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If the City's annual economic impacts were extended over the longer-term, and given potential future expansion of Ottawa's commercial sectors, the total impact of the City's commercial real estate industry would be increasingly significant. A simple extrapolation of the \$2.6 billion over the past decade yields an order of magnitude of some \$26 billion in impact to the City of Ottawa over this period. As such, the City's business leaders and government officials need to clearly understand the industry's impact and effectively engage with the local commercial real estate community, to ensure that appropriate decisions are made to effectively support and meet the needs of this very important industry.



Economic impact assessment of Ottawa's commercial real estate industry

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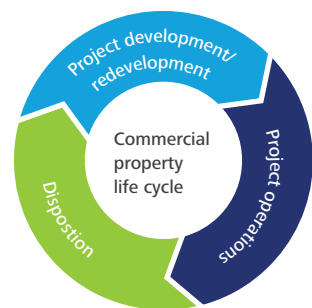
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As commercial properties initiate their life cycle, there is significant and continuous impact to the local and broader economies, including: spending, employment, income and municipal revenue. It is critical for the City's industry and business leaders, as well as government officials to recognize the commercial real estate industry's significant impact, in order to strengthen the decision making process and support the industry, and its substantial economic contributions.

Deloitte has undertaken a study to further understand and quantify the economic impact of the commercial real estate industry within the City of Ottawa. Our analysis includes an examination of the estimated direct and indirect economic impact of the development, construction, operational and transaction activity of Ottawa's office, retail and industrial property in 2011.

Commercial property life cycle

During the property development process, a range of professionals are engaged including: local developers, financial institutions, architects, planners, and engineers, to plan a given project, while working together with local governments. During construction, local contractors are employed for a given building and its tenants, construction materials are purchased, and local development charges are incurred.



Throughout the life and operations of these commercial properties, costs relating to property management, repairs and maintenance, leasing, administration and property taxes continue to be incurred. As property transactions take place, significant sales expenditure occurs, and financial, legal, valuation, brokerage and other expertise is employed.

Such economic activity across the commercial property life cycle supports numerous local businesses, and continues to drive economic output by these companies across the broader economy.

Key examples of economic output from spending, employment, income and tax impacts

	Development & construction	Operations	Transaction
Economic output	<ul style="list-style-type: none"> Hard construction costs Soft construction costs Fit-out and technology 	<ul style="list-style-type: none"> Utilities Insurance Property management Capital expenditure 	<ul style="list-style-type: none"> Transaction value Brokerage fees Legal fees
Employment	<ul style="list-style-type: none"> Architects Engineers Other consultants Construction labour 	<ul style="list-style-type: none"> Management Accounting Maintenance workers Leasing agents 	<ul style="list-style-type: none"> Management/analysts Brokers Appraisers Lawyers
Income	Income of: <ul style="list-style-type: none"> Planners Engineers Architects Construction labour Technology providers 	Income of: <ul style="list-style-type: none"> Management Maintenance workers Leasing agents 	Income of: <ul style="list-style-type: none"> Brokers Appraisers Lawyers
Tax	<ul style="list-style-type: none"> Development charges 	<ul style="list-style-type: none"> Property taxes 	

Economic impact of Ottawa's commercial real estate industry

Office property impact

Ottawa's office market is one of Canada's major markets with approximately 37 million square feet¹, and one of Canada's larger office sectors with respect to employment, which accommodates and supports an estimated 300,000 office sector employees². This base is largely due to the presence of the federal government, which, with over 110,000 employees in Ottawa, and 143,000 including Ottawa-Gatineau, is Ottawa's largest employer. In addition, Ottawa is home to a significant technology centre, with an estimated 1,800 businesses employing approximately 80,000 people.

The development, construction, fit-out, operations and transactions of Ottawa's office properties in 2011 generated an estimated \$1.6 billion in total economic output impacts from spending, approximately total full-time employment of 9,500, and total income impacts of \$470 million. This is the largest from any of the commercial property sectors and reinforces the dominance of the impact of the federal government on the local economy.

Office impacts

Office industry employment	Economic output (billions)	Employment	Income (millions)
300,000	\$1.6	9,500	\$470

Retail property impact

The City of Ottawa currently supports a significant retail sector, holding approximately 20 million square feet of retail space⁴, which accommodates and supports an estimated 100,000 employees within Ottawa's retail based sectors⁵.

Ottawa's retail sales per capita is approximately \$13,100, approximately 9% higher than Ontario's average of \$12,000 per capita, and slightly lower than Canada's average of \$13,200 per capita. Interestingly, Ottawa realizes such levels of retail sales per capita with less retail space per capita (16 square feet) than the Canadian average (18 square feet).

The development, construction, fit-out, operations and transactions of Ottawa's retail properties in 2011 generated an estimated \$664 million in total economic output impacts, approximate total full-time employment of 4,900, and total income impacts of nearly \$245 million.

Retail impacts

Office industry employment	Economic output (billions)	Employment	Income (millions)
100,000	\$664	4,900	\$245

Industrial property impact

The City of Ottawa currently holds approximately 22 million square feet⁶, supporting over 90,000 employees within Ottawa's industrial based sectors, including manufacturing, construction, transport / warehousing, and primary and utilities, many of which can be expected to be accommodated within the City's industrial space⁷.

The development, construction, fit-out, operations and transactions of Ottawa's industrial properties in 2011 generated over \$426 million in total economic output impacts, approximately total full-time employment of 2,200, and total income impacts of \$112 million.

Industrial impacts

Office industry employment	Economic output (billions)	Employment	Income (millions)
90,000	\$426	2,200	\$112

Development charge and property tax revenue

The City's commercial real estate industry also yields significant revenue to the City of Ottawa. In 2011, the City of Ottawa received approximately \$19 million in development charge revenue, and approximately \$592 million in property taxes, from non-residential property development and operations, respectively⁸. Through the generation of \$611 million in estimated total municipal revenue in 2011, the City's commercial real estate industry is a major contributor to the municipality and its annual operations.

2011 development charge and property tax revenue (millions)

Non-residential development charge revenue	\$19
Non-residential property tax revenue	\$592
Total non-residential municipal revenue	\$611

Conclusion

In summary, in 2011 the City of Ottawa's commercial real estate industry generated an estimated \$2.6 billion in total economic output impacts from spending activity. Another 16,600 people are estimated to be employed within the industry, including the property and asset managers through to service providers including brokers, lawyers, cleaners etc. These employees generate estimated income impacts of over \$827 million for the local economy. In addition, municipal revenue from non-residential development charges and property taxes total approximately \$611 million, representing a significant portion of the local municipality's revenue for operations.

Total commercial Real Estate impacts

Office, retail and industrial industry employment	Economic output (billions)	Employment	Income (millions)	Municipal revenue (millions)
490,000	\$2.6	16,600	\$827	\$611

It is evident that the City of Ottawa's commercial real estate industry supports and accommodates Ottawa's sizeable commercial employment base, while generating extensive direct and indirect economic impacts to the Ottawa and broader provincial economy.

Endnotes

^{1,4,6} Cushman & Wakefield, 2012

^{2,5,7} Conference Board of Canada, Metropolitan Outlook, 2012.

³ CMHC, "Employment – Ottawa". 2012.

⁸ City of Ottawa, Annual Report 2011, and City of Ottawa Finance Department, 2012.

