

# EYE ON ICI NEWSLETTER

## INSIDE THIS ISSUE

- 1 ONTARIO'S ECONOMIC & CONSTRUCTION OUTLOOK
- 4 REGIONAL BUILDING PERMITS UPDATE
- 6 LEGISLATIVE LOOK - AN UPDATE ON ALL THINGS POLITICAL
- 8 UPCOMING EVENTS

## ONTARIO'S ECONOMIC & CONSTRUCTION OUTLOOK

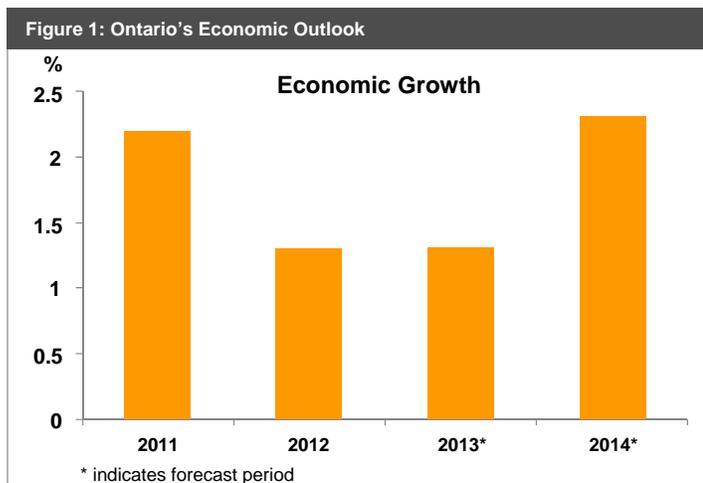
Ontario's economic growth looks poised to come in at a modest 1.3% in 2013 when the final numbers trickle in. Economic growth this year has been restrained by a sluggish U.S. economy, which has stunted growth in the all-important export sector of the province. Additionally, fiscal restraint has continued to weigh, as the province endeavours to put its fiscal house in order after opening up the purse strings during the "Great Recession".

The good news is that 2014 should be a better year as forecasters are, on average, expecting growth to pick up to 2.3%. The main reason for this is an expected acceleration in U.S. growth, which should bring Ontario along for the ride. Stronger economic growth in the province will coincide with higher but

still subdued consumer price inflation. Consumer price inflation is projected to pick up to around 1.5% percent in 2014, up from 1.0% in 2013.

### Ontario's Construction Markets:

Statistics Canada's non-residential investment information measures the amount of money invested in the ICI market and thus gives good insight into current market trends. The non-residential investment information used in this article is expressed in "constant dollars" to eliminate the inflationary impact of materials and labour.



Source: RBC, TD, BMO, Scotia Bank, CIBC

### Overall ICI Market

#### Current Trends

2013 saw a continuation of the trend that has come to characterize Ontario's ICI market for the past year and a half. To be specific, industrial and commercial (i.e. mostly private) investment continued to trend higher while institutional (i.e. public sector) investment remained in freefall.

In 2013, constant dollar ICI investment totalled \$16.4 billion, 4% lower than 2012 as declining institutional investment more-than-offset increases in the industrial and commercial markets.

Continued on Page 2

Continued from Page 1

## Industrial Sector

### Current Analysis

Constant dollar industrial investment clocked in at \$2.0 billion last year, up a solid 9% versus 2012. Industrial investment breached the \$2 billion level in 2013 for the first time since 2008. This was achieved through a remarkable run where 7 out of the last 8 quarters registered positive growth. Though it would be naive of us to declare that there is nothing but sunny skies ahead for the industrial market, it is heartening to see the industrial market continue its recovery.

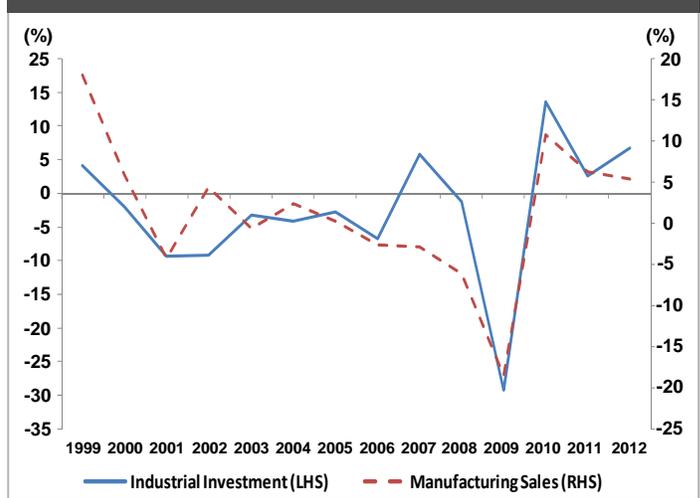
Regionally, strength in the industrial market has been relatively broad-based, with 8 out of 15 Census Metropolitan Areas (CMAs) registering growth in 2013. Hamilton was the largest contributor to growth by far, benefitting from the Maple Leaf Foods Plant, followed by Toronto. Oshawa, Kingston, Brantford and Guelph have also been stand-out regions in terms of industrial investment growth.

### Outlook

Forecasters are projecting industrial investment to increase in 2014. The biggest reason for this optimism stems from the aforementioned expected acceleration in U.S. economic growth, which should provide a boost to manufacturers. Manufacturing activity and industrial investment have generally been linked and if history is any guide, improved manufacturing sales should stimulate increased industrial investment. This point is further reinforced when we consider the fact that factories and plants (which are the domain of manufacturers) make up the largest share of industrial permits of any building type.

Manufacturing activity in Ontario is driven by the automotive sector, and that sector is facing stiff competition from low-cost manufacturers like Mexico. Indeed, data from Scotia Economics shows that motor vehicle production in Mexico has more than doubled since the 1990s, while Canadian production has stalled. This of course has negative impacts for Ontario's manufacturing sector (and by extension industrial investment). However, it's important to keep in mind that Ontario exports a wide variety of goods south of the border. For instance, autos and motor vehicle parts comprised 42% of goods exported to the U.S. last year. This means that nearly 60% of exports were non-auto related. Therefore, a pickup in the U.S. should provide broad support to the manufacturing sector and industrial investment.

Figure 2: Year-over-year percentage change in industrial investment and manufacturing sales



Source: Statistics Canada, OCS Calculations

Looking at other industrial sectors, the mining sector is always a wildcard, as evidenced by Cliffs Natural Resources recent decision to indefinitely suspend its Ring of Fire project. As a result, projecting whether the mining sector will help or hinder industrial investment is difficult. Nevertheless, conversations with stakeholders in the North indicate that the mining sector will provide a lift to industrial investment, thanks to projects like the Red Lake and Musselwhite mines in Northwestern Ontario.

Large-scale transportation projects in the province will also help boost industrial investment in 2014. For instance, construction of the Ottawa LRT is underway. The \$2 billion project is the largest infrastructure project in Ottawa's history and is scheduled for completion in 2017. Additionally, on-going projects connected to the "First Wave" of Metrolinx's *Big Move* initiative - like the Union Station Revitalization project in Toronto and the York-Spadina Subway Extension - will further lift industrial construction.

## Commercial Sector

### Current Analysis

It was a record year for the commercial market, with constant dollar investment topping \$9.6 billion in 2013. Like the industrial sector, commercial investment has been on quite a run, rattling off nearly 7 straight quarters of positive growth, which is not a common occurrence to say the least. As

has been the story recently, Toronto was a large contributor to the gain, as the office market in the GTA is booming (but not overheating). Hamilton actually made the largest contribution to the increase as the city has enjoyed a record year from an investment perspective. Commercial investment in much-maligned Windsor jumped 54%. However, with a stubbornly high unemployment rate and a long-term downward trend in commercial investment, we question if that strength can be maintained going forward. Investment was also relatively perky in Ottawa, rising to its highest level since 2004.

### Outlook

Forecasters are projecting an increase in commercial investment in 2014, though at a slower pace than in 2013. This makes sense as such strong investment growth would be hard to replicate. Economic conditions are currently supportive for continued commercial investment. Company surveys conducted by the Bank of Canada reveal that credit is easily accessible. Also, the central bank's latest *Monetary Policy Report* showed that indicators of business sentiment remain around their historical averages. Meanwhile, interest rates remain well below historical levels while operating profits as a share of the economy have been normal in 2013. Additionally, economic growth is expected to accelerate and the province's population will likely increase next year.

Regionally, the GTA looks to be the largest contributor to commercial investment as the region is enjoying an office construction cycle. Within downtown Toronto, seven new office buildings are scheduled to come online between 2014 and 2017. Additionally, the GTA is the only major jurisdiction where the current office vacancy rate is below its long-term average, per CB Richard Ellis (a commercial real estate firm). This means that conditions are still relatively tight, creating an incentive for further construction going forward.

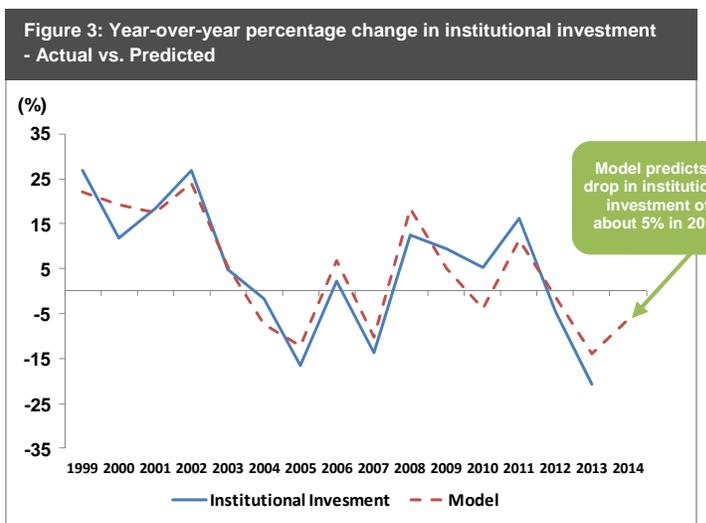
### Institutional Sector

#### Current Analysis

In 2013, institutional investment suffered its steepest decline since at least 1997, plunging 19% year-over-year. Declines were observed in 10 out of 15 CMAs with the biggest drops occurring in St. Catharines-Niagara, London and Thunder Bay. With the decline, the level of investment in 2013 was lower than its 3, 5 and 10-year averages.

### Outlook

It was widely anticipated that when the stimulus programs concluded at the end of 2011, institutional expenditures would drop. True to form, investment has been falling consistently for two years. The question now becomes, how long is this decline going to be in place? Unfortunately, building permit data - which is a very strong predictor of upcoming institutional investment - is suggesting that this downward trend will continue as their value fell significantly in 2013. Our model of institutional investment, which considers building permits and population changes, is pointing to a decline of about 5% in investment in 2014.



Source: Statistics Canada, OCS Calculations

### Bottom Line

Economic growth in Ontario is likely to accelerate in 2014, powered by a stronger U.S. economy. These improved economic fortunes will help lift both industrial and commercial investment, with the former receiving an additional boost from large-scale transportation projects while the latter benefits from a supportive economic environment. Meanwhile, institutional investment looks poised to fall further next year. Overall, it seems as though total ICI investment will increase in 2014 after two years of decline, as falling institutional investment will no longer outweigh increasing industrial and commercial expenditures.

**Rishi Sondhi**  
Construction Information Coordinator  
OCS



# ONTARIO REGIONAL PERMITS UPDATE



## NORTHERN ONTARIO

A below-average \$75 million worth of **industrial** permits were issued in 2013. A mere \$14 million worth of industrial permits were issued for the entire year in Northwestern Ontario. Nevertheless, stakeholders in the Northwest report being excited about prospects for 2014, citing on-going opportunities in the mining sector (which don't necessarily get permitted for). Permit issuance was modest in Northeastern Ontario as well.

There was a very high value of **commercial** permits issued in 2013, with growth in both Northeastern and Northwestern Ontario. Permitting for construction of new office buildings provided a big lift to the region. The value of commercial building intentions in the North has been on a fairly solid long-term upward trend.

The value of **institutional** building permits increased for the 2<sup>nd</sup> straight year to a solid \$220 million. The largest permit issued was for a new long-term care facility in Thunder Bay. A strong 4<sup>th</sup> quarter lifted permit values in Northeastern Ontario, the first yearly increase since 2010.

### Permit Values - Year End Totals - 2013

Sector	Value (in 000s)	% Change
Industrial	\$75,553	▼ -63.8%
Commercial	\$277,249	▲ 46.9%
Institutional	\$219,457	▲ 5.0%
Total ICI	\$572,259	▼ -5.6%

Source: StatsCan



## EASTERN ONTARIO

While lower, the value of **industrial** building intentions was above-average in 2013. Permit values were lower in Ottawa (though they generally only account for 10% of the ICI market). Conversely, values came in at a massive \$72 million in Kingston-Pembroke, thanks largely to the upcoming addition of a new filter building to the Point Pleasant Wastewater Treatment Plant.

A record \$983 million worth of **commercial** permits were issued in 2013, with Ottawa being the main contributor to the overall value. Within Ottawa, commercial permits increased for the 3<sup>rd</sup> straight year. Commercial permit issuance was relatively subdued in Kingston-Pembroke in 2013.

\$230 million worth of **institutional** permits were issued in 2013 – the smallest amount since 2004. Over the past 5 years, the value of building intentions has fallen by 10% each year, on average. Issuance was extremely modest in Ottawa, pointing to declining institutional investment this year. Values were also depressed in Kingston-Pembroke, though the institutional market will be lifted this year by the new Providence Care Hospital.

### Permit Values - Year End Totals - 2013

Sector	Value (in 000s)	% Change
Industrial	\$184,943	▼ -16.8%
Commercial	\$983,032	▶ 0.2%
Institutional	\$231,635	▼ -38.9%
Total ICI	\$1,399,610	▼ -11.6%

Source: StatsCan



## GTA ONTARIO

In 2013, **industrial** permit values increased for the second straight year to their highest level since 2003. Industry analysts note that the demand for large distribution centres remains strong in the GTA. Meanwhile, the availability rate (a measure of currently available industrial space) remains low, creating an incentive for further new construction. Additionally, Metrolinx projects are lifting industrial activity.

The GTA's **commercial** market is on fire with a record \$4 billion worth of commercial permits issued in 2013, blowing away the prior record value by 20%. Meanwhile, commercial investment also enjoyed a record year in 2013 and the office vacancy rate in the GTA remains below its long-term average. The drivers of the commercial boom include strong population growth and an office development cycle, with seven new office buildings currently under construction.

**Institutional** permit issuance fell for the second straight year to a level more in-line with its long-term average. Declining building permits in 2013 point to softening institutional investment in the GTA this year.

### Permit Values - Year End Totals - 2013

Sector	Value (in 000s)	% Change
Industrial	\$1,047,302	▲ 14.8%
Commercial	\$4,000,693	▲ 17.3%
Institutional	\$1,145,080	▼ -31.5%
Total ICI	\$6,193,075	▶ 3.3%

Source: StatsCan

## CENTRAL ONTARIO



### Permit Values - Year End Totals - 2013

Sector	Value (in 000s)	% Change
Industrial	\$498,069	▼ -22.3%
Commercial	\$1,243,941	▲ 16.9%
Institutional	\$629,268	▼ -33.3%
Total ICI	\$2,371,278	▼ -10.4%

Source: StatsCan

**Industrial** permit issuance dropped to its lowest level since the recession last year. The driver of the decline was Hamilton-Niagara, as permit values unwound from a record 2013. Still, issuance was solid in the region, lifted by expected construction of a new factory in Hamilton. Values were low in Kitchener-Waterloo-Barrie though 2014 holds some promise with an improving U.S. economy. Permit values were also lower in Muskoka-Kawarthas.

Permitting for a new soccer stadium for the Pan-Am Games (classified as commercial by Statistics Canada), boosted **commercial** permit values in Hamilton-Niagara and Central Ontario more broadly. Permit values crept higher in Kitchener-Waterloo-Barrie last year, perhaps portending a better

2014 which would certainly be some much-needed good news. Permits values dropped in Muskoka-Kawarthas.

A weak fourth quarter drove **institutional** permit values to their lowest level since 2006 last year. Declines were observed in all three major sub-regions, with Kitchener-Waterloo-Barrie being particularly weak. Weak permits suggests another drop in investment is in the cards for 2014.

## SOUTHWESTERN ONTARIO



### Permit Values - Year End Totals - 2013

Sector	Value (in 000s)	% Change
Industrial	\$487,771	▲ 22.9%
Commercial	\$374,665	▼ -30.4%
Institutional	\$241,087	▼ -39.5%
Total ICI	\$1,103,523	▼ -17.3%

Source: StatsCan

**Industrial** permit issuance came in at its highest level since 2007 last year in Southwestern Ontario, which when combined with improved expectations for the U.S. economy, points to a better year for the industrial sector in 2014.

Industrial building intentions were higher in London, Windsor-Sarnia and Stratford-Bruce. The big story within Windsor is Chrysler's planned multi-billion retool which would be huge for the region.

**Commercial** building intentions were very weak in 2013. The largest drop occurred in Windsor-Sarnia, where an unbelievably low \$97 million worth of permits were issued, though declines were also seen in London (down 13%

year-over-year) and Stratford-Bruce (22% lower than 2012). Such weakness portends modest commercial investment in 2014.

**Institutional** permit issuance was at its lowest level since 2000 last year, with values lower in both London and Windsor-Sarnia though they were higher in Stratford-Bruce. This raises the risk of modest institutional investment activity in 2014. Within the region, major institutional owners are feeling the pinch of government deficit reduction.

## TOP CONSTRUCTION PROJECTS STARTED IN 2013

PROJECT	CITY	VALUE
Confederation Line - Ottawa LRT	Ottawa	\$2,100M
South Kent Windfarm Project	Raleigh	\$621M
Bayside Commercial, Residential Development	Toronto	\$302M
Cami Assembly Plant Expansion	Ingersoll	\$250M
Pan Am Soccer Stadium, Velodrome, Athletics Stadium	Hamilton, Milton, Toronto	\$206M
Bay Adelaide Centre East Tower	Toronto	\$192M
One York Street Office Building	Toronto	\$156M
Ashbridges Bay Water Treatment Plant Alterations	Toronto	\$146M
White River Hydroelectric Dam	White River	\$105M
Leslie Street Connection Track	Toronto	\$104M

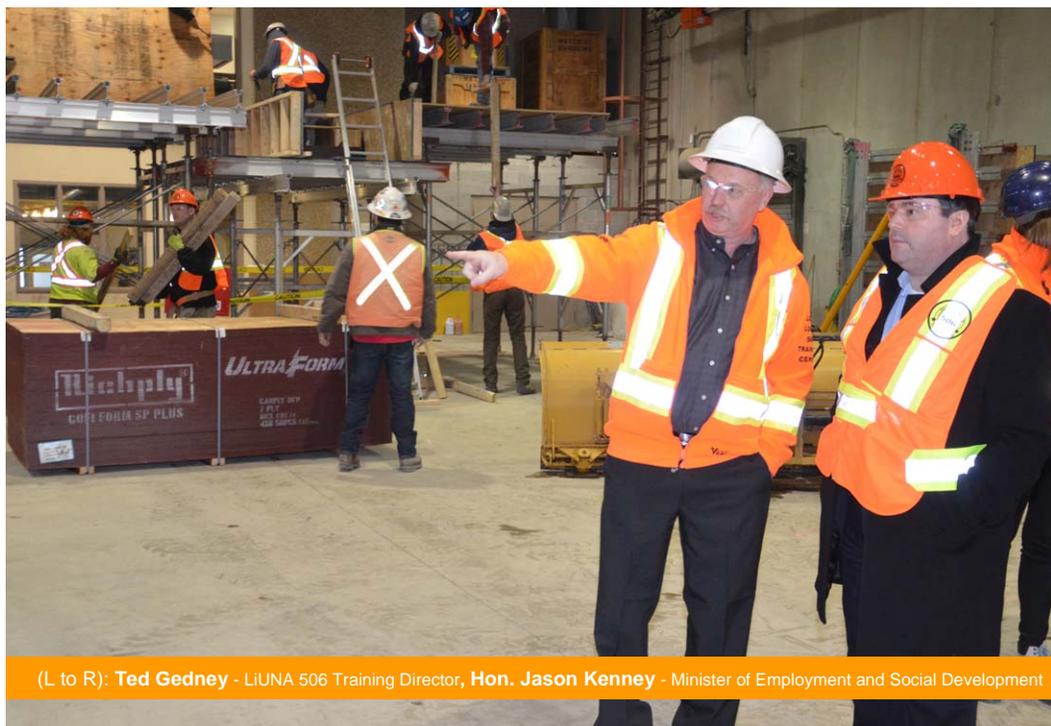
Source: Reed Construction Data, Industrial Info Resources

## LEGISLATIVE LOOK AN UPDATE ON ALL THINGS POLITICAL

**F**ederal employment minister Jason Kenney was in Toronto recently, and spoke at several events on two issues of importance to the construction industry. The first issue, the proposed Canada Job Grant, would provide federal funding for training and apprenticeship programs. The federal government has shifted from an earlier position that was interpreted as requiring matching provincial and private sector funding. In consultations and negotiations following the grant's announcement in the 2013 Budget, employers and provincial governments were asking for greater flexibility.

Minister Kenney also spoke about his interest in addressing skills mismatches across Canada – where unemployment remains stubbornly high, despite reports from employers on the difficulty of finding skilled workers. During his time in and around Toronto, he paid a visit to a local union-employer training centre, LiUNA local 506 Training Centre in Richmond Hill. Following his visit, on CFRB radio's *Live Drive with John Tory*, Minister Kenney commented on the quality of the facility and the training provided by the unionized ICI construction sector:

**Kenney:** "... and I want to give a shout-out to unions, I was up at the LiUNA Training Centre today, and unions are doing a great job, in the construction trades in particular, with their own training centres, they're funded out of their dues, and I think they're great partners in training."



(L to R): Ted Gedney - LiUNA 506 Training Director, Hon. Jason Kenney - Minister of Employment and Social Development

Photo courtesy of LiUNA Local 506

**Tory:** "... if you look at the Carpenters, LiUNA as you mentioned, they have outstanding training centres. People should have a chance to see them, cause they really are outstanding and might even change their perception of unions; they're doing this work and it's very constructive."

The Minister comes from the former Reform Party wing of the Conservative Party, so this type of praise for the investment that unionized construction makes is welcome and helpful.

### Federal Budget

On February 11th, the federal government released their Budget for this fiscal year. The main takeaways from the Budget include the fact that Ottawa plans to roll out its new 10-year, \$53 billion "Building Canada Plan" for infrastructure

investment this year. This new plan compares favourably with the old one, which spanned a shorter time-frame and had less money committed to it. Additionally, the federal government plans to support apprenticeship through the introduction of the Canada Apprentice Loan. Under the program, apprentices registered in a Red Seal trade would be able to apply for interest-free loans of up to \$4,000 per period of technical training. Meanwhile, they also pledged to educate apprentices about the financial support currently available to them. The Budget also announced further changes to the proposed Canada Job Grant, which would provide up to \$10,000 per person for job training costs, all of that coming from the federal government, with employers being required to contribute on average one-third of the total training cost. The government committed to start the program on April 1st.

## Provincial Issues

Ontario's legislature resumed on Tuesday, February 18th. With a spring election being a strong possibility, it is important to take note of construction issues that could be prominent during the election campaign. The Ontario PC Party remains committed to a suite of labour policies that would impact construction. Their election platform is likely to contain a commitment to "abolish" the Ontario College of Trades, plus plans to allow union members to opt out of union dues, while also, in their efforts to bring about "open tendering," designating public bodies like municipal governments and school boards as exempt from ICI construction collective bargaining legislation.

The Liberal Party will likely tout its record since 2003 of policies that have been beneficial to the unionized sector, including labour relations legislation, but also its high level of infrastructure spending, which has kept the industry very busy over the last decade.

Bills that are before the Legislature of interest to the construction industry would include:

- **Prompt Payment Legislation, Bill 69**

*This private member's bill, with strong support throughout the unionized ICI sector, was passed unanimously at Second Reading in the Legislature, and awaits consideration by the Regulations and Private Bills Committee*

- **Infrastructure for Jobs and Prosperity, Bill 141**

*In addition to defining certain criteria which must go into infrastructure planning, this Bill would give the Minister the power to set apprenticeship targets on public construction projects. This legislation echoes moves by Infrastructure Ontario to include incentives to maximize apprenticeship in its scoring system on the Eglinton Crosstown LRT project.*

- **Stronger Workplaces for a Stronger Economy Act, Bill 146**

*This Bill would shorten the construction industry's raiding period from three months to two months. It would also make the contractor responsible for reporting injuries to employees hired through temporary help agencies.*

Other private member's bills that would mirror federal Bill C-377 (requiring unions to publicly disclose financial transactions) or C-525 (requiring more frequent certification votes) remain on the order paper, but are not currently scheduled for debate.

## Provincial By-Election

Voters in the ridings of Niagara Falls and Thornhill voted in by-elections on February 13th, electing a new PC MPP in Thornhill, Gila Martow, and a new NDP MPP in Niagara Falls, Wayne Gates. Thornhill represents a PC "hold", with Martow replacing former PC MPP Peter Shurman, and Niagara Falls represents an NDP "pickup", with Gates replacing former Liberal MPP Kim Craitor.

These results may seal the fate of the current legislative session, emboldening both the NDP and the PC Party to vote down the upcoming Ontario Budget and sending Ontario into a spring election. The government could introduce a Budget and try to win support from the opposition parties, which could drag the election into May or June, or they may ask for an election immediately after introducing a Budget. As of the date of publication, no date had been set for the introduction of 2014 Ontario Budget.

**Perry Chao**  
Senior Policy Analyst  
OCS



# UPCOMING EVENTS

FOR MORE INFORMATION AND OTHER UPCOMING CONFERENCES & INDUSTRY EVENTS: [www.iciconstruction.com](http://www.iciconstruction.com)

MARK THESE IMPORTANT DATES IN YOUR CALENDAR FOR 2014

## Future building BURLINGTON 2014

Exceptional Career Paths for Tomorrow's Builders!  
Help your students make career decisions that count!

IT'S YOUR **FUTURE!** KNOW YOUR CHOICES

APRIL 8, 9, 10 - 9am-3pm  
Mainway Recreation Centre  
[ see bottom for location details ]

Try a Trade!  
Cut Wood • Lay Brick • Connect Pipe & more

Free admission by registering at:

[www.FUTUREBUILDING.ca](http://www.FUTUREBUILDING.ca)

We will profile the organized construction workers and contractors in Ontario's Industrial, Commercial and Institutional (ICI) construction industry including:

Boilermakers	Carpenters	Demolition Workers	Glaziers	Surveyors
Ironworkers	Site Superintendents	Painters	Precast Concrete Erectors	Sprinkler Fitters
Rickworkers	Sheet Metal Workers	Electricians	Engineers	Milwrights
Bricklayers	Cement Masons	Plasterers	Architects	Painters
Roofers	Operating Engineers	Plumbers/Steamfitters	Construction Craft Workers	Terrazzo, Tile & Marble Workers

Future Building 2014  
Mainway Recreation Centre

4015 Mainway  
Burlington, ON  
L7M2L7



Sponsored in Partnership with:



EMPLOYMENT ONTARIO  
Your job is out there, we'll help you find it.

## 2014 OCS EVENT CALENDAR

APR 8-10 FUTURE BUILDING 2014  
Mainway Recreation Centre  
Burlington, Ontario  
[www.futurebuilding.ca](http://www.futurebuilding.ca)

SEPT 29-30 OCS ANNUAL GENERAL MEETING  
Ottawa, Ontario

FOR MORE INFO ON THESE EVENTS EMAIL US AT: [INFO@ICICONSTRUCTION.COM](mailto:INFO@ICICONSTRUCTION.COM)

## ONTARIO CONSTRUCTION SECRETARIAT STAFF DIRECTORY

**Sean W. Strickland**  
Chief Executive Officer  
[seans@iciconstruction.com](mailto:seans@iciconstruction.com)

**Katherine Jacobs**  
Director of Research & Operations  
[kjacobs@iciconstruction.com](mailto:kjacobs@iciconstruction.com)

**Perry Chao**  
Senior Policy Analyst  
[perry@iciconstruction.com](mailto:perry@iciconstruction.com)

**James Wright**  
Project & Communications Coordinator  
[jwright@iciconstruction.com](mailto:jwright@iciconstruction.com)

**Rishi Sondhi**  
Construction Information Coordinator  
[rishis@iciconstruction.com](mailto:rishis@iciconstruction.com)

**Stew Stevenson**  
Owner Outreach & Tripartite Coordinator  
[stews@iciconstruction.com](mailto:stews@iciconstruction.com)

**Ryan Isojima**  
Graphic Design & Web Support  
[ryani@iciconstruction.com](mailto:ryani@iciconstruction.com)

**Gianluca Cipriani**  
Office Administrator  
[gcipriani@iciconstruction.com](mailto:gcipriani@iciconstruction.com)

[www.iciconstruction.com](http://www.iciconstruction.com)

For any inquiries related to the EYE ON ICI NEWSLETTER or to inquire about content submissions, please contact Rishi Sondhi at: [rishis@iciconstruction.com](mailto:rishis@iciconstruction.com)



940 The East Mall, Suite 120, Toronto, ON, M9B 6J7  
T 416.620.5210 | F 416.620.5310 | TOLL FREE 1.888.878.8868  
QUESTIONS/INQUIRIES, PLEASE EMAIL: [info@iciconstruction.com](mailto:info@iciconstruction.com)

[www.iciconstruction.com](http://www.iciconstruction.com)

Ontario Construction Secretariat

EYE  
ON  
ICI  
NEWSLETTER