



21st State *of the* Industry & Outlook Conference



2021

**Pandemic to Recovery – What Can the
ICI Construction Sector Anticipate**

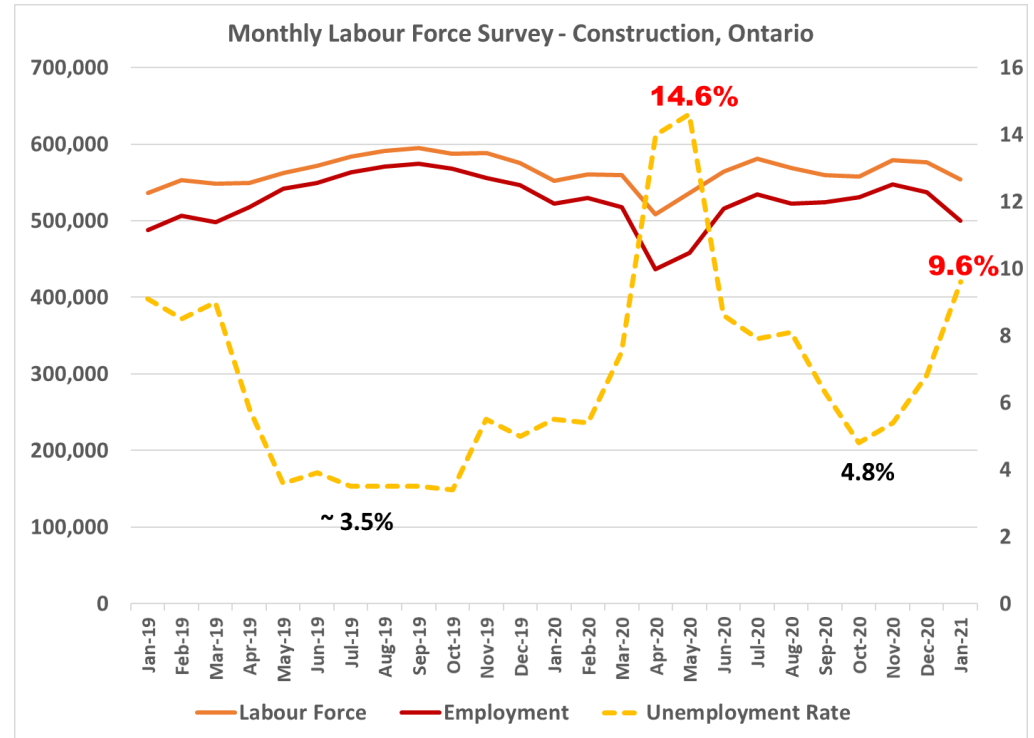
KATHERINE JACOBS
Director of Research, OCS

What a Difference a Year Makes!



Construction Labour Market

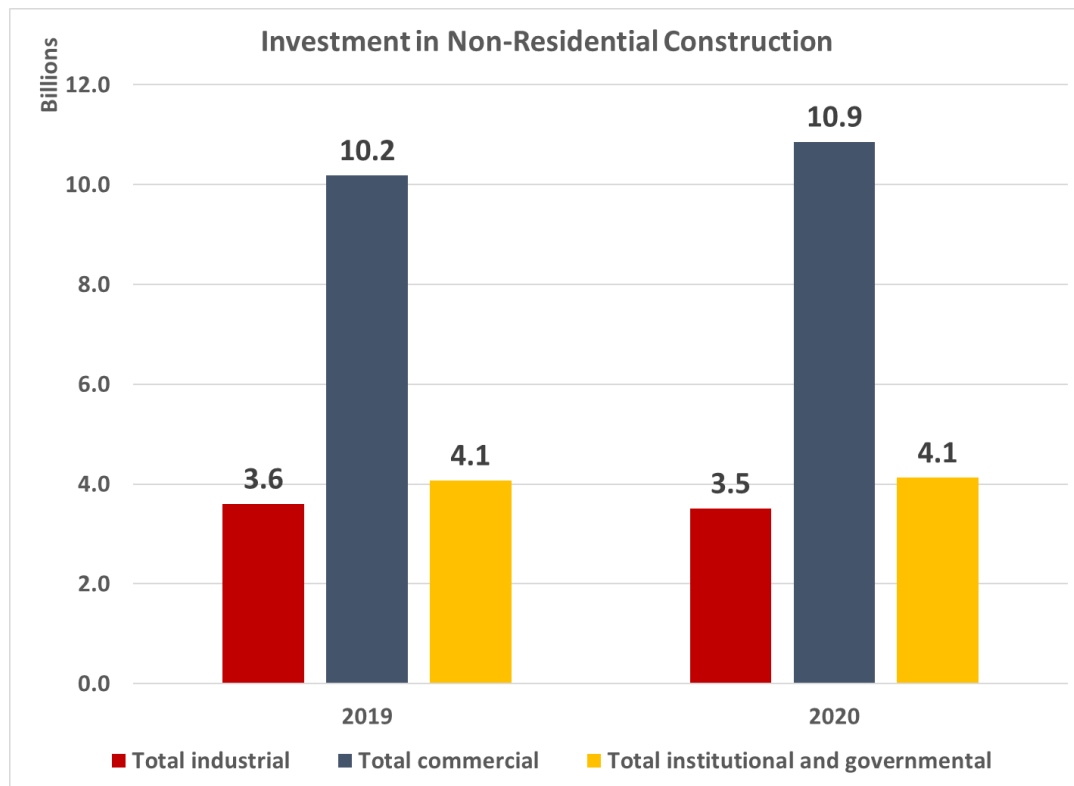
- Between February and April, construction **lost 92,700 jobs**
- Unemployment peaked in May at **14.6%**
- Construction employment recovers lost-jobs, however **remains below** 2019 levels (down almost 5%)
- Average annual unemployment rate increased from **5.3%** in 2019 to **7.9%** in 2020



Source: Statistics Canada. Table 14-10-0022-01 Labour force by industry unadjusted

Non-Residential Investment

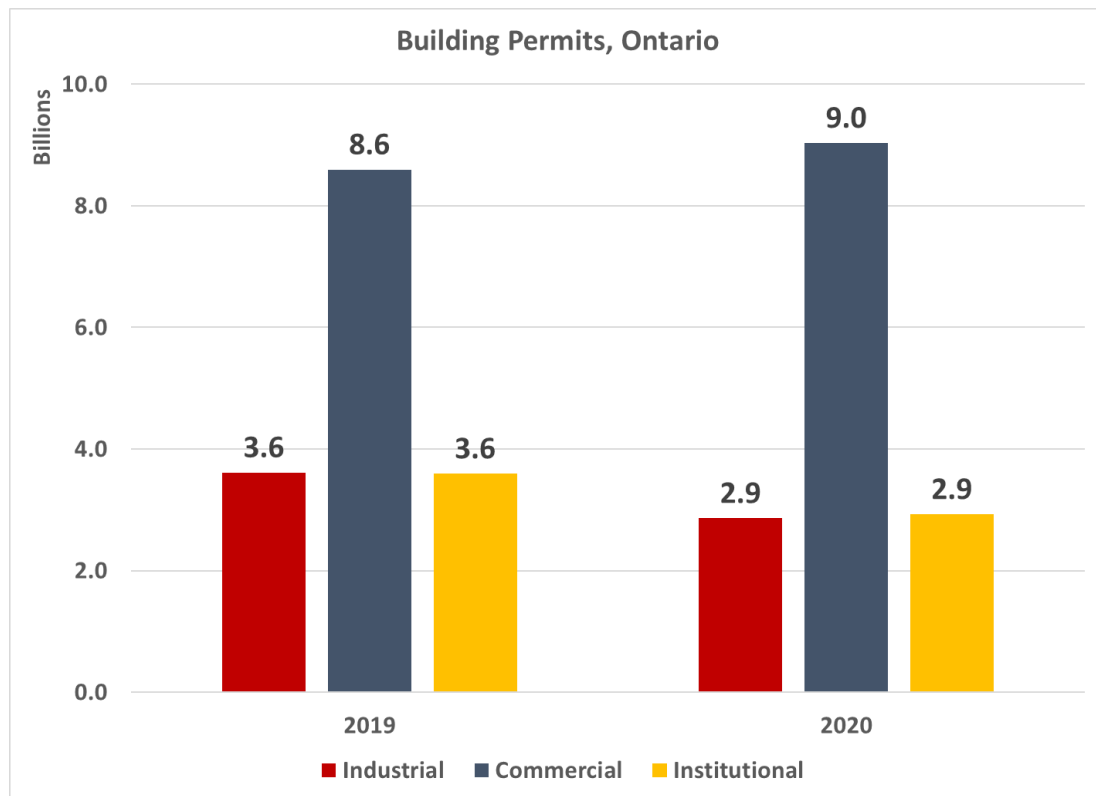
- Surprisingly, investment in the **Commercial Sector** is **up 6.6%**
- Driven by increased investment in **warehouses, offices and recreation facilities**
- Strength in commercial investment is a result of projects already in the works in 2019
- Only modest changes in **Industrial** and **Institutional** investment
- Overall, **ICI investment** was **up modestly by 3.6%**



Statistics Canada. Table 34-10-0175-01 Investment in Building Construction

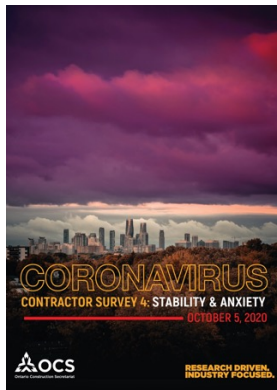
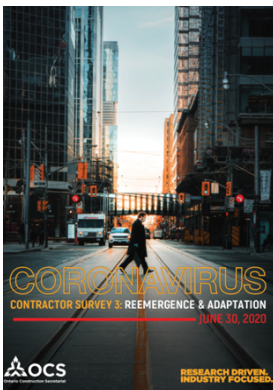
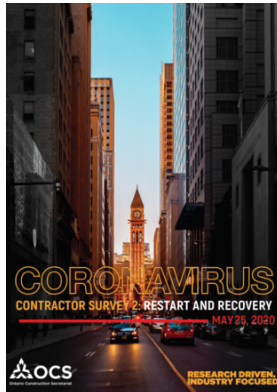
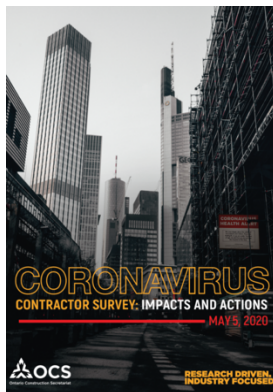
Building Permits

- Overall ICI permits ended 2020 down 6%
- **Industrial** and **Institutional** building permits both **dropped** around 20%
 - **47% drop** in **Factories/Plants** permits
 - **Drops in all Institutional** categories including **27% decline in schools**
- **Commercial permits gained 5%** based increased permits issued for **Warehouses** and **Office Buildings**



Statistics Canada. Table 34-10-0066-01 Building permits

Contractor Surveys



Contractors' Top Concerns



**THE IMPACT OF
SUPPLY CHAIN
DISRUPTIONS**



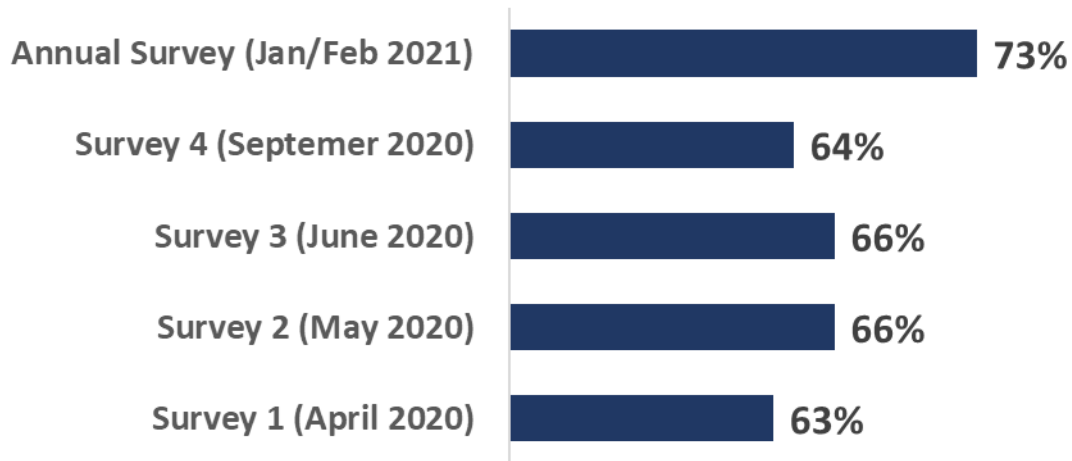
**PROJECT DELAYS OR
CANCELLATIONS CAUSED BY
THE LATEST INDUSTRY
SHUTDOWN**



**ECONOMIC IMPACT OF
THE LATEST INDUSTRY
SHUTDOWN**

Supply Chain Challenges Persist

Impact of Coronavirus on Supply Chains

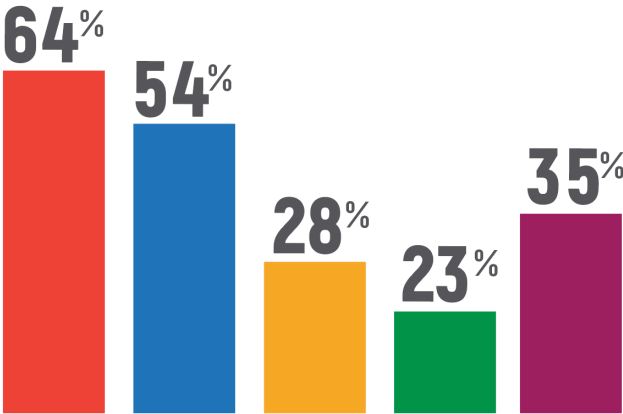


Q “How much of an impact is the coronavirus economic disruption currently having on your firm’s supply chains?” (N=500)

“The supply chain has been a real challenge for us. Availability of materials has been a challenge and the cost has gone up. It is taking longer to complete jobs due to this.”

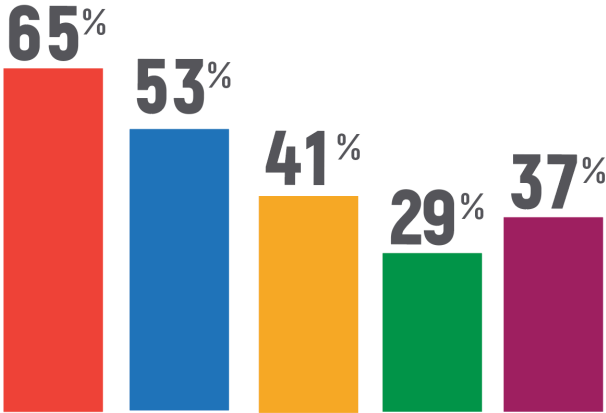
“The majority of the issues have been from suppliers. Receiving orders in timely manner has impacted business due to the virus. Quite a few of our plans are on hold.”

Impact of Covid-19 on Project Status



STOPPED

% of their firm's activity that was stopped as of survey period



DELAYED

% of their firm's scheduled work that was delayed as of survey period

2020
CORONAVIRUS
CONTRACTOR
SURVEYS

1 2 3 4

2021
CONTRACTOR
SURVEY

2020 Contractor Finances



OF CONTRACTORS
REPORTED **LOWER**
REVENUES IN 2020
COMPARED TO 2019



64%

OF CONTRACTORS
USED GOVERNMENT
COVID-19 BUSINESS
SUPPORTS IN 2020

2021 Revenue Expectations and Growth of Business



**Expected revenue
for 2021 compared
to 2020**

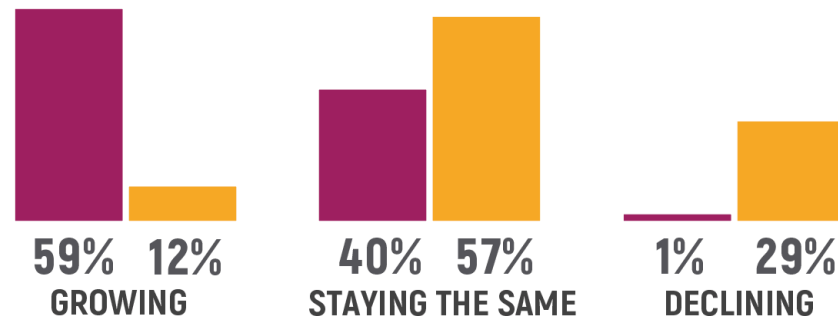
29%
HIGHER

39%
SAME

27%
LOWER

5%
DON'T KNOW

Growth Prospects for Business

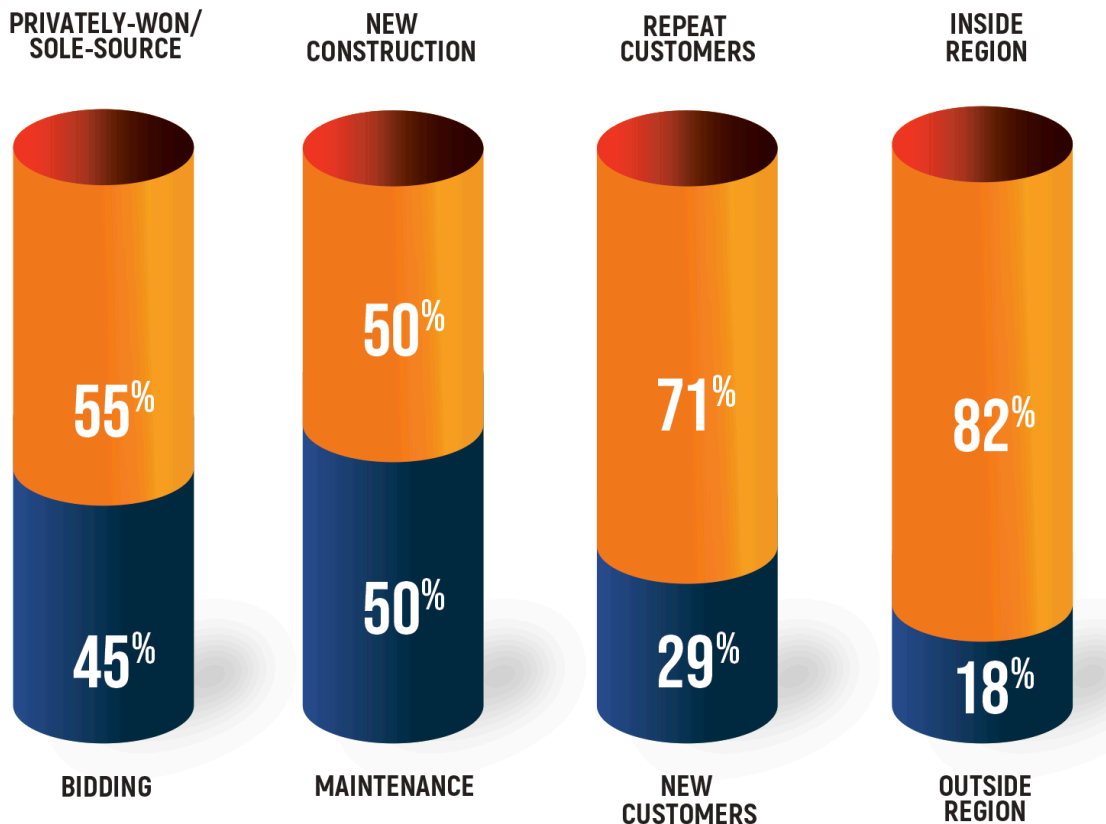


■ Trajectory of business
before pandemic start

■ Trajectory of business
as of January 2021

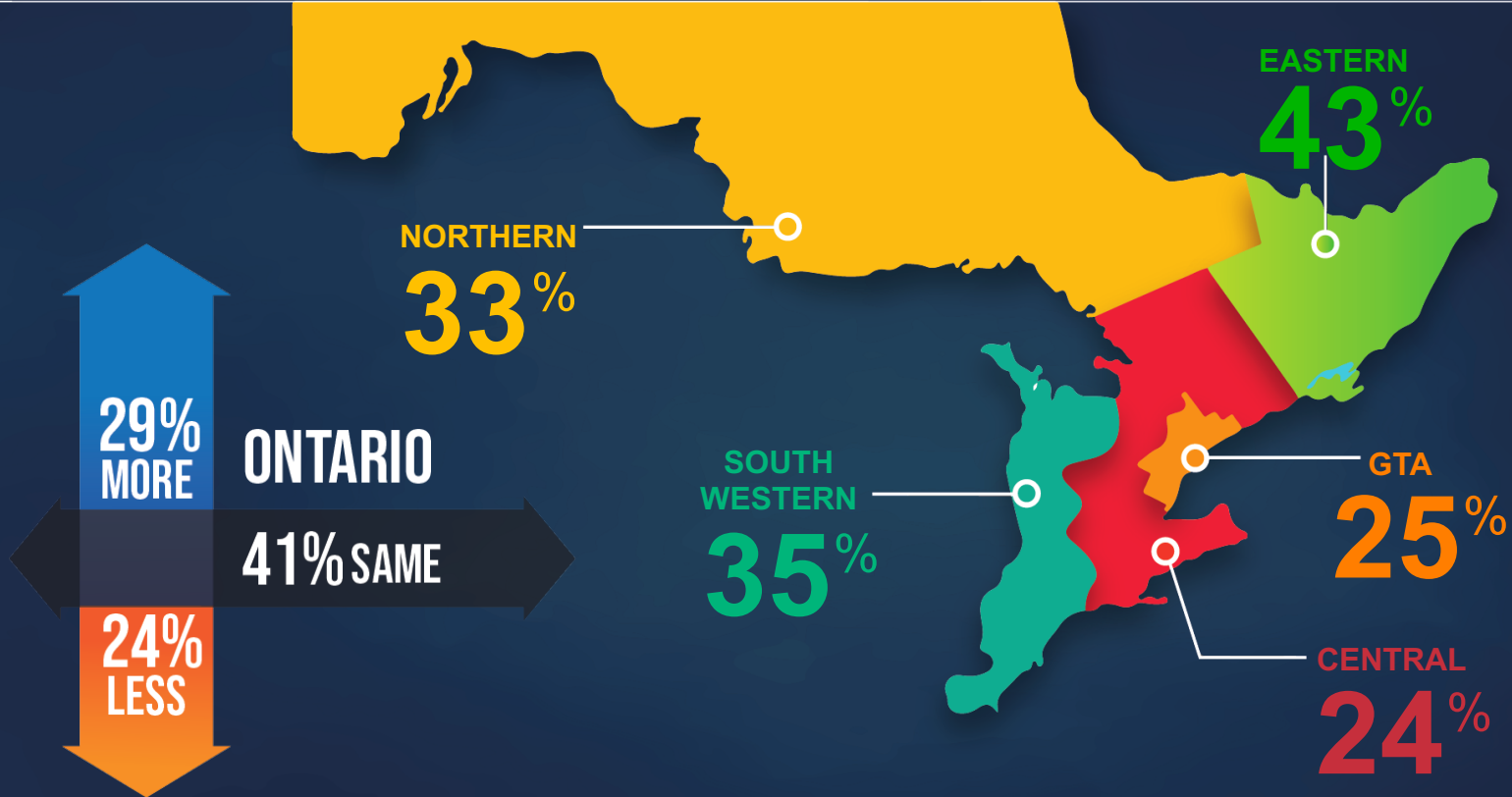
Sources of Work

- In contrast to last year, contractors are now anticipating more work will be gained through private/sole-sourcing (55%) as opposed to bidding (45%)



Contractors' 2021 Outlook

(Expectations for MORE Work in 2021)



Construction Outlook

- Fundamentals for non-residential construction remain strong
- Numerous projects in the pipeline
 - Infrastructure Ontario (\$60B – 16 civil projects, 24 social projects)
 - Investing in Canada Infrastructure Program (\$180 B over next decade)
 - Community Infrastructure Improvement Fund
 - Infrastructure Bank
- Industrial sector upside given supply chain concerns and greater attention to building national, provincial and local manufacturing capacity

Project Pipeline	
Project Type	Value
Transit	\$55B
Health	\$15B
Utilities	\$39B
Roads, Bridges & Other Civil	\$7B
Parliament Hill	\$5B
Justice	\$2B
Source: BuildForce Canada	

Construction Outlook – The Risks

- Timing of infrastructure projects (how quickly new projects are approved/started)
- Restaurants, retail and office markets hit hard by pandemic due to closures and restrictions. New construction projects may be delayed and/or stalled until those businesses start to recover
- Ontario had a solid construction outlook heading into 2020. Those projects are there but uncertainty exists.
 - Private investors expected to be more cautious post-COVID, especially in the Commercial sector
 - Province / municipalities managing deficits/debt
- General risks associated with the pandemic – vaccine rollout, continued need for social distancing, impact on productivity, increased costs, supply chain challenges

Health & Safety



95%

**BELIEVE THEY ARE MEETING
ENHANCED SANITATION STANDARDS**

(COMPARED TO 96% IN CVCS 4 AND 93% IN CVCS 3)



70%

**EXPECT WORKSITE SANITATION
PRACTICES TO PERMANENTLY
CHANGE**

(COMPARED TO 71% IN CVCS 4 AND 83% IN CVCS 2)

Health & Safety

61% OF FIRMS PROVIDED
SUPERVISORS WITH
INCREASED HEALTH AND
SAFETY TRAINING
PROGRAMS

69% PROVIDED WORKERS
WITH INCREASED HEALTH
AND SAFETY TRAINING
PROGRAMS

74% OF CONTRACTORS SAID THE
PANDEMIC HAS INCREASED
THEIR AWARENESS OF HEALTH
AND SAFETY RESPONSIBILITIES
IN GENERAL

46% OF CONTRACTORS ARE MORE
AWARE OF RESOURCES AVAILABLE
TO IMPROVE THEIR HEALTH AND
SAFETY PROGRAMS COMPARED
TO BEFORE THE PANDEMIC

Key Takeaways

- ❑ Still a great deal of uncertainty about the recovery
- ❑ Construction industry stands to be a winner in the recovery, but downside risks exist in the near term
- ❑ Government infrastructure investment is critical
- ❑ Health and Safety – an opportunity to create lasting change

THANK YOU

Visit our website at
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Q&A SESSION