Q3 2025: Canada Construction Monitor

Feedback points to subdued market activity and muted expectations away from infrastructure

- **Construction Sentiment Index turns slightly negative**
- **Strong activity across infrastructure contrasts with weakness for private residential and non-residential**
- **Cost of materials and financial constraints the most widely referenced impediments, while labour shortages remain a significant challenge**

The Q3 2025 RICS-AACE US Construction Monitor points to a loss of momentum across the industry, with the Construction Sentiment Index (Chart 1) turning negative at -3 (down from +6 in Q2). Softer current workloads, tight financial conditions, and elevated material costs have weighed on confidence, though infrastructure activity remains a key area of resilience amid continued investment in transport and energy projects. Forward-looking expectations have also weakened, particularly for profit margins and employment trends, suggesting a more cautious outlook heading into 2026.

Solid infrastructure activity contrasts with private residenital and non-residential sector weakness

Comparing sector-level results between Q2 and Q3 (Chart 2), the reading for private residential workloads remained in negative territory, though the rate of decline eased somewhat (improving from a net balance of -34% to -28%). Alongside this, private non-residential activity weakened sharply, falling from a net balance -6% to -21%, indicating a notable deterioration in commercial workloads. Meanwhile, infrastructure and public works activity moderated from a net balance of +40% to +26%, but continues to outperform other segments and remains firmly in expansionary territory.

Workload momentum across infrastructure sub-sectors appears to have eased somewhat in Q3, though most categories continue to record growth. Transport activity remains relatively steady, with the net balance virtually unchanged at +22% (from +25%). Other segments, however, have experienced a more noticeable moderation. Growth in energy activity slowed but remained positive, easing to a net balance of +15% (from +23%), while ICT workloads display a much flatter trend, with the net balance slipping to +5% (from +21%). Similarly, net baalnce readings across social infrastructure (+11% vs +33%) and water & waste (+12% vs +27%) both still indicate growth, though at a considerably reduced rate, suggesting a broad-based moderation in project momentum. In contrast, agribusiness has moved back into negative

Chart 1: Construction Sentiment Index*

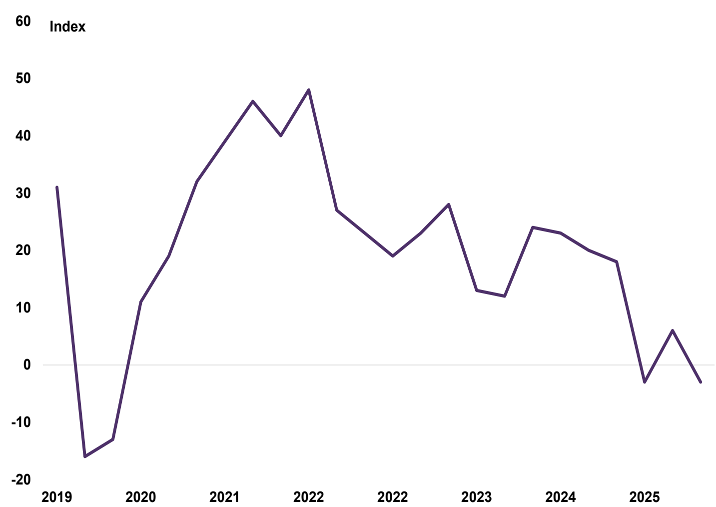
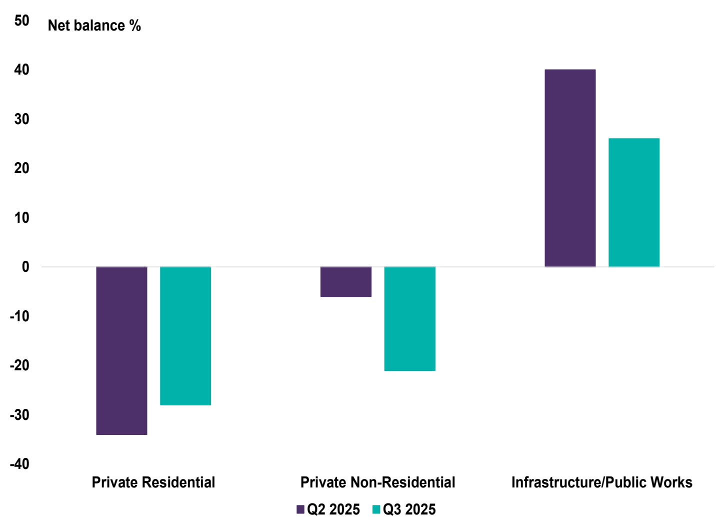


Chart 2: Current Workloads by Sector



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

territory, falling sharply from +5% to -21%, signalling a clear contraction in workloads for this segment.

Over the past three months, the net balance for credit conditions edged up from -17% in Q2 to -14% in Q3, indicating little overall change, with financing still viewed as difficult to obtain. Near-term expectations remain negative at -4%, pointing to continued tightness in access to credit over the coming quarter. Looking twelve months ahead, the net balance has moved into modestly positive territory at +10%, suggesting some expectation of improvement, though overall sentiment remains cautious.

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

The latest feedback suggests that twelve-month expectations have generally softened across the Canadian construction sector. Sentiment for infrastructure and public works remains firmly positive, though it eased from a net balance of +56% in Q2 to +38% in Q3, indicating expectations for continued growth but at a slower pace. In contrast, outlooks for the private residential and private non-residential sectors have edged slightly into negative territory (from -2% to -3% and from +4% to -6%, respectively), signalling a more cautious mood among respondents. Meanwhile, projections for headcount have levelled off (+17% to +5%), and profit margin expectations have turned more negative (0% to -9%), reflecting ongoing cost pressures and tight financial conditions heading into 2026.

Financial and material-related challenges intensify

Chart 5 highlights the main barriers to activity reported by firms across the industry. The latest survey results point to a further intensification of financial and cost pressures in the past quarter, with 60% of respondents citing financial constraints (up from 50% in Q2) and 63% reporting rising material costs (up from 59%). These challenges likely reflect the combined effects of elevated interest rates and the recently introduced tariff schedule, which have tightened financing conditions and added to input cost pressures. Concerns around insufficient demand have also become more widespread, with the share of respondents identifying it as a constraint increasing from 36% to 48% (suggesting a softening in underlying market activity). Meanwhile, skills shortages remain a persistent structural issue, with the share of respondents highlighting this rising to 62% from 56%, while labour shortages were broadly steady at 50% versus 51% in Q2. In contrast, reports of material shortages and adverse weather have eased slightly, indicating some normalisation in these areas.

Chart 3: Credit Conditions

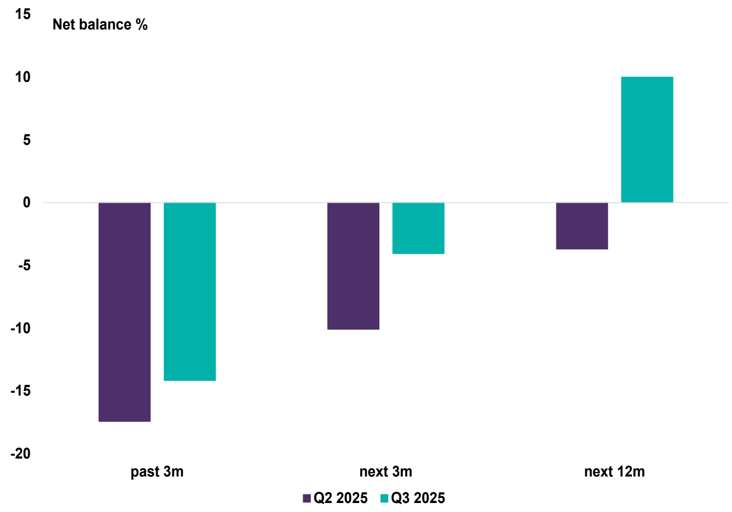


Chart 4: Twelve-Month Expectations

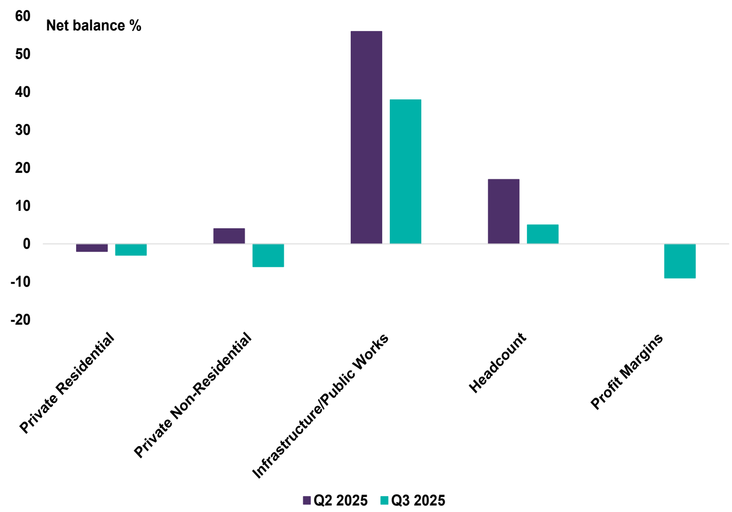
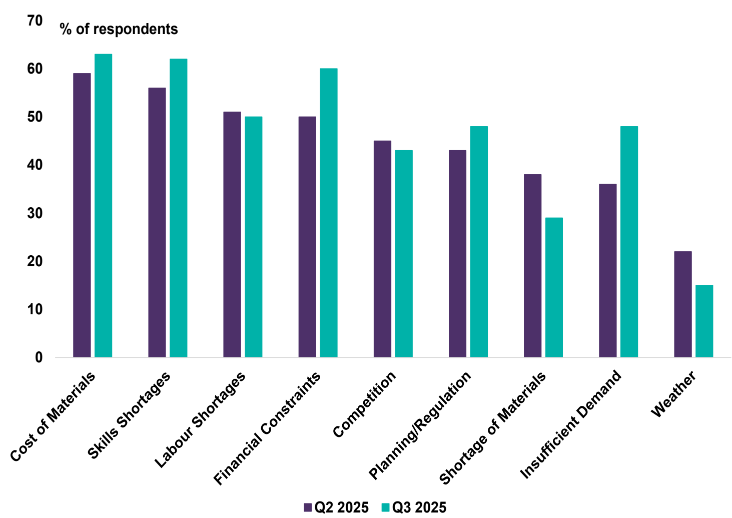


Chart 5: Factors Hindering Activity



Comments from survey participants based in Canada

Demand, supply, interest rates and immigration. - Burnaby

Increased municipal development charges, levies, fees and taxes are undermining and hurting the residential construction sector. Increased government ESG regulation protocol is delaying or canceling projects. Increased H&S regulation is also destroying productivity. - Calgary

Low demand. - Calgary

The ever evolving/adding of code requirements. We need code requirements that decrease construction cost. - Calgary

US tariffs. - Calgary

The USA/ Canada Trade Tariffs and CUSMA Free Trade negotiations are negatively impacting Canada's economy. The USA keeps lobbying for Canada to become the 51st state and trying to drive up costs, instead of nurturing the current codependent economy, to create economic pressure on the country to ask for help. - Cambridge

Competition. - Concord

Tariffs. - Edmonton

Tariffs. - Halifax

Volume of work in the industry is the major factor. - Halifax

Cooperation with clients, receptivity to communication, collaboration with local contractors. - Halifax

Tariffs. - Halifax

The reciprocal tariffs imposed on American goods is causing materials to cost Canadian trades more. - Kelowna

More competetion. - Kitchener

Downturn of condo building in the GTA is the largest single thing I can think of. We are as busy as ever on ICI projects. - Oakville

Instability in the regulatory process and Government requirements. - Oakville

Ottawa market is stable while office handling the Northern Projects. Private residential slow down. - Ottawa

Private commercial cost of borrowing (interest rate), and global economic uncertainty has significant effects. - Ottawa

Weather. Upcoming Winter Months will have an impact on productivity. - Saskatoon

Too much work, not enough people. workers are getting burnt out and it affects productivity, mental health, and the ability to retain skill. - Saskatoon

Poor coordination among stakeholders. - St-Hubert

Timing of Municipal Approvals & Market conditions. - Toronto

Macro-economic slow down. - Toronto

Past sales and design practices have seriously affected the residential market in the Toronto GTA area. Designing and selling an investor and speculator based model was not sustainable, however builders and developers could not see the forest for the trees and thought this was a never ending story. - Toronto

Prime rate. - Toronto

Quality of design documents. - Toronto

Tariffs. - Toronto

Tariffs, bank lending, decline in residential investments. - Toronto

Government alignment across all levels. - Toronto

Global uncertainty in both political and trade partnerships have lead to hesitation in the markets which trickles down to consumer confidence. - Toronto and GTA

Automation will be very significant in reporting. - Vancouver

Foreign money can't enter into the local market - is causing this crash. - Vancouver

Government policy on immigration and housing. - Vancouver

Inflation:tariff war with America. - Vancouver

Lack of economic viability for most projects as a result of high construction costs, sticky interest rates and lack of demand for high priced product. - Vancouver

Productivity expected to reduce because lower workload flow. Offset by modest fee increases, change in project types, more hourly fees. - Vancouver

Tariff imposed on steel and Alumina by the US government. - Vancouver

The rapid decline of the movement of goods and people across the US/ Canada border will ultimately negatively impact the local construction industry. - Vancouver

Fear of economic downturn, Trump Tariff, Minimal private sector investments. - Vaughan

Federal and Provincial Work Opportunities are Drying Up. - 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 160 responses in Q3 2025. It forms part of the RICS Global Construction Monitor. 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.

Disclaimer

Contact details

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Canadian Institute of Quantity Surveyors | Institut canadien des économistes en construction

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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