Economic Impact Study – Canada's Rental Housing Sector

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Canadian Federation of Apartment Associations

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Contents

Executive Summary

This study provides estimates of the economic impact in 2015 of Canada's rental housing industry. This study estimates that, in 2015, Canada's rental housing industry:

- Contributed **$69.3 billion to Canada's GDP.**
- Generated **Labour Income** of **$30.6 billion** and **436,306 Full-Time Equivalent ("FTE") positions**[1] in Canada
- Generated **$25.8 billion in government revenues** in Canada. This value reflects government revenues from income taxes on employment earnings and CPP, EI, QPIP deductions at source and income tax on rental income. These government revenues are a component of the GDP impact noted above.

For this study, we have defined the rental housing industry to include purpose-built rental units, the condo rental market, and the secondary rental market.[2] This definition helps ensure that the full economic impacts of the rental housing industry in Canada are captured.

[1] An FTE assumed to be equivalent to one full-time position that is held for one year.

[2] The secondary rental market consists of private homes (other than condos) that are rented out, such as basement apartments and single family homes, doubles, duplexes and townhouses owned and rented out by individual investor owners.

1 Introduction

The Canadian Federation of Apartment Associations ("CFAA") retained KPMG LLP ("KPMG") to undertake an assessment of the economic impact of Canada's rental housing industry. This study shows that the rental housing industry is an important component of the Canadian economy.

1.1 Understanding the Study

The results in this study are based on information gathered from the 2011 National Household Survey, Statistics Canada's ("StatsCan") CANSIM database, the Canada Mortgage and Housing Corporation ("CMHC") and an income and expense survey administered by the Federation of Rental-housing Providers of Ontario ("FRPO") in 2012.

Information from the sources above was used to develop estimates of the annual revenues and capital expenditures of the rental housing industry in Canada. These estimates were used as inputs to Statistics Canada's Input/Output ("I/O") model of the Canadian economy. The objective was to develop an assessment of the impact of the rental housing industry on Canada's economy. In particular, this study provides estimates of the contribution of the rental housing industry to Canada's:

- GDP;
- Labour Income;
- Employment levels; and
- Government revenues.

Chapters 5 through 7 of this study provide separate estimates of the economic impacts generated by Saskatchewan's, Manitoba's and Nova Scotia's rental housing industries.

1.2 Overview of Canada's Rental Housing Industry

Data gathered from the National Household Survey and the CMHC indicated that there were approximately 3.67 million rental units in Canada in 2015. This estimate excludes social housing, which is not included in our study. It is important to note that our estimate of units includes all forms of rental housing units, including traditional rental units in purpose-built apartment buildings, as well as single and semi-detached homes, townhouse units, and condominium units ("condos") that are rented privately. Similarly, it includes individual apartments contained within private dwellings or other buildings that are not apartment complexes. A detailed description of how this estimate of the number of rental units was derived is presented in Section 2.

This study estimates that **Canadian rental revenues amounted to $45.1 billion in 2015**. This estimate was calculated using information on the average rents for the various types of rental units in Canada as reported in the CMHC's Rental Market Report for Fall 2015. In addition to rental amounts, we estimate that the industry collected $1.4 billion in non-rent revenues in 2015. Non-rent revenues accrued from services such as parking and laundry services, amongst other items, and were estimated using information from an income and expense survey of rental housing providers conducted by FRPOThus, **total revenues** associated with the rental housing industry **were estimated to be $46.5 billion in 2015**.

This study also developed an estimate of the **capital expenditures** made by Canada's rental housing industry. These expenditures include capitalized renovations and new rental housing construction. This

study estimates that these expenditures **were approximately $20.6 billion in 2015**. The estimate was derived using information from Statistics Canada's CANSIM database.

Table 1 provides an overview of the revenues and capital expenditures used to inform this study.

Table 1. Estimated Revenues and Capital Expenditures in Canada's Rental Housing Industry in 2015

Revenues and Capital Expenditures of Rental Housing Industry in Canada for 2015 ($ millions)	
	Total
Revenues	
Rental	45,060
Non-Rental	1,394
Total - Revenues	**46,454**
Capital Expenditures	
Construction	12,266
Capitalized Renovations	8,296
Total - Capital Expenditures	**20,562**

Source: CMHC 2015 Fall Rental Market Report, CANSIM Table 026-0017, CANSIM Table 327-0046, 2012 FRPO Questionnaire, 2011 National Household Survey, KPMG Calculations

1.3 Report Structure

The rest of this report is structured as follows:

- Chapter 2 provides an overview of the methodology used to derive the results presented in this report.
- Chapter 3 presents detailed results of the economic impact analysis including the GDP, labour income, employment, and tax revenues Canada's rental housing industry.
- Chapter 4 provides a comparison of the economic impacts generated by Canada's rental housing industry to those generated by other industries in Canada.
- Chapters 5 to 7 outline the economic impact estimates for the rental housing industries in Saskatchewan, Manitoba and Nova Scotia.

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1.4 Limitations and Notice to Reader

The results presented in this study are based on information obtained from the CMHC, StatsCan's CANSIM database and I/O model, the 2011 National Household Survey, Canada Revenue Agency and the income and expense survey administered by FRPO, amongst other items. KPMG cannot confirm or warrant the completeness or accuracy of the information provided by these sources.

2 Methodology: Input/Output Modelling

In this Chapter, we review the methodology used to derive economic impact estimates.

2.1 Measured Economic Impacts

Economic impacts that are generated by an industry or entity within a geographic region are typically reported in terms of the GDP, Labour Income, Employment, and Government Revenues generated by that industry. A short description of each of these metrics is provided below:

- **GDP impact** is a measure of economic output from the production of goods and services. It measures the total amount of "value-added" that individual producers contribute to their purchased inputs in order to generate their own output. For any given company, value-added is the difference between revenues and the sum of purchased goods and services. GDP impact is measured in dollars. The GDP impact can be further broken down into labour income, government revenues, and income to business.
- **Labour income** is defined as all compensation paid to employees (e.g. including wages, salaries, benefits, employer social contributions, bonuses and performance pay etc.). Labour income is measured in dollars. Labour income is a component of the GDP impact.
- **Employment** estimates the number of jobs created and is measured in terms of Full-time Equivalent (FTE) positions. An FTE is assumed to be equivalent to one full-time position that is held for one year.
- **Government revenue** measures the amount of tax revenues collected by the different orders of government and includes tax revenues on products, production and income. Taxes on products include sales taxes, gas tax and import duties, amongst other items. Taxes on production for the rental housing industry consist mostly of property taxes. Taxes on income include federal and provincial income taxes on employment earnings, as well as Canadian Pension Plan ("CPP"), Employment Insurance ("EI") and Quebec Parental Insurance Plan ("QPIP") deductions at source. Government revenues are measured in dollars and are a component of GDP impact.

  The estimates of taxes paid on rental income in the rental housing sector required a number of assumptions to develop, as detailed in section 3.4.3. The estimates exclude income taxes paid by the residential housing construction sector on profits from the construction of rental housing. As well, the estimates include only a part of the tax payable by landlords on capital gains. For those two reasons total government revenues generated by the rental housing sector are likely greater than those presented in this study.

The economic impact estimates presented in this study are broken-down into: (i) direct; (ii) indirect; and (iii) induced impacts. A definition of each type of impact is provided below:

i. **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.

ii. **Indirect impacts** are those economic impacts generated by suppliers further-up the supply chain. For example, suppliers to an industry have their own employees and purchase commodities from other suppliers in turn. These expenditures ultimately result in income to labour, income to businesses or governments, or in the import of a good or service from another jurisdiction.

iii. **Induced impacts** 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 within its upstream supplier base. To ensure a complete overview of economic impacts, this study also estimates the induced economic activity created through the expenditure of salaries and wages that are generated by the rental housing industry. However, induced impacts should be interpreted with some caution as they are affected by a household's propensity to save, amongst other variables. For example, when an economy experiences high unemployment household saving rates tend to increase and induced economic impacts will decrease. Therefore it is important to note that there is some uncertainty in the exact quantum of induced economic impacts.

2.2 Input/Output Model

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).

Economic impacts are typically estimated through the use of an input/output ("I/O") model. An I/O 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 expenditures on goods and services and in the supply chain as commodities are produced. It can thus estimate the economic impacts throughout the economy. I/O models also consider the role of imports, which tie the supply chain to the national and global economies. I/O models break-down economic impact estimates into direct, indirect and induced impacts.

In Canada, the most authoritative and comprehensive I/O model is the Interprovincial Input-Output ("I/O") Model of Statistics Canada. 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 Canada's economy in 2010**. The StatsCan I/O Model is recognized by many as the benchmark by which economic impact modeling is conducted in Canada. It is important to note that the model is independent to KPMG and CFAA.

StatsCan's I/O model uses the North American Industry Classification System ("NAICS") to categorize industries in Canada. In this study, "shocks" were made on the Rental Housing Industry's Capital Investments and Revenues. A shock means that additional expenditures were assumed in the economy and impacts on economic outputs were then examined.

The shock on Capital was made to **NAICS 2361 – Residential Building Construction** to model the impact of capital expenditures. The Shock on Revenues was made to **NAICS 5311 – Lessors of Real Estate** to model the impact of revenues generated by Canada's rental housing industry.

2.3 Data Inputs and Methodology

2.3.1 Data Sources

The economic impacts presented in this study are based on estimates of the total revenues and total capital expenditures of Canada's rental housing industry in 2015. The data used to estimate revenues and capital expenditures were mainly obtained from the CMHC, StatsCan's CANSIM database, the 2011

National Household Survey and a survey of the income and expenses of rental housing providers conducted by the FRPO in 2012.

The FRPO survey was used to derive an estimate of the non-rental revenues generated in the industry, such as revenues from parking and laundry services. It was also used to estimate the average annual spend on capitalized renovations per rental unit, with some adjustments to account for differences in rents between Ontario and Canada's other provinces and territories.

2.3.2 Total Rental Housing Stock and Revenues in Canada

This section is divided into two parts. The first, describes how this study derived an estimate of the rental housing stock in Canada; the second, describes how this study calculated total rental revenues in Canada.

2.3.2.1 Rental Housing Stock in Canada

This study estimates that, including social housing, Canada's rental housing stock in 2015 consisted of 4.28 million dwellings. Excluding social housing reduces the unit count to 3.67 million. Our estimate of the size of the housing stock was derived starting with data obtained from the 2011 National Household Survey, these data indicate that Canada's rental housing stock consisted of 4.08 million units (including social housing) in 2011. CMHC's Residential Building Activity Report indicates that 643,964 new housing units were added to Canada's total housing stock since 2011.[3] Of this amount, we estimate that 206,823 units, or 32.1 percent, were rented out. This estimate was prepared by obtaining, for each province and type of dwelling, an estimate of the number of individually-owned units that are rented out and adding this estimate to the number of units purposely built for rental. The shares of individually-owned units that are rented out were based on our analysis of data from the 2011 National Housing Survey. The estimate of rental dwellings therefore includes traditional, purpose-built rental units as well as the pool of condos, townhouses, and single- and semi-detached dwellings that are rented out privately. An adjustment was also made to exclude an estimated 611,241[4] social housing units.

Our estimate of the number of social housing units was based on 2014 and 2015 data, which we identified to be the most recent data available on the number of social housing units in Canada.

The following table summarizes our estimation of Canada's rental housing stock in 2015.

[3] This value excludes new housing in Northwest Territories, Yukon, and Nunavut since housing data was limited.

[4] Source: For all provinces and territories, with the exception of Ontario, social housing data came from CMHC's *CHS - Public Funds and National Housing Act (Social Housing) 2015 Report*. This report presents 2014 social housing data. For Ontario, social housing estimates came from *Ministry of Municipal Affairs and Housing, "Investment in Affordable Housing Program: Year Four Report (2014-15)"* and *The Institute on Municipal Finance and Governance, "Affordable Housing in Ontario: Mobilizing Private Capital in an Era of Public Constraint (2013)"*.

Table 2. Estimated Rental Housing Stock in Canada in 2015

Canada's Estimated 2015 Rental Housing Stock (no.)			
	2011 Stock	**2012-2015 Additions**	**Total**
Single-detached and Semi-detached units	703,310	29,154	732,464
Row units	276,850	24,888	301,738
Apartment and other unit types	3,097,970	152,781	3,250,751
Total units incl Social Housing	4,078,130	206,823	4,284,952
Less: Social Housing			611,241
Total Units Private Rental Housing			**3,673,711**

Source: 2011 National Household Survey; CHS Residential Building Activity Report 2012-2015 Dwelling Completions and CMHC Occupied Housing Stock by Structure Type and Tenure; CMHC's *CHS - Public Funds and National Housing Act (Social Housing) 2015 Report*; Ministry of Municipal Affairs and Housing, Investment in Affordable Housing Program: Year Four Report (2014-15); The Institute on Municipal Finance and Governance (2013). Affordable Housing in Ontario: Mobilizing Private Capital in an Era of Public Constraint

2.3.2.2 Rental Housing Revenues in Canada

This study estimates that rental revenues in Canada amounted to approximately $45.1 billion in 2015. This estimate was calculated using average rents for condos, secondary rental units, and purpose-built rental units. Estimated rents were based on average rents provided by CMHC's 2015 Fall Rental Market Report. Note that estimated rents are higher for condos and secondary rental units than for purpose-built rental apartments. In certain provinces, where average rents for condos and/or secondary rental units were not available, the average rent for purpose-built rentals was used instead. Lastly, we note that CMHC's 2015 Fall Rental Market Report did not have average rents for Yukon or Nunavut. Average rent for Yukon was based on Yukon Bureau of Statistics' Monthly Statistical Review (May 2016). Average rent for Nunavut was based on CHMC's 2016 Northern Housing Report.

Total rental housing revenues were estimated by multiplying the average annual rent estimates by the number of traditional, condo, and secondary market dwellings in Canada. Using this approach, total rental payments in Canada were calculated to be **$45.1 billion in 2015,** as shown in Table 3c below. Tables 3a and 3b provide an overview of average rents and the number of rental units, by province and dwelling type. The estimates listed in Tables 3a and 3b were used as inputs to derive the total rental payments included in Table 3c.

Table 3a. Estimated Average Rents in Canada in 2015

Estimated Average Monthly Rents by Dwelling Type (in $)			
	Condos	**Other Secondary Market Units**	**Purpose Built Rentals**
British Columbia	1 389	1 280	1 035
Alberta	1 343	1 376	1 149
Saskatchewan	975	1 147	975
Manitoba	1 074	1 051	892
Ontario	1 568	1 301	1 060
Quebec	1 080	780	712
Nova Scotia	934	1 059	934
New Brunswick	712	-	712
Newfoundland	802	873	802
Prince Edward Island	777	-	777
Northwest Territories	1 594	-	1 594
Yukon	968	-	968
Nunavut	2 511	-	2 511
National Average	**1 210**	**1 108**	**1 086**

Source: CMHC Rental Market Report Fall 2015, all provinces and Northwest Territories; Yukon Bureau of Statistics' Monthly Statistical Review (May 2016); CHMC 2016 Northern Housing Report; KPMG calculations

Table 3b. Estimated Number of Rental Units in Canada in 2015

Estimated Number of Rental Units by Dwelling Type (units)				
	Condos	**Other Secondary Market Units**	**Purpose Built Rentals**	**Total**
British Columbia	119 678	152 755	221 514	493 947
Alberta	84 086	127 021	139 230	350 337
Saskatchewan	13 897	42 552	26 152	82 601
Manitoba	8 763	24 475	62 551	95 789
Ontario	161 225	235 454	784 980	1 181 659
Quebec	130 678	141 363	969 019	1 241 060
Nova Scotia	4 296	14 961	80 906	100 163
New Brunswick	4 949	0	59 489	64 438
Newfoundland	2 045	18 041	18 158	38 244
Prince Edward Island	858	0	12 483	13 341
Northwest Territories	285	0	4 345	4 630
Yukon	355	0	2 760	3 115
Nunavut	205	0	4 180	4 385
Total	**531 320**	**756 622**	**2 385 767**	**3 673 709**

Source: CMHC Rental Market Report Fall 2015, all provinces and Northwest Territories; Yukon Bureau of Statistics' Monthly Statistical Review (May 2016); CHMC 2016 Northern Housing Report; KPMG calculations

Table 3c. Estimated Rental Revenues in Canada in 2015

Estimated Rental Revenues by Dwelling Type (in $ millions)				
	Condos	Other Secondary Market Units	Purpose Built Rentals	Total
British Columbia	1 994	2 346	2 751	7 091
Alberta	1 355	2 098	1 920	5 373
Saskatchewan	163	586	306	1 055
Manitoba	113	309	670	1 092
Ontario	3 034	3 676	9 985	16 695
Quebec	1 694	1 323	8 279	11 296
Nova Scotia	48	190	907	1 145
New Brunswick	42	0	508	550
Newfoundland	20	189	175	384
Prince Edward Island	8	0	116	124
Northwest Territories	5	0	83	88
Yukon	4	0	32	36
Nunavut	6	0	126	132
Total	**8 486**	**10 717**	**25 858**	**45 060**

Source: CMHC Rental Market Report Fall 2015, all provinces and Northwest Territories; Yukon Bureau of Statistics' Monthly Statistical Review (May 2016); CHMC 2016 Northern Housing Report; KPMG calculations

In addition to rental payments, KPMG estimated the amount of non-rental revenues generated by Canada'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 using data obtained from a 2012 FRPO survey, which estimated non-rent revenues accounted 3 percent of landlords' total revenues. Thus, we estimate that Canada's rental housing industry generated **$1.4 billion of non-rental income in 2015.**

Based on the above, this study estimates that total revenues associated with rental housing in Canada were approximately **$46.5 billion in 2015.**

Table 4. Total Revenues Associated with the Canadian Rental Housing Industry in 2015

Total 2015 Operating Revenues of Canada's Rental Housing Industry ($ millions)	
	Total
Rental Revenues	45,060
Non-Rental Revenue	1,394
Total	**46,453**

Source: KPMG calculations; FRPO 2012 Survey.

2.3.3 Capital Expenditures for Canada'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 Canada's rental housing industry amounted to **$20.6 billion in 2015**. A detailed description of how this amount was derived is provided in the two sub-sections that follow.

2.3.3.1 New Residential Construction

Based on CANSIM data, capital expenditures on new construction for the entire residential housing industry in Canada amounted to $49.1 billion in 2015. 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 2011 (estimated to be approximately 28.9 percent). This resulted in an estimate of $14.2 billion of new residential construction attributed to rental housing in Canada. This value, however, includes new construction for social housing. Capital expenditures for social housing construction were estimated to be 14.3 percent of rental housing construction. This was based on the percentage share of the social housing stock against total rental units in each province. Thus, **capital expenditures on new construction for Canada's rental housing industry**, excluding social housing, **was estimated to be $12.3 billion in 2015**. Our calculations are demonstrated in the table below.

Table 5. Estimated Expenditures on New Construction of Rental Housing in Canada in 2015

Estimate of Investment in New Rental Housing Construction in Canada ($ millions)			
Type of dwelling	**Housing Construction Expenditures**	**% share of new construction towards rental housing**	**Rental Housing Construction Expenditures**
Single	25,192	10.50%	2,656
Double	2,553	10.40%	267
Row	4,644	37.00%	1,716
Apartments	16,703	57.20%	9,554
Total - All Types	**49,093**	28.90%	**14,193**
		Less % share towards social housing	**14.3%**
		Adjusted Construction Expenditure Estimate	**12,266**

Source: CMHC 2015 Residential Building Activity, CANSIM Table 026-0017 and KPMG Calculations

2.3.3.2 Capitalized Renovations

The amount of expenditures allocated to capitalized renovations in Canada's rental housing industry was estimated using 2012 FRPO questionnaire responses for Ontario's rental housing industry. The questionnaire data on capitalized renovations were considered more accurate than estimates derived using data 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 indicated that the average annual per-suite expenditure on capitalized renovations for Ontario purpose-built rental units was $2,243 in 2012. Recognizing that renovation costs differ between provinces and by rental unit type (i.e. purpose-built vs. condos vs. secondary market), this value was adjusted to reflect the difference in rents between provinces and dwelling types. For example, average rent for a condo rental unit in British Columbia is 1.31x greater than the average rent a purpose-built rental unit in Ontario. Thus, we estimated the average annual per-suite expenditure on capitalized renovations for B.C. condo rentals to be $2,938 in 2012, or $2,243 multiplied by 1.31.

Following this, the average annual per-suite expenditure on capitalized renovations, by province and rental unit type, was inflated to 2015 dollars using CANSIM's New Housing Price Index[5]. This amount was then multiplied by the number of rental households by rental unit type in Canada in order to estimate the aggregate spending on capitalized renovations in the industry. Using this approach, **capitalized renovations in Canada's rental housing industry** were estimated at **$8.3 billion**. Our calculations for estimating capitalized renovations are demonstrated in Table 6. Appendix A provides a detailed breakdown of total capital expenditure by province and by dwelling type.

Table 6. Estimated Capitalized Renovation Expenditures of Canada's Rental Housing Industry in 2015

Estimated Capital Expenditure on Rental Housing Renovations in Canada ($ millions)	
Estimated No. of Rental Units (No.)	
Condos	531,320
Other Secondary Market Units	756,622
Purpose Built	2,385,769
2015 Capitalized Renovations per Unit ($/rental unit)	
Condos	2,942
Other Secondary Market Units	2,614
Purpose Built	1,993
Estimated Capitalized Renovations ($ millions)	
Condos	1,563
Other Secondary Market Units	1,978
Purpose Built	4,755
Total	**8,296**

Source: FRPO Survey data; CMHC Fall Rental Market Report; CANSIM Table 327-0046, New Housing Price Index; KPMG Calculations

[5] CANSIM Table 327-0046

2.4 Input/Output Model Limitations

2.4.1 Input/Output Model Date

The most recent version of the I/O model produced by StatsCan is calibrated to Canada's 2010 economy. The premise of the I/O model is that shocks to Canada's economy result in multiplier effects on GDP, labour income, employment, government revenues, and output. Because input values for this study were expressed in 2015 values and because multiplier effects are linear, the economic impacts shown in dollar terms can be interpreted as 2015 values. Adjustments, however, need to be made when interpreting employment impacts. This is outlined further below.

2.4.2 Full-Time Equivalent Positions

In the I/O model, FTE positions are linked to assumptions on the average compensation per worker and the average amount of time spent on a full-time position by industry. Since the I/O model is calibrated to the 2010 economy, estimates for average compensation per worker assumed in the model are likely to be lower than the actual values, taking into account increases in wages to 2015. Without adjustments, this could result in an overestimate of the employment impacts of Canada's rental housing industry.

To address this issue, we observed the changes in compensation per job in the Residential Building Construction (NAICS 2361) and Lessors of Real Estate (NAICS 5311) sectors.[6] To ensure we are not overestimating the employment impacts of Canada's rental housing industry, we reduced the employment impact results of the I/O model by 18.5%.

A summary of our methodology to adjust for employment impacts is presented in the table below.

Table 7. Approach to Adjusting Employment Impacts for Canada's Rental Housing Industry

Adjustment to Employment Impact		
	2010	**2015**
Total Compensation per job ($)		
Residential Building Construction (NAICS 23A)	61,125	68,894
Lessors of Real Estate (NAICS 5311)	38,670	46,828
Percentage Change from 2010 to 2015		
Residential Building Construction (NAICS 23A)	12.7%	
Lessors of Real Estate (NAICS 5311)	21.1%	
Weighted Average Adjustment[7]	**18.5%**	

Source: CANSIM Table 383-0031; KPMG calculations

[6] CANSIM Table 383-0031

[7] Weighted by the shocks made on the Canadian Rental-Housing Industry's capital expenditures and operating revenues, $20.56 and $46.45 billion, respectively.

3 Economic Impact of Canada's Rental Housing Industry

This Chapter presents the estimated economic impacts of Canada's rental housing industry.

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

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

It is important to note that the economic impacts presented in this study cover both the rental revenues and capital expenditures of Canada's rental housing industry. As previously indicated, the economic impacts described in this report assume that Canada's rental housing industry generated approximately $46.5 billion in rental revenues and $20.6 billion in capital expenditures in 2015.

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.

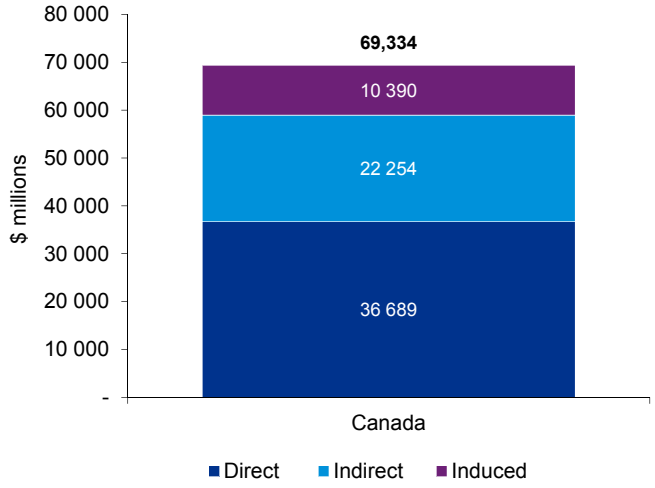
- **Direct impact:** measures the impacts generated within the industry in which the initial expenditure (or "economic shock") occurs.
- **Indirect Impact:** measures the impacts generated within the supply chain, as goods and services are purchased to support the production of final goods and services.
- **Induced Impact:** measures the impacts that result when workers within an industry and within its supporting supply chain spend a portion of their wages and salaries on consumer goods and services.

In order to provide context for the economic impacts presented in this report, a comparison with other industries is provided in Section 4.

3.1 GDP Impact

This study estimates that in 2015 Canada's rental housing industry contributed approximately **$69.3 billion to Canada's GDP**. Figure 1 summarizes the direct, indirect and induced GDP impacts of the Canada's rental housing industry.

Figure 1. GDP Impact of Canada's Rental Housing Industry ($ millions)



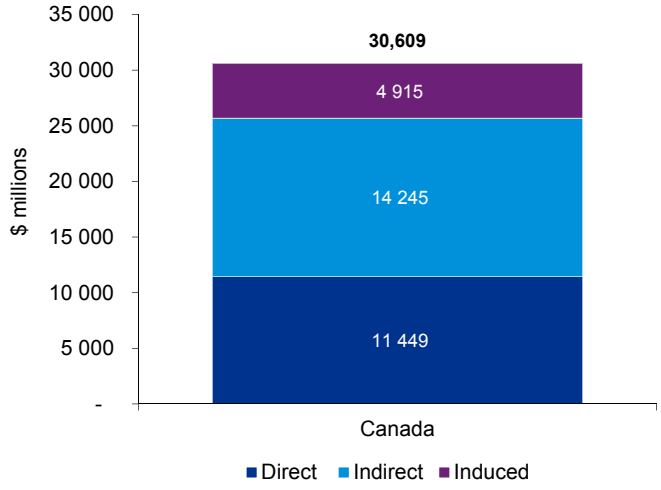
Source: Statistics Canada I/O model, KPMG calculations

3.2 Labour Income

For the purposes of this study, Labour Income is defined as all compensation paid to employees including wages, pension contributions, healthcare benefits and employer-paid social contributions.

As indicated in Figure 2, it is estimated that total **Labour Income** generated by the rental housing industry in Canada in 2015 **was $30.6 billion**.

Figure 2. Labour Income Impact of Canada's Rental Housing Industry ($ millions)

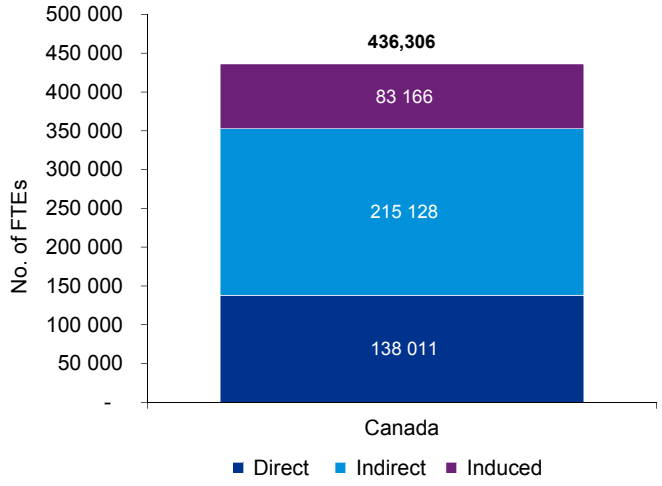


Source: Statistics Canada I/O model, KPMG calculations

3.3 Employment Impact

This study estimates that the rental housing industry generated **436,306 FTE positions**. Recall in Section 2.4.2 of this report that an adjustment was made to ensure that employment impacts were not overestimated. The numbers presented in Figure 3 reflect this adjustment.

Figure 3. Employment Impact of Canada's Rental Housing Industry (No. of FTEs)



Source: Statistics Canada I/O model, KPMG calculation

Table 8 outlines further detail on the employment impact. As indicated in the table, the average Labour Income per FTE generated by Canada's rental housing industry was estimated to be $70,154 in 2015. This estimate was calculated by dividing total labour income by the number of FTE jobs generated by Canada's rental housing industry. This estimate represents the total labour income generated on a per FTE basis by Canada's rental housing industry across all industry sectors in Canada. Specifically, the estimate includes the wages and benefits of architects, engineers, construction workers, tradespeople

and others who are engaged in the construction or maintenance of residential housing, as well as wages and benefits of property managers and superintendents and other job categories traditionally associated with the rental housing sector.

Table 8. Summary of Employment Impact of Canada's Rental Housing Industry in 2015

Employment Impact of Canada Rental Housing (No. of FTE jobs)	
	Canada
Direct	138,000
Indirect	215,100
Induced	83,200
Total	436,300
Total Labour Income ($ millions)	30,609
Average earnings and benefits of employees in the rental housing industry and its supply chain ($)	70,200

Source: Statistics Canada I/O model, KPMG calculation

Note: Estimates round to closest hundred

3.4 Government Revenue

This study estimates that in 2015 Canada's rental housing industry generated more than **$25.8 billion in government tax revenue**. Of that total, $15.5 billion was collected on products and production, $8.9 billion was collected on labour income and $1.3 billion was collected on rental income. Additional amounts of tax were collected on capital gains on the sale of residential rental real estate, and on profits made by the residential housing construction sector from the construction or renovation of rental housing. This study does not estimate those amounts, due to limitations in the data available at this time.

The estimate of government revenues presented in this section includes an estimate of the income taxes on rental income paid by the rental housing industry in Canada. Specifically, this study includes an estimate of income taxes on rental income paid by unincorporated and incorporated landlords in Canada. A number of assumptions were required in order to derive this estimate; these assumption are described in Section 3.4.3. Further, the estimate of income tax should be interpreted with some caution given the lack of reliable data on income tax paid by incorporated landlords and important differences in the capital structure and effective tax rates of incorporated landlords. **As such, total government revenues generated by the rental housing sector are likely greater than those presented in this study.**

3.4.1 Taxes on Products and Taxes on Production

This section summarizes government revenues generated from Canada's rental housing industry through 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. Taxes on production include property taxes, business taxes, licensing and permitting fees, amongst other items.

It is estimated that the rental housing industry in Canada generated approximately **$15.6 billion of combined taxes on products and taxes on production in 2015**. Of this amount, $9.3 billion, or 60 percent, was collected by the municipalities across Canada. 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. However, they would represent a very large component of the taxes on production paid to municipalities.

Table 9 provides a breakdown of the government revenues from taxes on products and production collected by different orders of government from Canada's rental housing industry.

Table 9. Impact on Taxes on Products and Taxes on Production of Canada's Rental Housing Industry

Federal, Provincial and Municipal Revenue Generated from Canadian Rental Housing ($ millions)	
	Total
Federal	
Taxes on Products	1,077
Taxes on Production	71
Total Federal Revenues	1,147
Provinces	
Taxes on Products	1,725
Taxes on Production	3,349
Total Provincial Revenues	5,073
Municipalities	
Taxes on Products	2,870
Taxes on Production	6,460
Total Municipal Revenues	9,330
Total Government Revenue	**15,551**

Source: Statistics Canada I/O model, KPMG calculation

3.4.2 Taxes on Salaries and Deductions at Source

Employment in Canada's rental housing industry generated **about $5.6 billion in personal income taxes** in 2015, of which $2.1 billion accrued to the provincial governments and $3.4 billion to the federal government. It is also estimated that the rental housing industry generated a total of $2.2 billion in CPP contributions, $930 million in EI contributions, and $257 million in QPIP contributions.

The calculation of personal income tax and deductions at source is based on the average salary of employment positions generated by Canada's rental housing industry. The average salary is calculated by dividing the total labour income impact (presented in Section 3.2) by the total employment impact (presented in Section 3.3) for each province. The effective tax rates by province were derived using income statistics for 2015 from the Canada Revenue Agency that estimate the net taxes paid to the federal and provincial government of each province as well as CPP, QPIP and EI contribution rates. The effective tax rates, pension and employment insurance contribution 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. Table 10 summarizes these results

Table 10. Impact on Income Tax and other Salary Deductions from Canada's Rental Housing Industry ($ millions)

Taxation - Salaries ($ millions)	
	Canada
Provincial Income Tax	2 137
Federal Income Tax	3 440
Total Income Tax	**5 578**
	-
CPP - Employee	1 082
CPP - Employer	1 082
Total CPP	**2 164**
	-
EI - Employee	388
EI - Employer	543
Total EI	**930**
	-
QPIP - Employee	107
QPIP - Employer	150
Total QPIP	**257**
	-
Total	**8 929**

Source: Statistics Canada I/O model, CRA Income Statistics Final Table – General Statement by province and territory of taxation; KPMG calculations

3.4.3 Taxes on Rental Income

This study estimates that the rental housing sector in Canada generated **approximately $1.3 billion in income taxes on rental income in 2015.** Of this amount, $880 million accrued to the federal government and $380 million to provincial governments. This estimate includes income tax paid on the income of incorporated landlords as well as income tax paid on rental income by unincorporated landlords.

The estimate of income tax paid by unincorporated landlords was derived using data on the pre-tax profit margins of unincorporated landlords from Statistics Canada's I/O model and an estimate of effective tax rates from the CRA.

The amount of income taxes on rental income paid by incorporated landlords is difficult to estimate, since individual corporations face a wide variety of different circumstances and may be structured in different ways, with different capital structures and different effective tax rates. We have developed an illustrative estimate of the taxes paid on business income in the rental housing sector by making a number of simplifying assumptions as outlined below. This estimate provides an indication of the potential magnitude of taxes paid but cannot be regarded as precise. In developing estimates, we assumed that incorporated businesses in the rental housing sector operate with the same metrics as Real Estate Investment Trusts (REITs). (The income earned by these REITs and distributed to unit holders is subject to tax in the hands of the individual investors who own the REIT units.)

As a first step in the calculations, we developed an estimate of the Earnings Before Interest, Taxes and Depreciation (EBITDA) of incorporated landlords using data from Statistics Canada's I/O model. Subsequently, the EBITDA estimate was adjusted to derive an estimate of taxable income using information on tax margins of five Canadian residential Real Estate Income Trusts (REITs). The value of income taxes paid was then calculated by multiplying the estimate of taxable income by an estimate of the effective tax rate for individual unit holders derived from data from the CRA. It is important to note that the CRA's tax rate was adjusted to account for the specific tax treatment of distributions from a

REIT. For example, adjustments were made to account for dividend tax credits and the capital gains inclusion rate.

As described above, a number of assumptions were required in order to develop the estimate of income tax on rental income. Amongst these assumptions, we used margins on taxable income from REITs to serve as a proxy for the taxable income margins of all incorporated landlords. Other assumptions were made in order to adjust the effective tax rate from CRA to account for the specific tax treatment of different REIT distribution sources. As a result of these assumptions, the estimate of income tax on rental income provided in this section should be interpreted with caution.

It is also important to note that the estimate presented in this section excludes rental income paid by the residential housing construction sector on profits from the construction of rental housing. As well, the estimates include only a part of the tax payable on capital gains, corresponding to that associated with capital gains that are included in REIT distributions. For those two reasons, total government revenues generated by the rental housing sector are likely greater than those presented in this study.

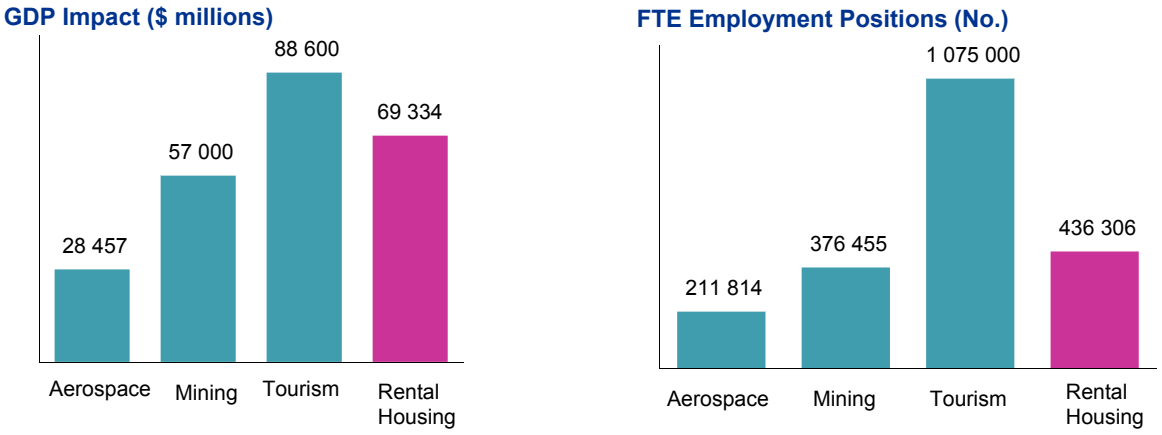
4 Comparison to Other Industries

This section provides a comparison of the economic impacts generated by Canada's rental housing industry to those of three other important industries in Canada, including the Aerospace, Mining, and Tourism sectors. These industries were selected given their importance to the Canadian economy and the availability of economic impact estimates.

Figure 4 compares the economic impacts generated by Canada's rental housing industry to those of the aerospace, mining and tourism industries. Overall, we found that Canada's rental housing industry has a significantly larger GDP and employment footprint than the aerospace and mining industries; but a smaller footprint than the tourism sector.

It is important to note that the findings described below are based on the sum of direct and indirect GDP and FTE economic impacts generated by each sector.

Figure 4. Comparison of Economic Impacts of Canada's Rental Housing Industry to Aerospace, Mining and Tourism



Source: The State of Canada's Aerospace Industry: 2016 Report (June 2015); *Facts and Figures of the Canadian Mining Industry 2015*; (June 2015); Travel and Tourism Economic Impact Study 2015, *KPMG Calculations*.

4.1 Findings

4.1.1 Aerospace Industry

In June 2015, Aerospace Industries Association of Canada ("AIAC") and Industry Canada jointly released *The State of the Aerospace Industry: 2016 Report*, which provided an overview of issues and trends in Canada's aerospace industry.

AIAC and Industry Canada estimated that the Canadian aerospace industry contributed approximately $28.5 billion dollars to Canada's GDP and was associated with 211,814 FTE jobs in 2015. Estimates encompass the Canadian sectors of aerospace manufacturing and aerospace maintenance repair and

overhaul. As demonstrated in Figure 4, Canada's rental housing industry is estimated to have higher GDP and employment impacts than the Aerospace industry.

4.1.2 Mining Industry

An economic impact study for the Mining Association of Canada found that the mining industry contributed $57 billion to Canada's GDP and 376,455 FTEs, in 2015. The GDP and employment estimate includes both the impacts generated by mineral extraction and the processing and manufacturing of minerals.

As demonstrated in Figure 4 – with a GDP impact of $69.3 billion and an FTE footprint of 436,306 – Canada's rental housing industry had significantly larger GDP and employment impacts than the Mining industry.

4.1.3 Tourism Industry

A report commissioned by the World Travel & Tourism Council in 2015 estimated that in 2014 the Tourism industry contributed $88.6 billion to Canada's GDP and generated 1,075,000 FTE positions.

These estimates include the direct economic impacts generated by spending on Travel and Tourism from residents and non-residents travelling for business and leisure purposes as well as the indirect benefits generated by spending on tourism infrastructure such as the construction of new hotels, the purchase of new aircraft by an airline or investments in IT systems by travel agents. In addition, the estimate includes the economic impacts from spending attributable to government programs that support tourism, such as marketing programs or aviation security costs related to tourist travel.

Both the GDP and FTE footprints of the rental housing industry are smaller than those of the Tourism industry as a whole.

5 Economic Impact of Saskatchewan's Rental Housing Industry

5.1 Overview of Saskatchewan's Rental Housing Industry

This study estimates that **Saskatchewan's rental housing industry generated $1.1 billion in revenues in 2015**. Of this amount, $1.05 billion, or 97 percent, came from rental revenues. This value was based on an estimated rental housing stock in 2015 of 82,601 units, excluding social housing. The remaining $33 million in estimated revenues came from non-rental revenues services such as parking and laundry services, amongst other items.

This study also developed an estimate of the **capital expenditures** of Saskatchewan's rental housing industry. These expenditures include capitalized renovations and new rental housing construction. This study estimates that these expenditures **were approximately $520 million in 2015**.

The table below provides an overview of the revenues and capital expenditures used to inform the estimate of the economic impact of Saskatchewan's rental housing industry.

Table 11. Estimated Revenues and Capital Expenditures in Saskatchewan's Rental Housing Industry in 2015

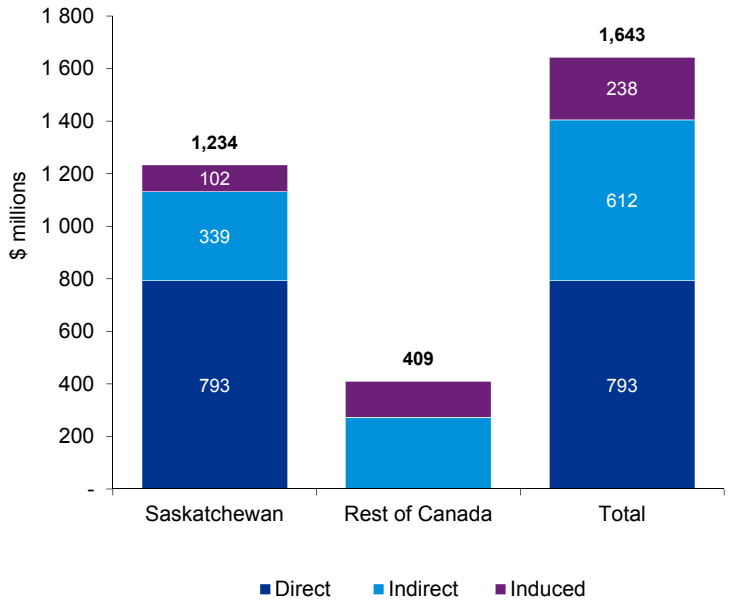
Revenues and Capital Expenditures of Rental Housing Industry in Saskatchewan for 2015 ($ millions)	
	Total
Revenues	
Rental	1,054
Non-Rental	33
Total - Revenues	**1,087**
Capital Expenditures	
Construction	332
Capitalized Renovations	188
Total - Capital Expenditures	**520**

5.2 Economic Impacts

5.2.1 GDP Impact

This study estimates that Saskatchewan's rental housing industry contributes approximately **$1.6 billion to Canada's GDP**, of which $1.2 billion, or approximately 75 percent, accrues to Saskatchewan. The remaining $409 million, or approximately 25 percent, accrues to other provinces and territories. Figure 5 summarizes the direct, indirect and induced GDP impacts of the Saskatchewan's rental housing industry.

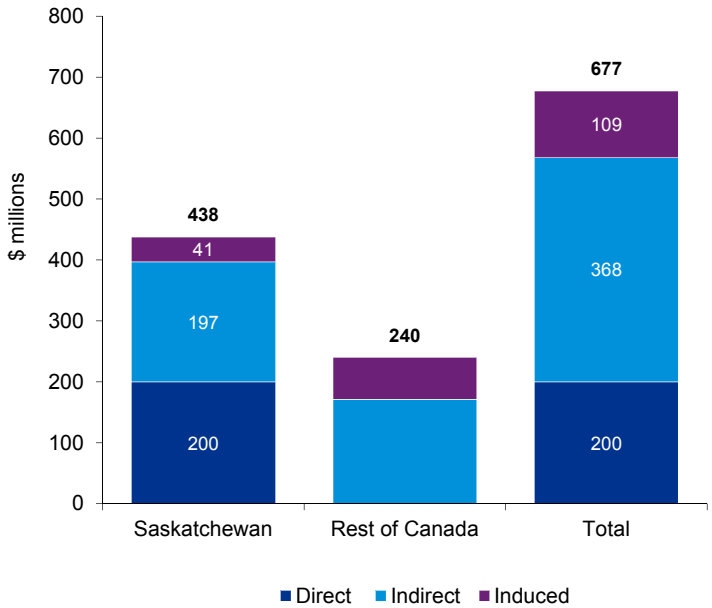
Figure 5. GDP Impact of Saskatchewan's Rental Housing Industry ($ millions)



5.2.2 Labour Income

It is estimated that total **Labour Income** generated by Saskatchewan's rental housing industry in 2015 **was $677 million**. Of this amount, $438 million, or 65 percent, was generated within Saskatchewan. The remaining $240 million, or 35 percent, was generated in the rest of Canada

Figure 6. Labour Income Impact of Saskatchewan's Rental Housing Industry ($ millions)



5.2.3 Employment Impact

This study estimates that Saskatchewan's rental housing industry generated **10,137 FTE positions**, of which 6,440 or 64 percent are located in Saskatchewan. The numbers presented in the figure below reflect adjustments made to ensure that employment impacts were not overestimated as a result of the fact that the I/O model is calibrated to the 2010 economy. These adjustments were discussed in more detail in Section 2.4.2 of this report.

Figure 7. Employment Impact of Saskatchewan's Rental Housing Industry (No. of FTEs)

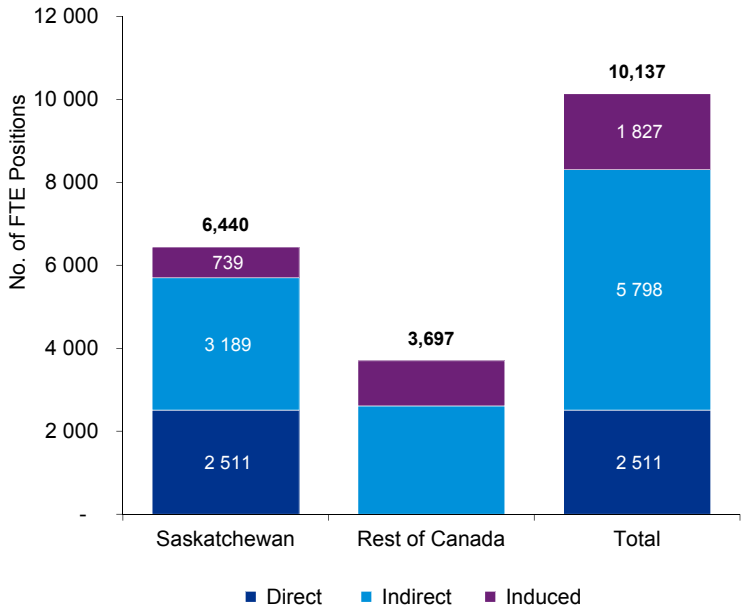


Table 12 outlines further detail on the employment impact. As indicated in the table, the average Labour Income per FTE generated by Saskatchewan's rental housing industry was estimated to be $67,936 in 2015. This estimate was calculated by dividing total labour income by the number of FTE jobs generated by Saskatchewan's rental housing industry across all industry sectors. Specifically, the estimate includes the wages and benefits of architects, engineers, construction workers, tradespeople and others who are engaged in the construction or maintenance of residential housing, as well as wages and benefits of property managers and superintendents and other job categories traditionally associated with the rental housing sector.

Table 12. Summary of Employment Impact of Saskatchewan's Rental Housing Industry in 2015

Employment Impact of Saskatchewan Rental Housing (No. of FTE jobs)			
	Saskatchewan	**Rest of Canada**	**Total**
Direct	2,511	0	2,511
Indirect	3,189	2,609	5,798
Induced	739	1,088	1,827
Total	6,440	3,697	10,137
Total Labour Income ($ millions)	438	240	677
Average earnings and benefits of employees in the rental housing industry and its supply chain ($)	67,936		

5.2.4 Government Revenue

This study estimates that in 2015 Saskatchewan's rental housing industry generated more than **$480 million in government revenue across Canada,** of which **more than $375 million was collected in Saskatchewan.** The amounts collected as result of the economic activity generated by the rental housing industry within Saskatchewan include $219 million collected on products and production, $123 million collected on labour income, and $33 million collected on rental income.

The estimate of government revenues presented in this section includes an estimate of the income taxes paid on rental income by the rental housing industry in Saskatchewan. A number of assumptions were required in order to derive this estimate, as described in Section 5.2.4.3

It is important to note that the estimate of income tax on rental income does not include income taxes paid by the residential housing construction sector on profits from the construction of rental housing. Further, due to a lack of reliable data this study only partially estimates taxes as a result of capital gains on the sale of residential rental real estate. For those two reasons, total government revenues generated by the rental housing sector are likely greater than those presented in this study.

5.2.4.1 Taxes on Products and Taxes on Production

It is estimated that the rental housing industry in Saskatchewan generated approximately **$253 million of taxes on products and taxes on production in 2015.** Of this amount, $95 million, or almost 38 percent, was collected by the municipalities in Saskatchewan. This reflects the large payments of property taxes made by the rental housing industry, which are included in taxes on production. Table 13 provides a breakdown of the government revenues from taxes on products and production collected by different orders of government.

Table 13. Impact on Taxes on Products and Taxes on Production of Saskatchewan's Rental Housing Industry

Federal, Provincial and Municipal Revenue Generated from Saskatchewan Rental Housing ($ millions)			
	Saskatchewan	**Rest of Canada**	**Total**
Federal			
Taxes on products	20	7	27
Taxes on production	1	0	1
Total Federal Revenue	**21**	**7**	**28**
Provincial			
Taxes on products	42	11	53
Taxes on production	**61**	**5**	**66**
Total Provincial Revenue	**103**	**16**	**119**
Municipal			
Taxes on products	2.2	0.0	2.2
Taxes on production	**93**	**11**	**104**
Total Municipal Revenue	**95**	**11**	**106**
Total Government Revenue	**219**	**34**	**253**

5.2.4.2 Taxes on Salaries and Deductions at Source

Employment in Saskatchewan's rental housing industry generated a total of **$194 million in taxes on salaries and deductions at the source.** It is estimated that about $120 million in personal income taxes

was collected in 2015. It is also estimated that the rental housing industry generated a total of $50 million in CPP contributions, $23 million in EI contributions, and $1 million in QPIP contributions.

Table 14. Impact on Income Tax and other Salary Related Deductions of Saskatchewan's Rental Housing Industry

Taxation - Salaries ($ millions)			
	Saskatchewan	**ROC**	**Total**
Provincial Income Tax	28	16	43
Federal Income Tax	49	28	77
Total Income Tax	**76**	**44**	**120**
CPP - Employee	16	9	25
CPP - Employer	16	9	25
Total CPP	**32**	**18**	**50**
EI - Employee	6	3	9
EI - Employer	8	5	13
Total EI	**14**	**8**	**23**
QPIP - Employee	-	0	0
QPIP - Employer	-	0	0
Total QPIP	**-**	**1**	**1**
Total	**123**	**71**	**194**

5.2.4.3 Taxes on Rental Income

This study estimates that the rental housing sector in Saskatchewan generated **approximately $33 million in taxes on rental income in 2015.** This estimate includes income tax paid by incorporated landlords as well as income tax paid on rental income by unincorporated landlords in Saskatchewan.

The amount of income taxes on rental income paid by incorporated landlords is difficult to estimate, since individual corporations face a wide variety of different circumstances and may be structured in different ways, with different capital structures and different effective tax rates. We have developed an illustrative estimate of the taxes paid on business income in the rental housing sector by making a number of simplifying assumptions. The estimate described in this section provides an indication of the potential magnitude of taxes paid but cannot be regarded as precise. In developing the estimate, we assumed that incorporated businesses in the rental housing sector operate with the same metrics as residential Real Estate Investment Trusts (REITs). As a result of these assumptions, the estimate of income tax on rental income provided in this section should be interpreted with caution.

It is also important to note that the estimate presented in this section excludes rental income paid by the residential housing construction sector on profits from the construction of rental housing. As well, the estimates include only a part of the tax payable on capital gains. For those two reasons, total government revenues generated by the rental housing sector in Saskatchewan are likely greater than those presented in this study.

6 Economic Impact of Manitoba's Rental Housing Industry

6.1 Overview of Manitoba's Rental Housing Industry

This study estimates that **Manitoba's rental housing industry generated $1.1 billion in revenues in 2015**. Of this amount, $1.09 billion, or 97 percent, came from rental revenues. This value was based on an estimated rental housing stock in 2015 of 95,790 units, excluding social housing. The remaining $34 million in estimated revenues came from non-rental revenues.

This study also developed an estimate of the **capital expenditures in Manitoba's rental housing industry**. These expenditures include capitalized renovations and new rental housing construction. This study estimates that these expenditures **were approximately $480 million in 2015**.

The table below provides an overview of the revenues and capital expenditures used to inform the estimate of the economic impact of Manitoba's rental housing industry.

Table 15. Estimated Revenues and Capital Expenditures in Manitoba's Rental Housing Industry in 2015

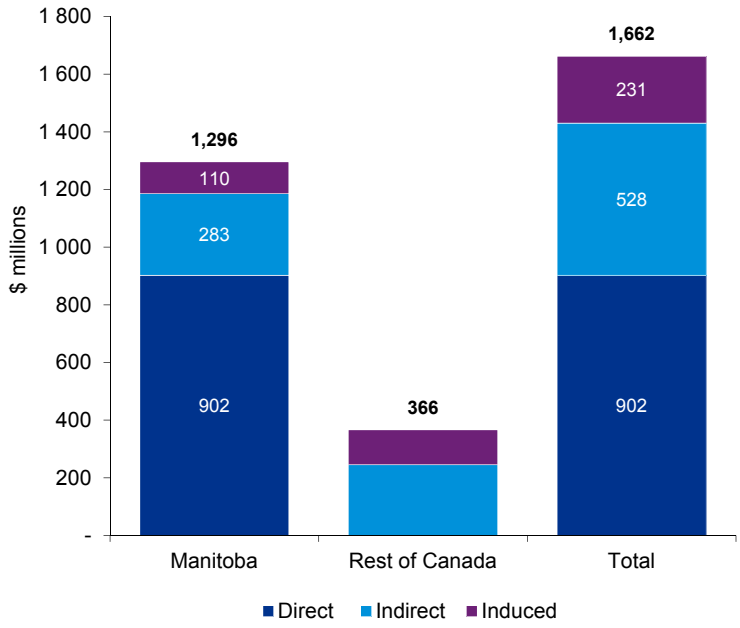
Revenues and Capital Expenditures of Rental Housing Industry in Manitoba for 2015 ($ millions)	
	Total
Revenues	
Rental	1,091
Non-Rental	34
Total - Revenues	**1,125**
Capital Expenditures	
Construction	277
Capitalized Renovations	203
Total - Capital Expenditures	**480**

6.2 Economic Impacts

6.2.1 GDP Impact

This study estimates that Manitoba's rental housing industry contributes approximately **$1.7 billion to Canada's GDP**, of which $1.3 billion or approximately 78 percent accrues to Manitoba. The remaining $366 million, or approximately 22 percent, accrues to other provinces and territories. Figure 8 summarizes the direct, indirect and induced GDP impacts of Manitoba's rental housing industry.

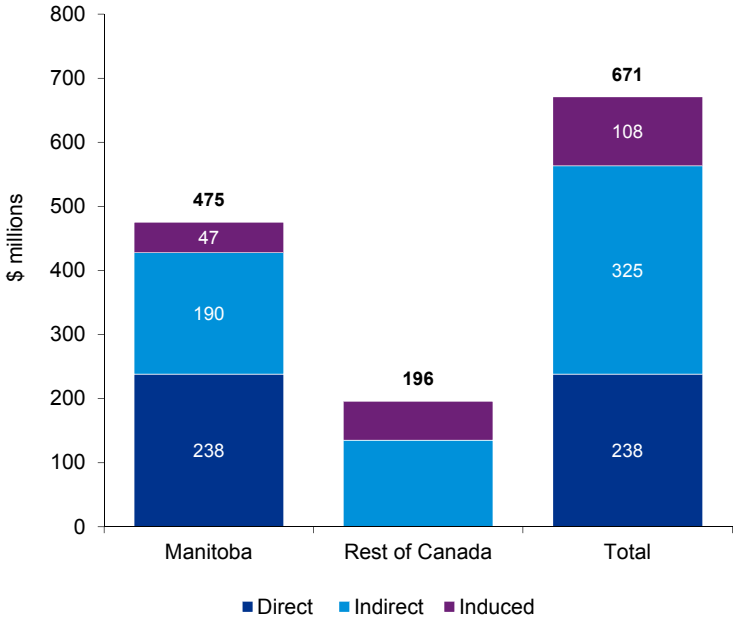
Figure 8. GDP Impact of Manitoba's Rental Housing Industry ($ millions)



6.2.2 Labour Income

It is estimated that total **Labour Income** generated by Manitoba's rental housing industry in 2015 **was $671 million**. Of this amount, $475 million, or 71 percent, was generated within Manitoba. The remaining $196 million, or 29 percent, was generated in the rest of Canada

Figure 9. Labour Income Impact of Manitoba's Rental Housing Industry ($ millions)



6.2.3 Employment Impact

This study estimates that Manitoba's rental housing industry generated **9,883 FTE positions**, of which 7,254 or 73 percent are located in Manitoba. The numbers presented in the figure below reflect adjustments made to ensure that employment impacts were not overestimated as a result of the fact that the I/O model is calibrated to the 2010 economy. These adjustments were discussed in more detail in Section 2.4.2 of this report.

Figure 10. Employment Impact of Manitoba's Rental Housing Industry (No. of FTEs)

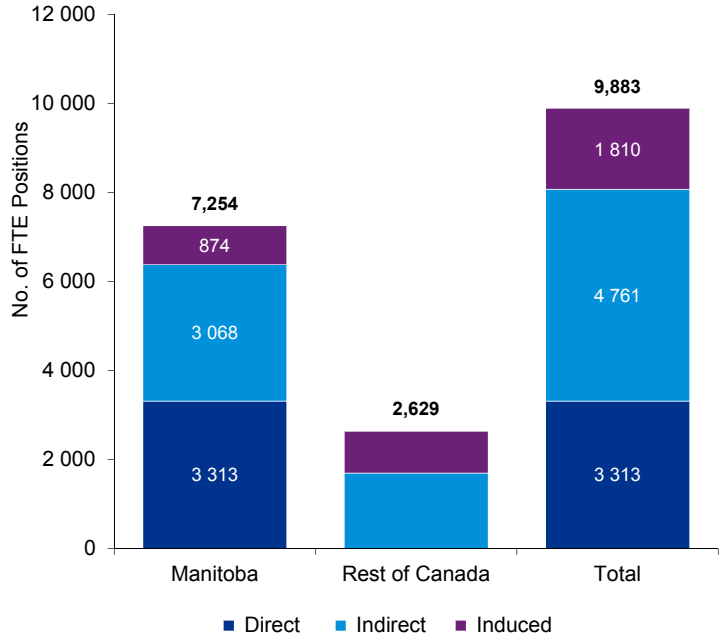


Table 16 outlines further detail on the employment impact. As indicated in the table, the average Labour Income per FTE generated by Manitoba's rental housing industry was estimated to be $65,501 in 2015. This estimate was calculated by dividing total labour income by the number of FTE jobs generated by Manitoba's rental housing industry, across all industry sectors. Specifically, the estimate includes the wages and benefits of architects, engineers, construction workers, tradespeople and others who are engaged in the construction or maintenance of residential housing, as well as wages and benefits of property managers and superintendents and other job categories traditionally associated with the rental housing sector.

Table 16. Summary of Employment Impact of Manitoba's Rental Housing Industry in 2015

Employment Impact of Manitoba Rental Housing (No. of FTE jobs)			
	Manitoba	**Rest of Canada**	**Total**
Direct	3,313	0	3,313
Indirect	3,068	1,693	4,761
Induced	874	936	1,810
Total	7,254	2,629	9,883
Total Labour Income ($ millions)	475	196	671
Average earnings and benefits of employees in the rental housing industry and its supply chain ($)	65,501		

6.2.4 Government Revenue

This study estimates that in 2015 Manitoba's rental housing industry generated more than **$567 million in government revenue across Canada,** of which **more than $483 million was collected in Manitoba**. The amounts collected as result of the economic activity generated by the rental housing industry within Manitoba include $306 million collected on products and production, $138 million collected on labour income, and $39 million collected on rental income.

The estimate of government revenues presented in this section includes an estimate of the income taxes paid on rental income by the rental housing industry in Manitoba. A number of assumptions were required in order to derive this estimate as described in Section 6.2.4.3

It is important to note that the estimate of income tax on rental income does not include income taxes paid by the residential housing construction sector on profits from the construction of rental housing. Further, due to a lack of reliable data this study only partially estimates taxes as a result of capital gains on the sale of residential rental real estate. For those two reasons, total government revenues generated by the rental housing sector in Manitoba are likely greater than those presented in this study.

6.2.4.1 Taxes on Products and Taxes on Production

It is estimated that the rental housing industry in Manitoba generated approximately **$334 million of taxes on products and taxes on production in 2015**. Of this amount, $139 million, or more than 41 percent, was collected by the municipalities in Manitoba. This reflects the large payments of property taxes made by the rental housing industry, which are included in taxes on production.

Table 17 provides a breakdown of the government revenues from taxes on products and production collected by different orders of government.

Table 17. Impact on Taxes on Products and Taxes on Production of Manitoba's Rental Housing Industry

Federal, Provincial and Municipal Revenue Generated from Manitoba Rental Housing ($ millions)			
	Manitoba	**Rest of Canada**	**Total**
Federal			
Taxes on products	19	6	25
Taxes on production	2	0	2
Total Federal Revenue	**21**	**6**	**27**
Provincial			
Taxes on products	45	9	54
Taxes on production	101	4	105
Total Provincial Revenue	**146**	**13**	**159**
Municipal			
Taxes on products	0.4	0.0	0.4
Taxes on production	139	9	148
Total Municipal Revenue	**139**	**9**	**149**
Total Government Revenue	**306**	**28**	**334**

6.2.4.2 Taxes on Salaries and Deductions at Source

Employment in Manitoba's rental housing industry generated a total of **$194 million in taxes on salaries and deductions at the source.** It is estimated that about $121 million in personal income taxes was collected in 2015. It is also estimated that the rental housing industry generated a total of $49 million in CPP contributions, $22 million in EI contributions, and $0.8 million in QPIP contributions.

Table 18. Impact on Income Tax and other Salary Related Deductions of Manitoba's Rental Housing Industry

Taxation - Salaries ($ millions)			
	Manitoba	**ROC**	**Total**
Provincial Income Tax	38	13	50
Federal Income Tax	48	23	71
Total Income Tax	**86**	**36**	**121**
	-	-	-
CPP - Employee	18	7	25
CPP - Employer	18	7	25
Total CPP	**36**	**13**	**49**
	-	-	-
EI - Employee	7	2	9
EI - Employer	9	3	13
Total EI	**16**	**6**	**22**
	-	-	-
QPIP - Employee	-	0.3	0.3
QPIP - Employer	-	0.5	0.5
Total QPIP	**-**	**0.8**	**0.8**
	-	-	-
Total	**138**	**55**	**194**

6.2.4.3 Taxes on Rental Income

This study estimates that the rental housing sector in Manitoba generated **approximately $39 million in income taxes on rental income in 2015.** This estimate includes income tax paid by incorporated landlords as well as income tax paid on rental income by unincorporated landlords.

The amount of income taxes on rental income paid by incorporated landlords is difficult to estimate, since individual corporations face a wide variety of different circumstances and may be structured in different ways, with different capital structures and different effective tax rates. We have developed an illustrative estimate of the taxes paid on business income in the rental housing sector by making a number of simplifying assumptions. The estimate described in this section provides an indication of the potential magnitude of taxes paid but cannot be regarded as precise. In developing the estimate, we assumed that incorporated businesses in the rental housing sector operate with the same metrics as residential Real Estate Investment Trusts (REITs). As a result of these assumptions, the estimate of income tax on rental income provided in this section should be interpreted with caution.

It is also important to note that the estimate presented in this section excludes rental income paid by the residential housing construction sector on profits from the construction of rental housing. As well, the estimates include only a part of the tax payable on capital gains. For those two reasons, total government revenues generated by the rental housing sector in Manitoba are likely greater than those presented in this study.

7 Economic Impact of Nova Scotia's Rental Housing Industry

7.1 Overview of Nova Scotia's Rental Housing Industry

This study estimates that **Nova Scotia's rental housing industry generated $1.2 billion in revenues in 2015**. Of this amount, $1.15 billion, or 97 percent, came from rental revenues. This value was based on an estimated rental housing stock in 2015 of 100,163 units, excluding social housing. The remaining $35 million in estimated revenues came from non-rental revenues.

This study also developed an estimate of the **capital expenditures in Nova Scotia's rental housing industry**. These expenditures include capitalized renovations and new rental housing construction. This study estimates that these expenditures **were approximately $503 million in 2015**.

The table below provides an overview of the revenues and capital expenditures used to inform the estimate of the economic impact of Nova Scotia's rental housing industry.

Table 19. Estimated Revenues and Capital Expenditures in Nova Scotia's Rental Housing Industry in 2015

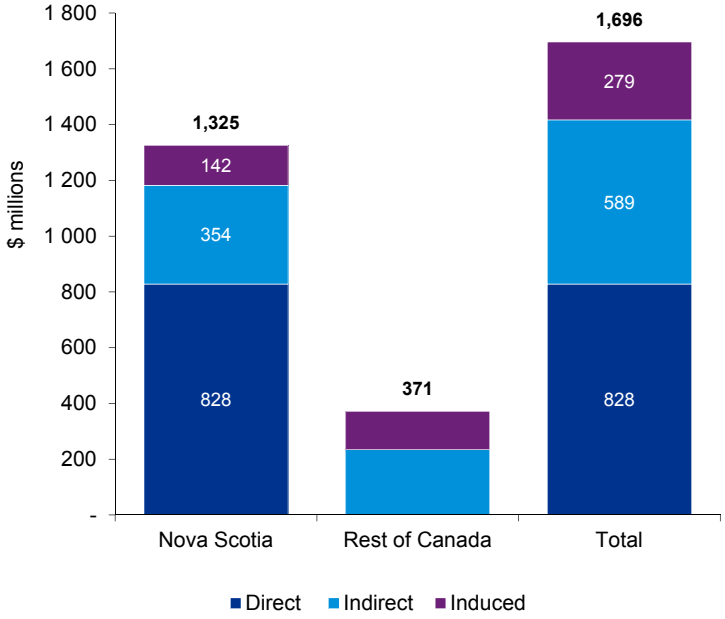
Revenues and Capital Expenditures of Rental Housing Industry in Nova Scotia for 2015 ($ millions)	
	Total
Revenues	
Rental	1,145
Non-Rental	35
Total - Revenues	**1,180**
Capital Expenditures	
Construction	296
Capitalized Renovations	207
Total - Capital Expenditures	**503**

7.2 Economic Impacts

7.2.1 GDP Impact

This study estimates that Nova Scotia's rental housing industry contributes approximately **$1.7 billion to Canada's GDP**, of which $1.3 billion or approximately 78 percent accrues to Nova Scotia. The remaining $371 million or approximately 22 percent accrues to other provinces and territories. Figure 11 summarizes the direct, indirect and induced GDP impacts of Nova Scotia's rental housing industry.

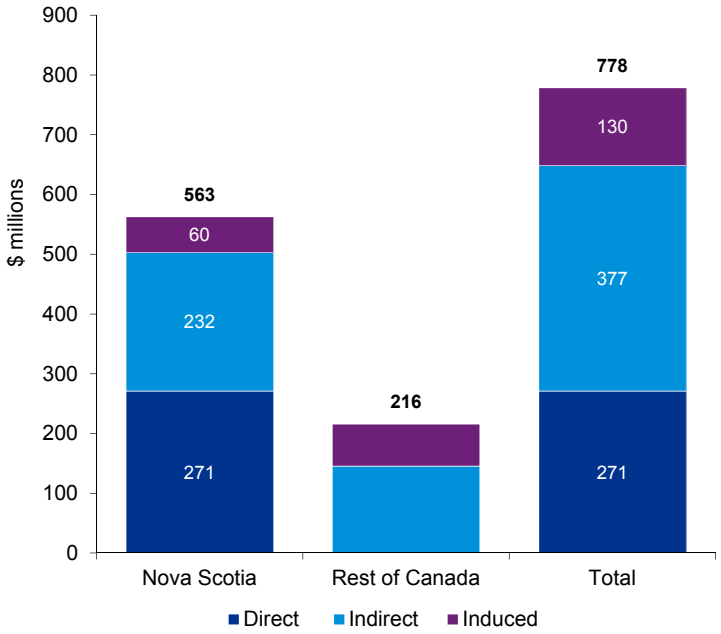
Figure 11. GDP Impact of Nova Scotia's Rental Housing Industry ($ millions)



7.2.2 Labour Income

It is estimated that total **Labour Income** generated by Nova Scotia's rental housing industry in 2015 **was $778 million**. Of this amount, $563 million, or 72 percent, was generated within Nova Scotia. The remaining $216 million, or 28 percent, was generated in the rest of Canada

Figure 12. Labour Income Impact of Nova Scotia's Rental Housing Industry ($ millions)



7.2.3 Employment Impact

This study estimates that Nova Scotia's rental housing industry generated **13,970 FTE positions**, of which 10,423 or 75 percent are located in Nova Scotia. The numbers presented in the figure below reflect adjustments made to ensure that employment impacts were not overestimated as a result of the fact that the I/O model is calibrated to the 2010 economy. These adjustments were discussed in more detail in Section 2.4.2 of this report.

Figure 12. Employment Impact of Nova Scotia's Rental Housing Industry (No. of FTEs)

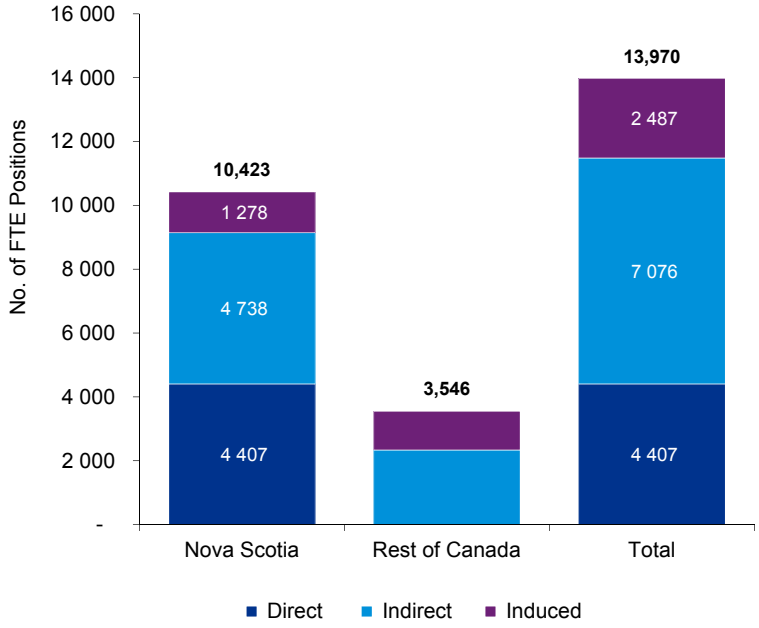


Table 20 outlines further detail on the employment impact. As indicated in the table, the average Labour Income per FTE generated by Nova Scotia's rental housing industry was estimated to be $53,990 in 2015. This estimate was calculated by dividing total labour income by the number of FTE jobs generated by Nova Scotia's rental housing industry across all industry sectors. Specifically, the estimate includes the wages and benefits of architects, engineers, construction workers, tradespeople and others who are engaged in the construction or maintenance of residential housing, as well as wages and benefits of property managers and superintendents and other job categories traditionally associated with the rental housing sector.

Table 20. Employment Impact of Nova Scotia's Rental Housing Industry

Employment Impact of Nova Scotia Rental Housing (No. of FTE jobs)			
	Nova Scotia	**Rest of Canada**	**Total**
Direct	4,407	0	4,407
Indirect	4,738	2,338	7,076
Induced	1,278	1,209	2,487
Total	10,424	3,547	13,970
Total Labour Income ($ millions)	563	216	778
Average earnings and benefits of employees in the rental housing industry and its supply chain ($)	53,990		

7.2.4 Government Revenue

This study estimates that in 2015 Nova Scotia's rental housing industry generated more than **$581 million of government revenue across Canada,** of which **more than $481 million was collected in Nova Scotia.** The amounts collected as result of the economic activity generated by the rental housing industry within Nova Scotia include $273 million collected on products and production, $173 million collected on labour income, and $35 million collected on rental income.

The estimate of government revenues presented in this section includes an estimate of the income taxes paid on rental income by the rental housing industry in Nova Scotia. A number of assumptions were required in order to derive this estimate, as described in Section 7.2.4.3

It is important to note that the estimate of income tax on rental income does not include income taxes paid by the residential housing construction sector on profits from the construction of rental housing. Further, due to a lack of reliable data this study only partially estimates taxes as a result of capital gains on the sale of residential rental real estate. For those two reasons, total government revenues generated by the rental housing sector in Nova Scotia are likely greater than those presented in this study.

7.2.4.1 Taxes on Products and Taxes on Production

It is estimated that the rental housing industry in Nova Scotia generated approximately **$308 million of taxes on products and taxes on production in 2015.** Of this amount, $164 million, or almost 53 percent, was collected by the municipalities in Nova Scotia. This reflects the large payments of property taxes made by the rental housing industry, which are included in taxes on production.

Table 21 provides a breakdown of the government revenues from taxes on products and production collected by different orders of government.

Table 21. Impact on Taxes on Products and Taxes on Production of Nova Scotia's Rental Housing Industry

Federal, Provincial and Municipal Revenue Generated from Nova Scotia Rental Housing ($ millions)			
	Nova Scotia	**Rest of Canada**	**Total**
Federal			
Taxes on products	24	7	31
Taxes on production	2	0	2
Total Federal Revenue	**26**	**7**	**33**
Provincial			
Taxes on products	52	12	64
Taxes on production	30	5	36
Total Provincial Revenue	**83**	**17**	**100**
Municipal			
Taxes on products	0.1	0.0	0.1
Taxes on production	164	11	175
Total Municipal Revenue	**164**	**11**	**175**
Total Government Revenue	**273**	**35**	**308**

7.2.4.2 Taxes on Salaries and Deductions at Source

Employment in Nova Scotia's's rental housing industry generated a total of **$238 million in taxes on salaries and deduction at the source.** It is estimated that about $137 million in personal income taxes

was collected in 2015. It is also estimated that the rental housing industry generated a total of $68 million in CPP contributions, $31 million in EI contributions, and $1 million in QPIP contributions.

Table 22 Impact on Income Tax and other Salary Related Deductions of Nova Scotia's Rental Housing Industry

Taxation - Salaries ($ millions)			
	Nova Scotia	**Other**	**Total**
Provincial Income Tax	44	15	59
Federal Income Tax	54	24	78
Total Income Tax	**98**	**39**	**137**
	-	-	-
CPP - Employee	26	8	34
CPP - Employer	26	8	34
Total CPP	**52**	**17**	**68**
	-	-	-
EI - Employee	10	3	13
EI - Employer	14	4	18
Total EI	**23**	**7**	**31**
	-	-	-
QPIP - Employee	-	1	1
QPIP - Employer	-	1	1
Total QPIP	**-**	**1**	**1**
	-	-	-
Total	**173**	**64**	**238**

7.2.4.3 Taxes on Rental Income

This study estimates that the rental housing sector in Nova Scotia generated **approximately $35 million in income taxes on rental income in 2015.** This estimate includes income tax paid by incorporated landlords as well as income tax paid on rental income by unincorporated landlords.

The amount of income taxes on rental income paid by incorporated landlords is difficult to estimate, since individual corporations face a wide variety of different circumstances and may be structured in different ways, with different capital structures and different effective tax rates. We have developed an illustrative estimate of the taxes paid on business income in the rental housing sector by making a number of simplifying assumptions. The estimate described in this section provides an indication of the potential magnitude of taxes paid but cannot be regarded as precise. In developing the estimate, we assumed that incorporated businesses in the rental housing sector operate with the same metrics as residential Real Estate Investment Trusts (REITs). As a result of these assumptions, the estimate of income tax on rental income provided in this section should be interpreted with caution.

It is also important to note that the estimate presented in this section excludes rental income paid by the residential housing construction sector on profits from the construction of rental housing. As well, the estimates include only a part of the tax payable on capital gains. For those two reasons, total government revenues generated by the rental housing sector in Nova Scotia are likely greater than those presented in this study.

8 Appendix A: Canadian Rental Housing Industry's Estimated Capital Expenditures in 2015

Total 2015 Capital Expenditures of Canada's Rental Housing Industry ($ millions)														
	BC	AB	SK	MB	ON[8]	QB	NS	NB	NL	PEI	NWT	YK	NV	Total
Construction														
Single	740	694	104	61	702	198	53	35	41	13	3	6	6	2,656
Double	58	104	8	5	45	36	5	4	1	1	0	0	0	267
Row	137	518	72	46	822	70	18	13	11	4	0	2	2	1,716
Apartments	1,856	1,663	260	272	2,316	2,777	274	52	29	19	17	10	10	9,554
Total Rental Housing Construction	**2,790**	**2,979**	**443**	**384**	**3,885**	**3,081**	**350**	**104**	**83**	**38**	**19**	**18**	**18**	**14,193**
Less % of social housing construction	12%	9%	25%	28%	19%	9%	15%	18%	22%	18%	34%	24%	36%	14%
Adjusted Rental Housing Construction	**2,463**	**2,719**	**332**	**277**	**3,159**	**2,801**	**296**	**86**	**65**	**31**	**13**	**14**	**12**	**12,266**
Renovations														
Condos	356	254	29	21	577	302	9	7	4	1	1	1	1	1,563
Other Secondary Market units	419	394	104	58	699	236	34	0	34	0	0	0	0	1,978
Purpose Built	491	360	55	125	1,900	1,474	164	90	32	20	15	6	23	4,755
Total Renovations	**1,265**	**1,008**	**188**	**203**	**3,177**	**2,011**	**207**	**97**	**69**	**22**	**16**	**7**	**25**	**8,296**
Total Capital Expenditures	**3,728**	**3,728**	**520**	**480**	**6,336**	**4,812**	**503**	**183**	**134**	**53**	**29**	**20**	**36**	**20,562**

Souce: KPMG Calculations

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