

Economic Development Winnipeg

# WEEKLY ECONOMIC DIGEST



## GIMME SHELTER!

GROWING OUR POPULATION REQUIRES FORWARD THINKING ON SUFFICIENT EMPLOYMENT LANDS AND SHELTER

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### Bottom Line

There is a complex interplay between land use and the growth of businesses and population. Having sufficient and suitable space is necessary to ensure businesses can grow their local workforce and sales. To support a decent quality of living for our population and to enable them to supply their labour with greater ease, the affordability of shelter is especially important. Shelter is the single largest contributor to the Consumer Price Index, so planning for a net increase in shelter is important. **Growing our population requires resolving constraints to the provision of sufficient employment lands and nearby shelter.**

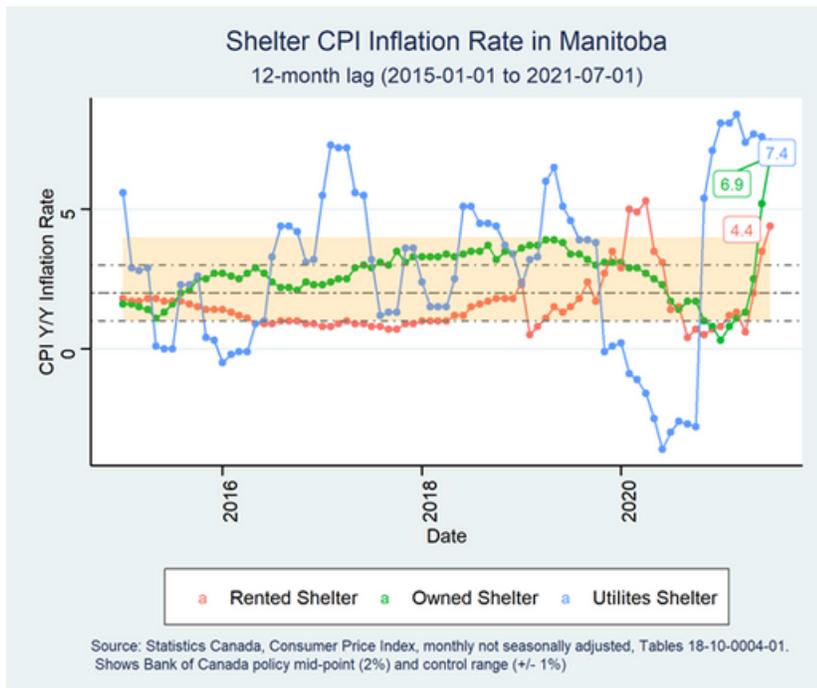
Significant policy attention is focused on rising shelter costs in Canada's large Census Municipal Areas (CMAs). This involves governments, developers, and Canadians who need access to reasonably priced homes (whether single or multiple dwelling units; rented or owned).

# CONSUMER PRICE INDEX (CPI) SHELTER

Time	Description	Canada Shelter Weight (%)	Manitoba Shelter Weight (%)
1986 - 2017	min	26.26	22.94
	max	27.78	25.25
2020	value	30.03	25.76

## Shelter Weight in the Consumer Price Index

Shelter has the highest weight of the eight major components of the Consumer Price Index. The 2020 weightings for shelter exceed the 1986 – 2017 range of weights, showing a rising cost of shelter.



## Shelter Subcomponent Inflation

In the July 2021 CPI report, we saw that year-over-year shelter inflation was above all-item CPI inflation. When we break out Manitoba’s shelter costs by its major subcomponents, we see that there was a sharp drop in shelter utility inflation (water, fuel, and electricity prices) during 2020, coinciding with the drop in crude oil during the pandemic. These base year effects are boosting y/y inflation in 2021.

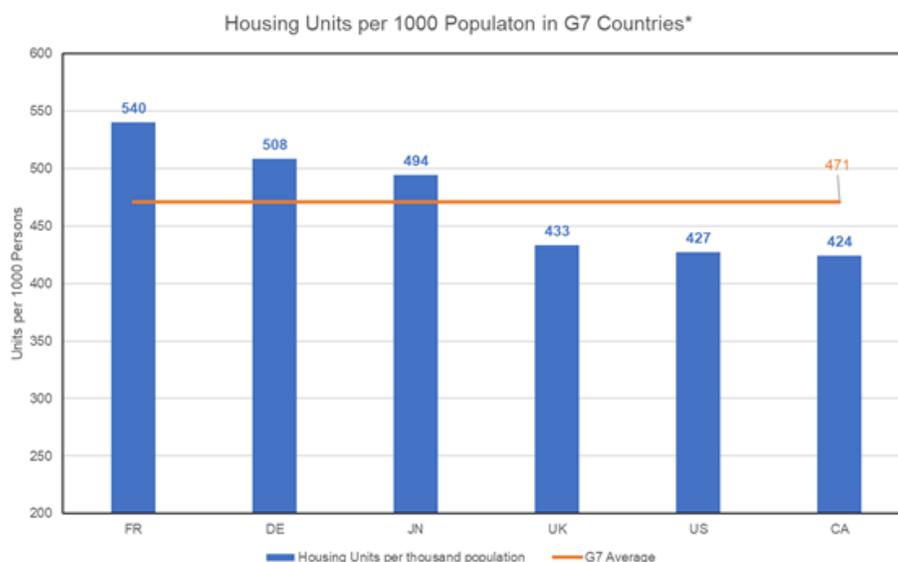
Owned and Rented shelter price inflation is surging in 2021, due in part to supply chain constraints and material costs.

Source: Statistics Canada, Tables 18-10-0004-01 and 18-10-0007-01.

# SHELTER SUPPLY AND DEMAND

In many parts of the country there is a concern that the supply of shelter is not keeping pace with population growth, changes to household composition, and changing demographics. A May 12, 2021, Scotiabank research note on housing “[Estimating the Structural Housing Shortage in Canada](#),” examines this issue.

The report reviews Canada’s housing data and compares Canada to the G7 countries. They note that the 36-month rolling sum of Canadian home completions compared to changes in population is well below the average between 1984 and 2021. The number of housing units per 1,000 people in Canada is 424, below the G7 average of 471.



## Considerations to Boost Shelter Supply

The Scotiabank report suggests a need for increasing the responsiveness of supply to demand. Increased net demand for shelter comes from the need to house an expanding population which is growing in a variety of locations around Canada, including Winnipeg. We also must house foreign students attending post-secondary institutions. There is also the need to upgrade or replace the existing shelter stock. The report suggests several ways to increase the net pace of building shelters to better match pent-up needs and expected future increases, other than only price signals.

They note that **there is a need for a collaborative, multi-stakeholder process to break through challenges at the municipal, provincial, and federal level.** This would likely require federal funding to incentivize provinces and municipalities. For example: tying transit funding to urban density and speed-of-approvals.

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Sources: Scotiabank Economics, Statistics Canada, OECD, US Census \* Does not include Italy due to data limitations.

# MULTIPLE GOVERNMENT LEVELS

## What Already Exists

However accomplished, it will not be as simple as leaving the shelter-making machine on overnight.<sup>1</sup> It will need good, coordinated planning at the provincial, economic region and municipal level, building on what already exists. This includes:

- **Long-term projections of population growth, household formation and demographics** (possibly in consultation with developer forecasts), and **Employment land development forecasts**, and
- **The municipal/regional planning capacities and spatial land use plans** that currently exist (e.g. [Our Winnipeg](#), Winnipeg Metropolitan Region's [Plan 2050](#)). [Spatial modeling](#) is crucial when trying to implement a land use policy.

## Building on What Already Exists

To get there will likely require a whole host of changes across multiple levels of governments:

- **Changes to enabling legislation, bylaws and planning guidelines** that will enable more shelter to be built while continuing to meet other policy goals.
  - *For example, there are [many criticisms](#) of post-WW2 car-dependent development rules, vs. **walkable, mixed-use, higher density suburban developments** prior to WW2 (e.g., Riverdale, Toronto). Not mentioned in the video, but crucial for civic finances is a civic revenue implication. **These higher density suburbs would raise more property taxes per square foot at the same mill rate, while requiring less supporting infrastructure.** This would boost the capacity of cities to self-finance over the medium- to long-term.*
- **Planning and project approval process certainty, clarity, and visibility.** At the same time, the capacity of the planning system and approval system needs to be sufficient to handle expanded demand. Some of this capacity building may include expanding on the pandemic-driven digitization of planning processes and approvals.
  - *As is usually the case, moving a process to a new platform is an opportunity for simplification, improvements in speed and visibility. There are different customer segments, with differing needs and levels of complexity.*
- Using demand forecasts of employment lands and shelter, to help improve the planning and funding for servicing land, and
- Modeling the fiscal impact on affected municipalities of growing populations and their projected impacts on shelter and employment land demands.

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<sup>1</sup> A riff off the classic commercials by Kern-Hill Furniture involving the mattress making machine.

# MUNICIPAL FINANCE MODELS, DEVELOPERS



## Municipal Finance Models

A good example of a municipal finance model (non-spatial) taking many economic factors into account is Calgary's Municipal Finance Simulation Model (MFiSiM), as illustrated in the key components figure on page 2 of their report (shown on the left).

## Developers

For developers having greater certainty around:

- The pace/need for net-new shelter and employment lands forecast by governments,
- The availability of serviced land that can be developed each year and what is planned to be made available in the coming years,
- the data requirements at each stage of project approval (that aligns with development plans),
- A clear development plan that is less subject to Not-In-My-BackYard (NIMBY) concerns.
  - *Having fungible spatial metadata may be a useful approach that could be made available using an open data portal or use of third-party Software-as-a-Service (SaaS).*

While these comments about governments and developers are not exhaustive, the above shows that there are many factors involved. No single player has all the policy levers and funding to make things happen.

# EMPLOYMENT LANDS

## A Sufficient Supply of Employment Lands is Crucial

Although not mentioned in the Scotiabank report, **having sufficient employment lands to enable the building of new factories, warehouses and other places of work is important as a driver of population growth in any municipality or economic region.**

**Having sufficient employment lands means that business can more easily expand or locate in Winnipeg. This drives the growth of employment and the population.** As noted above, this requires good forecasts of employment land demand. To service this land ahead of needs requires time to do the work and financing until it can be sold to new owners.

## INQUIRIES AND CONTACTS

If you require help accessing government programs, contact our YES! Winnipeg team through the [Help us help you form](#).

General inquires: [wpginfo@edwinnipeg.com](mailto:wpginfo@edwinnipeg.com)

Marketing & communications inquiries:

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