

Appendix I: Economic Impact Methodology

This analysis relies on The Conference Board of Canada's models that employ an input-output (I-O) framework to determine the economic impacts that would result from the different types of commercial real estate costs specified in this report. At their core, I-O frameworks are a system of linear equations that fully reconcile total supply (whether domestically produced or imported) of every commodity in the Canadian economy with total use of those commodities by firms and individuals. The Conference Board forecasting and modeling tools, based on this I-O framework, are designed to capture the interdependence of industries at both the national level of aggregation and for the individual provinces and territories, which reflects the extensive interprovincial flow of goods and services within the country. Municipal-level estimates are produced using the Conference Board's satellite CMA economic impact tool, which uses census and labour force data to determine to what extent the demand created in a given jurisdiction can be supplied from within that same jurisdiction.

I-O models are often used to conduct impact and footprint analysis as they measure how changes in industry output or final demand for commodities impact the economy in terms of value-added (GDP), employment and labour income. The resulting outputs can also be used to estimate the impact on government revenues. Thus, the results of the analysis can appeal to a wide range of stakeholders and decision-makers.

Two main sources of information were used to conduct the impact analysis in this report. The first was aggregate commercial real estate investment, by asset class, for Canada, the four provinces and the six cities outlined above, which comes from Statistics Canada and is noted in this report's references. This information was supplemented with information obtained by NAIOP's Canadian member survey, which provided a distribution in terms of specific project costs that could be applied to the aggregated information collected from Statistics Canada.

The result of combining these two sources of information is an overview of the aggregate commercial real estate that occurs in a given jurisdiction, as well as a more detailed outlook on how exactly those funds are dispersed in the economy. For example, based on the information obtained through NAIOP's survey, soft construction costs were estimated to account for 14 per cent of total commercial real estate spending. (This consists specifically of activities like engineering, design, financing and other pre-construction costs.) The footprint these activities make on the economy can be quite different than other construction-related activities, which have a completely different mix of activities, products and services. By estimating these impacts separately, the results provide a more complete assessment of the economic activity that is generated by each phase of the project. The final step is to aggregate the impact for each phase to determine the total impact of all commercial real estate spending within a jurisdiction.