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TO: Chair and members of the Finance and Economic Development Committee

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SUBJECT: **Economic Development Update Q4 2021 and Q1 2022**

OBJET : **Le point sur le développement économique –T4 de 2021 et T1 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 Q4 2021, which covers October, November, and December of 2021, and Q1 2022, which covers January, February, and March of 2022.

DISCUSSION

Summary of Q4 2021 Update

The update below provides a comparative analysis of economic indicators between Q4 2020 to Q4 2021. Overall, the city performed relatively well in Q4 2021 across metrics such as employed labour force, unemployment rate, and average weekly earnings. The city also saw an increase in residential development and a reduction in commercial and industrial vacancies this quarter. However, indicators also showed an increase in average residential resale price, higher inflation, and an increase in office vacancies.

Economy

Year-over-year, the unemployment rate decreased by 2.4 percentage points to sit at 4.9 percent in Q4 2021. The employed labour force increased by 4.0 percent between Q4 2020 and Q4 2021. By sector, Construction; Business, building and other support services; and Information, Culture, and Recreation experienced the largest increases in employed labour force, while Agriculture saw the largest decrease. The inflation rate more than tripled to reach 5.5 percent in Q4 2021, an increase of 3.8 percentage points from Q4 2020.

Compared to Q3 2021, the unemployment rate decreased by 1.8 percentage points in Q4 2021, meanwhile the employed labour force also decreased by 3.0 percent, exhibiting a tight labour market. By sector, Information, Culture and Recreation; Transportation and warehousing; and Construction experienced the largest increases in employed labour force between quarters, while Agriculture saw the largest decrease. The inflation rate increased 0.6 percentage points from the previous quarter.

Residential

In Q4 2021, Ottawa housing starts increased by nearly 18 percent from Q4 2020. By dwelling type, the largest increases were multi-family units such as apartments (24 percent) and row units (22 percent). Single-detached units held steady with a 7.6 percent increase, while semi-detached units decreased 22 percent.

Total construction permit value increased by 2.3 percent between Q3 and Q4 2021, driven by a 33.8 percent increase in non-residential permit values despite non-

residential permit values decreasing by 2.6 percent. The retail vacancy rate decreased year-over-year by 2.1 percentage points in Q4 2021, while the office availability rate increased 1.9 percentage points to reach 12.3 percent. The industrial vacancy rate reduced by half year-over-year to sit at 2.0 percent in Q4 2021.

Summary of Q1 2022 Update

The update below analyzes data for Q1 2022, both against Q4 2021 and year-over-year. Overall, the city performed comparatively well in terms of employment and industrial vacancy in Q1 2022. However, the indicators also show a decrease in housing starts and units sold, lower average weekly earnings, and an increase in office availability. Meanwhile, the average resale home price and inflation have significantly increased.

Economy

Year-over-year, the unemployment rate decreased 1.7 percentage points to sit at 5.0 percent in Q1 2022. The employed labour force increased by 1.0 percent in Q1 2022 from Q1 2021. By sector, the Information, Culture and Recreation and Construction sectors experienced the largest increases in employed labour force. The inflation rate increased 4.5 percentage points year-over-year to sit at 6.6 percent in Q1 2022.

Compared to Q4 2021, the unemployment rate increased slightly by 0.1 percentage points in Q1 2022. The employed labour force increased 0.8 percent from Q4 2021 to Q1 2022. By sector, the Utilities and Agriculture sectors experienced the largest increases in employed labour force from Q4 2021, while Transportation and Warehousing experienced the largest decrease. The inflation rate increased by 1.1 percentage points from the previous quarter.

Residential

In Q1 2022, there was a 22.9 percent decrease in housing starts from Q1 2021. The decrease was seen across all housing types, except townhomes, with single-detached starts having the largest decrease (45.6 percent), followed by semi-detached (33.3 percent), and apartments (18.5 percent).

Total construction permit value also decreased overall by 8.8 percent in Q1 2022 compared to Q4 2021. Residential permits increased by 4.6 percent while non-residential permits decreased 35.2 percent. The office availability rate decreased 0.6 percentage points from Q4 2021 to Q1 2022 to sit at 11.7 percent. However, office availability increased 2.3 percentage points year-over-year in Q1 2022 from Q1 2021.

CONCLUSION

Overall, the economic indicators in Q1 2022 showed a tight labour market, lower residential inventory, increasing residential prices, and inflation. Office availability rates have not substantially changed, while retail and industrial vacancy rates have decreased.

Original signed by

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SUPPORTING DOCUMENTATION

Document 1 – Economic Development Update Q4 2021

Document 2 – Economic Development Update Q1 2022