

Top Contractors survey suggests industry is cautiously optimistic

By Adam Freill September 10, 2024

Having weathered significant inflation and elevated lending rates, growth in government-funded ICI and infrastructure projects, and incentives in the housing market have Canadian contractors feeling good as 2024 unfolds.

Publicly funded projects had Canada's construction sector busy in 2023, and contractors report that government-driven activity is filling the industry's backlog nicely for the foreseeable future. This drive to build and repair much-needed infrastructure and institutional buildings is helping certain segments of the industry, and masking the challenges faced in other segments, however, as residential and certain commercial sectors are more susceptible to a tight lending market.

Overall, despite the worry about finances and the ongoing labour crunch, there's a whiff of optimism permeating the construction sector as the national housing plan moves forward and anticipation builds for relief from the Bank of Canada on lending rates.

"With the current economic conditions, we cautiously expect the feds to slowly lower the interest rates this year, which will help projects get closer to becoming viable," said Mike Wieninger, COO of Canadian operations with PCL Construction.

In *On-Site Magazine's* annual Top Contractors survey, conducted in April and May of this year, readers from almost every segment of the market indicated an expectation for a growth curve of flat or better in 2024. A quick look within the Top Contractors rankings indicates that the 2023 revenues of the Top 40 outpaced those of the 2022 Top 40 by more than \$4 billion, indicating that spending in the sector is on the rise, although not all segments are sharing equally in the spoils.

"There still remains caution in the market that is pushing project starts further out," advised Wieninger. "Construction costs have stabilized with more normal escalation, which again provides some confidence on cost predictability. While the private sector construction market has slowed, there continues to be a strong public construction market."

“On the public side, we are optimistic. Government has not invested in public infrastructure in years, and now it’s aging and it needs to be repaired, retrofitted, and constructed. On the public side, we’re not that concerned,” stated Rod Gilbert, president of the Canadian Construction Association. “On the private side, interest rates are still high, but we’ve not seen the cancellation of many projects.”

Labour a limiting factor for contractors

With public sector work rolling as it is, that has put some strain on availability of labour, equipment and materials, with labour being a core limiting factor in the industry.

“It’s a major issue in the industry. We’ve been talking about that for years,” acknowledge Gilbert. His organization has shifted some of its focus to changing perceptions about the industry, targeting parents of the students that CCA would like to see join the industry’s ranks.

“It’s really the parents that are directing what their children should be doing,” he said. “We’re trying to explain to parents that it’s good jobs; it’s well paid; it’s safe. There’s so much emphasis put on safety now and our companies are doing very well on that.”

“There’s so much opportunity in the construction industry. And it’s not necessarily just construction, but it’s all of the ancillary businesses and avenues that feed into construction,” added Cameron Archer, director of sales and marketing with Orion Construction. His company works hard to be an employer of choice. “There are so many things that we do in this office to ensure that staff are happy and healthy, because without that, they can’t be productive.”

“Leaders in the industry need to emphasize that construction has some of the highest job satisfaction levels,” stated Nadia Todorova, executive director of the Residential and Civil Construction Alliance of Ontario (RCCAO). “Being part of building critical infrastructure for Ontario’s long-term success is something that should be highlighted, especially as industry works to attract young people into the skilled trades. The ability to say that ‘I build that bridge, or house’ is something powerful.”

“Having worked at a GC for 15 years before I came to Procore, recruiting was a problem back then, so it’s nothing new. And I think the key is you not only need to recruit talent; you need to keep them,” said Kris Lengieza, Global Technology Evangelist at Procore. “I can tell you from personal experience, one of the reasons that I changed companies was that I felt that the company I was working for was way behind the times with the technology they were using. The younger generation wants to know that they’re getting the best tools to do their job.”

Attracting students is a necessary component of replenishing the workforce, but Canada needs more than schools can produce, so looking abroad for immigrants with construction experience makes sense.

“The demographics of the country point to more workers exiting the workforce over the next 15 years than younger workers available to replace them. This will place significant pressure on all industries and force Canadian employers to turn increasingly to immigration to help support domestic recruitment,” suggested Bill Ferreira, executive director with BuildForce Canada.

Current immigration policies do not favour trades workers, since the points system used values degrees over trade certifications and experience, he explained.

“We’re working closely with the federal government. We believe that short-term, immigration could be a solution,” said Gilbert. “But in order to do that they need to change their pointing system because right now, the way that immigration Canada is selecting their newcomers is not beneficial to the trades.”

Technology impacting the sector

Regardless of where the workers come from, ultimately projects will move forward, with many companies turning to technologies like Artificial Intelligence (AI) to aid with planning and tracking, as well as to gain efficiencies on administrative tasks.

“The Canadian construction industry is gradually adopting AI, with certain segments such as non-residential more receptive to its integration,” said Wieninger.

While the cost and training needed to incorporate AI into a company’s workflow may favour larger companies, the efficiencies from using the right AI-powered tool can help small and medium-sized enterprises as well.

“In our office, the very first place that we saw some value in AI was because we have an in-house design and architecture team. We’ve been using AI for a lot of our rendering work,” said Archer. “We’ve also been integrating it and leveraging the use of it in tracking meeting minutes, which has been incredibly helpful. You think about the time that it’s saving us, it’s been pretty incredible.”

“There is a bigger focus on technologies that support the efficient management of the sites, the organization of the workforce and tracking of progress of the work,” said Wieninger. “Over time, it’s exciting to see this moving even closer to the activities that workers do to build.”

And while it may be beneficial to learn about open and closed AI systems, from a cybersecurity perspective, it is not necessary to build a propriety system to tap into this next level of technological advancement.

“I’ve been encouraging customers to talk to their existing vendors and understand what they’re doing with AI,” explained Lengieza. “You don’t have to do the lift yourself. Let the experts do the lift for you. And then use it inside of tools that you’re already using.”

Knowing that a company will get good value, and extended use, from a new set of tools, like AI, can also foster the adoption of technology.

“The problem with innovation and technology in the industry is it’s expensive. It’s a big financial commitment. We need longterm planning,” commented Gilbert, who says that CCA is pressing government at the federal level to commit to a 25-plus-year planning process for infrastructure, which would provide a long-range outlook that would allow for greater industry commitment to spend on such things as new technologies. “Our companies are willing to embrace technology, and make it better and build faster, but we need commitment.”

Even in the absence of a long-range federal plan, Canada’s construction sector is seeing increased demand for its services, and there are expectations that interest rate reductions over the remainder of 2024 will see private-sector projects grow alongside the publicly funded projects that have keep momentum moving forward this past year.

“I think, in general, contractors are pretty confident in their backlog and that the projects are going to continue to come,” said Lengieza, who pointed to a recent industry survey his company helped to produce. “Seventy per cent of Canadian civil contractors said that they expect their backlogs not only to be solid, but to continue to increase.”

As Ferreira observed, “We continue to see very strong investment levels and demand for construction services across the country, which should keep the industry very busy for the foreseeable future.”