

Clause 5 in Report No. 15 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on October 15, 2015.

## 5

### **Employment Trends - Study and Next Steps**

Committee of the Whole recommends adoption of the following recommendations contained in the report dated September 18, 2015 from the Commissioner of Corporate Services and Chief Planner.

#### **1. Recommendations**

It is recommended that:

1. The findings and observations contained within the Employment Trends Study be considered as part of the York Region Official Plan update.
2. Regional staff report back to Council as necessary to implement study findings, based on changing employment trends.

#### **2. Purpose**

This report provides Council with an overview of an Employment Trends Study undertaken for the Region. The Study addresses key trends regarding the evolving regional economy and the impacts of these trends on the rate, type, and location of employment growth anticipated for York Region to 2041.

#### **3. Background**

##### **Provincial policy sets the direction for planning for employment at the Regional level**

A number of provincial planning documents recognize the importance of planning for employment in building complete communities. The *Planning Act* declares that the adequate provision of employment opportunities is of provincial interest. The *Provincial Policy Statement 2014 (PPS)* recognizes the need to protect and

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preserve employment uses, especially in prime locations along 400-series highways and other major goods movement corridors.

The PPS, stressing the importance of employment lands to the vitality of a Region, now allows planning authorities to plan beyond a 20 year horizon for the long term protection of employment areas provided lands are not designated beyond the 20 year planning horizon.

### **The *Growth Plan* has updated population and employment forecasts for York Region**

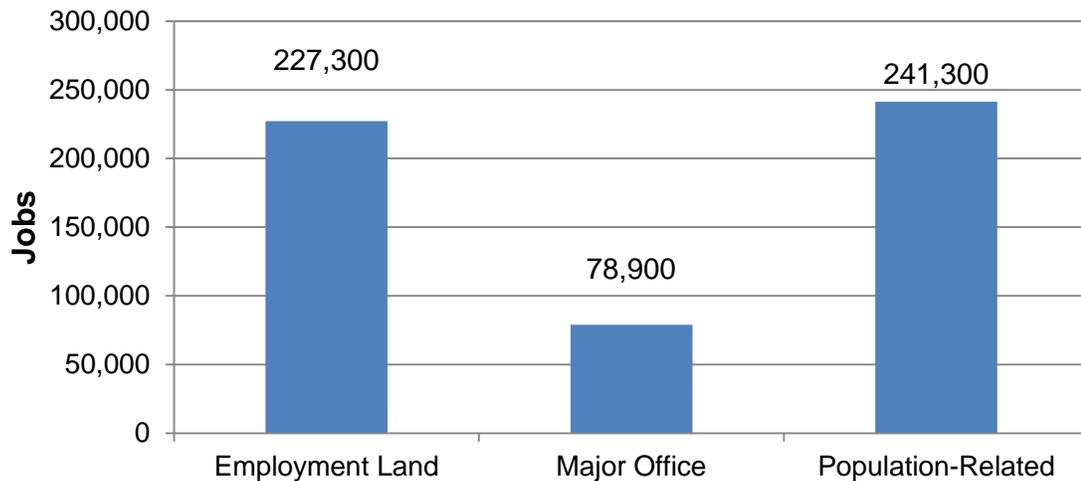
Under Amendment 2 of the *Growth Plan for the Greater Golden Horseshoe* (the *Growth Plan*), York Region is forecast to grow to a population of 1.79 million and 900,000 jobs by 2041. In an effort to help meet these population and employment targets, the *Growth Plan* requires that the Region plan for, protect, and preserve employment areas for current and future uses, including the ability to accommodate growth. As such, as part of its Regional Municipal Comprehensive Review (MCR) process, the Region is updating its employment forecast to the year 2041. The intent is to provide an adequate supply of employment opportunities in a range and choice of suitable sites. Employment is forecast by three categories:

- Major office employment: Employment occurring in free standing office buildings of 1,860 square metres (20,000 square feet) or larger (excluding city or town halls, hospitals or school board offices and other local serving office uses). Major office employment forms a key part of the Region's strategy for maintaining and attracting high quality jobs.
- Population related employment: Employment serving the local population such as retail, services, education, municipal government, institutions and community services. This type of employment tends to increase mainly in response to population growth.
- Employment land employment: Refers to employment within the Region's employment lands, excluding major office employment. This employment category typically includes business activities such as manufacturing, research and development, warehousing and also includes ancillary retail and service uses. A map of the Region's employment areas can be found in Attachment 1.

Figure 1 shows York Region's 2013 employment by each category.

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**Figure 1: 2013 York Region Employment by Category**



Source: York Region Planning and Economic Development Branch

In planning for future employment growth, population-related employment is included as part of the build out of a residential community, whereas densities are assigned to the forecast of employment land employment and major office employment to determine future land requirements.

### **A more detailed understanding of employment trends will inform updated forecasts and policy review**

Watson and Associates Economists Ltd (Watson) were retained in the fall of 2014 to undertake a review of regional and local employment trends and to provide insight into employment growth trends in the Region for the future. The assignment also provides the Region with a detailed analysis of employment growth by local municipality, type, and sector for the 2006-2013 period. The executive summary from the Study and the table of contents of the report is attached to this staff report (Attachment 2). The report in its entirety is available in the '2014 Official Plan Review' section of the Regional Official Plan page at <http://www.york.ca/wps/portal/yorkhome/yorkregion/yr/regionalofficialplan/>.

The information in the Watson Study is being used to assist the Region in updating its long-term employment forecast and land budget to 2036 and 2041 as well as to inform policy revisions to the *YROP 2010*. Particular attention has been given to the potential influence of economic trends on long term employment land needs and the competitiveness of York Region and its local municipalities. The analysis informs the Region on the nature of future development with respect to the rate and location of development, employment density and mix of employment uses.

## **Employment Trends - Study and Next Steps**

There are some minor differences in the employment information as reported in the Watson Study compared to information presented to Committee in previous staff reports; however, these differences are not significant enough to impact trend analysis.

### **The Region monitors employment trends in order to respond to the changing needs of industry**

The employment trend data presented in this report is closely tied to data portrayed in other regional reports and studies. The Region undertakes a considerable amount of research and analysis on the regional economy and employment. Regional work includes:

- An in-depth analysis of employment growth by sector in an annual Employment and Industry Report. Data is gathered through a region-wide annual Employment Survey.
- A Vacant Employment Land Inventory, the York Region Office Attraction Review, Centres and Corridors Program Updates, and Draft 2041 Employment Forecast Scenarios.

## **4. Analysis and Options**

### **The Study identifies that the Canadian, provincial, and York Region economies are shifting from goods producing to service based**

Over the past decade, the Canadian and Ontario economies have experienced a period of strong growth followed by a recession and subsequently a gradual recovery. While Ontario has experienced a rebound in economic activity since the 2008/2009 downturn, significant structural changes have occurred as the composition of industrial development has evolved to less emphasis on goods producing sectors such as manufacturing to more emphasis on goods-movement sectors such as wholesale trade. Market demand has also seen a shift at the provincial level to service based sectors such as financial and business services. It is anticipated that the goods-producing sector will continue to experience moderate growth across Ontario but that stronger growth rates will be within service based sectors.

Similar to the provincial economy, the Study indicates that the nature of the GTHA economy is changing. Relative to the remainder of Ontario, the recovery has been more pronounced within the GTHA because of its ability to adapt to an economy which is increasingly driven by the service sector. Analogous to the GTHA, York Region's economy is rebounding strongly with recent annual

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employment growth approximately double the GTHA average. This has been led by employment growth in service-producing sectors classified as “knowledge based” such as professional, scientific, and technical services, finance, real estate, and leasing, education and health care, and information and culture.

### **The York Region economy is comprised of a highly diverse mix of industry clusters**

The economic performance of a region is determined in large measures by the competitiveness of its industry clusters. A cluster is a set of inter-linked private sector industries and public sector institutions whose final production reaches markets outside of the local market. The GTHA, including York Region, is comprised of a highly diverse mix of industry clusters, with most of the top traded industry clusters throughout North America having a strong presence in this region. The table below highlights the key clusters within York Region by local municipality.

**Table 1: Key Industry Clusters in York Region**

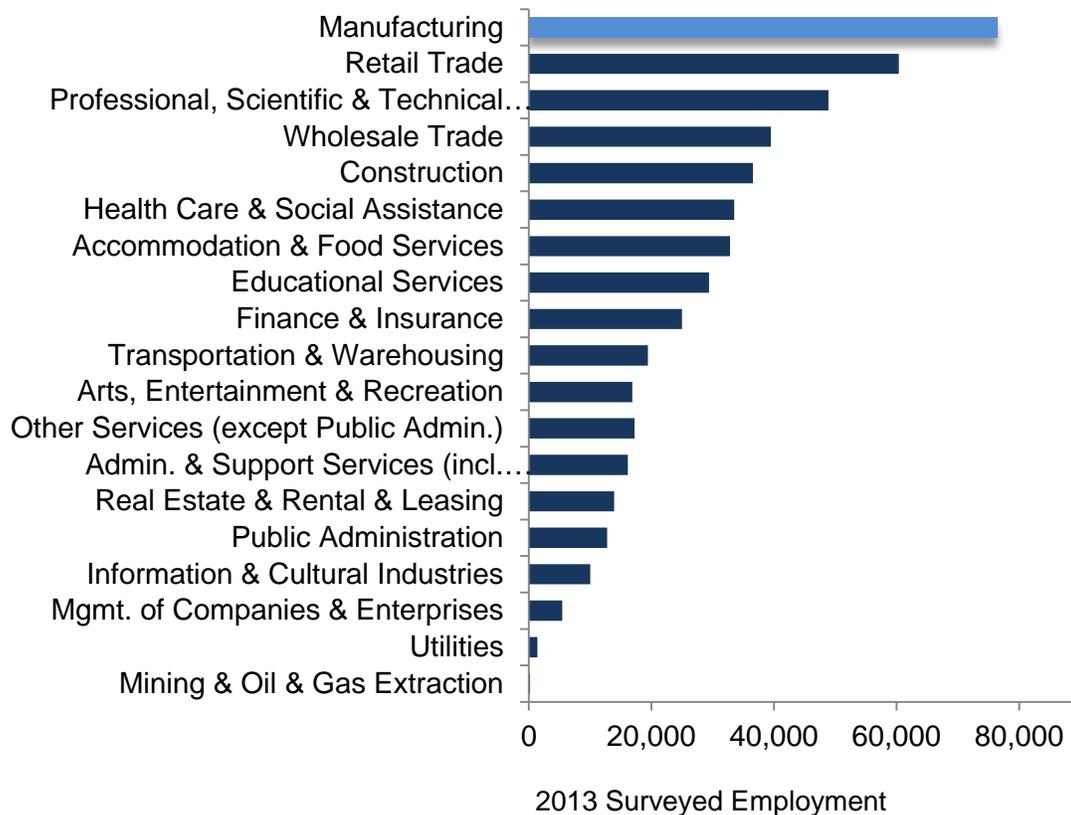
Industry Cluster	Location
Manufacturing	<ul style="list-style-type: none"><li>• Vaughan, Newmarket, Aurora, Markham and Richmond Hill</li></ul>
Transportation and Warehousing	<ul style="list-style-type: none"><li>• The 400/407 area and the Canadian Pacific Intermodal Facility within Vaughan</li></ul>
Wholesale Trade	<ul style="list-style-type: none"><li>• Highway 400/407 area in Vaughan</li><li>• Highway 404/407 area in Markham</li></ul>
Finance and Insurance	<ul style="list-style-type: none"><li>• Highway 404/407 area of Richmond Hill/Markham</li></ul>
Information and Culture	<ul style="list-style-type: none"><li>• Highway 404/407 area of Markham</li></ul>
Professional, Scientific and Technical Services	<ul style="list-style-type: none"><li>• Highway 404/407 area of Markham</li></ul>

Figure 2 provides a breakdown of York Region employment by sector in 2013. Sector data provides a more detailed analysis of industry cluster information discussed above. As shown below, manufacturing is the dominant employment sector in York Region, accounting for 16% of surveyed employment in 2013. Similar to the GTHA as a whole, the industry experienced a decline during the

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2006-2013 period, but has rebounded since 2010. While manufacturing remains vitally important to the provincial and York Region economy with respect to job growth and economic output, employment growth in this sector is anticipated to be modest for the foreseeable future. The composition of industrial employment is expected to have less emphasis on manufacturing and more emphasis on the goods movement sector.

**Figure 2: 2013 Employment by Sector**



Source: York Region Planning and Economic Development Branch

With respect to the service sector, York Region has a number of established and emerging industry clusters in knowledge-based sectors. The professional, scientific, and technical services sector is highly concentrated relative to the province, and steadily growing whereas the real estate and rental and leasing sector, as well as the accommodation and food services sector appear to be emerging industry clusters in York Region.

### **Southern York Region accommodated the vast majority of employment growth from 2006-2013**

The Study notes that York Region's local municipalities exhibited relatively strong employment growth over the 2006-2013 period. The southern municipalities of

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Markham, Richmond Hill, and Vaughan accommodated 86% of the Region's employment growth during this period including almost 89% of employment land employment growth and 83% of office growth. The strong employment growth in the southern municipalities speaks to the attractiveness of these areas for all three employment categories.

In terms of the Region's industrial sector, Vaughan, particularly in the west around Toronto Pearson International Airport and the C.P. intermodal facility, continues to support a strong industrial employment base. The City of Vaughan accounted for the largest share of the Region's industrial employment growth over the 2006-2013 period. Important to note however, is the increasing importance of this area in the goods movement sectors of wholesale and trade rather than the traditional manufacturing businesses that historically developed in these areas.

### **Employment lands are accommodating a greater share of non-industrial sectors**

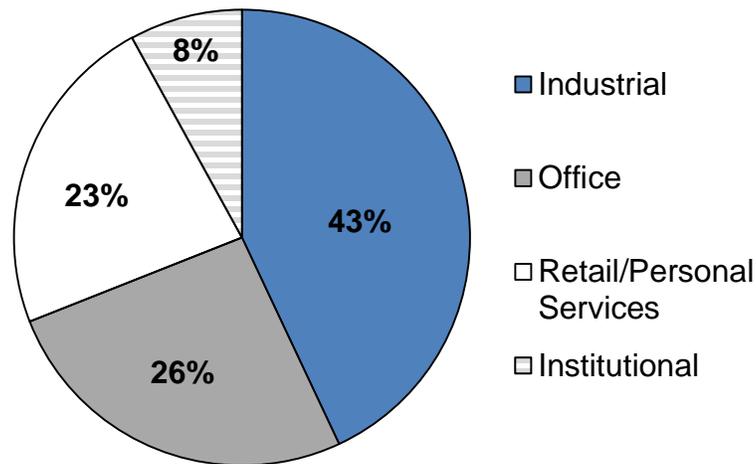
In 2013, York Region's employment lands accommodated approximately 42% or 227,300 of the Region's 547,500 jobs. The structural changes in the economy associated with the national and provincial shifts from goods-production to service production are altering the character of economic activities on the Region's employment lands.

Between 2006 and 2013, the Study notes the following observations with respect to employment lands in York Region:

- Employment land absorption averaged approximately 92 net hectares per year
- Nearly half of employment land absorption was in the City of Vaughan
- As shown in Figure 3, 43% of employment growth on absorbed employment lands has been in the industrial sector, followed by 26% in office employment, 23% in retail/personal services and 8% in institutional.

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Figure 3: York Region Employment Growth on Absorbed Employment Lands, 2006-2013



Source: Watson & Associates Economists Ltd.

These figures indicate that employment lands are accommodating a broader range of uses than in the past. The Study anticipates that, while the industrial sector will continue to experience moderate growth on employment lands, its proportional share will decline over time. It is expected that employment lands will continue to see a shift toward a higher concentration of service-producing and knowledge-based sectors.

### **Structural changes in the York Region economy are altering the built form and nature of employment areas**

The above structural changes in the economy are altering the character of activities on employment lands and impacting the built form and nature of employment areas. The physical characteristics which make employment areas successful are changing as a result of the evolving knowledge-based economy.

There has been a trend in recent years towards more mixed-use and amenity-driven employment areas that contain a broader mix of land uses including office commercial, retail and mixed use. While access and exposure to 400-series highways and major arterial roads are still critical for many industries, other factors are increasingly important. A compact, transit-supportive and pedestrian-oriented environment with access to labour, amenities, and employment supportive activities are often cited by commercial brokers as the most important physical attributes of business parks.

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### **Despite a shift away from traditional employment types, the industrial sector remains important in terms of land utilization in employment areas**

The ongoing shift in the industrial sector from traditional manufacturing employment types in the goods-producing sector to goods-movement type jobs in wholesale and logistics is having an impact on land utilization in employment areas in the following ways:

- The loss or closure of large-scale manufacturing businesses has resulted in a number of large vacant stand-alone buildings, typically built for a specific purpose. Although there has been some redevelopment of these buildings, it has typically been through other, more knowledge-based sectors rather than traditional industrial sectors.
- Growth in the wholesale trade, and transportation and warehousing industrial sector has typically been accommodated through new developments in greenfield areas because of their land extensive requirements.

The Study suggests that in the future, employment lands will continue to be the primary location for industrial development in the Region. As such, the majority of future growth in the industrial sector will need to be accommodated through new greenfield development, with limited potential for infill. This shift is anticipated to result in an increased desirability of large serviced, freight supportive vacant parcels of land, generally located in the west Vaughan area and in the northern municipalities of East Gwillimbury and Georgina

With respect to the office sector, more intensification opportunities exist to accommodate employment growth within existing employment areas, through infill and site redevelopment. There will, however, continue to be market demand for office space in greenfield areas, particularly as part of integrated warehousing/distribution facilities.

### **Two distinct trends are affecting densities on employment lands**

Although overall density on employment lands has remained stable over the 2006-2013 period, the Watson Study suggests that the distribution of employment on employment lands is experiencing two distinct trends. As alluded to above, the land extensive nature of the evolving wholesale, and transportation and warehousing sectors, coupled with the increased automation of industrial sectors will continue to result in decreasing densities in many employment areas across the Region. While average densities in the industrial sector have been declining, a greater share of non-industrial sectors are being accommodated on employment lands which typically have higher densities than their industrial counterparts. These employment types are typically associated with businesses that require a mix of office and non-office space, often in amenity driven

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employment parks. This trend is also being influenced by growing opportunities to accommodate knowledge-based sectors throughout all areas of the Region in multi-tenant industrial condos and other smaller-scale office settings such as mixed use areas and institutional buildings

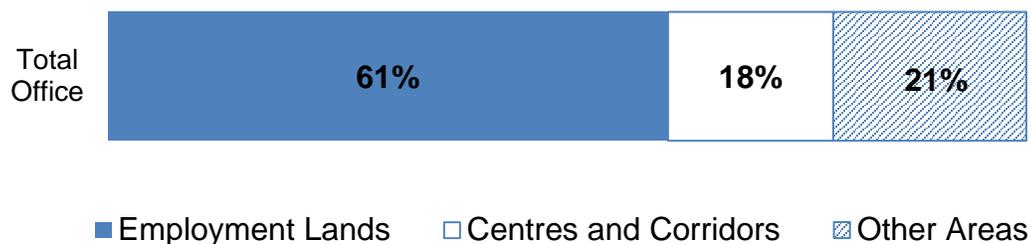
The cumulative impact of these trends is that overall densities on employment lands are expected to remain relatively constant throughout the forecast period. It is important that the Region continue to provide a sufficient supply of designated and serviced employment land to accommodate the trends occurring on the Region's employment lands.

### Office employment is increasingly important in York Region

Office employment accounts for approximately 20% of the employment base in York Region. The Study indicates that over the 2006-2013 period, the Region experienced relatively strong growth in office employment, increasing by 22% compared to 13% in the GTHA as a whole. A significant share of office growth has been in the professional, scientific and technical services sector. Of the Region's office employment base, almost half is accommodated within major office buildings.

The study indicates that office employment has historically located primarily on employment lands. Overall in 2013, 79% of all office jobs were on employment lands. However, Figure 4 shows that new office development has increasingly occurred outside of employment areas as only 61% of new office development between 2006 and 2013 located in employment areas.

**Figure 4: York Region Office Development by Location, 2006-2013**



Source: Watson & Associates Economists Ltd.

In the future, the Study predicts that the distribution of employment on employment lands across the Region will continue to be increasingly concentrated in the office sector due to the anticipated employment growth in

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knowledge-based sectors. However, the Region will continue to explore opportunities to direct major office development toward regional centres and corridors to support the Region's investment in transit.

### **In the future, the office market for York Region is anticipated to improve**

This study confirms the findings of the York Region Office Space Financial/Market Analysis and Marketing Plan Study (presented to Council in April 2015) that, over the long term, the Region's share of GTHA office employment growth will increase as York Region's urban centres and corridors continue to develop and mature. Major office developments are expected to contribute significantly to this employment growth with the majority of the major office market continuing to be concentrated in the larger municipalities of southern York Region. The office market for municipalities in central and northern York Region is also anticipated to continue to strengthen; however, office growth in these areas is expected to be in the form of multi—tenant industrial condos and other smaller-scale office settings.

### **Population-related, Work at Home and No Fixed Place of Work Employment are anticipated to increase**

The Study anticipates that municipalities that are expected to experience strong population growth in the coming decades will continue to drive employment growth in population-related employment sectors including retail, accommodation and food, education services, and health and social services.

Over the next 25 years, work at home employment in York Region is expected to steadily increase driven by growth in knowledge-based sectors. The Region's aging labour force is also anticipated to increase the number of working and semi-retired residents working from home.

No Fixed Place of Work is also expected to experience strong employment growth over the forecast period because it is highly concentrated in construction, goods movement sectors and knowledge based sectors, all of which are expected to experience strong growth into the future.

### **York Region continues to make investments to attract business growth**

Notwithstanding the success of the GTHA, international competition for business development and investments is becoming increasingly fierce in today's "new economy". Moreover, York Region is also in competition with other GTHA and Southern Ontario municipalities to retain and grow its existing business base and attract new employers, skilled employees and high quality, good paying jobs.

## **Employment Trends - Study and Next Steps**

York Region's Economic Action Plan approved in December, 2012 addresses key economic challenges and opportunities facing York Region and translates them into innovative economic growth goals. Along with the initiatives identified in the Action Plan, the Region continues to make investments to support business growth and innovation in a number of areas:

- Critical infrastructure such as transit and the transportation network, water and wastewater and the broadband connectivity network
- Significant investments in business attraction and retention in its centres and corridors, in part to attract and build on key growth industries in knowledge based sectors
- The development of "complete communities" that will maintain and improve the Region's quality of life and help attract skilled labour force talent
- Attracting a research-focused post-secondary campus to locate within the Region, leading to an increase in knowledge-based investment and job growth
- Expanding and preserving the employment land base that provides businesses who sell goods and services outside the Region with strategic locations close to major highways and other destination points

### **Findings and observations of the Employment Trends Study will be explored with local municipalities and the industry**

A number of the Study's findings and observations will be considered when preparing the Region's employment forecast to 2036 and 2041 and to inform the employment policy review of the York Region Official Plan update. In consultation with the industry, local municipalities, and other stakeholders, Regional staff will recommend a policy framework that will be supportive of the shifts in employment trends and the creation of employment opportunities within complete communities, while protecting employment lands and meeting densities required by the Growth Plan.

### **Link to key Council-approved plans**

Creating a competitive economy that encourages investment and diversity of employment opportunities is an objective of the *YROP-2010*. Planning for employment lands, the protection of employment lands, and the importance of employment diversity in creating complete communities are also important components of the Plan. The findings of this study will inform the review and update of employment policies of the *YROP-2010*.

## **Employment Trends - Study and Next Steps**

Appropriately planning for employment growth will help increase the economic vitality of the Region, sustain protection of employment lands, and manage environmentally sustainable growth, all of which are priority areas of the *2015 to 2019 Strategic Plan*.

Consistent with the Region's *Vision for 2051*, developing and attracting businesses from a broad array of sectors will promote the creation of quality jobs for York Region residents.

### **5. Financial Implications**

This study was undertaken within the existing Planning and Economic Development budget. Consideration of the study findings and observations through the review and update of the *YROP-2010* will occur within the existing staff complement and budget.

### **6. Local Municipal Impact**

Local municipal staff will continue to be consulted on an updated employment policy framework to be considered through the *YROP-2010* review and update. Additionally, Regional staff will work with local municipalities to incorporate the findings and observations of the Employment Trends Study in the development of a preferred growth scenario for the Region and its local municipalities.

### **7. Conclusion**

Over the past decade, the economic base in York Region and its local municipalities has shifted towards the service-sector and knowledge based economies. Notwithstanding this shift, however, the goods producing sector remains a vital component of economic growth.

While the global recession of 2008/09 had a significant impact on the manufacturing industry, the sector is now showing signs of stabilization and is anticipated to experience moderate employment growth into the future. York Region has experienced significant employment growth in the transportation and warehousing sector over the past decade. It is anticipated that this trend will continue and, as a result, development pressure for large-scale land extensive industrial uses will continue.

Employment growth within the Region's employment areas will ultimately be driven by demand from a broad range of goods-producing, knowledge-based and employment supportive sectors. However, the rate of employment growth on

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employment lands is projected to decline relative to historical trends as a result of the aging of the labour force and a diminishing supply of remaining greenfield employment lands in several municipalities in the Region.

In terms of office development, the Region's share of GTHA office growth is expected to increase as the Region's Centres and Corridors continue to develop. Although employment lands will continue to play an important role in accommodating office development, the Study anticipates that the Region will continue to see a shift in office development to its Centres and Corridors.

It is recommended this study be used to inform the Region's employment forecasts and land budget to 2041 and the development of updated policies as part of the review and update of the *YROP-2010*.

For more information on this report, please contact Paul Bottomley, Manager, Policy, Research and Forecasting, at ext. 71530.

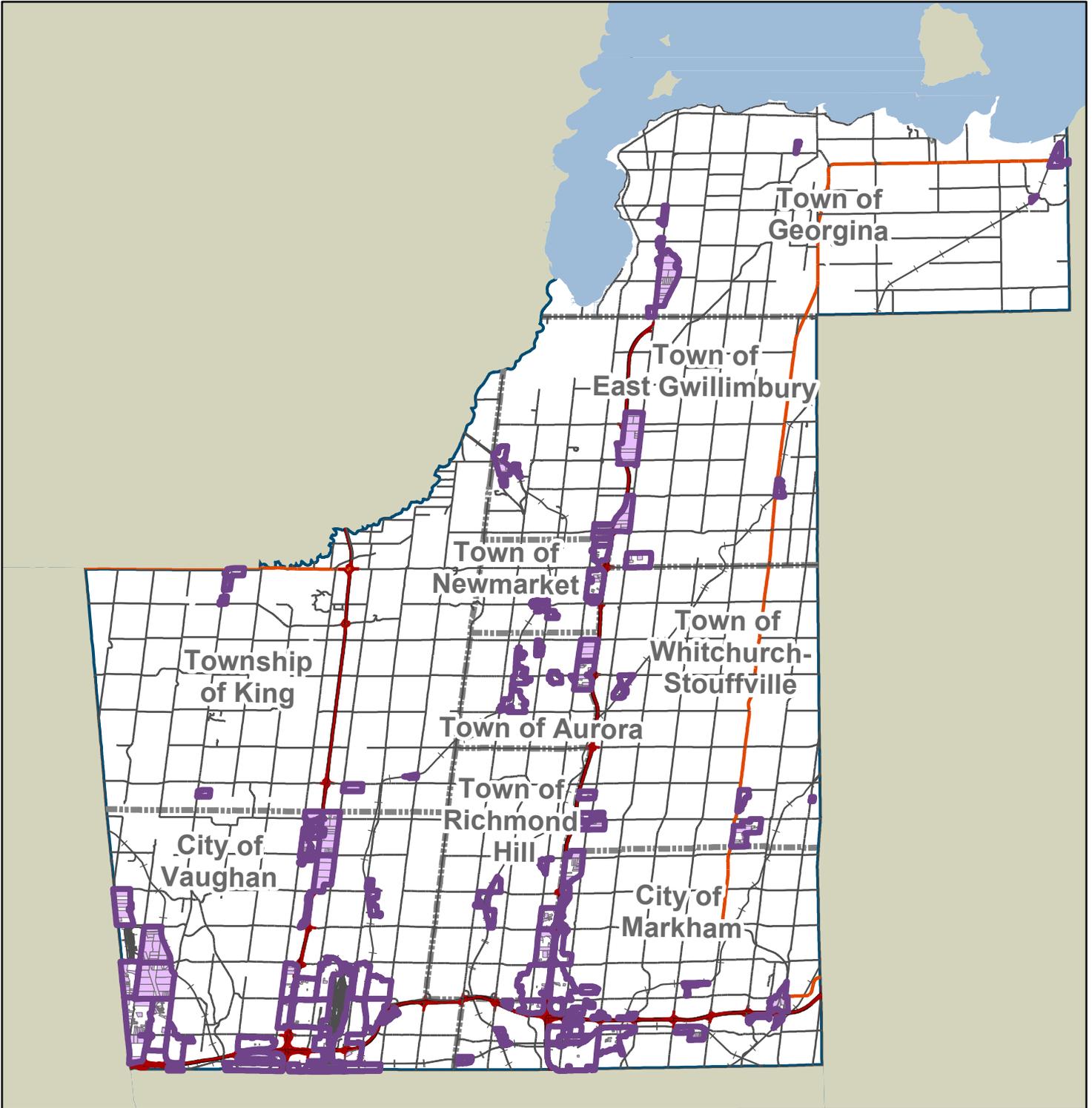
The Senior Management Group has reviewed this report.

September 18, 2015

Attachments (2)

#6344134

Accessible formats or communication supports are available upon request



**York Region Employment Lands and Vacant Parcels, 2013**

Employment Trends - Study and Next Steps

**Legend**

-  Employment Area Boundary
-  Vacant Parcels



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# York Region Employment Trends Review

## Executive Summary

September 9, 2015



Plaza Three  
101-2000 Argentia Rd.  
Mississauga, Ontario  
Canada L5N 1V9

Phone: (905) 272-3600

Fax: (905) 272-3602

e-mail: [info@watson-econ.ca](mailto:info@watson-econ.ca)

[www.watson-econ.ca](http://www.watson-econ.ca)

 Planning for growth

# Executive Summary

## Introduction

York Region retained Watson & Associates Economists Ltd. (Watson) to undertake a review of regional and local employment trends to the year 2041. The purpose of the study is to address key trends regarding the evolving regional economy and the impacts of these changes on the rate and type of employment growth anticipated for York Region over the next 30 years. Particular attention has been given to the potential influence of these economic trends on long-term employment land needs and the competitiveness of York Region and its Area Municipalities.

The results of this assignment are intended to be used to assist York Region in updating its long-term employment forecast to 2031 and 2041 by Area Municipality in accordance with Growth Plan Amendment No. 2 and to inform the Region's policy review. The analysis is also intended to inform the Region on the nature of future development within employment areas with respect to the rate and location of development, employment density and mix of employment uses.

## Macro-Economic Trends Influencing Employment Growth and Employment Lands Development

The Ontario economy has experienced significant volatility over the past decade, including a period of strong economic growth followed by an economic recession and subsequent gradual recovery. This recovery has been more pronounced within the Greater Toronto and Hamilton Area (G.T.H.A.) relative to the remaining Province of Ontario. This has largely been a result of the ability of the G.T.H.A.'s economy to adapt to an economy which is increasingly driven by the service sector.

Over the past decade, the composition of industrial development in Ontario has evolved, with less emphasis on the manufacturing sector and more emphasis on the goods movement sector. While the manufacturing sector remains vitally important to the provincial economy with respect to job growth and economic output, employment growth in this sector is anticipated to be modest for the foreseeable future. These structural changes in the economy are altering the character of economic activities on employment lands and impacting the built form and character of employment areas.

Market demand on employment lands in mid-sized to larger urban centres has also been increasingly driven by growth in the "knowledge-based" or "creative class"

economy, which are largely accommodated within office developments and typically located within prestige employment areas. Further, there is increasing demand to accommodate employment-supportive commercial and institutional uses on employment lands, which cater to the growing office sector.

### **G.T.H.A. and York Region Employment Trends**

The G.T.H.A. has a highly diverse employment base which, similar to the provincial economy as a whole, is gradually shifting from a goods-producing economy to a service-producing economy led by strong growth in a number of service-producing sectors. The rate at which this shift has occurred has accelerated in recent years, driven by significant declines in the manufacturing sector brought on by the 2008/2009 global economic downturn. Recent economic data suggests that this sector is now showing signs of stabilization at the G.T.H.A. and York Region levels. The highly competitive nature of the manufacturing sector will require production to be increasingly cost effective and value-added oriented, which bodes well for firms that are specialized and capital/technology intensive.

York Region is home to a broad range of employment sectors with manufacturing being the largest, accounting for 16% of total employment. Manufacturing sectors related to transportation equipment, machinery, food and metal products have shown the strongest employment growth rates in York Region over the past five years. The wholesale trade sector is also a dominant York Region employment cluster, which has experienced steady employment growth since 2006. Comparatively, the composition of the employment base by sector in York Region is similar to the G.T.H.A. as a whole; however, the York Region economy is slightly more weighted towards goods-producing sectors.

Employment growth rates throughout York Region are largely influenced by the broader G.T.H.A. economy. Employment growth rates have been strongest across knowledge-based sectors. The professional, scientific and technical services sector and the management of companies and enterprises sector are highly concentrated relative to the Province and are steadily growing. Other emerging knowledge-based clusters, including finance, real estate and leasing, education and health care and social assistance, have experienced very high employment growth rates. In turn, this has fueled strong employment growth across the construction sector, as well as population-related businesses in retail and accommodation and food services.

## **York Region Employment Lands Structure and Recent Development Trends**

York Region's designated employment lands currently accommodate approximately 294,000 jobs, representing approximately 54% of the employment base. York Region's employment base on employment lands is dominated by the industrial and office sectors. From 2006 to 2013, employment on the Region's employment lands increased by 14% (35,700 jobs). The office and industrial sectors accounted for 53% and 43% of employment growth, respectively, and 17% was accommodated in major office buildings.

Between 2006 and 2013, the following observations can be made with respect to development activity on employment lands in York Region:

- Employment land absorption averaged approximately 92 net ha per year;
- Approximately half of employment land absorption was in the City of Vaughan;
- 43% of employment growth on absorbed employment lands has been in the industrial sector, followed by 26% in office employment, 23% in retail/personal services and 8% in institutional; and
- Based on an analysis of a sample of building permit data, two-thirds of development activity on employment lands was in the industrial sector, 30% in the commercial sector and 3% in the institutional sector.

York Region's employment areas continue to play an important role in accommodating business growth in the Region. For businesses in York Region that have located to their current location since 2009, 64% of associated employment has been accommodated on employment lands. However, an increasing share of development activity on employment lands in York Region is occurring in non-industrial sectors.

### **Impact of Recent Economic Recession on Employment Lands**

The impact that the economic recession had on employment growth, particularly in the industrial sector, was significant on employment lands absorption and development activity on employment lands in York Region. Industrial development activity and employment lands absorption, which had remained relatively strong through 2008, declined significantly from 2009 to 2010, followed by gradual recovery post-2010.

The existing industrial base in the Region was also negatively impacted by the economic recession. Industrial vacancy rates peaked during the 2008/2009 period, but have since declined back to more balanced market levels. The following provides a few key highlights of the impacts of the recent economic recession on York Region's

employment lands, based on a review of existing businesses and industrial building space as of 2006:

- Over the 2006-2013 period, employment levels within 2006 industrial building space fell by approximately 7%, equivalent to approximately 8,500 jobs. This included a 20% decline (12,100 jobs) in manufacturing sector employment.
- The decline in manufacturing employment was attributed to both business downsizing and closures. The losses in manufacturing employment were partly offset by gains in other sectors including construction, management of companies and enterprises, education services, finance and insurance, utilities, and administration and support services.
- Industrial vacancy rate data suggests that the utilization of industrial space in the Region has returned to pre-recession levels. However, the mix of sectors accommodated has shifted with less emphasis on the manufacturing sector, and overall employment accommodated within existing industrial space is lower than in 2006.
- While the Region experienced strong growth in wholesale trade, and transportation and warehousing, employment growth associated with these sectors was not accommodated within the existing industrial building space and was instead accommodated through new development in greenfield areas.
- The overall economic viability of the existing industrial space is relatively healthy, with the exception of some larger-scale manufacturing plants which closed over the 2006-2013 period and remain unoccupied. While it is possible that some of these buildings may be reoccupied, they were typically custom-built for a specific manufacturing business and may prove challenging to reoccupy.
- Of employment growth within the Region's employment areas over the 2006-2013 period, 26% has been accommodated on greenfield lands and 74% within the built boundary.

### **Employment Density on Employment Lands**

York Region's employment density on employment lands is relatively high compared to the G.T.H.A. average. Over the 2006-2013 period, overall employment density on employment lands in York Region has remained relatively stable, averaging 59 jobs per net ha in 2013.<sup>1</sup> While average floor space per worker (F.S.W.) in the industrial sector is declining both in existing building stock and in new development, it is being offset by a greater share of non-industrial sectors being accommodated on employment lands

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<sup>1</sup> Including major office and development on private services.

which typically have lower F.S.W. levels than the industrial sector. Further, floor space index (F.S.I.) levels in new industrial development are generally higher than in the existing base which is helping offset the decline in F.S.W. observed in the sector.

### **York Region Office Market**

Office employment accounts for approximately one-fifth of the employment base in York Region. Approximately 79% of office employment is located within employment lands. York Region has experienced relatively strong growth in office employment over the 2006-2013 period. Over this period, 61% of total office building G.F.A. constructed has been accommodated on employment lands, compared to 18% within the Region's Centres and Corridors and 20% in other areas.

A significant share of office employment in York Region is accommodated within major office buildings.<sup>1</sup> Three-quarters of major office G.F.A. in York Region is located on employment lands. Nearly one-third of businesses that have located to their current location within major office buildings in York Region since 2009 have been in the professional, scientific and technical services sector, followed by 20% in health care and social services, and 11% in finance and insurance. More than three-quarters of major office development over the 2006-2013 period has been accommodated on employment lands.

Major office development averages 207 jobs per net ha in the Region and densities are higher for major office development on employment lands than outside employment lands. Over the 2006-2013 period, F.S.W. in major office buildings has remained constant while F.S.I. of recently constructed major office buildings has declined.

### **Employment Growth Trends by Local Municipality**

All of York Region's local municipalities exhibited relatively strong employment growth over the 2006-2013 period with the exception of Newmarket which experienced relatively limited employment growth. East Gwillimbury demonstrated exceptionally strong employment growth over the period, with a 47% increase. Over the 2006-2013 period, 86% of employment growth was accommodated in the south part of the Region within the municipalities of Vaughan, Markham and Richmond Hill. Vaughan accounted for nearly half of the Region's employment growth over the period.

A large share of the Region's industrial employment growth over the period was accommodated in Vaughan. Approximately 83% of office employment growth over the

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<sup>1</sup> Major office buildings reflect buildings 20,000 sq.ft. (1,858 sq.m.) and greater.

period was accommodated within the south York Region municipalities of Markham, Vaughan and Richmond Hill. In terms of employment growth on employment lands in the Region, approximately 89% has been accommodated within the south York Region municipalities of Vaughan, Markham and Richmond Hill.

### **Long-Term Industrial and Office Outlook for York Region and Implications on Employment Land Needs**

In many respects York Region's long-term employment potential is largely tied to the success of the G.T.H.A. and Greater Golden Horseshoe (G.G.H.) as a whole. York Region's location within the G.T.H.A. poses both economic opportunities and challenges.

With a robust economy and diverse mix of export-based employment clusters, the G.T.H.A. is highly attractive on an international and national level to new businesses and investors as a world class "City/Region." In turn, this continues to support strong G.G.H. population growth levels largely driven by international and inter-provincial net migration.

Notwithstanding the success of the G.T.H.A., international competition for business development and investments is becoming increasingly fierce in today's "new economy." Moreover, regional competition within the G.T.H.A. and the surrounding "Outer Ring" is also intense. York Region is located within proximity to a number of large urban/suburban municipalities with which it competes directly for business attraction and investment. All of these municipalities generally offer regional attributes which largely appeal to prospective international and local firms.

One of the key challenges for York Region regarding the future non-residential development relates to the macro-economic trends that the Region cannot control, such as the strength of the global economy and the competitiveness of the North American economic base relative to emerging markets. At the regional level, there are also physical challenges facing the G.T.H.A. and York Region, including traffic congestion, aging infrastructure, servicing constraints, and an aging labour force base which has the potential to impede population and employment growth.

As previously mentioned, the Region is expected to see moderate employment growth in the industrial sector over the coming decades. Industrial employment growth in the Region is anticipated to be driven largely by the goods movement sector (wholesale trade and transportation/warehousing) and construction sector with modest employment growth in manufacturing.

The nature of new development in the industrial sector is expected to be markedly different than the existing base. New manufacturing employment growth is anticipated primarily in small to mid-sized businesses (less than 100 employees). Average employment density in the manufacturing sector is also expected to decline due to increased automation in this sector. It is anticipated that 15% to 20% of future employment land absorption in York Region will be accommodated in manufacturing-related development in the form of both standalone and multi-tenant facilities.

On the other hand, strong growth potential in the goods movement sector is expected to drive demand for increasingly larger warehousing facilities, typically located in competitively priced greenfield locations across the G.T.H.A. Given York Region's competitive profile, demand is anticipated to continue across a range of development sizes from small to mid-sized warehouses to large-scale land-extensive distribution centres and logistics hubs with individual facilities averaging over 25,000 sq.m. in G.F.A. Due to the land expansive nature of this fast-growing sector, the goods movement sector is expected to account for the largest share of greenfield employment land absorption over the next 30 years.

Given the Region's strong attractiveness to knowledge-based sectors, the distribution of employment on employment lands across the Region will continue to be increasingly concentrated in the office sector. Over the long term, it is anticipated that the market for office-based employment within York Region's employment areas will continue to be concentrated in the larger municipalities of southern York Region. However, growing opportunities will exist to accommodate knowledge-based sectors throughout all areas of the Region in multi-tenant industrial condos and other smaller-scale office settings such as mixed-use areas and institutional buildings. There is anticipated to be increasing opportunity to accommodate office employment outside of employment areas, most notably within the Region's Centres and Corridors.

### **Role of Employment Lands in York Region in Accommodating Future Employment Growth**

For both international and locally-based industries, York Region's employment areas have a strong appeal given their proximity to major regional infrastructure, including the Toronto Pearson International Airport (T.P.I.A.), 400-series highways, inter-modal facilities, rail, proximity to the U.S. border, and access to skilled labour and post-secondary institutions. The above attributes in York Region have produced a highly competitive and diverse employment market, which has provided developers with a

broad range of market choice with respect to site selection, access/exposure, zoning, price, etc., for non-residential development.

It is anticipated that a significant share of future employment growth within York Region is anticipated to be accommodated on employment lands. In addition to accommodating industrial development, employment lands will also continue to play an important role in accommodating office employment. Moving forward, it is imperative that the Region continue to provide a sufficient supply of serviced and designated employment lands to provide sufficient market choice in accommodating the broad range of future industries which are anticipated to locate on these lands.

### **Factors Impacting Future Employment Land Need in York Region**

Identifying future employment land needs in the Region is in part dependent on assumed forecast employment densities. Employment on employment lands density can vary depending on many factors, including type of land use, built form and site characteristics.

Over the 2006-2013 period, Region-wide employment densities on employment lands (expressed in jobs per ha) have remained relatively constant. It is foreseeable that future employment densities on employment land in York Region will likely remain relatively stable over the forecast period.

While some intensification opportunities do exist through infill, expansions and redevelopment, the majority of the future growth in the industrial sector will need to be accommodated through greenfield development. With respect to the office sector, there are likely more opportunities to accommodate employment growth within existing employment areas, through infill and site redevelopment than in the industrial sector. However, there will continue to be market demand for office space in greenfield areas, particularly as part of integrated warehousing/distribution facilities and within standalone office parks.

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