



INVESTMENT

Report and Outlook 2022 | 2023

MAP OF THE QUÉBEC CITY CMA



THE PUBLICATION: REPORT AND OUTLOOK

Each year, Québec International's Economic Studies team sheds light on various important economic indicators in a publication called "Report and Outlook."

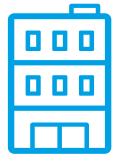
NOTE TO READERS

This study was produced by Québec International's Department of Economic Studies and Strategic Monitoring. The professionals on this team have a mandate to ensure the availability of quality economic information. They monitor changes in the economic and business environment at the regional, national and international levels and carry out various types of research and analysis to identify opportunities, guide development strategies and define actions to be taken in support of regional economic growth. To learn more about the services offered by Québec International, please visit our website at www.quebecinternational.ca/en.

In addition to analyzing the previous year's data, the economists consider the current context and medium- and long-term forecast scenarios in order to form a solid opinion of the changes to be expected. Québec International is pleased to unveil the Investment section of this document, which looks at major capital expenditures in the CMA in 2022 as well as investment prospects for 2023 and the coming years.

INVESTMENT HIGHLIGHTS IN THE QUÉBEC CITY CMA IN 2022

INVESTMENTS AND CAPITAL ASSETS



\$5.05B
in capital
investment



\$5.5B
in building
construction



49%
increase in investments
in non-residential building
construction

FOREIGN SUBSIDIARIES



274
foreign subsidiaries
in the Québec City CMA



60,980
direct and
indirect jobs



\$797M
in revenue
for the provincial
government

HOUSING MARKET



8,290
construction starts
a 12% drop from 2021



5%
increase in
investments
in construction



13%
increase in
expenditures
in multi-family housing

Notice: This document provides preliminary estimations for 2020 as well as intentions for 2021 in terms of non-residential tangible capital expenditures. This data was published by the Institut de la statistique du Québec on June 14, 2021. Preliminary data and intentions may be revised and should not be considered as reliable as real data. Construction projects and equipment purchases may be cancelled or postponed and schedules may be modified.



SUMMARY

With a little over \$5.05B in expenditure intentions in 2022¹, non-residential capital investment in the Québec City census metropolitan area (CMA) increased by 25% compared to 2021, when the region had registered \$4.3B in investments according to preliminary data. Most of the growth in 2022 came to construction activities, which attracted more than half of expenditure intentions (62.9%), against slightly more than one third (37.1%) in machinery and equipment.

The CMA's building construction sector (residential and non-residential) also registered a significant increase in investment, about 16%. In this sector, non-residential investment had a record increase of 49%, in part due to the institutional and government segment, where expenditures have doubled. The residential sector registered more modest growth in terms of dollars invested and a decrease in the number of housing starts after an overheating in 2021.

This decrease seems to have intensified in the first quarter of 2023, when the number of housing starts in the CMA was half the number registered in the same quarter of 2022. These results are very different from the results reported [the previous year \(2021–2022\)](#). The data for that period showed a historic performance of the Québec City CMA in terms of construction starts, units under construction as well as completions. The historic drop in the number of construction starts recorded this year is a challenge for the Québec City CMA as it also registered an exceptional increase in population (14.5 per mille). Moreover, the CMA's labour market, which ranked first among all Canadian regions, will further increase the need for housing in the region as more and more new workers will continue to settle in the region.

The 2022–2023 report also highlights the significant place of foreign investment in capital expenditure intentions in the CMA. More than one quarter (27%) of the private dollars invested in 2022 came from abroad (United States, Europe and others). The number of foreign subsidiaries also increased significantly since 2018 (10% more). Their sales figures and economic benefits were estimated at several billion dollars in 2022 (\$19.9B in sales and \$11.3B in benefits). These represented nearly \$800M in revenue for the provincial government and over \$600M for the federal government, not to mention the over 60,000 direct and indirect jobs for the Québec City region.

¹ Source: Institut de la statistique du Québec, July 2022.

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INTRODUCTION

Capital expenditures, or capital investment, are a major component in the economy that helps measure a region's vitality and growth prospects. Capital expenditures refer to investments made by a company or organization to acquire new and fixed assets related to new construction projects, major improvements to existing buildings, or new machinery and equipment. These expenditures exclude the purchase of land, existing constructions or used machinery or equipment that is not being imported.

Many indicators are used to analyze investment, including tangible and non-tangible capital expenditures, expenditures for the construction and repair of existing buildings, and the evolution of the real estate market (construction starts, resales, etc.). Most indicators can be divided into residential and non-residential, as well as tangible and non-tangible assets (physical and non-physical assets).

This section of the Report and Outlook 2022–2023 focuses on investment and summarizes the state of some of these indicators to provide a picture of the Québec City region's economic vitality. The report is structured around three main areas, followed by a conclusion:

1. Investment in non-residential tangible expenditures;
2. The origin of the investments, especially from the private sector;
3. The residential real estate market, highlighting the region's counter performances in terms of construction starts;
4. The conclusion summarizes the prospects and scenarios for the coming years based on the information on current or newly announced investment projects, as compiled by Québec International.

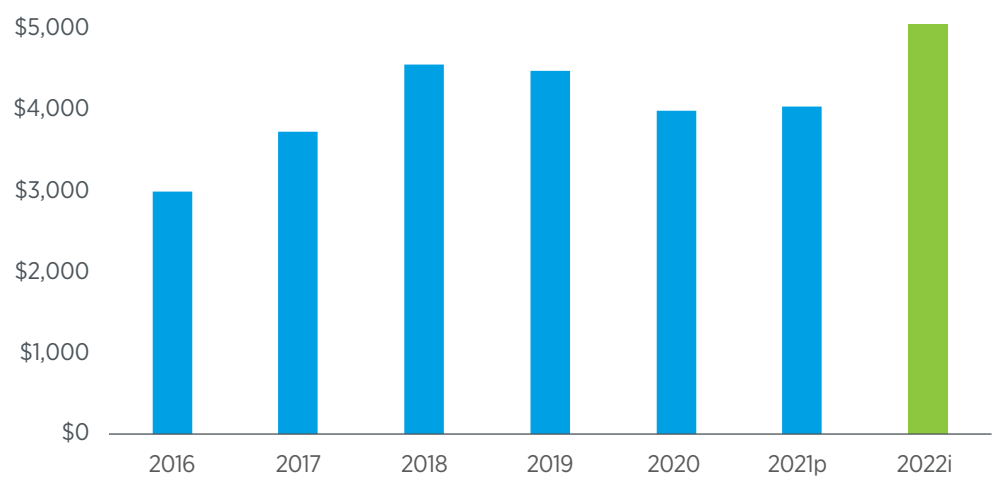
Due to the nature of investment data, a few years of adjustments and controls are required for the data to be confirmed as final. Therefore, the data for 2022 represent investment intentions, while data for 2021 are still preliminary. For these reasons, to remain coherent with the data of the previous years and ensure comparability, the effect of inflation has not been controlled.

NON-RESIDENTIAL TANGIBLE CAPITAL INVESTMENT IN 2022

In 2022, the Institut de la statistique du Québec (ISQ) estimated non-residential tangible capital expenditure intentions at slightly over \$5B. This is a 25% increase compared to 2021, when preliminary data showed investment intentions of \$4B.

Box 1: There are two main types of capital assets: 1) *tangible assets*, which include building construction, and machinery and equipment, and 2) *non-tangible assets*, which include expenditures in software, re-search and development, mineral, gas and oil exploration, etc. This section focuses on *tangible assets* only, which are physical assets that include the cost of factories and the cost of new machinery and equipment whose use exceeds one year. Some expenditures such as the purchase of land, existing buildings and used equipment that is not being imported are excluded in this analysis..

Graph 1 – Evolution of non-residential tangible capital expenditures in the Québec City CMA from 2016 to 2022i (\$M)

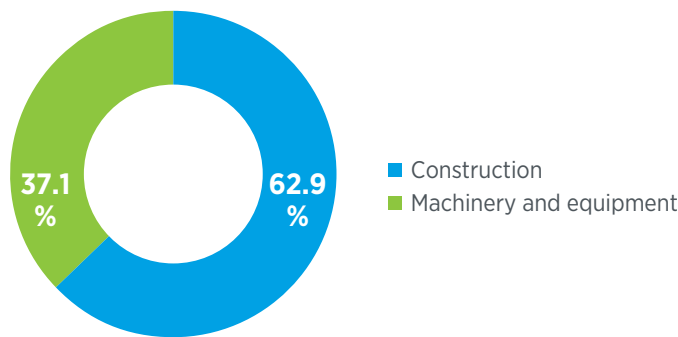


p: preliminary i: intentions
Sources: Institut de la statistique du Québec (ISQ), compilation by Québec International.

These amounts, if confirmed, would make 2022 a record-setting year, ahead of 2018, when non-residential tangible capital expenditures had reached \$4.6B.

Distribution of dollars invested in non-residential tangible capital expenditures between construction and machinery and equipment

Graph 2 – Distribution of non-residential tangible capital expenditures in the Québec City CMA in 2022 (total = \$5.05B)



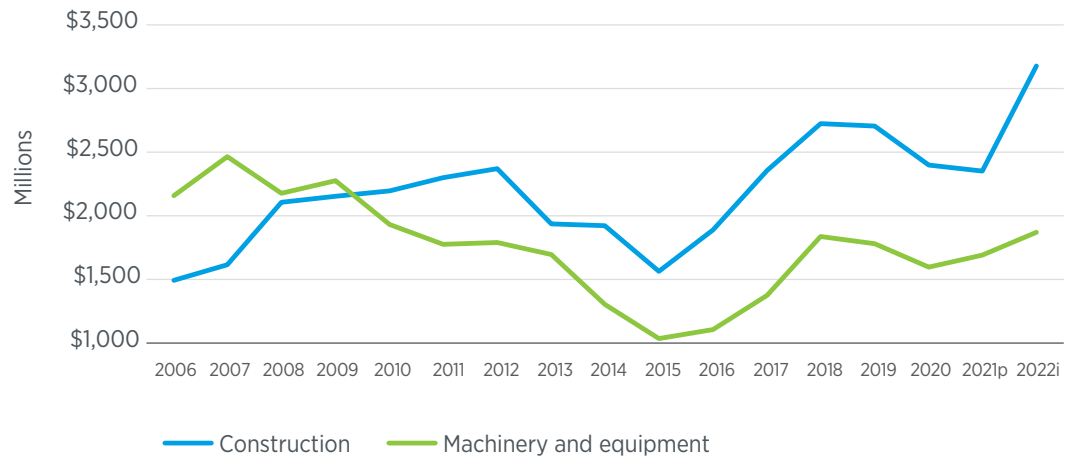
Sources: Institut de la statistique du Québec (ISQ), compilation by Québec International.



In 2021, almost two thirds (\$3.2B) of intended non-residential tangible capital expenditures (physical assets) were set toward construction, while slightly more than one third (37.1%) was set toward machinery and equipment. Although the amounts remained the same for construction since 2021, the proportion of investment in machinery and equipment grew compared to 2021, when this component represented 35.2% of expenditures.

The construction component also reached the highest amount in fifteen years, with intended expenditures of \$3.2B, 17% more than the previous record (2018), when intended expenditures for construction had reached \$2.7B.

Graph 3 – Evolution of the distribution of non-residential tangible capital expenditures in the Québec City CMA from 2012 to 2022



p: preliminary i: intentions

Sources: Institut de la statistique du Québec (ISQ). Survey on Investment Projects in Québec, compilation by Québec International.

The graph above shows that the machinery and equipment component has been experiencing steady growth in terms of expenditure amounts since 2015 but remains lower than 2010 levels. The construction component recovered after a lull between 2020 and 2021.

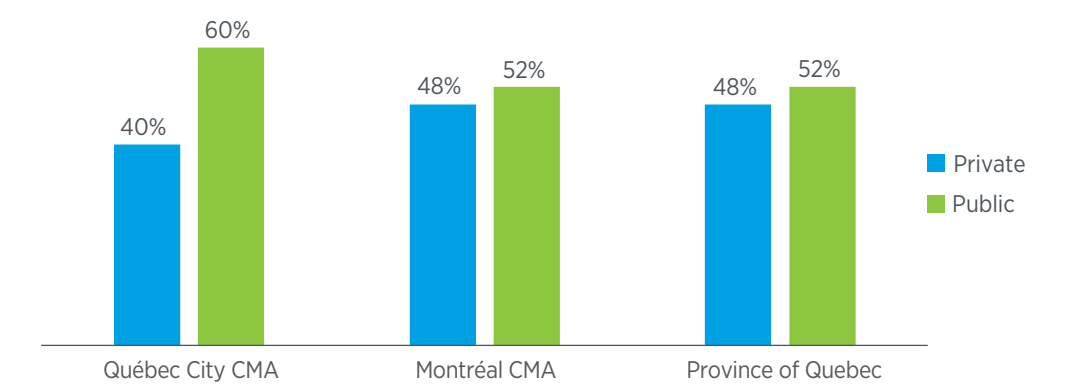
Distribution of non-residential tangible capital expenditures by ownership (public/private)

Box2: Statistics Canada's Annual Capital and Repair Expenditures Survey defines expenditures on construction as "a process of human endeavour resulting in the erection, assembly, completion of free standing, static buildings or other types of structures, generally on a permanent foundation, bedding or location." Capital expenditures on machinery and equipment are defined as "the total capitalized cost of machinery such as automobiles, boilers, compressors, earth moving and materials handling machines, generators, motors, office and store furniture, professional and scientific equipment, pumps, tools, and transformers."

In 2022, 40% of the overall amount of non-residential tangible capital expenditures (\$2B) came from the private sector, compared to 41.7% in 2021. Public investment grew by 48.6% over the same period.

Data also shows that the public portion seems more significant in the Québec City CMA compared to the Montréal CMA and the average in the province of Quebec (see graph below).

Graph 4 – Distribution of non-residential tangible capital expenditure intentions in the Québec City CMA based on ownership in 2022: Québec City, Montréal, province of Quebec



Sources: Institut de la statistique du Québec (ISQ). Survey on Investment Projects in Québec, compilation by Québec International.

Most private expenditures (59%) in the Québec City CMA were set toward machinery and equipment, while the rest was invested in construction. This trend was the opposite for public dollars, with more than three quarters (78%) going to construction, and less than one quarter (22%) invested in machinery and equipment.

Distribution of dollars invested by type of industry (service-producing and goods-producing industries)

In 2022, service-producing industries attracted 83.1% of all intended non-tangible capital expenditures in the Québec City CMA (\$4.2B), against 16.9% (\$851M) for goods-producing industries. The relative proportions of each industry were similar to 2021 and the previous years. Overall, service-producing industries represent more than 80% of capital investment in the CMA, which is proportional to their share in the economy in terms of GDP, number of jobs, etc.

Graph 5 – Distribution of investment intentions between the two types of industries in 2022i (total = \$5.05B)

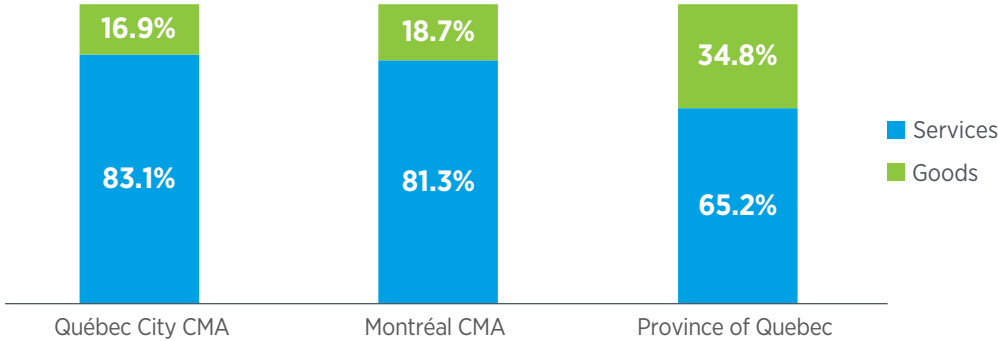


Sources: Institut de la statistique du Québec (ISQ). Survey on Investment Projects in Québec, use of data from the Ministère des Affaires municipales et de l'Habitation, the Commission de la construction du Québec, the Canadian Department of Fisheries and Oceans, the Ministère de la Santé et des Services sociaux, and Statistics Canada. Compilation by Québec International.

The distribution of non-residential tangible capital investment between both types of industries was almost the same in the Montréal CMA in 2022 (80% vs. 20%). In the province of Quebec, this ratio was closer to two thirds vs. one third. The graph below illustrates this distribution well.



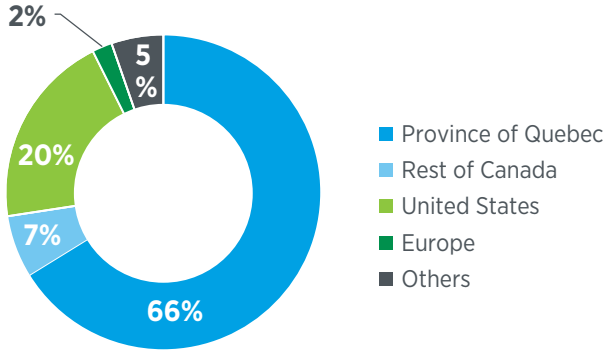
Graph 6 – Distribution of capital investment by type of industry in 2022: Québec City, Montréal, and the province of Quebec



Sources: Institut de la statistique du Québec (ISQ). Survey on Investment Projects in Québec, use of data from the Ministère des Affaires municipales et de l'Habitation, the Commission de la construction du Québec, the Canadian Department of Fisheries and Oceans, the Ministère de la Santé et des Services sociaux, and Statistics Canada. Compilation by Québec International.

Region of origin of dollars invested in non-residential tangible expenditures in the Québec City CMA

Graph 7 – Origin of private non-residential tangible capital expenditure intentions in 2022 (total = \$2.03B)



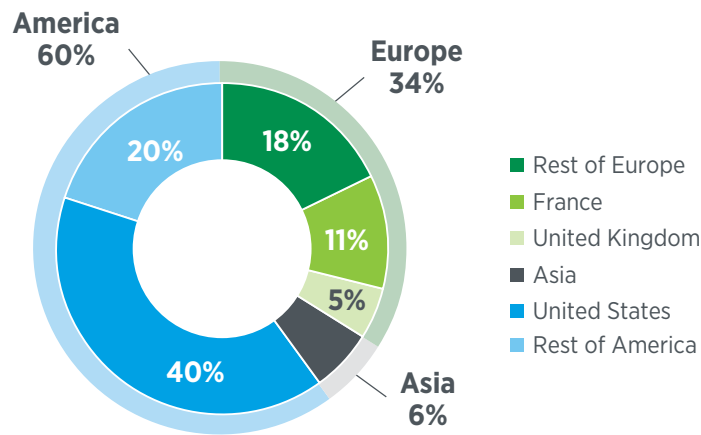
Sources: Institut de la statistique du Québec (ISQ). Survey on Investment Projects in Québec. Compilation by Québec International.

In 2022, more than two thirds of private capital expenditures (\$1.3B) came from the province of Quebec, and nearly one fifth (20%, or \$408M) came from the United States. Overall, slightly more than one quarter (27%) of all private expenditure intentions came from abroad: United States, Europe, and others. This shows that the CMA attracts a lot of foreign investments, but also a lot of foreign subsidiaries that benefit from part of these investments. Their number has substantially increased (almost 300 foreign subsidiaries in the CMA in 2022), and so has their impact on the region's economy. Data compiled by Québec International established their sales figures at \$19.9B in 2022.

PRESENCE OF FOREIGN SUBSIDIARIES IN THE REGION

In 2022, the number of subsidiaries present in the territory of the Québec City region stood at 274, an increase of 10% (+25 subsidiaries) compared to 2018. Among the countries of origin of the subsidiaries, the United States of America ranked first with 109 of the 274 subsidiaries present in the territory, i.e. 40% of the foreign subsidiaries in the region. The rest of Canada is found in second place with 53 subsidiaries, or 19% of all subsidiaries, followed by France with 29 foreign subsidiaries (or 11%).

Graph 8 – Distribution of foreign subsidiaries by country of origin in 2022



Source: Québec International, profile of foreign subsidiaries, 2018 and 2022.

Economic impacts of foreign subsidiaries on the regional economy

The data used to calculate the economic impact of foreign subsidiaries come from the Québec International databases, as well as from the results of the input-output model used by the ISQ to calculate the impact of activity sectors on the economy. Thanks to these different sources, we were able to obtain information on jobs, sales figures and the economic impact of foreign subsidiaries. Business sales figures were obtained using the ratio between total payroll and sales figures in each activity sector. It is important to note that the calculation from the payroll based on the average annual salary, although objectively more reliable, is a conservative estimate. Foreign subsidiaries are historically companies employing more people and having higher-than-average sales figures. We can thus consider the payroll as the minimum impact produced by these businesses on the regional territory. The Quebec input-output model is an analytical tool that measures the economic impact of spending projects on the Quebec economy. The results estimated by the input-output model make it possible not only to assess the economic impact of a sector, but also to compare this impact to that of other sectors of activity in the Québec economy.

Part of the foreign investment recorded in 2022 comes from the expenditure intentions of foreign subsidiaries established in the CMA. Their number and their impact on the region's economy are constantly increasing in terms of jobs and income.





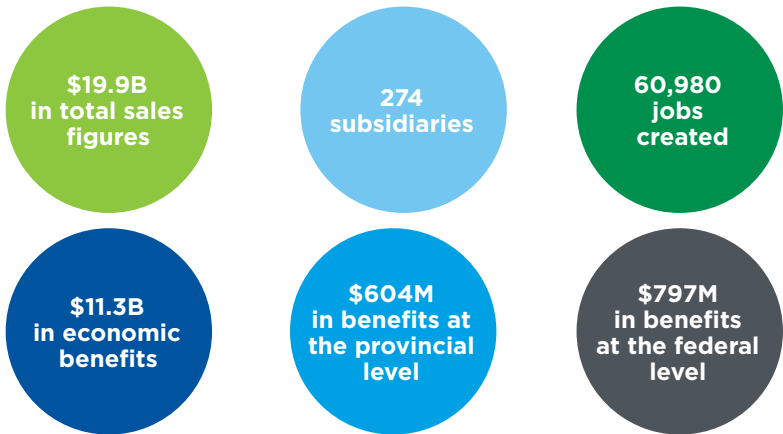
Table 1 – Evolution in the presence and impact of foreign subsidiaries in the Québec City region between 2018 and 2022

	2022	2018	Variation
Number of subsidiaries	274	249	10.0%
Direct jobs	32,705	31,877	2.6%
Indirect jobs	28,275	17,421	62.3%
Total jobs	60,980	52,298	16.6%

Source: Québec International, profile of foreign subsidiaries, 2022.

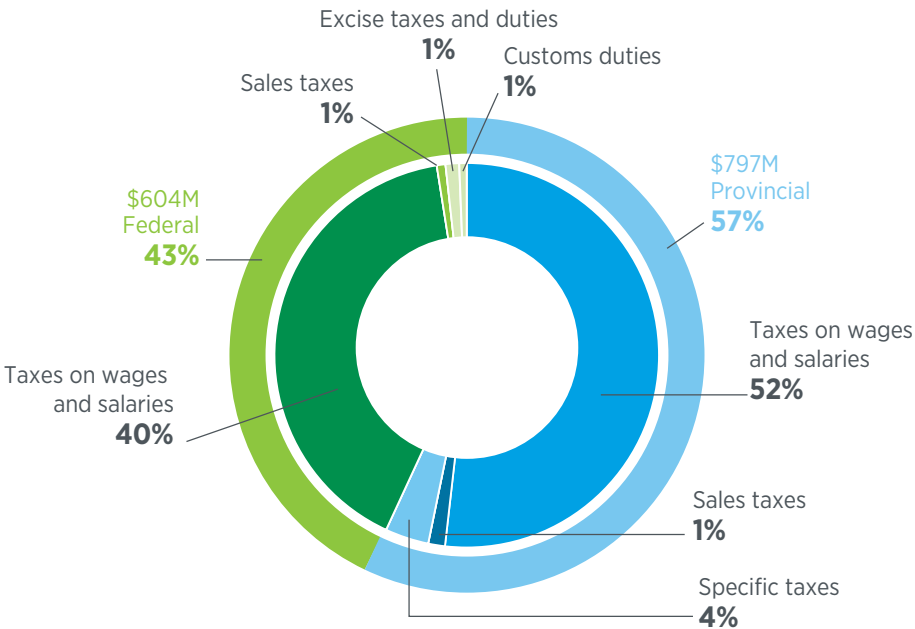
The data collected by Québec International, in collaboration with the ISQ, shows that in 2022 foreign subsidiaries contributed for approximately 14% of direct and indirect jobs in the region (out of a total of approximately 432,800 jobs). Their financial impact for the region and the various levels of government was just as significant in 2022.

Some figures on the impact of foreign subsidiaries in 2022



The presence of foreign subsidiaries has generated substantial revenue for the region and more particularly for the two levels of government. These revenues break down, among others, as follows:

Graph 9 – Estimation of the distribution of government revenues (without parafiscal taxes) generated by foreign subsidiaries



Source: Québec International, profile of subsidiaries, 2022.

Added value of foreign subsidiaries on both shores of the CMA

The economic impact of foreign subsidiaries in terms of value added (GDP) in the economy of the Québec City region amounts to more than \$11.3B in 2022.

Table 2 – Sales figures and economic benefits

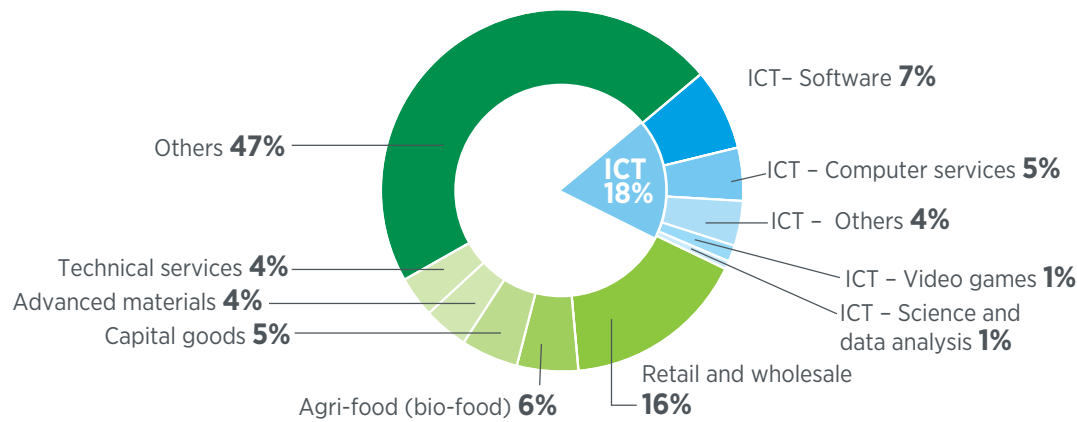
Distribution of the added value of foreign subsidiaries in the Québec City region in 2022			
Municipality	Subsidiaries	Sales figures (\$B)	Value added to GDP (\$B)
Québec City	203	9.3	5.8
Lévis	25	6.7	2.3
Other subsidiaries in the region	46	4.0	3.1
Total	274	19.9	11.3

Source: Québec International, profile of foreign subsidiaries, 2022.

The main activity sectors of foreign subsidiaries

Foreign subsidiaries are present in all economic sectors in the Québec City region. The retail and wholesale sector hosts the most (45 businesses), followed by agri-food (20 businesses) and IT services (15 businesses). The graph below illustrates this distribution well.

Graph 10 – Distribution of foreign subsidiaries by activity sector in the Québec City region in 2022



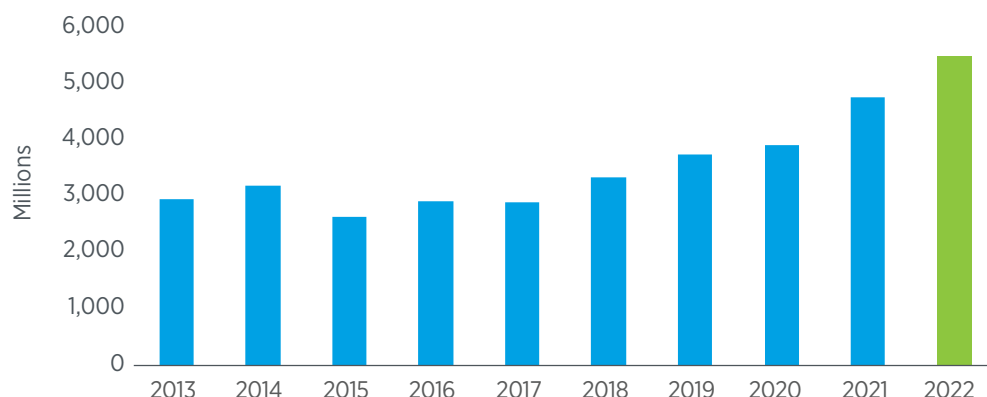
Source: Québec International, profile of foreign subsidiaries, 2022.



INVESTMENT IN THE BUILDING CONSTRUCTION SECTOR (RESIDENTIAL AND NON-RESIDENTIAL)²

In 2022, the Québec City CMA recorded \$5.5B in expenditure intentions in building construction. This 16% investment growth is higher than in 2021, when the region recorded investments of \$4.8B, according to preliminary figures.

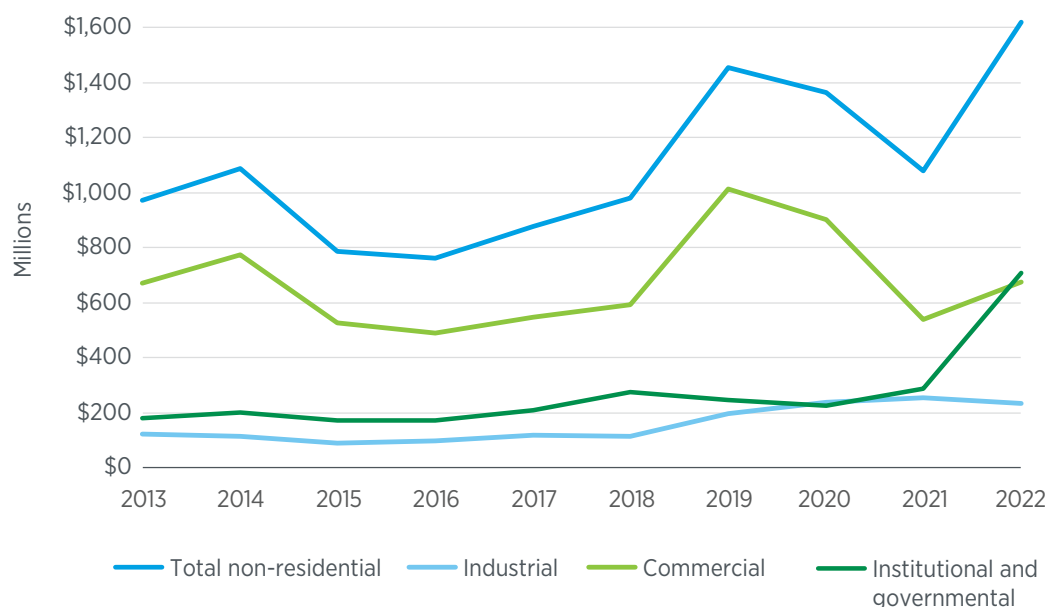
Graph 11 – Evolution of expenditures on the construction of residential and non-residential buildings in the Québec City region from 2013 to 2022



Sources: Statistics Canada. Table 34-10-0175-01 Investment in Building Construction. Compilation by Québec International.

The non-residential sector recorded a 49% jump in investment compared to 2021, while the residential sector only saw a 5% jump. The non-residential sector was mainly driven by institutional and governmental investment, on one hand, and commercial investment on the other. Institutional and governmental investment doubled from \$287M in 2021 to \$707M in 2022. Commercial investment jumped 26%.

Graph 12 – Distribution of investment in the non-residential sector from 2013 to 2022

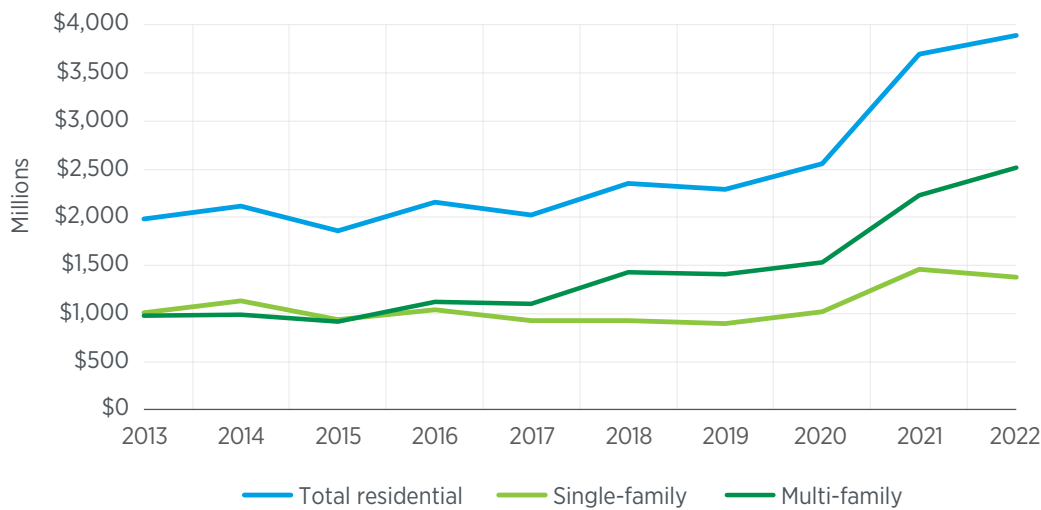


Sources: Statistics Canada. Table 34-10-0175-01 Investment in Building Construction (residential and non-residential). Compilation by Québec International.

² According to Statistics Canada, “the investment in residential and non-residential building construction represents the spending value of building construction by households, enterprises and governments for buildings, excluding the value of land.” This indicator allows us to focus specifically on the construction market—a major part of Canadian CMAs’ economic structures—and helps compare the residential and non-residential construction sectors. For each sector, this indicator also helps analyze investment based on the types of buildings: industrial, commercial, or institutional for the non-residential sector, and single-family, multi-family, semi-detached, or apartments for the residential sector.

The 5% increase in the residential sector was mainly driven by the multi-family segment, which saw a 13% increase in expenditure intentions, compared to 5% for the single-family segment.

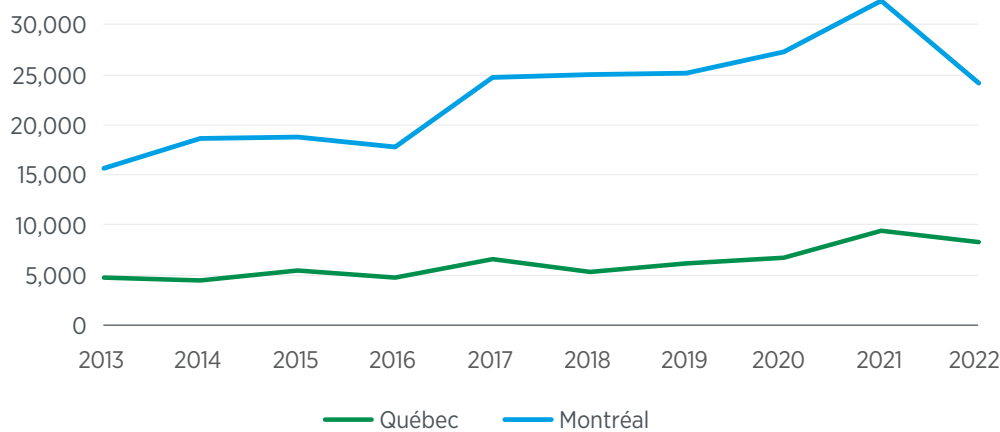
Graph 13 – Evolution of investment in the residential sector from 2013 to 2022



Sources: Statistics Canada. Table 34-10-0175-01 Investment in Building Construction (residential and non-residential). Compilation by Québec International.

However, overall and compared to previous years, spending growth in the residential sector remains modest despite a fairly significant need for housing. The effect of inflation combined with the rise in interest rates is also reflected in the number of housing starts, which recorded a 12% drop in the region in 2022. The Montréal CMA also experienced a decline in housing starts.

Graph 14 – Evolution of housing starts in the Québec City and Montréal CMAs from 2013 to 2022



Source: Statistics Canada. Table 34-10-0134-01 Canada Mortgage and Housing Corporation, housing starts, under construction and completions in selected census metropolitan areas, annual.

With regard to 2023, it is to be feared an even more pronounced drop in the number of housing starts due to the combination of the impact of inflation and the rise in key interest rates which is likely to have its full effect this year. As for the property market, the consequence could be a continuation of the rise in prices (which are experiencing a temporary lull) due to the drop in the number of new listings. At the rental level, the pressure is already being felt with an increase in rental prices as shown in the latest CMHC report (Housing Market Outlook, Spring 2023).



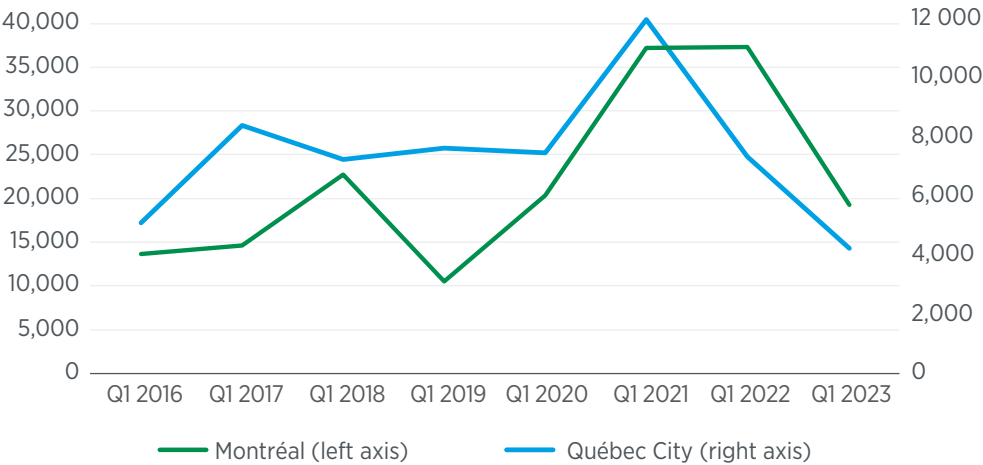


INVESTMENT OUTLOOK FOR 2023 AND BEYOND

In the residential sector, the construction spending figures are already showing some stagnation. With soaring construction prices, rising mortgage rates, and labour availability issues, a slowdown in investment in this sector is very likely, according to several analyses. The drop in the number of housing starts in 2022 mentioned above bears witness to this trend.

This fall could be even more dizzying in the coming months if the trend noted in the first quarter of 2023 continues. Indeed, compared to the first quarter of 2022, the number of housing starts has halved in the Québec City CMA. The Montréal CMA is following the same trend, although less pronounced, due to a descent that began earlier.

Graph 15 – Evolution of housing starts in the Québec City and Montréal CMAs: Q1 2016 to Q1 2023



Source: Statistics Canada. Table 34-10-0140-01 Canada Mortgage and Housing Corporation, housing starts in all centres 10,000 and over, Canada, provinces, and census metropolitan areas, seasonally adjusted at annual rates, quarterly (x 1,000).

According to analysts, this decline in housing starts will mainly affect the rental housing market. The latest CMHC report predicts that “the rental market will remain under pressure in 2023, since supply won’t keep up with the growing demand for rental housing.” (CMHC Housing Market Outlook, Spring 2023). To this decrease in housing starts, we must add a vacancy rate close to zero: 1.5% in 2022, followed by 1% in 2023, 2024 and 2025 (source: CMHC, and Centris®).

The demand for housing will be all the stronger as the region is experiencing a significant increase in its population due to an increasingly positive migratory balance and a labour market that is demanding labour. The Demographics and Labour Market sections of the Report and Outlook previously published by Québec International showed that the CMA attracted close to 11,000 people in 2022 and with its particularly dynamic labour market, it risks attracting more people in the future. Consequently, in the coming years, the balance of external and intraprovincial migrations will play a decisive role in the growth of the total population of the CMA (while the share of natural increase will decline). It is becoming even more urgent to invest in the housing supply to welcome newcomers from other regions of Quebec, Canada or abroad.

As for the non-residential market, the forecasts announced are more optimistic if we are to believe the investment intentions for 2022 as well as those available for 2023. The data presented above (see section on non-residential tangible capital investment) shows that in 2022, capital expenditures have experienced significant growth. The results of the Conjoncture 2023 survey conducted by Québec International, the chambre de commerce et d’industrie du Grand Lévis (CCIGL) and the Jeune chambre de commerce de Québec (JCCQ), in collaboration with Léger, among entrepreneurs and investors in the region ([see survey results here](#)) also point to an optimistic trend for 2023 and beyond. In this regard, 56% of managers planned to make investments in their company in 2023.

According to this survey, research and development (46%) and the purchase of computer equipment (38%) remain priorities in terms of planned investments. Investment in R&D is mainly a priority for 69% of businesses operating in the professional, scientific and technical services sector. Investment in digital transformation, automation and robotization seems to be a concern particularly for businesses with 50 or more employees. Just over half of businesses in this sector (53%) make this an investment priority for 2023. Despite the uncertainties, inflation and the rise in key interest rates, a quarter of the businesses that participated in this same survey have acquisition and expansion projects in their sights. This demonstrates a certain confidence in the future.

In addition, for both residential and non-residential, the data compiled by Québec International suggests that the investment outlook remains relatively good overall for 2023 and the years to come.

Table 3 – Main projects underway or announced in the Québec City CMA

Organiza- tion	Project description	Ownership	Location	Underway or announced	Investment (\$ millions)
Douville Moffet et associés (DMA)	Expansion of the Laurier Québec shopping centre	Private	Québec City	Announced	1 000.0
Musée national des beaux-arts du Québec	Construction of a pavilion dedicated to the works of Jean-Paul Riopelle at the Musée national des beaux-arts du Québec	Public	Québec City	Announced	143.0
Groupe Statera Inc.	Construction of a residential complex, “La Forest – Québec,” including two 12- and 15-storey buildings, for a total of 317 housing units, 45,000 sq. ft., with a 76-room hotel and a 504-space parking lot	Private	Québec City	Announced	140.0
Ciment Québec inc.	Construction and installation of a grinding workshop and a circuit for the reception, storage and handling of raw materials at its facilities	Private	Saint- Basile	Announced	130.0
EMD Construc- tion – Batimo Group	Construction of a 12-storey tower, “L’Aubier,” with a total of 340 housing units for people with loss of autonomy or cognitive ability	Public	Lévis	Underway	110.0
PepsiCo Foods Canada	Construction of a new factory and distribution centre for Frito-Lay corn chips	Private	Lévis	Announced	90.0
Université Laval (Foundation)	Construction of the “Carrefour international Brian-Mulroney,” which will accommodate the Graduate School of International Studies (ESEI)	Private	Québec City	Announced	80.0
Société québécoise des infrastructures (SQI)	Construction of a residential and long-term care centre, “CHSLD Saint-Augustin”	Public	Québec City	Announced	75.0
Brivia Group Inc.	Construction of a 15-storey tower, “LB9– Phase 3,” including 288 rental housing units	Private	Lévis	Underway	70.0

Source: Compilation by Québec International, May 2023.



CONCLUSION

During 2022, non-residential tangible investment in the Québec City CMA increased by 25% compared to 2021. Most of this growth was generated by construction activities, which attracted more than half of expenditure intentions (62.9%), against slightly more than one third (37.1%) in machinery and equipment. The construction³ component also reached the highest amount in fifteen years, with intended expenditures of \$3.2B, 17% more than the previous record (2018), when intended expenditures for construction had reached \$2.7B.

The breakdown of these expenditures by type of industry shows that service-producing industries attracted 83.1% of investment (\$4.2B), against 16.9% (\$851M) for goods-producing industries. The data also shows that 40% of the amounts invested (\$2B) came from the private sector, compared to 41.7% in 2021. The share of public investment in these expenditures grew by 48.6% over the same period.

Most private expenditures (59%) were set toward machinery and equipment, while the rest was invested in construction. This trend was the opposite for public dollars, with more than three quarters (78%) going to construction, and less than one quarter (22%) invested in machinery and equipment. In 2022, more than two thirds of private capital expenditures (\$1.3B) came from the province of Quebec, and nearly one fifth (20%, or \$408M) came from the United States.

Overall, slightly more than one quarter (27%) of all private expenditure intentions came from abroad: United States, Europe, and others. This shows that the CMA attracts a lot of foreign investments as well as many foreign subsidiaries. Their number and impact keep growing. The data compiled by Québec International shows that there were almost 300 foreign subsidiaries in the CMA in 2022, contributing to nearly \$11.3B of the region's GDP and 14% of total employment.

The CMA's building construction sector (residential and non-residential) also registered a significant increase in investment, about 16%. In this sector, non-residential investment saw a record increase of 49%, attributed in part to the institutional and governmental segment, where expenditures have doubled. On the other hand, the residential segment registered a modest increase in terms of dollars invested and a historic drop in the number of housing starts.

This decrease further intensified in the first part of 2023. In the first quarter of 2023, the number of housing starts in the CMA was half the number registered in the same quarter of 2022. This decrease contrasts with 2021, when the residential construction sector in the CMA had seen a memorable performance in terms of housing starts, units under construction, and units completed (Report and Outlook, Investment, 2021-2022), going as far as overheating the market and creating scarcity.

The rising prices and interest rates that followed explain this downturn in the number of housing starts since 2022. This situation creates a dilemma for investors in the sector who need to choose between the rental market and the property market. In that regard, the increased cost of financing, supply disruptions for certain construction components, and the high interest rates will undoubtedly impact the results in 2023 in terms of housing starts. Therefore, the cost of existing properties will continue to increase despite the decreasing number of resales.

This slowdown in the property market, combined with sustained growth in employment and net migration, will lead to an increased demand in the rental market in the coming years. The near-zero vacancy rate will add pressure on this sector, which will require major investments in new constructions in the coming years. Otherwise, the prices will likely increase significantly and negatively impact the accessibility and affordability of housing in the region.

This tension in the residential sector in general represents a unique challenge for the Québec City CMA, whose labour market ranks highest among Canadian regions and more than ever needs new workers and new housing units to welcome them.

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³ In the non-residential tangible expenditures component.