

BTY Group

Market Intelligence Report Q4 2013

Mega Projects **Mean Bigger Labour Demand**



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Canada: Promised Land for Stable Construction



At the end of each year, we gather cost data and market insights from local experts in each office, and have a series of brainstorming sessions to articulate the big picture; how did 2013 position the construction industry for the new year? What are the driving factors affecting growth at home and abroad? The Market Intelligence Report is the culmination of these efforts, and an important tool for our clients and industry partners to understand the context behind labour and material costs.

This year, the big stories are investments in energy projects, and the related demands on skilled labour. As the first will play a key role in “building” momentum, the strain from the latter will inevitably shape how the year unfolds.

Perhaps the story at the heart of all the upward and downward pressures is that Canada continues to be a promised land for stable construction.

Where is one of the world’s hottest markets for building in the short term? Canada. Medium term? Canada. Long-term? Ditto.

And the excitement is not limited to a select few sectors. As our readers will learn, the Canadian market has a healthy appetite, and the menu features, extensively, items from new dams, mines, and commercial projects, to transit, and oil and gas infrastructure, right across the country.

The world has taken notice of how well Canadians have handled a relatively sustained pace of growth through the financial turmoil of the past five years. This is evident in the increased demand for Canadian expertise, especially with regard to Public-Private Partnership projects in the United States, a market that is even closer to home than ever before.

Yet as we enter the New Year with confidence, and do our own due diligence on both local markets and global issues, the onus remains to abet growth with innovations in how we build and what we use. Sustainable and environmentally responsive design and building methods are no longer the future; they are part of daily practice.

These are the ideas that came out of our own discussions, and we have shared them here along with analysis of what we do best: deconstruct project costs and risks for the benefit of our clients.

To a prosperous year,

Joe M. Rekab
Managing Partner

OVERVIEW



Mega projects to lead growth.

Major hydroelectric, oil and gas, and mining projects will complement new and ongoing infrastructure and booming commercial construction to counterbalance reduced residential activity and keep construction workloads and escalation stable.

Lower-than-anticipated growth in the U.S., still weak recovery in the European Union, and China’s lowest GDP increase in a decade will temper Canada’s economic growth. Robust resource investment, commercial construction in major cities and continued high immigration that sustains housing demand will support modest growth. Even so, a growing shortage of skilled trades, due in part to the retirement of large numbers of workers, is already being felt in some regions and sectors. Increasing competition is also expected from multinational construction firms now active in Canada.

The federal government’s commitment to earmark \$53 billion for infrastructure spending over the next 10 years brightens the outlook beyond 2014. A strengthening US economy, a

sustained European recovery and continued infrastructure spending in China and India will further support forward momentum. While oilsands investment is off the record pace of recent years, new commitments valued at more than \$50 billion for developing natural gas fields and liquefied natural gas (LNG) export infrastructure are fueling the sector. Ongoing and new transportation and social infrastructure projects, large-scale energy projects valued at more than \$40 billion, and more than \$137 billion worth of mining investment to 2020 across the country will provide a solid foundation for stronger, longer-term growth.

The consensus view among major banks is that GDP growth will be about 1.6 per cent this year, 2.3 per cent in 2014 and 2.6 per cent in 2015. The Bank of Canada is expected to continue keeping interest rates at or near historic lows. This serves to dampen inflation, which should also help to keep overall construction escalation low in 2014 with variations by province as noted below.

ESCALATION FORECAST 2014

Ontario	2%-4%
British Columbia	1%-2%
Alberta	4%-6%
Saskatchewan	3%-5%
Manitoba	1%-2%
Quebec	2%-4%
Atlantic Region	1%-2%

2014 Escalation Summary

- Downward pressure is coming from:
 - Forecast for modest economic growth in 2014.
 - A still relatively strong Canadian dollar lowering cost of imported goods.
 - Softer commodity prices (except lumber) that could cause a decrease in materials costs.
 - Tighter restrictions on mortgage lending.
 - Increasing competition from multinational construction companies.
- Upward pressure on pricing is coming from:
 - Continuing high oil prices.
 - Increased investment in major energy and mining projects.
 - Sustained spending on infrastructure.
 - Continuing strong immigration; and
 - Low interprovincial migration of skilled trades to meet regional demand.

Escalation Summary

2014 : 2-4%

2015 : 2-4%

2016 : 3-4%



Ontario

Mining, energy and other non-residential construction build momentum

Ontario is expected to outpace overall growth in Canada in 2014 for the first time in a decade. Improving business investment and trade will spur more non-residential construction, especially in mining and energy. Sustained infrastructure investment, a strong commercial sector and steady new residential building will help keep construction levels stable.

The steady rebound of the U.S. economy and a slightly lower loonie will give a welcome boost to Ontario's manufacturing and exports. A forecast jump in net migration from 77,800 to 86,300 in 2014 will help sustain housing demand, with 60,800 housing starts projected for 2013 and 60,300 for 2014. There is currently 5.9 million square feet of commercial space under construction in downtown Toronto, with all projects expected to be completed by 2017. Multiple major suburban malls are also being redeveloped.

The Ontario government's commitment of \$35 billion from 2013 to 2015 for infrastructure will stabilize workloads. The \$4.9 billion Eglinton Crosstown

LRT, the \$4.0 billion International Trade Crossing, and Ottawa's \$2.1 billion LRT projects lead the way in transportation. Major social infrastructure projects include the \$2 billion Oakville and \$1.75 billion Humber River Hospitals, and more than \$800 million for 20 projects at colleges and universities.

Strong demand for labour for mining and related projects in Northern Ontario is expected to exceed the local workforce in 2014, and there is growing evidence that a shortage of skilled trades is emerging. The Greater Toronto Area (GTA) will heat up in 2015 for transportation and electricity, including generation and transmission projects, as work ramps up for the refurbishment and construction of nuclear power facilities.

Overall, the long-term outlook is strong. Major banks' economic growth forecasts range from 1.5% in 2013, to 2.4% to 2.8% in 2014. They target growth of 3% a year from 2015 to 2017.

Canada's newest export: P3 expertise to the U.S.



As support for Public-Private Partnerships (P3) projects gains momentum in the U.S., experienced Canadian P3 participants are getting into the game south of the border.

Of the several high-profile P3 projects in the U.S. that closed in the past year, three featured winning bidders with a long and successful history of completing P3 projects in Canada. The three projects – US 36 Phase II, Ohio River Bridges East End Crossing, and the Goethals Bridge Replacement – promise to be a harbinger of larger workloads for engineers, construction firms and consultants from Canada with P3 expertise.

The U.S. urgently needs to rebuild its crumbling roads, bridges, parking facilities, and public buildings. The World Economic Forum ranks the United States 24th in the world for infrastructure quality, while the American Society of Civil Engineers gave the U.S. a "D" for infrastructure. A recent McKinsey Global Institute report estimates that \$150 to \$180 billion per year is needed to compensate for past underinvestment and provide a foundation for future growth.

There is also increasing willingness among governments at every level in the US to use the P3 model. Currently, 33 states and Puerto Rico have enacted statutes that enable the use of various P3 approaches for the development of transportation infrastructure.

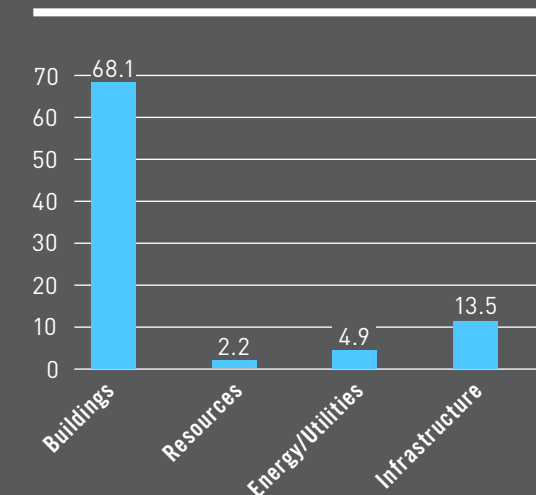
The Rebuild America Partnership, President Obama's plan to encourage private investment in America's infrastructure, gives state and local governments new tools to invest in infrastructure financed with qualified private activity bonds while expanding existing transportation investment programs.

Canadians have completed more than 200 diverse, domestic P3 projects over the last decade, and participating firms are particularly well positioned to help out in the U.S.

BTY Group is one of these firms. Building on our roster of more than 70 P3s in Canada, and 9 in the U.S. (including the three projects noted above), we have recently opened a new office in Los Angeles. Although the P3 markets in the U.S. will have their own unique requirements, challenges, and opportunities, Canadians have much to share and a role to play in making these projects a success south of the border.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Daily Commercial News, Infrastructure Ontario; Natural Resources Canada, Capital Investment; Information Bulletin, July 2013.



“Expect more resource, energy, infrastructure and non-residential projects in Ontario. Strong demand for labour will shift from the northern part of the province to the GTA in 2015.”

DARREN CASH
SENIOR COST CONSULTANT

Escalation Summary

2014 : 1-2%
2015 : 2-3%
2016 : 2-3%

Mega-projects promise stable long-term growth

There will be an estimated \$35 billion invested in Liquefied Natural Gas (LNG) development in BC over the next several years – not including Petronas' \$35 billion project announced late in 2013. Shell Canada's \$12 billion joint venture export facility and Apache/Chevron Corp.'s \$4.5 billion liquefaction plant and marine terminal already have export licences, and the associated \$1.3 billion Pacific Trail pipeline has been approved. Planning is well advanced for three of four hydropower projects (Site C, Ruskin, John Hart, Forest Kerr), and two transmission lines. Collectively they are valued at \$10.3 billion.

Proposed pipeline projects valued at more than \$10 billion for transporting bitumen from the Alberta oilsands to the BC coast are further away on the time horizon as they seek regulatory approvals and attempt to resolve First Nations' issues.

A balanced residential sector, ongoing large-scale commercial projects and transportation infrastructure will also help lift construction levels starting in 2014 – and could contribute to longer-term labour shortages in the skilled trades. Rising in-migration -- from 33,000 in 2013 to 41,000 in 2014, – will help sustain housing starts at 27,900 in 2014, up slightly from 26,800 in 2013.

Commercial and retail projects include new developments valued at \$1.6 billion in downtown Vancouver. The Surrey City Centre expansion will see 10 more towers added there in the next decade, along with a five-star hotel and performing arts centre. Overall, there are 20 commercial developments in

the planning or rezoning stages in the region, and three major mall renewals planned or under way. Infrastructure will also see high levels activity with Canada's largest water filtration plant, major airport and port expansions, a new transit line and ongoing highway projects.

Forestry is riding high on improved demand for wood products from the US, record exports to China and continued reconstruction efforts in Japan following the 2011 earthquake and tsunami. Another significant driver of demand for skilled trades will be a \$3.3 billion contract awarded to Seaspan Shipyards in 2013 for 10 vessels. This business follows an \$8 billion shipbuilding contract announced in 2012.

A Wages & Benefits Survey commissioned by the Independent Contractors and Businesses Association of British Columbia (ICBA) reports that 41% of open shop construction companies are expecting increased business in 2014. On average, they are budgeting a 3% overall wage increase for trades in 2014 and a 4% increase in 2015. See the full report at ICBA.ca.

The inflationary effect of the April 1, 2013 transition from HST to GST/PST has now been absorbed into contractors' pricing structures and construction escalation rates in BC have returned to the national average,

Forecasts for the growth of B.C.'s economy overall range from 2.5% to 2.7% in 2014, up from 1.4% to 1.5% in 2013.

British Columbia

Tall Wood's Time to Rise in North America



Tall wood buildings – usually described as mid-rise construction higher than six storeys – have been making headlines in Europe for their innovative use of one of mankind's oldest building materials. Projects using wood as a structural element have delivered significant economic as well as environmental benefits.

Often called Mass Timber Frame buildings in North America, this approach uses very large, very dense solid panels of wood, which is engineered for strength through laminations of different layers. The most popular types are Cross Laminated Timber (CLT), Laminated Strand Lumber (LSL), and Laminated Veneer Lumber (LVL).

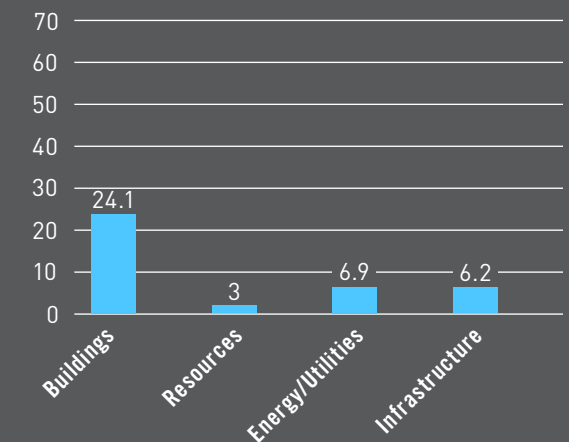
The newly published draft Technical Guide for the Design and Construction of Tall Wood Buildings will enable developers – and buyers – to move ahead with confidence on projects now in the planning stage. The Technical Guide creates a framework for authorities and design teams and provides recommendations for design considerations and construction costs, which BTY Group helped to identify.

One of Mass Timber's big advantages is that it streamlines the building process with pre-planning and integrated design. There are also cost-savings from scheduling improvements, reduced requirements for foundations due to the lighter structure, and the opportunity to use local materials – all of which help to offset the initial learning curve and cost premiums. Tall wood buildings also generate significantly less waste during construction than comparable conventional steel and concrete structures.

These inherent advantages can be expected to attract more builders and buyers to create a new market segment – and in time, drive increased manufacturing of engineered wood panels that will help lower costs to make tall wood buildings even more attractive.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Natural Resources Canada, Capital Investment, Information Bulletin, July 2013; Business Council of BC, BC Major Projects Inventory.



“Competition for skilled trades is heating up with energy projects expected to take the lead in BC. Vibrant commercial construction, sustained infrastructure investments, and \$11 billion in long-term shipbuilding contracts are also stoking demand.”

ANGELA LAI
SENIOR COST CONSULTANT

Escalation Summary

2014 : 4-6%

2015 : 4-6%

2016 : 3-5%

Alberta

Oilsands, flood reconstruction, and office towers drive robust activity levels

Even with investment below the record pace of recent years, oilsands expansion remains Alberta's economic engine, with GDP growth forecasted at 2.0% in 2013 and 3.1% in 2014. Already robust construction levels will also get a boost from reconstruction following the June 2013 floods, a still rising tide of new residents, and a boom in commercial construction.

The flood forced 100,000 from their homes and caused an estimated \$6 billion in damages. The influx of new residents took Alberta's population over the 4 million mark. Net migration is expected to reach 95,600 in 2013 and 68,100 in 2014. Housing starts are forecast to rise from 34,200 for 2013 to 34,900 for 2014, but could be higher with rebuilding from the flood.

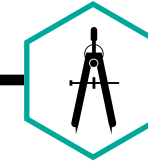
The provincial government pledged an additional \$1 billion for flood reconstruction, topping up planned capital spending of \$5.7 billion for 2014, including \$2.1 billion for healthcare facilities, \$785 million for new schools and post-secondary education, and

\$442 million to twin the sections of Highway 63 that serve the oilsands.

The steady increase in residential building, which is projected to peak in 2018, will see employment growth of 35% in the sector. Non-residential construction employment is expected to increase by 20% by 2018, creating a growing strain on the supply of skilled trades.

Leading Calgary's commercial and residential boom is the first of two towers in the \$1.3 billion Brookfield Place project. Over the next four years, the downtown and environs will add a dozen major commercial buildings and 15 residential towers. Edmonton's downtown is also booming with a \$480 million arena, the \$850 million Galleria Project and the \$340 million Royal Alberta Museum. And Fort McMurray, the epicentre of oilsands development, is in the midst of a \$258 million airport expansion, a surging residential market, and a plan for a new civic centre, a downtown arena, a public square and more high-rise towers.

Skilled Trades Shortages a Moving Target



The good news is that Canada has a robust inventory of energy, oil and gas, mining and infrastructure projects that will help keep the national construction workforce fully occupied for the next decade.

The bad news is that builders are already reporting feeling the pinch of a skilled trades shortage that they expect to become more acute, especially for big projects in Newfoundland and Labrador, Northern Ontario, Saskatchewan, Alberta and British Columbia. When, where, and how large the expected shortfalls will be, depend largely on labour mobility to meet regional and sectoral demand.

The Construction Sector Council's scenario for 2013 to 2021 has the national labour force demand growing by 42,000 – with 210,000 older, more experienced workers leaving the workforce to retire. But there are only an estimated 152,000 new entrants, creating a gap of 100,000 workers.

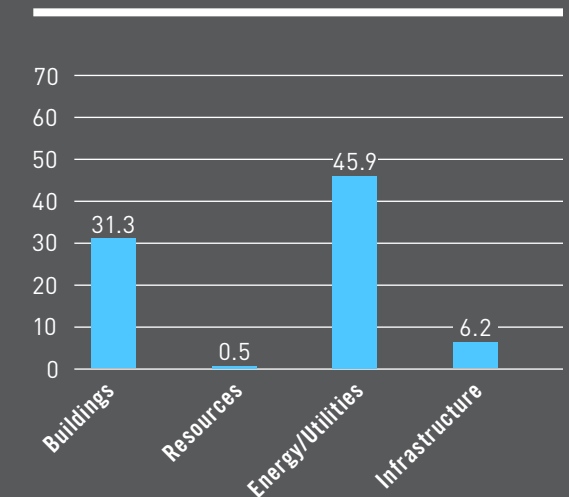
Where will the new workers come from? And will they have the skills to maintain productivity? Some will come from outside the construction industry. And some from overseas. Firms are already recruiting skilled labour from Ireland, which had a very high percentage of its skilled workforce in construction prior to the slowdown following the financial crisis.

The mobility of the skilled trades as demand shifts among types of projects and geographic areas is key to balancing labour supply and demand. The Council forecasts three cycles across regions straining the supply of skills and potentially driving up labour costs.

The first is ongoing resource (often mining) projects in Newfoundland and Labrador, Northern Ontario, and Saskatchewan that will peak in 2014 and 2015. The second cycle is major projects in Alberta. Current and proposed infrastructure projects wind down in 2014 and 2015, while oil sands work holds steady at current high levels. A further round of oil sands expansion is expected in 2016 and, by 2021, will push labour requirements about 20% higher. The third cycle ramps up in Ontario – mostly focused on transportation and electricity in the Greater Toronto Area (GTA) from 2014 to 2018.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Natural Resources Canada, Capital Investment, Information Bulletin, July 2013; Alberta 2013 Capital Plan



Alberta is riding high on billions of dollars for flood repair and an urban construction boom on top of already strong employment driven by the perennial growth engine: the oilsands."

LESLIE FOWLER
SENIOR PROJECT CONSULTANT

Escalation Summary

2014 : 3-5%
 2015 : 3-5%
 2016 : 3-5%

Saskatchewan

Resource expansion and strong in-migration drive robust workloads

Saskatchewan has been Canada's growth leader for almost a decade. In 2013, it is set to eclipse BC to become the country's fourth largest exporting province. Things are even more promising for next year.

Non-residential construction and resource-led expansion will continue to drive commercial and residential growth through 2015. The mining sector is by far the leader, with 15 projects valued at \$32.6 billion, followed by oil and gas/pipelines with 20 projects valued at \$5.1 billion. BHP Billiton alone is investing an additional \$2.6 billion in the Jansen mine, which would make it the world's largest potash mine. Balancing lower growth potash production of 6.5% in 2013 and 4.5% 2014, the province has seen a 16% increase in wheat, barley, and canola crops.

Construction starts in 2014 on three major projects, Children's Hospital of Saskatchewan, the Regina Football Stadium and the Regina Highway Bypass project. Construction is already underway on the \$1 billion Boundary

Dam clean coal power station project in Estevan. A new \$240 million wastewater treatment plant in Regina is in the planning stage.

Construction employment by 2015 is forecast to be more than 60% above historical levels. Meeting labour requirements will remain a strain as it has for several years and contribute to higher cost escalation.

Net migration to Saskatchewan is projected to reach 14,500 people in 2013 and 12,500 in 2014. The influx will help keep a high level of housing starts, with a forecast of 8,600 for 2013 and 8,000 for 2014. There are 14.1 housing starts for every 1,000 people in Regina and 13.7 for every 1,000 in Saskatoon, well above the national average of 6.2.

Bank forecasts call for economic growth ranging from 2.1% to 2.7% in 2013, and from 2.7% to 2.8% in 2014.

Foreign Firms Reshaping Competitive Landscape



The effects of the arrival of large multinational construction firms in the Canadian market after the fallout from the financial crisis have entered another phase.

At first they came primarily to compete for large, complex P3 horizontal and vertical infrastructure projects for which their extensive experience gave them a competitive advantage. But as the wave of post-crisis infrastructure projects has abated, they have begun acquiring domestic construction firms (and with them local knowledge), building relationships with contractors and trades, and bidding on, and winning, conventionally procured projects.

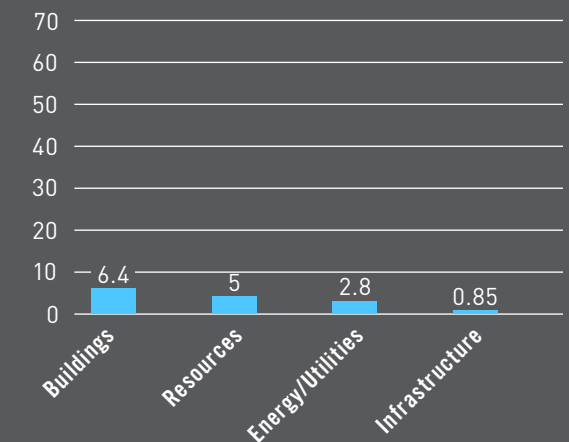
The continuing relative strength of the Canadian market makes it attractive to multinationals – and their impact less noticeable. Over the past few years Toronto has seen more condos being built than any other city in the world, oilsands development continues to grow despite foreign ownership reviews, and there is robust growth in large energy and mining projects, and increased spending on new – and renewed – transportation infrastructure.

Expanding markets like Canada's have been good for foreign firms. Since 2010, the largest international contractors have experienced an 18.1% increase in revenue from projects outside their home countries.

The forecast is for Canada to become the world's fifth largest construction market by 2020. The immediate impact of the foreign firms will be to increase competition and help contain escalation. The longer-term impact – if and when Canadian construction levels decrease – will be to crowd out domestic construction companies that lack the funding, resources and expertise of multinationals, or see them become targets for acquisition.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Natural Resources Canada, Capital Investment; Information Bulletin, July 2013; Saskatchewan Budget 2013-2014 Summary



“Resource-driven expansion keeps Saskatchewan at the top of the national growth chart. Strong in-migration and infrastructure spending mean meeting labour requirements will remain a strain.”

MICHAEL GABERT
 COST CONSULTANT

Escalation
Summary

2014 : 1-2%
2015 : 1-2%
2016 : 1-2%



Manitoba

Resource projects will keep construction levels stable

Utilities, mining, oil and gas, and manufacturing will lead Manitoba's growth in 2014, with anticipated stronger economic expansion in the U.S. promising to increase the province's exports.

The \$5.0 billion Keeyask Generating Station, the \$3.5 billion Bipole Transmission Line, and the \$1.6 billion Wuskwatim hydroelectric dam lead the way in energy projects, with the \$700 million Lalor, zinc/copper/gold mine heading up the major mining investments. Oil companies set a new record for oil production in 2012, and invested a record \$1.45 billion in combined capital and operational expenditures.

The \$1.2 billion East Side Road project, one of the province's largest infrastructure projects ever, will build roads into more remote regions as part of a permanent all-season network covering more than 1,000 kms.

Net migration is forecast to reach 8,600 people in 2013 and edge lower to 8,500 people in 2014, with international

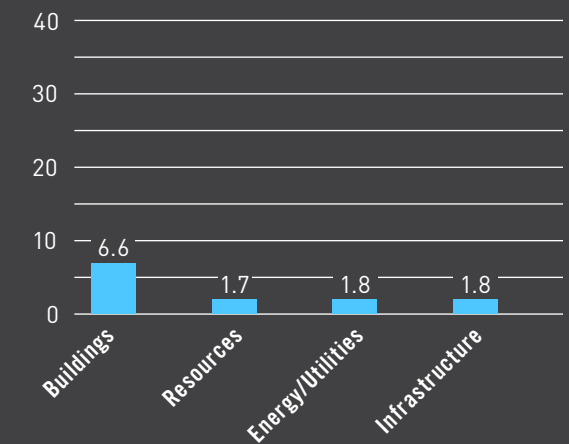
migration expected to be a driver of population growth and new household formation. Housing starts are forecast to remain steady at 7,400 in 2013 and 7,100 in 2014

Both residential and non-residential construction employment is rising and employers are reporting some recruiting challenges. Most of the tight labour markets are related to industrial and commercial projects and improving housing starts. These pressures are expected to start easing by 2014, leaving Manitoba's construction workforce at a record high level.

Major bank forecasts project Manitoba's economic growth to range between 1.9% and 2.5 % in 2013 and 2.0% and 2.6% in 2014.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Natural Resources Canada, Capital Investment, Information Bulletin, July 2013; Manitoba Budget 2013



“Major energy and mining projects are leading the way in Manitoba – and a tightening labour market is also the story here.”

CONNOR FALLS
SENIOR COST CONSULTANT

Escalation Summary

2014 : 2-4%

2015 : 2-4%

2016 : 2-4%



Infrastructure, energy and mining investment spur upswing

Slowed by labour disruption in 2013, Quebec construction will regain momentum in 2014 in the residential sector, with overall workloads anchored by large, new and ongoing energy, mining and infrastructure projects.

After a sharp drop in housing starts in 2012, housing will stabilize and see a modest recovery to 37,000 for 2013 and 36,700 for 2014. Continuing strong net migration, expected to reach 44,300 in 2013 and 45,300 in 2014 will help sustain demand for new housing. Montreal is experiencing a resurgence of commercial construction, with four projects totaling nearly 1 million sf under construction and more in the pre-leasing stage.

Strong growth in exports is another bright spot that is expected to continue into 2014 as the U.S. economy continues to pick up speed. Quebec's GDP should show a strong upswing from an estimated 1.3% in 2013 to 1.9% in 2014.

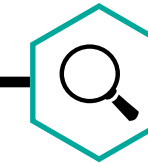
Employment is expected to continue on a moderate growth trend to reach

a stable high point in 2014 and then sustain this level to 2021. With losses due to retirement and an anticipated lower number of entrants to the workforce from 2013 to 2021, the local construction industry will need to draw in an additional 6,500 workers from other markets.

Some of the longer-term demand will be coming from major new hydro and transportation projects such as the:

- \$3.7 billion Aupaluk iron ore mine near Aupaluk, Ungawa Bay;
- \$3.5 billion Kemag iron ore mine;
- \$3.6 billion Petit-Mécatina River hydroelectric project;
- \$3.0 billion Champlain Bridge replacement and road complex;
- \$1.5 billion Metro line extension to Laval, Quebec; and
- \$1.4 billion light rail train to Brossard.

Anti-Corruption Measures Yield More Realistic Construction Costs



In the wake of the Charbonneau Commission's ongoing inquiry into corruption and collusion in Quebec's construction industry, the provincial government has put in place new regulations and enacted new legislation to curb abuse.

One new set of rules has resulted in \$240 million taken off of road contracts for the first 10 months of 2013, according to Quebec's Minister of Transportation, Sylvain Gaudreault. Tougher regulations for contracts for building and maintaining roads and bridges in the province have seen costs drop 16 per cent below estimated costs projected for 2013.

The provincial government is also preparing a bill that would create the Quebec Transportation Agency, which will develop internal expertise for strengthened monitoring of contracts for road construction and maintenance in the province. The government has already hired over 100 engineers this year in order to help build the Ministry's internal expertise.

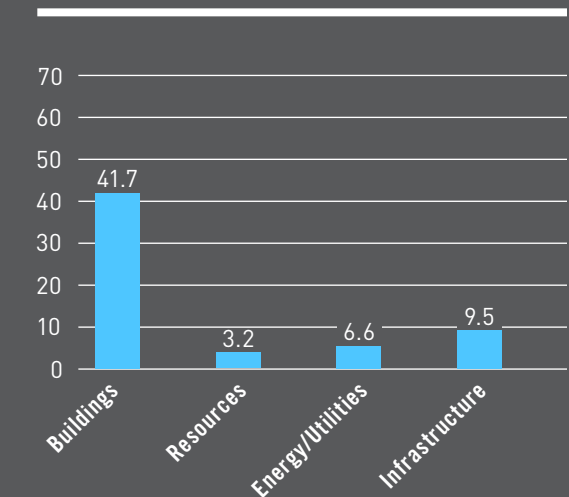
Over the past two years, Quebec has passed major legislation to prevent, combat and punish fraudulent practices in the construction industry. Bill 35 was passed in December 2011, six months before the launch of the Charbonneau Commission. In addition to significant changes in construction industry practice, it increases the fines assessed under certain legislation and introduces significant amendments to the Building Act. One amendment was Bill 1, the Integrity in Public Contracts Act, which requires that companies seeking to bid on government contracts must pass a fairly stringent legal and ethical test.

The Quebec government has also promised to enact legislation aimed at recovering at least part of the money obtained by construction and engineering firms through collusion and fraud.

The Charbonneau Commission, mandated to examine a 15-year period, was to have finished up by October 2013. The inquiry has been granted an 18-month extension and will be required to submit a progress report by January 31, 2014.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Natural Resources Canada, Capital Investment, Information Bulletin, July 2013; Quebec Expenditure/Budget 2013-2014



Look for big new infrastructure projects to lead the way – with strong support from massive energy and mining investment – as Quebec rebuilds momentum.”

PHILIP NIXON
SENIOR ASSOCIATE

Escalation Summary

2014 : 1-2%
2015 : 1-2%
2016 : 1-2%

Atlantic Region

Record investment boosts construction

Atlantic Canada saw a record \$115 billion in investment in some 388 projects in 2013. The investments, which represented a 12% increase over 2012, will help fuel strong construction activity across much of the region. Spending on major projects in Atlantic Canada in 2013 grew by 5% to a record \$14.3 billion. More of the same can be expected for 2014.

Newfoundland and Labrador dominated that growth in spending, which was up by 10% to \$9.4 billion, due mainly to higher spending on the Hebron offshore oilfield and the Muskrat Falls hydroelectricity project. All told, investment in the province's major projects was up 12% over the previous year, with 113 projects totaling \$54 billion. Mining, oil and gas dominated, with Newfoundland and Labrador leading the way with investments in those sectors alone worth \$26 billion. GDP is expected to rise by 4.0% in 2013 and moderate to 1.8% in 2014.

Nova Scotia has 156 projects worth \$40 billion, a 23% increase over 2012, mostly due to a proposed \$5 billion liquefied natural gas export facility at Goldboro. The \$25 billion, 30-year naval vessel-building contract for Irving

Shipyards awarded in 2011 will continue to fuel growth across multiple sectors as it boosts the regional economy. The commercial building boom that started in 2012 is still strong and generating high demand for labour. GDP growth is estimated at 1.0% in 2013 and 1.2% in 2014.

New Brunswick's bright spot is the proposed \$12 billion Energy East project, a 4,500-km pipeline that would ship up to 1.1 million barrels of oil per day from Alberta to a refinery and export terminal New Brunswick. Otherwise, low growth due to reduced capital investment is forecast at 0.2% in 2013 and just under 1% in 2014.

Construction investment in Prince Edward Island is expected to start turning around in 2014, reaching a new peak by 2018 as projects in utilities, as well as highways, roads and bridges come on stream. During this period, demographic trends also facilitate investment in both non-residential and residential building. Growth estimates are 1.3% in 2013 and 1.4% in 2014.

Public and Private Investment Primes Northern Development



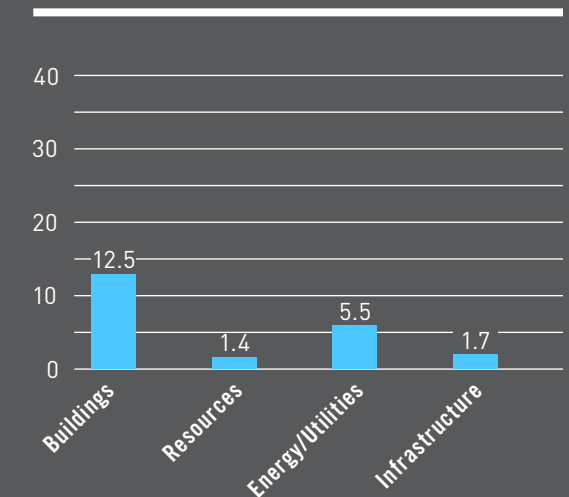
Canada's northern territories are seeing significant public and private investment that is priming expanded development of its mineral resources. There are more than 20 mining projects across the three territories in various stages of development as well as numerous infrastructure projects that will support economic growth north of 60. Federal and territorial funded projects include:

- Nanisivik Naval Facility, a \$116 million deep-water refuelling port for Arctic offshore patrol and Coast Guard ships.
- \$200 million all-season road from Inuvik to Tuktoyaktuk, and \$185 million in improvements to the Mackenzie Valley Winter Road.
- The \$35 million Canadian Forces Arctic Training Centre, Resolute Bay.
- A \$100 million investment in geomapping to be completed by 2020 in support of an estimated \$500 million in exploration of mineral resources.
- \$142 million High Arctic Research Station, a hub for science and technology in Canada's North.

Private investment in mining projects for cobalt, diamonds, rare earth minerals, zinc, lead, iron, copper, gold and silver are also creating new construction opportunities. Nunavut has 11 mines in various stages of development, the Yukon has eight, and the Northwest Territories has five.

REGIONAL SNAPSHOTS

Construction workload by sector in \$ billions



Sources: Statistics Canada, Capital expenditures for construction by sector, 2013 intentions; Build Force Canada, Atlantic Provinces Economic Council



“2013 set a record for investment in Atlantic Canada, with \$115 billion allocated for 388 major projects. This will keep workloads stable and support moderate growth across the region.”

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