
Subject: COVID-19 Impact on Investment and Development in Niagara

Report to: Planning and Economic Development Committee

Report date: Wednesday, October 14, 2020

Recommendations

1. That this report ED 13-2020 **BE RECEIVED** by the Planning and Economic Development Committee for information.

Key Facts

- This report examines two main datasets: investment in building construction, and building permit values for the St. Catharines-Niagara CMA.
- Levels of investment in building construction and building permit values were strong and stable going into 2020.
- Total investment experienced a sharp decline in April 2020 but recovered as of July 2020.
- Residential and commercial building types were affected more drastically than industrial, and institutional and government building types.
- Although investment has regained momentum, there are still economic challenges present that could negatively affect this in the near future.

Financial Considerations

None applicable.

Analysis

The COVID-19 pandemic has had a major impact on Niagara's economy since restrictions were put in place in April 2020. At that time, upwards of 25,000 people became unemployed and businesses across Niagara began losing multiple billions in revenue and opportunity. While data from the Niagara COVID-19 Business Impact Surveys provided initial information to understand the impact on businesses and the regional economy, economic indicators are now becoming available in order to do more comprehensive research and analysis on the economic fallout and recovery of COVID-19.

This report examines two datasets of economic data in order to understand how COVID-19 has had an impact on investment in building construction and development during the initial stages of the COVID-19 pandemic. The first dataset is on investment in building construction, and the second is on building permit values. These datasets provide important insights into investment and development trends in Niagara.

Methodology

The data used to complete this research comes from Statistics Canada. The data on investment in building construction comes from Statistics Canada: Table 34-10-0175-01. The data used to complete the research on building permit values comes from Statistics Canada: Table 34-10-0066-01.

All values for investment in building construction are in constant dollars and seasonally adjusted. This means that the values are adjusted for inflation and seasonality. This is important when accounting for changes over time because it removes inflationary and seasonal effects in the data in order to account for real economic growth.

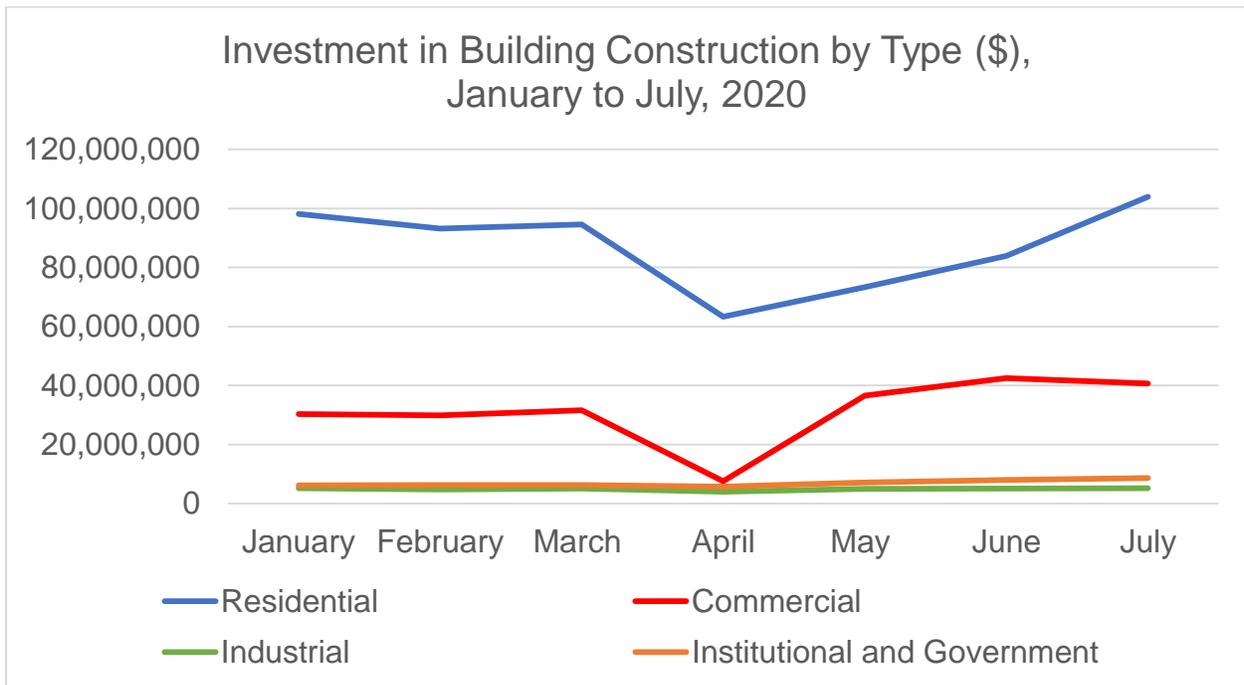
All values for building permits are in current dollars and seasonally adjusted. This means that the values are not adjusted for inflation but are adjusted for seasonality. Building permit values are helpful at indicating the potential for future investment in building construction. They do not reflect actual investment, but proposed investment that will occur at a future date.

The timeframe chosen for the research is January to July 2020. January reflects investment and building permit values pre-COVID-19 and July is the latest data available to look at trends in investment in building construction and building permit values.

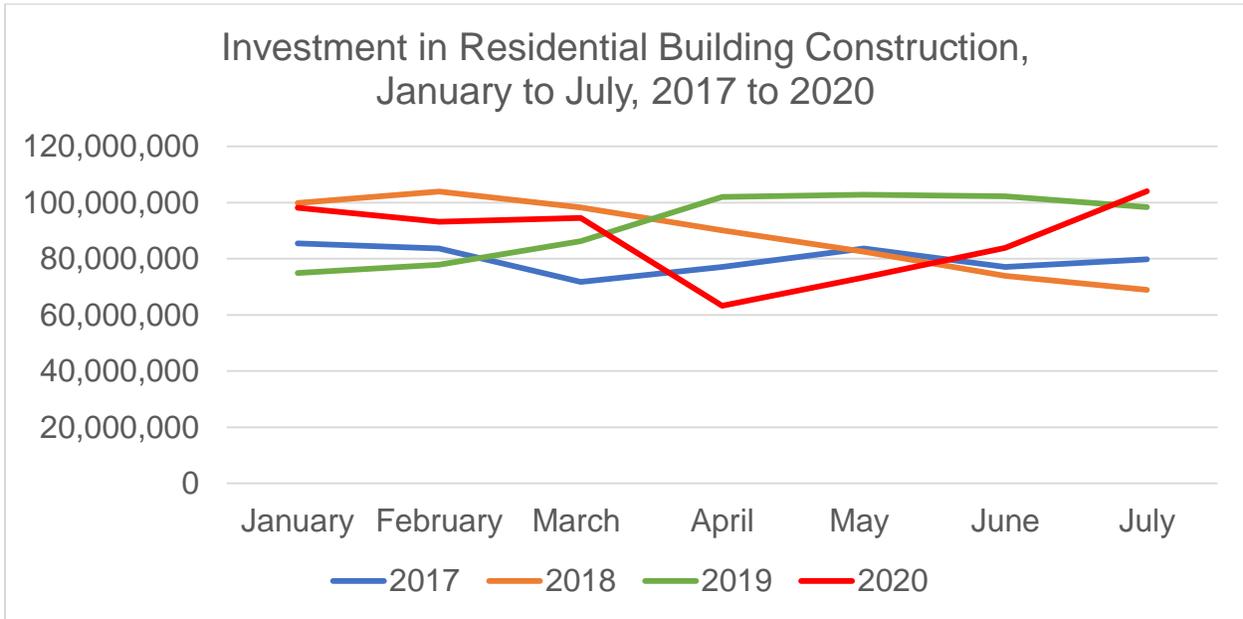
All data used is for the St. Catharines Niagara Census Metropolitan Area (CMA). The same data is not available at the census division level.

Investment in Building Construction

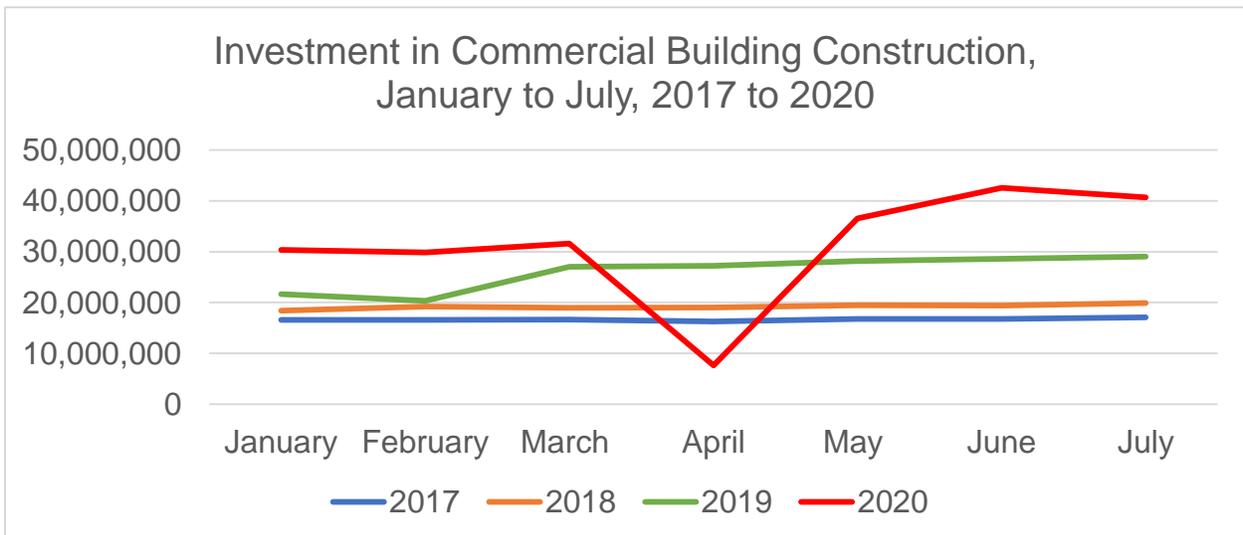
This section covers investment in building construction values across building types including residential, commercial, industrial, and government and institutional building types, as well as the combined values of all building types.



COVID-19 affected investment in residential and commercial construction differently than industrial, and institutional and government. Investment in residential and commercial building construction experienced a sharp decline in April 2020 with a gradual recovery through May, June, and July. The sharp decline in April was likely due to the COVID-19 restrictions introduced by various levels of government. Investment in industrial, and institutional and government remained stable during the same timeframe.



Compared to previous years, investment in residential building construction remained strong in January at \$98.2 million. There was a sharp decline in April down to \$63.3 million during the start of COVID-19 restrictions, but there was a gradual increase through May and June with July achieving a higher level of investment than the previous years at \$104.0 million.

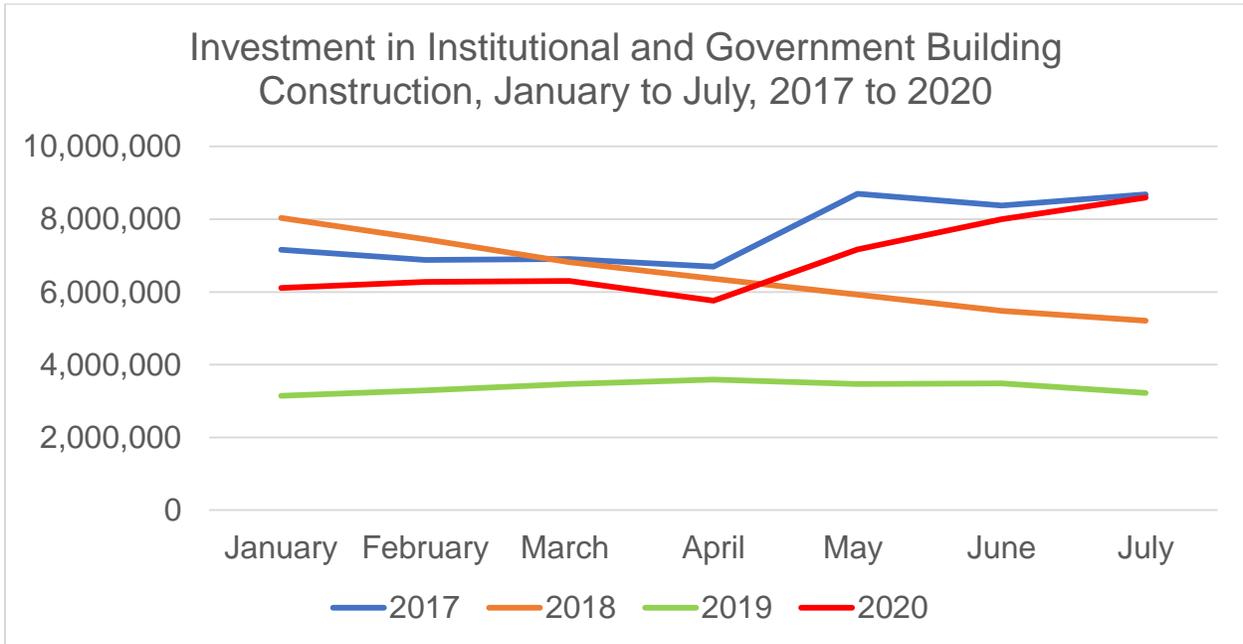


Investment in commercial building construction was also strong in January 2020 at \$30.4 million. Similar to residential, commercial experienced a significant drop in April

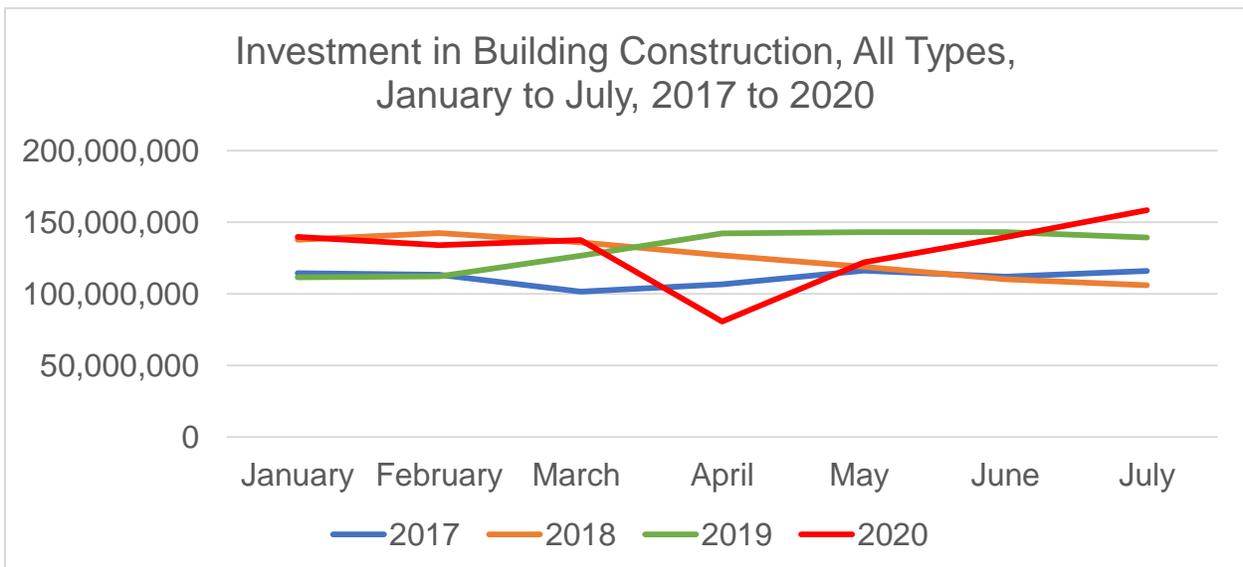
falling to \$7.6 million. Commercial also experienced a significant rebound and achieved growth higher than previous years at \$40.7 million.



Compared to previous years, investment in industrial building construction was relatively low in January 2020 at \$5.1 million. Although there was a slight dip in April down to \$4 million, investment values rebounded the following month in May. By July, investment in industrial building construction rebounded to pre-COVID-19 levels of \$5.2 million.

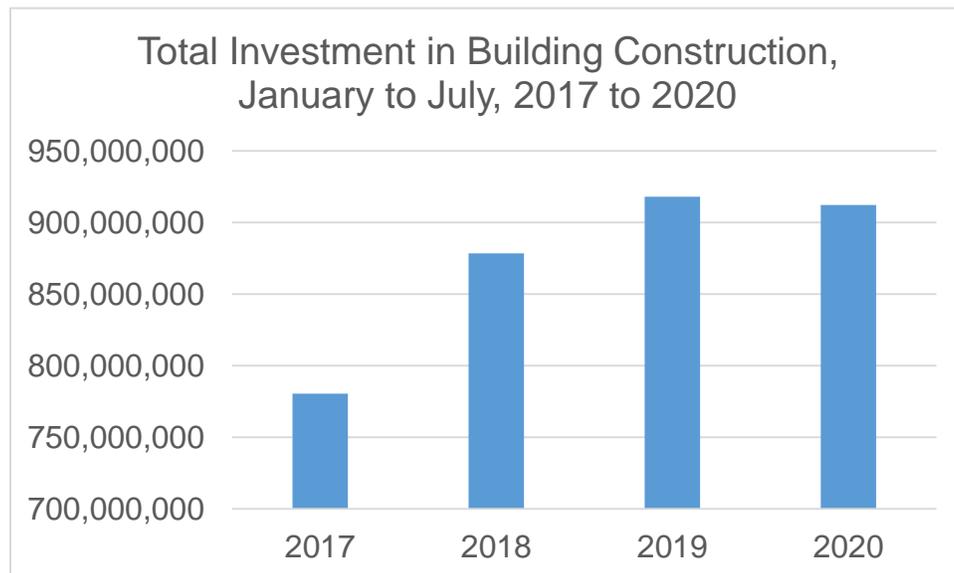


Investment in institutional and government building construction was relatively low at \$6.1 million in January 2020. There was a slight dip to \$5.8 million in April, but values rebounded immediately and reached \$8.6 million by July. Interestingly, investment levels seem to outpace all previous years except 2017 despite the COVID-19 pandemic.



For the past 5 years, Niagara has been under a construction boom across all building types and investment in building construction remained historically strong at \$140.0 million in January 2020. Investment levels remained strong until April 2020 when the

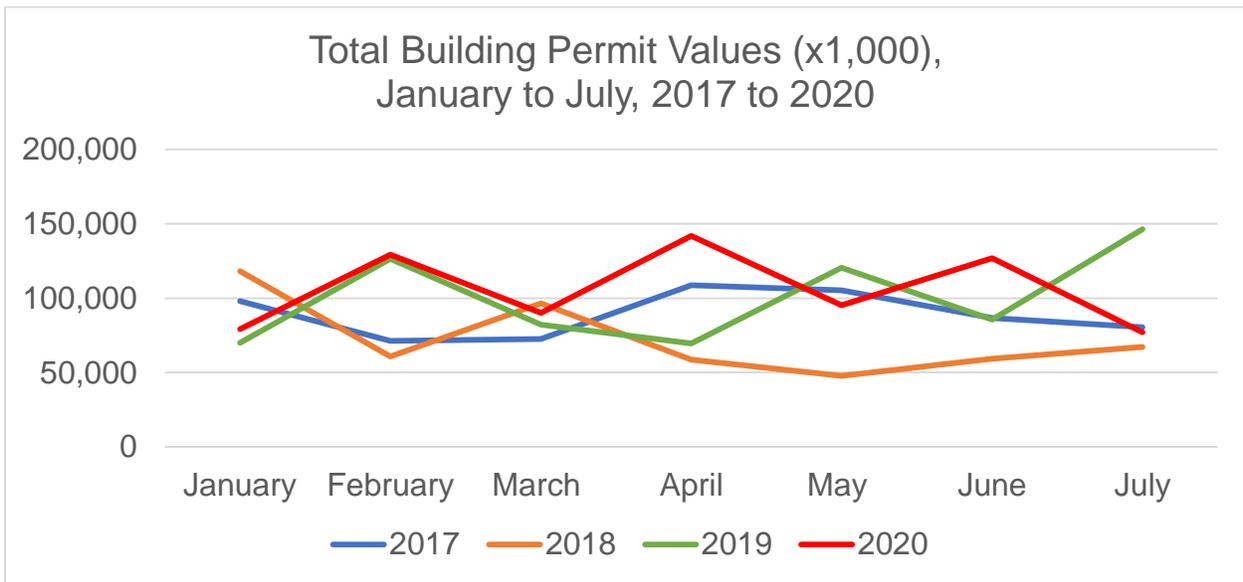
COVID-19 restrictions took effect. Although that month experienced a sharp decline, surprisingly total investment quickly rebounded and actually surpassed the past few years achieving \$158.5 million.



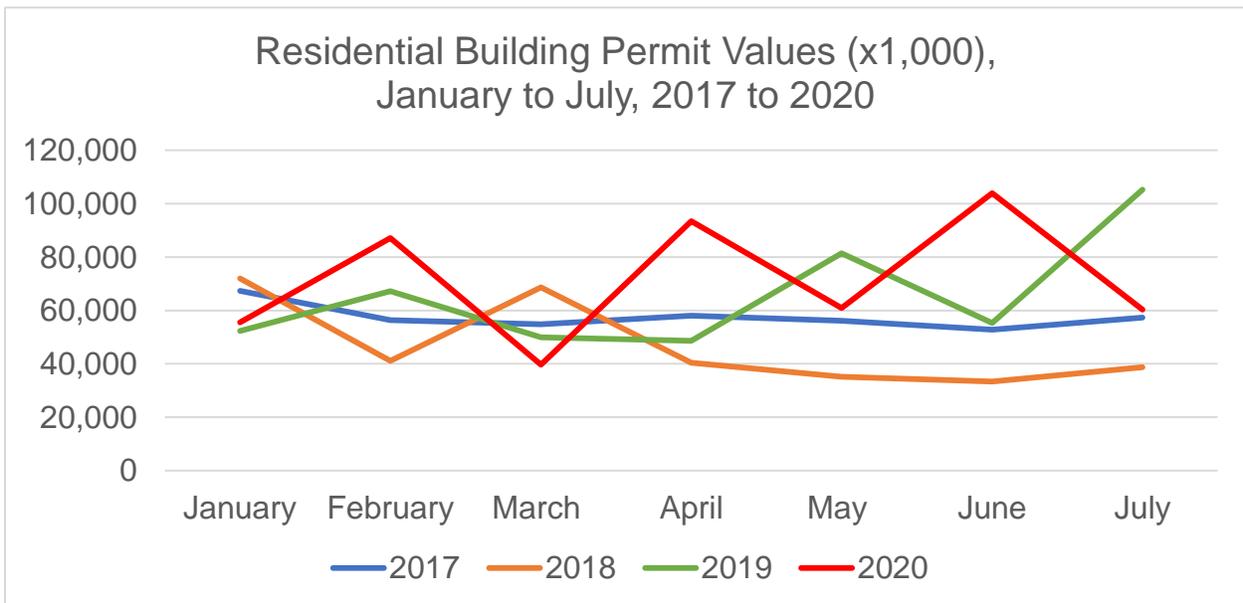
As mentioned, investment in building construction in Niagara has been historically high for the past few years. Despite the negative economic impacts of the COVID-19 pandemic, investment levels have remained strong so far for 2020.

Building Permits Values

This section covers the value of building permits issued for residential, commercial, industrial, and institutional and government building types. It also looks at the combined value of all building types.

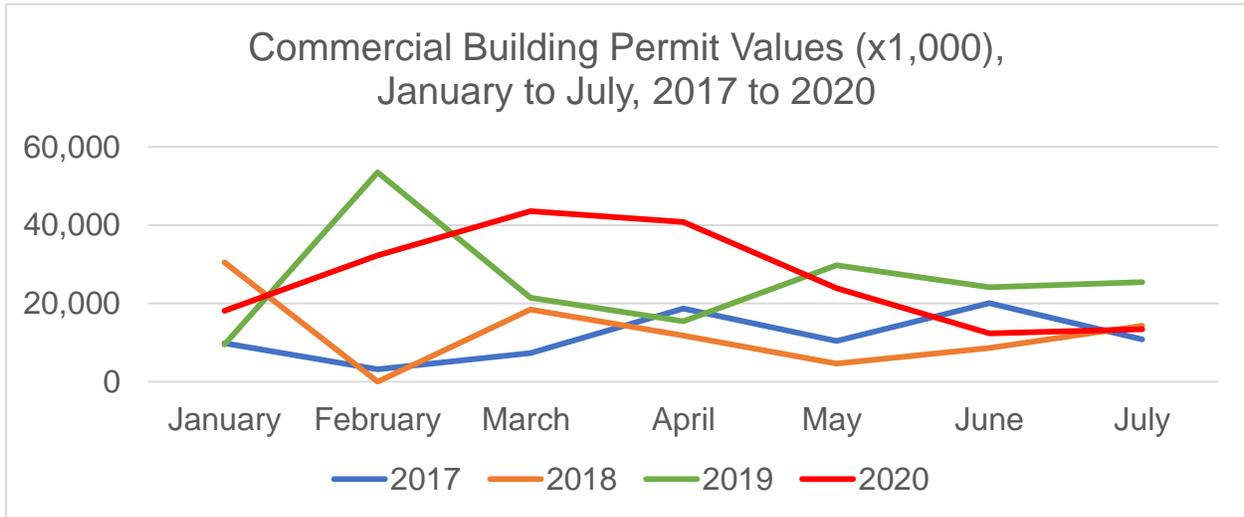


Total building permit values in January 2020 were slightly lower than 2017 and 2018; however, values have remained relatively strong. Despite the fact that COVID-19 restrictions took effect in April 2020, total building permit values surged to \$141.9 million that same month. They remained at stable levels with a slight decline to \$77.0 million in July 2020.

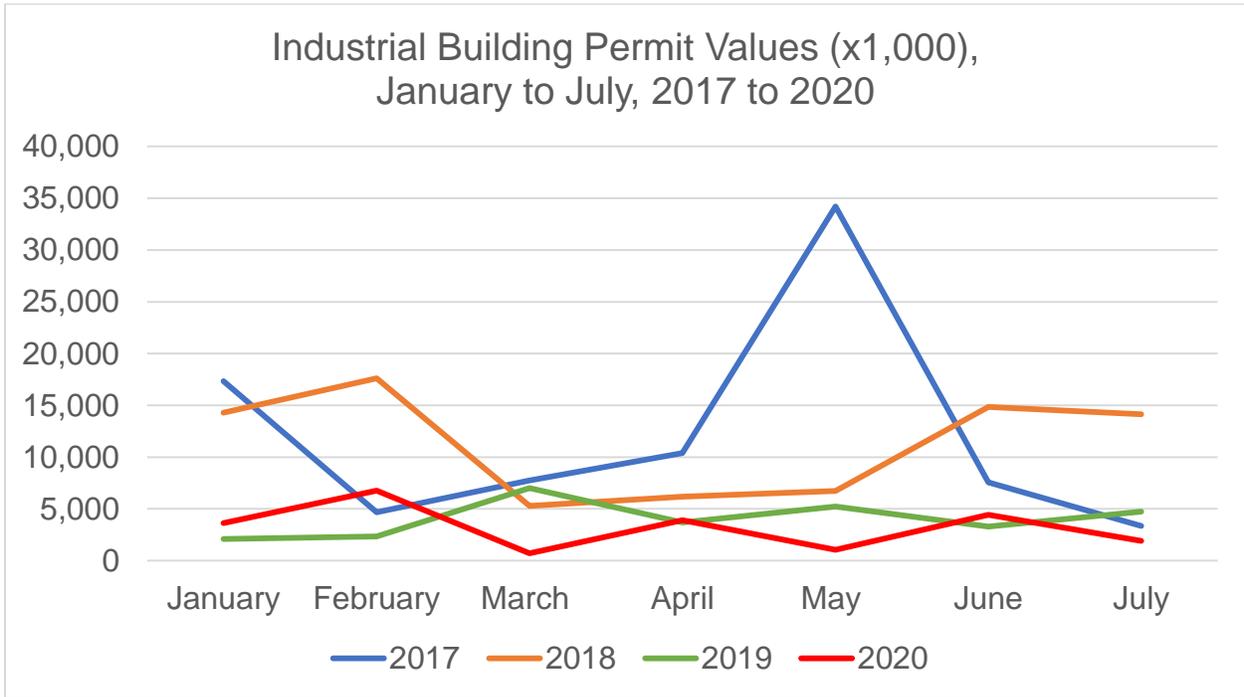


In January 2020, residential building permit values were lower than 2017 and 2018, but on par with 2019 at \$55.5 million. Residential building permit values dropped in March

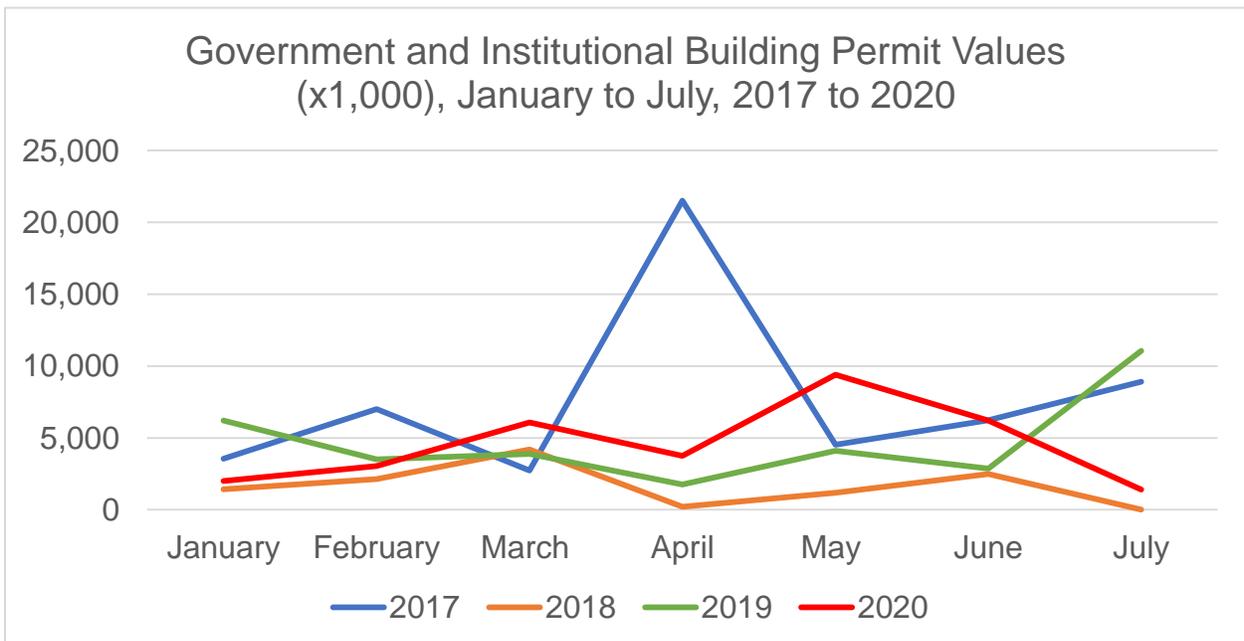
2020 to \$40.0 million, but increased again in April to \$93.5 million despite the introduction of COVID-19 restrictions. Residential building permit values showed an upward trend to June 2020, but declined again in July to \$60.3 million.



Commercial building permit values experienced steady growth from January to March 2020, but began to decline in April with a slight rebound in July. In 2020, there was a decline from March to July whereas previous years had slight gains during these months.



Industrial building permit values remained relatively low but stable from January to July 2020. The major spike in values in May 2017 are likely due to some major projects that were planned for Niagara at that time.



Government and institutional building permits were relatively low in January 2020. They grew steadily but returned to lower values by July 2020. These values are not as influenced by market conditions compared to the other types because they are publicly funded projects that are planned and budgeted for well in advance of construction.



Total building permit values remained strong for 2020. To date, 2020 is still on track to be a record year with building permit values reaching \$740.0 million in value as of July. This is an indication that investment will continue in Niagara in the immediate future as these projects come to fruition.

Conclusion

Investment and construction activity remained strong for Niagara going into 2020. However, investment values were drastically affected in April 2020 due to COVID-19. Interestingly, they rebounded almost immediately and remained stable. This is a good sign that Niagara may not have lost momentum in new investment and development in Niagara.

Investment in residential and commercial building construction were impacted drastically more than industrial, and government and institutional building types. This is likely due to the nature of residential and commercial developments compared to industrial and institutional. Commercial and residential projects are much higher in volume and react more quickly to market conditions. Industrial and institutional projects are typically larger, fewer and take longer to complete.

Industrial, and institutional and government remained relatively stable throughout the COVID-19 restrictions period. As evident in the results from the Niagara COVID-19 Business Impact Surveys and the results from the Statistics Canada Labour Force Survey, the goods producing sector which included manufacturing, construction and agriculture, were not negatively affected as much as the service sector when it comes to lost jobs and revenue.

Investment in building construction returned to pre-pandemic levels as of July and higher for residential and commercial building types.

Investment remains strong, but there are economic challenges on the horizon that could affect this including the end of support programs for individuals and business, as well as the end of mortgage and other debt payment deferral programs. This will have negative macroeconomic implications that may affect business confidence, access to capital, and new investment into the future.

Residential building permits remain strong, but there is softening in commercial, industrial, and government and institutional values, which is a sign that future investment levels may decline into the future if conditions do not improve.

A second wave of COVID-19 could negate economic progress on recovery to-date, which would result in another shock to the regional economy.

Alternatives Reviewed

None applicable.

Relationship to Council Strategic Priorities

Economic development activities described in this report directly support three of Council's 2019-2022 Strategic Priorities:

- Supporting Businesses and Economic Growth

Other Pertinent Reports

- ED 9-2020 – COVID-19 Response and Business Continuity in Economic Development
- ED 11-2020 – Economic Recovery Plan Progress Update

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Appendices

None applicable.