

Kingston-Pembroke Economic Region

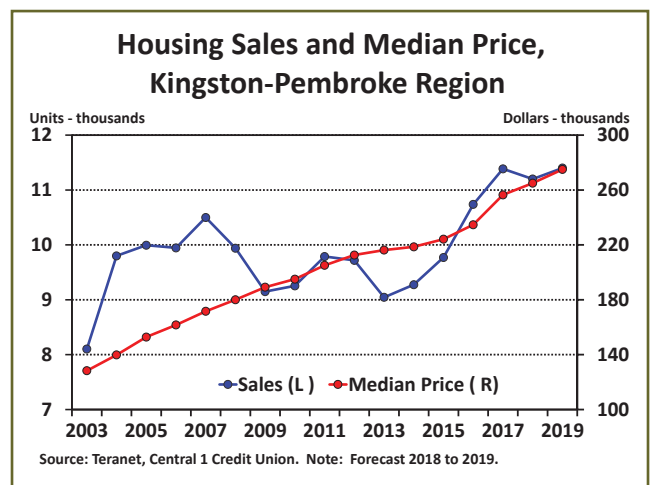
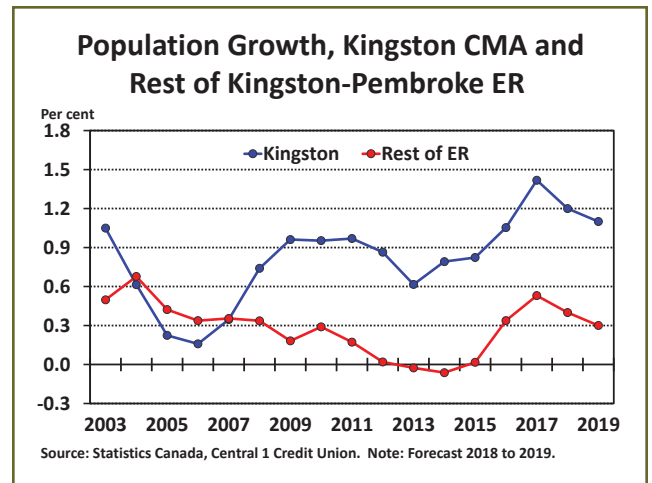
The diverse economic structure in the Kingston-Pembroke Economic Region was on stark display in 2017 with diametrically opposing employment performances among its markets. The Kingston-Pembroke Economic Region includes the Kingston metropolitan area and the counties of Frontenac, Hastings, Lennox and Addington, Prince Edward, and Renfrew. The Kingston metropolitan area economy grew much faster than the rest of the economic region and the outlook expects a continuation of this trend.

Employment in the Kingston metro area increased 4.4 per cent in 2017, while in the rest of the region employment declined 6.3 per cent. Kingston's unemployment rate fell to 5.5 per cent, its lowest since 2007. This growth divergence between the Kingston metro area and the rest of the region has prevailed since 2011. The more service-oriented Kingston economy has a high concentration in education, health, government, and tourism industries while the rest of the region has higher concentrations in agriculture, construction, manufacturing, and transportation-warehousing industries, and the economy is more variable than Kingston's.

The region's unemployment rate fell to a multi-year low of 5.8 per cent in 2017. Employment Insurance (EI) beneficiary counts in all counties in the region during 2017 were at or slightly lower than 2016 levels.

The labour market outlook is positive for the Kingston metro area with recent growth momentum extending through 2018. Employment growth is pegged at 2.5 per cent for 2018, slowing to 1.9 per cent in 2019. This would pull the unemployment rate steadily lower to 5.1 per cent in 2018 and 4.8 per cent in 2019. Construction, tourism, and most domestic-oriented industries and businesses will contribute to job growth.

Outside the Kingston metro area, the job outlook is less positive, as it has been in the post-recession period. Manufacturing, agriculture, and



forestry job losses were not offset by growth in services-producing industries, as in the Kingston metro area. Job creation will be minimal during the next two years unless a significant expansion in productive capacity occurs. Employment levels are seen remaining at recent lows and unemployment at recent levels.

One promising development for the economies outside of Kingston is the first population increase in three years. The latest estimate, as of July 1, 2016, produced by Statistics Canada shows small increases in all counties (except Prince Edward) due to intraprovincial and immigration flows. This bodes well for domestic-oriented businesses in those counties.

Population growth in the Kingston metro area is predicted to remain above one per cent annually

through 2019 driven by in-migration from other countries and from other parts of the province, while interprovincial migration slows.

Housing will remain a source of economic growth driven by high sales and new construction levels. Sales reached a record high in the region during 2017, exceeding 2016's record. Total residential sales are estimated at 11,500 units in 2017, up seven per cent over 2016. Sales in metro Kingston are estimated at 3,850 units for 2017, a record high. Sales outside Kingston were also higher in 2017 with notable gains in Lennox and Addington and Prince Edward counties. The impact of low mortgage rates, in-migration, and pent-up demand has offset

various housing policy measures intended to cool the market. There was a noticeable negative market response to the province's Fair Housing Plan announced in April 2017, but the market has since stabilized.

Housing prices will continue to increase but at a slower pace than in 2017. The residential median sale price is forecast to rise 5.0 per cent in 2018, following an estimated 7.6 per cent gain in 2017, and to increase 3.8 per cent in 2019. In the Kingston metro area, tighter market conditions will result in faster price increases of 6.7 per cent and 4.7 per cent in 2018 and 2019, respectively.

Kingston-Pembroke Economic Region						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	210.1	201.0	212.5	208.1	212.0	211.5
% change	-1.8	-4.3	5.7	-2.1	1.9	-0.2
Unemployment Rate, %	8.4	7.2	6.0	5.8	5.8	5.4
Residential Sales, units	9,275	9,771	10,738	11,386	11,200	11,400
% change	2.5	5.3	9.9	6.0	-1.6	1.8
Residential Median Price, \$	218,597	224,157	234,714	256,445	265,000	275,000
% change	1.1	2.5	4.7	9.3	3.3	3.8
Residential Permits, units	1,771	2,074	2,245	2,650	2,800	2,700
% change	-13.6	17.1	8.2	18.0	5.7	-3.6
Non-Residential Permits (\$ mil.)	495.0	276.5	301.2	465.0	315.0	400.0
% change	108.3	-44.1	8.9	54.4	-32.3	27.0
Population (000s)	469.0	470.4	473.2	477.3	480.4	483.3
% change	0.2	0.3	0.6	0.9	0.7	0.6
Kingston CMA						
	2014	2015	2016	2017	2018	2019
Total Employment (000s)	81.4	82.9	83.6	87.3	89.5	91.0
% change	-1.5	1.8	0.8	4.4	2.5	1.7
Unemployment Rate, %	6.8	6.6	5.8	5.5	5.1	4.8
Residential Sales, units	3,154	3,315	3,377	3,755	3,600	3,700
% change	-3.8	5.1	1.9	11.2	-4.1	2.8
Residential Median Price, \$	259,520	263,445	277,233	300,283	320,000	335,000
% change	0.1	1.5	5.2	8.3	6.6	4.7
Residential Permits, units	731	799	662	950	1,050	900
% change	-23.2	9.3	-17.1	43.5	10.5	-14.3
Non-Residential Permits (\$ mil.)	356	70.2	137.8	290	140	165
% change	249.7	-80.3	96.3	110.4	-51.7	17.9
Population (000s)	168.2	169.4	171.4	173.9	175.9	177.9
% change	0.7	0.7	1.2	1.4	1.2	1.1

Source: Statistics Canada, Teranet, Central 1 Credit Union. Forecast 2018 - 2019.

New housing construction is responding to rising prices and a low rental vacancy rate. Building permits issued during 2017 increased about 18 per cent in the region, led by a plus 40 per cent jump in Kingston. Housing starts in Kingston surged 68 per cent during 2017 in CMHC's survey. Conditions are ripe for further increases in new construction to supply ownership and rental units to the market. Another increase is predicted for 2018 followed by a small decline in 2019, though an increase in 2019 would not surprise.

Non-residential construction jumped in 2017 with large gains in industrial and commercial permits and a surge in public projects. Total non-residential building permits will be up more than 50 per cent in 2018 led by a 135 per cent increase in institutional-government permits. Most of 2017's gain was in the Kingston metro area with permits more than doubling. In the public sector, permits were issued for the Wellness Centre, a gymnasium, and a school, while private permits received a boost from a large industrial permit issued for Feihe International Inc.'s infant formula manufacturing plant. Non-residential permit activity in the rest of the region was little changed from 2016.

Given the lumpy nature of large building projects, this year's non-residential permits activity will most likely decline from 2017. The forecast incorporates this volatility and sees a likely increase in 2019 in response to improved market conditions and additional public spending. More activity in markets other than Kingston is another likely development.

Kingston-Pembroke remains one of the slower growing regions in the province mainly due to the weak performance of local economies outside of the Kingston metro area. The region's varied local economic makeup and divergent local economic performances will prevail well into the future with the Kingston metro area driving most of the region's growth.