

# Values in the Post COVID Market; Where are we today

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# COVID 19 RAMPANT INFLATION

# BIG PICTURE

## MAIN ECONOMIC INDICATORS

Indicator	Canada	US
<b>Where we were: August 2022</b>		
Consumer Price Index (CPI): 2021-2022	7.60%	8.5%
Producer Price Index (PPI): 2021-2022	14.3%	9.8%
Unemployment Rate (2022):	4.90%	3.5%
<b>Where we are: Q3 2023</b>		
Consumer Price Index (CPI):	3.80%	3.69%
Producer Price Index (PPI): 2022-2023	0.4%	2.2%
Unemployment Rate (2023):	5.50%	3.8%



# BIG PICTURE

## Interest Rates



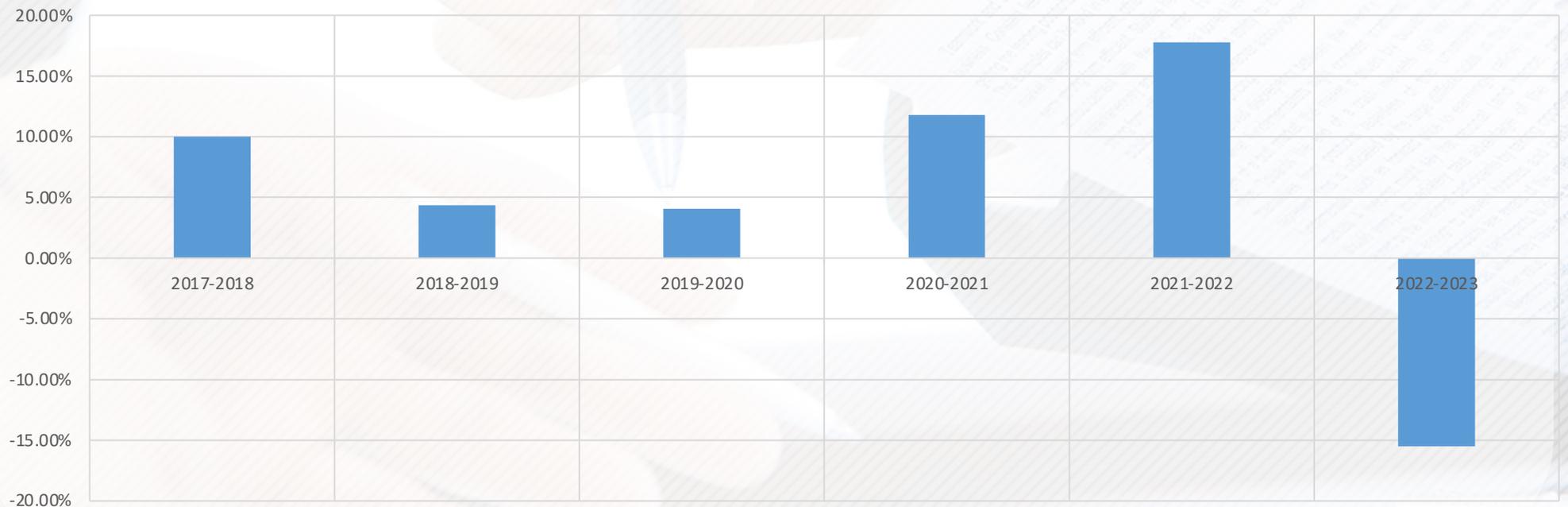
Source: Bank of Canada

# CONSTRUCTION COSTS

# **COST TRENDS LABOUR**

# CONSTRUCTION INDUSTRY IN CANADA

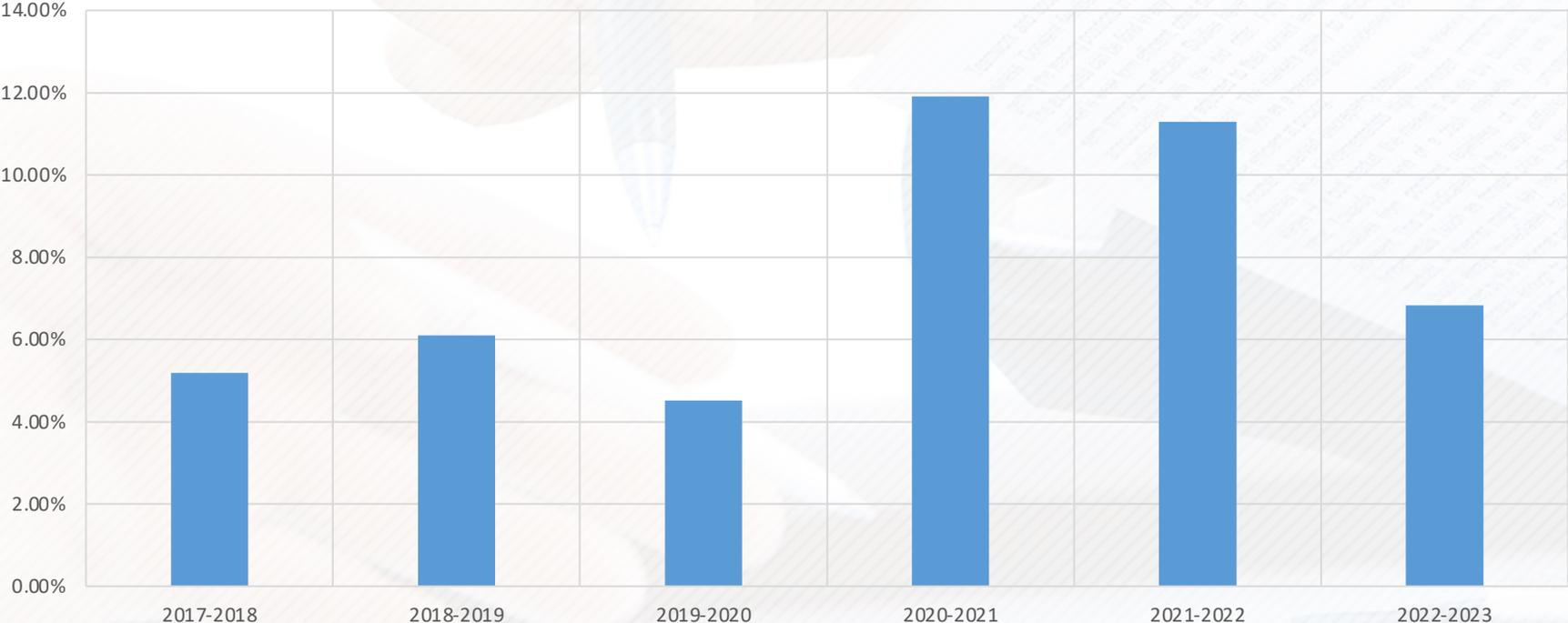
## INVESTMENT IN BUILDING CONSTRUCTION - CANADA



Source: Statistics Canada. [Table 34-10-0175-01 Investment in Building Construction](#)

# CONSTRUCTION INDUSTRY IN US

## INVESTMENT IN BUILDING CONSTRUCTION - US



Source: U.S. Census Bureau

# CONSTRUCTION INDUSTRY IN CANADA

## LABOUR FORCE (Construction Industry) - CANADA

# People (In Thousands)

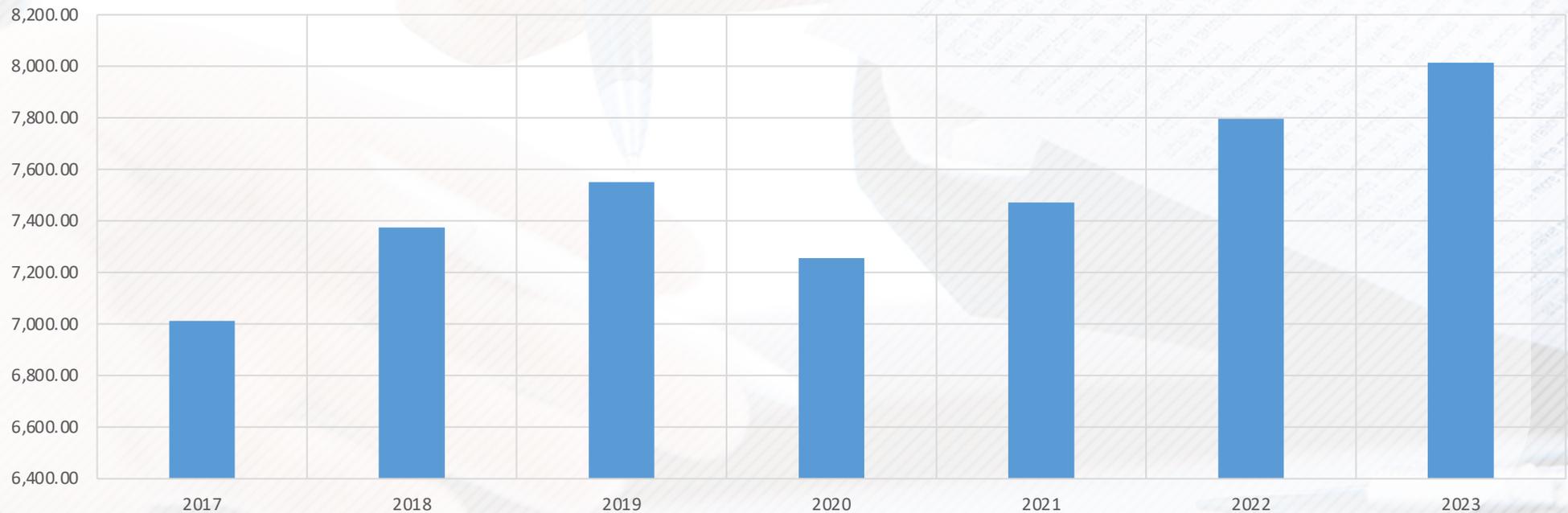


Source: BuildForce Canada

# CONSTRUCTION INDUSTRY IN CANADA

## LABOUR FORCE (Construction Industry) - US

# People (In Thousands)



Source: U.S. BUREAU OF LABOR STATISTICS

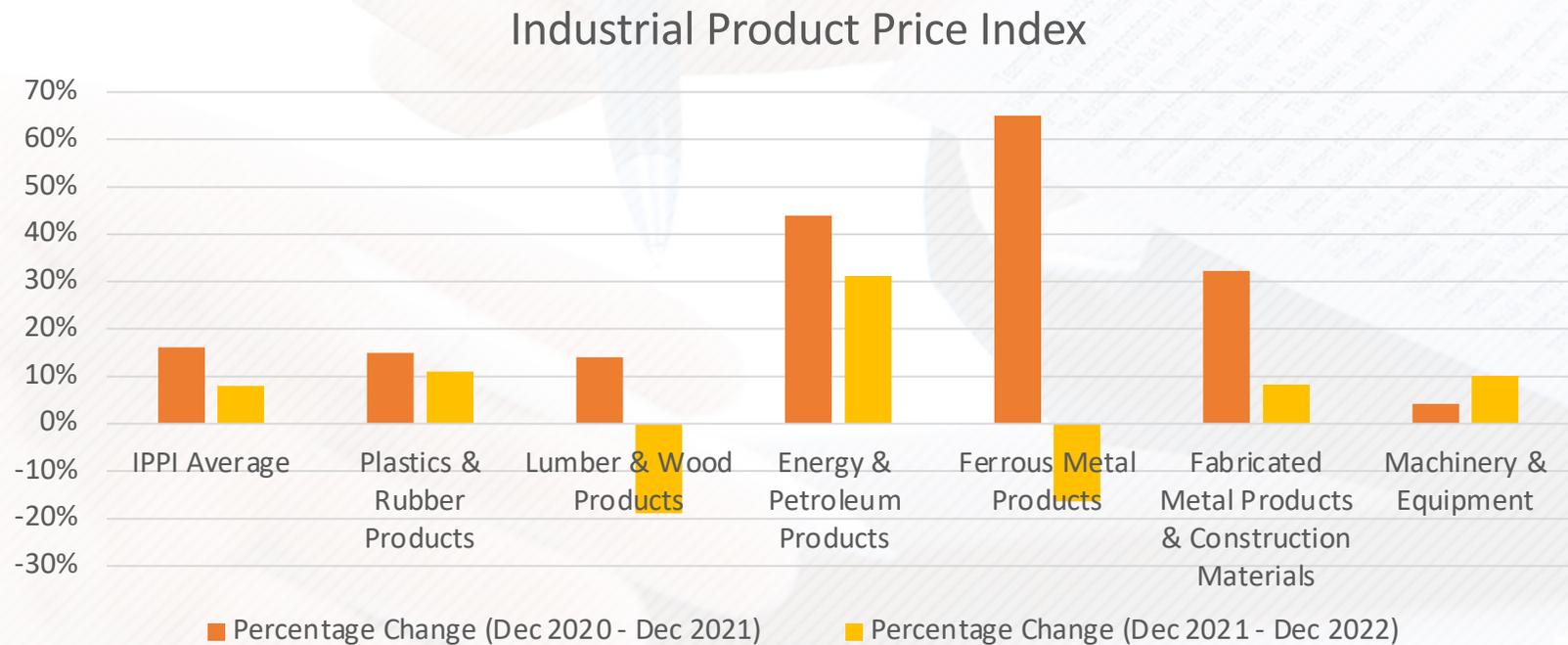
# INITIAL CONCLUSIONS

- Construction investment seems to have peaked and is pulling back; this could be in impact of interest rates or post-COVID demand has started to catch up.
- Construction industry workforce has rebounded
  - Labour represents around **30%-40%** of total costs in construction
    - 2022 – Labour Costs increased at an estimated **4%-6%**
    - 2023 – We are seeing a slow down in the pace of increase – nearing a stall

# COST TRENDS MATERIALS

# COST TRENDS: BUILDING MATERIALS

## INDUSTRIAL PRODUCT PRICE INDEX (IPPI) - CANADA



Source: Statistics Canada

# COST TRENDS: BUILDING MATERIALS

## CONSTRUCTION MATERIAL COST CHANGES - STEEL



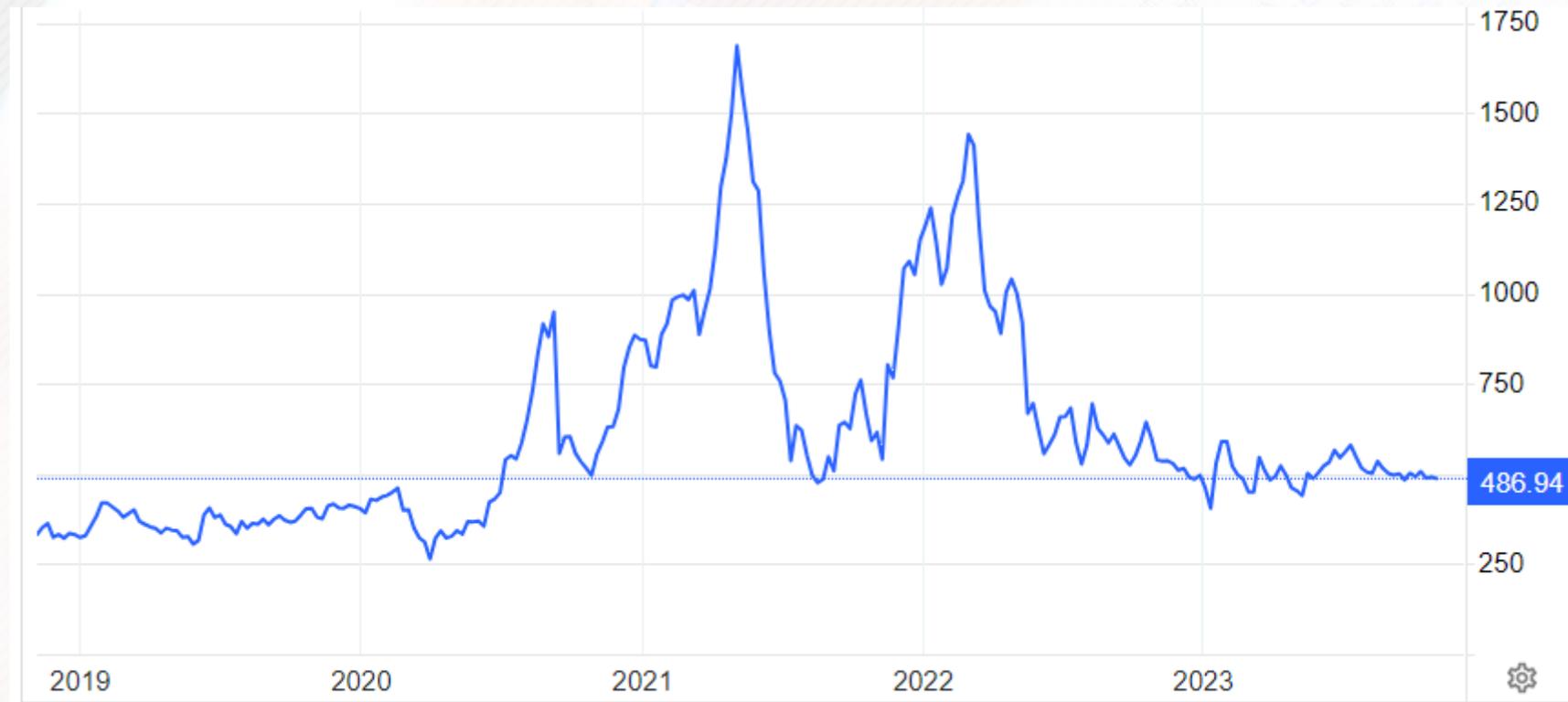
Source: Trading Economics



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# COST TRENDS: BUILDING MATERIALS

## CONSTRUCTION MATERIAL COST CHANGES - LUMBER



Source: Trading Economics

# CONCLUSIONS

# CONCLUSIONS

Construction materials represent approximately **50%-60%** of total building costs

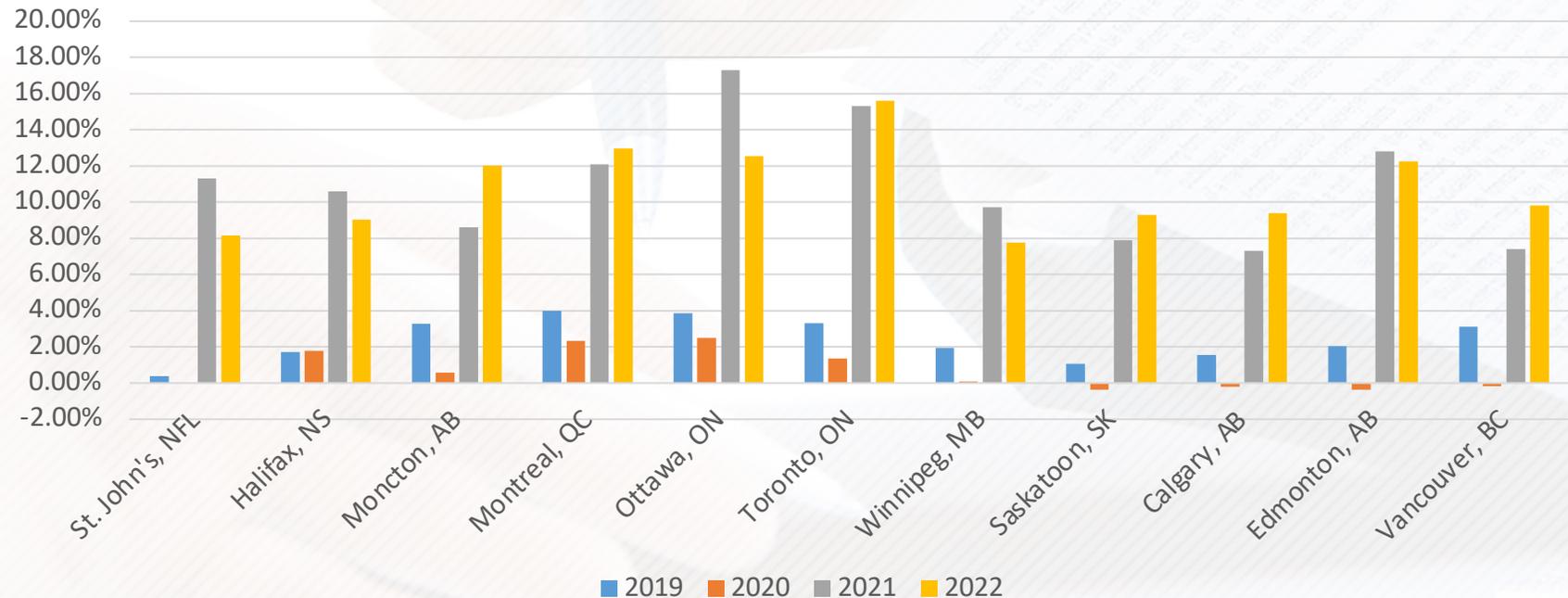
- 2021 – Construction materials increased an average of **25%-30%**
- 2022 – Construction materials continued the increase on an average of **15%-20%**
- 2023 – Just starting to see the stall or even beginning of pull-back in construction material prices.



# **COST TRENDS REPORTED BY VARIOUS SOURCES**

# COST TRENDS: BUILDINGS

## COST INCREASES FOR NON-RESIDENTIAL CONSTRUCTION Stats Canada



Source: Statistics Canada

# BUILDING COST TRENDS

## COST INCREASE FOR BUILDING CONSTRUCTION Marshall and Swift

City	Fireproofed Steel Frame		Reinforced Concrete Frame		Masonry Bearing Walls		Wood Frame		Metal Frame & Walls	
	Class 'A'		Class 'B'		Class 'C'		Class 'D'		Class 'S'	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Halifax, NS	18.4%	10.9%	9.6%	10.4%	7.1%	10.8%	7.3%	10.9%	12.2%	9.6%
St. John's ,NFL	22.5%	12.1%	17.4%	10.6%	19.9%	8.3%	20.5%	10.2%	22.8%	9.9%
Quebec City, QC	19.5%	12.5%	11.2%	12.6%	10.1%	8.8%	10.2%	11.2%	14.0%	12.7%
Montreal, QC	19.4%	12.5%	13.8%	12.2%	13.6%	11.1%	14.8%	10.9%	17.8%	10.2%
Ottawa, ON	17.2%	12.4%	14.7%	9.3%	13.5%	9.2%	14.2%	9.1%	17.3%	9.0%
Toronto, ON	21.7%	10.3%	15.1%	9.7%	18.3%	8.6%	19.3%	8.5%	21.1%	9.1%
Windsor, ON	15.6%	12.6%	10.2%	10.2%	8.7%	9.7%	8.9%	9.8%	10.4%	10.8%
Sudbury, ON	19.5%	12.0%	15.2%	10.5%	14.3%	9.7%	14.7%	9.7%	19.0%	9.2%
Thunder Bay, ON	21.9%	9.3%	14.0%	8.5%	15.7%	8.3%	16.8%	8.6%	19.5%	8.8%
Winnipeg, MB	21.3%	15.3%	13.9%	12.4%	16.7%	12.1%	17.9%	11.4%	19.9%	10.4%
Regina, SK	18.0%	13.2%	11.9%	10.4%	14.8%	9.4%	15.4%	9.6%	18.1%	9.6%
Calgary, AB	16.9%	12.9%	10.6%	10.1%	10.9%	8.3%	1.2%	8.0%	14.4%	9.2%
Edmonton, AB	18.7%	12.3%	11.4%	10.0%	14.3%	9.0%	15.7%	8.5%	18.8%	9.5%
Vancouver, BC	17.7%	13.3%	8.0%	11.6%	8.2%	10.2%	10.9%	10.0%	12.4%	11.7%
Victoria, BC	21.1%	11.8%	12.5%	9.9%	16.7%	7.9%	17.2%	8.4%	19.6%	9.6%
<b>National</b>	<b>18.6%</b>	<b>12.3%</b>	<b>12.2%</b>	<b>10.8%</b>	<b>12.8%</b>	<b>9.7%</b>	<b>13.8%</b>	<b>9.7%</b>	<b>16.5%</b>	<b>10.1%</b>

Source: Marshall and Swift



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# COST TRENDS: BUILDINGS

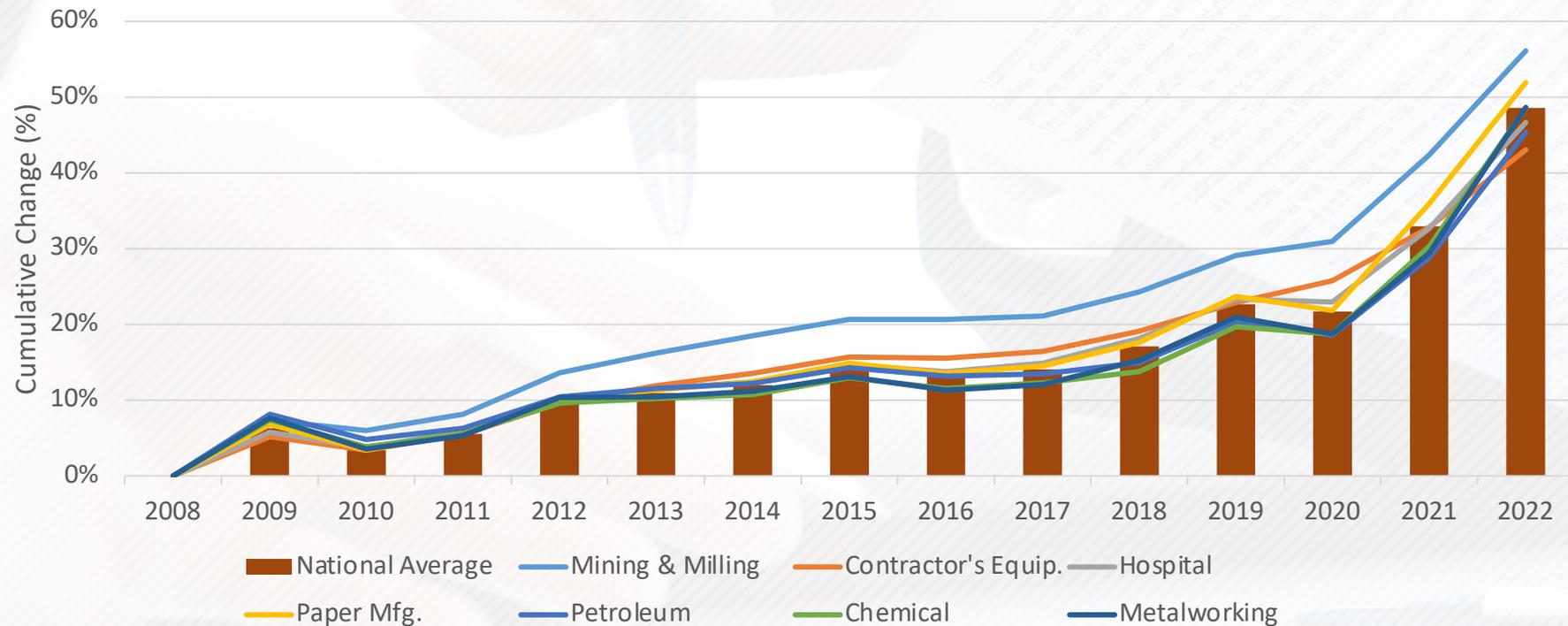
## COST INCREASES FOR BUILDING CONSTRUCTION RS MEANS GUIDE



Source: RS Means Guide

# COST TRENDS: MACHINERY & EQUIPMENT

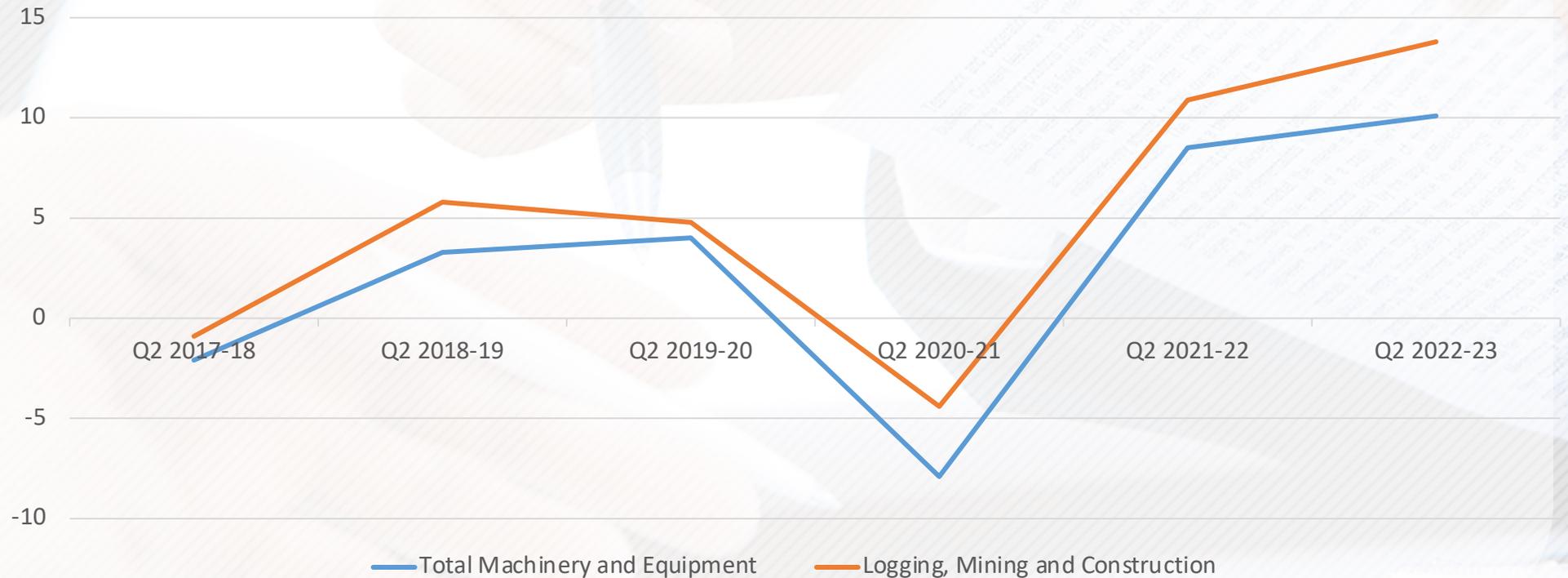
## EQUIPMENT COST INDEXES: BY INDUSTRY Suncorp Valuations Composite



# COST TRENDS: MACHINERY & EQUIPMENT

## EQUIPMENT COST INDEXES: MINING

### Suncorp Valuations Composite



# CONSTRUCTION COSTS CONCLUDING THOUGHTS

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- All sources reporting significant building construction cost increases for 2021 & 2022
  - 2021 - Construction cost increase in the range of 12-18% depending on Construction Type and Location
  - 2022 - Construction cost increase in the range of 10-12% depending on Construction Type and Location
- The pace of increase for 2023 is slowing/stalling.
  - Raw material prices have returned to pre-covid levels
  - Supply backlogs have generally caught up
  - Rapid interest rate increases starting to push pressure on new projects and markets