Ontario Construction Secretariat

2012 SURVEY OF ONTARIO'S ICI CONSTRUCTION INDUSTRY

MARCH 2012

OCS
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SURVEY HIGHLIGHTS

Contractors expect continued growth in their business in 2012, but are less bullish on prospects versus prior years, according to the OCS *Survey of Ontario's ICI Construction Industry*

The annual Ontario Construction Secretariat (OCS) survey of industrial, commercial and institutional (ICI) construction contractors across Ontario reveals that the business outlook for 2012 remains positive, but less so than in previous years. The survey of 500 non-residential ICI contractors conducted by Ipsos-Reid shows that one-third (33%) of contractors expect to conduct more business in 2012, much higher than the 14% who expect to conduct less business, but lower than in 2011's survey.

This dynamic is captured in the newly created OCS Construction Barometer. Measured on a scale of 0 to 100, a reading above 50 indicates that contractors who expect to conduct more business outnumber those expecting to conduct less business. For 2012, the index clocked in at 57 - firmly in positive territory but down seven points from 2011.

Non-unionized contractors were slightly more optimistic about business prospects than their unionized counterparts, though both contractor types had positive expectations. Work expectations were strongest in Northern Ontario as nearly 80% of contractors in the region rated the current economic situation as "good". Conversely, work forecasts were weakest in Southwestern Ontario, consistent with their bleak appraisal of their current economic situation. Contractors in the GTA and Central Ontario tempered their expectations the most versus 2011. Meanwhile, firms in Eastern Ontario were the 2nd most positive, when rating their work expectations.

An analysis identifying key factors related to contractors' business expectations revealed that new business opportunities, access to financing and credit and the availability of skilled workers and supervisors/foremen play a key role in shaping expectations. Lower prospects for new business opportunities played a large part in tempering business expectations for 2012.

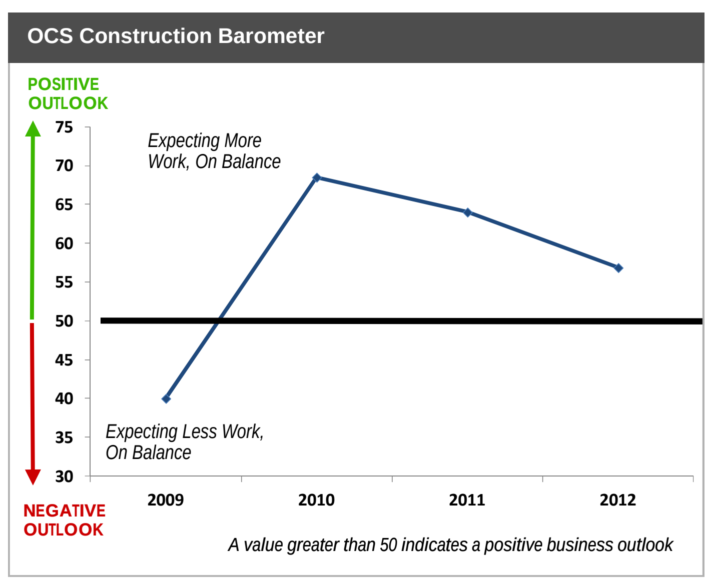
Labour markets are expected to tighten further in 2012, according to contractors surveyed. This perception is particularly extreme in Eastern and Northern Ontario where work expectations are strongest. Conversely, contractors in Southwestern Ontario anticipate an increase in the availability of construction employees as weaker economic conditions have led to a larger supply of unemployed workers than other regions.

OCS CONSTRUCTION BAROMETER

Construction Outlook for 2012 Remains Positive, Though Less so Than Previous Years

The OCS *Construction Barometer* reveals contractors' perceptions of business conditions for the next 12 months. Measured on a scale of 0 to 100, a reading above 50 indicates that the number of contractors who expect to conduct more business outnumber those expecting to conduct less business. The wider the gap above the 50 breakeven level, the more heavily expectations are positively skewed.

The 2012 *Construction Barometer* measured in at 57; revealing that Ontario's contractors are - on balance - expecting to conduct more work in 2012. However, continuing last year's trend, contractors are less positive about work prospects compared to the previous year, making it the second straight year that the Construction Barometer has declined.

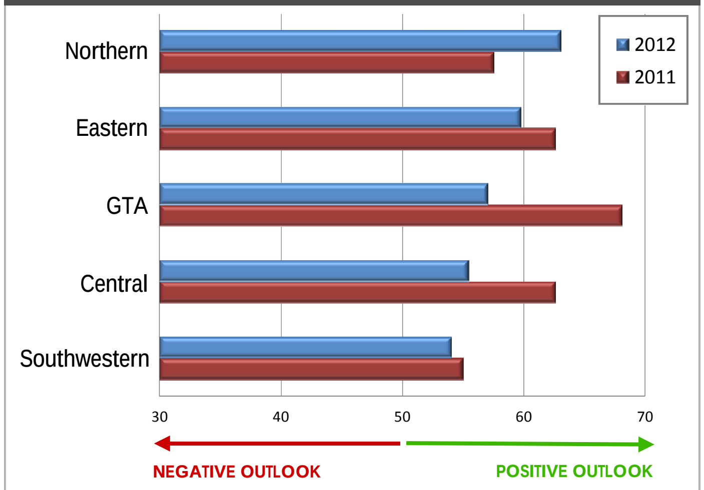


THE REGIONS

Northern Ontario Looking Forward to Increased Opportunities

The Construction Barometer is positive in all regions revealing that more contractors anticipate increased construction opportunities in 2012. However, contractors have tempered their expectations compared to last year's survey in all regions of the province with the exception of Northern Ontario. With nearly $5 billion in investment slated to begin this year, northern contractors have significantly upped their expectations for 2012.

Regional OCS Construction Barometer



A value greater than 50 indicates a positive business outlook

ICI SECTOR OUTLOOK

Pessimistic Expectations for the Industrial Sector

For the first time since the recession in 2009, contractors are expecting to conduct slightly less net business in the industrial sector, especially new construction of factories/plants and industrial warehouses. This pessimism was concentrated in the unionized construction sector and in firms located in Central and Southwestern Ontario. This is not surprising as unionized firms tend to have a greater share of industrial work and those regions represent the heartland of Ontario's manufacturing base. This also speaks to the still-depressed automotive sector in the province and modest work expectations in the petrochemical sector in Southwestern Ontario.

Contractors' Expectations for 2012 by Sector

Sector	Conduct More Work	Conduct Less Work	TREND
Commercial	**32%**	**16%**	
Industrial	**11%**	**13%**	
Institutional	**11%**	**7%**	

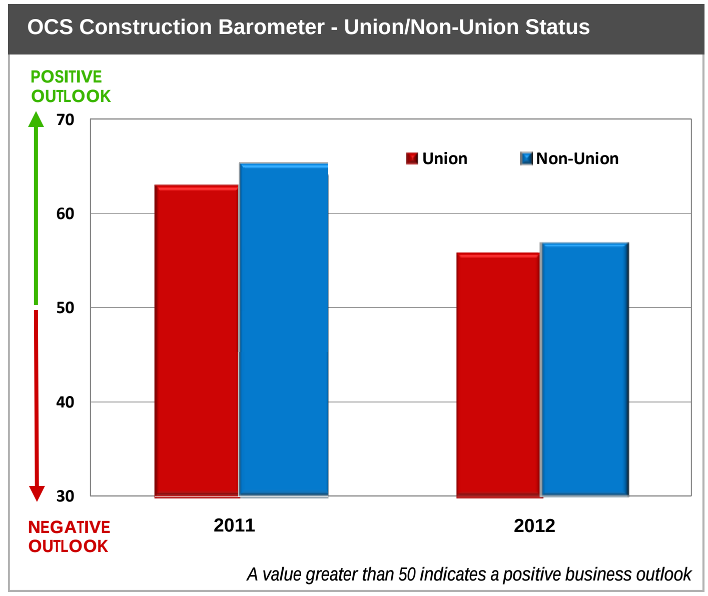
Similar to prior years, contractors expect to conduct the most work in the commercial sector in 2012, led by the GTA and Central Ontario and concentrated in office buildings and retail stores. These two regions comprise roughly 75% of the commercial market in the province.

The percentage of contractors expecting to conduct more business in the institutional sector dropped for the second straight year with the completion of the government stimulus program in 2011, though institutional expectations were still positive, on net. Expectations were the strongest for social and retirement housing while being the weakest for schools and educational buildings (excluding post-secondary).

UNION STATUS

Non-Union Firms Moderately More Optimistic

Once again, expectations for non-unionized contractors were slightly more positive versus unionized firms, though projections for both types of contractors were less optimistic than prior years. The survey found that firms with smaller revenues were more upbeat than their larger- scale contemporaries. Typically, non-union firms have fewer employees and generate less revenue.



SURVEY RECAP

Outlook for 2012 remains strong, but is lower than previous years

- OCS Construction Barometer clocks in at 57 - indicating that contractors have a positive business outlook for 2012
- Contractor optimism is slightly muted from 2011 as the Barometer drops seven points

Regional Variations

- Northern Ontario contractors are the most optimistic in the province
- GTA and Central Ontario have tempered their expectations the most
- Contractors from Southwestern Ontario have the weakest outlook as their economy continues to struggle out of the recession

Sector Outlook

- After a number of years in positive territory, industrial expectations take a hit as more contractors expect to conduct less work, on balance, in the industrial sector
- Commercial opportunities exist in office and retail markets
- Institutional expectations still positive but optimism in this sector is declining

TRENDS RELATED TO CONTRACTORS' EXPECTATIONS

There are a number of factors that contractors consider when forming their outlook. Key influences include their perceptions of new business opportunities, access to financing and credit and the availability of labour, among other variables.

NEW BUSINESS OPPORTUNITIES

TRACKING

▼

Contractors' perceptions on the availability of new business opportunities were the key driver in their perception of a positive or negative outlook for 2012. In total, 40% of contractors expect more new business opportunities this year, much higher than the 16% who expect less business opportunities. Although lower than reported in last year's survey, this largely explains the positive, but less bullish outlook held by contractors in Ontario - particularly in the GTA and Central Ontario.

CARRY-OVER WORK

NEW VARIABLE

NO TREND

Carry-over work is an important component of a contractor's outlook. 13% of contractors polled cited the amount of carry-over work from 2011 as the main reason why they expect to conduct more business. Contractors were most likely to reference this reason in Central Ontario, particularly Hamilton-Niagara, where a fair amount of work in the hospital sector is ongoing. Contractors in the GTA were the least likely to quote carry-over work as a source of business.

ACCESS TO FINANCING/ CREDIT

TRACKING

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On balance, contractors expect easier access to financing this year, when compared to last year's survey. This is consistent with other major surveys showing that credit conditions are loosening and financing needs are being met. Larger firms (by employee size) were the most positive in their assessment of future access to financing. Larger firms tend to be more stable and present less risk to lenders.

AVAILABILITY OF LABOUR

TRACKING

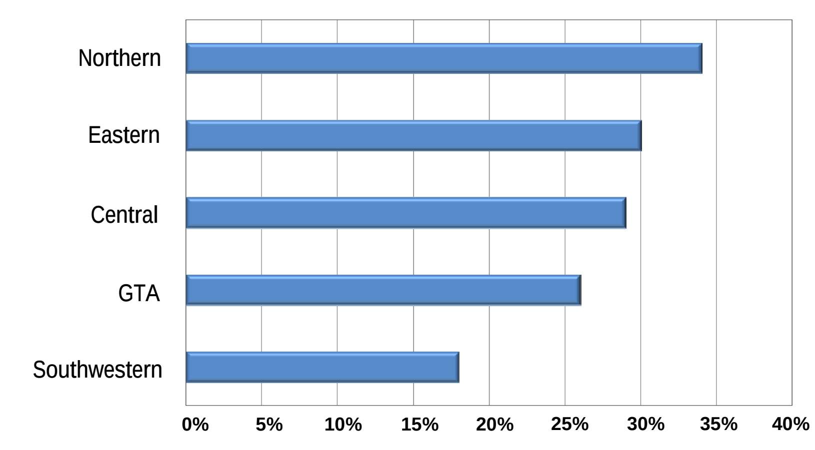
"Only 18% expect increased availability of skilled workers, versus 26% who expect their availability to decline"

Labour markets are set to tighten further in the coming year according to contractors, as only 18% expect increased availability of skilled workers, versus 26% who expect their availability to decline. This highlights the need for continued investment in apprenticeship training.

This opinion was particularly extreme in the Eastern and Northern regions where business expectations are the highest. Only contractors in Southwestern Ontario expected a net increase in the availability of skilled workers as weak economic conditions have led to a larger supply of unemployed workers than other regions.

Unionized contractors were more likely to report a net decline in the availability of skilled workers. Almost one-third expect the availability of these workers to decline this year, compared to 25% for non-union contractors.

Percentage of Contractors Expecting a Decline In the Availability of Skilled Workers



CONTRACTOR CAPACITY

NEW VARIABLE

NO TREND

The majority of firms expect to operate at a high capacity throughout 2012. Nearly 80% of contractors polled reported expecting to operate at a high capacity (75% capacity and above) this year.

In-line with their strong outlook, contractors in Northern and Eastern Ontario were the most likely to expect operating at a high capacity in 2012.

Conversely, contractors in Southwestern Ontario were the least likely to expect strains on their capacity, consistent with their relatively modest business forecasts.

ONTARIO'S ECONOMY

TRACKING

A full 57% of contractors reported the state of the economy as being "good", slightly higher than last year. This is a positive and somewhat surprising result, given that 2011 saw much economic and financial market uncertainty.

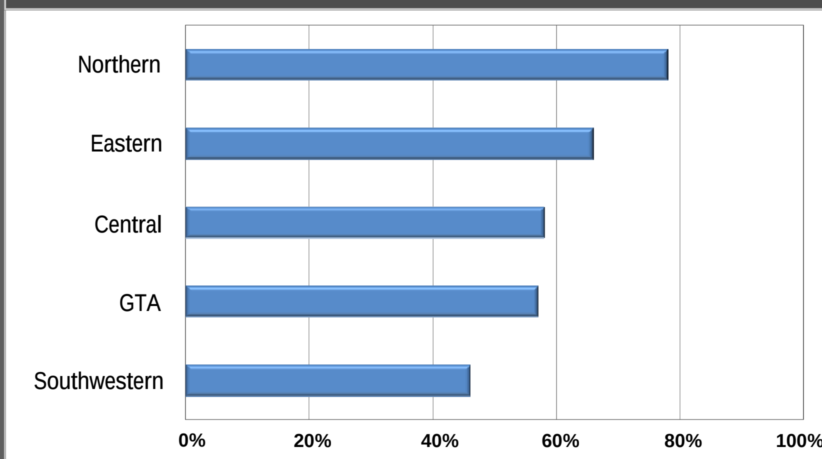
Contractors in Northern Ontario were by far the most positive, with nearly 80% rating the economic situation as being "good". This is consistent with the optimism about the region held by our stakeholders in the North.

On the opposite end of the spectrum, only 46% of contractors in Southwestern Ontario rated the economic situation as "good", driven by both London and Windsor-Sarnia. Economic indicators also paint a bleak picture of the region, with unemployment rates well above the provincial average and double-digit vacancy rates in both London and Windsor-Sarnia.

Unionized contractors were more positive in their economic appraisal, with nearly two-thirds rating the economy as "good", seven percentage points higher than their non-unionized counterparts.

"A full 57% of contractors reported the state of the economy as being 'good', slightly higher than last year"

ECONOMIC APPRAISAL
Percentage of Contractors Reporting Economic Situation as "Good"

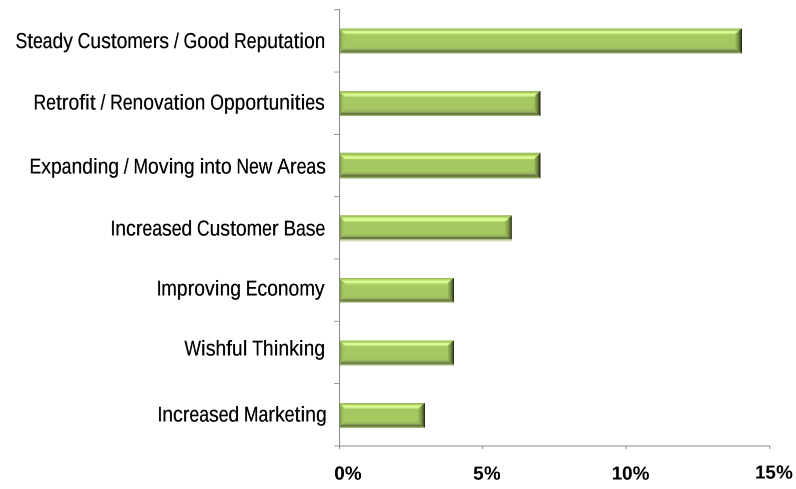


OTHER INFLUENCES

Contractors cited a number of other factors either positively or negatively influencing their business expectations. Chief among positive influences was that contractors believed that their good reputations would attract business or maintain their current business relationships. Non-unionized firms were more likely to have expressed this viewpoint than their unionized counterparts.

OTHER INFLUENCES

Percent of Contractors Reporting the Following as Positively Impacting Their Outlook



WRAP UP

The OCS Construction Barometer indicates that contractors are, on balance, expecting to conduct more work this year. However, the outlook isn't as bullish as in prior surveys, despite an upbeat assessment of the economy.

The main source of this tempered optimism stems from expectations of new business opportunities which are less positive than years past. Carry-over work is also an important component of a contractor's outlook. 13% of contractors polled cited the amount of carry-over work from 2011 as the main reason why they expect to conduct more business.

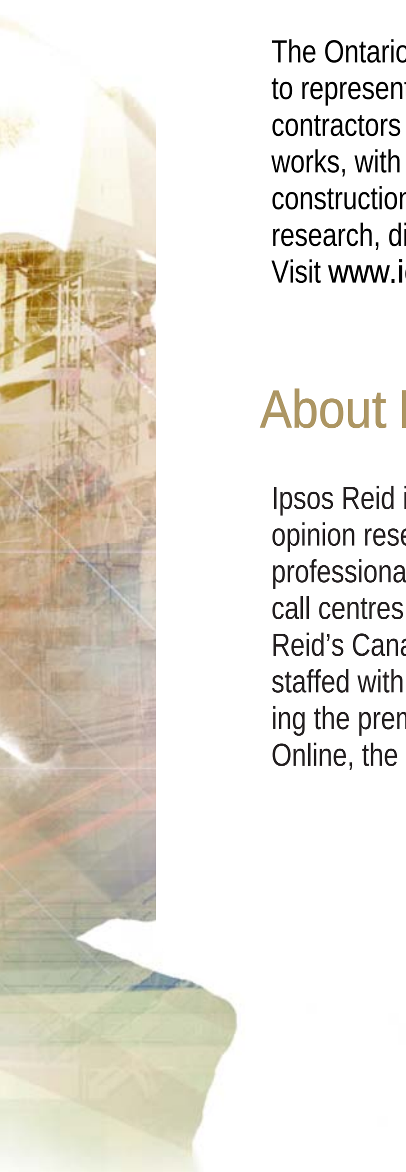
Regionally, expectations are the most buoyant in the Northern and Eastern regions while being the least positive in Southwestern Ontario. Meanwhile, non-unionized contractors are slightly more optimistic than their unionized counterparts.

In 2012, contractors are expecting the availability of credit and financing to improve and labour markets to tighten. The latter will strain contractor capacity as nearly 80% of contractors expect to operate at a high capacity (75% or above).

ABOUT THE SURVEY

In November and December 2011, Ipsos-Reid conducted a survey of senior executives from Ontario's non-residential construction industry. A total of 500 telephone (CATI) interviews were conducted with general and trade contractors in Ontario. The margin of error for a sample of 500 interviews is 4.4%, nineteen times out of twenty. The margin of error for sub-sections (ie. region) of the sample is larger, depending on the sample size. The final data was weighted according to the number of trade contractor establishments working in the ICI sector per economic region within the province of Ontario according to the latest Statistics Canada data.

The survey was designed to capture contractors' views on the short-term outlook and highlight key factors influencing their views. Conducted annually, this survey produces a broad-based summary of business opinion regarding construction activity, investment and labour market conditions. This data is particularly valuable in identifying turning points in the business cycle.



About OCS

The Ontario Construction Secretariat (OCS) was established in 1993 under provincial legislation to represent the collective interests of the organized building trades unions and their signatory contractors in the Industrial, Commercial and Institutional (ICI) construction industry. The OCS works, with our labour-management-government partners, to enhance Ontario's unionized ICI construction industry by developing relationships, facilitating dialogue, providing value-added research, disseminating information and promoting the value of unionized ICI construction. Visit www.iciconstruction.com

About Ipsos-Reid

Ipsos Reid is Canada's market intelligence leader and the country's foremost provider of public opinion research. With operations in eight cities, Ipsos Reid employs more than 500 research professionals and support staff in Canada. The company has the biggest network of telephone call centres in Canada, as well as the largest pre-recruited household and on-line panels. Ipsos Reid's Canadian marketing research, advertising, loyalty, media and public affairs practices are staffed with seasoned research consultants with extensive industry-specific backgrounds, offering the premier suite of research vehicles in Canada - including the Ipsos Trend Report Canada Online, the leading source of public opinion in the country.

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