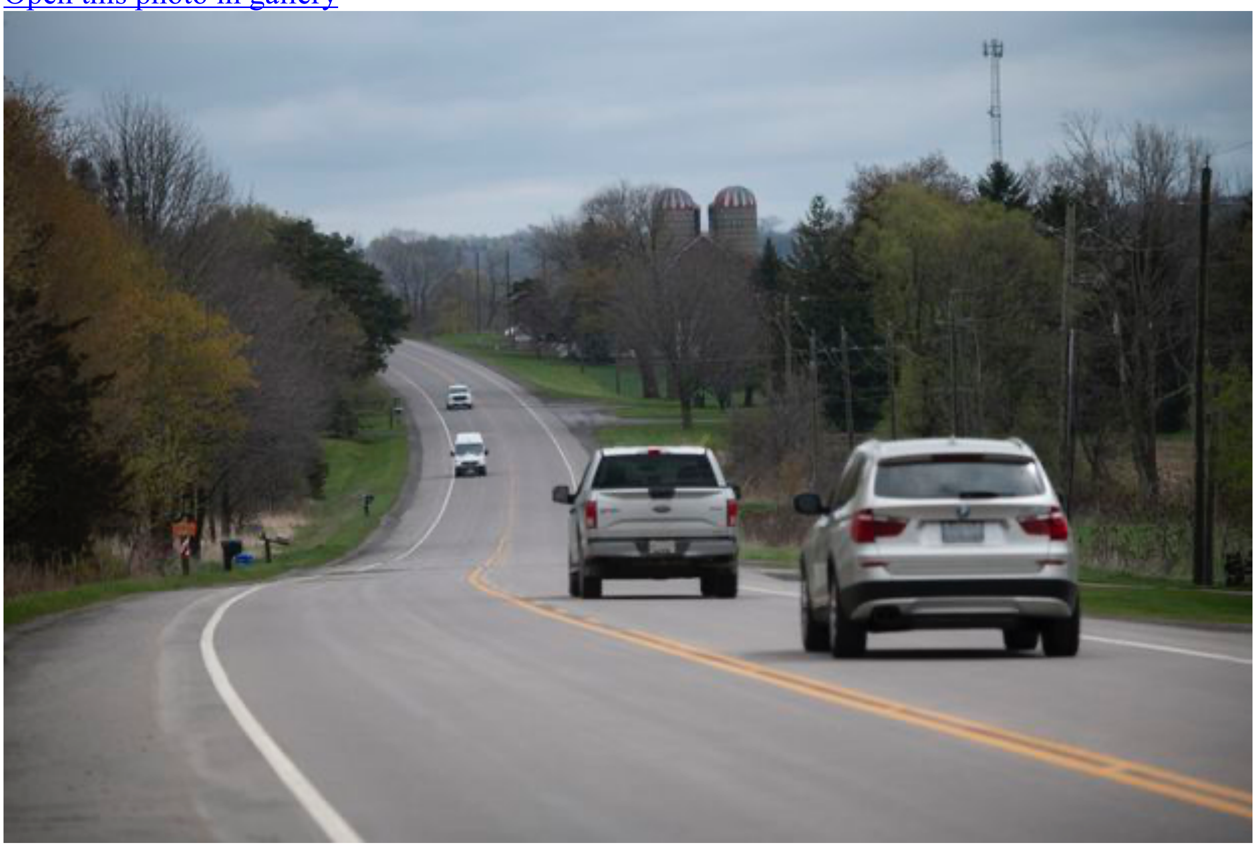

Traffic heading eastbound (R) on Highway 33 near Warings Corner in Ontario's Prince Edward County, on April 30, 2021.

Fred Lum/The Globe and Mail

With mass vaccination against COVID-19 on the horizon, the Toronto-based urban theorist Richard Florida already sees signs of city populations rebounding from their slight pandemic lull. His friends who left New York for the warmth and space of Southern Florida this year are now saying, “This was a great four-month vacation.” They miss the excitement and amenities of big-city living, with concerts and restaurants on the verge of returning at full strength.

“I think you’re going to see this summer in the United States a big return to cities,” he said. “I call it the ‘Roaring 2020s.’ ”

Toronto is particularly immune from a remote-working reckoning because of how central it is to the country’s economy, argued Mr. Florida, a professor at the University of Toronto’s Rotman School of Management. As the epicentre of Canada’s financial, entertainment and tech sectors, Toronto is like L.A., San Francisco and New York rolled into one, he said, and represents about 20 per cent of Canadian gross domestic product. (New York accounts for well under 10 per cent of U.S. GDP, by contrast.)

“There aren’t a lot of substitutes for life in Toronto,” said Mr. Florida.

Another driver of population growth and red-hot real estate markets in Canadian cities will also come surging back after the pandemic: immigration. Canada welcomed about 180,000 permanent residents last year, the lowest number since 1998, largely because of travel restrictions. But the federal government has committed to increasing immigration levels in the years to come, with a target of more than 400,000 annual newcomers between 2021 and 2023.

New arrivals to the country will almost certainly continue to congregate in big cities like Vancouver, Toronto, and Montreal even in a remote-working future, because of the presence of cultural communities, and because many immigrants take jobs that can’t be performed from home, said Carl Gomez, chief economist and head of market analytics with CoStar Group, a commercial real estate information company.

It will take a massive postpandemic exodus, meanwhile, to outdo the existing trend of Canadian city residents leaving for outer suburbs and nearby small cities. Even before COVID-19, about 50,000 residents of the Greater Toronto Area left for other parts of the province every year, according to a recent report by Ryerson University’s Centre for Urban Research and Land Development. House sale numbers suggest the flight to cheaper parts of Southern Ontario did accelerate as the pandemic wore on, said Mr. Gomez – and it stands to reason that more people will be willing to commute twice a week from Guelph than five days a week. But a slightly sped-up suburban drift hardly means the end of labour geography as we know it.

The upshot in many cities will be a “donut effect” of slightly reduced density downtown coupled with growth in the suburban fringe, argued Dr. Bloom, a professor of economics at Stanford University and co-author of the working-from-home paper. That marks a genuine change, but nothing as dramatic as the idea of “working from anywhere” suggests. The majority of people who move thanks to remote work policies will not land in Greece or even places like The County, so much as the suburbs.

Housing prices in big cities, meanwhile, will likely revert to where they were 10 or 20 years ago, said Dr. Bloom – hardly a “cataclysmic” outcome. Eventually, cheaper homes downtown could even begin to lure some people back from the suburbs, with their laptops in tow.