TORONTO

STAFF REPORT
ACTION REQUIRED

# Economic Dashboard

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| **Date:** | December 24, 2015 |
| **To:** | Economic Development Committee |
| **From:** | General Manager, Economic Development and Culture |
| **Wards:** | All |
| **Reference Number:** | |

## SUMMARY

This report updates the Toronto Economic Dashboard. It provides a summary of the most recent data available at the time this report was prepared for key economic indicators benchmarking the city's economic performance.

## RECOMMENDATIONS

**The General Manager, Economic Development and Culture recommends that:**

1. City Council receive this report for information.

### Financial Impact

There are no financial implications resulting from this report.

## DECISION HISTORY

At the January 28, 2011 meeting of the Economic Development Committee (EDC), staff made a presentation providing an overview of various trends and issues affecting Toronto's economy. After discussion among the committee members, the Committee Chair requested staff to submit a report updating the key indices that benchmark Toronto's economic health at each subsequent EDC meeting.

## COMMENTS

The first section of this report provides an overview of recent developments in the global economy, with a focus on Canada, Ontario and Toronto. This section also includes a discussion of interest rates and oil prices.

The following section explores the potential benefits of the expected increase in infrastructure spending on economic growth, employment, business sector competitiveness and the quality of life for local residents.

The final section of the report summarizes major local economic indicators, including labour market metrics, building activity, office and housing market updates, as well as a comparison of tall buildings in North America and retail sales.

## Global Economy

Economic growth rates are typically expressed as the change in Gross Domestic Product (GDP). In this report, GDP growth rates are expressed in "real" terms, which means that the growth rates have been adjusted for inflation. Quarterly growth rates are expressed at annual rates, i.e. the annual rate that would be achieved, if the quarterly growth rate were maintained for four quarters.

The Bank of Canada's (BOC) October 2015 Monetary Policy Report (MPR) downgraded its global growth forecasts for 2015 and 2016 compared to previous forecasts. The BOC is now predicting that global growth rates will slow from an estimated 3.4% in 2014 to 3.0% in 2015, recovering to 3.4% in 2016 and 3.6% in 2017.

The Organisation for Economic Co-operation and Development's (OECD) most recent Economic Outlook was released on November 9, 2015, containing their global growth forecasts for 2015, 2016 and 2017. After a soft 2015 (2.9%), real global growth rates are expected to increase to 3.3% in 2016 and 3.6% in 2017. (Table 1)
http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-outlook-volume-2015-issue-2_eco_outlook-v2015-2-en#page99

**Table 1:** Global Economic Growth

| | Annual Real GDP Growth Rate | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| Canada | 2.4% | 1.2% | 2.0% | 2.3% |
| United States | 2.4% | 2.4% | 2.5% | 2.4% |
| Euro Area | 0.9% | 1.5% | 1.8% | 1.9% |
| China | 7.3% | 6.8% | 6.5% | 6.2% |
| Japan | -0.1% | 0.6% | 1.0% | 0.5% |
| World | 3.3% | 2.9% | 3.3% | 3.6% |
| Source: OECD, Economic Outlook, November 9, 2015 | | | | |

## United States

The OECD expects US economic growth rates to exceed those most other developed countries over the next couple of years. GDP is now expected to grow by 2.4% in 2015 and by 2.5% and 2.4% in 2016 and 2017 respectively.

Consumption, which has been the main driver of growth in the U.S., has been supported by solid employment growth and lower oil prices. After a soft first quarter (0.6% at annualized rates), real GDP rebounded to an annual rate of 3.7% in 2015q2. In addition, estimates for 2015q3 were revised upwards to an annualized growth rate of 2.1%. The 2015q3 revisions were due to "an upward revision to private inventory investment that was partly offset by downward revisions to consumer spending and to exports". http://www.bea.gov/newsreleases/national/gdp/2015/pdf/gdp3q15_2nd_fax.pdf

Further confirmation that the US economy is in good shape came from the US Federal Reserve. On December 16, 2015 the Federal Open Market Committee (FOMC) decided to increase the target range for the federal funds rate by 0.25% points. Future interest rate increases are expected to be very gradual and will depend on the economic outlook. http://www.federalreserve.gov/newsevents/press/monetary/20151216a.htm

## Interest Rates

In general, lower interest rates provide economic stimulus, by encouraging firms to invest in productive assets that increase output. However, in some cases, very low interest rates may also have undesirable effects. For example, if low interest rates merely increase the prices of assets that are fixed in supply, there may be very little resulting economic stimulus.

In its annual report, the Bank of International Settlements (BIS) argues that low interest rates can cause significant damage to the financial system. "Such rates sap banks' interest margins and returns from maturity transformation, potentially weakening balance sheets and the credit supply, and are a source of major one-way interest rate risk. Ultra-low rates also undermine the profitability and solvency of insurance companies and pension funds". Furthermore, low interest rates can cause "pervasive mispricing in financial markets. Over a longer horizon, negative rates, whether in inflation-adjusted or in nominal terms, are hardly conducive to rational investment decisions and hence sustained growth." http://www.bis.org/publ/arpdf/ar2015_ec.pdf

Bill Gross, a well-respected bond trader, also recently suggested that low interest rates have inhibited the "creative destruction" process as less creditworthy corporations have been able to borrow at very low interest rates, which has helped prolong the natural lifecycle of less productive firms, and curbing new investment. In addition, "because of low interest rates, high quality investment grade corporations have borrowed hundreds of billions of dollars, but instead of deploying the funds into the real economy, they have

used the proceeds for stock buybacks."
http://image.exct.net/lib/ff021270746501/m/7/31247TL-Bill+Gross+Investment+Outlook_August+2015_exp+8.30.16.pdf

In a recent report, J.P.Morgan argues that raising interest rates from a low level can be supportive to economic growth. The report suggests that the relationship between short term interest rates and aggregate demand is non-linear. In fact the authors believe that increasing short-term rates from "very low levels could actually increase aggregate demand as positive income, wealth, expectations and confidence effects outweigh relatively innocuous negative price effects and ambiguous exchange rate effects. However, as interest rates increase further, the price effects of rate increases become more damaging while wealth, expectations and confidence effects eventually turn negative, causing rate increases to drag on economic demand. In other words, monetary tightening from super-easy levels can actually accelerate the economy beyond its potential growth rate before slowing it, ideally to a soft landing at a higher level of output and interest rates."
https://www.jpmorganfunds.com/blobcontent/757/408/1323435781238_MI-WP-Stagnation.pdf

An increase in short-term interest rates by the central bank may also provide a signal to market participants that the central bank has confidence in the strength of economy, which could translate into higher business and consumer confidence and therefore higher overall spending/investment.

It seems that many of the above factors were taken into account by the Federal Reserve in the United States when it decided to finally raise interest rates by 0.25% on December 16, 2015.

## Europe

The OECD also forecasts that economic growth rates will increase in the Euro area, albeit from a depressed level, reaching 1.9% in 2017, which is more than double the actual growth rate of 2014. Notably the Spanish economy is projected to grow by 3.2% this year, while the French economy will underperform and grow by 1.1% in 2015.

On December 3, the European Central Bank (ECB) announced additional measures to combat low growth and low inflation in the Eurozone. The ECB will extend its quantitative easing program until at least March 2017, as well as cut its deposit rate (the rate it charges banks to store cash at the Bank) from -0.2% to -0.3%.
http://www.bloomberg.com/news/articles/2015-12-03/draghi-says-ecb-to-extend-qe-by-six-months-with-broader-buying

The ECB's decision highlights the diverging cycles that the Eurozone and US economy are currently experiencing. On the one hand, the US economy is close to full employment, whereas many Eurozone countries still have substantial underemployment.

## China

Chinese growth rates have been substantially downgraded over the past few months, as the economy undergoes a structural shift from investment and export-based growth towards greater reliance on domestic demand. The OECD expects this slowdown to continue over the next couple of years. In the aftermath of the current economic slowdown, China's Central Bank lowered its benchmark lending rate six times since last November in order to support the economy.

## Commodity Prices

The price of oil (West Texas Intermediary) had been fluctuating within a relatively narrow band between 2009 and 2014, ranging from $ US 82 to $ US 110. Since July 2014, oil prices have been trending consistently downward, as oil consumption in China is growing at half the rate it did over the past decade. In addition, there is a consensus among analysts that global production will exceed consumption throughout 2016. It is estimated that the global market is currently oversupplied by 1.8 million barrel per day.

On December 4, 2015 the Organization of the Petroleum Exporting Countries (OPEC) increased its oil output ceiling from 30 million barrels per day to 31.5 million barrels per day. This decision, while surprising, can be explained by the fact that lower oil prices have induced major oil producers to pump up more oil in order to maintain cash flow, which combined with the anticipated relieve of the economic sanctions to Iran, may keep oil prices depressed for the foreseeable future. As of mid-December, the price of oil was hovering around $ US 35.

To illustrate the risks associated with the potential impact of lower oil prices on the Canadian economy, CHMC ran five stress test scenarios. The "Oil Price Shock" scenario assumed oil at $35 per US barrel for five years, which would cause unemployment to reach 12.5% and "would trigger a 26% collapse in Canadian housing prices". http://www.bloomberg.com/news/articles/2015-11-30/oil-at-35-would-trigger-26-canada-home-price-drop-cmhc-says

However, most of the negative impacts of lower oil prices are being experienced in energy producing regions. Most observers believe that lower oil prices provide a small but positive impact on Ontario's economy, particularly for export-oriented sectors.

Not only has the price of oil declined significantly over the past few months, but other commodity prices have also continued their decline. Since its post-recessionary peak in 2011, the Bloomberg commodity index has declined by more than a half, and in the last year it is down by 28%.
http://markets.ft.com/research/Markets/Tearsheets/Summary?s=570179

## Canada

The BOC's October 2015 MPR left Canada's 2015 growth forecast unchanged at 1.1%. At the same time the BOC slightly downgraded its Canadian growth forecast for 2016 and 2017, to 2.0% and 2.5% respectively, compared to the 2.3% and 2.6% projections in the July MPR. This downgrade is related to continued weakness in oil and commodity prices and the associated decline in energy companies' investment intentions.

Canada's real GDP declined in 2015q1 (-0.7% at annualized rates) and in 2015q2 (-0.3%), which meets the technical definition of a recession, albeit a mild one. The economic contraction was largely attributed to the oil price decline that is estimated to have subtracted about 1.25% points from GDP growth in the first half of 2015. However, GDP increased by an annualized 2.3% in 2015q3 due to a rebound in exports, a decline in imports, as well as higher household spending. http://www.statcan.gc.ca/daily-quotidien/151201/dq151201a-eng.pdf

In addition to the quarterly expenditure-based GDP estimates, Statistics Canada also produces monthly industry-based estimates of GDP. According to the seasonally adjusted monthly GDP estimates, the Canadian economy contracted by 0.5% in September 2015. The preliminary monthly GDP estimate for October 2015 was unchanged from September 2015. This disappointing result for October caused at least one of the major Canadian banks to lower their growth estimates for the Canadian economy in 2015q4 from 1.5% to 0.5% (on annualized basis).

On October 29, the Policy and Economic Analysis Program (PEAP) released its most recent forecast for the Canadian and Ontario economies. The outlook incorporates the anticipated fiscal impacts associated with the new federal government commitments as outlined in the Liberal platform. PEAP expects that the national economy will grow by 2.3% in 2016 and accelerate to 3.0% in 2017 as a result of the new fiscal measures.

The OECD November projections for Canada's economic growth are generally in line with BOC's forecasts, as OECD expects the national economy to grow by 2% in 2016 and 2.3% in 2017. The expansion will be driven by improvements in non-energy exports, which suggests that Ontario will out-perform the rest of Canada.

The OECD predicts that the Canadian economy will continue to be supported by domestic consumption, whereas business investment is expected to recover only slowly. Housing investment is forecasted to decline from mid-2016, as further supply comes into the market and the boost from past interest rate reductions subsides. The OECD warns that "a disorderly housing market correction, particularly in the high-price Toronto and Vancouver markets, would depress residential investment and private consumption, and could threaten financial stability."

Based on its analysis of the current state of Canada's economy and the associated risks OECD recommends that the Government should:

- Implement additional macro-prudential measures (e.g. higher downpayments and/or lower amortization periods) to minimize risks related to potential large housing market correction[1]
- To make economic growth more inclusive, the Government of Canada should increase post-secondary education financial assistance for disadvantaged groups
- Reduce the Small Business Deduction, because it reduces productivity and benefits mostly high income earners
- Reduce the Scientific Research and Experimental Development Credit for small businesses and redirect savings towards measures that help small businesses grow into larger and more competitive enterprises.

http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-outlook-volume-2015-issue-2_eco_outlook-v2015-2-en#page99

## Ontario

Economic growth rates have slowed only modestly in Ontario. After expanding by 2.2% in 2014, Ontario's annual GDP growth rate is forecast to grow by 2.0% in 2015 and 2.5% in 2016. PEAP notes that the Ontario economy has been producing "modest to solid" growth in the first half of 2015, and "as in Canada as a whole, 3rd quarter growth for Ontario looks extremely promising." (PEAP forecast, Oct 29, 2015)

## Toronto Region

Statistics Canada does not produce sub-provincial GDP estimates, but the City has three private-sector forecasts for GDP for the Toronto Census Metropolitan Area (CMA): Conference Board of Canada, Oxford Economics and Moody's.

Using the average of the three forecasts, the economy of the Toronto region is estimated to have grown by 3.1% in 2014, and it is expected that the Toronto region will grow by 2.5% in 2015 and 3.3% in 2016.

Although the Toronto economy has slowed, it is expected to outperform the national economy due to Toronto's lower exposure to the natural resource sector. This summer's Pan Am and Parapan Am Games also provided a timely boost to economic growth with associated increases in economic activity due to higher construction, visitor and operational spending, all of which had a positive impact on GDP.

## Infrastructure Investment

Numerous studies have identified infrastructure deficits in Toronto, Ontario and Canada. At the same time, a growing number of economists have been advocating for an increase

[1] The new federal government recently announced that as of February, 2016 the CMHC will require a 10% down payment on the portion of a mortgage over $500,000. The 5% down payment requirement remains the same for the portion that is up to $500,000.

in government spending to deal with the infrastructure deficit, as well as relatively high unemployment and slow economic growth. In response, the incoming federal government has announced that it will increase infrastructure investment in Canada by $60 billion over ten years.

The Federation of Canadian Municipalities estimated that as of 2006, because of chronic municipal underfunding, a $123-billion municipal infrastructure deficit has been accrued. The deferral of required investment in infrastructure is leading to a physical decline that is damaging "the quality of life of their communities, and harmed their capacity to contribute to Canada's prosperity."
https://www.fcm.ca/Documents/reports/Canadian_Infrastructure_Report_Card_EN.pdf

A 2008 study produced for Metrolinx estimated the annual cost of congestion in the Greater Toronto and Hamilton Area at $6 billion. The main economic and social costs identified in that study included:

- The costs associated with lower economic activity and related job losses
- The costs associated with travel delays for transit and auto users
- Higher vehicle operational costs due to higher traffic, and
- Additional costs associated with frequency of accidents and environmental costs of vehicle emissions.

http://www.metrolinx.com/en/regionalplanning/costsofcongestion/ISP_08-015_Cost_of_Congestion_report_1128081.pdf

A subsequent study by the C.D. Howe argues that the Metrolinx study cited above actually underestimates the costs of congestion and that the actual costs are as much as $5 billion higher per year because the Metrolinx study did not account for "the positive effects of relationships among firms and people that are among the main benefits of urban living". These urban benefits include:

- "People accessing jobs that better match their skills,
- Sharing knowledge face-to-face, and
- Creating demand for more business, entertainment and cultural opportunities which, in turn, benefit other people."

The C.D. Howe study argues that if "congestion makes urban interactions too costly to pursue, these benefits are foregone, adding significantly to the net costs of congestion."
https://www.cdhowe.org/pdf/Commentary_385.pdf

OECD's November 2015 Economic Outlook report recommends that advanced economies should take advantage of the current low interest rate environment and invest in public instarstructure. In fact, OECD argues that if advanced economies act collectively in boosting instrastructure spending on high-multiplier investments, their GDP will grow "sufficiently to reduce debt-to-GDP ratios in the near term".

Using their NiGEM global macro model, OECD estimates that if public investment in all advanced economies is increased by 0.5% of GDP for two years; it will lead to OECD members GDP increasing by over 0.6% in the first year. Global GDP would increase by 0.4%, and global trade would get a 1% boost. The impact would be larger in the US and Japan than in Canada, UK, or in the Euro area, nonetheless Canada's GDP is projected to grow by almost 0.6% in the first year of a collective infrastructure investment program.

In the second year of the collective investment scenario, OECD GDP would be 0.8% higher than baseline reflecting "second-round effects from increased global activity and the impact of decline in real interest rates".
http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-outlook-volume-2015-issue-2_eco_outlook-v2015-2-en#page43

The OECD study estimated that if Canada was to act alone, the potential GDP increase would be cut in half. As a small open economy, the multiplier impacts from an increase in government spending in Canada is limited, because much of the impact serves to stimulate the demand for imports. These import leakages are even larger, and the potential multiplier effects are even smaller, at the provincial or regional level.

A recent report produced by the Centre for Spatial Economics on behalf of the Broadbent Institute, estimated the potential economic benefits to the Canadian economy from a five-year $50 billion investment in public infrastructure. Key findings included the following:

- In the first five years, "GDP rises $1.43 per dollar of spending, 9.4 jobs are generated per million dollars spent, and $0.44 of each dollar spent by government is recovered in additional tax revenue. Over the long term, the discounted present value of GDP generated per dollar of public infrastructure spending (return on investment) lies between $2.46 and $3.83."

- "Private-sector investment rises by as much as $0.34 per dollar spent in the short term, and by up to $1.00 per dollar spent in the long run. Real wages rise, providing a higher standard of living for Canadians."

- In the first five years, Ontario GDP rises $1.10 per dollar of spending, 7.6 jobs are created per million dollars spent, and 0.40 of each dollar spent by government is recovered in additional tax revenue. Ontario GDP multiplier is lower than the national because of leakages to imports.

- As a result of infrastructure investment the business sector becomes more productive and competitive.
  https://d3n8a8pro7vhmx.cloudfront.net/broadbent/pages/4555/attachments/original/1441907687/The_Economic_Benefits_of_Public_Infrastructure_Spending_in_Canada.pdf?1441907687

Numerous international studies corroborate the positive association between infrastructure and productivity, including two Canadian studies.

Harchaoui and Tarkhani (2003) analyzed historical Canadian data for 37 industries and concluded that "an increase in public capital has an initial direct impact on productivity: it reduces the cost of producing a given level of output in almost all

industries". The transportation, wholesale and retail trade sectors benefited the most from public investment. Each 1% increase in public spending is expected to lower business costs for an average of 0.06% in all industries.
https://d3n8a8pro7vhmx.cloudfront.net/broadbent/pages/4555/attachments/original/1441907687/The_Economic_Benefits_of_Public_Infrastructure_Spending_in_Canada.pdf?1441907687

Also in 2003, Statistics Canada estimated that "a $1 increase in the net stock of publicly owned infrastructure capital will generate 17 cents of cost savings to private producers per year." http://www.infrastructure.gc.ca/prog/doc/booklet-livret03-eng.html

The benefits of infrastructure investment are supported by the Government of Canada report evaluating the effectiveness of the two-year $62-billion Canada's Economic Action Plan introduced in 2009q3. The plan incorporated a number of initiatives aimed at boosting economic growth and employment. As shown in Table 2 below, infrastructure investment measures, housing investment measures, as well as measures to help low income households and the unemployed have the highest multipliers, because of lower leakages to imports and savings.

In addition, according to the Government of Canada report, "recent economic research suggests that fiscal multipliers are larger than those used in this analysis when the policy interest rate has reached its effective lower bound, as it was in Canada from April 2009 to June 2010. This is because in such a context, fiscal actions help anchor inflation expectations and boost confidence, leading to higher private sector economic activity than otherwise would be the case."
http://www.fin.gc.ca/pub/report-rapport/2010-09-27/pdf/ceap-paec-2010-09-eng.pdf

**Table 2:** Dollar impact on the level of real GDP of a $1 increase in fiscal measures

| | 2009 | 2010 |
|---|---|---|
| Infrastructure investment measures | 1.0 | 1.5 |
| Housing investment measures | 1.0 | 1.4 |
| Other spending measures | 0.8 | 1.3 |
| Measures for low income households and the unemployed | 0.8 | 1.5 |
| EI premiums | 0.2 | 0.5 |
| Personal income measures | 0.4 | 0.9 |
| Corporate income tax measures | 0.1 | 0.2 |
| Source: Department of Finance, Canadian Economic and Fiscal Model | | |

## Labour Force

The most comprehensive and timely survey-based indicator that is available for the local economy in Toronto is arguably the Labour Force Survey (LFS). This monthly survey is collected by place of residence and is available for the City of Toronto and the Toronto region (CMA), as well as Ontario and Canada.

In the last year, the seasonally adjusted monthly unemployment rate for city residents declined from 8.6% in November 2014 to 8.2% in November 2015. In this period, the decline in the seasonally adjusted monthly unemployment rate in the "905" was steeper than in the city of Toronto where it declined from 7.5% in November 2014 to 6.1% in November 2015.

The seasonally adjusted monthly participation rate for city of Toronto residents was 63.7% in November 2015, marginally higher than it was a year ago (63.6%).

The seasonally adjusted monthly employment rate, which combines the participation rate and the unemployment rate for city of Toronto residents, while trending downwards since May 2015 (61.2%), now stands at 58.4% in November 2015, which is slightly higher than it was a year ago (58.1%).

December 2015 LFS data will be released on January 8, 2016. An updated Economic Dashboard presentation will be distributed at the meeting of the Economic Development committee on January 15, 2016 and will be available at [www.toronto.ca/ecdevdata](http://www.toronto.ca/ecdevdata).

Unfortunately, Statistics Canada substantially changed the methodology used to produce LFS population estimates for the city of Toronto at the beginning of 2015. These changes have resulted in large and inexplicable swings in population and related counts, which are not real. For this reason, we no longer show the absolute numbers (including total persons employed and unemployed) for city of Toronto residents in the dashboard. Rates, ratios, and the absolute numbers for the CMA, Ontario and Canada are unaffected. However, the monthly change in the number of employed (or unemployed) Toronto residents can be very misleading.

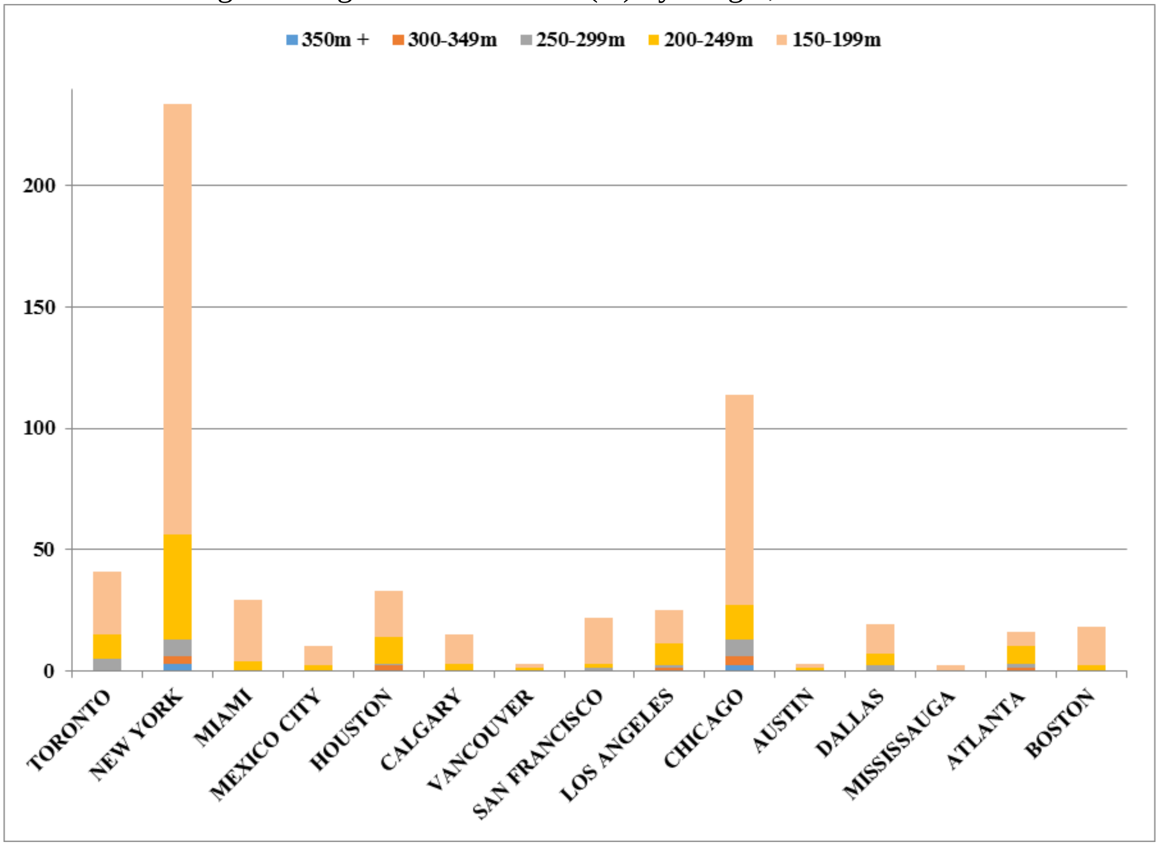
## Tall Buildings

According to Skyscraperpage.com, there were 132 high-rise and mid-rise buildings under construction in the city of Toronto in December, 2015, which is lower than a year ago (138 buildings). Toronto remains ahead of all other North American cities for high and mid-rise building construction. Emporis, another data source, indicates that Toronto has slipped to second place in North America, after New York City, by the number of major buildings under construction.

Using Emporis data, staff also compared the total number of existing high-rise buildings over 150 metres in height (roughly 40 storeys) in each of the 15 North American cities with the most tall buildings currently under-construction. Toronto has the third highest total number of tall buildings (41) after New York City (234) and Chicago (114). Houston (33) and Miami (29) are in fourth and fifth place in North America. Vancouver is the Canadian city with the next largest number of tall buildings (3), significantly fewer than in Toronto.

A breakdown of each city's tall buildings by height categories in the chart below demonstrates that more than half of Toronto's tall buildings are between 150 and 199 metres in height (26). Toronto has no buildings over 300 metres compared to New York and Chicago's counts of six each - the CN Tower is excluded, because it is does not have contiguously occupied floors, and is therefore classified as a structure rather than a building. However, Toronto has the second highest percentage of buildings between 250 to 299 metres (12.2%), second only to Atlanta (12.5%).

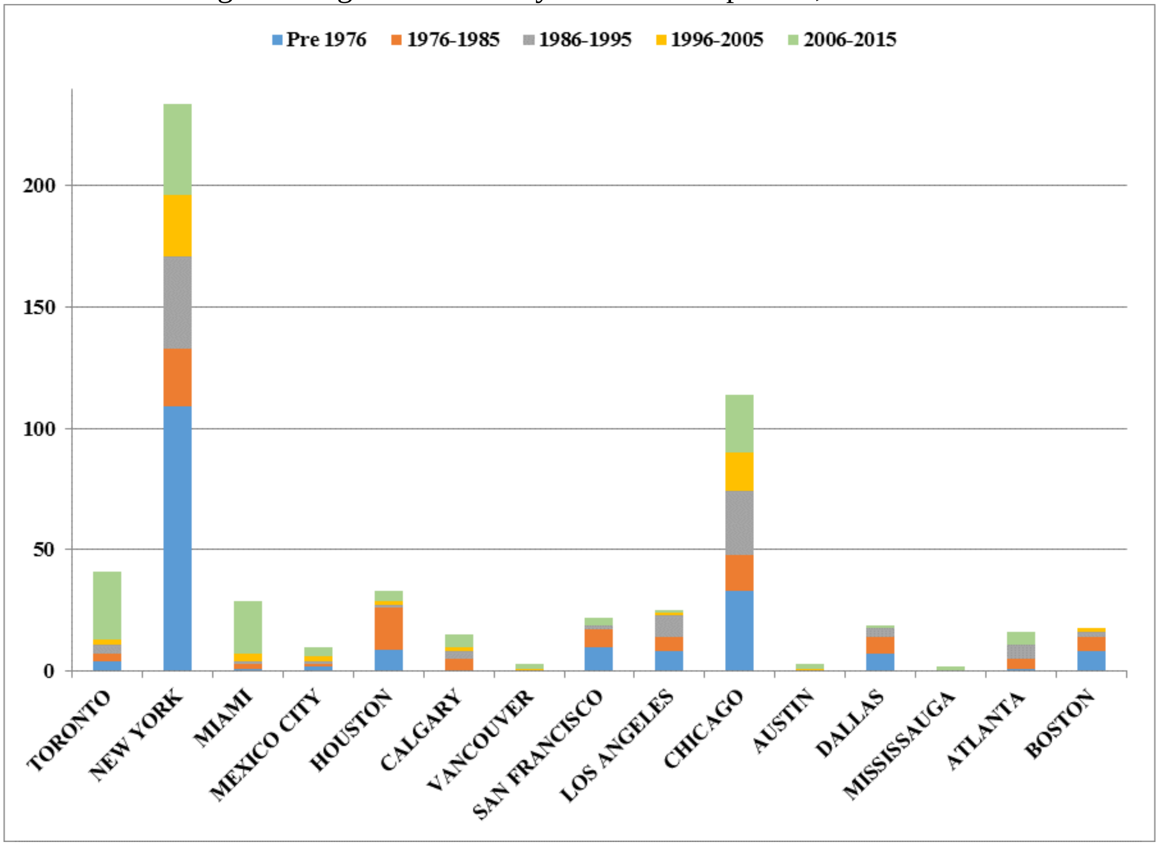
**Chart 1**: Existing Buildings over 150 metres (m) by Height, North American Cities




**Source**: Emporis

Analyzing tall buildings by year of completion highlights the relatively recent construction of the majority of Toronto's tall buildings. Similarly to cities such as Miami (75.9%), Vancouver (66.7%), Austin (66.7%) and Mississauga (100%), the majority of Toronto's tall buildings (68.3%) were completed between 2006 and 2015. Conversely, cities like New York, Houston, San Francisco, Los Angeles, Chicago, Dallas, and Boston completed the majority of their tall buildings before 1985.

**Chart 2**: Existing Buildings over 150m by Year of Completion, North American Cities




**Source**: Emporis

## Building Permits

The total value of building permits issued in the city of Toronto in the first ten months of 2015 increased by 17.1% over same period in 2014. The October YTD increase in building permits issued in the city of Toronto was led by a jump in non-residential permits (57.2%), whereas residential permits declined (-7.4%). The large increase in non-residential permits was primarily due to a 270.4% jump in institutional permits, including the $765 million building permit issued for the new Humber River Regional Hospital located at Keele Street and Highway 401. Industrial (28.9%) and commercial (18.9%) permits also rose compared to the same period in 2014.

In the first ten months of the year the value of building permits issued in "905" municipalities rose 25.7% compared to same period last year. The increase in the value of "905" building permits was led by a surge in residential permits (48.1%), while non-residential decreased (-11.9%) over same period of last year. In "905" municipalities, industrial building permits increased by 41.5%; whereas "905" commercial and institutional permits decreased by 17.7% and 42.2% respectively, compared to the same period last year.

The building permit data in the attached presentation are three month averages, in order to smooth the monthly fluctuations in these data.

## Office Market

In the last year, according to Cushman & Wakefield, the office vacancy rate in the city of Toronto declined from 6.1% in 2014q3 to 5.9% in 2015q3. At the same time, the vacancy rate in "905" municipalities increased from 11.1% to 11.6%. Overall, the Toronto region's vacancy rate increased slightly from 7.6% in 2014q3 to 7.7% in 2015q3.

Downtown Toronto office vacancy rates remain much lower than elsewhere in the city and the rest of the Toronto region. In the last year, vacancy rates have fallen in the downtown, from 4.9% to 4.6%, and in Toronto East, from 10.9% to 10.3%. Vacancy rates increased in Toronto West from 6.3% to 8.0%, and the Yonge Core from 6.1% to 6.4%.

Perhaps more important than the vacancy rate is the change in occupied office space, also known as "office absorption", as this indicator more directly measures the demand for office space.

In the last year, total occupied office space in the Toronto region increased by 2.4 million sq. ft., and Downtown Toronto accounted for almost 70% of the total increase in the region.

## Housing

In the first ten months of 2015, housing starts in the Toronto CMA are up by 43.1% (35,111 units) compared to the same period in 2014. This increase was attributed to a jump in condominium apartment starts (65.1%), whereas semi-detached housing starts declined by 34.1%. Interestingly, there was a more than twofold increase in purpose built rental housing starts, though rentals still represent a fairly small proportion of overall starts.

Total housing completions in the city of Toronto in the first ten months of 2015 increased substantially to 28,112 units from 8,920 units in same period of 2014. This reduced the number of residential units under construction in the city of Toronto, from 48,184 in October 2014 to 36,925 in October 2015.

The strong increase in completions has also increased (however, only by 833 units) the number of dwelling units in the city of Toronto that have been completed but not absorbed, from 957 units in October 2014 to 1,790 in October 2015.

According to RealNet data, as reported by BILD, the total year-to-date (January-November) pre-sales of new residential units in the GTA in 2015 is roughly the same as it was in 2014. The city of Toronto's share of GTA pre-sales has slipped, however, from

47% of the GTA total in 2014, to 37% in 2015. In the first 11 months of 2015, 13,640 new residential units were pre-sold in the city of Toronto. This is 4,152 units fewer than the same period in 2014, and 1,097 fewer than the year-to-date average since 2008.

Residential re-sale (MLS) data for the city of Toronto continue to show strong growth in prices and the number of units sold. The average house price ($654,221) in the city of Toronto in November 2015 was 6.2% higher than a year ago. The price increases are across all market segments, but are more pronounced in the low rise segment. Average sale prices in Toronto are lower in November 2015 than they were in October 2015; however, that is a result of seasonal factors.

The sales to new listings ratio has been rising in Toronto for a couple of years, which signals that house prices are likely to continue rising. The average sales to new listings ratio in the city of Toronto for the last 12 months is 59.4%, compared to 58.4% last year and an average of 54.9% in 2012-2013. Any ratio above 55% is considered a "seller's market".

## Retail Sales

Seasonally adjusted retail sales in the Toronto CMA were up by 1% in October compared to September and stood at $6.52 billion. On a year-over-year basis, seasonally adjusted retail sales in October 2015 were 4.1% higher than in October 2014.

The largest increases in retail sales, in October YTD 2015 compared to the same period a year ago, were: convenience stores (18.9%),used car dealers (18.5%) and shoe stores (13.3%).The biggest declines in retail sales in October YTD 2015 compared to October YTD 2014 were: automotive parts, accessories and tire stores (-11.1%), other motor vehicle dealers (-10.3%) and gasoline stations (-7.6%), which is explained by the drop in the price of oil.

# CONCLUSION

The continued decline in the price of oil as well as many other commodities has put downward pressure on economic growth in Canada. However, energy-producing regions will be significantly more impacted from lower oil prices than Ontario.

Economic growth in the Toronto region has also slowed; however, Toronto is expected to outperform the national economy largely because of its lower exposure to the natural resource sector. This summer's Pan Am and Parapan Am Games also provided a timely boost to economic growth.

While the expected increase in infrastructure spending by the new federal government will lead to higher government deficits, it will also address the infrastructure deficit, boost economic growth, employment, tax revenue and improve business competitiveness at a time of persistently low economic growth.

Most local economic indicators for Toronto continue to show steady growth; however, the last few months of labour force survey data have been disappointing and TTC ridership has also dipped.

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## ATTACHMENTS

Attachment: Economic Dashboard Presentation