



2007

Economic Analysis

Update

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

June 2007

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 2007 Economic Analysis contains the most recent available data on 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 2006, 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 be maintained as a result of the continuing growth of the industrial sector in Cambridge.

Figure 3: Business Growth

As of December 2006, Cambridge was home to a total of 6,764 firms. Since the December 2005 report, the number of businesses in Cambridge increased by 158 from 6,606 to 6,764. This averages out to a net increase of approximately 13 additional new businesses per month for 2006. Since the December 2000 report, the number of businesses has increased by 1,596 from 5168. This averages out to 266 new business per year or 22 per month over the 6 year period.

In the 20 Industry Sectors listed, 16 Sectors gained firms, 3 lost firms, and 1 Sector was unchanged during 2006.

The largest gain numerically in the past 12 months occurred in the Transportation and Warehousing Industry with a gain of 72 firms from 407 to 479. It is interesting that 330 of these firms had an indeterminate staff size. The largest decrease occurred in the Agriculture, Forestry, Fishing and Hunting Industries with a decrease of 7 firms from 77 to 70 firms (with 52 of indeterminate staff size).

From a proportional view, the largest gain (33%) occurred in the Utilities Sector with an increase from 6 to 8 firms. The largest proportional decrease (-11%) occurred in the Mining and Oil and Gas Extraction Industries moving from 9 to 8 firms.

Figure 4: Size of Businesses

Employment in small businesses continues to be central to the Cambridge economy. Half (50%) of the firms with known staff sizes (1,591 firms) had 1-4 employees in 2006. This shows an increase of 92 firms since 2005 with 1-4 employees. The increase of 92 firms in the 1–4 staff size range in the past year is the largest of all increases in the other size categories. Five out of the nine employment size 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 “50-99” staff size”, and the largest increase was 92 firms in the 1 to 4 employees category.

The above figures do not include firms with an indeterminate staff size. 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. Of the 6,764 firms in Cambridge in December 2006, over half, 3,580 reported an indeterminate staff size. The number of firms reporting an indeterminate number of employees increased 49% or 1184 between 2000 and 2006 (2396 to 3580). At the same time the number of new firms increased by 1,596 since 2000. Between December 2005 and December 2006 77 more firms were classified as having an indeterminate staff size.

In quantitative terms, the number of firms in the 200 plus staff size category has increased from 31 firms in 2000, to 44 firms at the end of 2006. Firms with over 500 employees made up 0.47% of all businesses with known staff sizes in Cambridge in 2006, with 15 firms in this category. This is down by 3 since 2000 but unchanged compared to 2005.

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 (561) and it has the highest number of firms in every staff size category over 20 persons, including 10 firms listed in the 500+ employees category. The Construction Industries sector has the highest number of firms (879) but 509 have an Indeterminate Staff Size and 226 Construction firms have less than 5 employees. Professional, Scientific and Technical Services firms are the second largest group with 836 firms. However, 505 of these firms have an Indeterminate staff size and only 35 of the firms have more than 10 employees, and 1 firm reporting a staff size of 200 to 499 employees or more.

The third largest sector by number of firms was Retail Trade. This group had 672 firms, of which 254 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). However, it should be kept in mind that over half (53%) of firms now classify their staff size as Indeterminate. The number of firms with an indeterminate staff size increased from 2396 in June 2000 to 3580 establishments in December 2006, a 49% increase.

Figure 6: Work Force 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 is scheduled to be released in the spring of 2008.

An estimate of the 2006 work force in 2006 was generated by calculating a proportion of the provincial 2006 work force (6.927 million) to 2006 provincial population (12.686 million). This ratio (0.546) was applied to Cambridge's end of 2006 population estimate of 124,000 people. Consequently, the 2006 Cambridge workforce is estimated to be 67,708 people.

Figure 7: Business Bankruptcies

There were 25 business bankruptcies in 2006. This is 1 more than in 2005 and 8 less than the 10-year average of 33. The Net Liabilities of \$33.6 million were above the 10-year average of \$11.5 million. This data indicates that 2006 was a mixed year with respect to business bankruptcies. On one hand, it was one of the four healthiest years since 1990 in terms of the low number of business bankruptcies. On the other hand, the \$33.6 million in net liabilities is the highest on record. The raw data displays the number of firms declaring bankruptcy in each postal Forward Sortation Area (FSA) in Cambridge with the total Assets and Liabilities in each FSA. The data shows in one FSA four firms declared bankruptcy with Liabilities of \$30.5 million. It is possible that one firm alone was responsible for the majority of the dollar figure. Consequently, this year's extremely high dollar figure could be a rare aberration. The figures are not adjusted for inflation.

Figure 8: Housing Prices and Residential Taxes

The cost of resale housing in Cambridge has climbed in 2006 and appears to be in the middle 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 2006 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 2006 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 2006, Cambridge reported a total assessment growth of 2.81% whereas the average for the sample group of cities is 3.69%. Total Assessment Value growth decreased by 0.70 percentage points between 2005 and 2006, however Cambridge placed in the middle of the group of surveyed municipalities in assessment growth. Residential Assessment continued to be the largest component of assessment growth in 2006.

Figures 11 & 12: Development Charges

Cambridge's development charges are generally competitive. Total residential development charges in Cambridge (\$15,908) are near the midway point between the lowest (Brantford \$8,417) and highest (Oshawa \$19,564), 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 reveals 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 and 21,645 workers from other municipalities entered the city to work. Therefore, Cambridge is a net importer of employment with the difference being almost 2,500 (2,480).

Journey to Work data is updated every five years as part of the Canadian Census. The data gathered in the Census in May of 2006 is scheduled to be released in March, 2008.

Figure 14: Residential Housing Construction

A total of 633 housing units were constructed in 2006, below the 10 and 5-year averages of 886 and 943 units respectively. To May 31st, 2007, permits for 165 units have been issued. Traditionally the upcoming summer months witness a high amount of permit issuance. However, the indications to date are that 2007 may be the low point for the current building cycle. Previous cyclical lows were in 1982 and 1995. The lack of servicing infrastructure especially sewer treatment capacity is expected to continue to affect growth in Cambridge over the short and medium terms.

Figure 15 and 16: Value of Building Permits

The value of building permits was \$248.3 million in 2006 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 \$248.3 million in construction value built in 2006 is the middle figure amount since 2000 and higher than both the ten and twenty year averages.

Construction values are tracked across all the sectors: residential, industrial, commercial and institutional. Over the past 20 years an average of 53% of the construction value in any year was the result of residential projects. In 2006 the residential portion was 41%. The industrial sector contributed 2% less than the average of 23% of the total construction value for the City. The proportional value of commercial permits in 2006 was double (25%) the ten and twenty-year averages at 13 and 12%. The institutional sector at 1% was under the sector ten and twenty year averages by 6 and 8 percentage points respectively.

Figure 17: City-Owned Industrial Land Sales

In 2006, the City sold 29.569 acres of industrial lands which is was under the 19-year average of 44 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 very competitive among 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

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 1,596 firms to the Cambridge economy since 2000 and 158 firms during 2006. The diversification of the economy continued with the majority of the new firms being classified as Services Industries (Professional, Scientific, Technical, Real Estate etc.) The Transportation/Warehousing Industry Sector increased by 72 new firms in 2006 alone. Between 2000 and 2006 the number of firms in the Transportation/Warehousing Industry Sector increase from 258 to 479. 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 27 firms classified as Manufacturing Industries since June 2000.

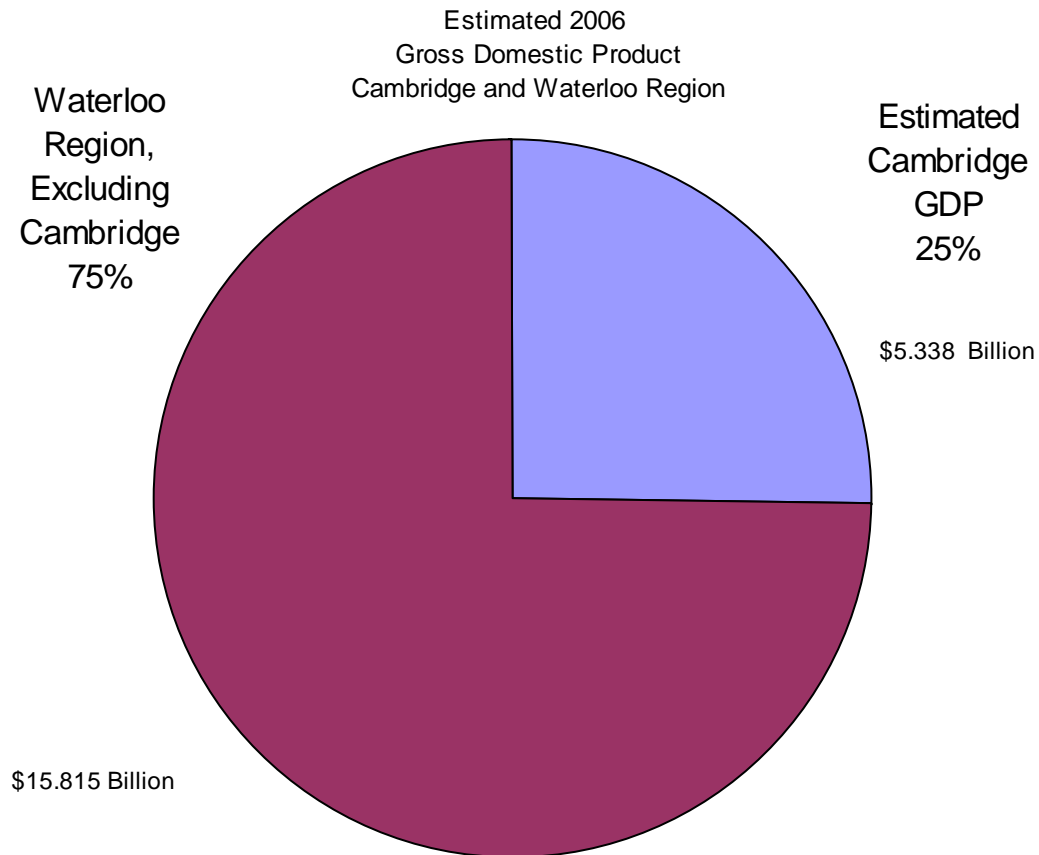
Building activity was mixed in 2006. In terms of the Construction Value, the amount was higher than the two previous years. This was mainly due to higher construction values apportioned to the Commercial and Miscellaneous building sectors. The slight downtrend underway for the previous two years in the construction of residential units continued in 2006. Following six years of exceptional activity, sales of city-owned industrial land were strong by 1990's standards but subdued based on activity since 2000.

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

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

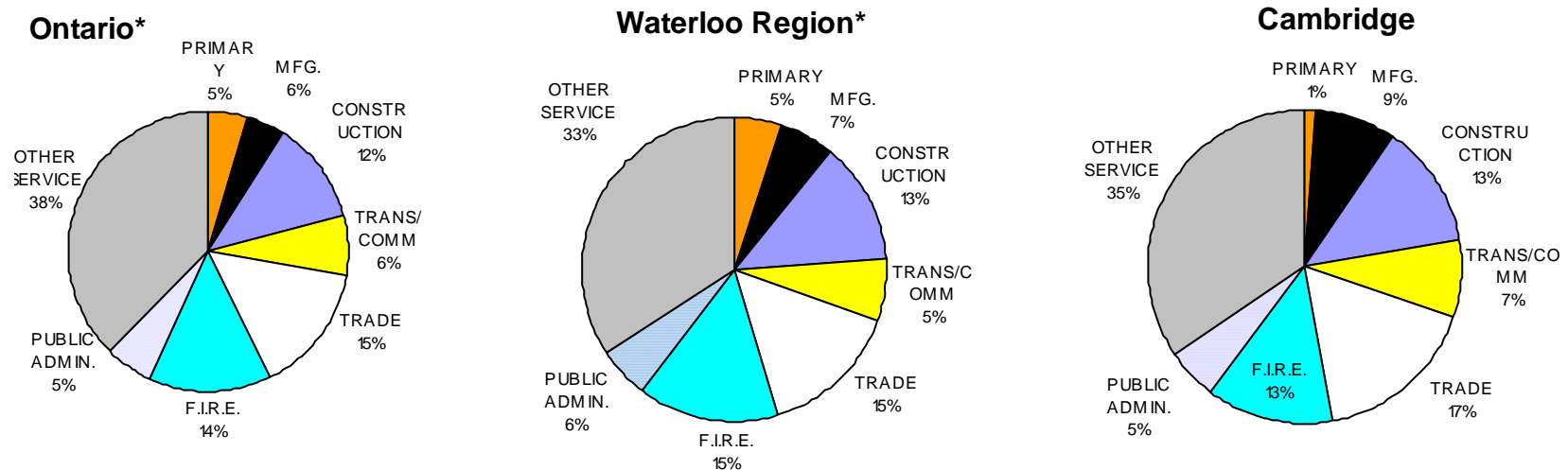
Figure 1: Cambridge accounts for one quarter of Waterloo Region's Economic output.



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

Note: The methodology used involves the assumption that 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.



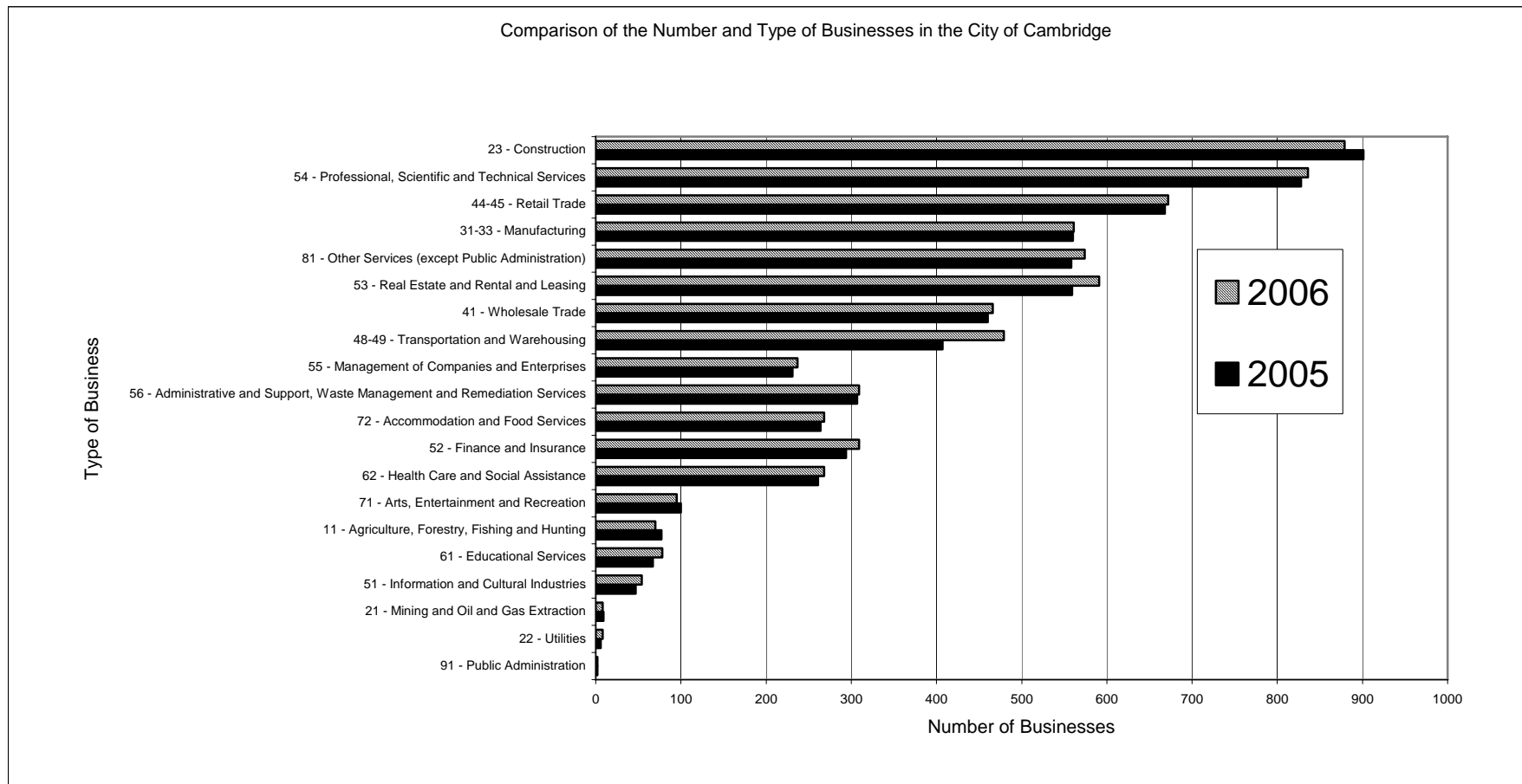
% Establishments by Industry Groups as follows:

1. Construction
2. Manufacturing
3. Primary: Agriculture, Forestry, Fishing and Hunting, Mining and Oil and Gas Extraction
4. Trans/Comm: Transportation and Warehousing, Information and Culture Industries
5. F.I.R.E.: Finance, Insurance and Real Estate Industries
6. Public Admin: Government Service Industries, Educational Service Industries, Healthcare and Social Assistance, Utilities.
7. Trade: Wholesale and Retail Trade
8. Other: Professional, Scientific and Technical Services, Management of Companies and Enterprises, Administrative and Support, Waste Management and Remediation Services, Arts, Entertainment and Recreation, Accommodation and Food Services, Other Services

*Regional Municipality of Waterloo data excluded from Ontario data and City of Cambridge data excluded from Regional Municipality of Waterloo data.

Source: Statistics Canada, Canadian Business Patterns, December 2006.

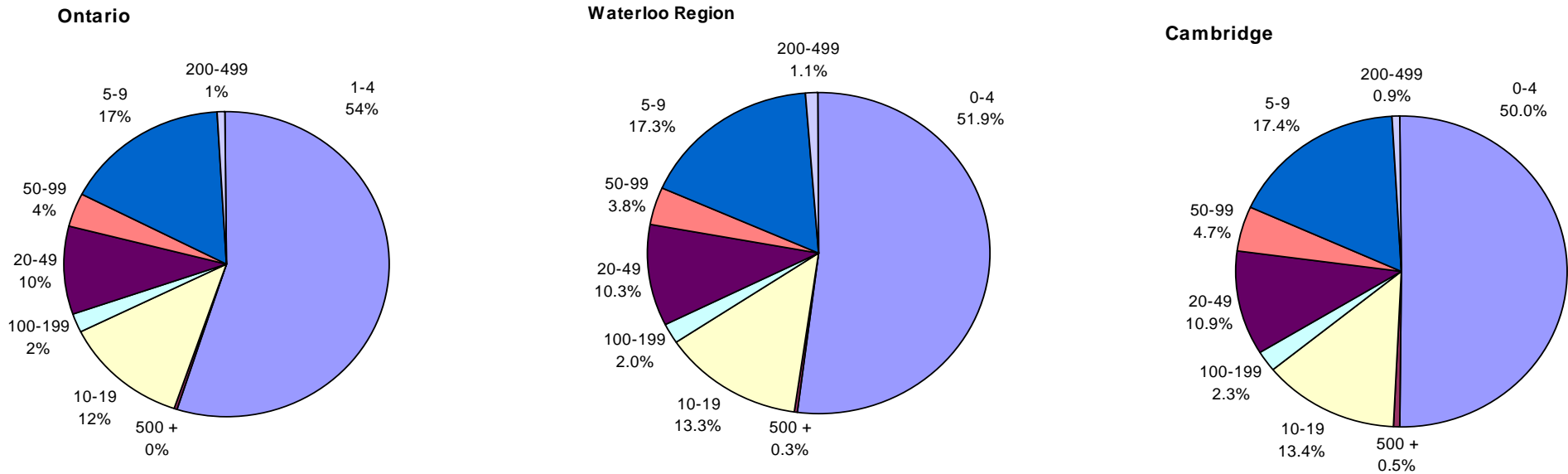
Figure 3: The Transportation/Warehousing, Finance and Insurance, and, Real Estate and Rental-Leasing sectors experienced the highest growth in 2006.



Source: Statistics Canada, Canadian Business Patterns, December 2005 and December, 2006.

Note: Number preceding the description is the North American Industrial Classification System (NAICS) group identification number.

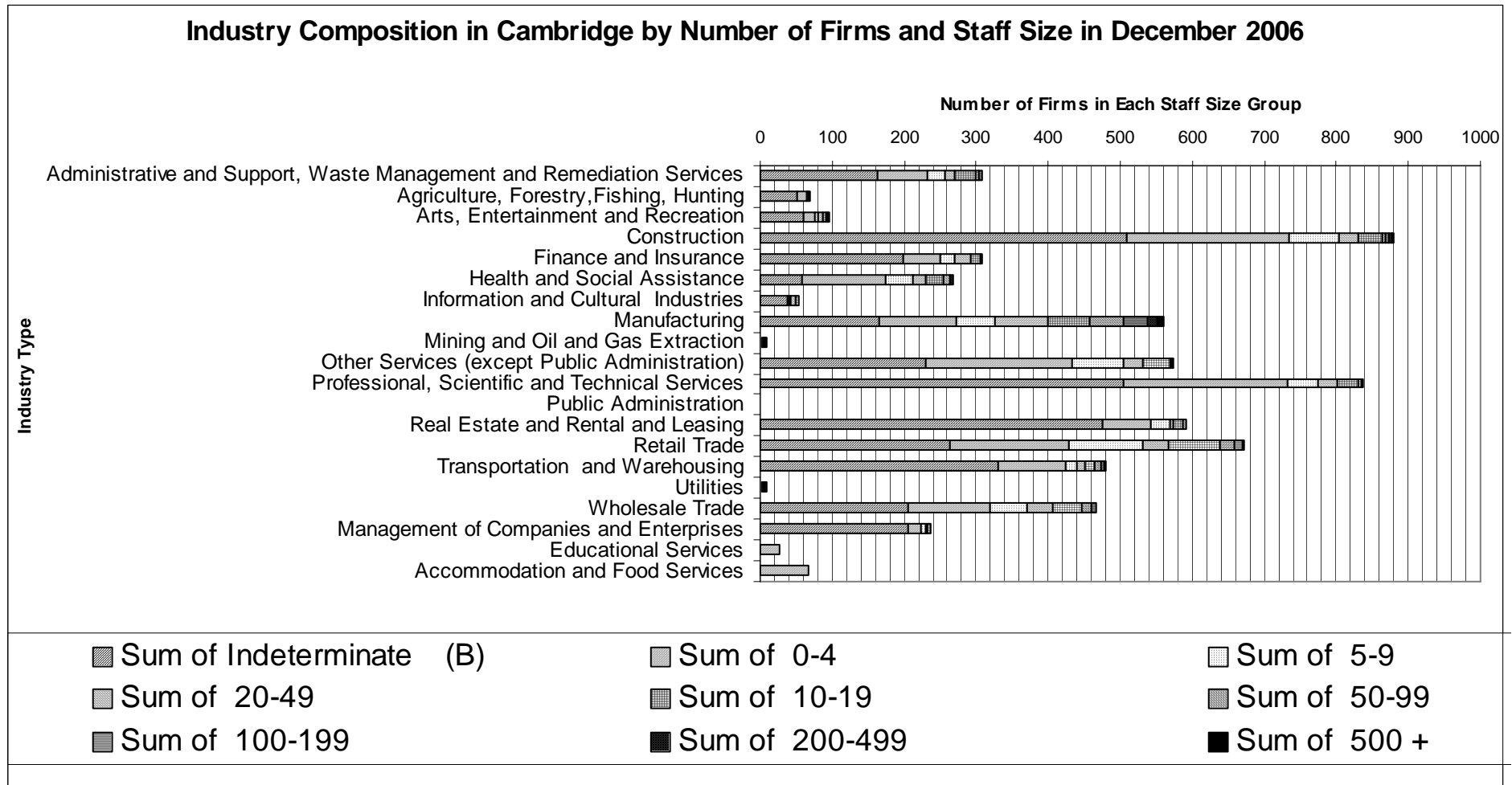
Figure 4: Half of the businesses in Cambridge have 4 or fewer employees.



Note: Total number of establishments in Cambridge was 6,764. 3,580 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 2006.

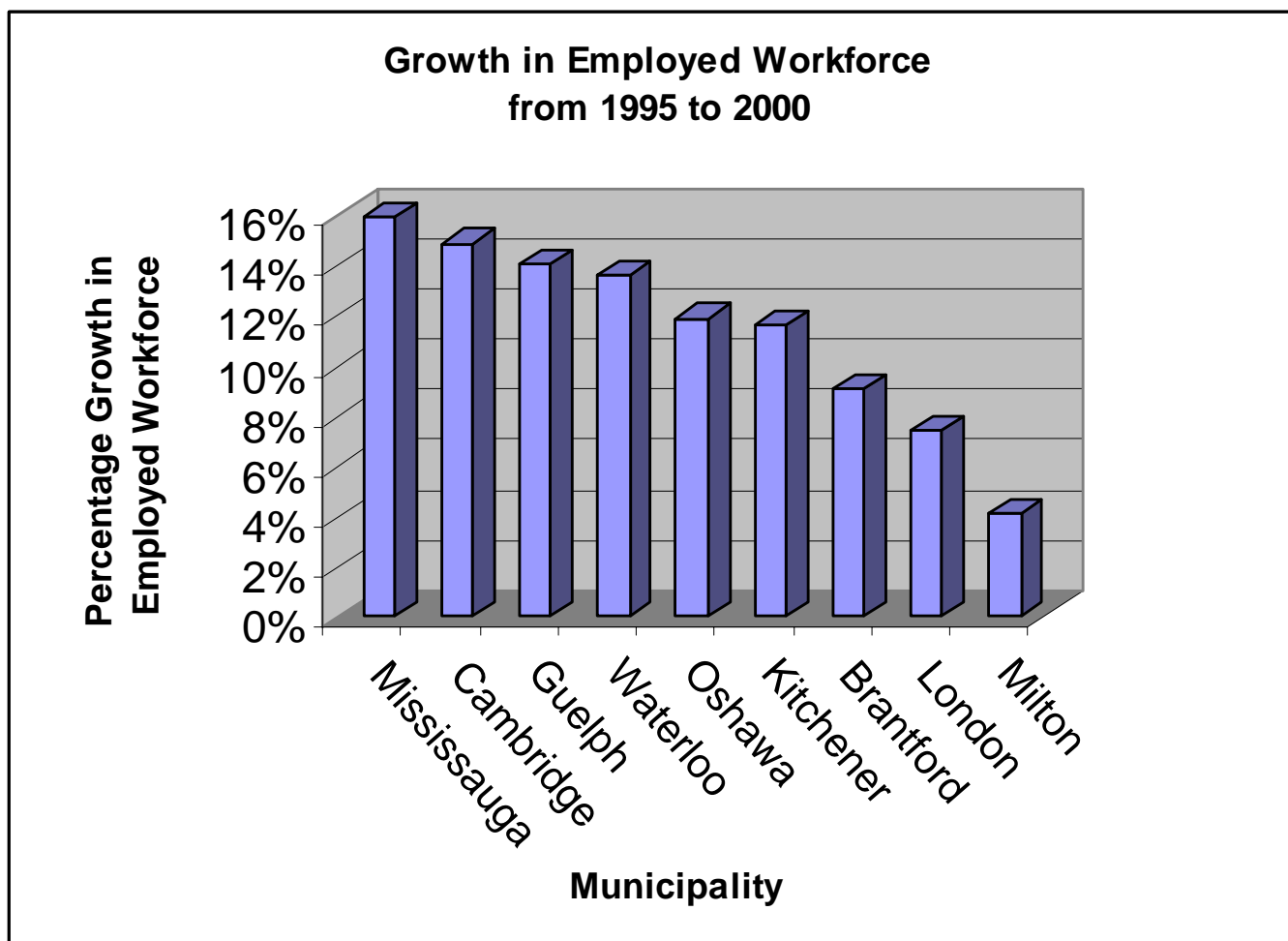
Figure 5: The Cambridge economy is quite diversified by size and type of firms.



Source: Statistics Canadian, Canadian Business Patterns, December 2006.

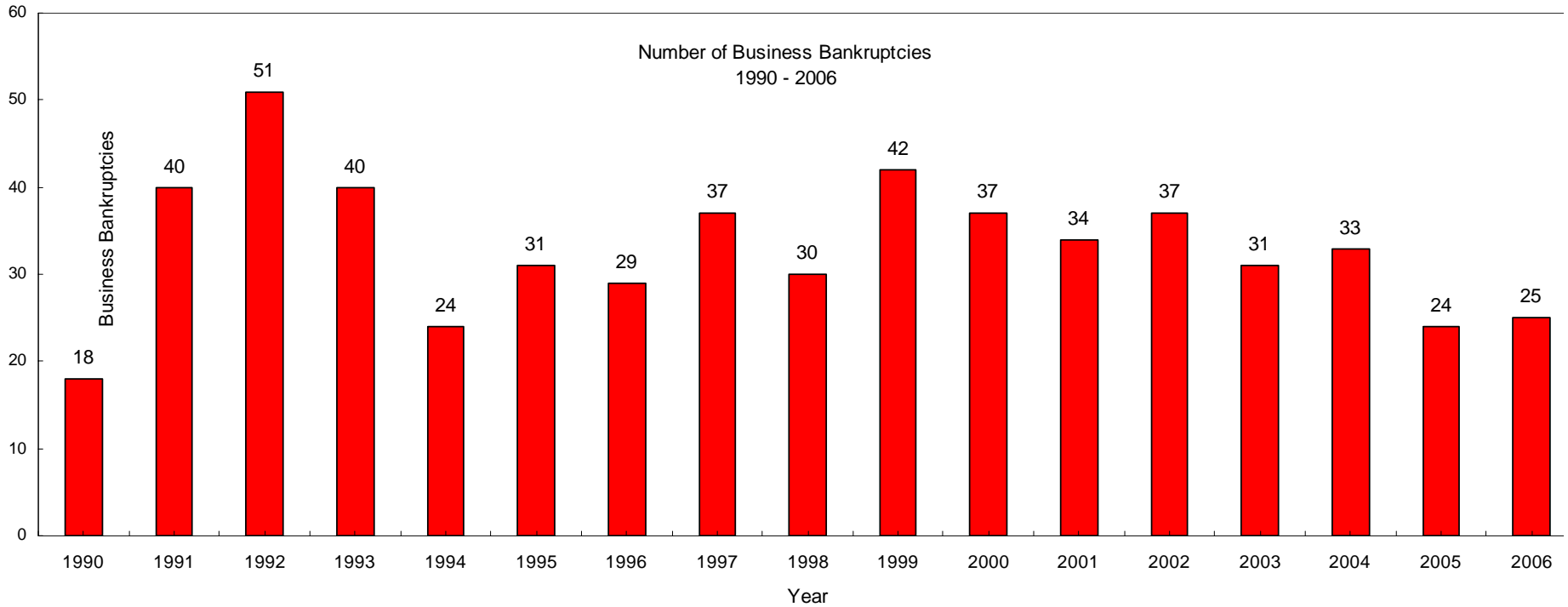
Note: Statistics Canada data indicates that almost half the businesses in Cambridge have an indeterminate number of staff meaning that staff size is reported to fluctuate regularly.

Figure 6: Employed Work Force Growth has been healthy in comparison to other municipalities.



Source: Statistics Canada, Census, 1996 and 2001.

Figure 7: In 2006 the number of bankruptcies remained stable while the Net Liabilities surged to a new high.



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 \$33.7m

Net Liabilities are the result of subtracting the total liabilities y from their total assets of all business's filing for bankruptcy in Cambridge in 2006.

Data Source: Office of the Superintendent of Bankruptcy Canada

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

House Prices and Estimated Taxes

For Detached Bungalow, 2006

Municipality	Price	Estimated Taxes
Brantford	\$212,000	\$3,398
Guelph(1)	\$245,000	-
Kitchener	\$221,000	\$3,667
London(2)	\$199,000	\$2,685
Cambridge	\$228,000	\$2,550

For Senior Executive Type Dwelling, 2006

Municipality	Price	Estimated Taxes
Brantford	\$370,000	\$5,920
Guelph(1)	\$485,000	-
Kitchener	\$537,000	\$7,000
London(2)	\$394,000	\$5,000
Cambridge	\$403,000	\$4,600

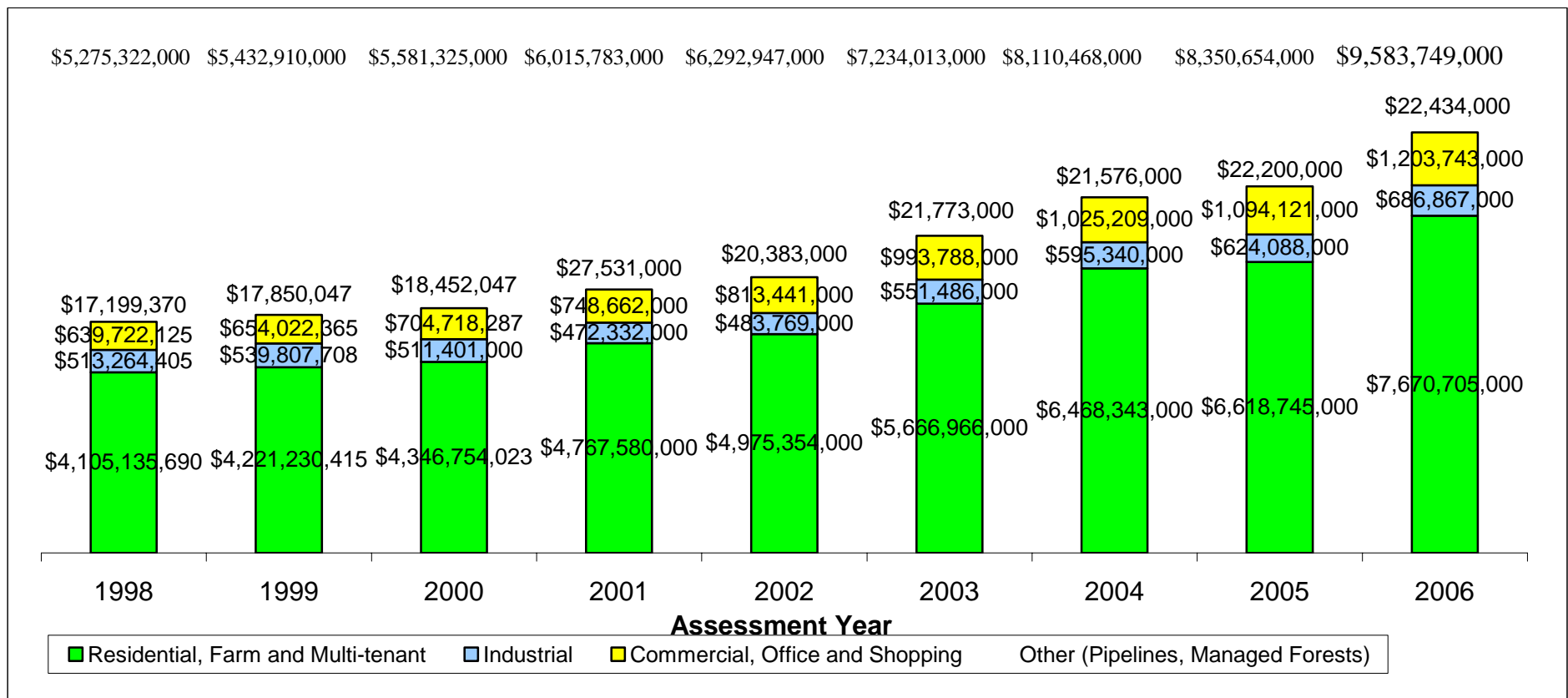
(1) Tax Data not provided.

(2) 2005 tax figure from City of London website.

Source: Royal LePage Survey of Canadian House Prices, 2006 Quarterly Reports. Average Price and Tax calculated. Note that price and tax data not necessarily provided in all four reports.

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

Taxable Assessment
1998 – 2006



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
1989-2006**

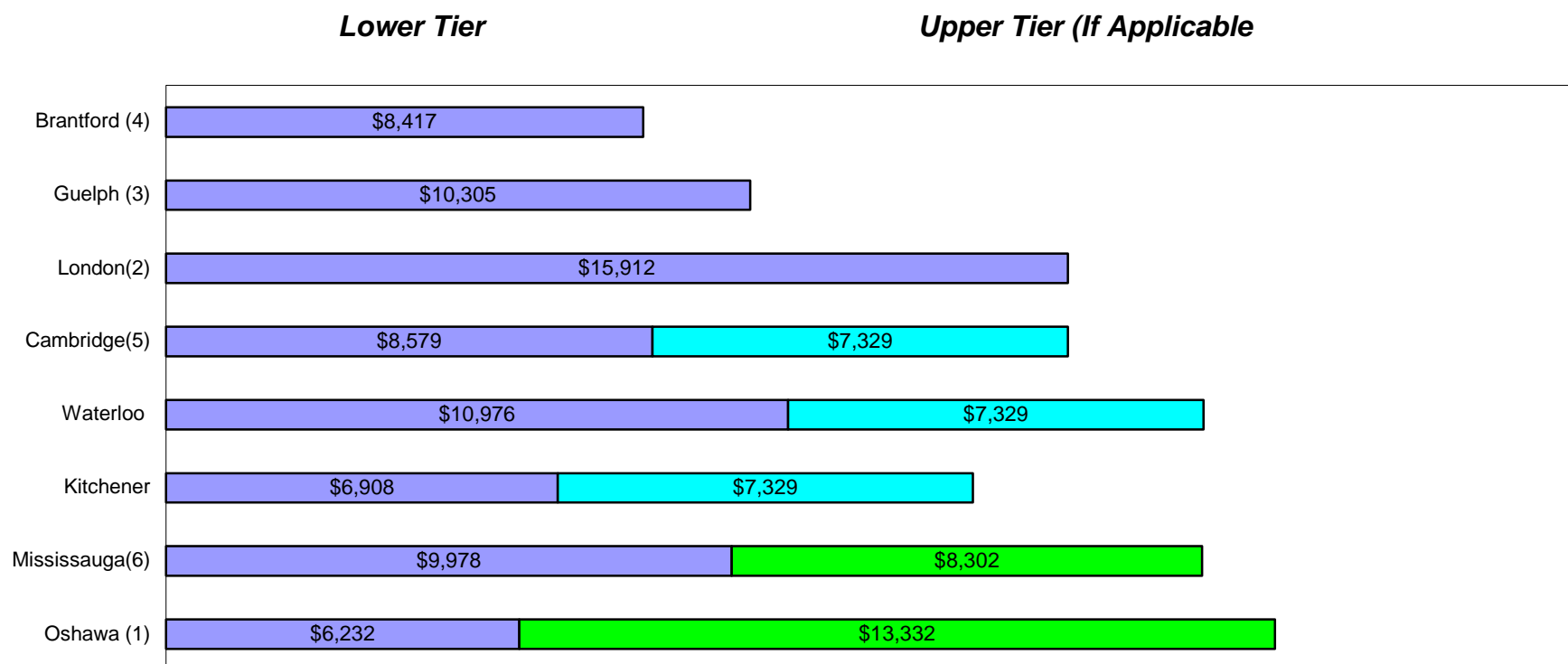
Year	Brantford	Guelph	Kitchener	Waterloo	Oshawa	Cambridge	Average Assessment Growth (All Cities)
1989	2.70%	4.00%	4.60%	6.00%	2.70%	8.80%	4.80%
1990	4.30%	4.90%	4.20%	7.40%	2.10%	6.87%	4.96%
1991	4.70%	2.40%	2.60%	5.00%	2.20%	4.50%	3.57%
1992	0.40%	3.10%	1.70%	1.60%	0.50%	3.61%	1.82%
1993	1.10%	2.80%	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%	3.55%	4.08%	2.83%	4.90%	3.51%	3.54%
2006	3.17%	2.95%	2.50%	2.72%	1.98%	2.81%	2.69%

Source: Provincial Assessment Offices and Municipal Finance Departments.

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

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

Residential Development Charges
Cambridge and Neighbouring Municipalities
Singles/Semis Spring 2007

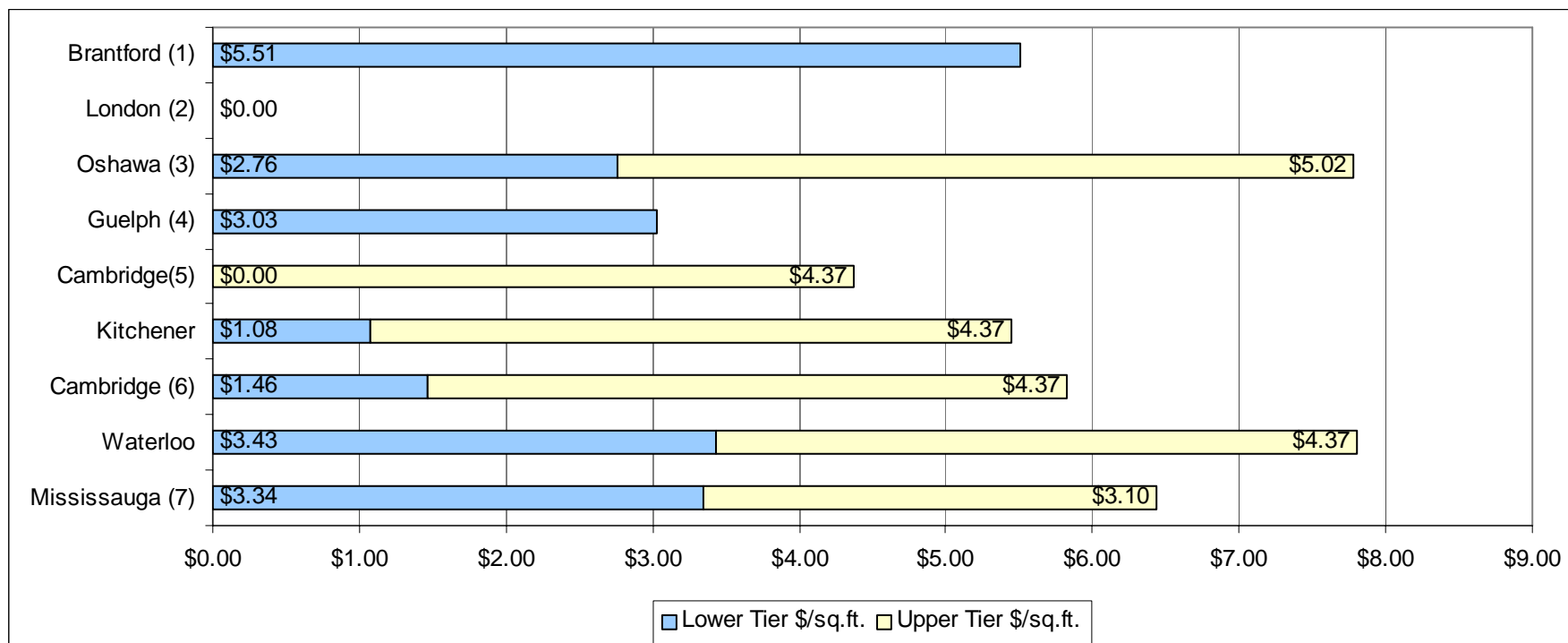


Source: Contact with municipalities and/or their websites, Spring 2005

- (1) Oshawa: Upper tier Semi-detached charge is \$8,848. Additional charges for Go Transit, Public and Separate Schools and Cash-in-lieu of Parkland are also charged (totalling \$5,417 for single, \$4,947 for semi).
- (2) London District Catholic School Board charges an additional \$379/unit. Charges shown are for inside the Urban Growth Area.
- (3) Guelph: Education DCs are an additional \$1,071.
- (4) Brantford: Effective January 1st, 2007. Education DCs are an additional \$264 (Separate School Board only).
- (5) Cambridge: Education DC's are an additional \$190.72 and \$102.04 for the Public and Separate Boards respectively.
- (6) Mississauga: Additional \$397 for GO Transit, \$1,367 and \$536 for Public and Separate School Boards and \$20,580/ha for Storm Water Management.

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

**Non-residential Industrial Development Charges
Cambridge and Neighbouring Municipalities**



Rates are for Industrial Development except where noted otherwise.

Source: Contact with municipalities and/or their websites, Spring 2005

(1) Brantford figures as of January 1st, 2007.

(2) London: No Non-residential DC's on industrial land but \$15.93/sq.ft. on commercial land, and \$9.26/ sq.ft. on institutional lands.

(3) Oshawa: No Non-residential DC's. In addition to upper tier charge (\$3.62/sq.ft), the Separate School Board charges \$0.18 of gross floor area of non-residential development.

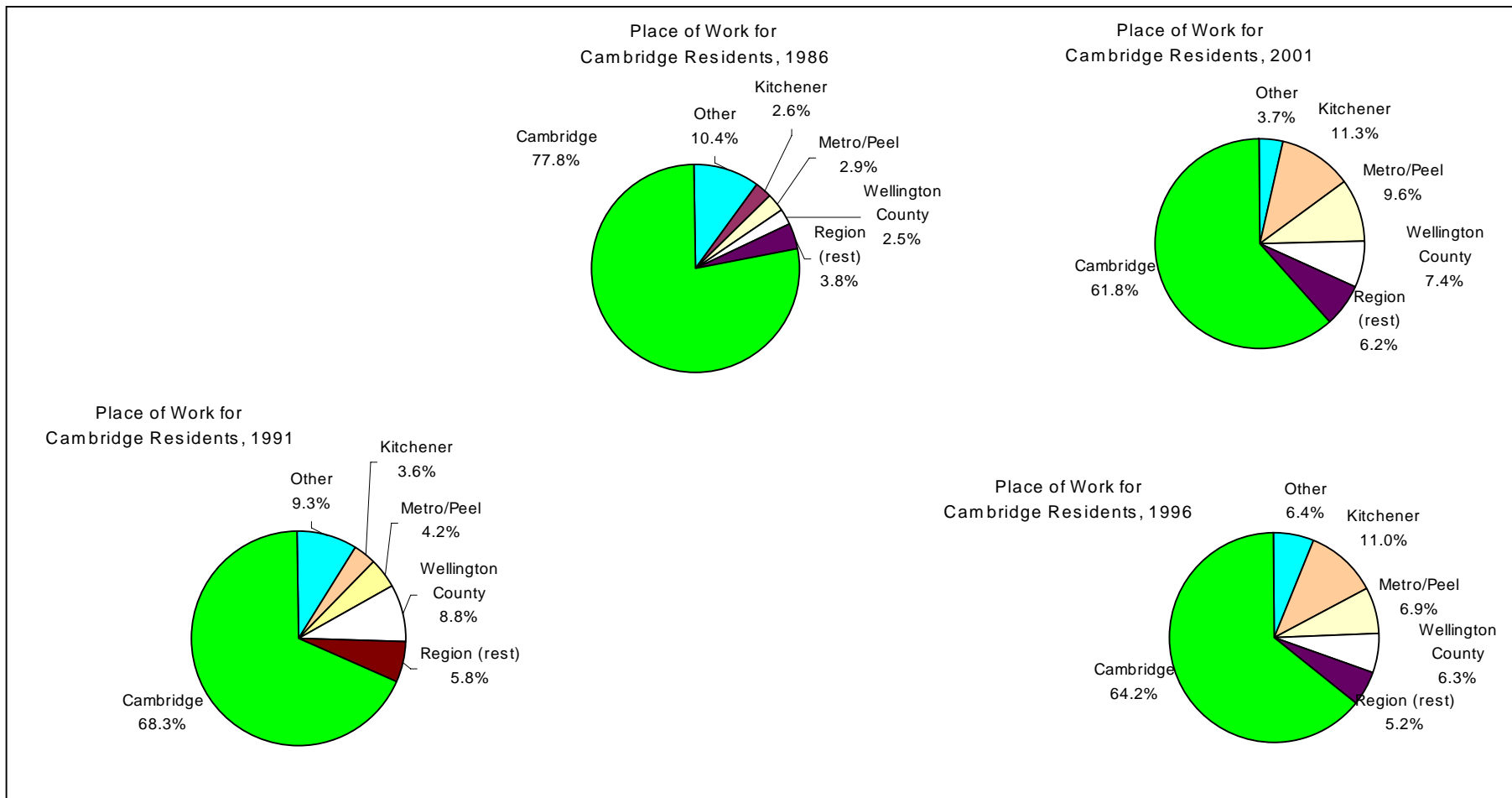
(4) Guelph: DC of \$6.55 charged on commercial and institutional land development. Slightly lower charges for "Downtown Area" .

(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)

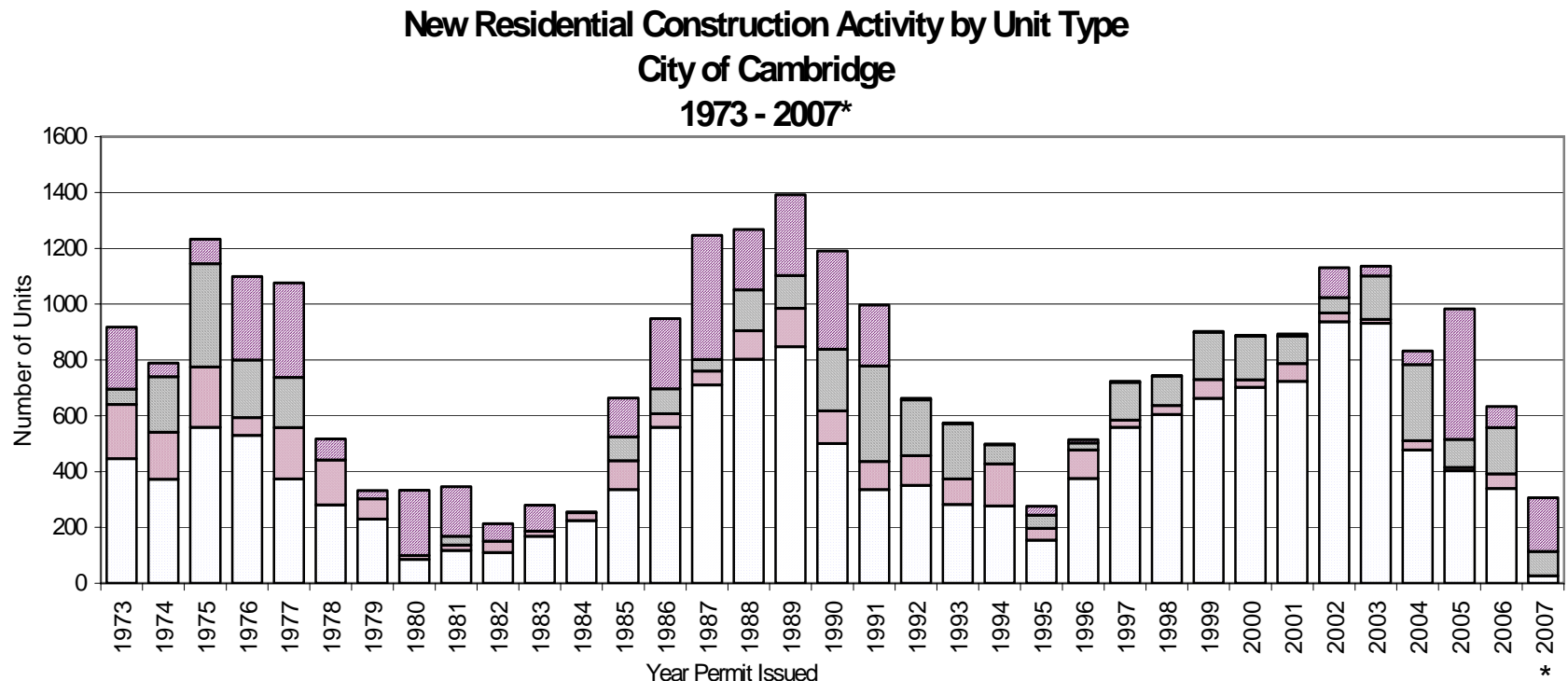
(7) Mississauga: DC's are \$3.66 (city) and \$3.83 (region) for non-industrial land. In addition \$0.17/sq.ft and \$0.20/sq.ft is charged by the Public and Separate Boards. of Education as well as \$48,663.94/ha for Storm Water Management.

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: Row House and Apartment Building construction have been making a larger contribution to Residential construction activity in recent years.



*As of June 30th.2007.

Detached
 Semi-detached
 Row House
 Apartment**

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

Figure 15: The 2006 Value of Construction was above the Ten and Twenty Year Averages

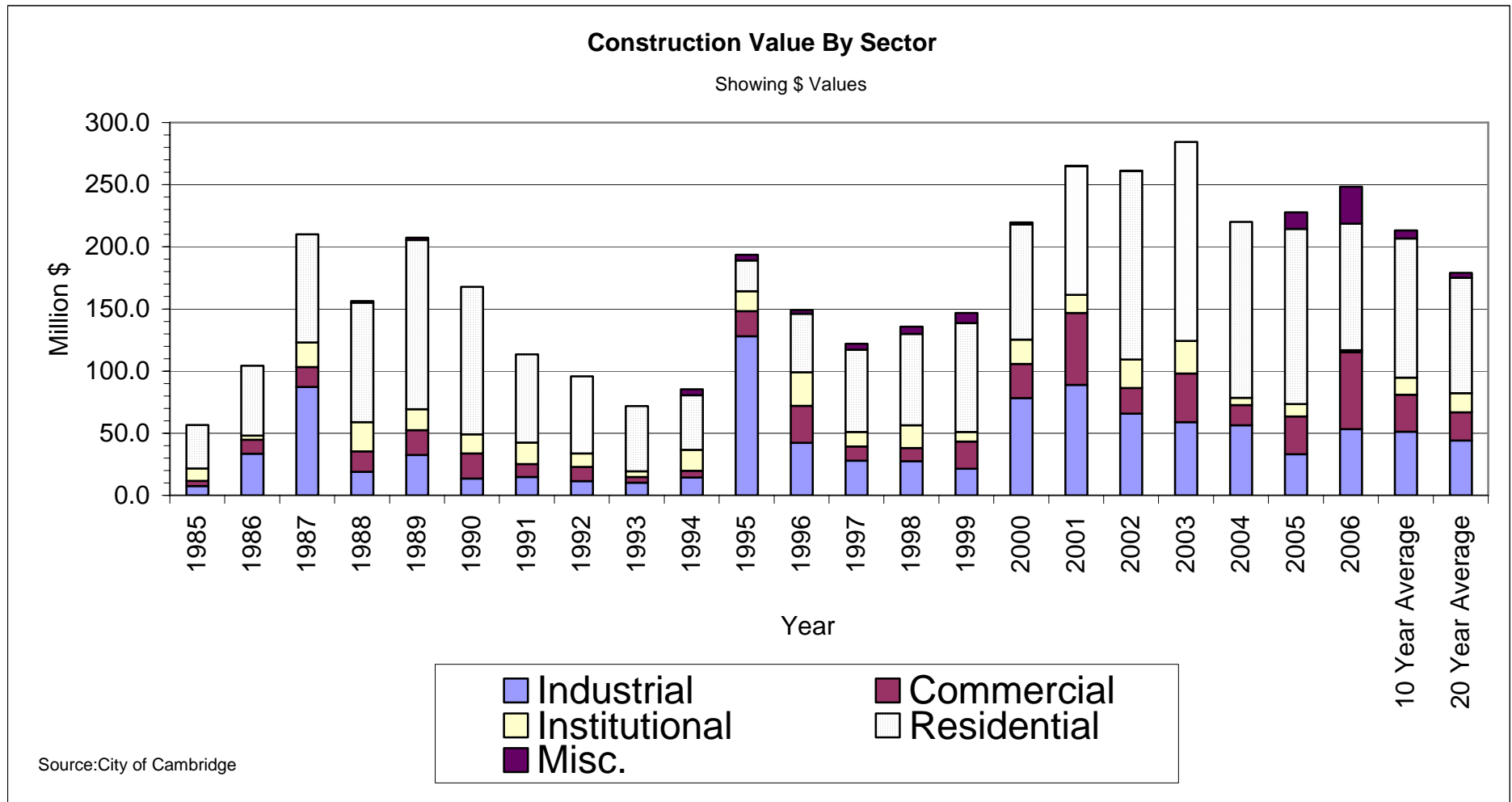


Figure 16: The distribution of Construction Values by sector in 2006 indicates higher values in the commercial and miscellaneous permit types compared to the averages.

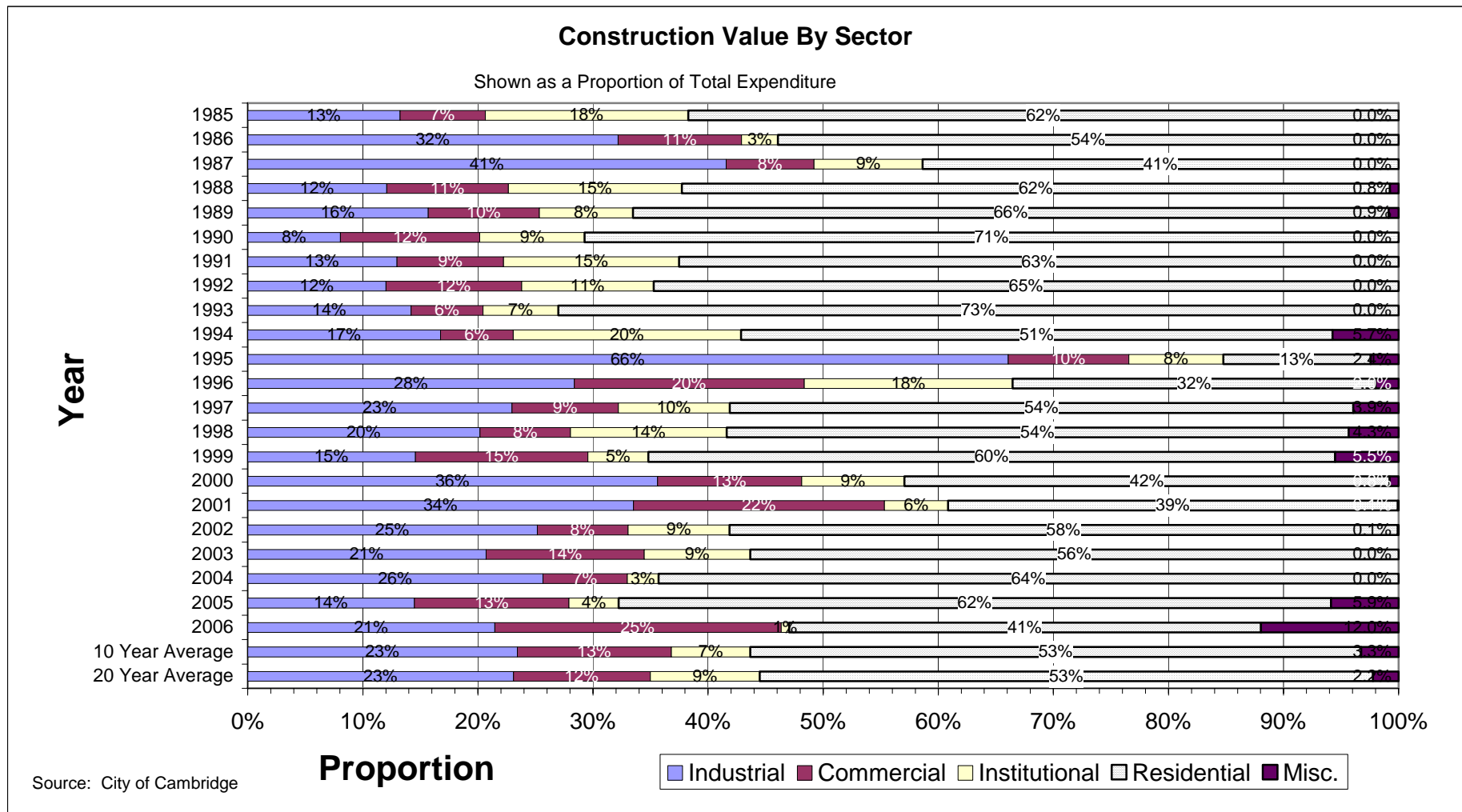
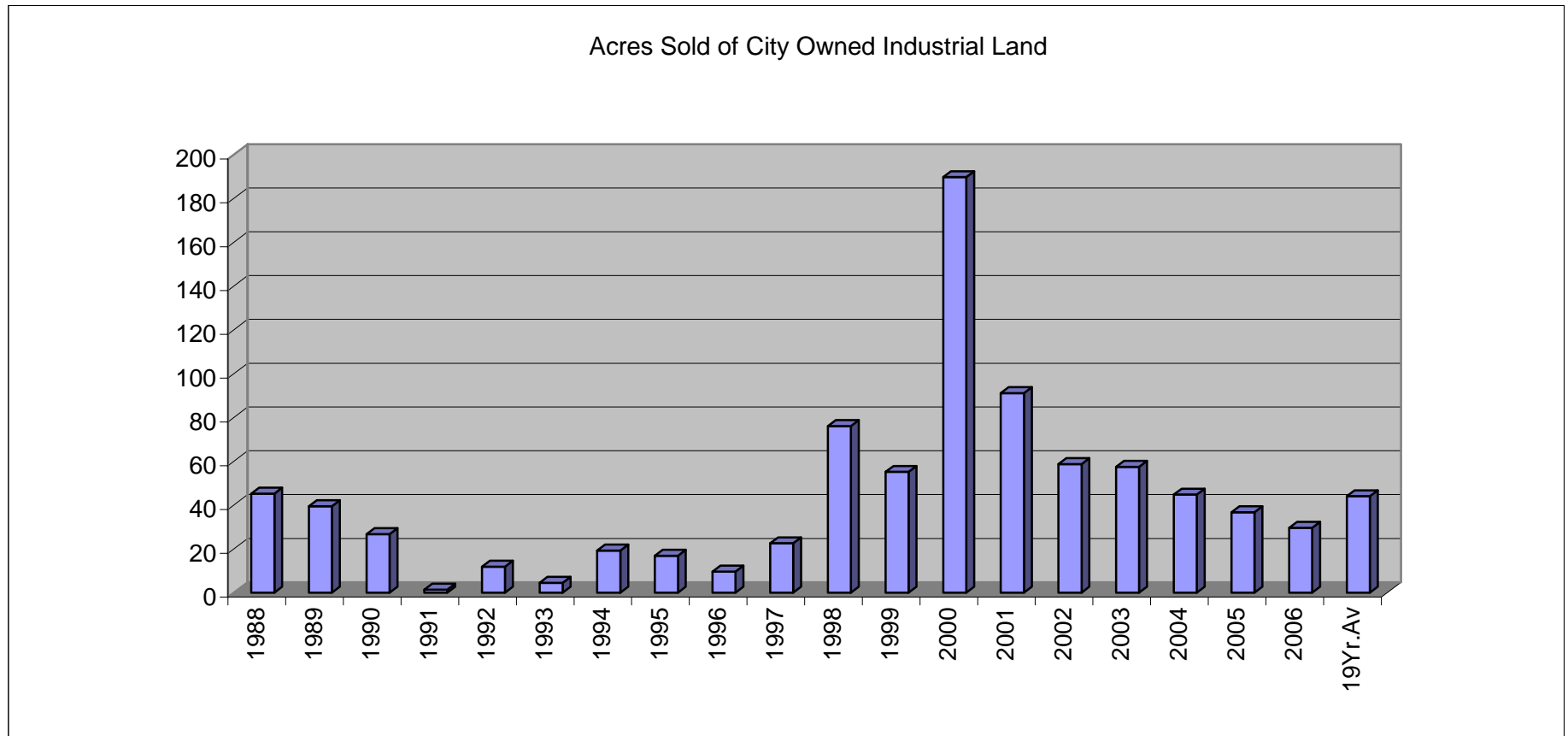
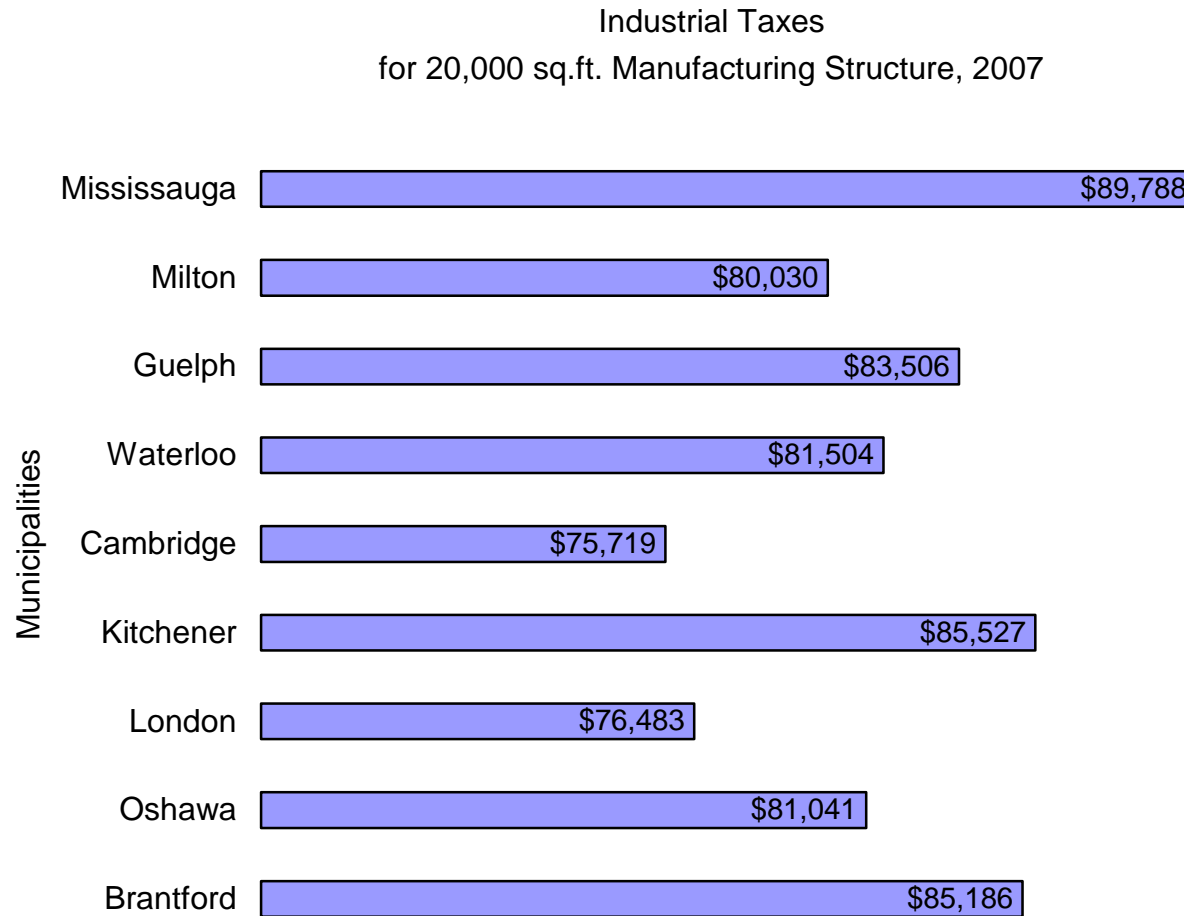


Figure 17: City owned industrial land sales in 2006 were somewhat subdued compared to previous years, but strong in comparison to the 90's.



Source: City of Cambridge Economic Development Department

Figure 18: Cambridge industrial taxes are very competitive.



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.