Q2 2025: Canada Construction Monitor

Construction sentiment remains subdued amid volatile trade policy environment

- **Construction Sentiment Index edges marginally back into positive territory**
- **Infrastructure outlook strengthens, but private residential and non-residential sectors still lack momentum**
- **Rising material costs remains a key challenge for the construction industry**

The results of the Q2 2025 RICS-CIQS Canada Construction Monitor continue to point to a relatively cautious backdrop in the face of increased trade tariffs. That said, the latest feedback is somewhat more stable than in the previous quarter, though the mood remains noticeably less upbeat than during most of last year.

Construction Sentiment Index inches back into positive territory

As shown in Chart 1, the headline Construction Sentiment Index (CSI) posted a reading of +6 in Q2, marking a small improvement compared to the figure of -3 returned in Q1. Nevertheless, tariff induced uncertainty is still clearly evident, with the latest reading significantly more subdued than the average score of +21 seen over the previous twelve months.

Looking at trends being reported at the sector level (Chart 2), respondents noted a strong rebound across infrastructure over the latest survey period. Indeed, a net balance of +40% of contributors saw a pick-up in such workloads during Q2 - the strongest reading going back to early 2023. Within this, the 'social' infrastructure sub-sector recorded the most notable uplift, with water & waste, as well as transport, also seeing a marked improvement. In fact, agribusiness was the only infrastructure category in which workloads did not reportedly rise during Q2; instead activity was largely flat according to respondents in this area.

Away from the more resilient infrastructure sector, the indicator tracking private residential activity slipped deeper into negative territory, registering a net balance of -34%. Significantly, this is the weakest reading across the sector since the survey was formed in late 2019. With respect to private non-residential/ commercial development activity, the latest net balance of -6% is a little less unfavourable than -18 last time.

Depicted in Chart 3 on the next page, credit conditions (specifically related to the construction industry) have deteriorated in each of the past two quarters,

Chart 1: Construction Sentiment Index*

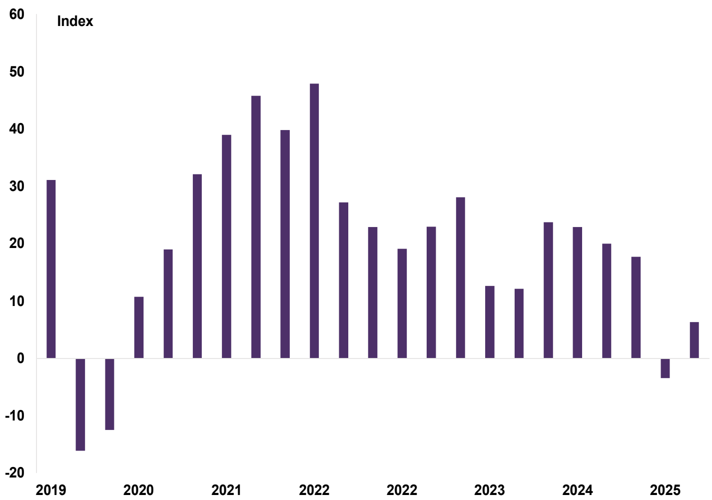
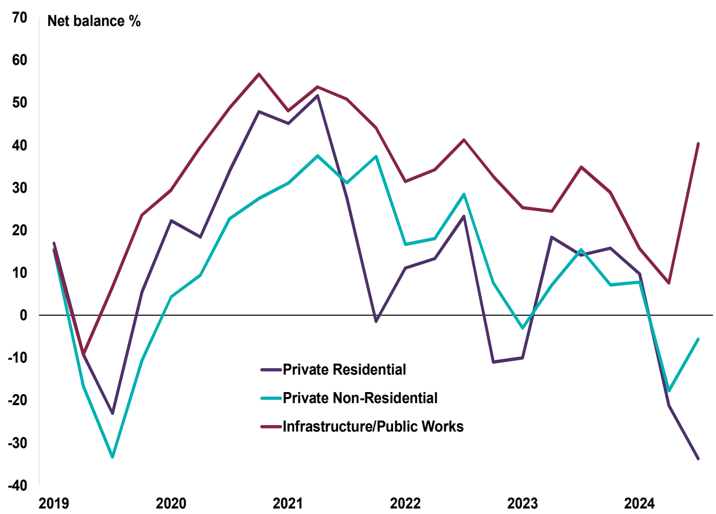


Chart 2: Current Workloads by Sector



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

evidenced by the negative readings. As such, this appears to have reversed the modest relaxation in the lending environment reported through the second half of last year. What's more, respondents anticipate credit conditions will worsen further over the coming three months, albeit they are not quite as pessimistic on the near-term outlook compared to Q1. For the coming twelve months, expectations are marginally negative, although these have moved closer to neutral territory relative to the reading produced in Q1.

Infrastructure outlook shines while other sectors appear set to remain more of a challenge

Chart 4 shows twelve-month expectations across key variables tracked in the Monitor. Concentrating on forward-looking sentiment around workloads, the infrastructure sector continues to stand out as displaying the strongest growth prospects over the year ahead. Moreover, respondents upgraded their projections significantly in Q2, with the latest net balance of 56% the most upbeat since 2022. On a less encouraging note however, expectations are largely flat when it comes to the private residential and non-residential sectors. In both cases, the latest readings are substantially weaker than those returned towards the end of last year.

Drilling into the regional level feedback, it is interesting that expectations for private residential and commercial development activity appears much more resilient across the Prairie Provinces. Indeed, respondents based in this region anticipate an expansion in activity across both sectors for the year to come. Conversely, expectations are firmly negative within British Columbia with respect to the residential and commercial spheres. Sitting somewhere in-between, expectations are largely flat in Ontario.

Turning to the industry employment outlook, a net balance of +17% of contributors at the national level foresee headcounts rising over the next twelve months, up from a reading of +6% beforehand. Alongside this, respondents are now of the view that profit margins will see minimal change over the course of the next twelve month, parring back some of negativity seen in the previous iteration of the survey.

Cost of materials and skills shortages remain the most widely cited obstacles

Displayed in Chart 5, material costs and skills shortages, closely followed by financial constraint, feature most prominently as concerns across the survey sample. In each case, a clear majority of respondents report that these issues are hindering market activity (even if the Q2 shares are slightly less elevated than those in Q1). On the subject of material costs, respondents, on average, forecast inflation of nearly 5% over the next twelve months. While not quite as sharp as the 6% pencilled in at the time of the last survey, material cost pressures look set to remain a significant constraint for the foreseeable future.

Chart 3: Credit Conditions

Chart 4: Twelve-Month Expectations

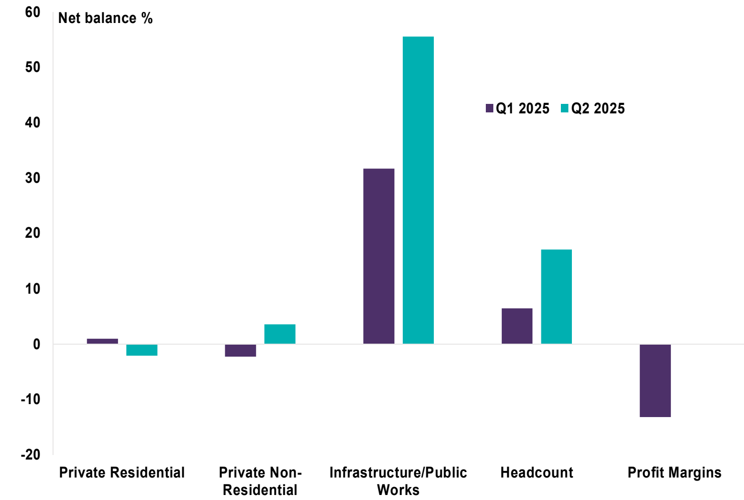
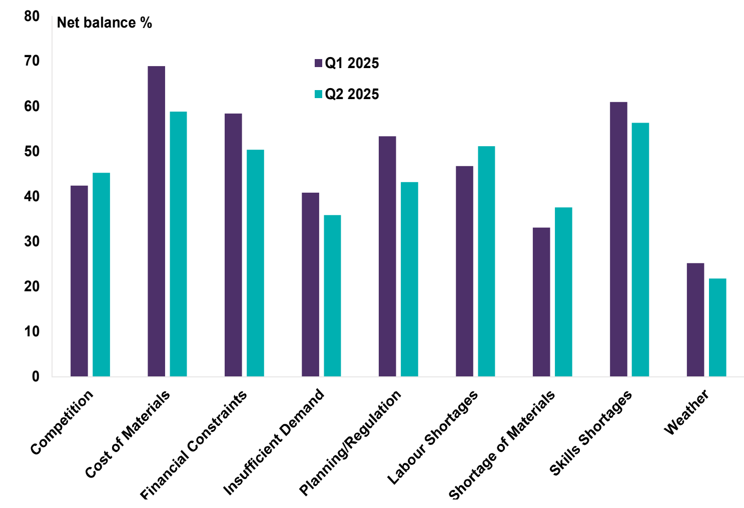


Chart 5: Factors Hindering Activity



Comments from survey participants based in Canada

Building codes and environmental code requirements have increased so drastically that even though we work in one of the most expensive housing markets in the world, we are still not able to build for a low enough cost to turn a profit due to increasing building costs, and slow permitting processes from the municipalities -Abbotsford

Short of people - Calgary

The current provincial government does not have a positive outlook on building ‘green’ ‘sustainable’ etc and there is not much for incentives right now for renewables or reducing carbon - Calgary

Market uncertainty is limiting starts on private development - Calgary

Economy, housing sector, immigration levels, US tariffs - Calgary

Lack of understanding of economic fluctuations in high/low demand of building materials/labour concerning local, regional and global factors. Complete lack of preparation for future impacts of AI on all aspects of construction - Calgary

We are currently seeing approx 90% of projects tendered are considerably over budget in the infrastructure sector. These budgets are being prepared by owners, designers, and engineers - all of whom are underskilled to perform this work - Chilliwack

Lack of immigrants, lack of demand, over supply - Coquitlam

Skilled manpower - Etobicoke

Skilled labour - Greater Sudbury

The continual and increased threat of (unknown) tariffs are driving cost increases across the industry - Halifax

I’m afraid that sustainability doesn’t jive with affordability. In this shrinking market, virtue become less a priority. We may don’t like the carbon footprint of concrete although we don’t see much data about the lifecycle of such product compared to others. Carbon footprint, sustainability, biodiversity are added layers with stockholders who have different opinions about construction issues and the cost related to it - 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

Many do not work with a matrix structure based on project and activity management - Laval

Electrical power upgrades to serve electrification projects are the issue currently. Long lead times, rising costs, etc. - Oakville

Sustainability requirements seem to be more government-driven be it on the federal or local government levels. Private developers seem to decide on a building-by-building basis based on the requirements from the stakeholders - Ottawa

Volatility caused by tarriffs from the US remains a high risk. This however has created more supply of Canadian steel in the Eastern part of the country. Recently, we have seen very competitive steel pricing tenders - Ottawa

Tariff increases placed by USA on some of the construction materials creating uncertainty - Regina

Still unknown the cost impact of the tariffs wars - Spruce Grove

Tariff and steel/aluminium tax affecting tender price - Toronto

Increases in material costs and tender results - Toronto

Tariffs, sustainability, construction prices, economic downturn, over supply of housing in previous years - Toronto

Volatility in supply chain - Toronto

Awareness of the public in environmental impacts - Toronto

Uncertainty due to tariffs is causing owners to pause projects - Vancouver

We see a slower than usual housing market which slows construction as well. Lots of uncertainty due to the ongoing trade war with USA. Lots of government regulations drove away foreign investors and market is cooling down - Vancouver

High land costs, high municipal fees and development cost fees and levies - Vancouver

The real estate market is currently experiencing instability, which is contributing to uncertainty in the construction industry. Fluctuations in property values and buyer demand are affecting project financing, investment decisions, and overall market confidence - Vancouver

Supply disruptions arising from trade barriers and other geopolitical factors have destabilized pricing and product and material availability - Vancouver

Tariffs affecting confidence, credit and material supply - Vancouver

Cost of financing, increasing development fees, increases in construction costs and reductions in property values are negatively impacting our ability to bring projects to market - Vancouver

US instability and tariffs, Provincial and Federal Government funding pauses for capital project - Vancouver

Reducing labour pool with the incoming workforce having different mindsets and attitudes from those retiring out of the workforce. Government driven housing projects are ensuring a relatively stable market (prices not reducing) when reductions should be occurring which could lead to issues when the private market recovers could lead to reinforced affordability issues - Victoria

Changes in seismic code specific to Vancouver Island - Victoriad

Cost of construction and the concern about the USA’s tariff impact on the economy are keeping investors on the sidelines until they can forecast where the market is headed - Windsor

No real factors to consider this quarter, summer is busy for all sectors in Manitoba - Winnipeg

Information

Global Construction Monitor

RICS-CIQS Canadal 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 138 responses in Q2 2025. It forms part of the RICS Global Construction Monitor. Questionnaires were sent out on 11th June 2025 with responses received until 21st July 2025. 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.

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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