

### ***Economic and Fiscal Impacts of Residential Construction***

This report has been completed by Will Dunning Inc., a consulting firm that specializes in housing market analysis. It provides estimates of the impacts of residential construction, that occur as the result of construction of new dwellings of all types, including both primary residences and cottages; renovation, conversion and repair of existing dwellings, and conversion of non-residential buildings to residential use; and other expenditures relating to new residential construction.

The estimates cover direct economic impacts within the residential construction industry, as well as indirect impacts (activity stimulated within industries that provide goods and services to the construction process). Economic impacts include: value of work put in place; numbers of jobs created in Canada; and associated wages paid. Fiscal impacts include revenues generated for the federal and provincial governments.

These estimates are based on investment data published by Statistics Canada, and housing starts data from Canada Mortgage and Housing Corporation. Data include actual activity during 2006 to 2009 and projections for 2010. Projections of 2010 new housing starts and renovation spending are from the Altus Group, based on data available in March of 2010.

The estimates of impacts illustrate the importance of residential construction in generating jobs, wages, investment, and significant government revenues. The estimates also show that activity in the residential sector and resulting economic benefits may vary significantly from year to year. These variations occur because of changes in local housing market conditions, but also because policies of federal, provincial and municipal governments have great potential to affect housing activity.

Various emerging economic factors are bound to affect local housing markets in 2010 and beyond. These factors include:

- changes in mortgage interest rates, terms and conditions, recognizing that rates have been very low for the past two years, in response to the economic situation;
- changes in international, regional and local economic conditions, especially overall job creation and unemployment;
- higher government-imposed costs such as taxes, fees, levies and charges, including impacts of implementing the Harmonized Sales Tax (HST) in two additional provinces;
- shortages of serviced land; and
- the end of tax credits for home renovations, and gradual winding down of accelerated rehabilitation of social housing and infrastructure stimulus programs over the period 2010 to 2011.

Local economic benefits of residential construction in most markets are likely to be somewhat higher in 2010 than in 2009, but to remain fragile compared to previous years. This reinforces the need for governments at all levels to be aware of the possible negative impacts of their housing-related policies on housing affordability and choice, and the consequences of such policies for overall economic performance and government revenues.



**Total Economic Impacts of Residential Construction***Including New Residential Construction, Residential Renovations, and Other Related Expenditures*

Year	2006	2007	2008	2009	2010
Value of Construction, in Millions of \$s	\$93,300	\$101,800	\$105,100	\$94,100	\$99,600
Jobs Created (Total Person Years)					
- Direct (Construction)	509,300	519,400	522,000	473,600	495,300
- Indirect	424,400	432,700	434,700	394,400	412,500
- Total	933,700	952,100	956,700	868,000	907,800
Total Wages Generated in Millions of \$s	\$41,800	\$44,100	\$46,200	\$43,200	\$45,200

**Total Fiscal Impacts, Due to Total Residential Construction Activity (Millions of \$s)**

Year	2006	2007	2008	2009	2010
Personal Income Tax					
- Federal	\$5,250	\$5,410	\$5,710	\$5,170	\$5,440
- Provincial	\$3,170	\$3,320	\$3,360	\$3,280	\$3,390
-Total	\$8,420	\$8,730	\$9,070	\$8,450	\$8,830
Total CPP Premiums	\$3,530	\$3,740	\$3,870	\$3,620	\$3,790
Total EI Premiums	\$1,630	\$1,630	\$1,640	\$1,530	\$1,590
GST Revenue	\$7,300	\$7,010	\$6,050	\$5,500	\$5,790
PST Revenue	\$4,240	\$4,520	\$4,760	\$4,490	\$5,560
Total Government Revenues	\$25,120	\$25,630	\$25,390	\$23,590	\$25,560

**Subtotals by Level of Government**

Federal	\$17,710	\$17,790	\$17,270	\$15,820	\$16,610
Provincial	\$7,410	\$7,840	\$8,120	\$7,770	\$8,950
Total	\$25,120	\$25,630	\$25,390	\$23,590	\$25,560

Source: Estimates by Will Dunning Inc.



## CANADA

### New Housing Starts in Canada

Year	Canada
1999	149,968
2000	151,653
2001	162,733
2002	205,034
2003	218,426
2004	233,431
2005	225,481
2006	227,395
2007	228,343
2008	211,056
2009	149,081
2010	167,225

Source: Canada Mortgage and Housing Corporation; 2010 forecasts by Altus Group



## CANADA

### Employment in Canada, All Industries and Construction (1,000s)

Year	All Industries	Construction	% Construction
1999	14,406.7	766.9	5.3%
2000	14,764.2	810.1	5.5%
2001	14,946.2	824.3	5.5%
2002	15,310.4	865.2	5.7%
2003	15,672.3	906.0	5.8%
2004	15,947.0	951.7	6.0%
2005	16,169.7	1,019.5	6.3%
2006	16,484.3	1,069.7	6.5%
2007	16,866.4	1,133.5	6.7%
2008	17,125.8	1,232.2	7.2%
2009	16,848.9	1,161.4	6.9%

Source: Statistics Canada, Labour Force Survey

Note: Construction includes residential and non-residential activity

### Average Weekly Wages in Canada, All Industries and Construction (Full-time Employees)

Year	All Industries	Construction	Construction/ All Industries
1999	\$681.22	\$728.62	1.07
2000	\$702.66	\$755.75	1.08
2001	\$725.19	\$784.84	1.08
2002	\$744.36	\$802.26	1.08
2003	\$759.71	\$808.89	1.06
2004	\$777.90	\$824.40	1.06
2005	\$803.11	\$847.37	1.06
2006	\$829.80	\$882.36	1.06
2007	\$858.07	\$917.38	1.07
2008	\$894.86	\$959.35	1.07
2009	\$923.43	\$996.33	1.08

Source: Statistics Canada, Labour Force Survey

Note: Construction includes residential and non-residential activity



**WILL DUNNING INC.**

*Economic Research*

**Economic Impacts of New Residential Construction**

Year	2006	2007	2008	2009	2010
Value of Construction, in Millions of \$s	\$40,100	\$43,400	\$43,600	\$33,000	\$37,100
Jobs Created (Total Person Years)					
- Direct (Construction)	216,500	217,500	214,100	164,200	184,000
- Indirect	180,500	181,300	178,200	136,700	153,300
- Total	397,000	398,800	392,300	300,900	337,300
Total Wages Generated in Millions of \$s	\$18,000	\$18,700	\$19,100	\$15,100	\$16,900

**Fiscal Impacts, Due to New Residential Construction (Millions of \$s)**

Year	2006	2007	2008	2009	2010
Personal Income Tax					
- Federal	\$2,270	\$2,310	\$2,390	\$1,820	\$2,050
- Provincial	\$1,320	\$1,360	\$1,350	\$1,130	\$1,240
-Total	\$3,590	\$3,670	\$3,740	\$2,950	\$3,290
Total CPP Premiums	\$1,500	\$1,570	\$1,590	\$1,260	\$1,410
Total EI Premiums	\$690	\$680	\$670	\$530	\$580
GST Revenue	\$2,760	\$2,770	\$2,320	\$1,760	\$1,980
PST Revenue	\$1,660	\$1,740	\$1,810	\$1,540	\$1,560
Total Government Revenues	\$10,200	\$10,430	\$10,130	\$8,040	\$8,820

**Subtotals by Level of Government**

Federal	\$7,220	\$7,330	\$6,970	\$5,370	\$6,020
Provincial	\$2,980	\$3,100	\$3,160	\$2,670	\$2,800
Total	\$10,200	\$10,430	\$10,130	\$8,040	\$8,820

Source: Estimates by Will Dunning Inc.



## CANADA

### Economic Impacts of Residential Renovation Activity

Year	2006	2007	2008	2009	2010
Value of Construction, in Millions of \$s	\$45,700	\$50,500	\$53,500	\$54,500	\$54,800
Jobs Created (Total Person Years)					
- Direct (Construction)	252,000	262,300	268,700	275,600	273,400
- Indirect	210,000	218,400	223,900	229,600	227,600
- Total	462,000	480,700	492,600	505,200	501,000
Total Wages Generated in Millions of \$s	\$20,500	\$22,100	\$23,600	\$25,000	\$24,800

### Fiscal Impacts, Due to Residential Renovation Activity (Millions of \$s)

Year	2006	2007	2008	2009	2010
Personal Income Tax					
- Federal	\$2,560	\$2,680	\$2,890	\$2,980	\$2,970
- Provincial	\$1,600	\$1,710	\$1,760	\$1,920	\$1,900
-Total	\$4,160	\$4,390	\$4,650	\$4,900	\$4,870
Total CPP Premiums	\$1,740	\$1,880	\$1,990	\$2,100	\$2,080
Total EI Premiums	\$800	\$830	\$850	\$890	\$880
GST Revenue	\$4,010	\$3,780	\$3,340	\$3,400	\$3,420
PST Revenue	\$2,290	\$2,490	\$2,650	\$2,670	\$3,620
Total Government Revenues	\$13,000	\$13,370	\$13,480	\$13,960	\$14,870

### Subtotals by Level of Government

Federal	\$9,110	\$9,170	\$9,070	\$9,370	\$9,350
Provincial	\$3,890	\$4,200	\$4,410	\$4,590	\$5,520
Total	\$13,000	\$13,370	\$13,480	\$13,960	\$14,870

Source: Estimates by Will Dunning Inc.



**Economic Impacts of Other Related Expenditures**

Year	2006	2007	2008	2009	2010
Value of Construction, in Millions of \$s	\$7,500	\$7,900	\$8,000	\$6,600	\$7,700
Jobs Created (Total Person Years)					
- Direct (Construction)	40,800	39,600	39,200	33,800	37,900
- Indirect	33,900	33,000	32,600	28,100	31,600
- Total	74,700	72,600	71,800	61,900	69,500
Total Wages Generated in Millions of \$s	\$3,300	\$3,300	\$3,500	\$3,100	\$3,500

**Fiscal Impacts, Due to Other Related Expenditures (Millions of \$s)**

Year	2006	2007	2008	2009	2010
Personal Income Tax					
- Federal	\$420	\$420	\$430	\$370	\$420
- Provincial	\$250	\$250	\$250	\$230	\$250
-Total	\$670	\$670	\$680	\$600	\$670
Total CPP Premiums	\$290	\$290	\$290	\$260	\$300
Total EI Premiums	\$140	\$120	\$120	\$110	\$130
GST Revenue	\$530	\$460	\$390	\$340	\$390
PST Revenue	\$290	\$290	\$300	\$280	\$380
Total Government Revenues	\$1,920	\$1,830	\$1,780	\$1,590	\$1,870

**Subtotals by Level of Government**

Federal	\$1,380	\$1,290	\$1,230	\$1,080	\$1,240
Provincial	\$540	\$540	\$550	\$510	\$630
Total	\$1,920	\$1,830	\$1,780	\$1,590	\$1,870

Source: Estimates by Will Dunning Inc.

