



Economic Development Update – Q2 2023

The City of Ottawa Economic Development Update provides an overview of quarterly and annual economic indicators to the city's economy. The Q2 2023 update covers the months of April, May, and June 2023. This report will be available on a quarterly basis on [Ottawa.ca](https://ottawa.ca) and via an [email subscription](#).

New and Noteworthy in Q3 2023: July, August, September 2023

- **Bank of Canada interest rate hike:** The Bank of Canada raised the key interest rate to 5% in July, the highest it's been since 2001, in an effort to bring inflation back down to 2%. Many experts believe that this will be the last rate hike of the year as signs of economic softening, such as rising unemployment rates, have been observed. However, the recent uptick in the Canadian inflation rate from 2.8% in June to 3.3% in July increases the odds of another rate hike come September.
- **Porter to offer new direct flights from Ottawa:** Porter Airlines has announced that it will expand its network of direct connections to Western Canada and the United States. Direct flights from Ottawa to Vancouver became available in July and the airline is to offer direct flights from Ottawa to Edmonton starting in October and to Fort Lauderdale and Orlando, Florida, as of November. These new routes are expected to help strengthen the local business and tourism economy in Ottawa.
- **Multiple new residential developments proposed:** New developments put forth by Katasa Group, Brigil, Colonnade Bridgeport, Taggart Realty Management, The Anglican Diocese of Ottawa, Ottawa Community Housing, and CLV Group would result in over 3,200 new residential units across multiple housing projects in Ottawa, with approx. 225 of those units to be affordable housing and 139 units to be office-to-rental conversions. Proposed sites include the old Greyhound bus terminal, an expansion of the Plant Recreation Centre, and a vacant office building on Laurier Avenue West.

What Happened in Q2 2023: January, February, March 2023

- **Poor air quality and smoky conditions from wildfires:** In June, unprecedented wildfires in Quebec and Southeastern Ontario resulted in high levels of smoke and air pollution for several days in Ottawa and nearby municipalities. People were advised to avoid outdoor activities and to take precautions when working outside. Small businesses and tourism operators were also impacted by cancellations and rescheduling as tourists opted for indoor activities.
- **Federal government releases a 'disposal list' properties:** As federal public servants shift to a hybrid work model and office vacancy rates hit 12.3% in Q1 2023, the federal government released a list of 10 buildings that it is planning to dispose of in the National Capital Region. Public Services and Procurement Canada suggested that the properties listed could be used for affordable housing or community or commercial space. However, real estate experts note that the majority of the properties listed are older and would require extensive work and cost to be repurposed.
- **Federal public servant strike:** Over 150,000 federal public servants across 30 departments and agencies went on strike between April 19th to early May after the federal government and the Public Service Alliance of Canada (PSAC) failed to reach a deal over issues such as wage increases to keep up with inflation and remote work policies. Now that tentative agreements have been reached, some small businesses in the downtown core are missing the extra foot traffic of workers on the picket lines as they return to hybrid work.

Snapshot

	Q2-2022	Q1-2023	Q2-2023	Status Compared to Q2-2022
Employed Labour Force	609,567	625,867	632,000	Positive ✓
Unemployment Rate	4.3%	3.9%	4.3%	Neutral ○
Participation Rate	67.6%	67.9%	68.3%	Positive ✓
Housing Starts	2,144	1,626	1,688	Negative ✗
Average Resale Price	\$801,524	\$698,437	\$746,490	Positive ✓
Resale Units Sold	3,941	1,986	3,867	Negative ✗
Population	1,056,750	N/A	1,077,900	Positive ✓
Inflation	7.4%	5.4%	3.8%	Positive ✓
Average Weekly Earning	\$1,279	\$1,387	\$1,413	Positive ✓
Construction Permit Value (seasonally adjusted)	\$1,015,729	\$844,547	\$866,651	Negative ✗
Office Vacancy Rate	9.7%	12.3%	12.9%	Negative ✗
Retail Vacancy Rate	3.7%	N/A	2.9%	Positive ✓
Industrial Vacancy Rate	1.8%	2.9%	2.2%	Negative ✗

Please refer to individual tables below for more details.

Labour Force

Labour Force, Seasonally Adjusted, 3-Month Moving Average

Source: Statistics Canada, Table 14-10-0380-01

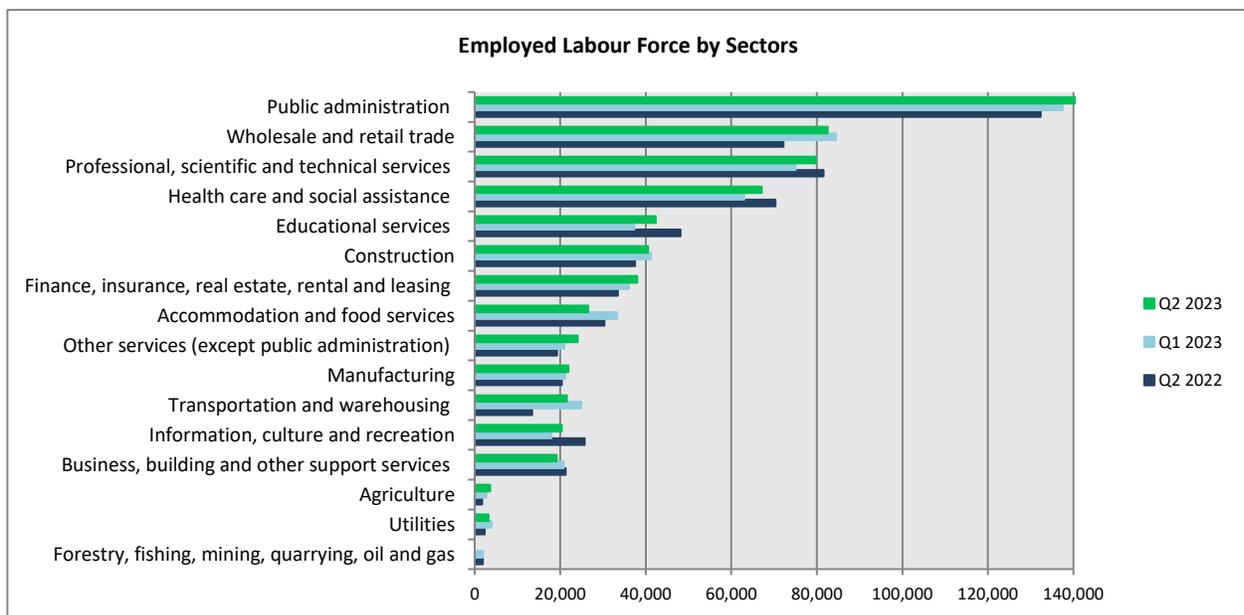
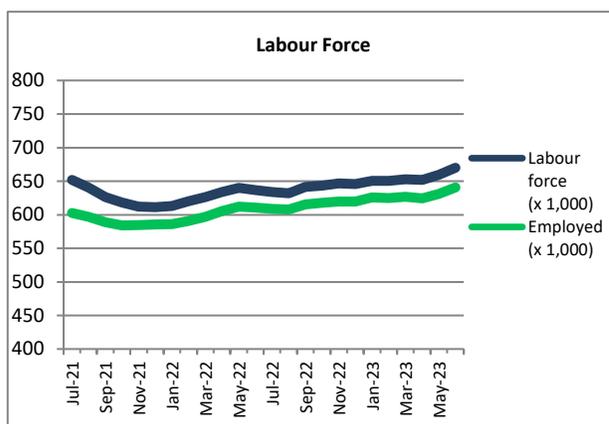
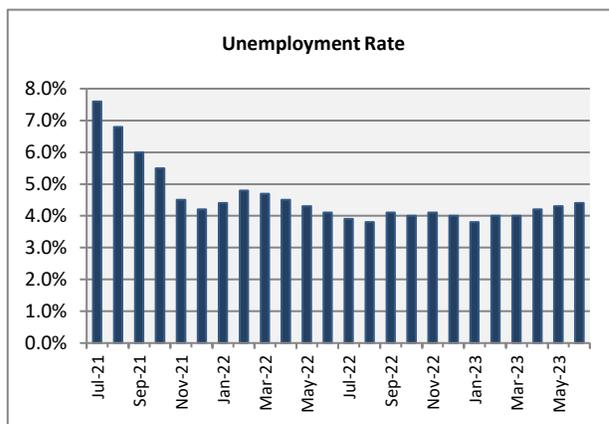
Ottawa, CMA (ON pt.)*	Q2-22	Q1-23	Q2-23
Labour Force (x 1,000)	637.0	651.3	660.5
Employed (x 1,000)	609.6	625.9	632.0
Unemployed (x 1,000)	27.4	25.5	28.5
Unemployment Rate	4.3%	3.9%	4.3%
Participation Rate	67.6%	67.9%	68.3%

*2016 boundaries

Year-over-year, both the overall labour force and employed labour force increased by 3.7%, while the unemployment rate ultimately stayed the same. The Agriculture; Transportation and warehousing; and Utilities sectors, in that order, saw the largest increases in employment growth from Q2 2022. Meanwhile, Information, culture and recreation; Accommodation and food services; and Educational services saw the largest decreases in employment growth over the same period.

Ottawa, CMA (ON pt.)*	YTD-22	YTD-23
Unemployment Rate	4.5%	4.1%
Participation Rate	66.9%	68.1%

*2016 boundaries



Housing

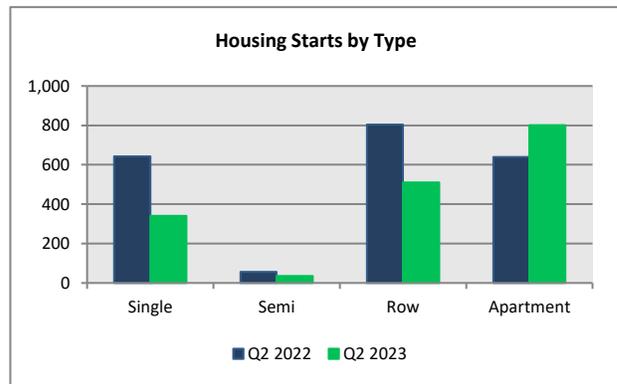
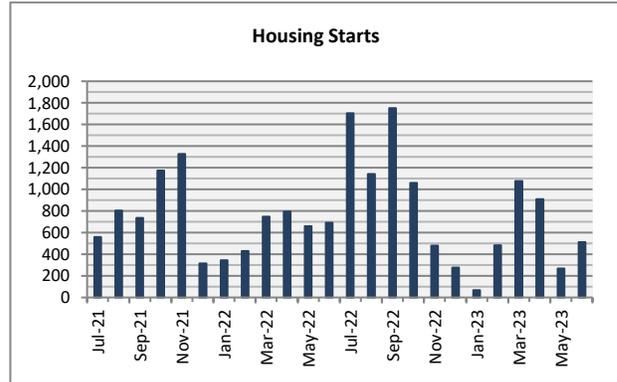
Housing Starts

Source: CMHC Housing Market Information Portal

Ottawa, City	Q2-22	Q1-23	Q2-23
Housing Starts	2,144	1,626	1,688
Single	643	160	340
Semi	56	6	36
Row	805	144	511
Apartment	640	1,316	801

Overall, we saw a 21.3% decrease in housing starts from Q2 2022 to Q2 2023. All dwelling types, except for apartments, experienced a decrease in starts year-over-year, with single detached starts down 47.1%, semi-detached starts down 35.7%, and rowhouse starts down 36.5%. Meanwhile, apartment starts were up 25.2%.

Ottawa, City	YTD-22	YTD-23
Housing Starts	3,665	3,314
Single	947	500
Semi	96	42
Row	1,139	655
Apartment	1,483	2,117



Housing Sales, Resale Market

Source: Ottawa Real Estate Board

Ottawa Area*	Q2-22	Q1-23	Q2-23
Average Resale Price	\$801,524	\$698,437	\$746,490
Resale Units Sold	3,941	1,986	3,867

A total of 3,867 units were sold through the MLS system in Q2 2023, an increase of 94.7% from the previous quarter and approaching the 3,941 units sold in Q2 of last year. The average resale price decreased 6.9% year-over-year, although it also increased by 6.9% from the previous quarter.

Ottawa Area*	YTD-22	YTD-23
Average Resale Price	\$811,241	\$722,463
Resale Units Sold	7,190	5,853

* Includes City of Ottawa and surrounding areas where OREB members sold properties (i.e. Carleton Place, Kemptville, Clarence-Rockland, etc.)



Living

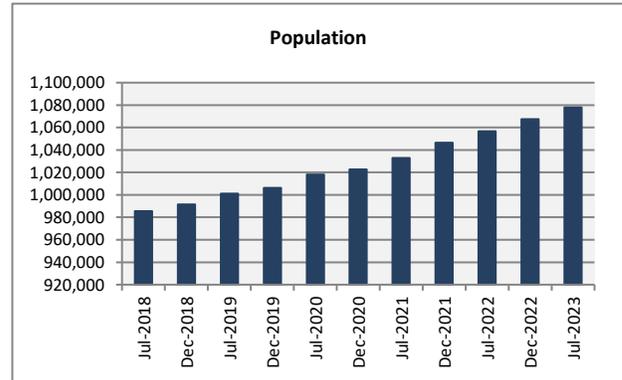
Population

Source: City of Ottawa estimate*

Ottawa, City	Q2-22	Q4-22	Q2-23
Population	1,056,750	1,067,310	1,077,900

*Population estimate reported twice per year

The population in the city of Ottawa increased by 2.0% year-over-year to reach a mid-year population estimate of 1,077,900.



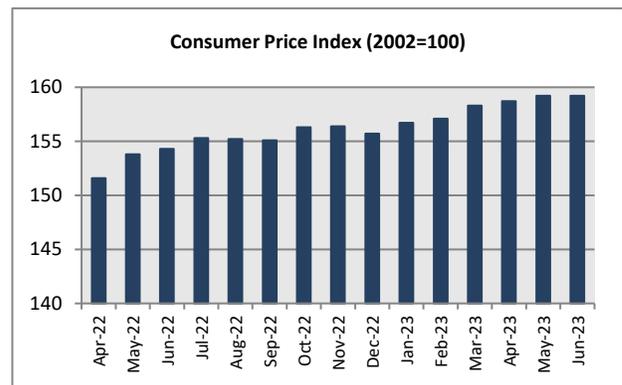
Consumer Price Index (2002=100)

Source: Statistics Canada, Table 18-10-0004-01

Ottawa, CMA (ON pt.)*	Q2-22	Q1-23	Q2-23
Consumer Price Index	153.2	157.4	159.0
Inflation	7.4%	5.4%	3.8%

*2006 boundaries

The Consumer Price Index saw a year-over-year increase of 3.8% to 159.0 in Q2 2023. The inflation rate decreased 1.6 percentage points from the previous quarter and 3.6 percentage points since Q2 of last year.



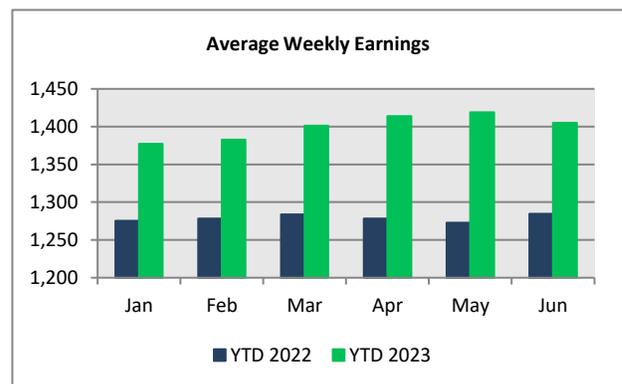
Average Weekly Earning

Source: CMHC Custom Data

Ottawa, CMA (ON pt.)*	Q2-22	Q1-23	Q2-23
Avg. Weekly Earning	\$1,279	\$1,387	\$1,413

*2016 boundaries

As of last year, the average weekly earning increased 10.5% and 1.8% from the previous quarter to reach \$1,413 in Q2 2023.



Economy

Construction Permits, Seasonally Adjusted

Source: Statistics Canada, Table 34-10-0066-01

Ottawa, CMA (ON pt.)*	Q2-22	Q1-23	Q2-23
Total Permits	\$1,015,729	\$844,547	\$866,651
Residential	\$772,472	\$613,765	\$559,551
Non-residential	\$243,258	\$230,782	\$307,099

(x \$1,000)

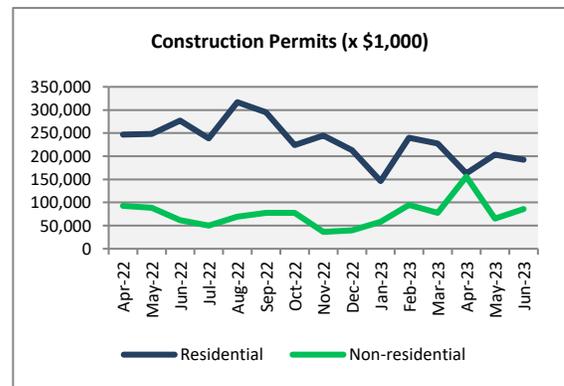
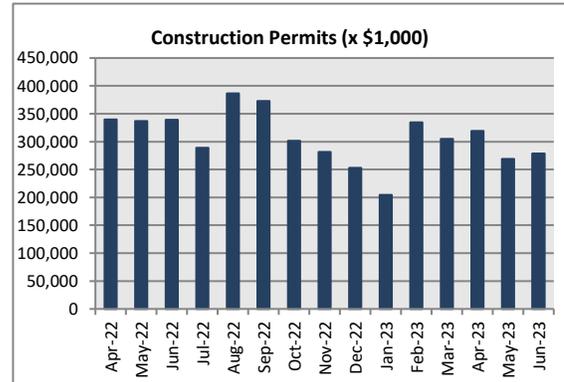
*2006 boundaries

Compared to Q2 of last year, total construction permit value decreased by 14.7% in Q2 2023, largely due to a 27.6% decrease in residential permit value while non-residential permit value increased 26.2%. Since last quarter, total construction permit value increased by 2.6%, primarily due to a 33.1% increase in non-residential permit value while there was an 8.8% decrease in residential permit value.

Ottawa, CMA (ON pt.)*	YTD-22	YTD-23
Total Permits	\$2,000,881	\$1,711,198
Residential	\$1,546,406	\$1,173,316
Non-residential	\$454,476	\$537,881

(x \$1,000)

*2006 boundaries

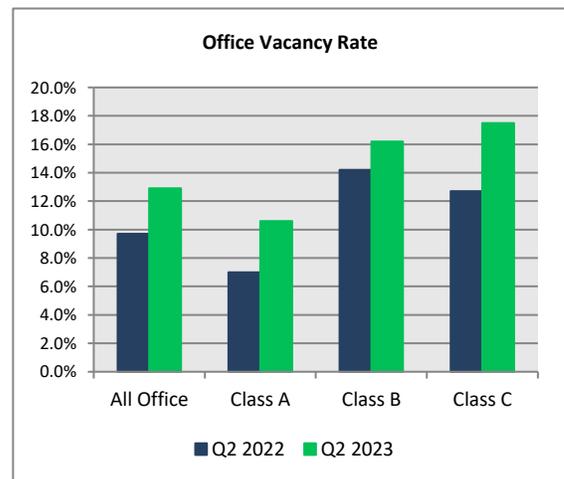


Office Vacancy Rate

Source: Colliers Canada

Ottawa, City	Q2-22	Q1-23	Q2-23
All Office	9.7%	12.3%	12.9%
Class A	7.0%	9.8%	10.6%
Class B	14.2%	15.7%	16.2%
Class C	12.7%	17.7%	17.5%

Ottawa's office vacancy rate increased 3.2 percentage points from Q2 2022 to Q2 2023. All office classes experienced increases in vacancy rates year-over-year, with Class C buildings experiencing the greatest increase by 4.8 percentage points.



Economy

Industrial and Retail Vacancy Rates

Source: Cushman & Wakefield, Retail and Industrial Reports

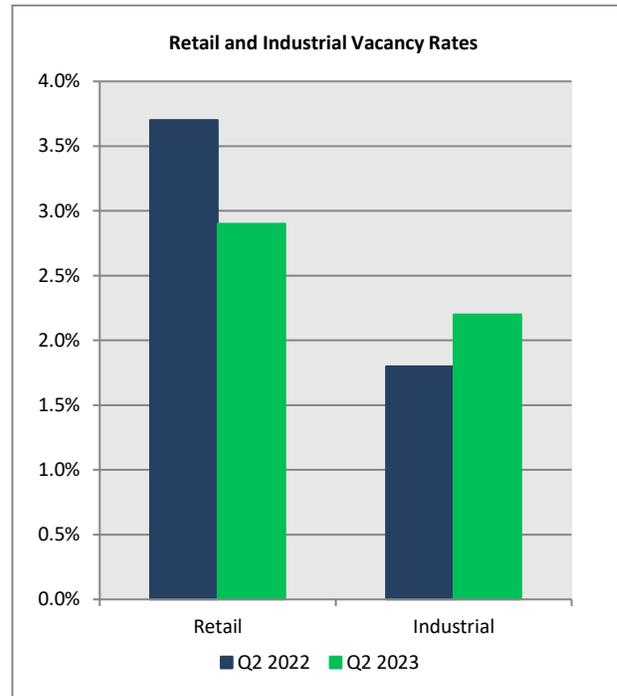
Ottawa, City	Q2-22	Q1-23	Q2-23
Ind. Vacancy Rate	1.8%	2.9%	2.2%

While the industrial vacancy rate increased 0.4 percentage points year-over-year, it decreased 0.7 percentage points from the last quarter to reach 2.2% in Q2 2023.

Ottawa, City	Q2-22	Q4-22	Q2-23
Retail Vacancy Rate	3.7%	3.6%	2.9%

* Retail is reported twice a year.

The retail vacancy rate decreased 0.7 percentage points from Q4 2022 to Q2 2023 and 0.8 percentage points year-over-year to sit at 2.9% in Q2 2023.



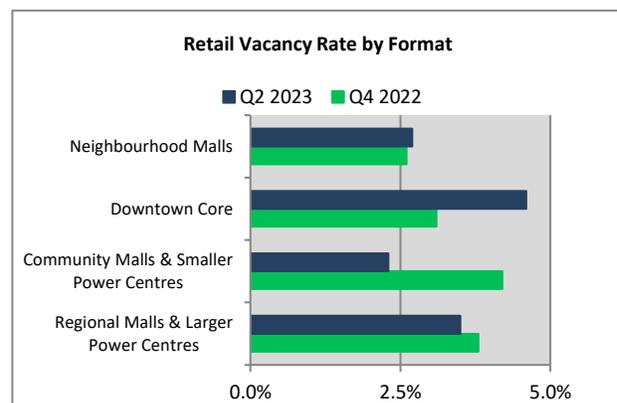
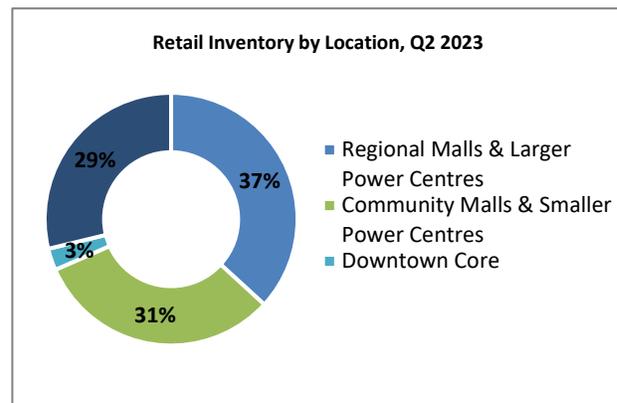
Retail Vacancy by Format

Source: Cushman & Wakefield, Retail and Industrial Reports

Ottawa, City	Q2-22	Q4-22	Q2-23
Regional Malls & Larger Power Centres	2.2%	3.8%	3.5%
Community Malls & Smaller Power Centres	3.9%	4.2%	2.3%
Downtown Core	5.2%	3.1%	4.6%
Neighbourhood Malls	5.3%	2.6%	2.7%

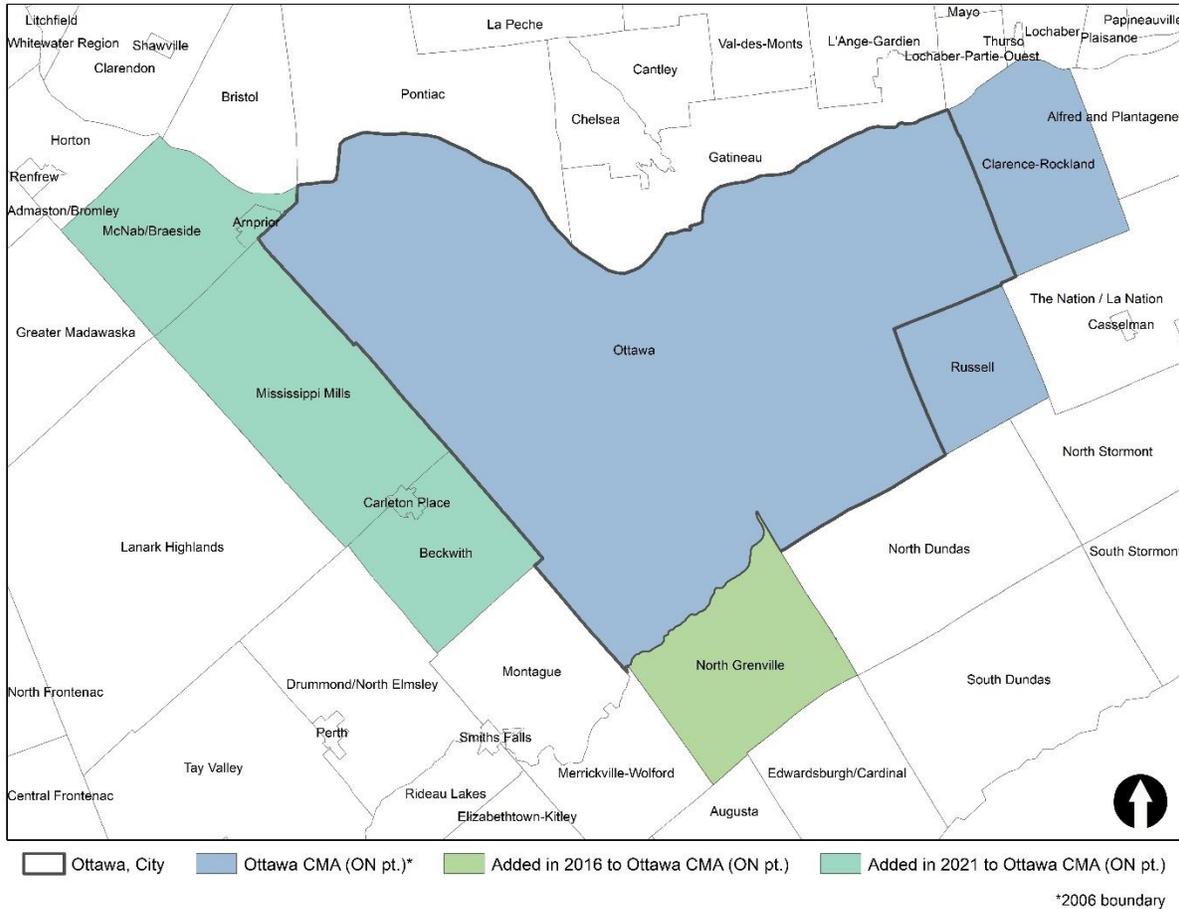
*Retail is reported twice a year.

Since Q2 of last year, Regional Malls & Larger Power Centres were the only retail format to experience an increase in vacancy rates by 1.3 percentage points. Neighbourhood Malls saw vacancy rates decrease 2.6 percentage points, while Community Malls & Smaller Power Centres and the Downtown Core saw decreases of 1.6 and 0.6 percentage points, respectively.



Note:

Most of the indicators are based on two geographic boundaries depending on the source data. The applicable geography for each dataset is indicated on the top left corner of each table.



“Ottawa, City” represents the City of Ottawa;

“Ottawa CMA (ON pt.)” represents the Ontario portion of the Ottawa-Gatineau Census Metropolitan Area. Geographical boundaries vary depending on census year.