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FILE NUMBER: ACS2022-PRE-EDP-0002

SUBJECT: **Economic Development Update Q2 2022 and Q3 2022**

OBJET : **Le point sur le développement économique –T2 de 2022 et T3 de 2022**

PURPOSE

The City of Ottawa Economic Development Update provides an overview of quarterly and annual economic indicators of the City's economy.

BACKGROUND

These reports will be available on a quarterly basis on ottawa.ca and via an email subscription. The attached City of Ottawa Economic Development Updates are for both Q2 2022, which covers April, May, and June of 2022, and Q3 2022, which covers July, August, and September of 2022.

DISCUSSION

Summary of Q2 2022 Update

The update below provides a comparative analysis of economic indicators between Q2 2021 to Q2 2022. Overall, the city continued to perform well in Q2 2022 across metrics such as employed labour force and the unemployment rate. The city also saw a further reduction in office availability and industrial vacancies this quarter. However, indicators also showed a further increase in inflation, a decrease in average weekly earnings, as well as a slight increase in retail vacancies.

Economy

Year-over-year, the unemployment rate decreased by 2.8 percentage points to sit at 4.7 per cent in Q2 2022. The employed labour force increased by 2.1 percent between Q2 2021 and Q2 2022. By sector, *Information, culture and recreation; Manufacturing; and Professional, scientific and technical services* experienced the most growth in employed labour force, while *Agriculture* saw the largest decrease. The inflation rate increased 3.1 percentage points from Q2 2021 to reach 7.4% in Q2 2022.

Compared to Q1 2022, the unemployment rate decreased by 0.3 percentage points in Q2 2022, while the employed labour force increased by 4.2 percent as we remain in a tight labour market. By sector, *Educational Services; Professional, scientific and technical services; and Forestry, fishing, mining, quarrying, oil and gas* experienced the most growth in employed labour force between quarters, while *Utilities* saw the largest decrease in growth. The inflation rate increased 0.8 percentage points from the previous quarter.

Residential

In Q2 2022, Ottawa housing starts decreased by 14.8 percent from Q2 2021. By dwelling type, the largest increases were low-rise multi-unit dwellings such as rowhouses (7.8 percent) and semi-detached units (5.7 percent). Single-detached units and apartment units saw decreases of 18.4 and 31.0 percent, respectively.

Total construction permit value increased by 0.2 percent between Q1 and Q2 2022, largely due to a 12.2 percent increase in non-residential permit values while residential permit values decreased by 3.6 per cent. The retail vacancy rate increased slightly

year-over-year by 0.1 percentage points in Q2 2022, while the office vacancy rate increased 0.1 percentage points to reach 9.7 per cent. The industrial vacancy rate reduced by over half year-over-year to sit at 1.8 per cent in Q2 2022.

While the average resale price for a home increased year-over-year by 8.8 percent, it did decrease from Q1 2022 by 2.4 percent to sit at \$801,524 in Q2 2022.

Summary of Q3 2022 Update

The update below analyzes data for Q3 2022, both against Q2 2022 and year-over-year. Overall, the city performed comparatively well in terms of employment, housing construction and industrial vacancy in Q3 2022. However, the indicators also show a decrease in housing units sold and an increase in office space availability. Meanwhile, the average resale home price and inflation have gone down slightly from the previous quarter.

Economy

Year-over-year, the unemployment rate decreased 2.5 percentage points to sit at 3.7 percent in Q3 2022. The employed labour force increased by 1.9 percent in Q3 2022 from Q3 2021. By sector, *Accommodation and food services* and *Professional, scientific and technical services* experienced the most growth in employed labour force. The inflation rate increased 2.3 percentage points year-over-year to sit at 7.2 percent in Q3 2022.

Compared to Q2 2022, the unemployment rate decreased by 1.0 percentage point in Q3 2022. The employed labour force decreased 0.4 per cent from Q2 2022 to Q3 2022. By sector, *Agriculture and Transportation and warehousing* experienced the largest relative increases in employed labour force from Q2 2022, while *Utilities* experienced the largest relative decrease. The inflation rate decreased slightly by 0.2 percentage points from the previous quarter.

Residential

In Q3 2022, there was a significant 119.3 percent increase in housing starts from Q3 2021. This increase was largely driven by apartment units (up 532.1 percent from **517 units in Q3 2021 to 3,268 units in Q3 2022**) and semi-detached units (up 28.6 percent from **42 units in Q3 2021 to 54 units in Q3 2022**), while single detached and rowhouse starts decreased by 18.6 and 15.6 percent, respectively.

Total construction permit value increased overall by 11.3 percent in Q3 2022 compared to Q2 2022. Residential permits increased by 22 percent while non-residential permits

decreased 18.5 percent. The office vacancy rate increased 0.9 percentage points from Q2 2022 to Q3 2022 to sit at 10.6 percent.

The average resale price for a home decreased again from the previous quarter by 11.4 percent to sit at \$710,241. However, the average price is still 3.3 percent higher than it was in Q3 2021.

CONCLUSION

Overall, economic indicators as of Q3 2022 show an increasingly tight labour market, an increase in multi-unit housing supply, while housing prices and sales have started to decrease. The inflation rate, while high, has also started to decrease slightly. Office and retail vacancy rates increased, while industrial vacancy rates have decreased.

Original signed by

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SUPPORTING DOCUMENTATION

Document 1 – Economic Development Update Q2 2022

Document 2 – Economic Development Update Q3 2022