The Corporation
of the City
of Cambridge

2006

Economic Analysis

Update

Prepared by: The Corporation of the City of Cambridge
Planning Services Department

June 2006

Introduction

In February 1995 an Economic Analysis Report was prepared for the City of Cambridge by the Randolph Group and Larry Smith, Essential Economics Corporation. Updates of a number of indicators have been undertaken on an annual basis since that time. This 2005 update will be used as a source of valuable information pertaining to the Cambridge economy.

Analysis

The following sections provide an account of observations and a brief analysis of individual data. More detailed statistics are provided in the accompanying tables and figures.

Figures 1 and 2: Economic Output and Diversification

In 2005, the Cambridge economy accounted for 25% of Waterloo Region's economic output. Cambridge continues to have a healthy, diversified economy, with an emphasis on manufacturing relative to the rest of the Region. This distinction will likely to be maintained as a result of the continuing growth of the industrial sector in Cambridge.

Figure 3: Business Growth

As of December 2005, Cambridge was home to a total of 6,606 firms. In a period of 66 months (June 2000 - December 2005), the number of businesses in Cambridge increased by 1,438 from 5,168 to 6,606. This averages out to a net increase of approximately 21 additional new businesses per month. Between the end of 2004 and the end of 2005 there was a decline of 56 businesses in the city. However in 2004 the number of new businesses increased by 341. It seems that a slight consolidation of growth occurred last year to balance out the exceptional growth that occurred the year before.

In the 20 Industry Sectors listed, 10 Sectors gained firms, 6 lost firms, and 4 Sectors were unchanged.

The largest gain in the past 12 months occurred in the Finance and Insurance Industry with a gain of 30 firms (of which 12 had an indeterminate staff size). The largest decrease occurred in the Management of Companies and Enterprises Industry with a decrease of 93 firms (with 87 of indeterminate staff size). The nature of this industry suggests that much of the decrease could be a result of firms reclassifying themselves by changing the way that they report their business.

In terms of changes among the sectors since 2000, 12 sectors made gains, and 4 sectors lost businesses to December 2005. The largest gain occurred in the Construction Services sector with a net gain of 304 businesses (with 224 having indeterminate staff size). The largest decrease occurred in the Finance and Insurance Industry with a drop of 88 firms to 294 (of which 183 have indeterminate staff size).

Figure 4: Size of Businesses

Employment in small businesses continues to be central to the Cambridge economy. Approximately half (48.3%) of the firms with known staff sizes or 1,499 firms had 1-4 employees in 2005. This shows an increase of 157 firms since 2000 with 1-4 employees. In 2004, 1,418 were listed in this size category. The increase of 81 firms in the 1–4 staff size range in the past year is the largest of all increases in the other size categories. With the exception of the 500+ size category, all other categories experienced an increase. Note that in this context the words “staff” and “employees” are used interchangeably. The smallest increase was 2 firms for the “100-199” and “200-499” staff size”, and the largest increase was 81 firms in the 1 to 4 employees category.

The above figures do not include firms with an indeterminate staff size. The number of firms reporting an indeterminate number of employees increased 46% between 2000 and 2005 (2396 to 3503). Indeterminate staff size means staffing levels fluctuate on a regular basis due to seasonal variations or economic cycles An increasing number of firms appear to be using the “Indeterminate” category when reporting their staff size to Statistics Canada. At the same time the number of new firms increased by 1438 since 2000, 1107 more firms were classified as having an Indeterminate staff size. Firms with indeterminate staff sizes have exceeded half of the number of businesses in the city (53%). It is encouraging that the number or firms reporting indeterminate staff sizes decreased by 171 since 2004. If this trend continues the staff size data will continue to be relevant.

In quantitative terms, the number of firms in the 200 plus staff size category has increased from 31 firms in 2000, to 43 firms at the end of 2005. Firms with over 500 employees made up 0.34% of all businesses with known staff sizes in Cambridge in 2005, with 12 firms in this category. This is down by 1 since 2004 but unchanged compared to 2000.

It should be noted that change in the number of businesses in a category is not only due to the arrival and departure of firms, but also due to the movement into another staff size category as a result of hiring or staff reductions.

Figure 5: Type of Business by Size and Number

The Cambridge economy is quite diversified by size and types of businesses. The Manufacturing Industries Category is the fourth largest in number of firms (560) but it has the highest number of firms in every staff size category over 20 persons, including 8 firms listed in the 500+ employees category. The Construction Industries sector has the highest number of firms (901) but 541 have an Indeterminate Staff Size and 218 Construction firms have less than 5 employees. Professional, Scientific and Technical Services firms are the second largest group with 828 firms. However, 510 of these firms have an Indeterminate staff size and only 62 of the firms have more than 10 employees, an additional 55 of these firms have between 11 and 50 employees with 1 firm reporting a staff size of 200 to 499 employees. The third largest sector by number of firms was Retail Trade. This group had 668 firms, of which 267 had an indeterminate staff size. After manufacturing, this group had the second highest number of firms reported in all staff size categories with the exception of the last category (500+ employees). The number of firms with an indeterminate staff size increased from 2396 in June 2000 to 3503 establishments in December 2005, a 46% increase. Over half (53%) of firms now classify their staff size as Indeterminate.

Figure 6: Employment Growth

Cambridge's workforce increased by 15% between 1995 and 2000 according to data from Statistics Canada. Only Mississauga outpaced Cambridge among the 9 municipalities surveyed. This data is updated every five years by Statistics Canada when national Census's are held. Workforce data for 2005 was collected in May as part of the 2006 Census. This data will likely be available in 2007.

An estimate of the work force growth between 2000 and 2005 was generated by applying provincial growth rate estimates to Cambridge's 2000 workforce figure. Applying the provincial rate to Cambridge, the 2005 workforce is estimated to be 66,217 people.

Figure 7: Business Bankruptcies

There were 24 business bankruptcies in 2005. This is 9 less than the 10-year average of 33. The Net Liabilities of $9.7 million were slightly above the 10-year average of $9 million. This data indicates that 2005 was one of the three financially healthiest years since 1990 due to the low number of business bankruptcies and lower net liabilities.

Figure 8: Housing Prices and Residential Taxes

The cost of resale housing in Cambridge has climbed in 2005 and appears to be at the high end of nearby Ontario cities with populations between 100,000 and 300,000.

However, Cambridge housing prices remain lower than those of the majority of municipalities in the Greater Toronto Area. This is based on the Royal LePage 2005 Surveys of Canadian House Prices.

Property taxes are generally in the mid-range in comparison to other similar-sized Ontario cities. The rise in house prices in 2005 can be considered an indicator of the demand for locating in Cambridge. The moderate property taxes and location continue to make Cambridge attractive to those moving from other communities.

Figure 9 & 10: Assessment Growth

In 2005, Cambridge reported a total assessment growth of 2.96% whereas the average for the sample group of cities is 3.41%. Total Assessment Value growth decreased by 0.55 percentage points between 2004 and 2005, however Cambridge placed in the middle of the group of surveyed municipalities in assessment growth. Residential Assessment continued be the largest component of assessment growth in 2005.

Figures 11 & 12: Development Charges

Cambridge's development charges are generally competitive. Total residential development charges in Cambridge ($14,706) are near the midway point between the lowest (Brantford $7,900) and highest (Oshawa $22,676), residential development charges.

Non-residential development charges are also near the group average except that there are no City development charges on industrial lands purchased from the City of Cambridge. It should be noted that differing levels of service, rates of growth and financial arrangements might account in part for different development charge levels. It is also noted that many of the surveyed municipalities have updated their Development Charges by-laws so that charges increase annually at different increments depending on the municipality.

Figure 13: Journey to Work

The most recent data are from the 2001 Census and are based on 2000 Journey to Work travel patterns. Based on this information the number of Cambridge residents who commute has gradually increased, but 61.8% of the Cambridge workforce continues to be employed in Cambridge. Kitchener is the primary commuting destination followed by Metro/Peel and Wellington County. Kitchener, the rest of Waterloo Region and Wellington County are collectively the workplace for 24.9% of the Cambridge workforce. This suggests that there are strong economic linkages between Cambridge and its immediate neighbouring communities.

The Journey to work data also reveal that the number of non-Cambridge residents travelling daily to work in Cambridge exceeds the number of Cambridge residents working daily outside of Cambridge. The majority of the 50,015 Cambridge residents who were considered to be in the employed workforce work in Cambridge (38,850) while 19,165 leave the City to work. Therefore, Cambridge is a net importer of employment with 21,645 workers from outside the City. Journey to work data are updated every five years as part of the Canadian Census. The data gathered in the Census in May of this year will likely be available in 2007.

Figure 14: Residential Housing Construction

The number of new residential units has increased considerably in recent years. A total of 983 housing units were constructed in 2005, above the 10-year average of 875 units and just below the 5- year average of 995.

Figure 15 and 16: Value of Building Permits

The value of building permits was $227.8 million in 2005 and was higher than the ten and twenty year averages of the annual total value of construction across the City. The value of construction is an estimate provided by applicants when they submit applications for building permits. The $227.8 million in construction value built in 2005 is the second lowest amount since 2000 and $24 million less than the five-year average annual construction value of $257.7 million.

Construction values are tracked across all the sectors: residential, industrial, commercial and institutional. Over the past 20 years an average of 54% of the construction value in any year was the result of residential projects. In 2005 the residential portion was 62%. The industrial sector contributed 10% less than the average of 24% of the total construction value for the City. The proportional value of commercial permits in 2005 was identical to the 5 and 10-year averages at 13%. The institutional sector at 4% was under the sector 5 and 10 year averages by 2% and 5% respectively .

Figure 17: City-Owned Industrial Land Sales

In 2005, the City sold 41.139 acres of industrial lands which is was very close to the 18-year average of 45.1 acres annually. Convenient access to highways and competitive industrial taxes make Cambridge an attractive area for businesses to locate.

Figure 18: Industrial Land Taxes

Cambridge's industrial land taxes are in the mid-range of the municipalities that were compared. Tax rates and land prices were compared on the basis of a hypothetical 20,000 square foot building with attached office on 2 acres of land at various municipalities. The construction cost for the building is typically in the area of $50 per square foot (psf).

Summary and Conclusion

Building activity in both the residential and non-residential sectors was balanced in 2005, and residential dwelling construction was slightly over the 10-year average. Following six years of exceptional activity, sales of city-owned industrial land were just under the 18 year average.

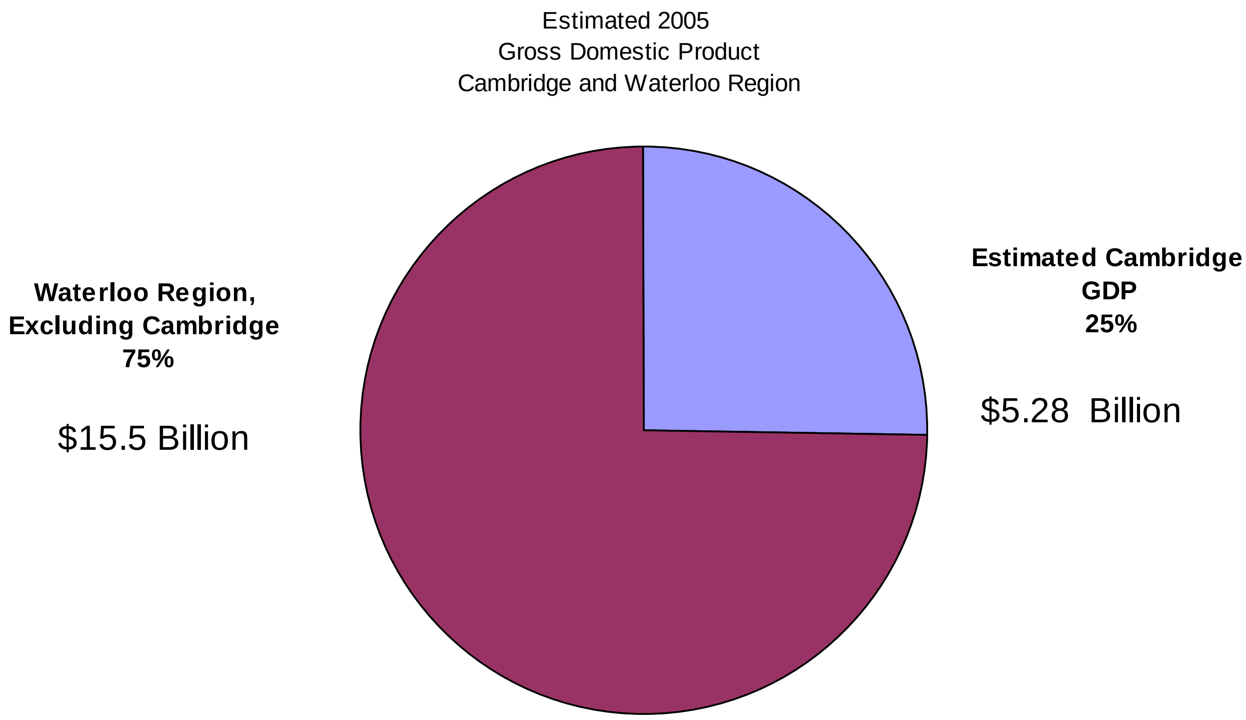
The City is generally competitive regarding development charges, housing prices and taxes as compared to other similar sized cities in Ontario.

The continued growth and diversification of the Cambridge economy is demonstrated by a number of factors examined in this report. The Canadian Business Pattern data reveal the addition of at least 1,438 firms to the Cambridge economy since 2000. The diversification of the economy continued with the majority of the new firms being classified as Services Industries (Professional, Scientific, Technical, Real Estate etc.) Construction Trades accounted for 304 new businesses and the Transportation/Warehousing Industry category increased by 149 new firms. Cambridge continues to be home to a higher than average number of manufacturing industries but it appears that this trend is gradually changing, with a net gain of only 26 firms classified as Manufacturing Industries since June 2000.

Based on the findings in this report, Cambridge's economy is healthy and growing. The prosperity created by the city's economy is continuing to provide a positive environment for both residents and businesses.

Figures

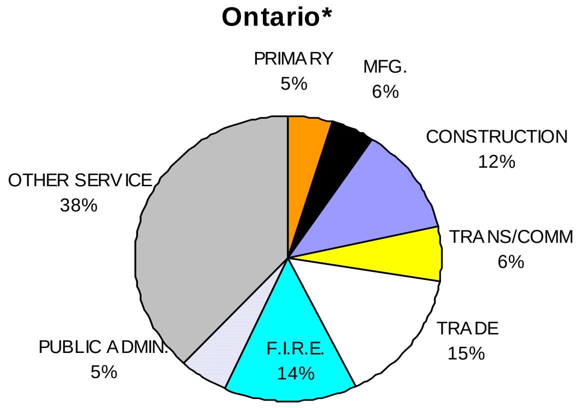
Figure1: Cambridge accounts for one quarter of Waterloo Region's Economic output.

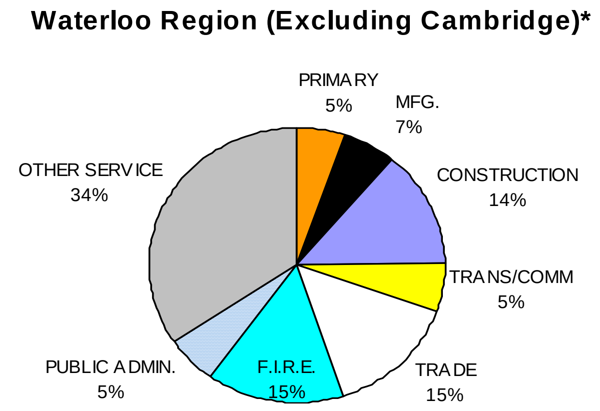


Source (Raw Data): Ontario Ministry of Finance and Human Resources Development Canada (Kitchener Office).

Note: The methodology used involves the assumption that that the productivity per worker is uniform throughout the Province of Ontario. Consequently the figures are more of an approximation based on the number of employed people. A figure based on the actual productivity of firms in the City and Region is not available.

Figure 2: Cambridge continues to have a diversified economy with slightly more manufacturing and transportation/communication relative to the rest of the Region and the Province.





*% Establishments by Industry Group

1. Trans/Comm = Transportation, Communication and Other Utilities
2. F.I.R.E. = Finance, Insurance and Real Estate
Source: Statistics Canada,
3. Public Admin =Government Service Industries, Educational Service Industries, Health and Social Service Industries.
4. Other Service = Business Service Industries, Accommodation, Food and Beverage Service Industries, and, Other Service Industries.

Source: Statistics Canada, Canadian Business Patterns, Dec/05

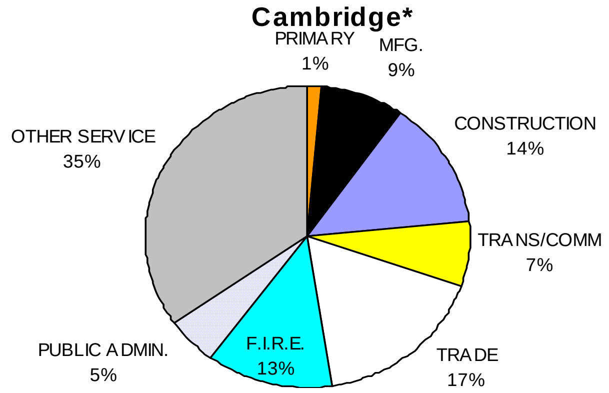
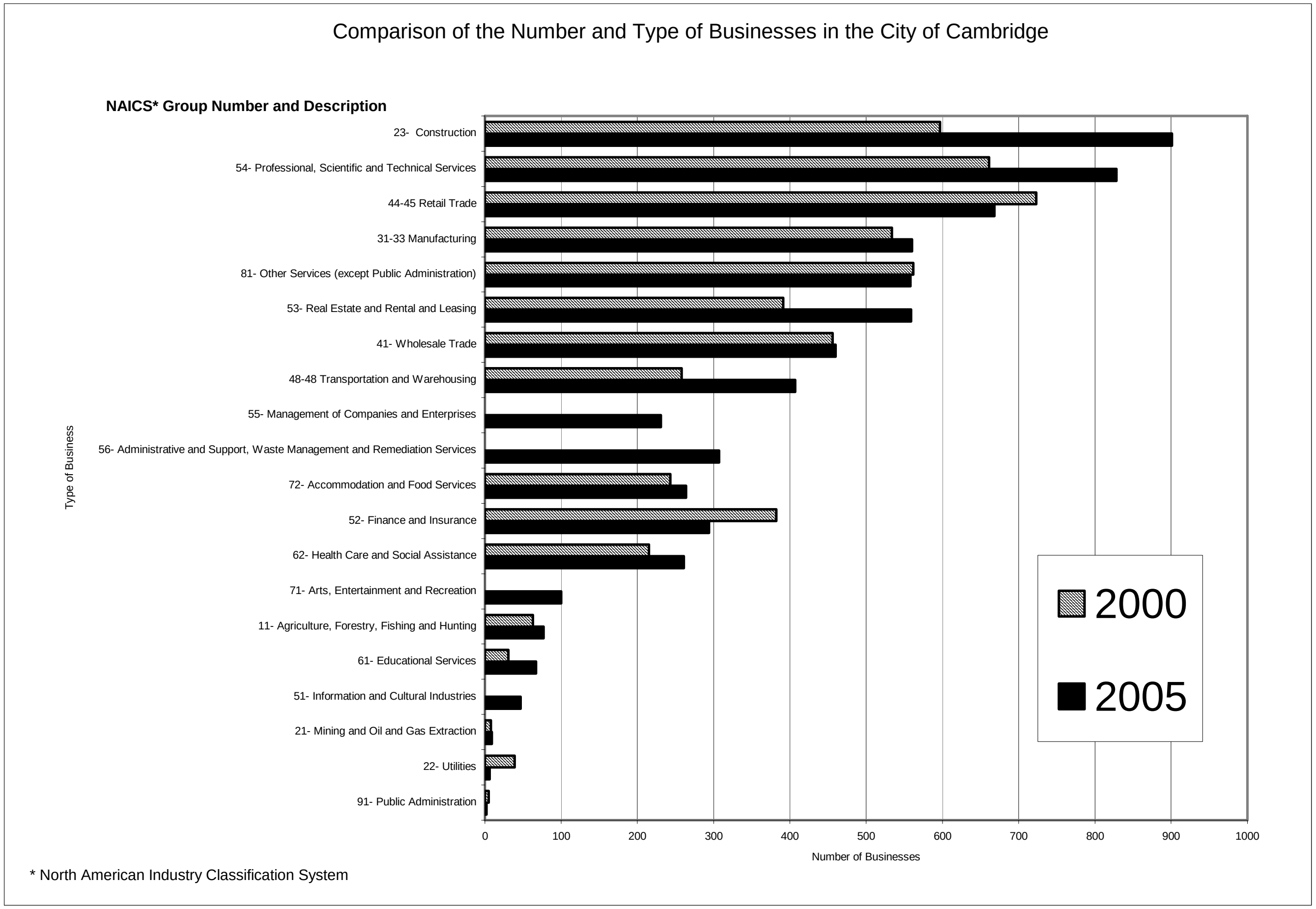
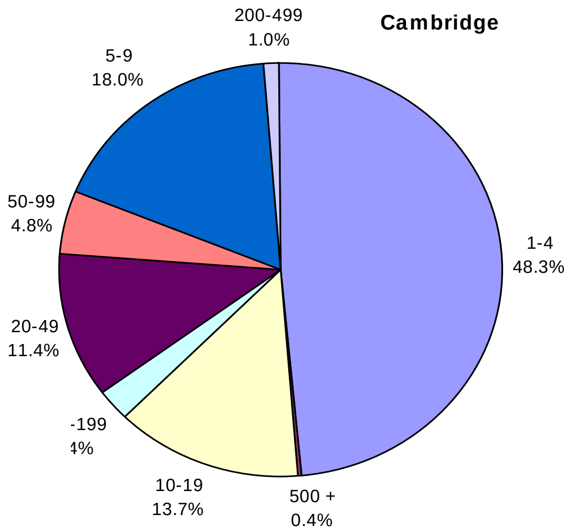


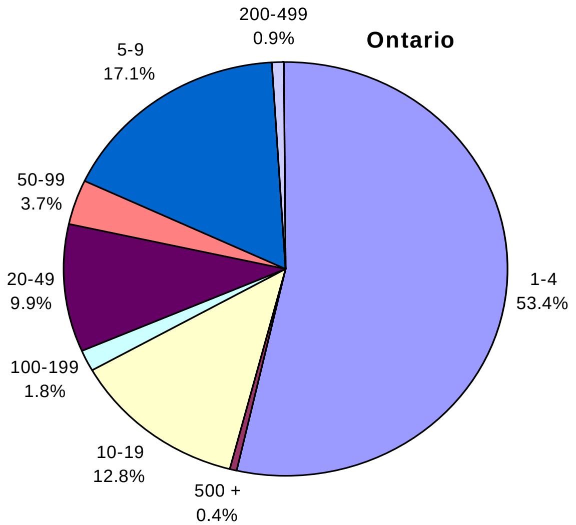
Figure 3: The Construction, Professional, Scientific and Technical Services, Real Estate, and Transportation/Warehousing sectors experienced the highest growth since 2000.

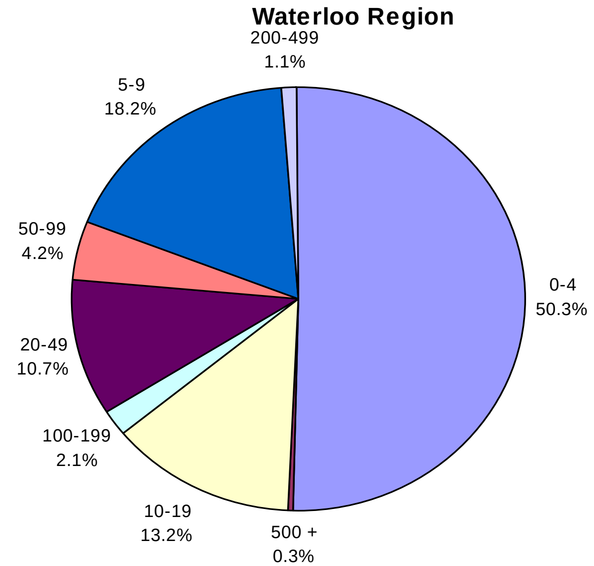


Source: Statistics Canada, Canadian Business Patterns, June 2000 and December 2005.
Note: Number preceding the description is the North American Industrial Classification System (NAICS) group identification number.
In some cases only one bar (representing NAICs 2004 data) is shown as a comparable 2000 SIC classification was not available.

Figure 4: Almost half of the businesses in Cambridge have 4 or fewer employees.

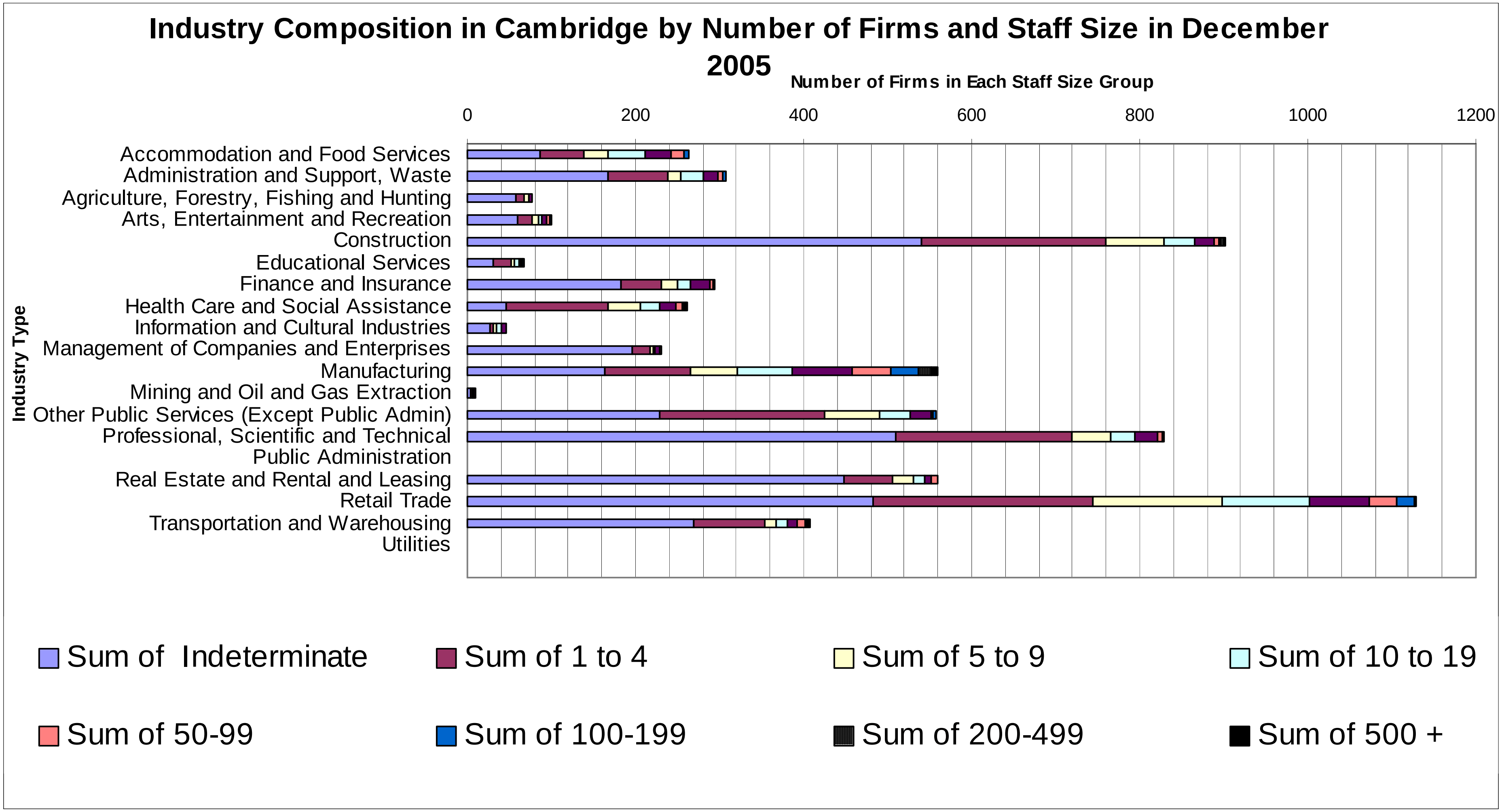






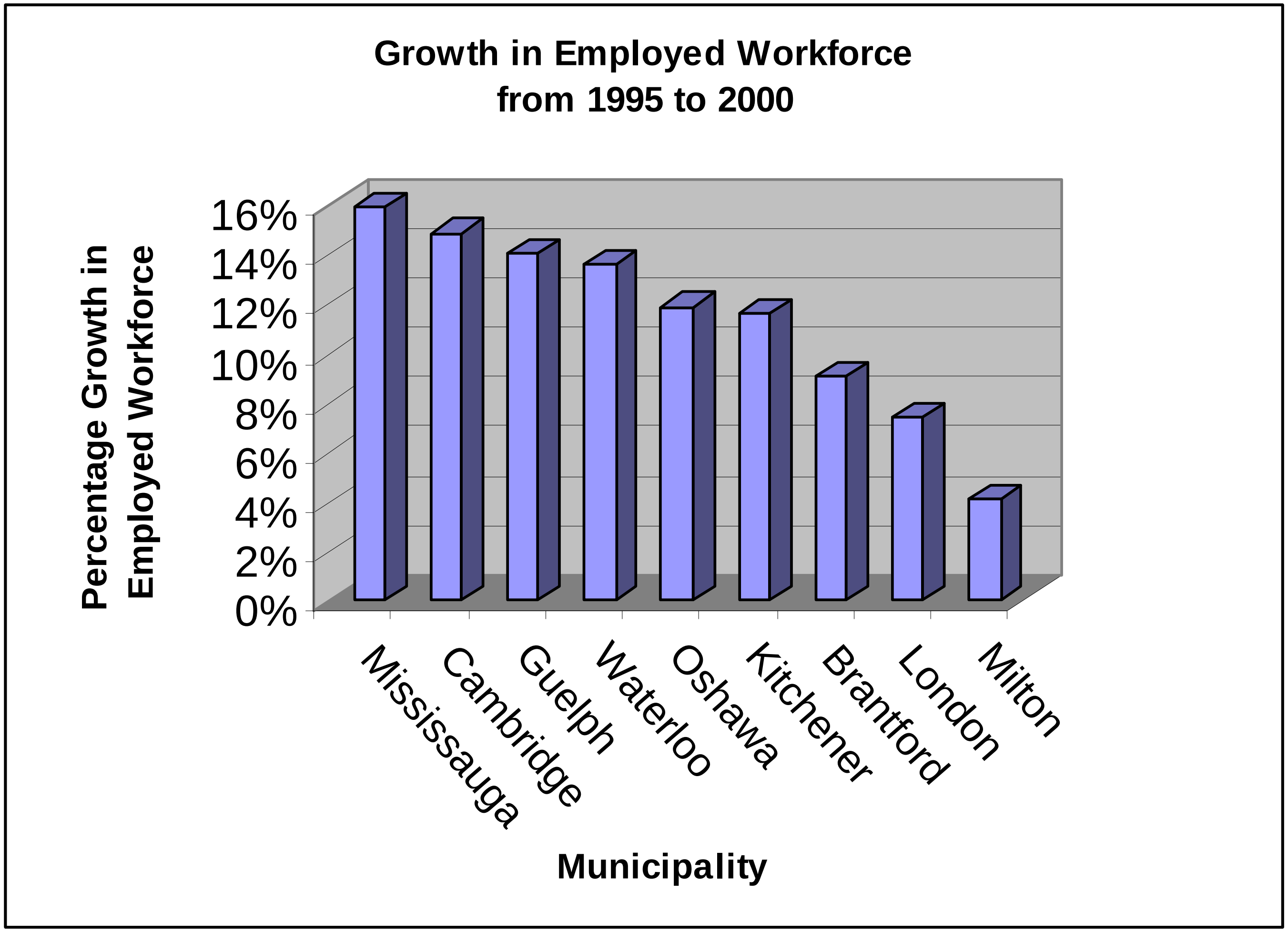
Note: Total number of establishments in Cambridge was 6,606. 3,503 were reported to have an indeterminate number of employees. Indeterminate employees figures not included in the calculations. Region and Provincial figures include Cambridge.
Source: Statistics Canada, Canadian Business Patterns, December 2005.

Figure 5: The Cambridge economy is quite diversified by size and type of firms.



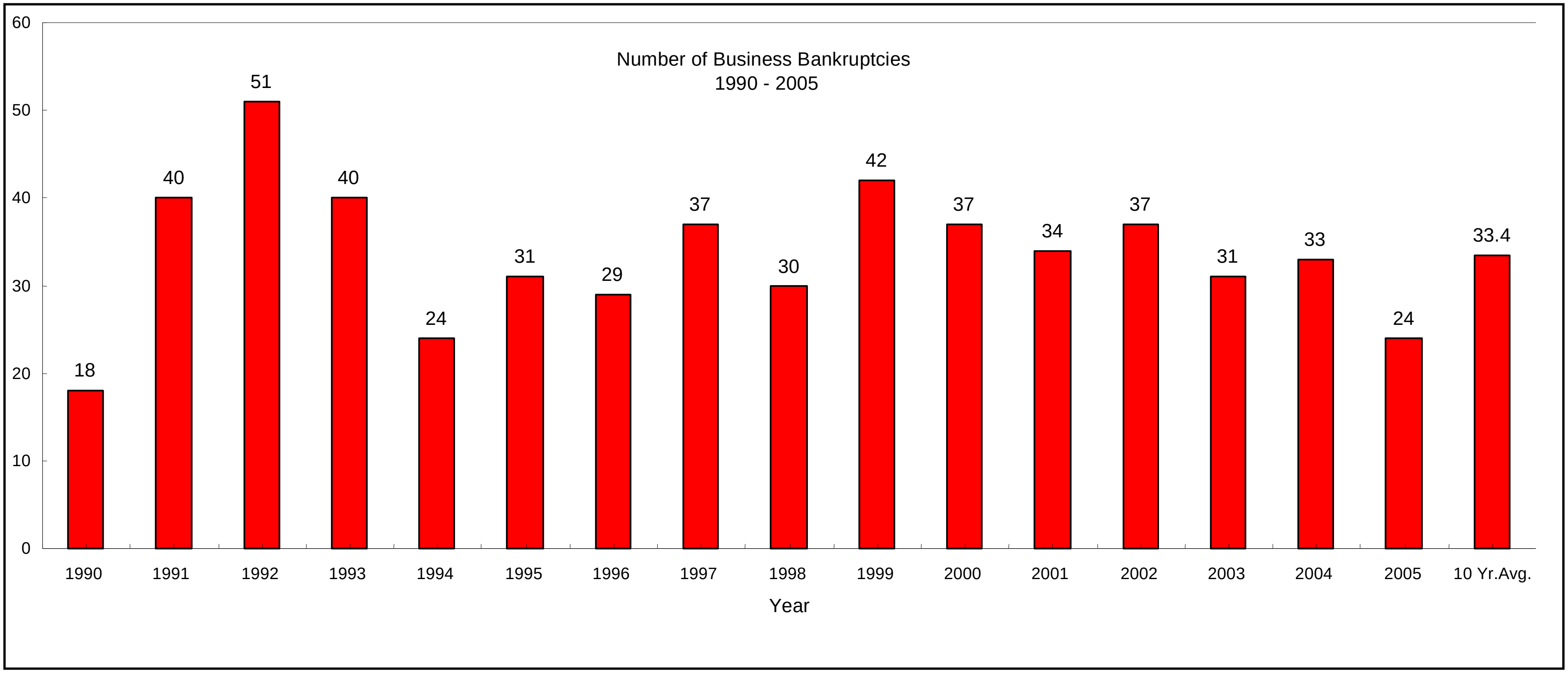
Source: Statistics Canadian, Canadian Business Patterns, December 2005.
Note: Statistics Canada data indicates that almost half the businesses in Cambridge have an indeterminate number of staff meaning that staff size is reported to fluctuate regularly.

Figure 6: Employment Growth has been healthy in comparison to other municipalities.



Source: Statistics Canada, Census, 1996 and 2001.

Figure 7: In 2005 the number of bankruptcies and net liabilities decreased.



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Net Liabilities:

$2.5m	$2.1m	$5.1m	$10.4m	$7.3m	$6.4m	$8.0m	$3.6m	$4.4m	$2.9m	$10.2m	$11.5m	$12.8m	$6.7m	$19.7m	$9.7m	9.0m

Source: Office of the Superintendent of Bankruptcy Canada

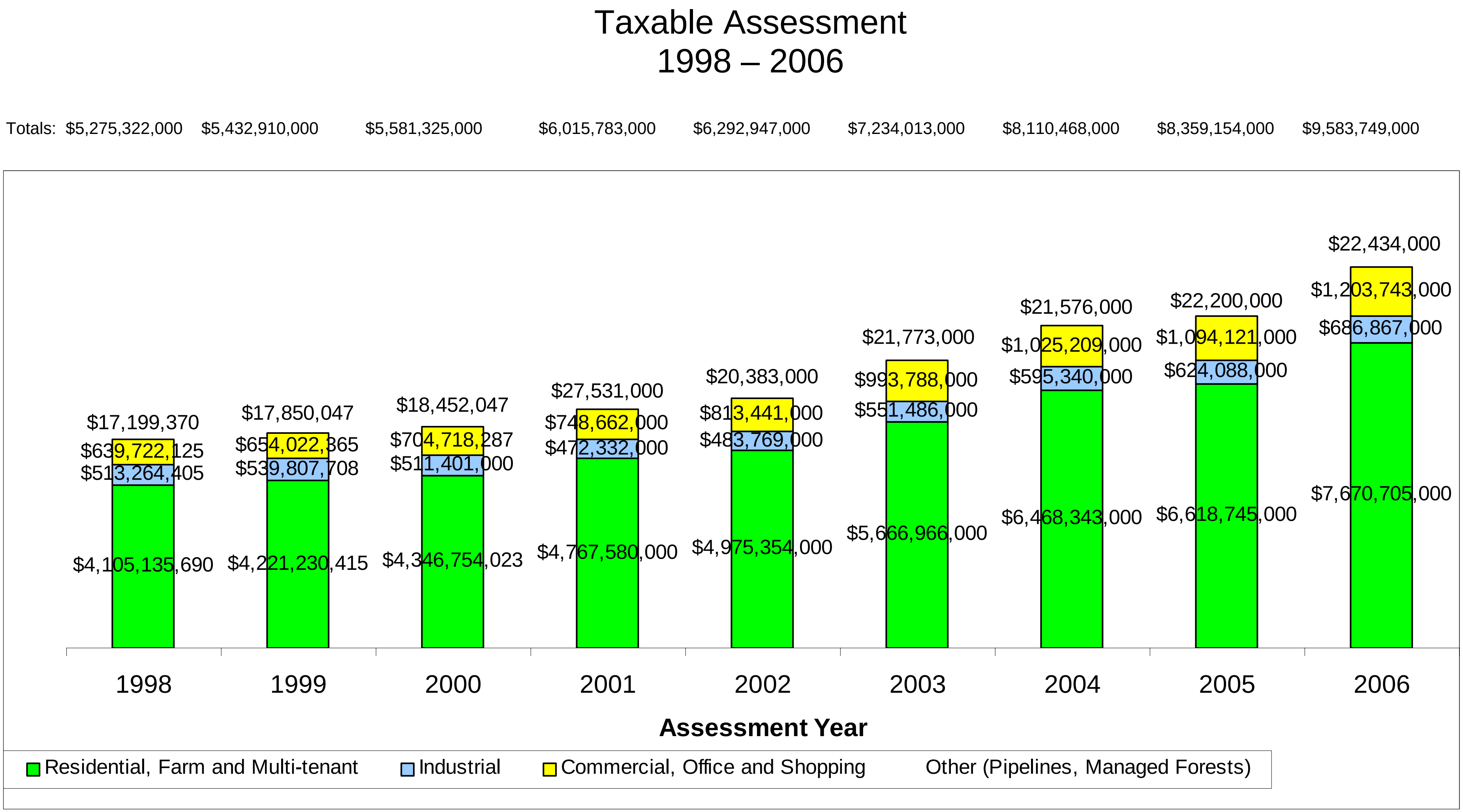
Figure 8: Cambridge Housing Prices are generally in the middle compared to surrounding municipalities.

Detached Bungalow (4th Quarter, 2005)		
Ranked Lowest to Highest Price		
Location	**House Price**	**Estimated Taxes**
London	$189,500	*Not Provided*
Brantford	$206,000	$3,184
Kitchener	$206,900	$3,500
Cambridge	$214,500	$2,550
Waterloo	$220,000	$2,450
Milton	$304,000	$2,255
Greator Toronto Area	$270,000 to $595,000	$2,500 to $4,600

Senior Executive (4th Quarter, 2005)		
Ranked Lowest to Highest Price		
Location	**House Price**	**Estimated Taxes**
Brantford	$348,000	$5,534
Waterloo	$360,000	$3,200
London	$384,000	*Not Provided*
Cambridge	$428,000	$6,000
Milton	$460,000	$3,420
Kitchener	$528,000	$7,000
Greator Toronto Area	$2,700,000 to $420,000	$3,600 to $20,000

Source: Royal LePage Survey of Canadian House Prices, 4th Quarter 2005 except Waterloo (3rd Quarter 2005) and Milton(1st Quarter 2006).
Tax data for London not provided. Recent Royal LePage tables did not provide data for Guelph.

Figure 9: Cambridge's assessment base has grown in recent years, primarily due to residential growth



Source: City of Cambridge

Figure 10: In 2005 Cambridge was near the middle in the growth of its assessment base.

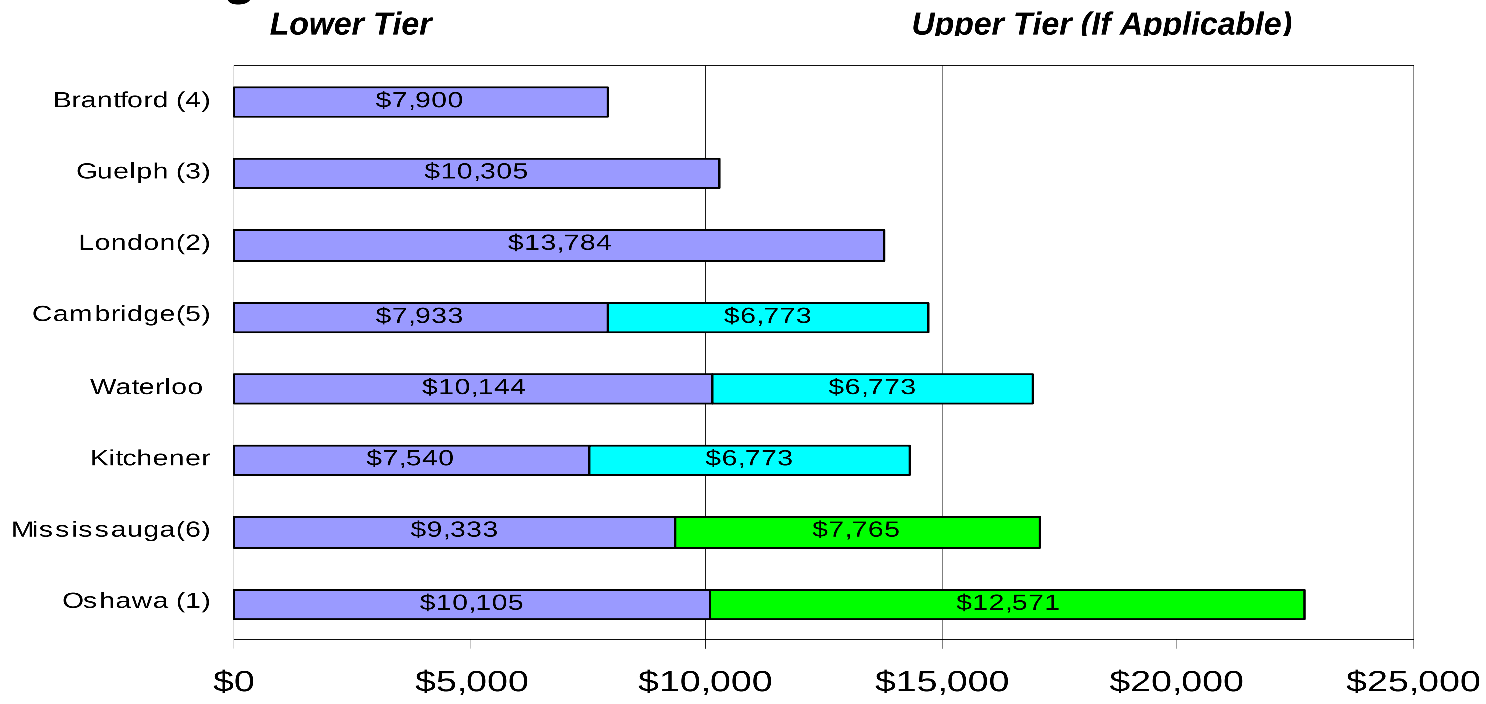
Comparison of Assessment Growth - Total
1989-2005

Year	Brantford	Guelph	Kitchener	Waterloo	Oshawa	Cambridge	Average Assessment Growth (All Cities)
1989	2.70%	4.00%	4.60%	6.00%	2.70%	8.80%	4.80%
1990	4.30%	4.90%	4.20%	7.40%	2.10%	6.87%	4.96%
1991	4.70%	2.40%	2.60%	5.00%	2.20%	4.50%	3.57%
1992	0.40%	3.10%	1.70%	1.60%	0.50%	3.61%	1.82%
1993	1.10%	2.80%	0.80%	0.15%	0.50%	1.16%	1.08%
1994	0.50%	1.70%	1.50%	1.05%	-0.90%	1.91%	0.96%
1995	-0.50%	2.13%	-1.00%	1.05%	0.14%	1.45%	0.54%
1996	0.42%	0.01%	0.05%	1.53%	0.04%	0.83%	0.48%
1997	0.52%	2.36%	1.12%	1.84%	0.45%	4.57%	1.81%
1998	1.10%	1.81%	0.63%	0.21%	0.00%	4.07%	1.30%
1999	0.65%	1.31%	2.09%	3.15%	0.40%	4.54%	2.02%
2000	0.81%	3.50%	1.50%	2.99%	2.81%	*1.71%	1.94%
2001	1.63%	7.65%	1.09%	2.68%	1.50%	1.74%	2.72%
2002	3.57%	3.09%	2.33%	4.25%	2.00%	5.33%	3.43%
2003	1.60%	2.20%	2.63%	4.25%	1.25%	4.07%	2.67%
2004	2.12%	2.09%	3.17%	3.50%	2.00%	3.51%	2.73%
2005	2.36%	3.30%	4.08%	2.83%	4.90%	2.96%	3.41%

Source: Provincial Assessment Offices and Municipal Finance Departments

*Lower due to re-assessment of space being used at a major manufacturing faciltiy resulting in an over-all decrease in assessment value.

Figure 11:Cambridge is in the middle for residential development charges.



Source: Contact with municipalities and/or their websites, Spring 2006

(1) Oshawa: Includes cash in lieu of Parkland charge of $3,475. Public and Separate Schools are $958 and $337 respectively.

(2) London District Catholic School Board charges an additional $755/unit. Charges shown are for inside the Urban Growth Area.

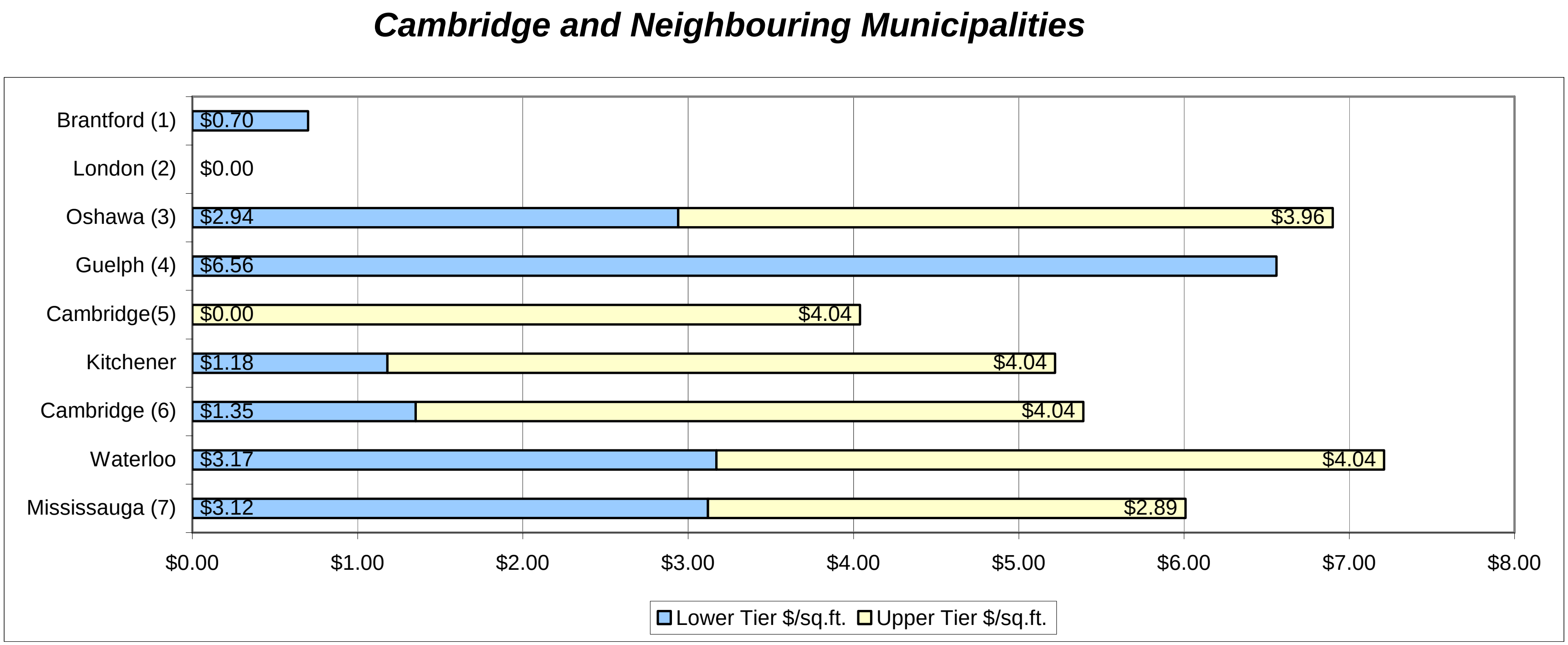
(3) Guelph: Education DCs are an addiitonal $1,158.

(4) Brantford: Education DCs are an addiitonal $264.

(5) Cambridge: Education DC's are an additional $190.72 and $102.04 for the Public and Separate Boards respectively.

(6) Mississauga: Additional $329 for GO Transit, $1,281 and $855 for Public and Separate School Boards and $36,781/ha for Storm Water Management.

Figure 12: Cambridge is competitive regionally on non-residential development charges.



Rates are for Industrial Development except where noted otherwise. Source: Contact with municipalities and/or their websites, Spring 2006

(1) Brantford quoted their Development Charges at $5.51/sq.ft for commercial and institutional, the quoted Industrial Rate of $30,492/acre was divided by 43,560 (sq.ft.in an acre) to produce the charted figure of 70 cents/sq.ft. Also no DCs in core area and reduced Residential DC's in designated infill area.

(2) London: No Non-residential DC's on industrial land but $12.08/sq.ft. on commercial land, and $7.95/ sq.ft. on institutional lands.

(3) Oshawa: No Non-residential DC's in downtown area. Upper tier charge of $3.96/sq.ft applies to commercial developments only. No Education DCs for non-residential developments.

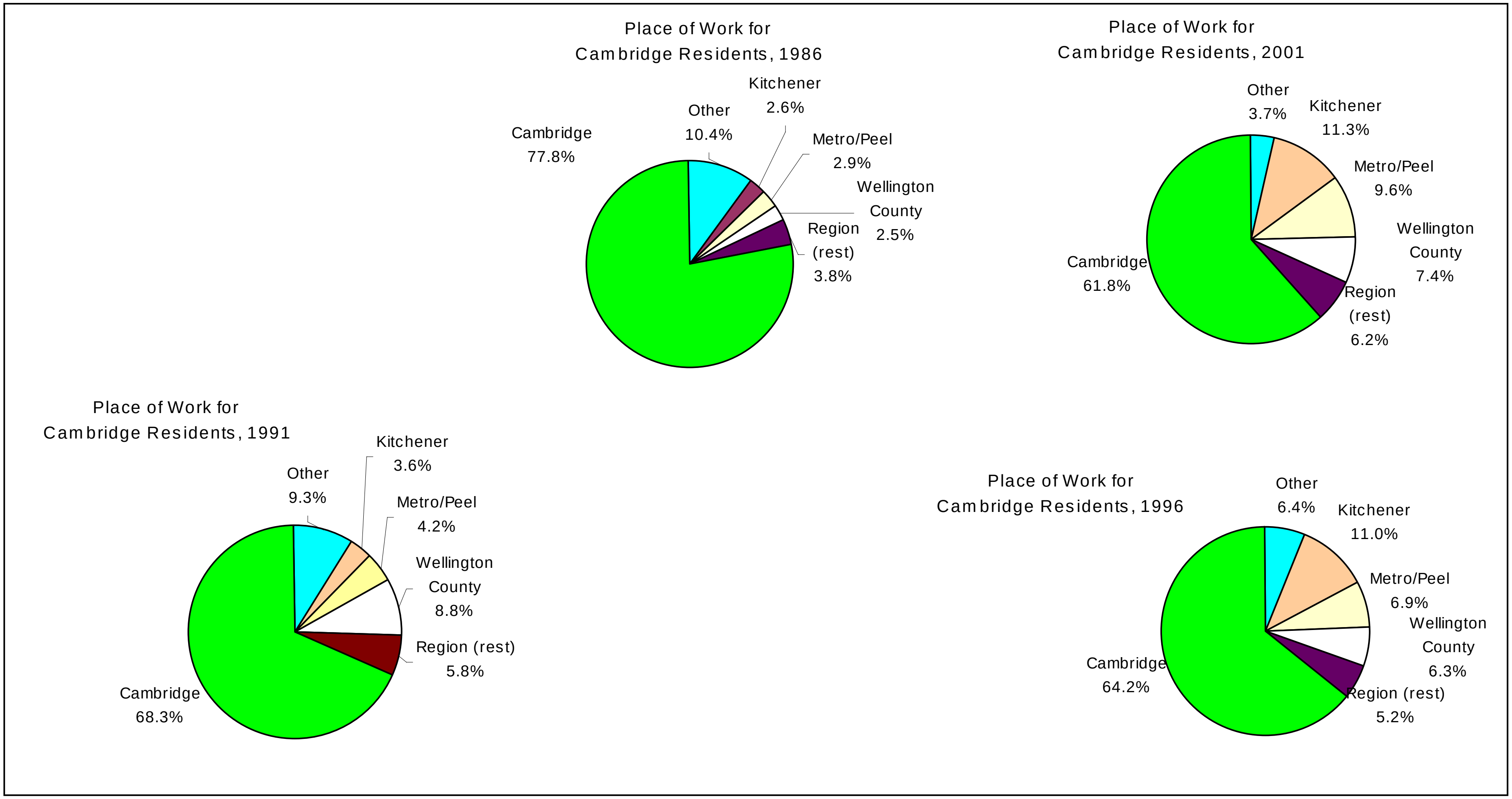
(4) Guelph: DC of $6.26 charged on commercial and institutional land development. Slightly lower charges for "Downtown Area" .

(5) Cambridge: No city DC for city owned industrial lands. Applies to Industrial, Commercial and Institutional uses.

(6) Cambridge: DC for privately owned non-residential land development (industrial, commercial, institutional)

(7) Mississauga: DC's are $5.84 sq.ft. (city) and $4.01sq.ft. (region) for non-industrial land. In addition $0.19/sq.ft and $0.23/sq.ft is charged by the Public and Separate Boards. of Education as well as $50,988.62/ha for Storm Water Management

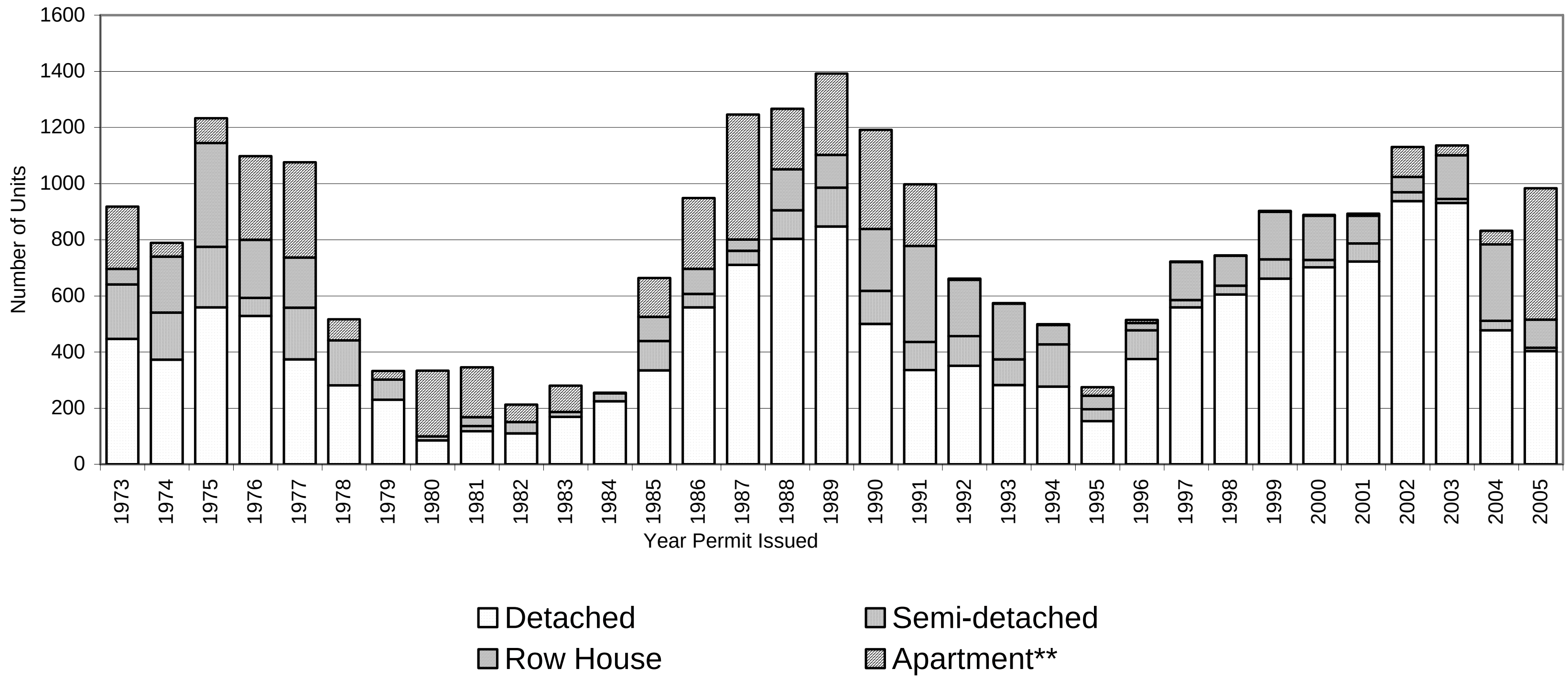
Figure 13: The number of Cambridge residents who commute has increased slightly but most commuters travel to nearby communities.



Source: 1986, 1991, 1996 and 2001 Data drawn from Statistics Canada Census Place of Work Data

Figure 14: Residential construction activity was up due to a surge in apartment construction.

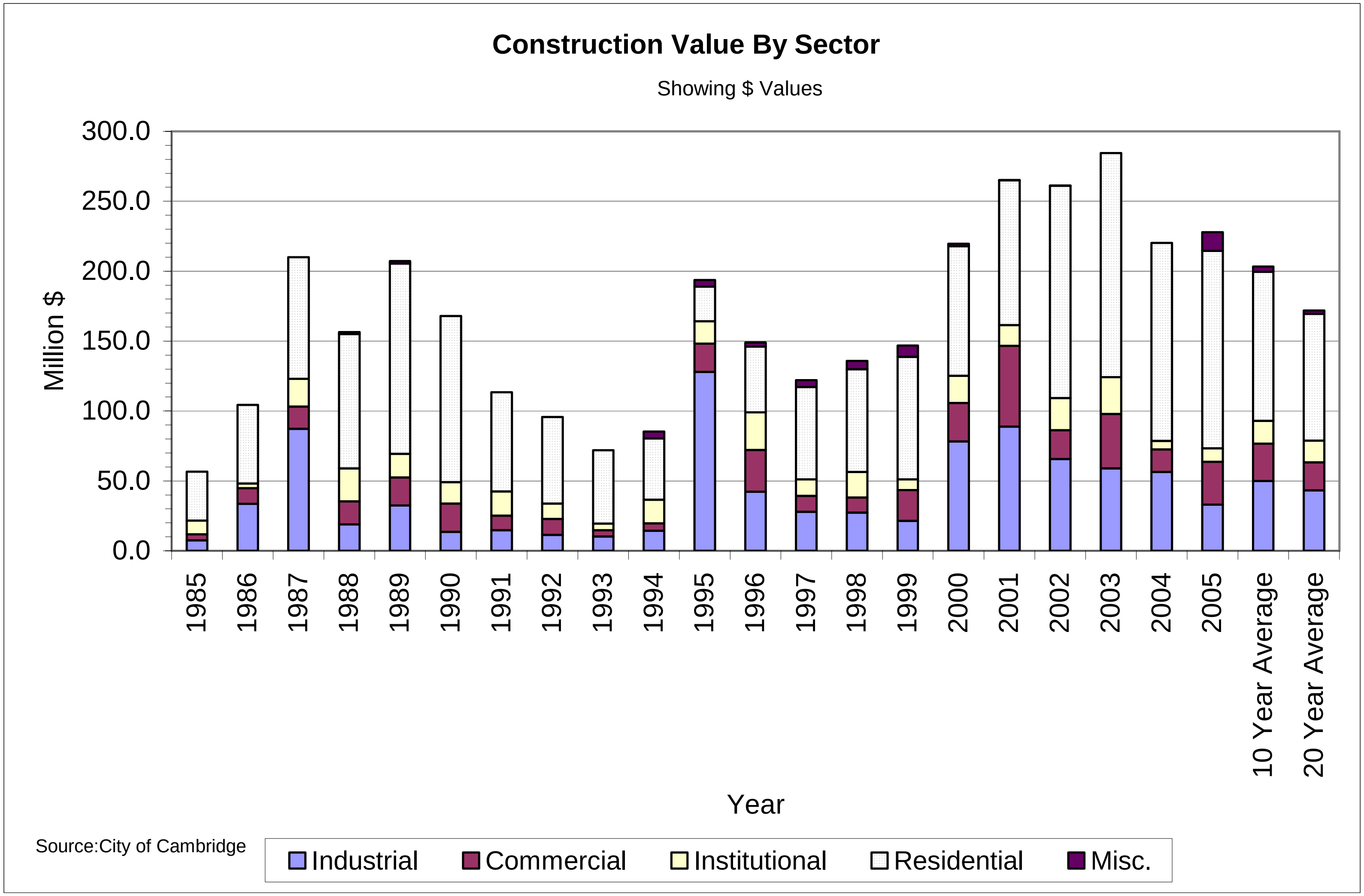
New Residential Construction Activity by Unit Type
City of Cambridge
1973 - 2005



** Apartment figures include units created through mixed residential-commercial uses (e.g. dwelling units above stores).

Source: City of Cambridge Planning Services Department

Figure 15: The 2005 Value of Construction was above the Ten and Twenty Year Averages



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Source: City of Cambridge Planning Services Department

Figure 16: The distribution of Construction Values by sector in 2005 is comparable to the average distribution for the past 20 years.

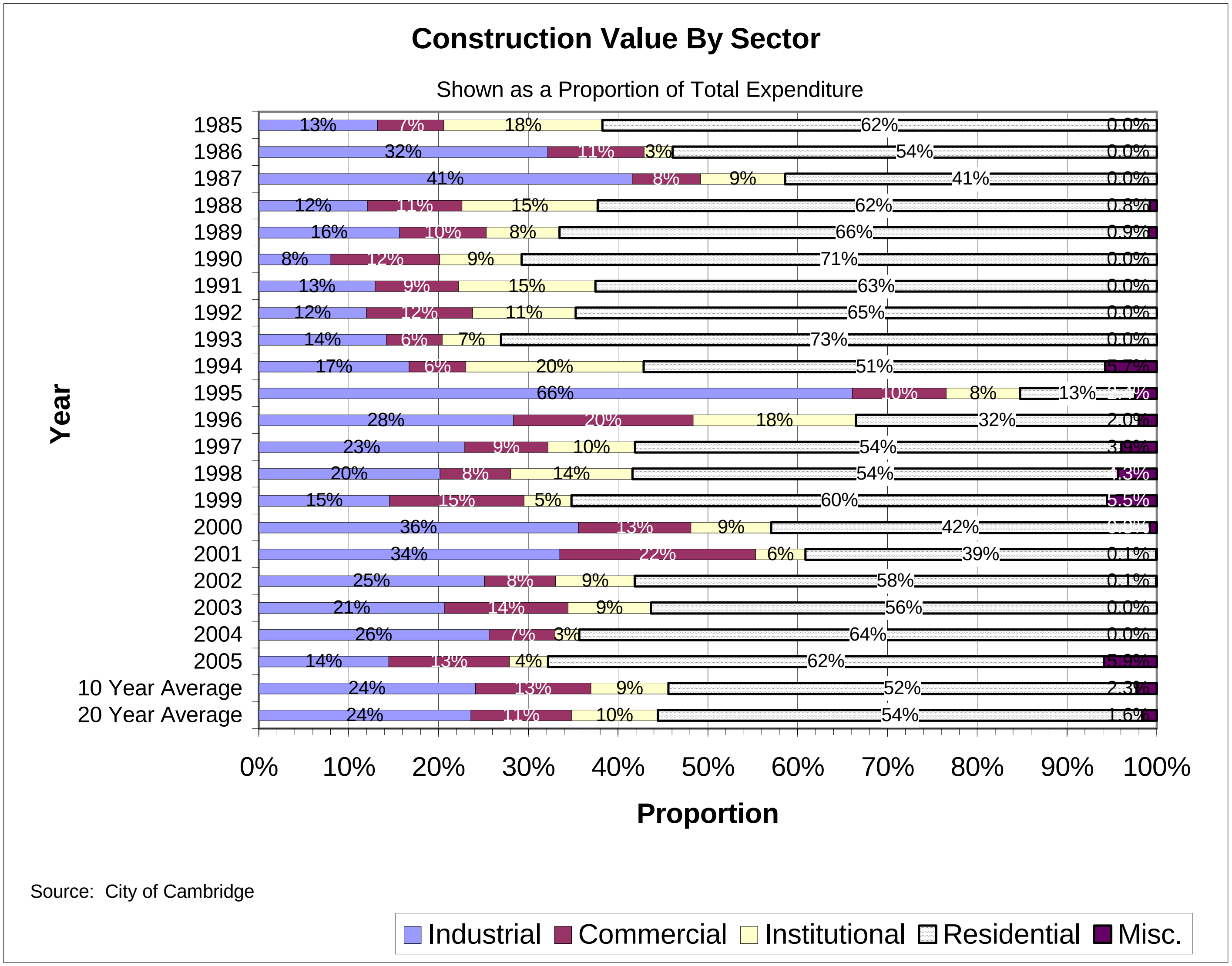
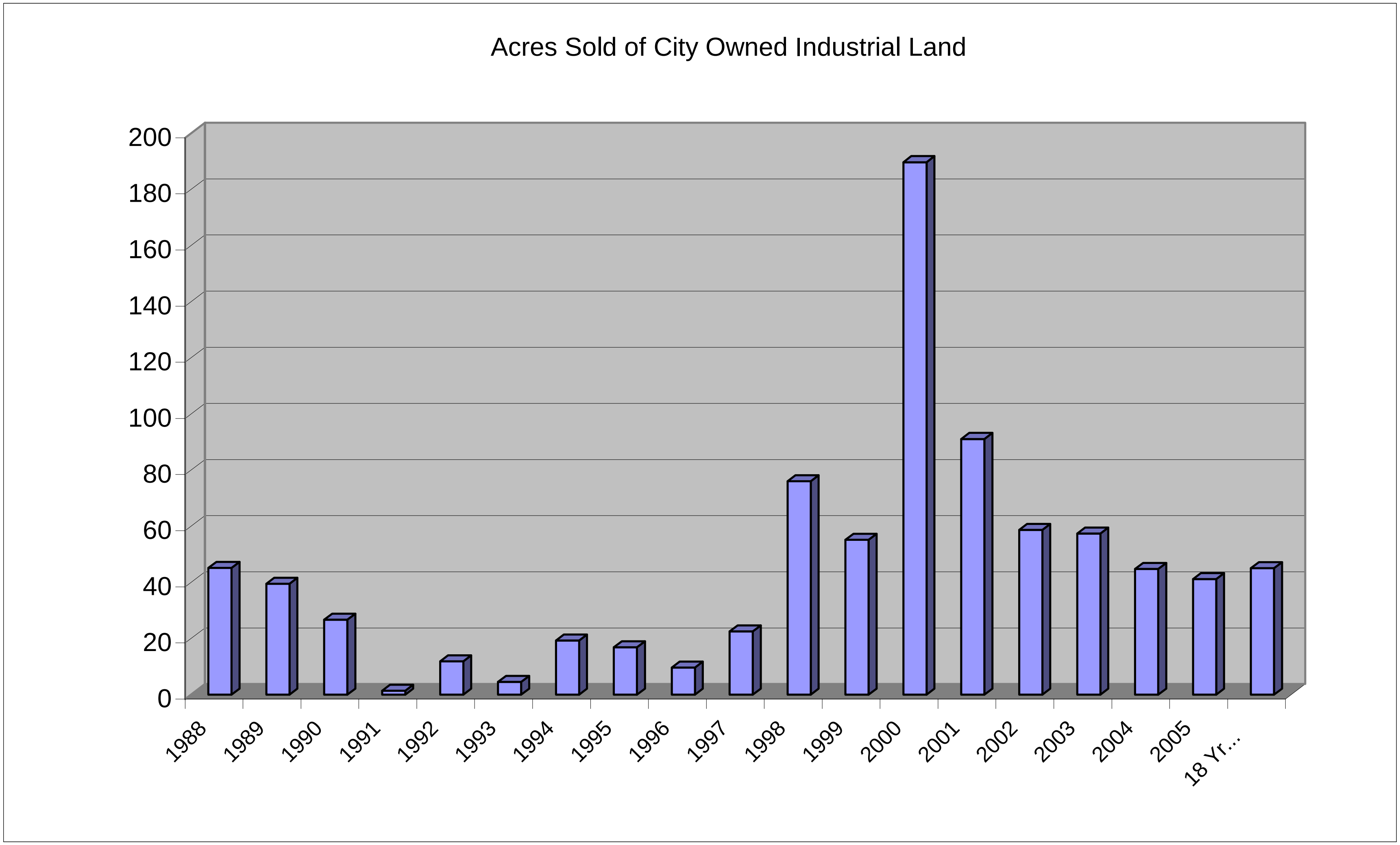
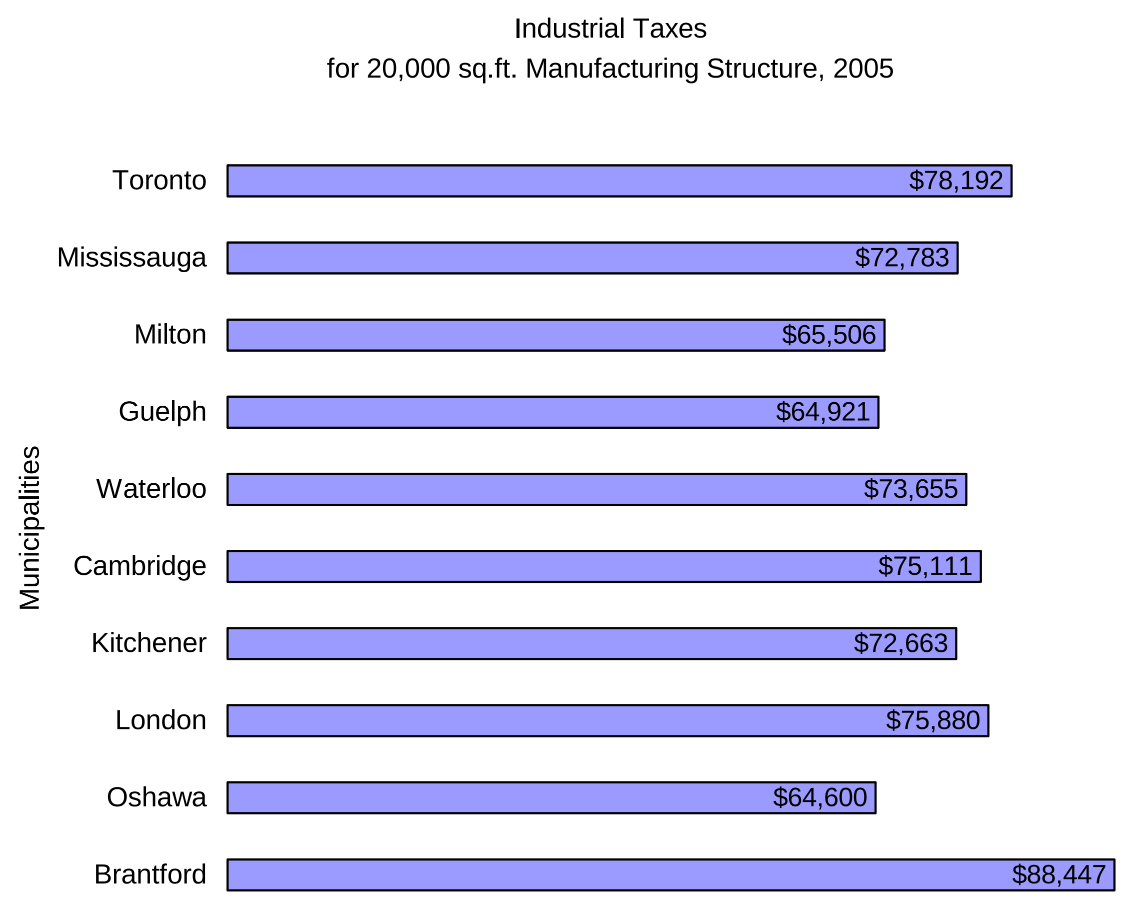


Figure 17: City owned industrial land sales in 2005 were in the top half of the time period tracked, and close to the 18-year average.



Source: City of Cambridge Economic Development Department

Figure 18: Cambridge industrial taxes are in the mid-range.



Above taxes are based on estimates of cost of land, tax rates provided by the municipalities as well as uniform construction cost of $50 psf.
The estimates are for a 20,000 sq.ft. industrial manufacturing structure with an attached office, located on 2.0 acres of land.