



2024 Contractor Survey

CONTRACTORS' INSIGHTS ON
THE ICI CONSTRUCTION INDUSTRY

**RESEARCH DRIVEN.
INDUSTRY FOCUSED.**

2024 Contractor Survey

In 2023 we saw a myriad of changing economic circumstances. Interest rates soared and inflation ebbed. This led to a slowdown in the housing sector and in consumer spending, as mortgage and debt payments increased. However, non-residential construction activity remained robust: investment in both commercial and industrial building steadily climbed past previous record levels, permit value reached unprecedented highs in the institutional sector, and the construction labour force and employment reached an all time high in the summer. However, as we move into 2024, there is still much economic uncertainty, particularly around interest rates and how the economy will be impacted going forward.

Our 2024 Contractors Survey suggests a mixed picture for the coming year. Coming off the strong momentum in 2023, expectations for business in 2024 ran cooler than in our 2023 survey. However, the majority predicted more business, pointing to the abundance of current work and projects in the pipeline. On the other hand, high costs, labour market challenges, and economic uncertainty weighed negatively on the outlook. Labour costs, material costs, and interest rates were high on the list of concerns and were the primary reason for project cancellations. In contrast to these issues, the supply chain saw marked improvement.

This year we also asked a series of questions related to technology use in the construction sector. Building Information Modeling (BIM), jobsite data collection apps, and advanced building materials topped our list. Most contractors cited increasing productivity and lowering costs as their primary motivator for adopting new tech, whereas costs remained the biggest obstacle to the uptake.



Methodology

The Ontario Construction Secretariat's (OCS) annual Contractor Survey polls Ontario's ICI contractors to gauge their business expectations for the year and capture their views on salient issues in the industry. The survey includes ICI contractors from every region in the province, including union and non-union labour models. The margin of error for this survey was +/- 4.28%.

500 Telephone interviews
with Ontario ICI contractors
between November 24, 2023 to January 4, 2024

35% General
Contractors

60% Trade
Contractors

5% Unspecified


Disclaimer: Due to rounding, some percentages throughout report may not sum up to 100%

Construction Industry Outlook

After a roaring 2023, contractors have a cooler 2024 industry outlook

When asked to reflect on their 2024 outlook for Ontario's construction industry, two-thirds (66%) of contractors are feeling positive, down from 81% in last year's survey. This cooler outlook stems partly from the fact that 2023 was a very busy year. Another factor dampening expectations is rising construction costs.

Interestingly, there was a notable difference between sentiments when taking union status into account; 71% of unionized contractors had a positive outlook, compared to 64% of non-union contractors.

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Massive project pipeline fuels positivity

Many contractors commented on the large amount of work currently being done, as well as the number of upcoming projects. Some of the reasons cited for increased activity were the abundance of infrastructure projects, increasing population and housing demand, policies helping to push housing, and government support. Some also anticipated a drop in interest rates, which they believed would spur more activity.

Increasing costs tame outlook

The most common reason for a negative outlook, comprising over 20% of the negative open-ended responses, was **increasing costs**. The most frequent costs mentioned were higher interest rates (noted by almost a fifth), material costs, and high taxes. Other prominent items were labour shortage (16%) and a weak/declining/uncertain economy (12%). Some responses also mentioned government policy and regulation, as well as tight money or a lack of financing.

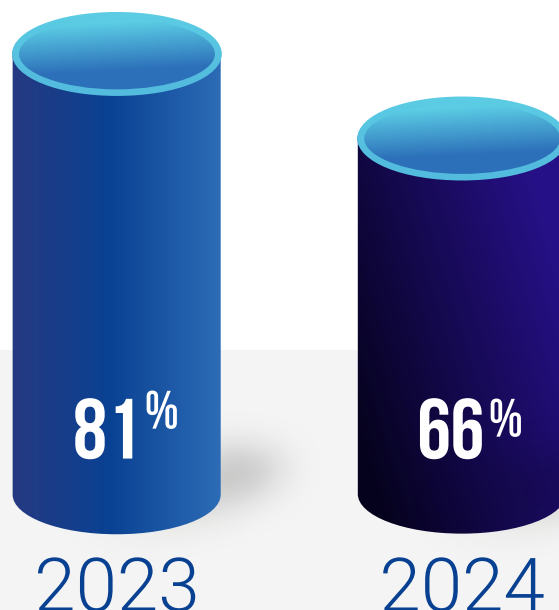
"Things slowed down towards the end of year and I think this slow down will continue. Costs have sky rocketed. And with interests rates high as well, people are not as likely to spend."

- Survey Respondent

Percentage of Contractors with Positive Outlook

"I imagine there is going to be an increased need for infrastructure with the population rising."

- Survey Respondent



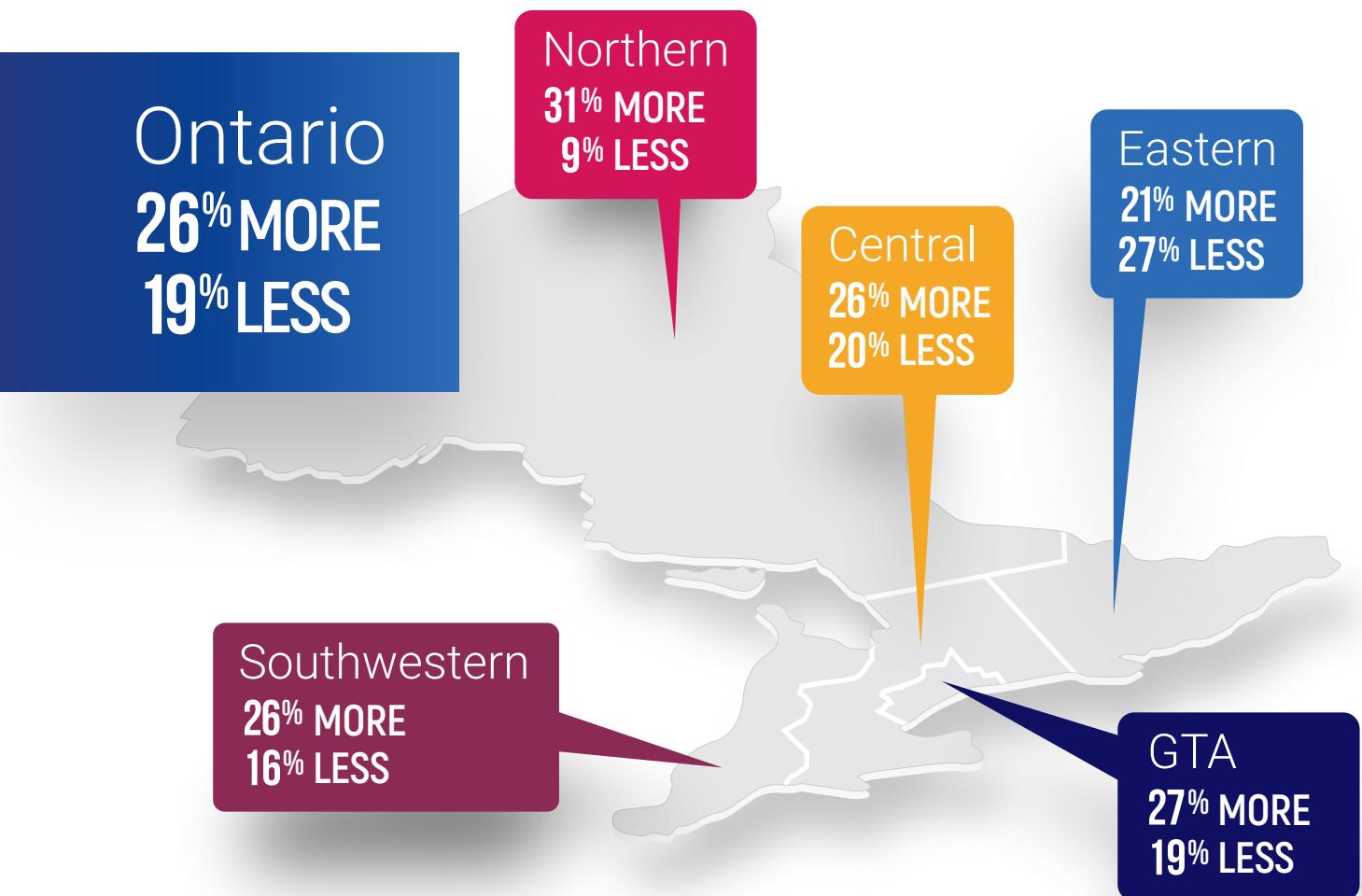
Contractors' Business Expectations: Provincial and Regional Outlook

Northern Ontario leads the province with 31% of contractors expecting more work

Heading into 2024, contractors' business outlook, at a provincial level, cooled modestly from that of 2023. This year, 26% of respondents expected more business in 2024 (32% in the 2023 Contractor Survey). Regionally, Northern Ontario contractors are most optimistic about 2024 whereas Eastern Ontario contractors reported a large decline in business expectations, with only 21% expecting more business in 2024 (30% in 2023's survey, and 38% in 2022's). As with last year, around 50% of contractors in each region expected the same level of business in 2024.

We also saw an increase in the percent of contractors expecting less business in 2024 (19% vs 16% from the 2023 survey). Of note was the Eastern region, in which 27% of contractors expected less business compared to 2023. Given the strength of 2023, it is unsurprising that the expectations for 2024 are somewhat lower; 2023 saw record high employment and record levels of building construction investment.

% of contractors expecting more or less business compared to 2023



Note: Regions are based on the BuildForce definition from the Ontario Construction and Maintenance Looking Forward Report

Q "Looking forward, how much business do you expect to conduct in 2024 compared to last year, on a 5-point scale where 5 means that 2024 will have much more business than 2023 and 1 meaning much less?"

Labour Market Outlook

One-third of contractors expect to hire more workers

Hiring expectations for 2024 compared to 2023 (% of contractors)

Hiring intentions remained roughly the same as in last year's survey, with 34% of contractors expecting to increase their hiring. However, contractors also noted ongoing concerns related to labour availability, with 65% reporting that accessing skilled labour would become more difficult in 2024.

34% MORE
HIRING

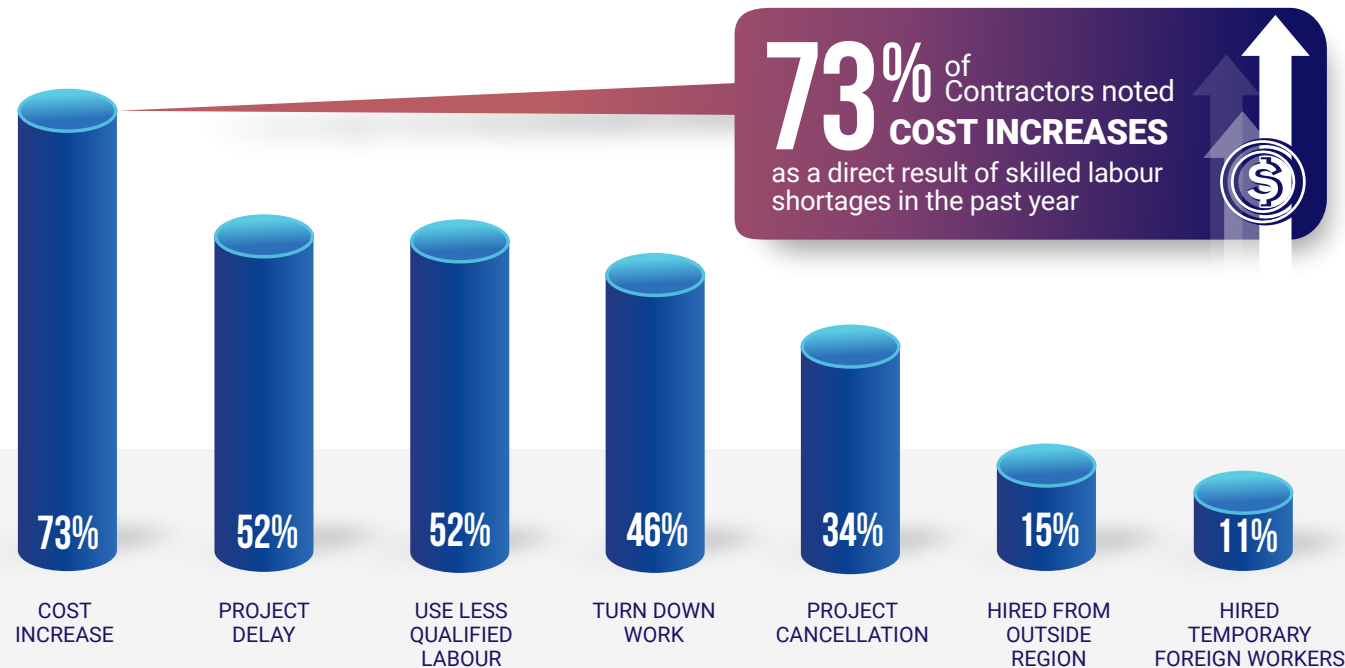
58% SAME
HIRING

8% LESS
HIRING

Q "Thinking of the year 2024 overall, do you expect the number of people employed by your firm to be higher, lower, or the same compared to 2023? [By number of people employed we mean all staff including onsite skilled labour and salaried office staff]"

Contractors point to rising costs and project delays as key consequences of labour market challenges

Almost three-quarters of contractors pointed to rising costs as a consequence of skilled labour shortage (up from 63% in last year's survey), whereas project delays decreased to 52% from 58% last year. Fewer contractors also reported having to turn down work (46% compared to 50%).



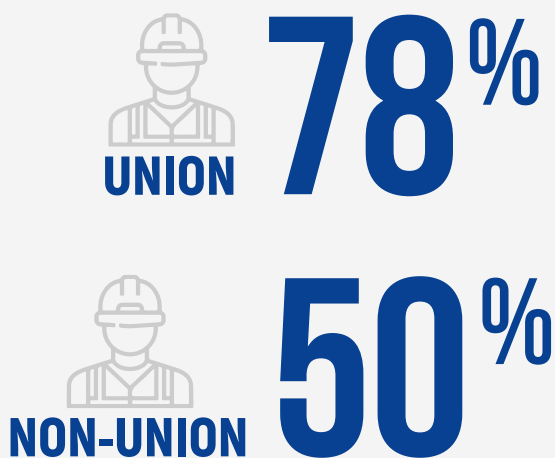
Q The following is a list of potential consequences of skilled labour shortages. Has your firm experienced any of the following as a direct result of skilled labour shortages in the past year?

Labour Market Outlook

Over three-quarters of union contractors employ apprentices

Building Trade unions and their contractor partners continue to be leaders in apprenticeship training. Although, we saw a drop in the overall proportion of contractors employing apprentices, 78% of union contractors report employing apprentices in contrast to 50% of non-union contractors.

Percentage of Union and Non-Union Firms Employing Apprentices



KEY TAKEAWAY

Union Contractors Continue to Lead in Employing Apprentices

Revenue Expectations

Somewhat higher than the percentage of contractors expecting more business, 35% of contractors anticipate an increase in revenues in 2024. However, one in five contractors (19%) are anticipating a decline in revenue.

Revenue expectations for 2024 compared to 2023 (% of contractors)



Q Looking forward to 2024, do you expect your firm's annual revenue to be higher, lower, or about the same compared to 2023?

Contractor Concerns

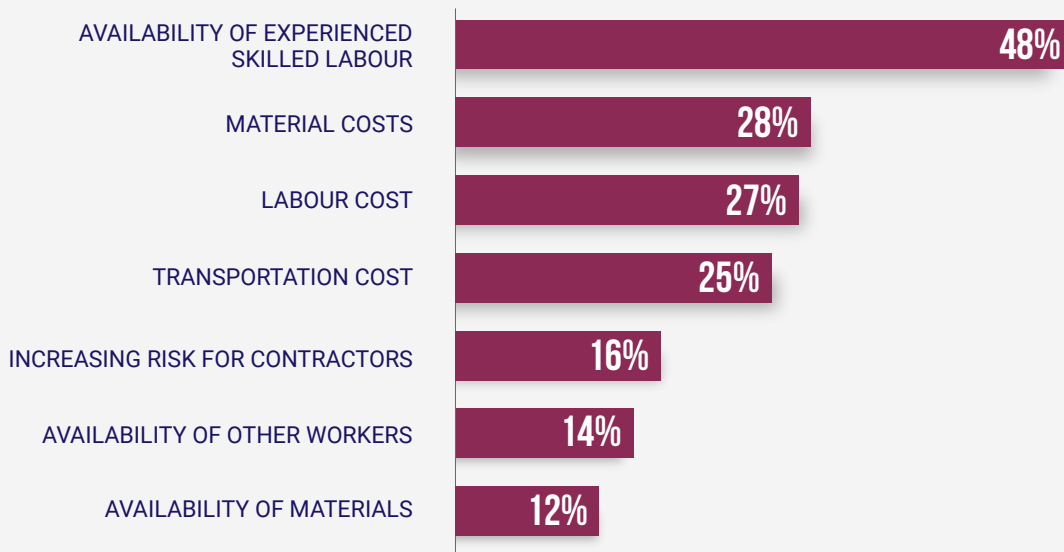
Availability of experienced skilled labour remains a top concern

To gauge ICI contractors' top concerns, we ask them to rate a series of potential concerns on a 5-point scale where 5 indicates a major concern, and 1 is not a concern at all. The responses to this question are assessed in two ways: the percentage of contractors who gave the highest possible score (5 out of 5), and the average score of each concern.

Availability of experienced skilled labour was the most significant concern with 48% of contractors assigning it with the highest possible score (5 out of 5), up from 41% in the 2023 survey. Second tier concerns include: material, labour, and transportation costs, with at least one-quarter of contractors noting these costs as a significant concern. A greater proportion of contractors assigned the highest score to labour costs and transportation costs when comparing the responses to the 2023 survey. Of note, material availability dropped to the bottom as a significant concern, with only 12% of respondents rating it a 5. This is reflective of improvements in supply chains that took place over the second half of 2023.

Looking at the average score, the top 4 concerns remained the same, with availability of experienced skilled labour scoring an average of 4.0, labour and material costs each scoring 3.6, and transportation costs scoring a 3.5.

Top Concerns (% of contractors assigning highest score)



Q "How much of a concern to your business are the following on a 5-point scale where 5 means a major concern, and 1 means not a concern at all?"



KEY TAKEAWAY

Availability of Experienced Labour and High Costs Top Concerns

Supply Chain

Contractors note an easing in supply chain disruptions

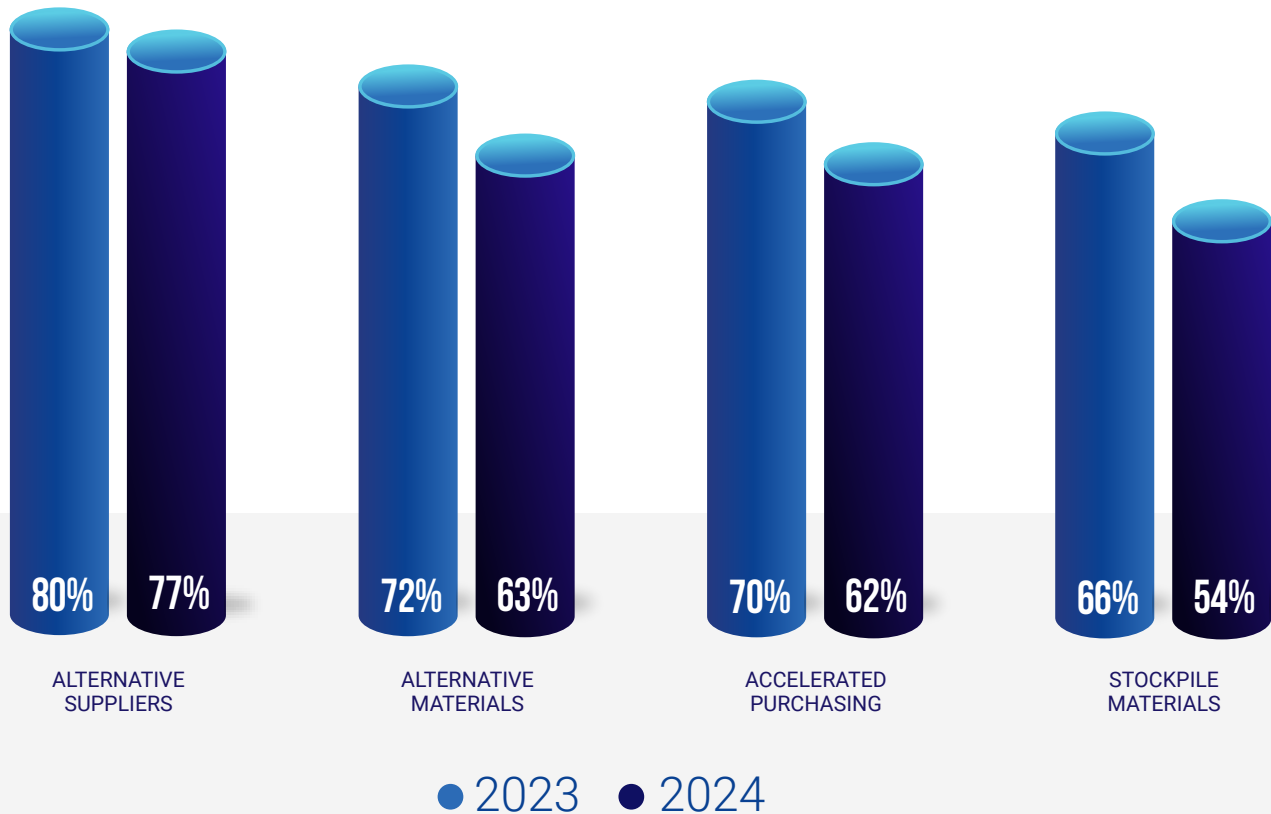
As previously noted, contractors' concerns about the availability of materials have eased. When asked specifically about supply chain disruptions, **58% of contractors reported experiencing significant disruptions in the past year**. This is down significantly from 73% reported in last year's survey.



Q Has your firm experienced significant supply chain disruptions in the past year?

Approaches taken by contractors to avoid supply chain disruptions

Over the past few years, contractors have explored a number of options to help mitigate supply chain disruptions. Consistent with the easing of supply chain issues, we observe a lower proportion of contractors reporting the use of alternative approaches compared to last year's survey.



Q Has your firm taken any of the following approaches to respond to or avoid supply chain disruptions?

Project Disruptions

Project disruptions appear to be stabilizing

We started tracking project cancellations and postponements in response to the COVID-19 pandemic and continue to monitor this to identify a baseline. Consistent with last year's survey, just over one-third of contractors reported having projects cancelled by the owner. In terms of postponed projects, 56% of contractors report having projects postponed to a later start date (up modestly from 53% in last year's survey).

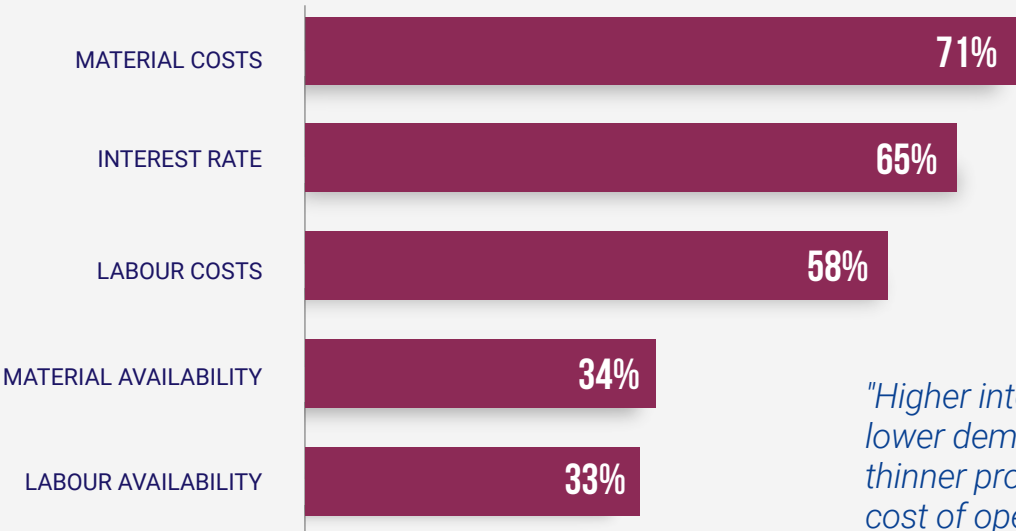
36% of contractors
have had projects
cancelled by the owner

56% of contractors
have had projects
postponed by the owner

High costs main source of project cancellations

Material cost inflation, interest rates, and labour costs were cited as the most common reasons for project cancellations. While high costs were also noted as the primary reason for project cancellations in the 2023 contractor survey, this year's results suggest that it has become an even greater concern. This is consistent with respondents' primary reasons for a negative outlook and the previously discussed top concerns.

Reasons for project cancellations



"Higher interest rates equals lower demand, smaller projects, thinner profit margins and higher cost of operating"

- Survey Respondent

Q What were the major reasons for the project(s) being cancelled? (based on 182 contractor responses)

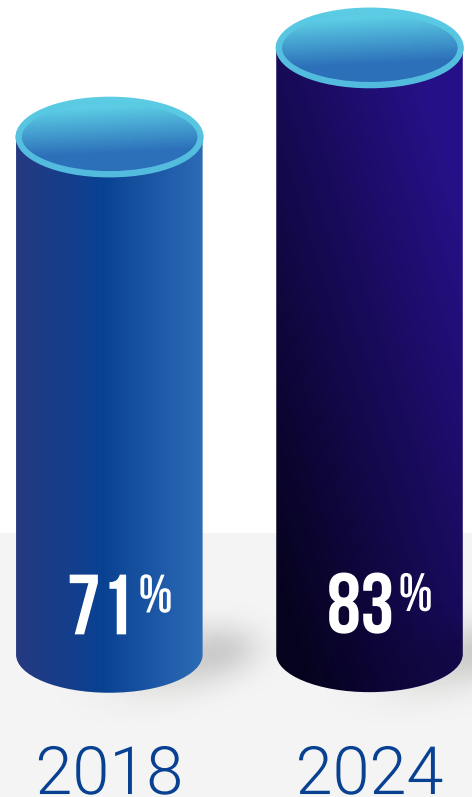
Technology

Technology in Ontario's construction industry is continually evolving. To keep a pulse on the industry's adoption and views on construction technologies, OCS periodically adds a series of tech questions to our annual survey.

Importance of technology increasingly recognized

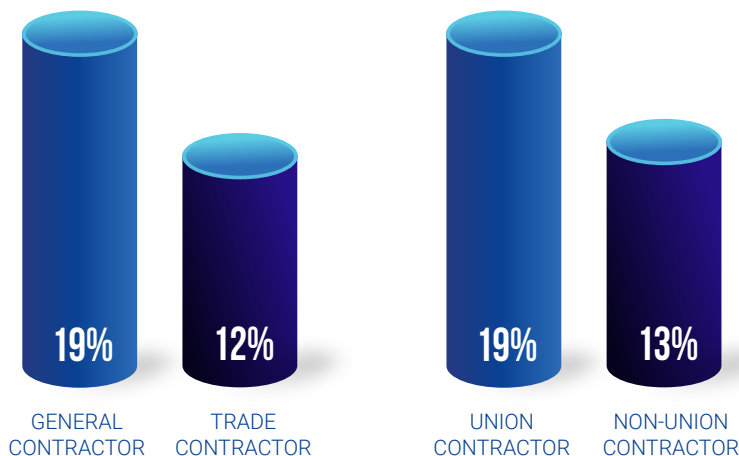
This year, 81% of ICI contractors said that adopting new technologies is important to the future of their business, up from 71% in 2018. Although the share of contractors who note adopting new tech as 'very important' has not changed since 2018 and remains at 28%; the number of naysayers has dropped dramatically to 17% (from 29% in 2018).

8 in 10 contractors believe new technologies are important to the future of their business



15% of contractors budget for technology

Having a dedicated technology budget is a key indicator of how important new technologies are to businesses. Overall, 15% of contractors reported having a budget for technology, which is slightly higher than 13% from our 2018 survey.



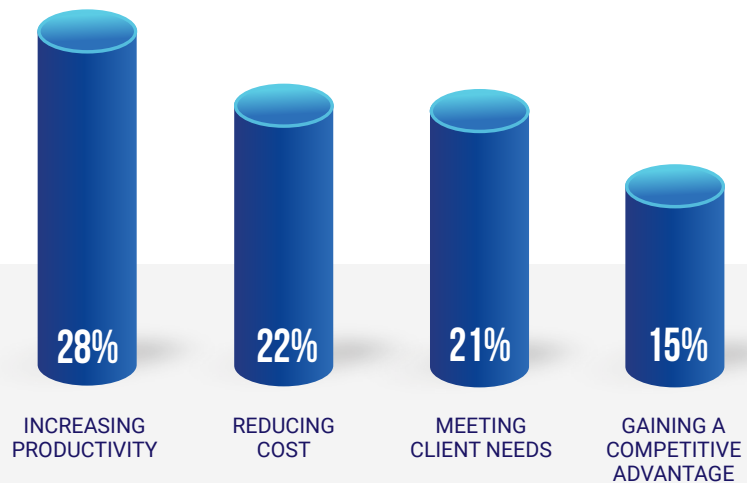
General contractors and union contractors are both more likely to have a technology budget.

Productivity Enhancement Driving Adoption of New Tech

Contractors were given a series of potential motivators for the adoption of new technologies, and asked to select which was the most significant to their firm. This year, productivity enhancement jumped to the top spot, comprising 28% of responses. Filling out the top three motivators were reducing costs (22%), and client needs (21%).

Compared to previous surveys, the motivators for adopting new technology changed in relative importance. Historically, the client was driving contractors to adopt new technology, but this year we see more contractors being motivated by increasing productivity and lowering costs.

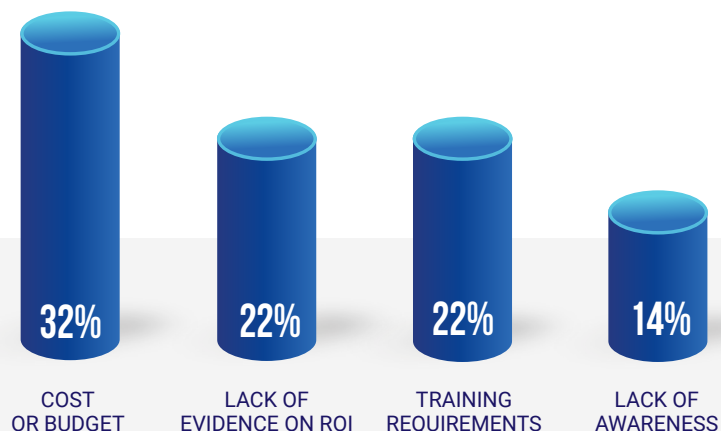
Top Four Motivators for Adopting New Tech



Cost is Still the Greatest Barrier to Adopting Technology

Thirty-two percent (32%) of contractors said that cost or budget restrictions was their most significant barrier. This was followed by lack of evidence that new technologies will bring a return-on-investment, and training requirements, both of which were identified as the most significant barrier by 22% of contractors. At 14%, lack of awareness of new technologies was the least commonly selected of the four. As with the motivators, the barriers to adoption were similar to those seen in previous surveys.

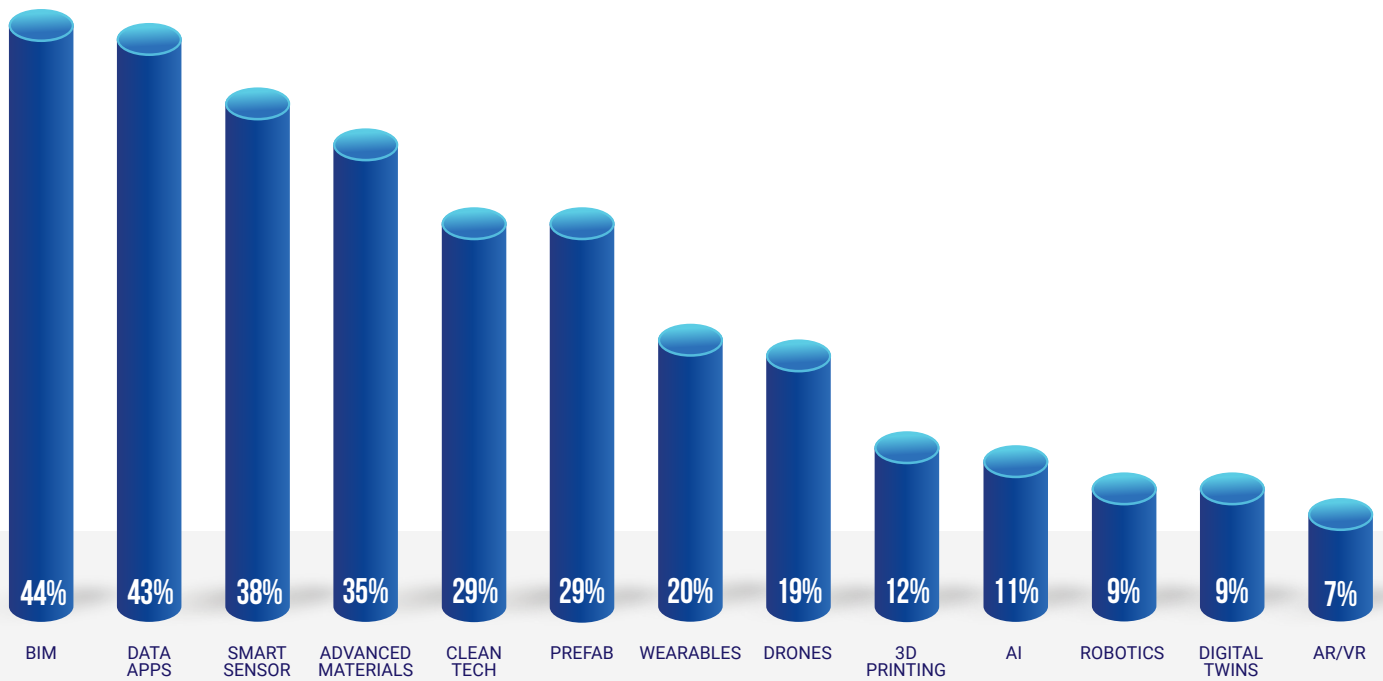
Top Four Barriers to Adopting New Tech



What technologies are contractors using?

ICI contractors were asked about their firm's experience with thirteen categories of technologies. The most commonly used technologies were BIM (44%) and jobsite data collection apps (43%). Other technologies utilized by approximately one-third of contractors include: smart sensors (38%), advanced building materials (35%), clean tech (29%), and prefabricated or modular building (29%).

Despite the buzz around artificial intelligence, robotics, 3D printing, augmented/virtual reality, wearables, digital twins and drones, these technologies are still emerging in terms of widespread adoption by contractors. Of these niche technologies, the use of drones is increasingly being reported. One in five contractors reported they have experience with drones, double what was reported back in 2018.



Future adoption of new technologies and return on investment

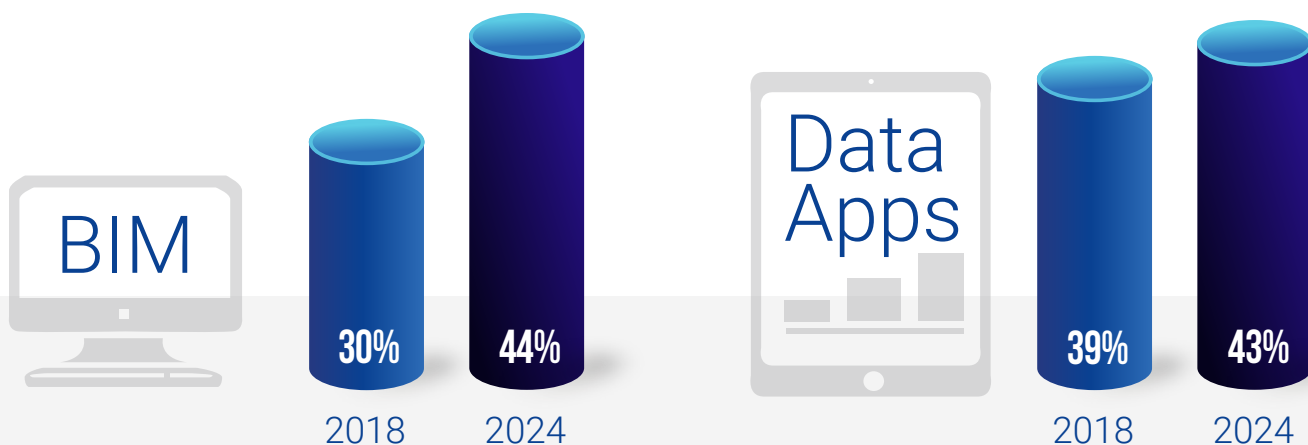
The technologies that contractors are most likely to adopt in the next five years are data apps, BIM, smart sensors, and advanced building materials. On the other end, digital twins and robotics are not anticipated to see wide use by contractors in the next few years.

Interestingly, the percentage of contractors who believed Drones, AI, and 3D Printing would bring a significant return on investment was much higher than the percentage of contractors which reported having experience with those technologies. This could indicate that contractors are excited for the potential of these technologies, although not yet ready for near term adoption.

Rise of BIM and Jobsite Data Apps

According to some industry experts, the future of construction is data-driven. But how the industry captures and utilizes that data is an important question. Rising in popularity over the past decade, BIM is an information management software which utilizes multidisciplinary data, detailed 3D representations, and real time collaboration to aid in the design, construction, and operation process. **Improved collaboration, reduced rework, and increased efficiency are three important benefits that BIM brings to the construction industry.**

More recently, a plethora of jobsite applications have evolved with the promise of providing greater efficiency, streamlined processes, and the potential to revolutionize how we approach construction. As with the adoption of any new technology, contractors need to do their due diligence to ensure these apps help solve identified problems or challenges and enhance the building process.



Clean Technology

The adoption of Clean Technology refers to the use of energy efficient materials and processes to reduce carbon emissions. In construction, this can mean the use of less intensive and cleaner sources of electricity (solar, wind, water and/or heat pumps), enhanced insulation, sustainable building materials such as mass timber, or the use of smart technology to optimize energy use.

As Canada sets out to achieve its sustainability goals, Canada's Building Trades Unions (CBTU) has launched a national training program, **Building It Green**, to strengthen and support the construction industry's journeypersons, apprentices, and trades instructors for the integral role they will play in ensuring Canada meets its goals of achieving net-zero by 2050.

According to a recent survey by Procore Technologies, Cleantech is no longer just an idea on the horizon; governments and owners are demanding it, and contractors are gaining experience and expertise in building more sustainably.



Robotics, Wearables, and Drones

Widespread adoption of robotics, including drones and wearables, has not yet been achieved in the construction industry. While drone usage has doubled since 2018, wearables have actually seen a decrease in adoption. One theory about the slow adoption of robotics is that companies are primarily investing in lower-cost technology, like drones. Drones are versatile and can be used for a variety of jobsite tasks, including monitoring, surveying, inventory, and data collection and can drastically reduce the time it takes for these activities.

Drones and wearables, such as exoskeletons, also have the added advantage of mitigating the risk of injury on the jobsite, thereby enhancing health and safety.



KEY TAKEAWAY

Data related applications lead the way in construction sector technology

2024 Key Contractor Perspectives

1

Business expectations have tempered modestly

While a majority of contractors have a positive outlook for the next 12 months, they are slightly less heady than they were at this time last year. However, it is unsurprising that most contractors are still optimistic; ever-increasing demand for infrastructure work fuels the large pipeline of projects in Ontario. On top of that, governments are focused on solving the housing crisis which will drive residential construction and further increase the need for infrastructure. Tempering contractors' outlook are high interest rates, labour market challenges, and economic uncertainty.

2

Labour market supply remains a top concern

Two-thirds of contractors anticipate increased difficulty in accessing experienced skilled labour over the next 12 months. Labour market challenges are driven by aging baby boomers, significant building investment demand, and a smaller cohort of young workers. Addressing immigration barriers for skilled trades people and opening up the industry to a more diverse range of people will help increase the pool of available talent and ease the labour challenges. These are long term solutions that will take time.

3

Easing of supply chain issues welcomed

Material availability dropped to the bottom of the list of contractor concerns, and far fewer contractors experienced supply chain disruptions than in the previous two surveys. This mirrors the easing of the Global Supply Chain Pressure Index which returned to more normal levels over the course of 2023.

4

Technology use continues to grow but barriers hamper wide-spread adoption

Adoption of new technologies can have a significant return on investment, but many contractors still struggle with the initial start-up costs and training requirements. The adoption rate of new technologies is varied. Top technologies reported include BIM, jobsite data collection apps, advanced building materials, and smart sensors. Drones have seen increasing use over the years, while other technologies remain relatively niche (AI, augmented/virtual reality and 3D printing). Although not widely used, AI has some contractors believing it has the potential to generate significant returns.

NOTES

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