



cutting through complexity

Economic Impact Assessment Study – Ontario Rental Housing Sector

December 2013

Federation of Rental Housing Providers
of Ontario

KPMG Canada

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1. Executive Summary

This study estimates that in 2012 Ontario's rental housing industry :

- ✓ Contributed **\$18.30 billion to Ontario's GDP** and \$1.92 billion to the GDP of other Provinces.
- ✓ Generated **\$8.30 billion of labour income** in Ontario and \$0.96 billion outside of the Province.
- ✓ Created **146,534 jobs** in Ontario and 16,808 jobs elsewhere.
- ✓ Contributed **\$7.00 billion to government revenues**.
- ✓ Created **total gross output of \$34.93 billion** in Ontario and \$3.63 billion in other Provinces.

The Federation of Rental Housing Providers of Ontario ("FRPO") has retained KPMG LLP ("KPMG") to estimate the economic impact of Ontario's rental housing industry on the economies of Ontario and Canada.

Based on the results of our work, we estimate that in 2012 Ontario's rental housing industry comprised approximately 1.23 million rental units (excluding social housing) and generated approximately \$14.80 billion of revenues. Revenues included the payment of rent as well as non-rental payments related to parking and laundry services, amongst other items. In addition to generating rental revenues, this study estimates that Ontario's rental housing industry made approximately \$4.53 billion of capital expenditures in 2012, which included both capitalized renovations and the construction of new rental housing. The economic impacts outlined in this study are based on these estimates of rental revenues and capital expenditures.

The definition of Ontario's rental housing industry used in this study includes rented apartments, houses, semi-detached houses, row houses, condominiums and other dwellings. However, the economic impacts of spending related to social housing is not included. The rental housing definition used in this study helps ensure that the full economic impacts of the rental housing industry in Ontario are captured by this study.

Exhibit 1 provides a summary of the economic impacts of Ontario's rental housing industry. Section 4 provides a more detailed overview of these results and Section 3 includes a description of the methodology used to inform this study. Further, Section 5 provides a stand-alone breakdown of the economic impact generated by new rental housing construction in Ontario.

Exhibit 1: Summary of Economic Impacts (Direct, Indirect and Induced)

| Summary of GDP, Employment, Labour Income, Government Revenue Impact (\$ billions) | | | |
|--|---------|--------|---------|
| | Ontario | Other | Canada |
| GDP impact | 18.30 | 1.92 | 20.22 |
| Labour income | 8.30 | 0.96 | 9.26 |
| Employment (FTE positions) | 146,534 | 16,808 | 163,343 |
| Government Revenues | | | |
| Taxes on products | 0.78 | 0.07 | 0.86 |
| Taxes on salaries (Note 1) | 2.88 | 0.38 | 3.27 |
| Taxes on production (Note 2) | 2.79 | 0.08 | 2.87 |
| Total gross output | 34.93 | 3.63 | 38.56 |

Note 1: includes deductions at source such as CPP, EI and QPIP deductions

Note 2: includes property taxes

Source: estimates from StatsCan I/O model using inputs from CANSIM, CMHC and FRPO member questionnaire, KPMG calculations

As indicated in Exhibit 1, this study estimates that Ontario's rental housing industry generated :

- a GDP impact of \$18.30 billion in Ontario in 2012 and \$1.92 billion elsewhere in Canada.
- labour income of \$8.30 billion and employment of 146,534 Full-Time Employees (FTEs) in Ontario in 2012. In other provinces, the industry generated labour income of \$0.96 billion and 16,808 jobs.
- \$6.45 billion in government revenues in Ontario and \$0.55 billion in government revenues outside of the province.
- gross output of \$34.93 billion in Ontario and an additional \$3.63 billion of gross output in other parts of Canada.

Section 4 provides a comparison of these economic impacts to those generated in other industries. As indicated in Exhibit 17, Ontario's rental housing industry generates larger economic impacts than the Aerospace Industry and the Defense Industry in Ontario. Further, this study estimates that approximately 3 percent of Ontario's GDP in 2012 was attributable to the Province's rental housing industry.



2. Introduction

A. Understanding this Study

FRPO retained KPMG to assess the economic impact of Ontario's rental housing industry.

This study used information gathered from Statistics Canada's CANSIM database, the CMHC, as well as from a questionnaire sent to members of the FRPO in order to assess the rental housing industry's economic impact in Ontario and Canada. In particular, the CANSIM, CMHC and questionnaire data was used to develop estimates of the annual revenues and capital expenditures of the rental housing industry in Ontario. These estimates were then used in Statistics Canada's I/O model in order to assess the impact of the rental housing industry on the economies of Ontario and Canada. In particular, this study provides estimates of the industry's:

- GDP impact;
- Labour income;
- Employment impact;
- Government revenues; and
- Total output.

B. Overview of Rental Housing Industry in Ontario

CANSIM information indicates that there are approximately 5.02 million households in Ontario, of which about 1.23 million are rental properties, excluding social housing. This study estimates that these rental properties generated total rental revenues of approximately \$14.80 billion in 2012. In addition to this amount, the industry collected \$524.64 million in non-rent revenues. Non-rent revenues accrued from services such as parking and laundry services, amongst other items.

This study also estimates the amount of capital expenditures in Ontario's rental housing industry. For the purposes of this study, capital expenditures on rental housing were divided into two categories: (i) capitalized renovations; and (ii) new rental housing construction. Total estimated capital expenditures amounted to approximately \$4.53 billion in 2012. Of this amount, approximately \$2.76 billion, or 61 percent, was spent on capitalized renovations and \$1.77 billion, or 39 percent, was spent on the construction of rental housing in Ontario.

Exhibit 2 provides an overview of the revenues and capital expenditures used in this study.

Exhibit 2: Revenues and Capex of Industry

| Revenues and Capital Expenditures of Rental Housing Providers of Ontario (\$ millions) | |
|---|---------------|
| | Total |
| Revenues | |
| Rental Revenues | 14,808 |
| Non-Rental Revenues | 524 |
| Total - Revenues | 15,333 |
| Capital Expenditures | |
| Capitalized Renovations (NAICS 2361) | 2,762 |
| New Rental Housing Construction (NAICS 2361) | 1,771 |
| Total - Capital | 4,533 |
| Total | 19,865 |

Source : CANSIM data, FRPO member questionnaire, Statistics Canada 2006 PUMF and 2011 Census of Canada – Topic-based tabulations, KPMG calculations

C. Limitations and Notice to Reader

The results presented in this study are based on information obtained from the CMHC, Statistics Canada's CANSIM database and I/O model as well as a questionnaire sent to members of the FRPO. Of note though, KPMG cannot confirm or warrant the completeness or accuracy of the information provided by these sources.

3. Methodology: Input-Output Modeling

A. Economic Impacts

Economic impacts are typically reported in terms of the GDP, labour income, employment, government revenues and gross output that are generated by an industry or entity within a geographic region under study. A short description of each of these impacts is provided below:

- **GDP impact** is a measure of economic output from the production of goods and services. It measures the amount of “value-added” that producers add to their intermediate inputs in order to generate their own output. GDP impact is measured in dollars.
- **Labour income** is defined as all compensation paid to employees e.g. wages, salaries, employer social contributions, bonuses and performance pay etc.. Labour income is measured in dollars.
- **Employment** estimates the number of jobs created and is measured in terms of Full-time Employment (FTE) positions.
- **Government revenues** measures the amount of tax revenues collected by different levels of government and includes tax revenues on products, production and income. These revenues include sales taxes, property taxes, taxes on income, gas tax and import duties amongst other items. Government revenues are measured in dollars.
- **Gross output** is a measure of the value of goods and services that are produced within an economy. In the measurement of gross output, intermediate purchases by industries within the supply chain are not netted out. As such, gross output exceeds the GDP impact described above. Gross output is measured in dollars.

All of the economic impact estimates are broken-down into “direct”, “indirect” and induced impacts. Definitions of each type of impact are provided below:

- **Direct impacts** are those economic impacts generated by the industry in question and can be observed through an analysis of an industry’s employee base, payroll, taxes paid and the difference between the value of sales and purchased inputs.
- **Indirect impacts** are those economic impacts generated by suppliers further-up the supply chain. For example, suppliers to an industry purchase commodities from other suppliers. These expenditures result in income to labour, income to businesses or governments, or in the import of a good or service from another jurisdiction.
- Economic impacts can also be defined to include **induced impacts**. These are the direct and indirect impacts that result from the subsequent spending by employees of their wages and salaries. This includes spending by employees both within an industry and by its upstream suppliers.

- ✓ This study provides estimates of the **GDP; Labour Income; Employment; Government Revenues and Gross Output** generated by Ontario’s rental housing industry.
- ✓ This study uses CANSIM data and the results of a questionnaire to derive estimates of **total revenues and capital expenditures** generated by Ontario’s rental housing industry.
- ✓ These estimates were used as inputs in **Statistics Canada’s Input/ Output model** in order to estimate the economic impact of Ontario’s rental housing industry.

B. Input / Output Models

To appropriately estimate direct, indirect and induced impacts, economic analysts typically use an input/output (“I/O”) model. An input/output model takes expenditures on goods and services, and converts these expenditures into estimates of economic impacts throughout the economy. If the expenditure data are suitably detailed, impacts resulting from a set of expenditures can be identified for each province individually.

An input/output model divides the economy into a matrix of industries and commodities. Relationships within the model map the production of commodities onto industries, and they identify the primary or intermediate commodities that are used in the production of each final commodity used by consumers or sold as an export. The model can then aggregate all of the impacts generated in the supply chain as commodities are produced. Input/output models also consider the role of imports, which tie the supply chain to the global economy.

In Canada, the most authoritative and comprehensive I/O model is Statistics Canada’s (“StatsCan”) Interprovincial Input-Output Model. This study used StatsCan’s I/O model. As outlined in the StatsCan Guide to using the Input-Output Model, the “model has the greatest potential of all major economic models for capturing the flows of goods and services between industries and consumers at relatively detailed levels.” The I/O model used in this analysis is the most recent version produced by StatsCan and is calibrated to the 2009 Canadian economy. The StatsCan I/O Model is independent to KPMG and the FRPO and is recognized by many as the benchmark by which economic impact modeling is conducted in Canada.

The core principle of economic impact analysis is that each sector produces a sufficient amount of output both to satisfy the final demand for its outputs (i.e., goods and services purchased by end-users) as well as to satisfy the intermediate demands of all other sectors in the economy that use its outputs as factors of production (i.e., as inputs).

Analyzing only the direct and indirect impacts from an input/output model does not capture the incremental impact from induced household spending activities. To ensure that this study provides a complete overview of the impact of Ontario’s rental housing industry, this report also estimates the induced economic activity created through the expenditure of salaries and wages by the industry.

StatsCan’s I/O model uses the North American Industry Classification System (“NAICS”) to categorize industries in Canada. In this study, two NAICS sectors were used to estimate the impact of Ontario’s rental housing industry: (i) NAICS 5311 – Lessors of Real Estate; and (ii) NAICS 2361 – Residential Building Construction. In particular, NAICS 5311 – Lessors of Real Estate was used to model the impact of revenues generated by Ontario’s rental housing industry. Whereas, NAICS 2361 – Residential Building Construction, was used to model the impact of the capital expenditures of Ontario’s rental housing industry.

C. Data Inputs

The economic impacts presented in this study are based on estimates of the total revenues and total capital expenditures of Ontario's rental-housing industry in 2012. The data used to estimate total revenues and total capital expenditures was obtained from the CMHC, Statistics Canada's CANSIM database and a questionnaire sent to FRPO members.

The questionnaire's objectives included validating CANSIM estimates and, if necessary, providing insight on how to adjust CANSIM data to more accurately reflect Ontario's rental-housing industry. The questionnaire was sent to 13 members of the FRPO and included questions seeking to clarify the number of suites managed by each firm, average rent per suite, total and per suite capital and operating expenditures, breakdown of operating expenditures, and the percentage of units where utilities are tenant metered. In total, six property management companies responded to the questionnaire. These six firms manage a total 80,300 rental units throughout Ontario, providing a fairly representative sample of the rental-housing industry.

Based on the data derived from the questionnaire some adjustments were made to data inputs. These adjustments are described in Sub-Section H below.

D. Total Rental-Housing Stock and Revenues in Ontario

This section is divided into two parts. The first, describes how this study estimates the rental housing stock in Ontario; the second, describes this study's calculation of total rental revenues in Ontario.

Rental Housing Stock in Ontario

This study estimates that Ontario's rental housing stock in 2012 consisted of 1.23 million dwellings, excluding social housing. This estimate was derived using Census data from 2006 and CMHC data on the number of new rental housing starts since 2006, which this study estimated to be 56,020 units.

Exhibit 3 provides more detail on this study's estimate of Ontario's rental housing stock.

Exhibit 3: Estimated Rental Housing Stock in Ontario

| Housing Stock in Ontario | | | |
|---|-----------------|----------|------------------|
| | Total Dwellings | % Rented | Rented Dwellings |
| Rental housing stock in 2006 | 4,555,025 | 29% | 1,312,290 |
| New construction starts since 2006 | | | |
| Single detached houses | 210,501 | 0.3% | 632 |
| Semi detached houses | 24,644 | 0.3% | 74 |
| Row Houses | 70,754 | 7% | 4,776 |
| Apartment and other buildings | 166,083 | 30% | 50,539 |
| Total - new construction | 471,982 | 12% | 56,020 |
| Total - incl. Social Housing | 5,027,007 | 27% | 1,368,310 |
| Total - excl. Social Housing | | | 1,231,479 |

Source: Census 2006, CMHC Rental Market Report Fall 2012, CMHC Residential Building Activity Report 2012, KPMG calculations

Rental-Housing Revenues in Ontario

The amount of rental revenues generated in Ontario in 2012 was calculated using an average annual rent estimate of \$11,700 obtained from the CMHC.

In particular, total rental housing revenues were estimated by multiplying the average annual rent per suite (\$11,700), by the number of rental households in Ontario (1.23 million). Using this approach total rental payments in Ontario were estimated to be \$14.40 billion in 2012. This estimate was adjusted in order to include \$0.40 billion of utility payments made by tenants. This adjustment was necessary in order to ensure that the economic impact generated from rental units with tenant paid utilities is comparable to the impact generated by rental units where utility payments are included in rent. As a result of this adjustment, rental payments were revised upwards to \$14.80 billion.

In addition to rental payments, KPMG estimated the amount of non-rental revenues generated by Ontario's rental housing industry. Non-rental revenues include revenues related to payments for parking and laundry services, amongst other items. Non-rent revenues were estimated by multiplying the average non-rent revenue per suite from the questionnaire by the total number of rental households in Ontario. Using this approach non-rent revenues were estimated to be \$524.38 million in 2012.

Based on the above, this study estimates that total payments to providers of rental housing in Ontario were approximately **\$15.33 billion in 2012**. Exhibit 4 summarizes these results.

Exhibit 4 : Estimated Size of the Rental-Housing Industry in Ontario

| Revenues of Rental Housing Providers of Ontario (\$ millions) | |
|---|---------------|
| | Total |
| Rental Revenues (Note 1) | 14,808 |
| Non-Rental Revenues | 524 |
| Total | 15,333 |

Note 1: Includes \$385 million of utility payments made by tenants

Source: Statistics Canada 2006 PUMF and 2011 Census of Canada – Topic-based tabulations, Questionnaire data and KPMG calculations

E. Capital Expenditures for Ontario’s Rental-Housing Industry

Statistics Canada categorizes capital expenditures for residential structures as either: (i) new residential construction; or (ii) capitalized renovations. This study estimates that total capital expenditures for Ontario’s housing industry amounted to **\$4.53 billion in 2012**. A detailed description of how this amount was derived is provided in the two sub-sections that follow.

New Residential Construction

Based on CANSIM data, capital expenditures on new construction for the entire residential housing industry in Ontario amounted to \$14.92 billion in 2012. This amount includes expenditures on both owner-occupied dwellings and on dwellings that are or will be rented out. Hence, we needed to develop an estimate of the share of expenditures related to rental housing. We did this by multiplying CANSIM’s estimate of expenditures on residential housing construction by the share of new rental housing starts as a proportion of total construction starts since 2006 (estimated to be approximately 12 percent and is described in Exhibit 3). This resulted in an estimate of \$1.77 billion as shown in Exhibit 5.

Exhibit 5: Estimated Expenditures on New Construction of Rental Housing in Ontario

| New Residential Housing Construction in Ontario (\$ millions) | | | |
|---|---|--|--|
| | Residential Construction Expenditures | % of New Construction on Rental Properties | Rental Housing Construction Expenditures |
| Total | 14,921 | 12% | 1,771 |

Source: CMHC Rental Market Report, Fall, 2012, CANSIM Table 029-0040 and KPMG Calculations

Capitalized Renovations

The amount of expenditures allocated to capitalized renovations in Ontario’s rental housing industry were estimated using questionnaire responses. The questionnaire data on capitalized renovations was considered more accurate than data obtained from CANSIM, which required a series of adjustments in order to

separate the rental housing and non-rental housing components of capitalized renovation expenditures.

The questionnaire data indicates that the average annual per suite expenditure on capitalized renovations was \$2,243 in 2012. This amount was then multiplied by the number of rental households in Ontario (1.23 million) in order to derive an estimate of the aggregate spending on capitalized renovations in the industry. Using this approach, capitalized renovations in Ontario's rental housing industry were estimated to amount to \$2.76 billion.

Exhibit 6 summarizes the capital expenditure estimates developed for this study.

Exhibit 6: Overview of Residential Housing Industry's Capital Expenditures

| Overview of Rental Housing Capital Expenditures in Ontario (\$ millions) | |
|--|--------------|
| New Rental Housing Construction | 1,771 |
| Capitalized Renovations | 2,762 |
| Total | 4,533 |

F. Adjustments in Inputs to Statistics Canada

Some adjustments to Statistics Canada's I/O model were required in order to account for higher utility costs in Ontario relative to the rest of Canada. This is in part due to the fact that the I/O model uses national averages to approximate spending in Ontario's rental housing industry. In particular, Statistics Canada's I/O model initially allocated four percent of operating expenses in Ontario's rental housing industry towards utilities. This share was revised upwards to 20 percent and allocations among utilities changed based on the results of the questionnaire. Changes reflect the significantly higher cost of electricity in Ontario relative to most other provinces, the prevalence of air conditioning loads, the role of natural gas in heating and domestic hot water production, the larger share of high-density housing in Ontario relative to other Provinces as well as higher shares of bulk metered rental properties in Ontario. In order to allocate a greater percentage share towards utilities, the shares of other inputs was decreased by an equal amount. Exhibit 7 provides a summary of these changes.

Exhibit 7: Summary of Adjustments in Inputs to I/O Model

| Input Pattern Adjustments in I/O Model | | | |
|--|---------------|------------------------|-------------|
| | Input Pattern | Modified Input Pattern | Change |
| Utilities | | | |
| Electricity | 1.6% | 8.1% | 6.5% |
| Sew age and dirty water disposal and cleaning services | 0.3% | 4.9% | 4.6% |
| Natural gas distribution | 0.0% | 2.6% | 2.6% |
| Natural gas | 1.9% | 4.0% | 2.1% |
| Total utilities | 3.8% | 19.6% | 15.8% |
| Other | | | |
| Repair construction services | 6.9% | 5.8% | -1.1% |
| Mixed income | 5.6% | 4.6% | -0.9% |
| Wages and salaries | 5.2% | 4.4% | -0.9% |
| Services to buildings and dwellings | 4.2% | 3.5% | -0.7% |
| Services related to real estate | 3.2% | 2.7% | -0.5% |
| Repair and maintenance | 2.9% | 2.4% | -0.5% |
| Holding company services and other financial investment and related activities | 2.0% | 1.7% | -0.3% |
| Miscellaneous | 66.1% | 55.3% | -10.9% |
| Total other | 96.2% | 80.4% | -15.8% |
| Total | 100.0% | 100.0% | 0.0% |

Source: Statistics Canada 2009 I/O model and FRPO member questionnaire responses

4. Economic Impact of Ontario's Rental Housing Industry

This study estimates that, in 2012, Ontario's rental housing industry :

- ✓ Contributed **\$18.30 billion to Ontario's GDP and \$1.92 billion to the GDPs of other Provinces.**
- ✓ Generated labour income, which includes **salary payments and other employment benefits, of \$8.29 billion in Ontario** and \$0.96 billion in other provinces.
- ✓ Generated **146,534 Full –Time Employment positions in Ontario** and 16,808 elsewhere in Canada.
- ✓ Resulted in **government revenues of \$7.00 billion. Of this amount \$6.45 billion was collected in Ontario.**
- ✓ Produced **total gross output of \$34.93 billion in Ontario** and \$3.63 billion in other Provinces.

This section provides estimates of the impact of Ontario's rental housing industry on :

- GDP;
- Labour Income and Employment;
- Government Revenue; and
- Gross Output.

It is important to note that the economic impacts presented in this study cover both the rental revenues and capital expenditures of Ontario's rental housing industry. As previously indicated, the economic impacts described in this report assume that Ontario's rental housing industry generates approximately \$19.86 billion worth of annual rental and non-rental revenues and capital expenditures. Of this amount, \$15.33 billion is attributable to rental and non-rental revenues and \$4.53 billion is attributable to capital expenditures. Please consult Section 3 of this report for more detail about how these amounts were derived.

The economic impacts presented in this section are separated into direct, indirect and induced economic impacts. A brief overview of each type of impact is provided below.

Direct impact: measures the impact generated by an additional expenditure, as a result of activities within the industry in which the economic shock occurs.

Indirect Impact: measures the change related to inter-industry purchases as other industries respond to the new demands of the directly affected industries. This includes changes in output further-up the production stream, since each of the products purchased will require the production of various inputs.

Induced Impact: measures the changes in the production of goods and services in response to consumer expenditures induced by changes to household incomes (for example increases in wages) generated by the direct and indirect impacts.

In order to provide context on the economic impacts presented in this report a comparison with other industries is provided in Sub-Section E below. Of note, the Rental Housing industry generates a larger economic impact than the Aerospace and Defense industries in Ontario. Further, based on this study approximately 3 percent of Ontario's GDP was attributable to the Rental Housing industry in 2012. Please consult Exhibit 17 for more detail on how the economic impacts estimated in this study compare to other sectors.

A. GDP Impact

This section summarizes the impact of Ontario's rental housing industry on the GDP of Ontario and Canada.

This study estimates that Ontario's rental housing industry contributes approximately \$20.22 billion to Canada's GDP. Of this impact, \$18.30 billion or approximately 90 percent occurs in Ontario. The remaining \$1.92 billion, or 10 percent, accrue to other provinces. Exhibit 8 below provides an overview of the direct, indirect and induced impact of Ontario's rental housing industry on the GDP of Ontario and the rest of Canada.

Exhibit 8 : GDP Impact of Ontario's Rental Housing Industry

| GDP Impact of Ontario's Rental Housing Industry (\$ millions) | | | | | |
|---|---------------|------------|--------------|------------|---------------|
| | Ontario | % | Other | % | Total |
| Direct | 9,723 | 48% | - | - | 9,723 |
| Indirect | 6,157 | 30% | 1,249 | 6% | 7,406 |
| Induced | 2,423 | 12% | 674 | 3% | 3,097 |
| Total | 18,303 | 90% | 1,922 | 10% | 20,226 |

Source: Statistics Canada I/O model, KPMG calculations

Exhibit 9 provides a breakdown of the GDP impact by industry. As indicated in the exhibit, the industry sectors that are most affected by Ontario's rental housing industry include : the Lessors of Real Estate sector (which includes property management employees); the Residential Construction sector; the Utilities sector; and the Repair Construction sector. The biggest economic impacts occur within Ontario's Rental Housing sector, which is not surprising as the majority of salaries and other expenditures accrue within that sector. Likewise, the large impacts on the Residential Building Construction and Electric Power Generation, Transmission and Distribution sector is expected as both sectors represent important inputs in the Rental Housing industry's expense structure.

Exhibit 9 : GDP Impact of Ontario's Rental Housing Industry

| GDP Impact of Ontario's Rental Housing Industry by sector (\$ millions) | | | | |
|---|---------------|--------------|---------------|-------------|
| Industry Sector | Ontario | Other | Total | % |
| Lessors of real estate | 7,576 | 41 | 7,616.11 | 38% |
| Residential building construction | 2,487 | 0 | 2,486.63 | 12% |
| Electric power generation, transmission and distribution | 724 | 76 | 799.93 | 4% |
| Repair construction | 628 | 20 | 647.12 | 3% |
| Other municipal government services | 570 | 11 | 580.85 | 3% |
| Owner-occupied dwellings | 539 | 75 | 613.90 | 3% |
| Banking and other depository credit intermediation | 484 | 62 | 546.69 | 3% |
| Services to buildings and dwellings | 315 | 16 | 331.78 | 2% |
| Offices of real estate agents and brokers and activities related to real estate | 236 | 6 | 241.48 | 1% |
| Natural gas distribution | 214 | 4 | 217.99 | 1% |
| Telecommunications | 193 | 53 | 246.11 | 1% |
| Insurance carriers | 193 | 24 | 216.35 | 1% |
| Other | 4,145 | 1,536 | 5,680.61 | 28% |
| Total | 18,303 | 1,922 | 20,226 | 100% |

Source: Statistics Canada I/O model, KPMG calculations

B. Labour Income and Employment Impact

This section reviews the labour income and employment impacts associated with Ontario's rental housing industry. For the purposes of this study, Labour Income is defined as all compensation paid to employees including wages and employer-paid social contributions. It should also be noted that the employment impact described in this section is measured in Full-Time Equivalent (FTE) positions.

As indicated in Exhibit 10, it is estimated that total labour income generated by the rental housing industry is \$9.25 billion. Of this impact approximately \$8.29 billion, or 90 percent is generated within Ontario. The remaining \$0.95 billion or 10 percent is generated in other provinces.

Exhibit 10: Labour Income Impact of Ontario's Rental Housing Industry

| Labour Income Impact of Ontario's Rental Housing Industry (\$ millions) | | | | | | |
|---|--------------|------------|------------|------------|--------------|-------------|
| | Ontario | % | Other | % | Total | % |
| Direct | 3,082 | 33% | - | - | 3,082 | 33% |
| Indirect | 4,056 | 44% | 632 | 7% | 4,688 | 51% |
| Induced | 1,160 | 13% | 326 | 4% | 1,486 | 16% |
| Total Labour Income | 8,297 | 90% | 958 | 10% | 9,256 | 100% |

Source: Statistics Canada I/O model, KPMG calculations

This study estimates that the rental housing industry generates 163,343 FTE positions, of which 146,534 or 90 percent are located in Ontario and another 16,808 positions are located outside of the province. The employment multiplier

of 2.7 indicates that for each direct employee the industry supports about two employees outside of Ontario's rental housing industry.

Further, It is estimated that the average wage associated with one of these positions in Ontario is \$56,600. This estimate was derived by dividing Labour Income by the number of FTE positions that are generated by the industry. Exhibit 11 outlines further detail on the employment impact.

Exhibit 11: Employment Impact of Ontario's Rental Housing Industry

| Employment Impact of Ontario's Rental Housing Industry (FTEs) | | | | | | |
|---|----------------|------------|---------------|------------|----------------|-------------|
| | Ontario | % | Other | % | Total | % |
| Direct | 54,208 | 33% | - | - | 54,208 | 33% |
| Indirect | 68,836 | 42% | 10,093 | 6% | 78,928 | 48% |
| Induced | 23,491 | 14% | 6,716 | 4% | 30,206 | 18% |
| Total Employment | 146,534 | 90% | 16,808 | 10% | 163,343 | 100% |
| Total Labour Income (\$ billion) | 8.3 | | 0.9 | | 9.3 | |
| Average Wage | 56,600 | | 57,000 | | 56,700 | |
| Employment Multiplier | 2.7 | | | | | |

Source: Statistics Canada I/O model, KPMG calculations

A sector breakdown of the employment impact of Ontario's Housing industry is provided in Exhibit 12. As indicated below, the largest employment impacts from Ontario's Rental Housing occur in the Lessors of Real Estate sector and the Residential Construction sector. Of note, the FTE estimate for the Other Municipal Government Services sector includes employees at the Landlord and Tenant Board as well as certain staff at the Ministry of Municipal Affairs and Housing. The FTE results generally align with the results presented in Exhibit 9 on the GDP impacts of the industry.

Exhibit 12: Employment Impact of Ontario's Rental Housing Industry by Sector

| Employment Impact of Ontario's Rental Housing Industry by Sector (FTEs) | | | | | |
|---|----------------|---------------|----------------|-------------|--|
| Industry Sector | Ontario | Other | Total | % | |
| Finance, insurance, real estate, rental and leasing and holding companies | 34,826 | 1,442 | 36,268 | 22% | |
| Residential construction | 30,633 | - | 30,633 | 19% | |
| Administrative and support, waste management and remediation services | 14,538 | 1,592 | 16,131 | 10% | |
| Repair construction | 9,402 | 266 | 9,668 | 6% | |
| Retail trade | 8,734 | 1,641 | 10,375 | 6% | |
| Professional, scientific and technical services | 8,354 | 1,301 | 9,655 | 6% | |
| Manufacturing | 8,247 | 3,274 | 11,521 | 7% | |
| Other municipal government services | 5,847 | 109 | 5,956 | 4% | |
| Utilities | 4,280 | 173 | 4,452 | 3% | |
| Wholesale trade | 4,006 | 1,105 | 5,111 | 3% | |
| Other | 17,667 | 5,905 | 23,572 | 14% | |
| Total | 146,534 | 16,809 | 163,343 | 100% | |

Source: Statistics Canada I/O model, KPMG calculations

C. Government Revenue

This section summarizes government revenues generated by Ontario's rental housing industry and is divided into two parts. The first, summarizes government revenues generated by taxes on products and taxes on production; the second, provides an estimate of the income tax revenues and deductions at source generated by Ontario's rental housing industry.

Taxes on Products and Taxes on Production

For the purposes of this study, taxes on products cover sales taxes, gas taxes, excise taxes and custom duties amongst other items. Whereas, taxes on production include property taxes, business taxes, licensing and permitting fees amongst other items.

It is estimated that the rental housing industry in Ontario generates approximately \$3.73 billion of taxes on products and taxes on production. Of this amount, \$3.58 billion, or 96 percent, is collected in Ontario and \$160 million is collected outside the province. Further, of the \$3.73 billion of taxes on products and production, \$2.79 billion accrue from the payment of taxes on production in Ontario. This reflects the large payments of property taxes made by the rental housing industry, which are included in taxes on production. Unfortunately, StatsCan's I/O model does not separate property taxes from other taxes on production.

Exhibit 13 provides a breakdown of the government revenues generated by taxes on products and production.

Exhibit 13: Impact on Taxes on Products and Taxes on Production of Ontario's Rental Housing Industry

| Taxes on Products and Taxes on Production Generated by Ontario's Rental Housing Industry (\$ millions) | | | | | | |
|---|----------------|------------|--------------|-----------|--------------|-------------|
| | Ontario | % | Other | % | Total | % |
| Taxes on Products -Provincial | | | | | | |
| Provincial sales tax | 420 | 11% | 17 | 0% | 437 | 12% |
| Provincial gas tax | 55 | 1% | 12 | 0% | 64 | 2% |
| Provincial trading profits | 40 | 1% | 13 | 0% | 50 | 1% |
| Other Provincial taxes on products | 27 | 1% | 12 | 0% | 36 | 1% |
| Total Provincial | 543 | 15% | 53 | 1% | 587 | 16% |
| Taxes on Products - Federal | | | | | | |
| Federal sales tax (GST and HST) | 165 | 4% | 17 | 0% | 182 | 5% |
| Federal gas tax | 39 | 1% | 6 | 0% | 45 | 1% |
| Federal duty tax | 16 | 0% | 3 | 0% | 19 | 0% |
| Other Federal taxes on products | 25 | 1% | 3 | 0% | 28 | 1% |
| Total Federal | 244 | 7% | 29 | 1% | 274 | 7% |
| Taxes on Production | | | | | | |
| Total (Note 1) | 2,799 | 75% | 78 | 2% | 2,877 | 77% |
| Total | 3,586 | 96% | 160 | 4% | 3,738 | 100% |

Note 1: includes property taxes

Source: Statistics Canada I/O model, KPMG calculations

Taxes on Salaries and Deduction at Source

It is estimated that the rental housing industry generates about \$2.18 billion in personal income taxes, of which \$640 million accrue to the Government of Ontario and \$1.54 billion to the Government of Canada. The majority of this income tax, or 66 percent, is collected in Ontario. It is also estimated that the rental housing industry generates total CPP contributions of \$753 million, EI contributions of \$326 million and QPIP contributions of \$5 million. Exhibit 14 provides more detail.

The calculation of personal income tax and deductions at source is based on the number of employment positions generated by Ontario's rental housing industry multiplied by the average salary in the industry. The appropriate tax rates for each province as well as CPP, QPIP and EI rates were then applied to the average salary estimate to generate an estimate of federal and provincial income tax revenues as well as deductions at source.

Exhibit 14: Impact on Taxes on Salaries and deductions at source of Ontario's Rental Housing Industry

| Taxes on Salaries Generated by Ontario's Rental Housing Industry (\$ millions) | | | | | | |
|---|----------------|-------------|--------------|-------------|--------------|-------------|
| | Ontario | % | Other | % | Total | % |
| Provincial Income Tax | 525 | 18% | 115 | 30% | 640 | 20% |
| Federal Income Tax | 1,387 | 48% | 161 | 41% | 1,548 | 47% |
| Total Income Tax | 1,912 | 66% | 276 | 71% | 2,188 | 67% |
| CPP - Employee | 338 | 12% | 39 | 10% | 377 | 12% |
| CPP - Employer | 338 | 12% | 39 | 10% | 377 | 12% |
| Total CPP | 676 | 23% | 77 | 20% | 753 | 23% |
| EI - Employee | 123 | 4% | 13 | 3% | 136 | 4% |
| EI - Employer | 172 | 6% | 18 | 5% | 190 | 6% |
| Total EI | 295 | 10% | 31 | 8% | 326 | 10% |
| QPIP - Employee | | | 2 | 0.5% | 2 | 0.1% |
| QPIP - Employer | | | 3 | 0.7% | 3 | 0.1% |
| Total QPIP | | | 5 | 1.2% | 5 | 0.1% |
| Total | 2,883 | 100% | 389 | 100% | 3,272 | 100% |

Tables (KPMG), KPMG calculations

D. Gross Output

This section provides an overview of the gross output i.e. the total value of the goods and services produced by Ontario's rental housing industry. It is important to note that intermediate purchases from other industries are not netted out in measures of gross output. As such, the gross output of an industry is significantly greater than its GDP impact.

This study estimates that Ontario's rental housing industry generates about \$38.55 billion of gross output. Of this amount, \$34.92 billion, or 91 percent, is generated in Ontario and \$3.63 billion is generated outside of the province. Exhibit

15 provides a detailed breakdown of the gross output of the industry by direct, induced and indirect impact.

Exhibit 15: Gross Output Impact of Ontario's Rental Housing Industry

| Gross Output Impact of Ontario's Rental Housing Industry (\$ millions) | | | | | | |
|--|---------------|------------|--------------|-----------|---------------|-------------|
| | Ontario | % | Other | % | Total | % |
| Direct | 19,865 | 52% | - | - | 19,865 | 52% |
| Indirect | 10,969 | 28% | 2,382 | 6% | 13,353 | 35% |
| Induced | 4,091 | 11% | 1,248 | 3% | 5,339 | 14% |
| Total | 34,925 | 91% | 3,630 | 9% | 38,556 | 100% |

Source: Statistics Canada I/O model, KPMG calculations

A breakdown by commodity sector of the gross output produced by Ontario's rental housing industry is provided in Exhibit 16. As indicated below, the commodity sectors in which the greatest gross-output impacts are observed include: the Rental of Residential Real Estate sector, the Residential Construction sector; the Utilities sector; and the Repair and Construction Services sector. Combined, these commodities account for approximately 55 percent of the gross output impact of Ontario's rental housing industry.

Exhibit 16: Gross Output Impact of Ontario's Rental Housing Industry by Sector

| Gross Output Impact of Ontario's Rental Housing Industry (\$ millions) | | | | | |
|--|---------------|--------------|---------------|-------------|--|
| Commodity Sector | Ontario | Other | Total | % | |
| Rental of residential real estate | 14,197 | 31 | 14,228 | 37% | |
| Residential construction | 5,865 | - | 5,865 | 15% | |
| Electricity | 1,207 | 92 | 1,299 | 3% | |
| Repair construction services | 986 | 38 | 1,024 | 3% | |
| Sew age and dirty water disposal and cleaning services | 711 | 2 | 713 | 2% | |
| Retail margins | 681 | 107 | 788 | 2% | |
| Imputed rental of owner-occupied dwellings | 624 | 86 | 710 | 2% | |
| Services to buildings and dwellings | 596 | 31 | 627 | 2% | |
| Wholesale margins | 544 | 152 | 696 | 2% | |
| Holding company services and other financial investment and related activities | 464 | 60 | 525 | 1% | |
| Services related to real estate | 457 | 11 | 468 | 1% | |
| Rental of non-residential real estate | 419 | 48 | 467 | 1% | |
| Other | 8,177 | 2,972 | 11,149 | 29% | |
| Total | 34,925 | 3,630 | 38,556 | 100% | |

Source: Statistics Canada I/O model, KPMG calculations

E. Comparison to Other Industries and Ontario's GDP

Exhibit 17 compares the economic impacts generated by Ontario's rental housing industry to those of the Aerospace, Defence and Food and Beverage industries in Ontario. Data regarding other industries was gathered from publicly available information and the specific sources consulted to obtain the data are listed below Exhibit 17.

As indicated in the table, Ontario's rental housing industry generates a significantly larger GDP, Labour Income, Employment, Government Revenue and Total Gross Output impact than Ontario's Defence and Aerospace industries. However, the economic impacts attributable to the Food and Beverage industry exceed those of the Rental Housing Sector (with the exception of Government Revenues). This is in part due to the broad definition of the Food and Beverage Sector used in its economic impact assessment, which covers farming, food processing, food transportation and distribution, restaurants and grocery stores.

Further, it should be noted that approximately 3 percent or \$18.30 billion of Ontario's total GDP of \$674.89 billion in 2012 is attributable to the province's rental housing industry.

Exhibit 17: Other Industries' Economic Impacts in Ontario

| Other Industries' Economic Impacts in Ontario (\$ millions) | | | | |
|---|------------------------------------|----------------------------------|---|--|
| | Aerospace Industry (Note 1) | Defence Industry (note 2) | Ontario Food and Beverages Industry (Note 3) | Ontario Rental Housing Industry |
| GDP Impact | 6,700 | 6,987 | 26,217 | 18,300 |
| Labour Income | n/a | 4,296 | n/a | 8,297 |
| Employment (FTEs) | 67,700 | 70,462 | 361,026 | 146,534 |
| Government Revenues | 320 | n/a | 5,198 | 6,453 |
| Total Gross Output | 11,180 | 13,884 | 66,823 | 34,927 |

Sources: *The Strategic and Economic Impact of the Canadian Aerospace Industry*, *Economic Impact of the Defence and Security Industry in Canada*, *Economic Impact Analysis: Ontario Food and Beverage Processing Sector*

5. Economic Impact of the Construction of Rental Housing in Ontario

This study estimates that in 2012 the construction of new rental housing:

- ✓ generated a **GDP impact of \$2.81 billion in Ontario**, and \$0.39 billion elsewhere.
- ✓ created **labour income of \$1.82 billion in Ontario** and \$0.21 billion in other Provinces.
- ✓ resulted in the creation of **33,083 FTE in Ontario and 7,423 outside of the Province**.
- ✓ generated government revenues of **\$1.17 billion of which \$1.08 billion was in Ontario**.
- ✓ produced **total gross output of \$5.98 billion in Ontario** and \$0.81 billion elsewhere.

This section provides an overview of the economic impacts generated by the construction of rental housing in Ontario. As indicated in Section 3, this study estimates that capital expenditures in Ontario's rental housing industry amounted to \$4.53 billion in 2012, of which \$1.77 billion, or 39%, was spent on the construction of new residential housing. This section focuses on the economic impacts generated by the \$1.77 billion spent on new rental property construction.

In order to derive an estimate of these economic impacts, the results of Statistics Canada's I/O model for the entire industry were prorated using the share of capital expenditures related to the construction of new rental housing. Exhibit 18 and the bullet points below provide an overview of our results. It is important to note that the impacts described in Exhibit 18 are included in (i.e. they should not be considered in addition to) the estimates described in Section 4 of this report.

This study estimates that the construction of new rental housing in Ontario generated:

- ✓ a GDP impact of \$2.81 billion in Ontario in 2012 and \$0.39 billion elsewhere in Canada.
- ✓ labour income of \$1.82 billion and employment of 33,083 Full-Time Employees (FTEs) in Ontario in 2012. In other provinces, the industry generated labour income of \$0.21 billion and 7,423 jobs.
- ✓ \$1.08 billion in government revenues in Ontario and \$0.09 billion in government revenues outside of the province.
- ✓ gross output of \$5.98 billion in Ontario and an additional \$0.81 billion of gross output in other parts of Canada.

Exhibit 18: Summary of Economic Impacts of New Rental Housing Construction

| Summary of GDP, Employment, Labour Income, Government Revenue Impact (\$ billions) | | | |
|--|---------|-------|--------|
| | Ontario | Other | Canada |
| GDP impact | 2.81 | 0.39 | 3.20 |
| Labour income | 1.82 | 0.21 | 2.04 |
| Employment (FTE positions) | 33,083 | 7,423 | 37,276 |
| Government Revenues | | | |
| Taxes on products | 0.13 | 0.02 | 0.15 |
| Taxes on salaries | 0.48 | 0.06 | 0.54 |
| Taxes on production | 0.47 | 0.02 | 0.48 |
| Total gross output | 5.98 | 0.81 | 6.79 |

Source: Statistics Canada I/O model, KPMG calculations

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Disclaimer

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