Building construction price indexes, third quarter 2022

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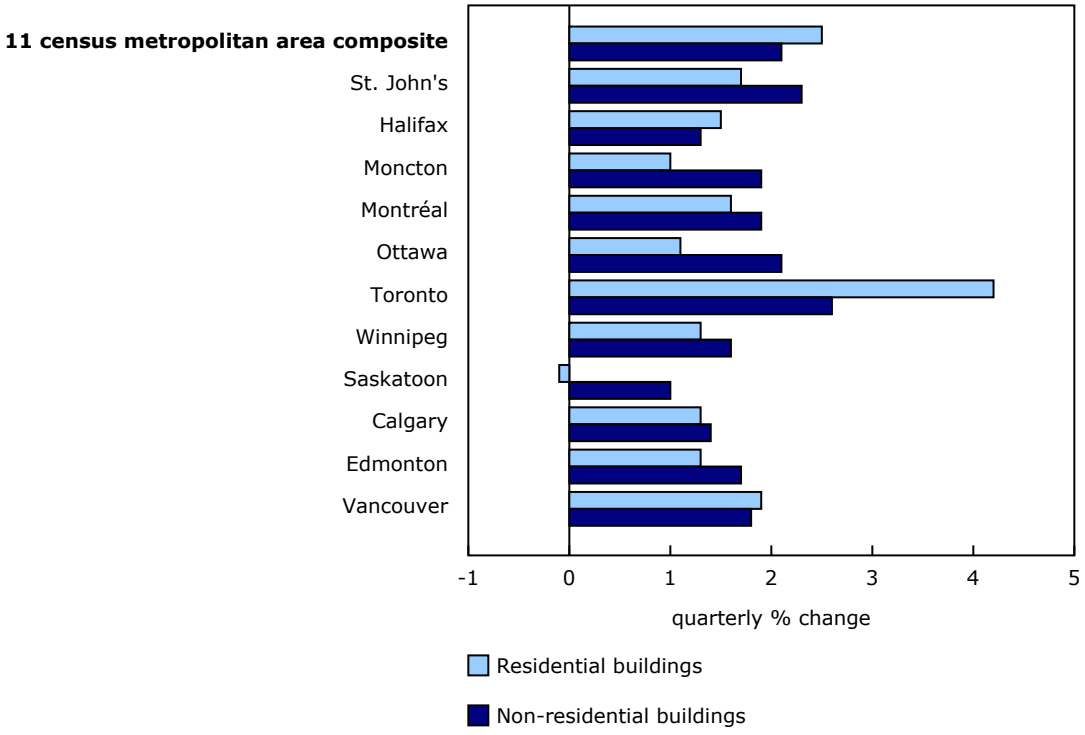
National overview

In the third quarter, residential building construction costs increased 2.5% and non-residential building construction costs rose 2.1%. The growth was slower than the second quarter, where residential construction costs grew 5.3% and non-residential costs were up 4.0%. The rate of growth for both residential and non-residential building construction costs has notably slowed when compared to the past year and a half.

Contractors surveyed attributed part of the growth in building construction costs to skilled labour shortages and high labour costs. Despite a decline in number of vacancies for construction jobs from April to July, the vacancy rate remains high, which has kept upward pressure on wages in the industry. Labour contract renegotiations also contributed to higher labour costs in the third quarter.

Additionally, higher material costs, amid a limited availability of materials and equipment, particularly concrete, steel, glass and piping, contributed to higher costs. Contractors also noted that fuel prices continue to add upward pressure on construction costs.

Chart 1
Building construction price indexes, quarterly change



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

Lower lumber prices moderate growth in residential construction costs

Growth in residential building construction costs decelerated during the third quarter, with 10 of the 11 census metropolitan areas (CMAs) covered by the survey recording smaller quarterly increases than the previous two quarters. This slowdown was largely driven by declining softwood lumber prices that have materialized amid a downswing in US housing construction.

Costs to construct residential buildings increased the most in Toronto (+4.2%) in the third quarter, followed by Vancouver (+1.9%) and St. John's (+1.7%). Construction costs for all the residential buildings in scope for the survey rose the most in Toronto, where costs for building low-rise apartments were the highest.

In Saskatoon, although high-rise residential building construction costs rose, declines in costs for single-detached houses and townhouses allowed Saskatoon to be the only CMA where residential building construction costs declined in the third quarter (-0.1%). The last time Saskatoon recorded a decline in costs was in the second quarter of 2020.

By building type, high-rise apartment building construction costs recorded the greatest increase (+3.0%) in the third quarter of 2022, led by Toronto (+3.9%), and followed by Vancouver and Calgary (each up by 2.0%).

Labour and material shortages continue to push up non-residential construction costs

Non-residential building construction costs grew at a slower pace during the third quarter, following a peak in the previous quarter. This deceleration was recorded in every CMA, except in St. John's.

Cost increases in non-residential building construction remained largely driven by price growth in cement and concrete. Higher prices for cement, concrete, and other materials are linked to continued robust demand for construction materials alongside supply challenges due to labour shortages, as well as temporary shutdowns at major plants early in the summer.

Non-residential building construction costs rose the most in Toronto (+2.6%), followed by St. John's (+2.3%). St. John's was the only CMA that recorded higher construction costs in the third quarter relative to the second quarter.

Saskatoon (+1.0%) experienced the smallest quarterly price increase, followed by Halifax (+1.3%) and Calgary (+1.4%).

By building type, the largest increases to construction costs were measured in factories (+2.3%) and office buildings (+2.1%) in the 11-city composite.

Table 1
Building construction price indexes[1]

	Relative importance[2]	Third quarter 2021	Second quarter 2022	Third quarter 2022	Second quarter to third quarter 2022	Third quarter 2021 to third quarter 2022
	%	(2017=100)			% change	
Residential building construction price indexes						
Eleven census metropolitan area composite	100	137.8	159.5	163.5	2.5	18.7
St. John's	0.4	134.8	150.3	152.9	1.7	13.4
Halifax	2.3	130.3	143.4	145.6	1.5	11.7
Moncton	0.7	125.8	133.8	135.2	1.0	7.5
Montréal	12.5	129.5	146.5	148.9	1.6	15.0
Ottawa	7.7	153.3	170.3	172.1	1.1	12.3
Toronto	36.1	143.1	173.0	180.2	4.2	25.9
Winnipeg	3.5	135.8	147.7	149.6	1.3	10.2
Saskatoon	1.2	130.2	141.1	141.0	-0.1	8.3
Calgary	9.8	149.7	171.5	173.8	1.3	16.1
Edmonton	7.1	138.4	163.3	165.4	1.3	19.5
Vancouver	18.8	128.4	144.0	146.7	1.9	14.3
Non-residential building construction price indexes						
Eleven census metropolitan area composite	100	118.5	130.6	133.3	2.1	12.5
St. John's	0.5	111.8	118.2	120.9	2.3	8.1
Halifax	1.3	117.5	126.4	128.1	1.3	9.0
Moncton	0.8	114.0	125.3	127.7	1.9	12.0
Montréal	17.9	124.8	138.4	141.0	1.9	13.0
Ottawa	3.8	129.8	143.1	146.1	2.1	12.6
Toronto	33.6	125.0	140.9	144.5	2.6	15.6
Winnipeg	3.1	114.8	121.7	123.7	1.6	7.8
Saskatoon	1.3	108.7	117.6	118.8	1.0	9.3
Calgary	9.4	109.7	118.3	120.0	1.4	9.4
Edmonton	5.9	115.2	127.1	129.3	1.7	12.2
Vancouver	22.3	116.2	125.4	127.6	1.8	9.8

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**.

Year-over-year growth in construction costs lower than previous highs

Building construction costs for residential construction in the 11-city composite rose 18.7% year over year in the third quarter, moderating from highs registered over the past year. Toronto (+25.9%) and Edmonton (+19.5%) recorded the highest growths and drove up the composite.

Non-residential construction building costs rose 12.5% year over year in the third quarter, also moderating from the previous quarters of 2022. Construction cost increases were the largest in Toronto (+15.6%), Montréal (+13.0%) and Ottawa (+12.6%).

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 (CMAs): 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 four residential structures: a single-detached house, a townhouse, a high-rise apartment building (five storeys or more) and a low-rise apartment building (fewer 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

The Building Construction Price Indexes Data Visualization Tool is now available. It provides access to current and historical data from the Building Construction Price Index (BCPI) for four residential and six non-residential building types, for the CMAs of St. John's, Halifax, Moncton, Montréal, Ottawa–Gatineau (Ontario part), Toronto, Winnipeg, Saskatoon, Calgary, Edmonton, and Vancouver as well as for a composite of these 11 CMAs, in a dynamic and customizable format.

The Technical Guide for the Building Construction Price Index is now available. This document provides details on the methodology used to calculate the BCPI.

Statistics Canada launched the Producer Price 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.

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; **infostats@statcan.gc.ca**) or Media Relations (**statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca**).