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TO: Chair and members of the Finance and Corporate Services Committee

DESTINATAIRE : Président et membres du Comité des finances et des services organisationnels

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FILE NUMBER: ACS2024-PRE-EDP-0009

SUBJECT: Economic Development Update – Q3 2023

OBJET: Le point sur le développement économique – T3 de 2023

PURPOSE

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

BACKGROUND

This report will be available on a quarterly basis on ottawa.ca and via an email subscription. The City of Ottawa Economic Development Update Q3 2023, which covers July, August, and September, is attached for information purposes.

DISCUSSION

Summary of Q3 2023 Update

The update below analyzes data for Q3 2023 against Q2 2023 and year-over-year. Overall, the city saw improvements when it came to inflation, the number of employed residents, and labour participation rate. Meanwhile, housing starts and construction permit values have decreased while the unemployment rate has increased.

Economy

Year-over-year, the overall labour force increased 7.5 per cent while employed residents increased 6.4 per cent to hit 650,100 employed residents in Q3 2023. Meanwhile, the unemployment rate increased 1.0 percentage points since last year and 0.6 percentage points since last quarter to reach 4.9 per cent in Q3 2023. This is likely a result of rising interest rates and not enough jobs being created to absorb the growing workforce.

Compared to Q3 2022, the Agriculture, Construction, and other services (except public administration) experienced the most growth in employed labour force, while Business, building and other support services saw the largest decrease. The inflation rate decreased 0.7 percentage points from Q2 2023 and 4.1 percentage points year-over-year to hit 3.1 per cent in Q3 2023. Average weekly earnings increased 7.0 per cent year-over-year to sit at \$1,400 in Q3 2023, decreasing slightly from \$1,413 in the previous quarter.

Residential

In Q3 2023, there was a 39.2 per cent decrease in housing starts from Q3 2022 from 4,598 to 2,797 housing starts. All dwelling types experienced a decrease in starts year-over-year, with single detached starts down 38.6 per cent from 596 to 366 starts, semi-detached starts down 29.6 per cent from 54 to 38 starts, rowhouse starts down

30.3 per cent from 680 to 474 starts, and apartment starts down 41.3 per cent from 3,268 to 1,919 starts.

The average resale price for housing increased year-over-year by 3.8 per cent to sit at \$666,023 in Q3 2023, although it has decreased 1.2 per cent from \$673,865 in the previous quarter. A total of 3,405 units were sold in Q3 2023, a decrease of 33.0 per cent from 5,085 the previous quarter but surpassing the 3,327 units sold in Q3 of last year.

Permits and Vacancies

Total construction permit value decreased by 31.4 per cent year-over-year, largely due to a 47.8 percent decrease in residential permit value while non-residential permit value increased 39.6 per cent. Compared to Q2 2023, construction permits in Q3 2023 decreased by 14.9 per cent, where residential permit value decreased 19.5 per cent and non-residential permit values decreased 6.2 per cent.

The office vacancy rate increased 2.0 percentage points from Q3 2022 to reach 12.6 per cent in Q3 2023, although it is slightly down from 12.9 per cent last quarter. The industrial vacancy rate also increased 0.6 percentage points year-over-year to reach 2.6 per cent in Q3 2023.

CONCLUSION

Staff will continue monitoring the economic conditions of the city and report back to the Finance and Corporate Services Committee on a quarterly basis.

Original signed by

David Wise

Acting Director, Economic Development and Long Range Planning

CC: Wendy Stephanson, City Manager

Don Herweyer, Interim General Manager, Planning, Real Estate and Economic Development Department

SUPPORTING DOCUMENTATION

Document 1 – Economic Development Update – Q3 2023