



Institut canadien des économistes en construction



Q4 2024: Canada Construction Monitor

Construction sentiment continues to show a positive trend

- Workload expectations remain upbeat
- Payment delays edge higher particularly for smaller businesses
- Skill shortages the key concern for respondents followed by more general labour shortages

The overall tone to the Q4 2024 RICS-CIQS Canada Construction Monitor was little changed from the previous survey. The headline Construction Sentiment Index (CSI), which is a composite of key indicators captured in the survey, came in at +18 as against +20 previously (Chart 1). Disaggregating this number by company size suggests that it is the larger businesses who are providing the most positive feedback.

Current workloads continue to grow

Insights provided by contributors to the survey around the trend in current workloads show a modestly positive picture in all three broad categories of the construction industry tracked in the RICS-CIQS Monitor (when viewed from a net balance perspective). This approach captures the proportion of those contributors reporting an increase in activity compared to the previous quarter as against those signalling a decline (a measure widely used to assess sentiment and is often seen as a lead indicator of hard data).

As has been the case for a while, the infrastructure

component remains the segment where sentiment continues to be most robust albeit a little less so than previously. A net balance of +16% of respondents reported an increase in activity over the past quarter, compared with +29% in Q3 and +35% in Q2. Within this figure, momentum appears strongest in transportation followed by social infrastructure. Meanwhile, the respective results for private residential and private non-residential workloads were +10% and +8%. The former chimes with other data showing a gentle increase in housing starts across the country.

New enquiries slightly up but so are payment delays

Chart 2 tracks the results for new business enquiries alongside payment delays as well as the trend in current profit margins. Some comfort can be drawn from the marginal improvement in the first of these indicators, which on an underlying basis has been pretty steady through the course of the past year. This is, however, somewhat offset by the rise in the net balance of respondents reporting an increase in payment delays compared with Q3. Significantly, the adverse feedback

Chart 1: Construction Sentiment Index*

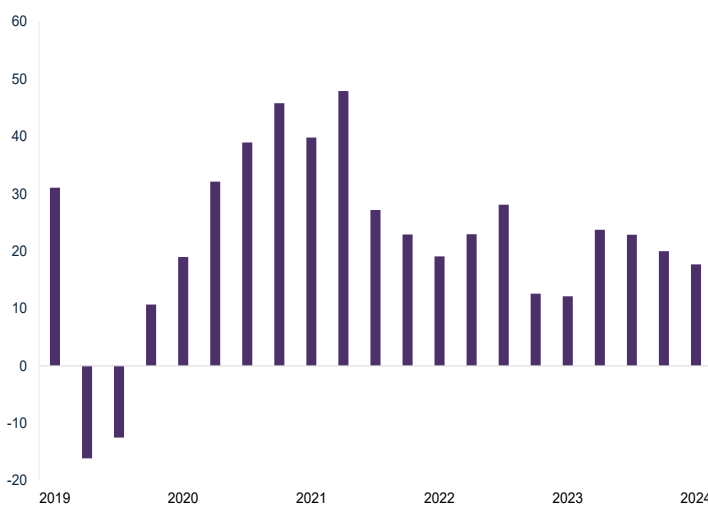
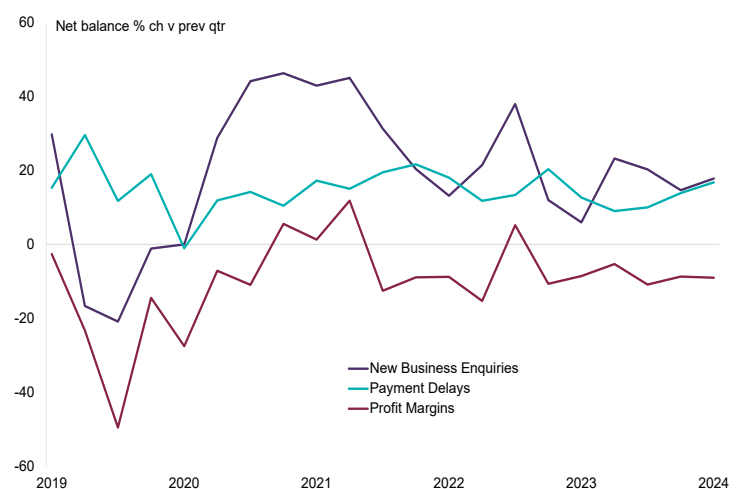


Chart 2: Business Enquiries, Payment Delays, Margins



*The Construction Sentiment Index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

in this regard is particularly concentrated in small and micro businesses; the headline figure of +17% compares with +22% for small companies and +34% in the micro segment. Alongside this, the latest results show the current profit margins indicator was unchanged at -9%.

Twelve month expectations remain more robust

Chart 3 displays respondents’ twelve-month expectations across several market variables. The results show workloads are anticipated to grow at a relatively healthy pace over the period. The numbers also suggests that, to achieve these plans, headcounts will need to be increased. In addition, there continues to be some optimism around the potential for a turnaround in the prospects for profit margins which are viewed as likely to show a modest increase over the period. This may be aided by the perception that credit conditions will continue to improve through the course of the year. Notwithstanding the recent rise in bond yields, a net balance of +26% of respondents anticipate that the lending environment will turn more supportive, though this figure is down from the +41% reading in Q3.

Skill shortages remain the significant challenge

A recurrent theme of the RICS-CIQS Canada Construction Monitor is the difficulty in sourcing skilled labour. Once again, it is the most cited obstacle to construction activity with the share of respondents drawing attention to the issue jumping to 72% in Q4. It is also a subject that is frequently remarked on in the additional comments provided by contributors. Meanwhile, labour shortages more generally were the second most referenced problem with around two-thirds of those completing the questionnaire highlighting this problem.

Interestingly, other major concerns raised by respondents include financial constraints (58%), planning and regulation (52%) and inadequate demand (46%). The latter indicator increased from 39% in Q3 and now stands at its highest level since the fourth quarter of 2020.

Delving a little deeper into the issue around skills, Chart 5 shows that it is the area of trades where hiring is most difficult. Nevertheless, it is evident from the results that the challenge extends beyond this with respondents also signalling problems in finding sufficient numbers of quantity surveyors.

Chart 3: Twelve Month Expectations

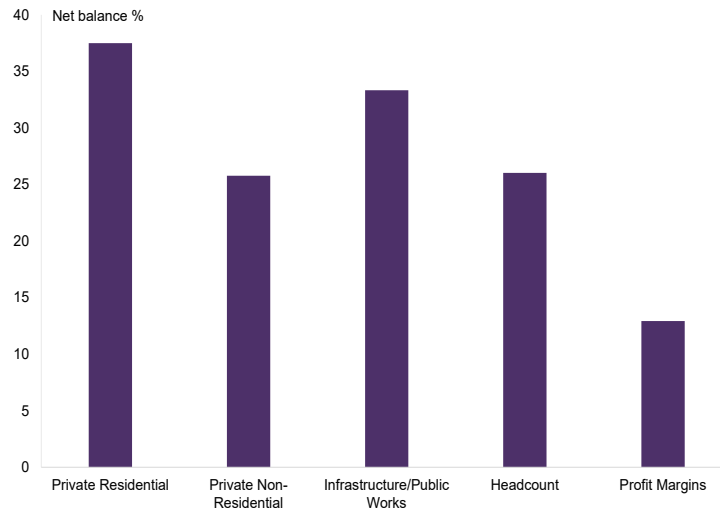


Chart 4: Obstacles to Activity

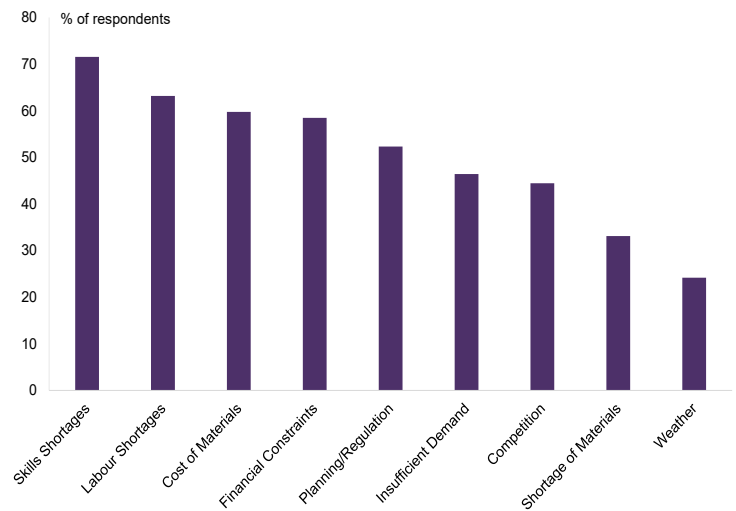
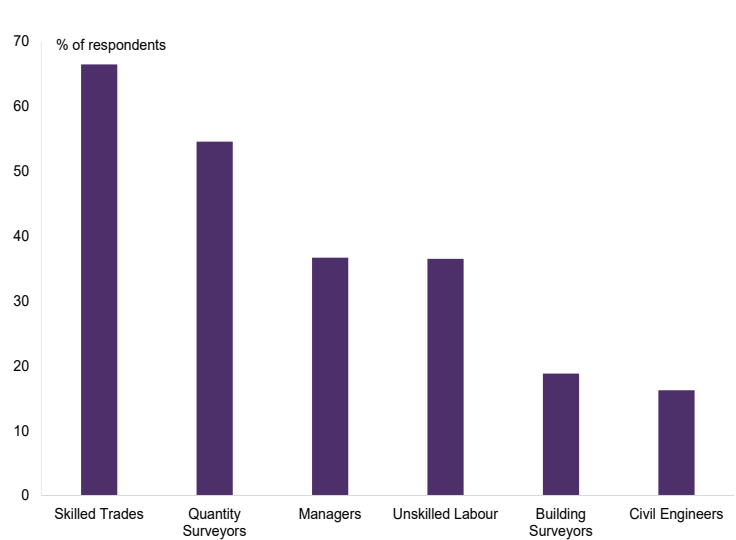


Chart 5: Labour Shortages Disaggregated



Comments from Survey Participants

Alberta

Restricted number of delay analysts - Calgary

The market in Alberta is heavily influenced by the Energy Section. Current political changes including US Presidency and potential federal election are creating uncertainty in the market. Inter-provincial immigration to Alberta from other provinces is generating high demand for housing where other provinces may be seeing a slow down in this market. Calgary recently saw a 15% increase in property values over 12 months - Calgary

Lbour shortages persist - Cagary

Too much federal government interference - Edmonton

Expect the labour and skilled professional market to get stretched over next 12 mths due to workloads - Edmonton

Current construction market does not use digalization on 99% of projects. Currently only found with early contractor engagement or on large mega projects - Edmonton

USA threat of 25% tariffs on Canadian goods and services - Spruce Grove

British Columbia

There are consistently growing delays due to "red tape" demands from local and provincial legislation and review processes. In an environment of ever-increasing construction costs, these delays often significantly increase costs, which reduce margins for owners and developers - Chilliwack

If the housing crisis is such a priority, we should focus on functional buildings and avoid award-seeking architectural design. Most housing projects are funded by taxpayers; designers and program managers should keep this in mind - Kelowna

Imminent threat of tariffs from the USA with the new President. A shortage of skilled labour. High demand for construction resources. A high level of approvals needed from all levels of Government (municipal, provincial, and federal) hinder the approval process for new projects - Kelowna

Variation/change order, project monitoring and cost control - Surrey

Government interference, taxes, lack of productivity - Surrey

Permitting & inspection delays from municipalities - Surrey

More demand than supply - Vancouver

Supply and pricing of imported construction materials and equipment may be uncertain until potential trade instability is resolved. - Vancouver

Shortage of skilled trades - Vancouver

Too many projects and too few qualified contractors means higher mark ups - Victoria

The development and building permit process remains a bottleneck - Victoria

Delays in municipal approvals - Victoria

Political uncertainty - Victoria

Nova Scotia

Shortage of skilled trades plus an aging demographic - Halifax

Growth of residential housing - Lower Truro

Ontario

There is hesitation in the face of proposed tariff's from the USA - Collingwood

The biggest challenge to digitalization is that all contractors need to be engaged. If not, then additional personnel are required to support them - Kingsville

Politics, interest rates and government spending - Oakville

Affordability of housing. Demand increasing for rental product and financing options are adjusting to cater to this - Oakville

Federal government demand - Ottawa

Labour shortages - Ottawa

Uncertainty over the domestic political future and a looming election, overshadowed by USA tariff threats are creating a 'wait-and-see' approach' to development - Ottawa

Political uncertainty and tariffs - Ottawa

There is an ongoing process where designers download risk to contractors, driving prices up and reducing profitability. Consultants aren't being paid at the front end to produce quality bid documents, resulting in RFII, post-tender addendum and changes delaying the schedule and increasing costs - Scarborough

We continue to see lack of quality contract documents (specs and drawings) - Scarborough

Immigration rule changes - Scarborough

Tendered prices came in 14% below budgeted costs in GTA. Ontario, Canada - Toronto

Material costs and economic conditions - Toronto

Lack of contractors - Toronto

Availability of land - Toronto

Historic and inherited practice, minimal industry standardization - Toronto

Quebec

Interest rates - Gatineau

Coordination between trades - Laval

Financing cost, regulations, provincial government not following the lead of the federal plan - Montreal

Saskatchewan

Weather - Saskatoon

Yukon Territories

Short-term uncertainty as the economy appears less stable with Eagle Gold mine closing and recent unemployment spike - Whitehorse

Information

Global Construction Monitor

RICS-CIQS Canada Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

This is the RICS-CIQS Canada Construction Monitor, which received 156 responses in Q4 2024. It forms part of the RICS Global Construction Monitor. Questionnaires were sent out on 4 December 2024 with responses received until 20 January 2024. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 2327 company responses were received globally.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS Construction Sentiment Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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The Canadian Institute of Quantity Surveyors (CIQS) was founded in 1959 and is the voice for Canada's construction economists. It is a self-regulatory, professional body and the gatekeeper of the ethics and standards for construction and infrastructure economics in Canada and currently represents over 2,000 construction cost professionals from across Canada as well as internationally.

CIQS owns and manages two professional and internationally known designations, the Professional Quantity Surveyor (PQS) and the Construction Estimator Certified (CEC), which can only be used by qualified, certified members of the Institute. PQS and CEC professionals counsel building owners, developers, government bodies, designers, and contractors at every stage of the design, procurement, and construction process to help ensure a return on investment is delivered.

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