

# MARKET INTELLIGENCE UPDATE 3<sup>RD</sup> QT

SEPTEMBER 2011

## Prairie Provinces Strongest Performers

### CONSTRUCTION OUTLOOK REMAINS POSITIVE DESPITE CURRENT ECONOMIC UNCERTAINTY

Despite projections for slower Canadian economic growth, uncertainty in the U.S. following the debt downgrade this summer, and the continuing threat of debt default in Europe, the outlook for construction across Canada remains positive, especially in Alberta and the Prairies.

Strong capital investment and solid demand for their products and services will see Alberta, Saskatchewan and Manitoba excel, according to RBC Economics June 2011 report. These commodity export ori-

ented provinces (oil & gas, metals, coals, potash, grains, etc.) supplying global markets are less sensitive to shudders in U.S. consumption than Ontario and Quebec, which rely more heavily on manufacturing exports.

Bolstering the positive outlook is Canada Mortgage and Housing Corporation's (CMHC) third quarter market forecast that the housing market will ease slightly but remain steady for the rest of 2011 and through 2012. A major reason for the

more favourable than expected forecast is the U.S. Federal Reserve's indication, delivered in late summer, which expects interest rates will remain at rock bottom into 2013.

From 2010 to 2015, Canadian infrastructure will grow at over two and a half times the growth rate seen over the previous five years, according to a new PricewaterhouseCoopers-sponsored report by Global Construction Perspectives and Oxford Economics. By 2020, Canada is expected to be the fifth largest construction market behind India and Japan—a jump from its current position in seventh place. ■



PROVINCIAL SNAPSHOTS

BRITISH COLUMBIA

While BC's new home construction in 2011 will stay on par with 2010 levels, it will rise nearly 10% in 2012, according to CMHC's Housing Market Outlook published in August 2011. B.C. Central 1 agrees, forecasting that as government spending on public infrastructure contracts, there will be higher housing starts in 2012 and 2013. Central 1 expects a sizable increase in private investment spending on major projects to lead the way to increased construction activity. These include the Telus Garden Tower, a \$750 million office and residential project in downtown Vancouver, the Marine Gateway, a three-tower commercial and residential project at the south end of Cambie street by a Canada Line rapid transit station, and new projects expected to follow the city's approval in May of a plan to allow for much higher density development along the Cambie / Canada Line corridor.

ALBERTA

Total construction output in Alberta is projected to increase by 5.4 per cent in 2011, according to the Conference Board of Canada, which expects that 20 oil sands projects will be approved over the next five years. The growth of the energy sector is expected to boost demand for downtown office space, resulting in fresh commercial construction. RBC Equity Research estimates that capital budgets of companies developing oil sands projects, alone, run in the \$19-billion range, an increase of 48% from 2010. Big infrastructure projects in Calgary and Edmonton are either already under way or in the works. Calgary has a \$1.3 billion hospital project scheduled for completion in 2012, and plans for a \$1.3 billion airport concourse and a \$500 million runway slated for completion in 2015. Edmonton is moving ahead with the next phase – worth \$2.5 billion – of its light-rail transit expansion and considering a \$200 million replacement of the Waltherdale Bridge. The Provincial Government is in the final stages of selecting a design/build contractor for the \$260 million Royal Alberta Museum.

SASKATCHEWAN

With a strong global demand for its natural resource commodities and an expanding mining sector, a Statistics Canada survey points to a 7.0% increase in capital expenditure in Saskatchewan in 2011. Even with poor weather hampering agriculture, RBC Economics sees strong immigration supporting ongoing strength in housing combined with increasing capital expenditure to send construction activity up 6 per cent in 2011. Evidence of that surge is seen in Regina's \$100-million Hill Centre Tower III, the first office tower to be built downtown in 20 years and in Saskatoon's \$200-million riverfront residential and commercial development, along with the \$60-million Art Gallery of Saskatchewan and plans for a new \$30-million bridge across the South Saskatchewan River.

MANITOBA

Mining, oil and gas and manufacturing are sustaining Manitoba's growth despite two years of adversity in the agricultural sector. Growth in construction will likely slow as many large projects, including the Keystone pipeline and the Winnipeg International Airport expansion are either completed or winding down. The \$310 million Canadian Museum of Human Rights and \$212 million in road construction related to the CentrePort transportation hub will help construction spending to continue growing in 2011, but at a more modest 4 per cent.

ONTARIO

In August 2011, Ontario's Ministry of Infrastructure announced that the Province will invest more than \$35 billion over the next three years, including \$12.8 billion in 2011-2012. It's part of a 10-year plan that focuses on economic infrastructure such as roads, transit and post-secondary institutions while continuing investments in social infrastructure. That's in addition to the construction costs for Canada to host the 2015 Pan American Games in Toronto. That has a \$2.4 billion price tag for sports venues and other facilities that have to be constructed, including an athletes' village, an aquatics and athletic centre, two stadia and a velodrome. Such infrastructure spending will help sustain construction levels as Ontario's strong performance in housing in early 2011 moderates in the second half of the year.

QUEBEC

With slight declines projected in housing starts in 2011 and 2012, a July 2011 report from Reed Construction data says that while there is evidence that the province's growth has cooled somewhat, several indicators suggest that the fundamentals of the economy are still quite strong. From April through June, full time employment has increased by 31,200 and in May, the province's unemployment rate fell to its lowest level since October of 2008. A rebounding U.S. economy expected by RBC would increase demand for auto and aviation exports. Many large hydro-power projects are either currently in construction or planned, including the country's largest—a \$6.5 billion hydro complex in Havre-Saint-Pierre, which is expected to be completed by 2020. Other notable projects under construction include a \$5 billion hydro project in James Bay Territory, and the \$2.1 billion Centre hospitalier de l'Université de Montréal (CHUM).

BTY GROUP EXPANDS IN  
ALBERTA AND PRAIRIES

Keeping pace with the ongoing growth in construction and development in Alberta and the Prairies, BTY Group has expanded its staff in the Calgary and Edmonton offices and opened a new office in Saskatoon to help meet the growing demand for services. In addition to conventional Project Monitoring and Cost Management services, BTY Group has also strengthened its capacity to deliver Lenders' Technical Advisory and Independent Certifier Services for Public-Private Partnership (P3) projects in Alberta and Saskatchewan.



+ **PACIFIC**

2288 Manitoba Street  
Vancouver, BC  
V5Y 4B5  
T: 604-734-3126  
F: 604-734-3136

+ **PRAIRIES**

740 – 640 8th Avenue SW  
Calgary, AB  
T2P 1G7  
T: 403-269-5155  
F: 403-269-1046

100 – 10426 81 Avenue  
Edmonton, AB  
T6E 1X5  
T: 780-439-0056  
F: 780-433-2458

115B – 115 2nd Avenue N  
Saskatoon, SK  
S7K 2B1  
T: 306-242-9210

+ **CENTRAL**

119 Spadina Ave, Suite 305  
Toronto, ON  
M5V 2L1  
T: 416-596-9339  
F: 416-596-1093

63 Church Street, Suite 500  
St. Catharines, ON  
L2R 3C4  
T: 905-680-2344  
F: 905-680-2432

+ **GROUP TEQ/BTY GROUP**

4001, rue St. Antoine Ouest  
Montreal, QB  
H4C 1B9  
T: 514-933-3838  
F: 514-933-2668

BTY Group's Market Intelligence and Market Intelligence Updates analyze and report on industry trends to provide insights on current and future construction markets across Canada. To learn more, please visit our web site at [www.bty.com](http://www.bty.com) or contact:

Saira Muzaffar, Marketing & Communications Manager

T: (416) 596-9339

E: [sairamuzaffar@bty.com](mailto:sairamuzaffar@bty.com)