The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
May 9, 2024
FOR DECISION

Report of the Commissioner of Corporate Services and Chief Planner

Growth and Development Review 2023

1. Recommendation

The Regional Clerk forward this report to the Minister of Municipal Affairs and Housing, York Region Members of Provincial Parliament, and local municipalities.

2. Purpose

This annual report presents an overview of 2023 key economic, population and development indicators in the Region, highlighting the Region's economic competitiveness within the Greater Toronto and Hamilton Area (GTHA), Ontario and Canada.

Key Points:

- National and provincial economic indicators present and forecast slower growth in 2023 and 2024 amid modest gross domestic product (GDP) growth, rise in unemployment, and slowing housing resale transactions. High interest and borrowing rates, inflation and geopolitical tensions will impact household and business spending decisions, and economic and housing activities moving forward
- York Region's modest economic growth in 2023 is forecasted to moderate in 2024 and rebound in 2025
- Population in York Region reached 1.26 million residents in 2023, recording the highest percentage growth since 2018 at 1.5%. Immigration continues to drive population growth in the Region
- Housing activities remained strong in the Region, with overall residential building permits (12,022 units), including apartment permit units (8,020 units) reaching a record high in 2023. A majority of new apartment construction was in Regional Centres, at 5,750 units

- Average resale prices for all housing types in the Region fell for the first time since 2018, and resale housing transactions continue to decline from 2022

- Total construction value in York Region increased by 37%, driven by strong residential sector building activity

3. Background

Growth and Development Review provides an annual review of economic indicators and trends, in the context of growth and development activities

York Region has published a Growth and Development Review report since 1995, reporting on and highlighting trends associated with population and economic growth, building activity and construction value. Regional monitoring promotes an understanding of economic and growth trends to inform budgets and decisions that help understand priority growth areas.

Data for this report is sourced from YorkTrax, Statistics Canada, Canada Mortgage and Housing Corporation, Altus Group, CoStar, Toronto Regional Real Estate Board (TRREB) and financial firms that publish reports and bulletins on key trends within the GTHA and beyond. Attachment 1 summarizes key indicators referenced in this report, and Attachment 2 highlights findings in Regional Centres and Corridors.

4. Analysis

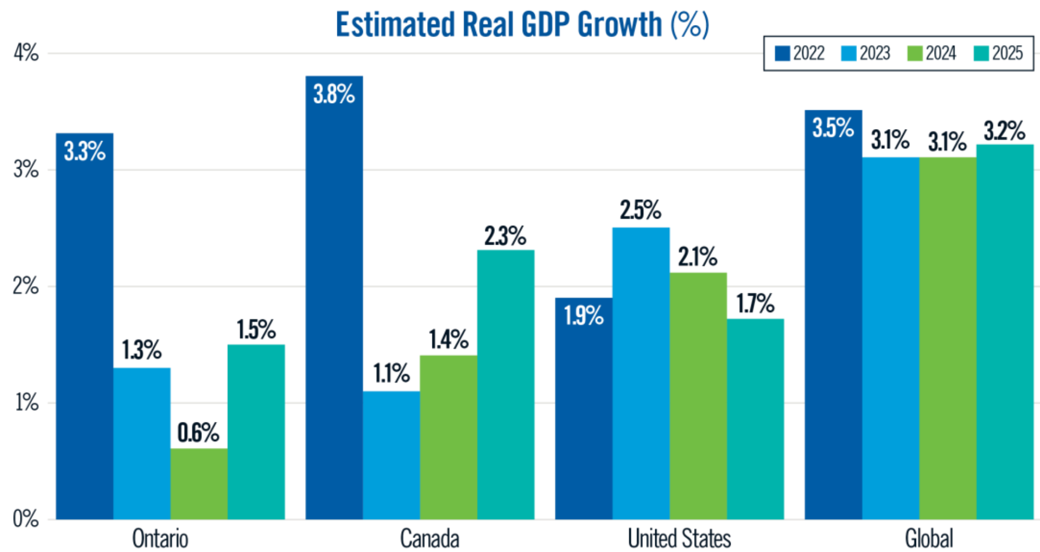
Global and national economic indicators forecast continued slower growth in 2024 with a moderate rebound in 2025

Elevated consumer prices, higher interest rates, reduced household and business spending and investments, growing risk of an economic downturn, heightened geopolitical uncertainties and supply chain disruptions contributed to global economic realities in 2023 and the outlook for 2024 and beyond.

International Monetary Fund (IMF) estimates slower growth in global, U.S. and Canadian economies, with lower gross domestic product in 2024, relative to historic levels. Bank of Canada interest rates climbed from 0.25% in January 2022 to 5% in 2023, the steepest rise in decades. With elevated borrowing rates and inflation among other economic factors, Canada's GDP growth retreated from 3.8% in 2022 to 1.1% in 2023. Ontario's economy also slowed because of pressure from higher interest rates than those in US and other major economies. Forecasts anticipate a moderate rebound in Canada and Ontario's GDP (Figure 1) in 2025.

Figure 1

Economic Growth in Ontario, Canada, U.S. and Global Markets



Source: Canada, U.S. and Global Data from the International Monetary Fund (IMF) World Economic Outlook Update, Ontario data from the TD Provincial Economic Forecast

York Region's modest economic growth in 2023 expected to moderate in 2024 and accelerate in 2025

According to the Conference Board of Canada, the Region's GDP grew at a modest 1.7% in 2023 to $88.7 billion and is expected to slow to 0.4% in 2024 before rebounding to 3.3% in 2025. Slower growth in 2023 and 2024 is due to impacts from prevailing high interest rates, reduced spending, and low business confidence. Forecast for 2025 is optimistic, with an outlook for declining interest rates, easing inflation, and increasing business and household spending. York Region's 2025 outlook is forecast to be more positive than the Provincial and National averages due to infrastructure investments and immigration growth driving housing construction and development activities.

While job growth in Ontario and York Region remained steady, there was a slight rise in unemployment in 2023

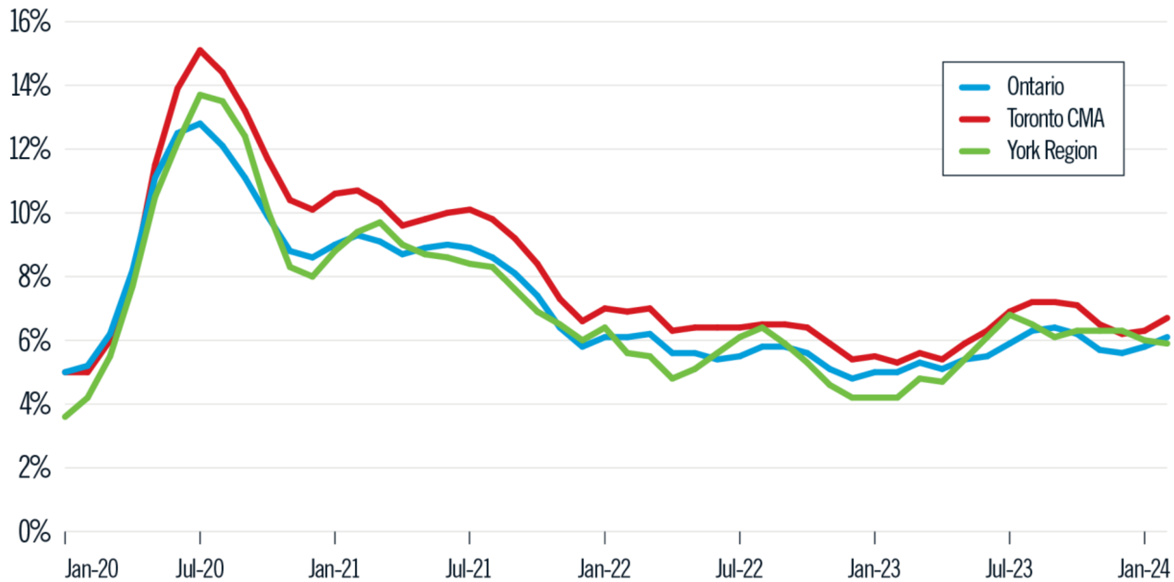
Employment in Canada and Ontario grew by 2% in 2023, with York Region registering a 2% increase as employment reached 629,800 jobs (excluding work from home) in 2023. This growth was modest compared to post-pandemic economic recovery in 2020 and 2021.

Unemployment rates in the Region were at their lowest level at the start of 2023, trending upward to 6.8% in July 2023 before declining to 5.9% in February 2024 (Figure 2). Ontario and Toronto Census Metropolitan Area shared a similar trajectory, with unemployment rates rising from January to December 2023. Demand for goods and services and labour market fluctuations are influenced by higher interest and financing costs, automation, and inflation.

According to Desjardins Group, labour market growth from record high immigration outpacing employment gains could affect unemployment rates.

Figure 2

Ontario, Toronto CMA and York Region Unemployment Rates



Source: Statistics Canada, Labour Force Characteristics, 3-month moving average, unadjusted for seasonality – Census Metropolitan Area (CMA)

York Region's activity rate, ratio of total employment to total population, increased steadily over the past decade amid a slight pandemic-related drop in 2020. Overall, the Region met its Regional Official Plan target of one job for every two residents in 2023, with activity rates steady at 50%. The number of jobs generated from new developments in Centres and Corridors is falling short of the job target, and rapid increase in population. The Region will continue to leverage programs and strengthen partnerships to bring investments to these areas to support job creation and develop these areas as destinations.

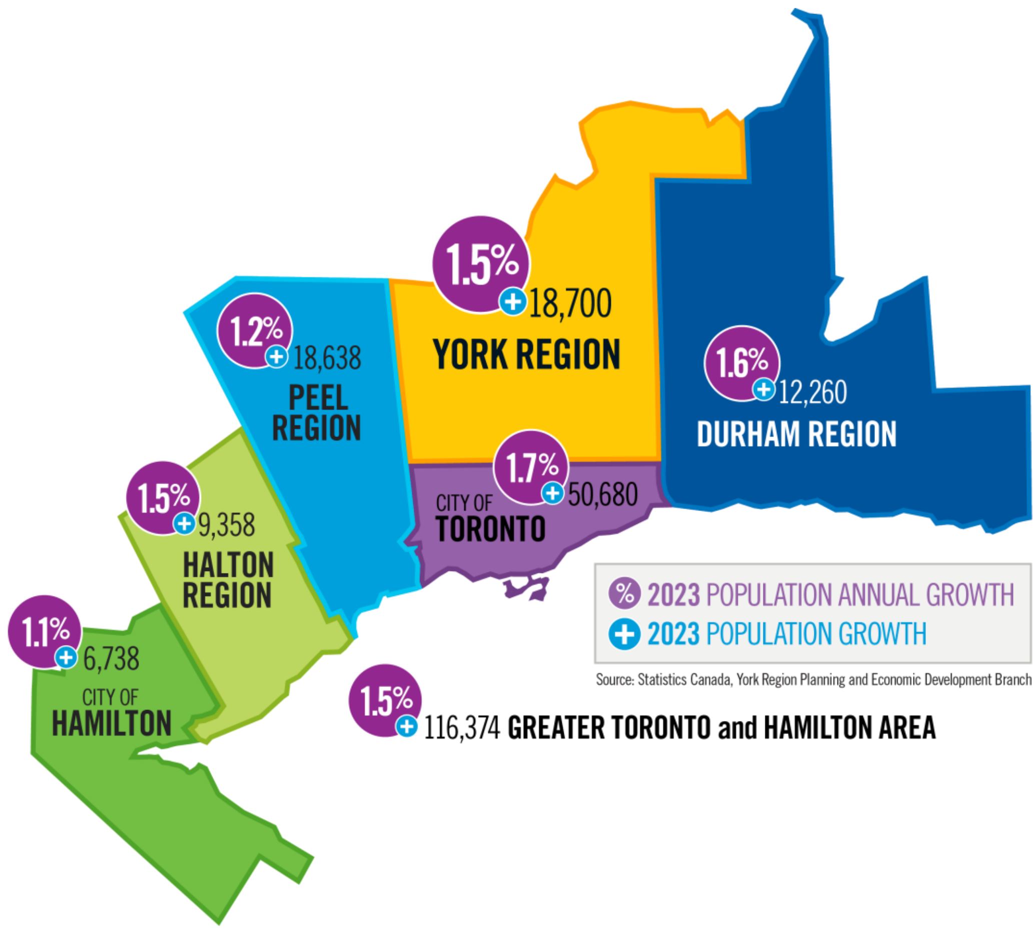
Overall, employment indicators suggest slow yet steady growth in the Region's economy. While post-pandemic recovery demonstrated resilience for employment sectors, there remain challenges ahead in an environment of high interest rates and reduced spending. York Region will conduct an employment survey in 2024. Employment trends are closely monitored to inform policies and implementation programs to advance economic development opportunities and bring more jobs to the Region.

York Region population continued to grow, reaching 1.26 million residents in 2023

York Region's population grew by 1.5% or 18,737 residents in 2023, for a total population of 1,258,200. While this represents the highest percentage growth for the Region since 2018, it remains modest compared to Province-wide growth at 3.1%. York Region registered the third highest growth rate among GTHA municipalities in 2023 (Figure 3).

Figure 3

2023 Population Growth and % Change by GTHA Municipality



Immigration continues to drive population growth in York Region

Three major contributors to population growth are natural increase, immigration, and migration. Natural increase refers to the difference between births and deaths. While 2023 data is not yet available, in 2022 the Region observed slower growth from natural increase. Annual birth count remained relatively stable (with about 10,200 births in 2022), deaths increased by almost 5% from 2021, to 6,800 persons in 2022.

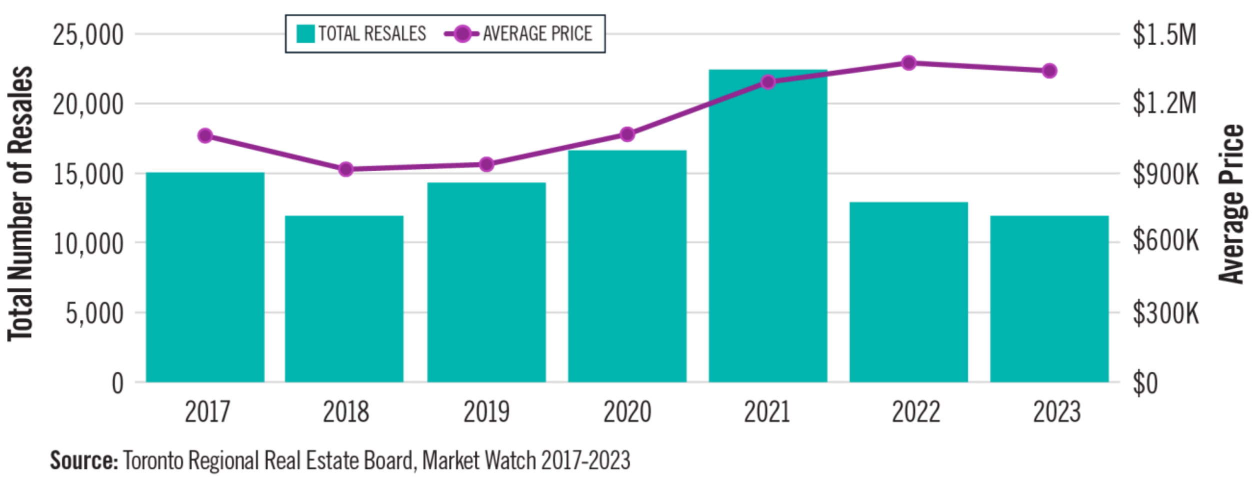
Immigration and migration involve movement of people from another country or within a country respectively. Canada is among the top 20 fastest growing countries in the world, according to Statistics Canada. Population growth in Canada in 2023 reached the highest 12-month growth rate since 1957, at 3.3%. Strong growth is primarily driven by immigration. With ease of pandemic-related restrictions and an increase in national immigration targets, Canada welcomed approximately 469,000 immigrants between 2022 and 2023, with about 42% (199,000 persons) arriving in Ontario. In 2022, York Region welcomed 17,070 immigrants, double the amount from previous year. While Statistics Canada release on 2023 immigration and migration statistics for York Region is scheduled for late May 2024, high rates for the Region again in 2023 are expected.

Average resale prices for homes in York Region fell for the first time since 2018

The housing market experienced shifts and volatility in 2023 with interest rates at their highest level in over two decades impacting household spending. Average resale price for a home in York Region declined 3.6% year-over-year in 2023, after rising consecutively for five years. Even with the downward adjustment, the average cost of a home climbed from $920,000 in 2018 to $1.34 million in 2023, marking a 46% increase in five years (Figure 4). The number of housing resale transactions fell for all housing types in the Region, with 11,965 sales in 2023, a 7.3% decrease from 2022 (Figure 4). Detached home resale transactions recorded a more remarkable decline at 8.9% while condominium/apartment resales fell by 1.8%.

Figure 4

York Region Total Home Resales and Average Price



2023 was a strong year for new housing construction in York Region with a record high number of apartment units from building permits

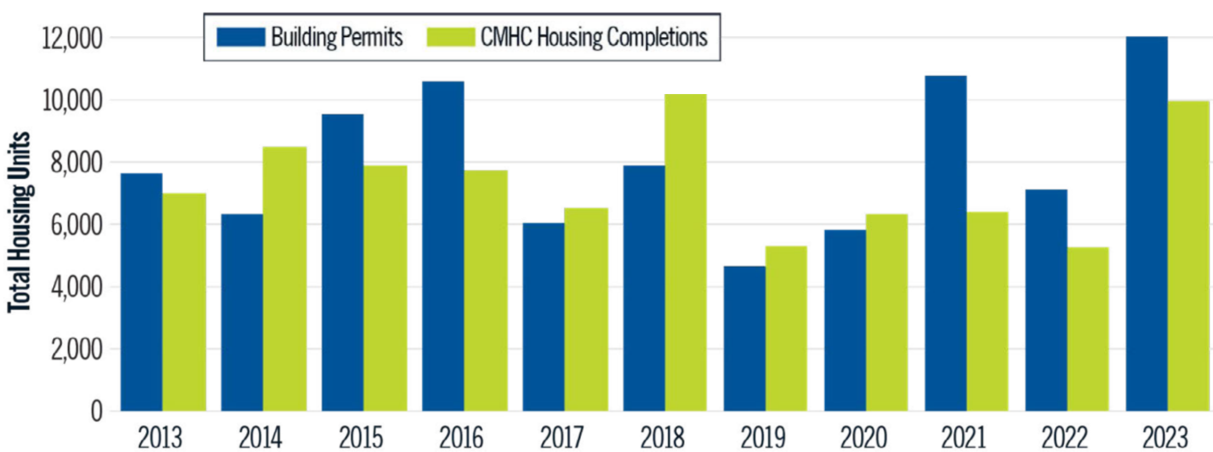
Across the GTHA, new housing construction continues to add about 53,500 new units (through building permits) to growing communities. Almost a third of these units were in Toronto (31%), followed by York (22%), Peel (19%), Durham (10%), Hamilton (9%) and Halton (8%).

York Region had the highest volume of residential permits issued in a decade, with 12,022 units in 2023, up 69% from 2022 (Figure 5), achieving a record-high construction value of $4.3 billion. Apartment permits accounted for 67% of all permits (8,020 units), the highest single-year volume in history (Figure 6). About 72% of new apartments (5,750 units) were in Regional Centres and Corridors.

Housing completions represent units recently occupied or ready to be occupied. In 2023, 9,945 units were completed, representing an 89% increase from 2022 and the highest volume since 2018 (Figure 5). Apartments accounted for 59% of all completions, with single detached dwellings at 25% and townhomes at 16%, confirming a shift towards higher density, more compact housing across the Region. Majority of apartment construction was in Regional Centres and Corridors (Figure 6).

Despite strong residential construction activity, residential permits issued in 2023 were well below levels required to achieve Provincial housing targets by 2031. More information on housing supply and affordability will be presented to Council in the June annual Affordable Housing Measuring and Monitoring report.

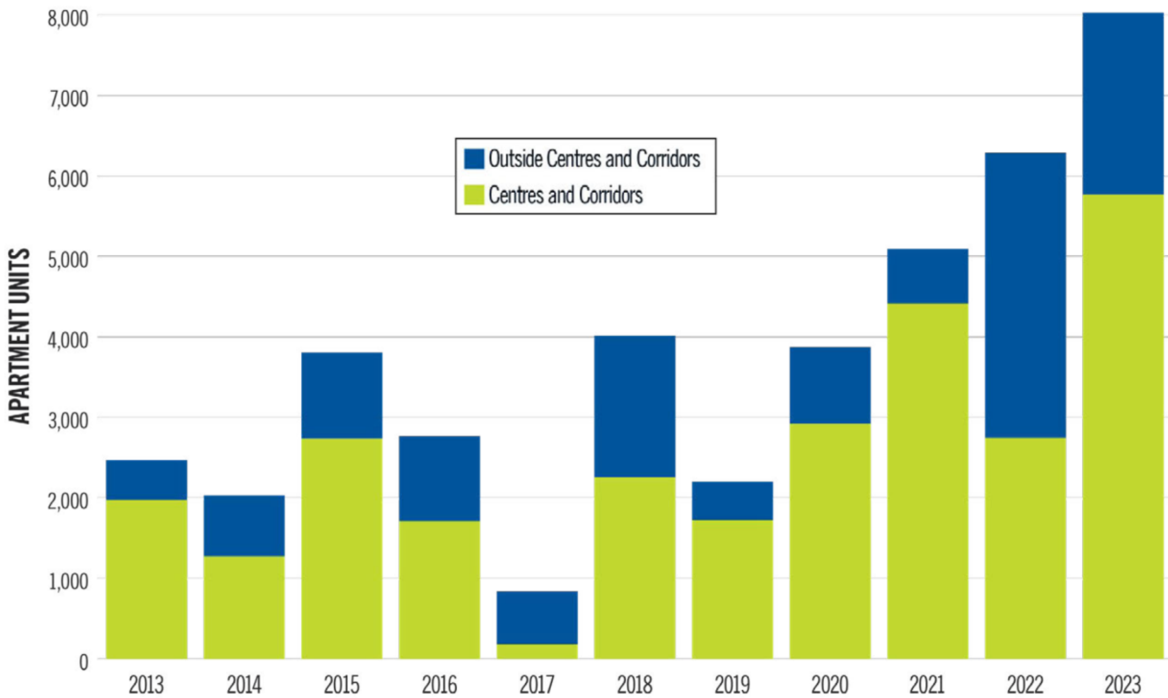
Figure 5
York Region Residential Building Permits and Housing Completions



Source: York Region Planning and Economic Development Branch, and Canada Mortgage and Housing Corporation (CMHC).

Figure 6

Apartments Building Permits Issued in York Region, Centres and Corridors



Source: Statistics Canada, York Region Planning and Economic Development Branch, March 2024

Demand will continue for newer-build office space to attract and retain employees

Corporate office employers continue to examine workplace models to increase flexibility where their employees work. Greater emphasis is being placed on building features to retain and attract employees back to the office. Demand for office space remains concentrated in newer buildings. According to the 2023 Office National Report for Canada published by CoStar, a "flight to quality" dynamic is concentrated in newer buildings built after 2015. Demand for flagship 4-star and 5-star offices in urban cores had been higher than downtown office markets overall, with vacancy rates holding below 10%. In contrast, lower-rated building class experienced higher vacancy rates around 20%.

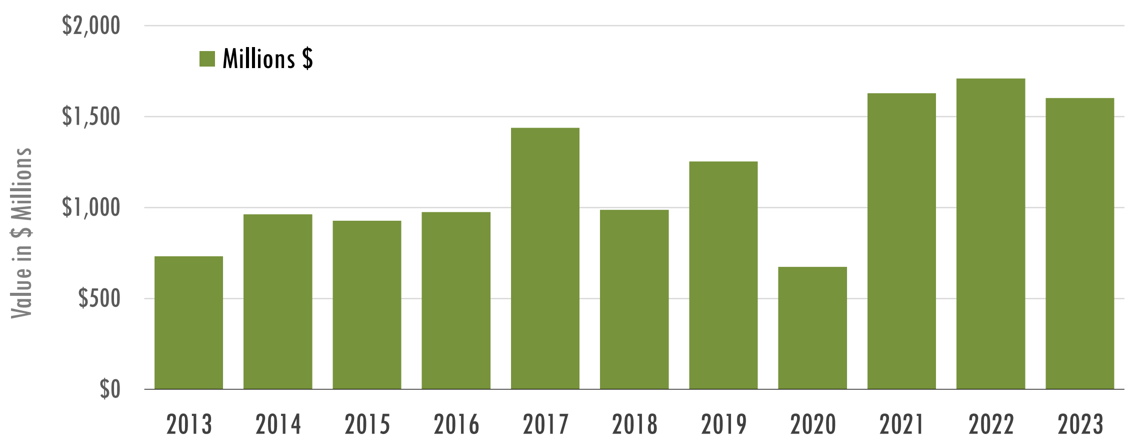
A similar office market condition is occurring in York Region. In 2023, office vacancy rates ranged from 4% to 6% for large-size office building category (greater than 100,000 square feet) built after 2015. In comparison, the broader office market in the Region hovered at 6% vacancy rate overall. Given these office market dynamics, demand for office space will likely remain concentrated in new buildings going forward.

Complete communities provide a balanced mix of residential and employment opportunities. York Region offers development charge deferrals for large format office developments through an office incentive program to support the growing knowledge economy. The program is being reviewed with local municipalities, development industry, and other stakeholders with a report back to Regional Council expected later this year.

Over $1.6 billion industrial, commercial, and institutional permits were issued in 2023

Industrial, commercial, and institutional (ICI) sectors contribute to economic development and growth in the Region providing jobs and services to residents, workers, and visitors. Over $1.6 billion construction value of ICI building permits were issued across the Region in 2023 (Figure 7). While this represented a 6% decline from historic high ICI construction values in 2022, values from 2023 remained above the Region's 5-year average of $1.37 billion per year. Industrial sector registered the largest share of ICI value at $887 million (55%).

Figure 7
York Region Industrial, Commercial and Institutional Permit Values

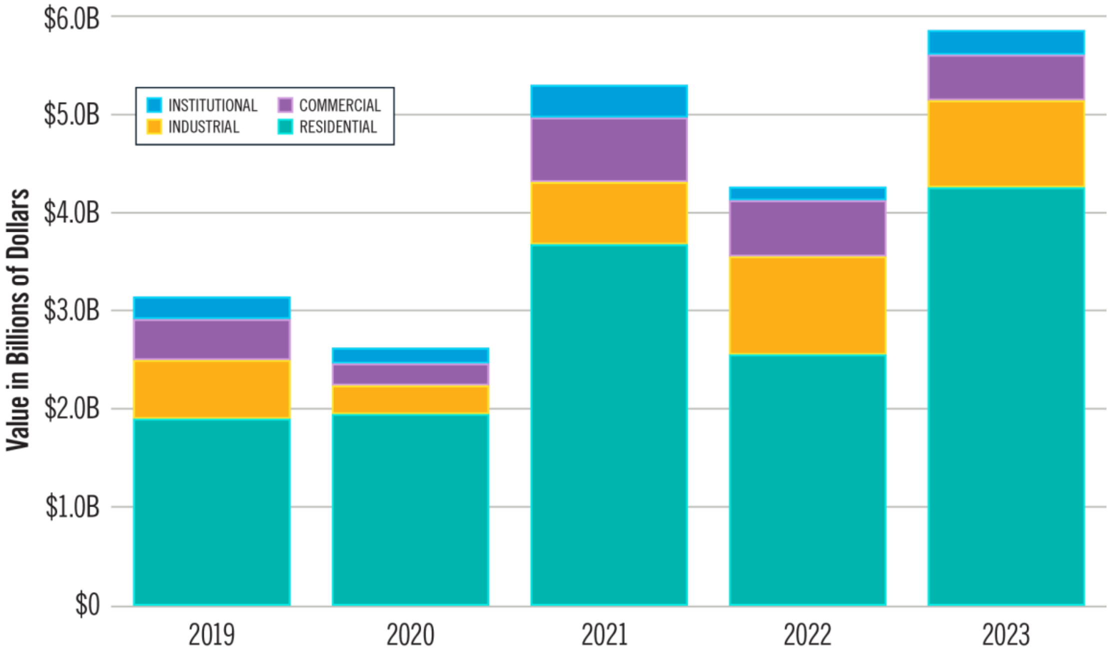


Toronto continues to account for the highest share (at 48%) of GTHA ICI building permit values, followed by Peel (16%), York (13%), Halton (8%), Durham (8%) and Hamilton (7%).

Total construction value in York Region increased 37%, driven by strong residential sector activity

Total estimated value of construction in 2023 for all sectors was $5.9 billion, up 37% from 2022 (Figure 8). This was the highest value ever recorded in the Region, attributed to strong growth in the residential sector (73% of total value). Total construction values for residential and non-residential sectors are indicators for future tax assessment growth.

Figure 8
Building Permit Construction Value by Sector Type



Source: Statistics Canada, York Region Building Permit Data, March 2024

York Region Centres and Corridors had robust residential growth in 2023 fueled by infrastructure investments

Regional Centres and Corridors are priority intensification areas in York Region, representing lands in Regional Centres, Major Transit Station Areas, and along Yonge Street, Highway 7, Davis Drive and Green Lane rapid transit corridors. Transit and infrastructure investments in Regional Centres and Corridors continued to attract development interest and fuel construction activity in 2023:

- Close to 5,750 apartment units from building permits were issued in Regional Centres, the highest volume in history, with almost 5,300 units in the Vaughan Metropolitan Centre

- 70% of purpose-built rental housing development applications region-wide were in Centres Corridors (5,700 units), including 800 units under construction or recently completed

- Commercial building permit data recorded over 17,700 square meters of new retail/hotel space in Centres and Corridors

- About 81,000 apartment units and 414,000 square meters of retail/commercial/office space are proposed or under construction along the Yonge North Subway Extension corridor

Attachment 2 provides more analysis of Regional Centres and Corridors growth and development in 2023.

5. Financial Considerations

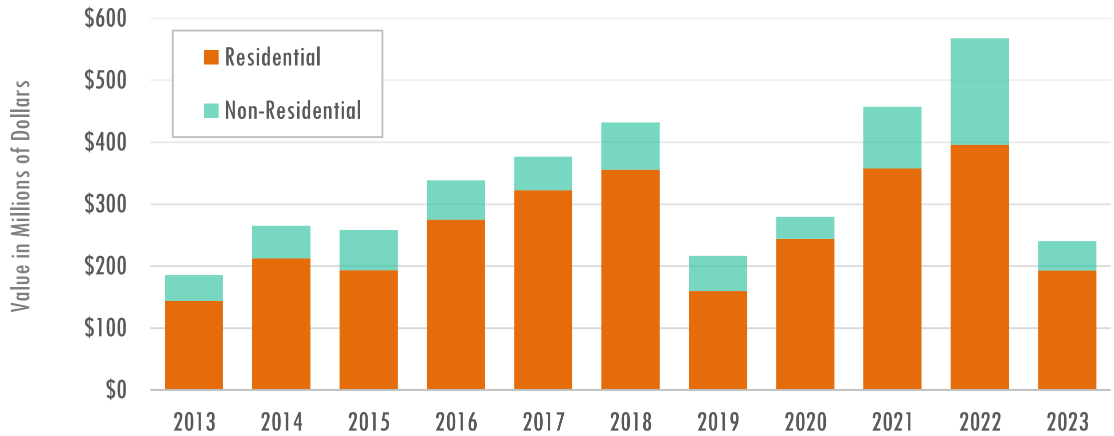
Development charges collections lowest in 5 years due to Bill 23 and slower growth

Development charges (DCs) are a major source of funding for the Region's Capital Plan. Regional DCs are collected when a building permit is issued, or when a plan of subdivision is registered. Despite robust building permit activity region-wide in 2023, total DC collections decreased 58% from 2022 to 2023, the lowest amount in the last 5 years for residential and non-residential developments combined (Figure 9). The current DC bylaw was enacted in 2022. Historically, Region DC collections increase in the months before a new DC bylaw takes effect in expectation of higher rates and decrease the year after. Therefore, lower DC collections were expected in 2023.

Development charge collections were estimated to reduce by approximately $700 million over the next 10 years as a result of known Bill 23 changes. Bill 185, *Cutting Red Tape to Build More Homes Act, 2024*, tabled April 10, 2024, proposes to reverse some changes brought on by Bill 23, including repealing the phase-in of development charges rates and reinstating growth-related studies as a DC-eligible cost. Taking into consideration proposed Bill 185 changes to the *Development Charges Act, 1997*, a revised estimate of approximately $330 million over the next ten years was presented to Council on April 25, 2024 (*Cutting Red Tape to Build More Homes Act, 2024* (Bill 185) – Proposed Changes to *Development Charges Act, 1997*). The revised estimate does not take into account affordable ownership and rental housing exemptions, not yet in effect. When they take effect, DC collections would decrease.

Figure 9

York Region Development Charges Collected



Source: York Region Finance Department. Figures on accrual basis.

6. Local Impact

Economic and housing indicators provide trends and insights on economic and housing performance across the Region. This report highlights indicators for local municipal economic development and planning officials. Statistics and summaries presented inform policies, plans, programs, and strategic actions towards planning for delivering services to residents and workers, connecting communities, attracting new businesses and jobs, supporting economic growth and achieving city building objectives in the Region.

7. Conclusion

Economic and housing indicators show slower growth in the Region's economy in 2023, with GDP growth at 1.7% and a modest increase in unemployment rates. Housing construction activities remained strong, with a historic high volume of residential building permits region-wide and a record number of new apartment units built in Regional Centres and Corridors. An outlook for declining interest rates, lower inflation, higher immigration driving population growth and economic opportunities could stabilize and strengthen growth in 2025 and beyond. Uncertainties related to geopolitical tensions, Bank of Canada interest rate decisions, and fluctuations in global and local economies affecting international trade continue to impact economic outlook for 2024 and 2025. Staff will continue to monitor evolving economic and housing activity trends in the Region, and update Regional Council on policy, program and service delivery implications.

For more information on this report, please contact Sandra Malcic, Director, Planning Policy and Data at 1-877-464-9675 ext. 71508. Accessible formats or communication supports are available upon request.

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Chief Planner

Dino Basso
Commissioner of Corporate Services

Approved for Submission: **Erin Mahoney**
Chief Administrative Officer

April 22, 2024
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Attachment 1 – 2023 York Region Growth and Development Review
Attachment 2 – 2023 York Region Centres and Corridors Growth and Development Update