CITY OF
Mount Pearl

Economic Snapshot and Projection
2016

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Risks and Assumptions

This report is written using data and resources collected at the disposal of the Economic Development Office in Mount Pearl. The data comes from a number of sources such as the Federal and Provincial Governments, industry associations, the provincial community accounts and municipal files and reports. Some of these reports are dated but it is the intension that this overview will be updated when information becomes available on an ongoing basis to ensure that the report the most up to date information available at the time.

Many of the industry reports recently written which focused on projections of the position of the province beyond 2016 were produced prior to the Provincial Government's release of Budget 2016. The impact of the budget on these projections is unknown and should be taken into consideration for planning purposes.

Mount Pearl has relied upon Community Accounts for much of its demographic data in the past and that data is based primarily on federal census data, which has not been updated since 2011. This year saw the revival of the census long form; however that data is not available at this point in time and will not be released until 2017. As well, highlights of the economy and other information for 2016 will be incomplete at this point as we are only three quarters through the year.

Other data will be considered based on the Planning and Development Departments knowledge of forecasted developments both residential and commercial, as well as any recently completed studies such as the Commercial Space Inventory.

Economic Overview 2016

The province of Newfoundland and Labrador is currently facing serious economic hardships with a ballooning deficit, out migration challenges, major projects having passed their peak investment levels and continued government spending. In addition the Province faced in the last two years, out of its control, commodity prices falling well below past projected levels resulting in a negative impact on near-term investments and production decisions. In addition to weak commodities, some major projects are nearing the end of their lifecycle and it has had a trickle down impact on supporting industries and small business in the province. Some companies are being forced to close down as a result of economic pressures. Newfoundland and Labrador according to The Conference Board of Canada's Provincial Outlook: Spring 2016, will be the only province expected to face a recession in 2017.

The Mount Pearl economy has been heavily driven by the oil and gas industry in the past decade and in 2016 its business parks can claim to be home to some of the major companies in that industry: Schlumberger, Baker Hughes, Halliburton, ASCO Canada among others. In addition to the major players in the industry, this past year saw the addition of national and international companies such as Flack Safety Services and CAE to Beclin Business Park. These are two direct examples of companies which support and serve the oil and gas industry and indicate that there is still interest in the City as a place to work from.

One of Mount Pearl's consistent challenges remains the reality of its geography. The city is bordered by the capital city, the City of St. John's, on three sides, the Town of Paradise on the fourth and available developable land within the borders of the City is limited for both residential and commercial opportunities. In 2015, the City was provided the opportunity to explore the development potential of lands above the 190 m contour as a result of neighbouring projects. This should provide the City a considerable amount of potential growth both residentially and commercially well into the next five years.

With regards to the current oil price decline, recent housing market activity indicates the area residential market has been somewhat aligned with lower oil prices, with flat-to-lower MLS sales and evident price pressures since mid-2014. The real issue for the local housing market is expected to be the provincial government's current fiscal situation, likely leading to further economic decline as new taxes and reduced income take hold and as the reduction in employment leads to higher out migration. This is likely to eventually result in an increase in homes available for sale and lower prices.[1]

The Mount Pearl area is considered by CMHC to be an established west end neighbourhood that boasts a broad mix of housing and some private rental apartments. There are high-end residential dwellings, as well as a broad mix of various dwellings ranging from low-to-mid range. Mount Pearl is currently undersupplied with new market and affordable rental units and the expectation is that new developments are sustainable, given the outlook for the local aging population and both current and future demand for senior's housing[2]. Slower demand will likely be recorded as 2016 draws to a close partly due to the federal government' s announcement on tightening mortgage rules which will affect first time homebuyers and seniors and impact on affordable housing. Housing starts are anticipated to remain at multi year lows for the next two to three years.

In light of the negative economic impacts of the oil industry's downturn and the provincial government's fiscal situation, housing market softness is expected to continue for the remainder of 2016 and into 2017, as buyers and sellers wait on the sidelines amid an array of unprecedented economic and housing sector uncertainty. Beyond the obvious income and employment pressures, current concerns are centred on evolving housing and economic trends as well what it will take to see the local economy return to some form of a recovery. The current economic decline and lower oil price environment could have other effects on the housing sector, especially with an aging population and a possible negative shift in migration and population if a recovery does not take hold sooner than later. Exacerbating this is the fact that many workers in the St. John's region are dependent not only on NL economic growth, but also economic growth and benefits from the Alberta economy. With the current problem with Fort McMurray, this will likely continue to be an additional drag on housing demand and economic growth for Newfoundland and Labrador and the St. John's region in the coming months[3]. This may be more likely for rural parts of the province; however will still have an impact on urban centres to a degree.

One further consideration for this year is that public-sector employment is currently down 4% at this point in the year when compared with 2015, which along with a 1.3% decline in private-sector employment, will put pressure on the unemployment rate. It is anticipated that this will make Newfoundland and Labrador the province with the highest unemployment rate in the country during the next few years[4].

Mount Pearl has seen a steady growth each year to its budget. As regional services such as fire protection, water, waste management and wastewater treatment continue to climb year after year it should not be a surprise that the budget as grown. The table below indicates the total budget for each of the past five years.

Year	2012	2013	2014	2015	2016
Budget	$38,910,000.00	$41,510,831.00	$43,211,730.00	$44,114,000.00	$49,525,000.00* *includes takeover of Glacier Operations

Business in Mount Pearl

Commercial Space Inventory

The Commercial Space Inventory Report (CSIR) was first conducted in 1991. Since 2006, the Report has been updated annually to monitor and assess commercial activity in the City of Mount Pearl. The CSIR is a snapshot focusing on one year of commercial growth. Commercial activity is measured in terms of gross floor area (GFA), vacancy (leasable space) rates, and active home based businesses (HBBs). The 2016 reports constitutes a 5 year review, comparing commercial trends from 2011-2016.

Though commercial Greenfield development remains popular in the City of Mount Pearl, as evident by the 8% increase in commercial GFA being the result of new building construction in the Kenmount / Beclin Business Parks, growth was also evident in the remaining areas (e.g. Topsail Rd.). Additional Greenfield sites will become available with the rezoning process for the Kenmount Hill area above the 190 metre contour area continuing, however, as other Greenfield development potential plateaus—as displayed by Donovans Business Park and Glenhill and Pearlgate Areas—the City will increasingly have to consider infill, intensification, redevelopment, mixed use, and Brownfield development options. Small-scale commercial development can be accommodated in the Commonwealth Ave area; however, growth potential is limited due to existing residential development and geographic zoning constraints.

The City has a low-rise commercial urban form. Low density forms of commercial development do not represent the optimal use of commercial land. This is particularly of concern as Greenfield sites are becoming increasingly scarce. The City will have to explore ways in which dense forms of commercial development (e.g. mixed use high rise buildings) can be attracted to the municipality.

Mixed-use forms of growth have the potential to increase the quality of life for residents in the City by reducing reliance on private automobiles and encouraging active modes of transportation. Mixed-use growth may require an increased focus on urban design and the types of commercial uses to encourage high quality mixed-use neighborhoods.

On the whole, vacant (leasable) space rates appear to be increasing in office/retail and warehouse uses. As highlighted in the Economic Development, Tourism and Communications Strategy (2011 – 2016), Commonwealth Ave. and Centennial Square offer much growth potential for urban intensification. This necessitates a strategy to retain and attract high quality businesses in the area. On the whole, the breakdown of commercial uses for the City for 2016 is: 21% office, 24% retail and 55% warehouse uses. The total vacancy (leasable space) rate within the City is 13%, which constitutes an increase of 10% between 2011 and 2016[5].

Permit Activity

There were 861 development applications registered in 2015, compared with 882 in 2014 and 924 in 2013. These figures represent continued strength of and interest in development within the City.

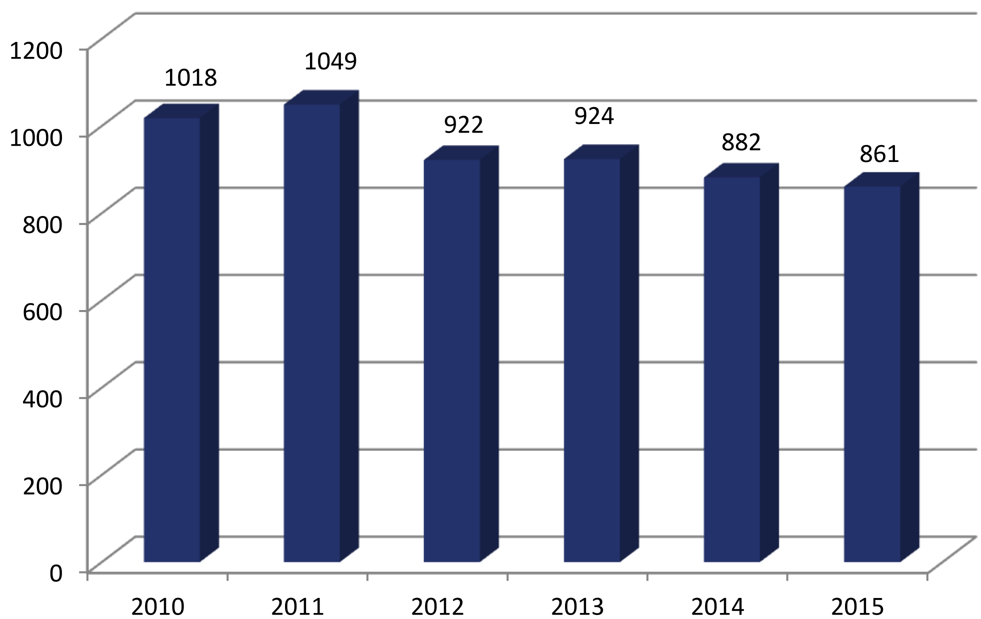


Figure 0-1 Development Applications (2010-2015)

Approximately 65% of all development applications received in 2015 was for residential development, the remaining 27% being for commercial development. There were 83 development permits issued in 2015, compared to 80 in 2014 and 86 in 2013 (see Table 4-1).

In the last five years the City of Mount Pearl's residential development permit activity has been valued at $112,682,560.00 and commercial development activity has been $134,689,331.00. As is noted in the table below the value of 2016 permit activity as of September 16th, 2016 permit values total $27,581,261.00.

During 2015, the Planning and Development Department issued 534 residential building permits and 100 commercial building permits (all non-residential uses) for a total of 634.

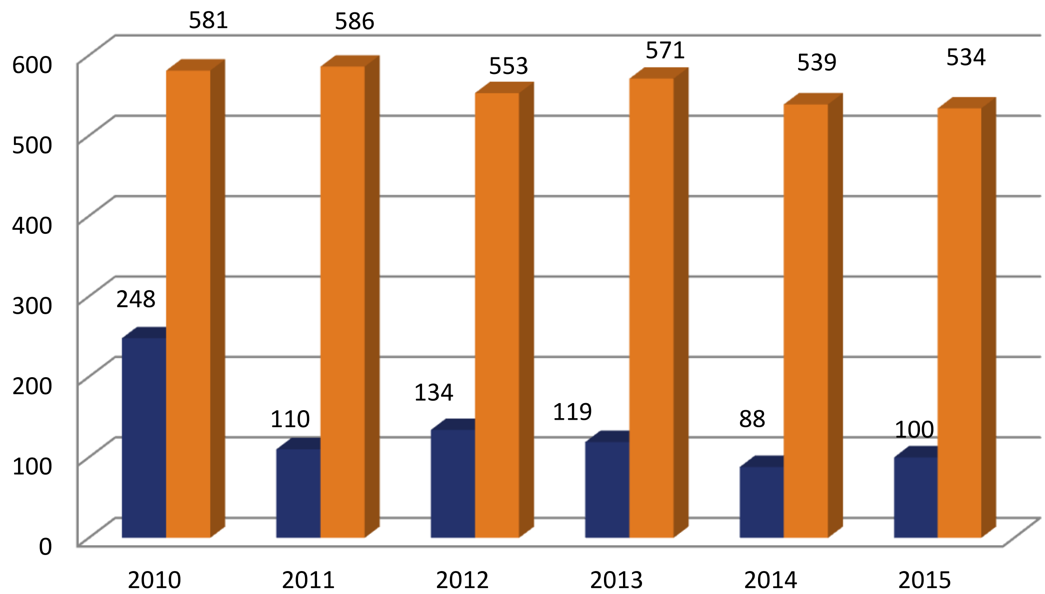


Figure 0-2 Residential and Commercial Permits (2010-2015)

Last year in the final three months of the year residential permits totaled nearly eight million dollars and commercial permits equated to nearly six million dollars. If this trend holds true for the last few months in 2016, then for residential activity in the City should be on par compared to previous years or even better. As a result of the economic conditions though, it is better to err on the side of caution. Commercially speaking, the City may face one of its lowest levels of activity in the past six years.

	2011	2012	2013	2014	2015	2016 (As of September 16, 2016)
Residential	$24,230,306	$32,593,576	$21,824,200	$16,163,480	$17,870,998	$13,847,828
Commercial	$13,591,770	$31,255,098	$29,594,674	$23,172,408	$37,075,381	$13,733,979

During this period, there has been a marked increase in residential renovations and repairs relative to new home construction. This is indicative of both an aging housing stock and homeowners investing in their current homes rather than acquiring new homes.

Industries in Mount Pearl

Mining

In Mount Pearl there is only one noted mining company (Cornerstone Resources Inc.) which operates out of the City. It is not an industry which has traditionally had a significant impact on the economy of Mount Pearl.

Oil and Gas

In Mount Pearl, the economy has been largely driven by large oil and gas companies in the last decade or more. Between 20 and 30 large businesses that are directly involved in the oil and gas industry or are a part of the support activities for the industry currently call Mount Pearl home. While some of these companies have had to temporarily reduce their workforces as a result of the current economic situation, to date there have been no closures of companies in the industry within Mount Pearl.

Tourism

The tourism industry in Mount Pearl is centered on sports tourism and the plethora of first rate recreation facilities located in the City. It presents an opportunity for the City to focus on and invest in the attraction of many major sporting events and groups looking to avail of our fields and facilities. These events will provide Mount Pearl the opportunity to showcase our amenities and will boost the economy by bringing in new money from the visitors. This can be achieved in house or by partnering with neighbouring municipalities and Destination St. John's to ensure Mount Pearl is featured as a premiere destination for sports events and tournaments.

The challenge with bringing large numbers of out of town guests to Mount Pearl is the limited amount of accommodations. Visitors are coming to Mount Pearl to play and are leaving directly after to eat, shop and sleep in primarily the capital city. The addition of the hotel development with banquet facilities and restaurants should be a priority of 2017 to add the final piece of tourism puzzle in Mount Pearl.

Construction

In Mount Pearl there are currently 10,198 residential housing units and it is broken down as the following: Row housing: 776 units, Semi Detached: 696, Subsidiary apartments: 1719, Detached houses: 6616 and Multi units: 391. While there are several projects which have been approved, multi-unit construction activity continues to be slow. Basement apartments and small multi-unit rental projects targeted at seniors and affordable housing projects are expected to be a key component of market activity.

According to the province the growth of the economy in recent years had led to a significant increase in the demand for, and supply of, office space. The establishment of offices by oil and gas companies and firms that support the oil and gas industry fueled the surge in new and renovated office space construction. However, recent declines in commodity prices could hinder further market expansion and could provide a City such as Mount Pearl with the opportunity to attract companies from the high cost rental market, like downtown St. John's, to more affordable options like Donovans, Beclin or Kenmount Business parks. It is a means to lowering vacancy rates, increasing the commercial tax base and encouraging property owners to act on under or undeveloped properties. This can be achieved by investing in new and innovative ways to market and promote the City to this target group.

Population and Potential Growth

The population of the province has gone through significant ups and downs throughout the past and likely will be tested again with the current economic climate. Newfoundland and Labrador has a population of 528,448 spread throughout a vast landscape and the majority of people (estimated to be 214,285) call the capital City of St. John's home. Throughout the CMA there are another approximate 63,416 people in areas like Mount Pearl, Conception Bay South and Paradise among other communities.

The older age profile of the Newfoundland and Labrador population crossed a key threshold in 2014 when estimated deaths exceeded births for the first time. As deaths rise and births decline, the natural population declines, carrying the provincial and household formations lower. International immigration and interprovincial in-mobility will be key to sustaining long-term population growth[6].

Mount Pearl has had a relatively consistent population, albeit slight decline, over the past number of years peaking at 25,513 people according to the 1996 census. Since that census year, over nearly 20 years ago, the City has seen a decline in population of just over a 1,200 people. In the 2011 census the recorded population was 24,284 and new population numbers are due out in January 2017. With new development having occurred over the past five years there may be a small bump in population; however it is likely the City's population will have remained steady.

One contributing factor in population numbers is the geography of Mount Pearl and the fact it is surrounded on each of its four sides by both St. John's and Paradise. Growth in terms of residential development has been limited until the 2014 announcement of the Galway and Glencrest project. As a result of new regulations, lands above the 190 m contour are now accessible for development, which should lead to an increase in various residential and commercial development opportunities for Mount Pearl.

The developable lands equate to approximately 165 acres and will be planned for both residential and commercials uses in the coming months through the preparation of a Comprehensive Development Scheme In the future these development opportunities will provide Mount Pearl with a probable boost to its population numbers and with the right planning can influence the type of demographic which will sustain the City as a "family centered" community.

As of 2016, a draft development scheme is underway and the early indications by the consultant are that the lands above the 190m contour have room for potentially 792 dwelling units which by their estimate translates into approximately 1,900 new residents. This is positive for the population of Mount Pearl, however the City could be looking at three to four years before the proper servicing for the land is in place and actual development can begin.

Ultimately, Mount Pearl is geographically limited and unless consideration is given to planning for higher density and catering to a younger demographic, then the population is likely to get older and remain steady or slightly decline in numbers year after year as it has for the past 20 years.

2016 Highlights

- Current Population – 24,284[7] Statistics Canada Census 2011
- Residential/Commercial Building Permits in Mount Pearl
  - **2015** - Commercial $23,172,408.00; Residential $16,163,480.00
  - **2016** (08/29/16) - Commercial $12,882,479.00; Residential $11,700,628.00
  - The 2016 numbers are on par with the previous three years
- New businesses opened (08/29/16) – 33
- The unemployment rate as reported for the St. John's CMA as of July 2016 is 6.7%, which is low in comparison to rural parts of the province which can reach as high as 14.0%
- Nearly 1,100 businesses operating and approximately 15,500 jobs
- Mount Pearl holds the highest mill rate for Commercial General Business Tax and the second highest mill rate for Commercial Property Tax (second only the Corner Brook) on the island.

Municipality	Commercial Property Tax Rate (Full service properties)	Business Occupancy Tax Rate (Commercial General Business Rate)
Mount Pearl	12.0 mills	**17.5 mills**
St. John's	*****Blended Rate of Business and Property Tax***	
Paradise	11.5 mills	*
Conception Bay South	11.5 mills	15.0 mills
Portugal Cove - St. Phillips	6.9 mills	8.5 mills
Torbay	10.5 mills	15.0 mills
Bay Roberts	7.0 mills	12.0 mills
Corner Brook	**12.5 mills**	17.0 mills
Gander	6.3 mills	*
Grand Falls Winsor	10.75 mills	8.0 mills
Deer Lake	7.0 mills	7.5 mills
Happy Valley Goose Bay	10.5 mills	*
Wabush	19.0 mills	*

*These municipalities do not indicate a commercial general business classification under Business Occupancy Tax rates and indicate a more specific classification for each type of businesses operating in the community.

**In 2013, St. John's eliminated the Commercial Occupancy Tax Rate and began charging only a Commercial Realty Tax.

Mount Pearl Rates 2012 - 2016					
	2012	**2013**	**2014**	**2015**	**2016**
Residential Realty Rate	9.25	6.7	7.4	7.4	7.0
Commercial Realty Rate	12.5	12.0	12.0	12.0	12.0
Business Occupancy Tax Rate	16.75	16.75	17.50	17.50	17.50
Water and Sewer	$600	$600	$600	$600	$600
Combined Business Tax for realty and occupancy	29.25	28.75	29.50	29.50	29.50

An International Outlook

Before the June 23 vote in the United Kingdom in favor of leaving the European Union, economic data and financial market developments suggested that the global economy was evolving broadly as forecast in the April 2016 World Economic Outlook (WEO). Growth in most advanced economies remained lackluster, with low potential growth and a gradual closing of output gaps. Prospects remained diverse across emerging market and developing economies, with some improvement for a few large emerging markets—in particular Brazil and Russia—pointing to a modest upward revision to 2017 global growth relative to April's forecast.

The outcome of the U.K. vote, which surprised global financial markets, implies the materialization of an important downside risk for the world economy. As a result, the global outlook for 2016-17 has worsened, despite the better-than-expected performance in early 2016. This deterioration reflects the expected macroeconomic consequences of a sizable increase in uncertainty, including on the political front. This uncertainty is projected to take a toll on confidence and investment, including through its repercussions on financial conditions and market sentiment more generally. The initial financial market reaction was severe but generally orderly. As of mid-July, the pound has weakened by about 10 percent; despite some rebound, equity prices are lower in some sectors, especially for European banks; and yields on safe assets have declined.

With "Brexit" still very much unfolding, the extent of uncertainty complicates the already difficult task of macroeconomic forecasting. The baseline global growth forecast has been revised down modestly relative to the April 2016 WEO (by 0.1 percentage points for 2016 and 2017, as compared to a 0.1 percentage point upward revision for 2017 envisaged pre-Brexit). Brexit-related revisions are concentrated in advanced European economies, with a relatively muted impact elsewhere, including in the United States and China. Pending further clarity on the exit process, this baseline reflects the benign assumption of a gradual reduction in uncertainty going forward, with arrangements between the European Union and the United Kingdom avoiding a large increase in economic barriers, no major financial market disruption, and limited political fallout from the referendum. But more negative outcomes are a distinct possibility[8].

A National Outlook

In 2016, the largest news maker in the country of Canada, as it relates to the economy, was the wildfire that ravaged various parts of Alberta. The economy took an unexpected hit from the huge fire which forced approximately 90,000 people to flee Fort McMurray and shutdown several crucial oil production facilities. The Conference Board of Canada estimates that the temporary shutdowns will have reduced oil production by 57 million barrels this year, costing oil and gas firms $3.5 billion in lost revenues[9].

The Conference Board of Canada has indicated the Canadian economy exists on two fronts, with resource dependent provinces (Newfoundland and Labrador, Alberta or Saskatchewan) in recession or barely growing and others like British Columbia, Ontario, Prince Edward Island and Manitoba getting stronger as manufacturing exports grow.

British Columbia is expected to be the fastest-growing province for the next two years — with its economy expanding by 3 per cent in both 2016 and 2017. While the mining sector is weak, strength in forestry, construction, transportation, and the real estate industry will power its growth, the outlook predicts. Ontario's GDP is forecast to rise by 2.8 per cent in 2016 and by 2.6 per cent in 2017, primarily because of export growth in the automotive sector. The low dollar and Toronto's rising housing market are combining to reset economic conditions in the province. Manitoba will grow by 2.1 per cent in 2016 and 2.6 per cent in 2017 as its agricultural sector and services continue to grow. In Prince Edward Island, there has been growth in housing and in manufacturing that will result in 2.3 per cent growth in 2016 and 1.7 per cent 2017[10].

For the country as a whole real Gross Domestic Product advanced 0.9 per cent in 2015, about half the pace recorded in 2014, so a projection of 1.5 per cent for 2016 is an improvement. The Conference Board predicts the Canadian economy will be still stronger in 2017, when infrastructure spending proposed by the federal government has an impact[11].

Nonetheless, there are plenty of headwinds for Canada's economic growth prospects:

- Investment in the oil and gas sector is still falling.
- Non-energy investment is lackluster and Canada may soon face lack of capacity in manufacturing.
- Canadian consumer spending may not improve because incomes are not rising sufficiently.
- Consumers are also stretched thin with debt.
- Growth prospects for the global economy remain poor.
- U.S. growth this year is also sluggish.

Despite steady employment growth, the unemployment rate has remained slightly over 7% since late 2014. High part-time employment and long-term unemployment, as well as weak wage pressures, point to continued labour market slack. Consumer price inflation has fallen to the lower end of the Bank of Canada's 1-3% target range despite the exchange rate depreciation, but this reflects falling gasoline prices – excluding these, inflation is near 2%.

Economic growth is projected to strengthen in 2016 and reach 2.2% in 2017. The drag from falling investment and employment in the resource sector should soon peak and then gradually fade away. Non-energy exports should lead the recovery as they continue to benefit from the lower Canadian dollar and strengthening export market growth[12].

Newfoundland and Labrador Outlook

As the economic indicators are outlined below, the reader should be aware that the forecasts were generally made prior to the province's spring 2016 budget, which has had a major impact on the current economic climate.

Gross Domestic Product

Real gross domestic product (GDP) by industry increased in seven provinces and the Northwest Territories in 2015. GDP declined in Alberta, Newfoundland and Labrador, Saskatchewan, Yukon and Nunavut, largely because of the impact of lower oil and metal prices. Nationally, real GDP by industry rose 0.9% in 2015.

British Columbia led the provinces with GDP growth at 3.0%. The largest decline in GDP among the provinces was in Alberta (-4.0%).

In Newfoundland and Labrador, GDP fell 2.2% in 2015, following a decline of 2.3% in 2014. Goods output decreased 6.1%, led by a significant decline in conventional oil and gas extraction. Lower oil prices contributed to a sharp decline in oil and gas engineering construction and in support activities for oil and gas extraction. Copper, nickel, lead and zinc ore mining also declined. In contrast, iron ore mining rose significantly, partly as a result of increased output capacity and a recovery from weather-related production difficulties in 2014.

Construction decreased 7.3%, as residential building, non-residential building and engineering construction declined. However, electric power engineering construction rose, as work on a major project continued. Electric power generation, transmission and distribution grew. Manufacturing increased 5.1%, led by a rebound in petroleum refineries, higher output from a new non-ferrous metal smelter, and, to a lesser extent, an increase in seafood product preparation and packaging.

Services-producing industries advanced 1.3%, as increases in public administration, finance and insurance services, and retail trade more than offset decreases in information and cultural industries and professional, scientific and technical services[13].

The following table estimates the GDP for Newfoundland and Labrador for 2016 and beyond up to 2021[14].

	2015	2016e	2017f	2018f	2019f	2020f	2021f
GDP at Market Prices ($ M)	30,133	29,656	30,301	30,616	31,191,	31,902	32,975

% Change	-10.1	-1.6	2.2	1.0	1.9	2.3	3.4
% Change, real	-2.3	1.0	-3.3	-3.4	-1.1	-0.6	1.4

Labour Market

The population numbers and the availability of the labour market in this province go hand in hand. If the population declines year to year as a result of the poor economy, higher than average taxes or higher number of deaths than births, then this will have a direct impact on the availability of qualified labour. Over the next ten years, employment in the province is anticipated to fluctuate based on major project employment cycles. Between 2015 and 2018, employment will reflect the winding down of the development phases of large projects like Hebron and Muskrat Falls. In addition to the major projects concluding, it is anticipated that the number of retirees is also expected to rise.

However, it is not all bad news for the province. Manufacturing and mining will provide a slight improvement to Newfoundland and Labrador's weak economy. The Long Harbour hydromet facility will continue to increase processing of nickel, copper, and cobalt ore from the Voisey's Bay mine. Resumption of offshore oil production, off-lined last year by technical problems, will provide an important lift to real GDP for this year. In addition, the new Hebron offshore oil field is expected to begin production toward the end of next year and will give a much needed boost to the province's mining sector[15]. By way of these industries and projects which are slated to come on-stream it should provide opportunities for continued employment and in some cases new jobs. In addition, there are new reports which suggest that development fields for oil and gas hold high potential. The estimate for the Orphan Basin is 25.5 billion barrels and another 12.5 billion barrels in the Flemish Pass. If these numbers hold true, then the oil and gas industry should not only rebound in time, but will also thrive.

The following table estimates the Employment Growth/Decline for Newfoundland and Labrador for 2016 and 201716.

Forecast Agency	**Date Completed 2016**	**Employment Growth (%)**	
		2016	**2017**
CIBC World Markets	17-May	-2.1	0.6
Scotiabank Group	3-Aug	-0.7	-0.8
TD Economics	6-Jul	-0.2	0.5
BMO Nesbitt Burns	12-Aug	-0.7	0.4
Royal Bank of Canada	10-Jun	-1.5	-2.0
National Bank of Canada	29-Jul	0.3	-1.1

Conference Board of Canada	10-May	-2.1	-3.4
Private Sector Average		**-1.2**	**-0.7**
Department of Finance	**7-Mar**	**-1.0**	**-5.1**

Consumer Price Index

The Consumer Price Index (CPI) is a measure of the rate of price change for goods and services bought by Canadian consumers. It is the most widely used indicator of price changes in Canada. In July 2016, in Newfoundland and Labrador, the CPI for all-items in the province was 134.2 with a percentage change of 0.9% from the previous month. Of note, the highest categorized CPI was Alcoholic beverages and tobacco products (169.0) followed by Energy (159.1) and Shelter (152.1)[17].

There are no numbers which state the CPI directly for Mount Pearl; however the St. John's numbers should be relatively comparable. For all items in July 2016, in St. John's the CPI was 133.8, which was a 0.8% increase from the previous month.

The following table estimates the Consumer Price Index for Newfoundland and Labrador for 2016 and beyond up to 2021[18].

	2015	2016e	2017f	2018f	2019f	2020f	2021f
Consumer Price Index (2002=100)	129.0	131.9	134.6	137.6	140.6	143.5	146.0
% Change	0.5	2.2	2.0	2.2	2.2	2.0	1.8

Economic Sectors in Newfoundland and Labrador

Mining

According to the Government of Newfoundland and Labrador the value of provincial mineral shipments totaled $2.9 billion in 2015, representing an increase of 0.4% from 2014. In 2016, the number is forecasted to decline slightly from previous years. Increases from 2014 to 2015 were due to higher nickel shipment value. Total mining related employment (including employment associated with activities at Vale's Long Harbour nickel processing facility) averaged approximately 7,100 person years in 2015.

Market conditions in 2015 continued to be challenging for the mining industry, particularly the iron ore sector. Prices rebounded slightly for iron ore as recently as March of this year and nickel prices have stabilized as well. Construction of Vale's nickel processing plant at Long Harbour will continue with construction work expected to be completed in late 2016 or early 2017. This work will enable the plant to transition from processing only high grade Voisey's Bay nickel concentrate to the introduction of Voisey's Bay middling concentrate. Construction on the underground mine at Voisey's Bay is expected to begin in the fall of 2016. Access to the underground ore is expected to extend to extend the life of the mine beyond 2030. Exploration expenditures are expected to decrease by about 59% to $20 million.

While the short-term is expected to remain challenging for mineral exploration and development, the province has a vast wealth of mineral resources that offer tremendous future potential when mineral markets improve and prices rebound[19].

Oil and Gas

According to the Government of Newfoundland and Labrador the oil and gas industry (including support activities) is the largest contributor to provincial GDP. It is estimated that the industry accounted for 25.7% of the province's nominal GDP in 2014. Oil and gas industry employment in 2015 was approximately 8,400 person years or 3.6% of total provincial employment.

Over the past few years, world oil supply growth has exceeded demand growth, leading to the current situation of excess market supply. The excess supply has resulted in a steep downward trend in crude oil prices since the summer of 2014. The negative impact of lower oil prices was partially offset by a lower Canadian dollar which depreciated by 13.6% relative to the U.S. dollar in 2015. Although oil price volatility will likely continue, most industry analysts believe that oil prices have finally reached a floor and expect moderate increases over the next few years[20].

Tourism

According to the Government of Newfoundland and Labrador the tourism sector in province has flourished over the past decade and has become an increasingly important part of the economy. Annual travel-related spending by both residents who travel within the province and non-residents who visit the province averaged about $1 billion in recent years. The province's tourism marketing efforts have played a major role in attracting travellers to the province. Additionally, the sector has been supported by continued improvements and additions to infrastructure, including airport expansions, replacement of ferries, and construction of new convention facilities and hotels.

Residents engaging in tourist activities within the province account for the majority of spending in the province's tourism sector, typically representing between 50% and 55%. Even though non-resident tourism comprises the smaller share of spending, it is particularly important since it brings new money into the province. Ontario and the Maritimes typically account for the majority of non-resident visitors to the province[21].

As the Canadian dollar continues to be weak now and likely into 2017, it acts as an incentive for American tourists and also makes vacationing within Canada more attractive for Canadians.

Construction

According to the Government of Newfoundland and Labrador, in 2015, spending in the construction industry retreated from the historical highs set in 2014, but the level of local activity remained brisk and employment remained near historical highs. Following unprecedented growth over the past several years, construction related investment declined by 8.7% to $9.4 billion in 2015. Construction industry employment remained unchanged at 22,600 last year. Construction employment and wages have both more than doubled since 2001 and remain at very high levels.

Investment in residential construction fell 9.4% to $1.4 billion in 2015, as housing starts continued to decline. Expenditures on renovations (up 1.8%) partially offset declines in expenditures on new dwellings (down 25%). The decrease in expenditures for new dwellings is consistent with fewer housing starts last year[23].

Demand for housing in St. John's and the CMA will see continued declines once the numbers are complete in 2016 and into 2017 as a result of a negative outlook for population, income and employment[27].

Retail Trade

According to the Government of Newfoundland and Labrador, retail sales totaled about $3.4 billion in the first five months of 2016, an increase of 2.9% compared to the same period in 2015.

The largest increases in retail value were motor vehicle and parts dealers (up $123.8 million or 14.3%), and health and personal care (up $16.3 million or 7.0%). Those increases were partially offset by a decline in the value of sales at gasoline stations (down $40.4 million or 9.0%), mostly due to a decline in gasoline price.

For Canada as a whole, retail sales increased by 4.8% during this period, relative to the previous year. According to the Provincial Department of Finance's March 2016 forecast, retail sales are expected to increase by 1.5% in 2016[24].

Retail Sales by Industry				
Newfoundland and Labrador, January-May 2016				
Retail Sales Trade Group ($ millions)	**2015**	**2016**	**Actual Change**	**Percent Change**
Automotive	1,310.2	1,393.6	83.4	5.3%
Motor vehicle and parts dealers[1]	864.0	987.8	123.8	14.3%
Gasoline stations	446.2	405.8	-40.4	-9.0%
Furniture, home furnishings and electronics	64.6	67.8	3.2	4.9%
Building material and garden equipment	181.7	186.7	5.0	2.8%
Health and personal care	233.3	249.6	16.3	7.0%
Clothing and accessories	103.5	106.2	2.7	2.6%
Sporting goods, hobby, music and bookstores	41.3	40.5	-0.8	-1.9%
Food and beverage stores	799.6	772.2	-27.4	-3.4%
General merchandise stores	474.4	486.8	12.3	2.6%
Miscellaneous stores	46.8	49.2	2.4	5.1%
TOTAL	**3,297.7**	**3,392.9**	**95.2**	**2.9%**

Forecasting Mount Pearl 2017

After enjoying the benefits of more than a decade of high oil prices, ample employment opportunities and extraordinary consumer spending, Newfoundland and Labrador is dealing with and preparing for a foreseeable future of restraint and challenging times.

While rising production at the Hibernia field has driven oil production up by 5% so far in 2016, the provincial oil and gas sector is still reeling from low energy prices. Despite a stable outlook for oil production, the government's austerity budget and a lower trajectory for investment spending will cause steady declines in provincial GDP for the next two years with knock-on implications for employment growth and the unemployment rate. It can be expected that the real GDP will decline from 0.2% in 2016 further to 1.5% in 2017[25].

According to the provincial Labour Market Outlook 2025, some employment losses are expected to occur over the short term and there are an increasing number of retirements among baby boomers anticipated over the next decade. This will lead to almost 64,000 job openings which are anticipated between 2015 and 2025 in Newfoundland and Labrador. Almost 80 percent of all job openings in this period will be among the following occupational categories: Sales and Service; Business, finance and administration; Management; Health; and Occupations unique to a primary industry[26]. It is worthwhile noting that these numbers may be different now based on today's economic climate and the uncertainty compared to a more prosperous time in 2010. Consideration should be given to the labour supply as the population that supplies most of the labour (15 to 64 years old) is projected to decline significantly during the upcoming decade, implying tightening of labour market conditions. While there will be more job openings in the coming years it is predicted there will not be enough qualified people in the province to fill those positions.

Provincial housing starts have declined steadily since 2012, and declining average resale prices and a shrinking working-age population signal a further weakness in the upcoming year. Mount Pearl's growth in housing in the next 10 years will be steady and should be positive. The table below notes the list of currently planned and potential development based on receipt of draft proposals, applications, studies, prior approvals and development schemes in effect. A percentage of the single family homes listed will include subsidiary apartments which will put forecasts on additional positive side (Marlay Construction, Donovan Homes etc.) Due to Greenfield Development slowly decreasing, and due to demographic needs (i.e. the aging population), the City will also see more multi-unit developments occurring over next 5 to 10 years. The total potential number of lots over the next ten years is 2030.

Residential Housing Forecast - Mount Pearl - 2017

Name of Subdivision or Development Area	Developer	Phase	Total Approved	# Dwelling Units Completed	# Dwelling Units To Be Completed	Housing Type	Total Forecast Development Potential # Lots	Completion Forecast
Mount Carson Terrace	**Donovan Homes**	**5 and 6**		85				
		7		46	46	13 Row 6 single family 27 apartment condo units	**46**	2 to 5 years
		Macroom Place			18	single family	**18**	5-10 years
Pearlview East	**Cardinal Properties**	**5**		41		single family		
		6	33	17	16	single family	**16**	1 year
		7	58		58	29 double dwellings	**58**	1 to 2 years
Parkdale Ridge	**Harmony Homes & Other**		45	41	4	row	**4**	1-2 years
				approx. 40	approx. 40	apartment condo	**40**	2-5 years
Commonwealth Gardens	**Winsor Homes**		53	45	8	single family	**8**	2-3 years
Pearlview West (Moffatt Road)	**Prospect Development**	**1 and 2**	74	74				
	Prospect and Marlay	**3**	44	22	22	single family	**22**	1-2 years
	Prospect	**4**	50	25	25	single family	**25**	1 year
	Marlay	**5**	39		39		**39**	2-5 years
Summary	***Total Comprehensive Development Scheme***		*Approx. 369*	*207*	*162*		***76***	*5 years*
Hillside Living (Below 190)	**Leopard Canada**	**1**	51	51				
		2	58		58		**58**	5 years
Summary (Below 190)	***Total Comprehensive Development Scheme***		*Approx. 589*	*109*	*538*	*109 Single 140 Townhouse 260 Multi Unit 80 Mixed*	***480***	*10 years*
Municipal Avenue	**Karwood**		26		26	row	**26**	1-2 years
166 Park Avenue	**Karwood**		48		48	apartment condo	**48**	1-2 years
Sundara Project	**Sundara / Rockmount**	**1**	204	45	156	apartment condo seniors assisted living		
		2 to 4	approx. 156		156		**156**	5-10 years
Farrell Drive - Gordon Development	**Gordon**				Approx. 10	Single, double, row	**10**	5 years
Mount Carson Avenue	**Junction Development**				48	apartment condo	**48**	5 years
16-24 Glendale Avenue	**Gibraltar Development**		60			apartment condo	**60**	1-2 years
Kenmount Hill CDS (above 190)	**Others**					88 Mixed Use 285 single family 57 subsidiary apartments 110 row 252 multi unit	**792**	5-10 years

The following table is a summary of the data in the table above. It is a look at the type of housing anticipated to be completed in a year up to 10 years.

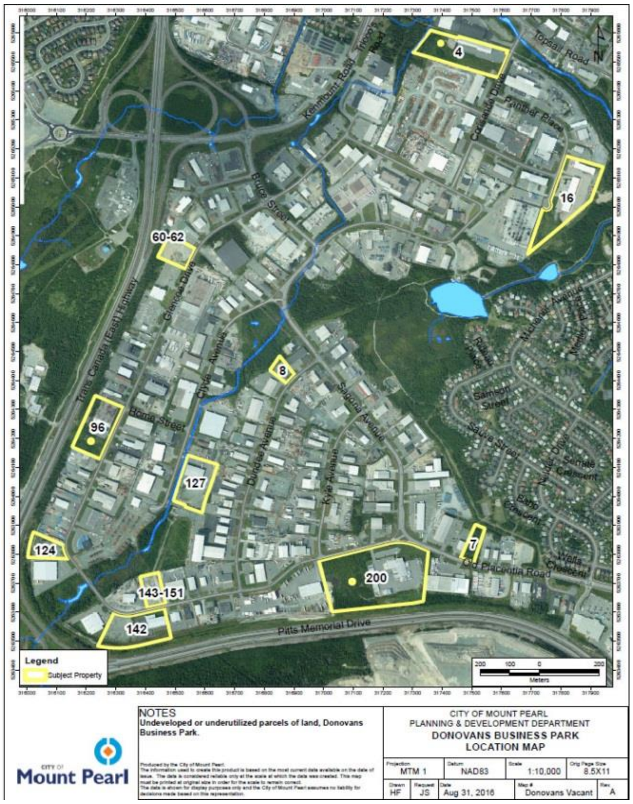
	1 Year	1-2 Years	2-3 Years	2-5 years	5 years	5-10 Years	10 Years	Total
Row Housing		30		13	3	110	109	**265**
Single Family	41	22	8	45	62	303		**481**
Apartment Condo		108		67	48	156		**379**
Double Dwellings		58			3			**61**
Townhouse							140	**140**
Multi Unit						252	260	**512**
Mixed Use						88	80	**168**
Subsidary Apartments						57		**57**
Total Units to be Completed	**41**	**218**	**8**	**125**	**116**	**966**	**589**	**2063**

Although home inventory has declined to date, lower demand for housing has kept both sales and prices under pressure and flat-to-lower sales activity presents a risk that prices may continue to decline through 2017. The only current issue in terms of an adverse impact on residential sales is evolving with the labour market, where average weekly earnings have come down over the last two years and employment has also pulled back. Based on this and CMHC's expectations for economic growth, it is likely that the next two years will be low growth in the local housing sector[27]. This could impact the type of housing that Mount Pearl would like to explore in future developable areas – row housing versus single detached for instance.

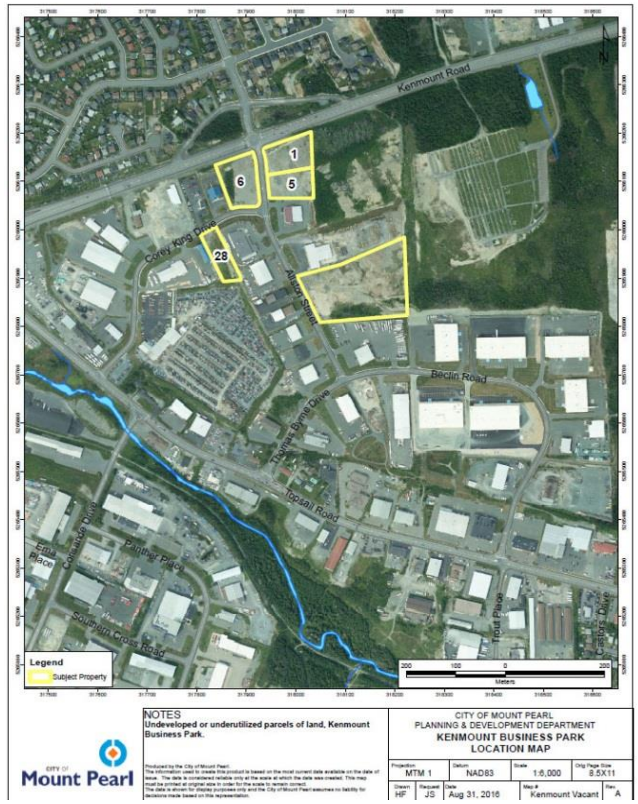
As the City enters into 2017, consideration should be given to the development landscape for new and existing businesses within its own confines, as well as the implications of its neighbours.

An inventory of available industrial lots indicates that there are currently 19 undeveloped industrial lots that are undeveloped in the City's two business parks: Donovans Business Park and Kenmount Business Park.

These parcels of land in Mount Pearl-have gone undeveloped for the last number of years and there has been little indication by the property owners to develop these lots in the immediate future. The images below show some of the more prominent properties in both of the aforementioned business parks.



Donovans Business Park



Kenmount Business Park

Similar to the residential trends, the growth in industrial development in Mount Pearl is mainly through the redevelopment, expansion and renovation of existing industrial buildings.

While there is little to no City owned land in the City's business parks for commercial development, there should be extra effort to encourage property owners to discuss plans regarding available lands. In addition, the City is dealing with a business park that is at and/or edging past the mature stage of its lifecycle and requires significant improvements to the infrastructure or amenities to retain the clientele within and to entice new business to choose Mount Pearl as a place to call home.

This is relevant because of the new development bordering Mount Pearl known as Glencrest Business Centre owned by DewCor. It is direct competition with Mount Pearl for new business and even though to date there has not been a lot of activity in terms of sales for the Glencrest Centre, many of the businesses located in the Mount Pearl business parks have been approached by representatives of DewCor about moving their operations from where they currently reside. The perception that what is good for Glencrest and Galway will be good for Mount and vice versa is true if key businesses remain in Mount Pearl. The perception is misguided if we start to lose some anchor businesses like a Wal-Mart (who are leasing their property) and careful planning should be made to proactively combat the loss of any business from Mount Pearl. This is in addition to existing businesses that have been moving operations to Paradise and Conception Bay South often citing lower taxes as a primary reason for shifting their operations.

With no sign of the current fiscal situation improving in the province in 2017 the City could see the leasable space continue to rise. According to Mount Pearl's recently updated Commercial Space Inventory, as of August 2016, there is 7% vacancy in the Office and Retail market throughout the city with Commonwealth Avenue area having the highest vacancy. The report also states a 17% vacancy in Warehouse space overall in Mount Pearl with Donovans Business Park area having the highest amount[28].

In addition to the City's three business parks, the main commercial areas are the Pearlgate Shopping Centre, Commonwealth Avenue, Topsail Road, Glenhill Plaza and the City Centre. The majority of businesses are a mix of retail, service and professional services in each of these designated areas. Within the aforementioned areas there are a number of residential properties situated on land that has been rezoned commercial use in some capacity be it commercial mixed, commercial general or city centre. The table below indicates the number of residential houses currently in a commercial zone.

Street	Number of Houses
Churchill Avenue	1
Commonwealth Avenue	31
Edinburgh Drive	2
First Street	3
Glendale Avenue	10
Mount Carson Avenue	1
Park Avenue	8
Ruth Avenue	9
Smallwood Drive	1
St. David's Avenue	3
Sunrise Avenue	2
Topsail Road	28
Total	**99**

These properties present the City with an opportunity for future development. The challenge is coming up with a plan to move the development of these properties forward. Current owners have higher expectations of their property values based on the area being zoned for commercial use. Today's housing market may mean they will have to reenter into a mortgage on a new home, which does not motivate them to sell. On the other side of the coin, commercial developers have to look at purchasing multiple properties to meet their needs and City regulations. There is currently no plan or incentives in place to encourage a developer to take the leap on multiple properties.

The City has substantial lands that are currently zoned for commercial development and are proposing new commercial lands in the area along Kenmount Road; however, major constraints to new development opportunities is the lack of water and sewer services in the Kenmount Hill area. There are other areas of the City, such as the southern portion of Commonwealth Avenue that are currently serviced by water and sewer services that require upgrading to accommodate new development opportunities It is unclear how son these areas will be capable of accommodating new development as the timing of development will be dependent on the introduction or improvements to the servicing infrastructure in these areas.

2017 Considerations

- Provincially the population (15 to 64 years old) is projected to decline, implying tightening of labour market conditions.
- Employment Forecast for Newfoundland and Labrador in 2017 according to the Department of Finance is -5.1% as of March 2016.
- Major projects are concluding and no new projects on the horizon for 2017. Increasing offshore exploration and mining activity may help investment in the province beyond 2017.
- New business parks outside Mount Pearl are ramping up operations and could mean higher vacancy rates for the City.
- Ninety-nine residential properties in Mount Pearl are situated in a commercial zone and offer potential for new development.
- There is positive growth in the housing market in Mount Pearl. In the next 10 years there is potential for possibly 2000 plus units in the City based on current and new developments.

Reference

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[28] City of Mount Pearl Commercial Space Inventory – 2016