

Building construction price indexes, fourth quarter 2020

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Prices for residential building construction increased at a faster pace in the fourth quarter (+2.9%) than in the third quarter (+2.5%). The gain in the fourth quarter was the largest on record. Conversely, the growth in prices for non-residential building construction slowed in the fourth quarter (+0.4%) compared with the third quarter (+0.5%).

Construction prices for residential buildings were up in the fourth quarter in all of the census metropolitan areas (CMAs) covered by the survey. Non-residential construction prices increased at a slower pace in every CMA except Moncton, where they were flat.

Year over year, residential building construction costs (+6.6%) rose at four times the pace of non-residential construction (+1.5%) in the fourth quarter, mainly because of the high demand for housing and a shortage of lumber across the country.

Increase in residential construction prices due mainly to lumber shortages and demand for housing

A combination of tight supply and high demand for lumber continued from the third quarter into the fourth quarter, driving up the cost of residential building construction.

Typically, the seasonal nature of the construction sector results in less activity in the winter months and provides sawmills with the opportunity to restock their log yards in preparation for the coming year. However, shutdowns of sawmills last spring because of COVID-19 as well as unseasonably mild weather in British Columbia made it more difficult to harvest logs. The resulting tight supply drove up prices for lumber and other wood (+44.0%) and softwood lumber (+78.8%) in December 2020 compared with December 2019.

The demand for residential construction in the United States and Canada also remained high, with the total value of building permits increasing 9.5% in the fourth quarter of 2020.

Construction costs increase for all residential building types

Nationally, construction costs rose for all residential building types covered by the survey in the fourth quarter.

The largest quarterly price increases were for townhouses (+4.1%) and single-detached houses (+3.8%). Due in part to the smaller usage of lumber in high-rise apartment construction compared with all other residential building types, the cost for this building type rose at the slowest pace, edging up 0.6% in the fourth quarter.

While construction costs for residential buildings were up in every CMA covered by the survey, St. John's (+5.5%) and Ottawa (+4.7%) recorded the largest gains.

Non-residential construction price growth is muted

The growth of the cost of non-residential building construction slowed in the fourth quarter, with price increases ranging from 0.3% for shopping centres and bus depots with maintenance and repair facilities to 0.5% for warehouses and factories.

The largest increases in construction costs for non-residential buildings were in Halifax (+1.1%), Ottawa (+0.9%) as well as in Montréal and St. John's (both up 0.6%).

The slower price growth in non-residential buildings was partially attributable to lower construction costs in this building type, which requires less lumber, as well as to business uncertainty and a reintroduction of tighter physical distancing measures in certain regions of the country during the recent resurgence of COVID-19 cases.

The year 2020 in review

Nationally, residential building construction rose at a faster pace in 2020 (+3.8% versus 2.9%) compared with a year earlier, while non-residential construction costs rose at a much slower pace (+1.6% versus 3.5%).

Residential construction costs increased the most in Ottawa (+5.8%), Moncton (+4.5%) and St. John's (+4.3%) in 2020.

Non-residential construction costs increased the most in Montréal (+3.4%), Ottawa (+3.0%) and Toronto (+2.6%), while Saskatoon was the lone CMA covered by the survey to show no price movement in 2020.

Construction costs for residential buildings rose the most for townhouses (+4.4%) and single-detached houses (+4.1%) from 2019 to 2020, while construction costs for high-rise apartment buildings (+2.3%) increased the least.

Slowdowns in shipments of construction materials, along with physical distancing measures, curtailed or temporarily halted building construction activity in the first quarter of 2020.

Although construction resumed in the second quarter in all CMAs covered by the survey, productivity on worksites declined as employees abided by increased health and safety protocols.

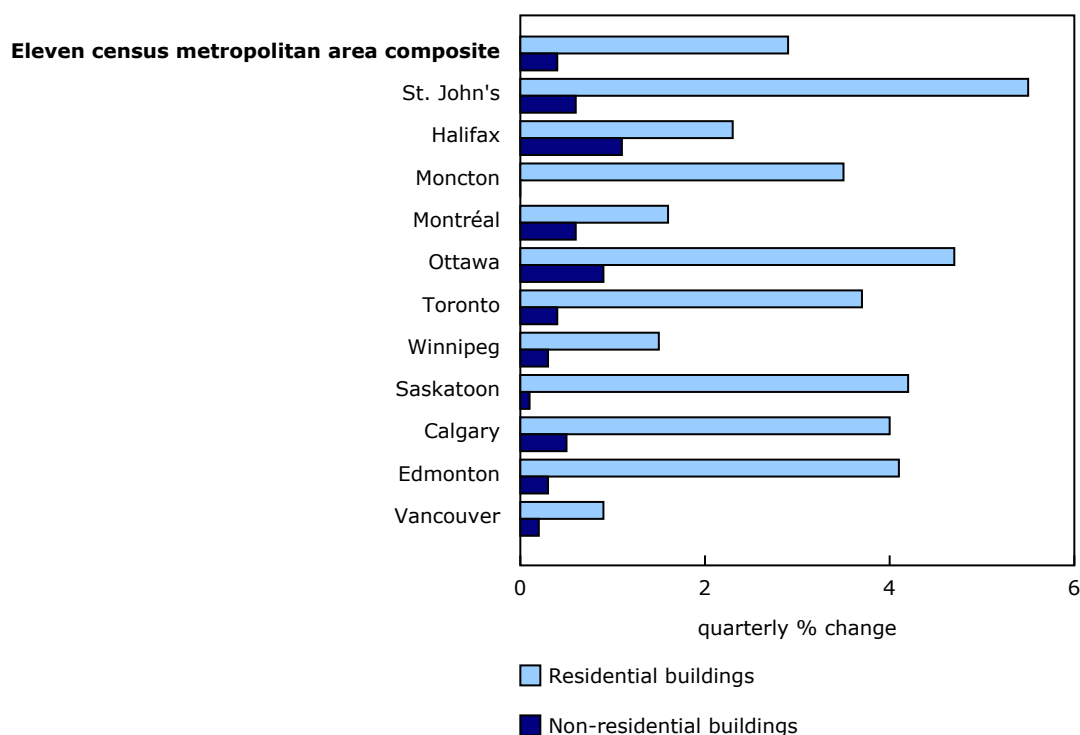
Supply chains continued to be disrupted throughout 2020, and lumber shortages drove construction prices higher in the wake of increased demand for new housing and renovation projects.

Outlook for 2021

Shifts in homebuyers' preferences to accommodate working from home combined with historically low interest rates and increased optimism for the reopening of the economy as the vaccine rollout begins are factors that should continue to drive demand for housing and put upward pressure on residential building construction prices.

Lumber prices are predicted to continue rising for most of 2021, which will increase the construction costs of new homes. Homebuilders could struggle to take advantage of the demand for new housing as they scramble to obtain the lumber they need amid tight supplies.

Chart 1
Building construction price indexes, quarterly change



Source(s): Table 18-10-0135-02.

Note to readers

The building construction price indexes are quarterly series that measure the change over time in the prices that contractors charge to construct a range of commercial, institutional, industrial and residential buildings in 11 census metropolitan areas: St. John's, Halifax, Moncton, Montréal, Ottawa-Gatineau (Ontario part), Toronto, Winnipeg, Saskatoon, Calgary, Edmonton and Vancouver.

These buildings include six non-residential structures: an office building, a warehouse, a shopping centre, a factory, a school and a bus depot with maintenance and repair facilities. In addition, indexes are produced for five residential structures: a bungalow, a two-storey house, a townhouse, a high-rise apartment building (five storeys or more) and a low-rise apartment building (less than five storeys).

The contractor's price reflects the value of all materials, labour, equipment, overhead and profit to construct a new building. It excludes value-added taxes and any costs for land, land assembly, building design, land development and real estate fees.

With each release, data for the previous quarter may have been revised. The index is not seasonally adjusted.

Products

Statistics Canada has launched the [Producer prices indexes portal](#) as part of a suite of portals for prices and price indexes. This webpage provides Canadians with a single point of access to a wide variety of statistics and measures related to producer prices.

The video [Producer Price Indexes](#) is available on the Statistics Canada Training Institute webpage. It provides an introduction to Statistics Canada's producer price indexes—what they are, how they are made and what they are used for.

Table 1
Building construction price indexes¹

| | Relative importance ² | Fourth quarter 2019 | Third quarter 2020 | Fourth quarter 2020 | Third quarter to fourth quarter 2020 | Fourth quarter 2019 to fourth quarter 2020 | |
|--|----------------------------------|---------------------|--------------------|---------------------|--------------------------------------|--|-----|
| | % | (2017=100) | | | % change | | |
| Residential building construction price indexes | | | | | | | |
| Eleven census metropolitan area composite | | | | | | | |
| St. John's | 0.5 | 110.4 | 114.4 | 117.7 | 2.9 | 6.6 | |
| Halifax | 2.2 | 105.5 | 109.9 | 115.9 | 5.5 | 9.9 | |
| Moncton | 0.3 | 109.0 | 112.8 | 115.4 | 2.3 | 5.9 | |
| Montréal | 8.9 | 107.1 | 112.4 | 116.3 | 3.5 | 8.6 | |
| Ottawa | 6.8 | 108.6 | 113.1 | 114.9 | 1.6 | 5.8 | |
| Toronto | 33.7 | 113.3 | 118.9 | 124.5 | 4.7 | 9.9 | |
| Winnipeg | 3.8 | 110.7 | 114.9 | 119.2 | 3.7 | 7.7 | |
| Saskatoon | 1.3 | 113.9 | 117.3 | 119.1 | 1.5 | 4.6 | |
| Calgary | 9.6 | 104.4 | 106.2 | 110.7 | 4.2 | 6.0 | |
| Edmonton | 8.1 | 106.9 | 111.2 | 115.6 | 4.0 | 8.1 | |
| Vancouver | 24.9 | 106.4 | 110.8 | 115.3 | 4.1 | 8.4 | |
| Non-residential building construction price indexes | | | | | | | |
| Eleven census metropolitan area composite | | | | | | | |
| St. John's | 1.7 | 100.0 | 108.1 | 109.3 | 109.7 | 0.4 | 1.5 |
| Halifax | 1.3 | 102.5 | 102.6 | 103.2 | 103.2 | 0.6 | 0.7 |
| Moncton | 0.6 | 106.2 | 107.9 | 109.1 | 109.1 | 1.1 | 2.7 |
| Montréal | 12.1 | 106.9 | 108.3 | 108.3 | 108.3 | 0.0 | 1.3 |
| Ottawa | 2.3 | 110.8 | 113.8 | 114.5 | 114.5 | 0.6 | 3.3 |
| Toronto | 28.2 | 111.1 | 114.2 | 115.2 | 115.2 | 0.9 | 3.7 |
| Winnipeg | 3.9 | 109.7 | 111.9 | 112.4 | 112.4 | 0.4 | 2.5 |
| Saskatoon | 2.1 | 105.8 | 106.3 | 106.6 | 106.6 | 0.3 | 0.8 |
| Calgary | 9.1 | 104.0 | 104.0 | 104.1 | 104.1 | 0.1 | 0.1 |
| Edmonton | 11.6 | 104.2 | 104.5 | 105.0 | 105.0 | 0.5 | 0.8 |
| Vancouver | 27.0 | 105.6 | 105.5 | 105.8 | 105.8 | 0.3 | 0.2 |

1. All geographic regions are based on the 2016 census boundaries.

2. The relative importance is calculated using a price-adjusted three-year moving average of the value of building permits issued for each class of building within each census metropolitan area.

Source(s): Tables [18-10-0135-01](#), [18-10-0135-02](#) and [18-10-0137-01](#).

Available tables: table [18-10-0135-01](#).

Definitions, data sources and methods: survey number [2317](#).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).