

2013 Saskatchewan Real Estate Forum

Managing Construction & Development Costs in the Saskatchewan Market



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April 30th, 2013



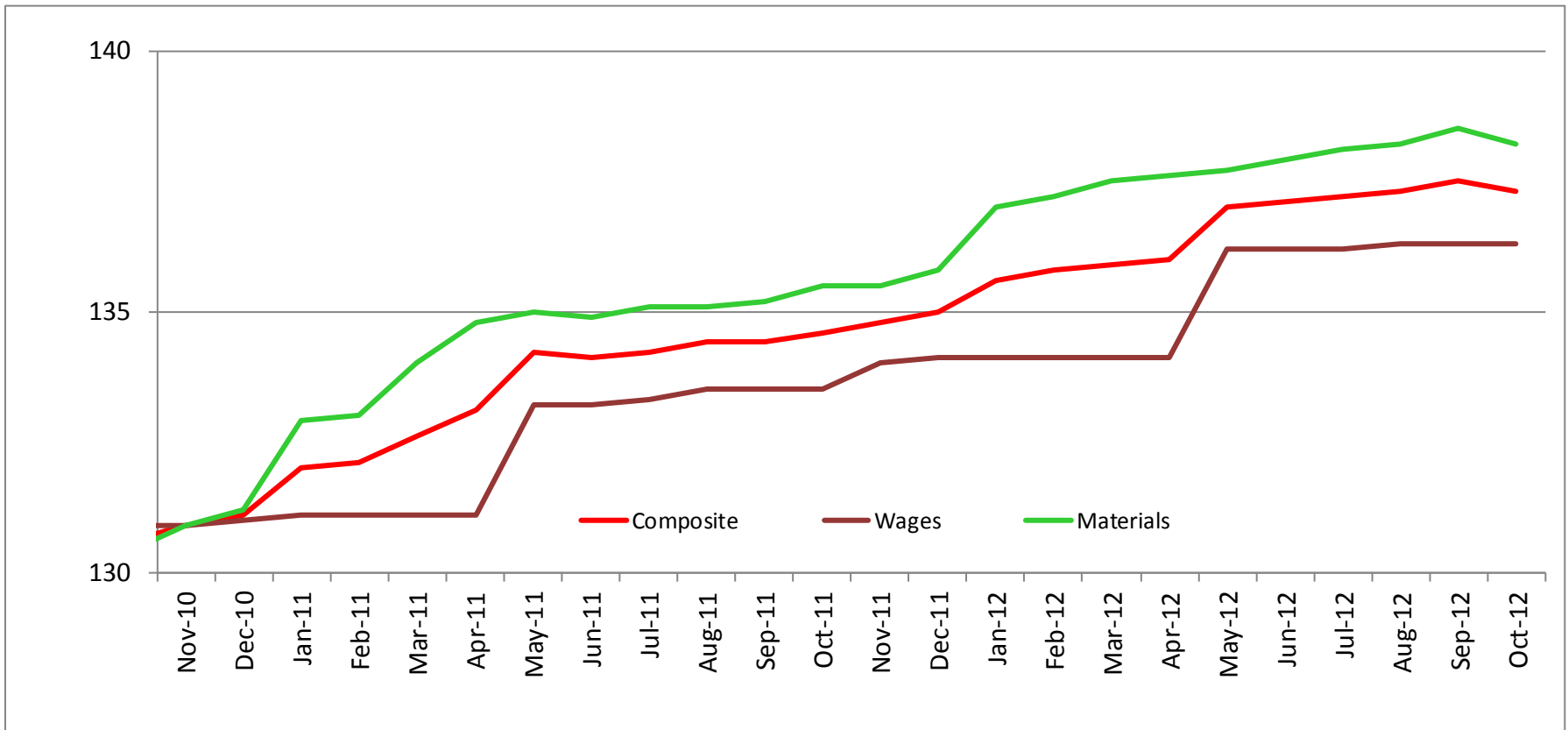
Street Smart. World Wise.

Agenda

1. Where are we compared to last year?
2. Where are costs going?
 - Materials
 - Labour

Canada Input Cost Indices: Last 24 Months

Material, Union Wages and Composite Indices
2001 Annual Average = 100



Source: Canadata Construction Cost Index – Canada (2001-2012)

Updated: Jan 25, 2013

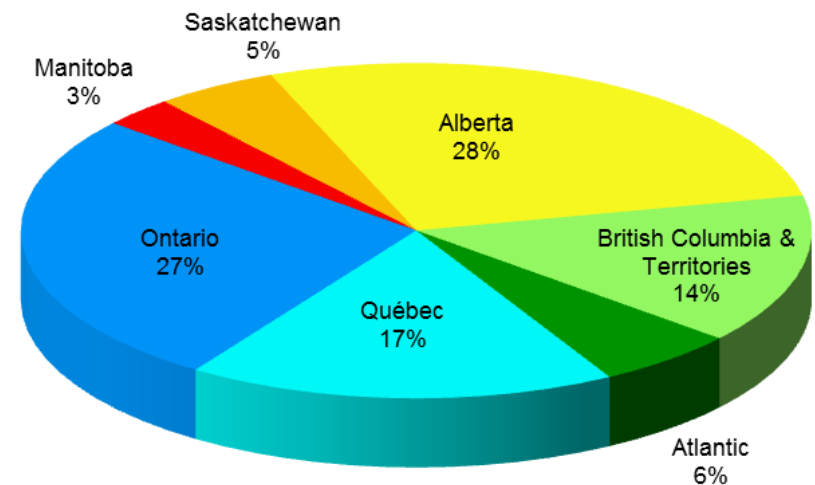
Western Canada / Prairies: Major Centre Cost Comparison

- Western/Prairies (Indexed to Calgary)
- **1. Calgary 100**
- 2. Edmonton 98
- 3. Regina/Saskatoon 105
- 4. Winnipeg 108

2012 Canadian Put-In-Place Construction % by Province

Construction by Region (2012)		
	Total	% of Total
Atlantic	16,398	6%
Québec	49,833	18%
Ontario	75,764	27%
Manitoba	8,284	3%
Saskatchewan	14,220	5%
Alberta	78,572	27%
BC & Territories	41,123	14%
CANADA	284,194	100.0%

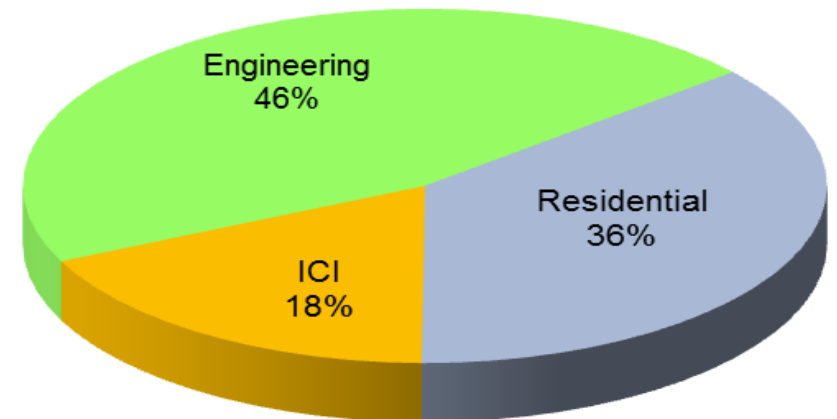
(Current Canadian \$ Millions)



2012 Canadian Put-In-Place Construction % by Sector

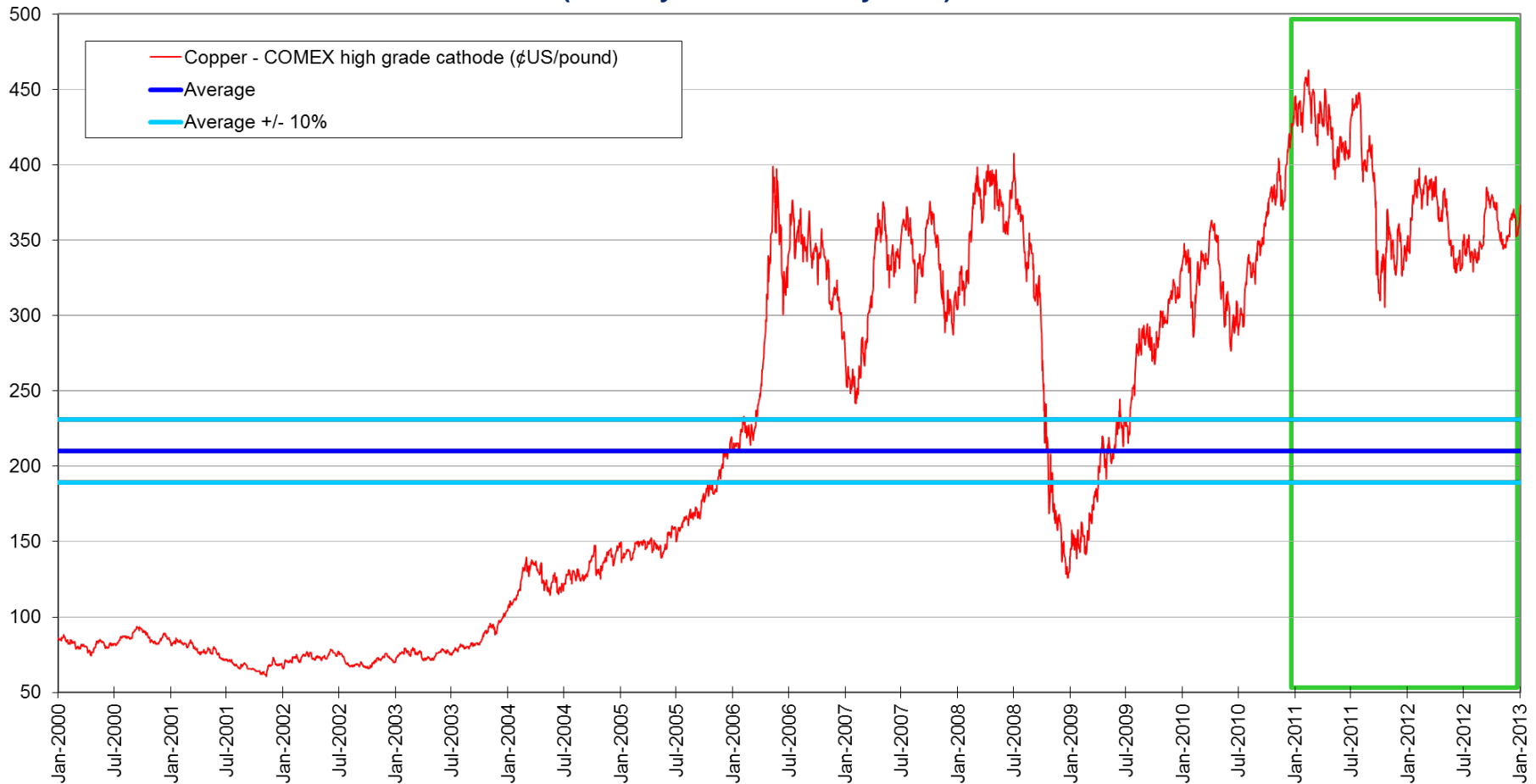
2012 Totals	Residential	ICI	Engineering	Total
Atlantic	37%	21%	42%	100%
Québec	48%	20%	32%	100%
Ontario	50%	24%	26%	100%
Manitoba	36%	22%	42%	100%
Saskatchewan	23%	14%	63%	100%
Alberta	18%	11%	71%	100%
BC*	36%	16%	48%	100%
CANADA	36%	18%	46%	100%

*BC includes Yukon, NWT and Nunavut



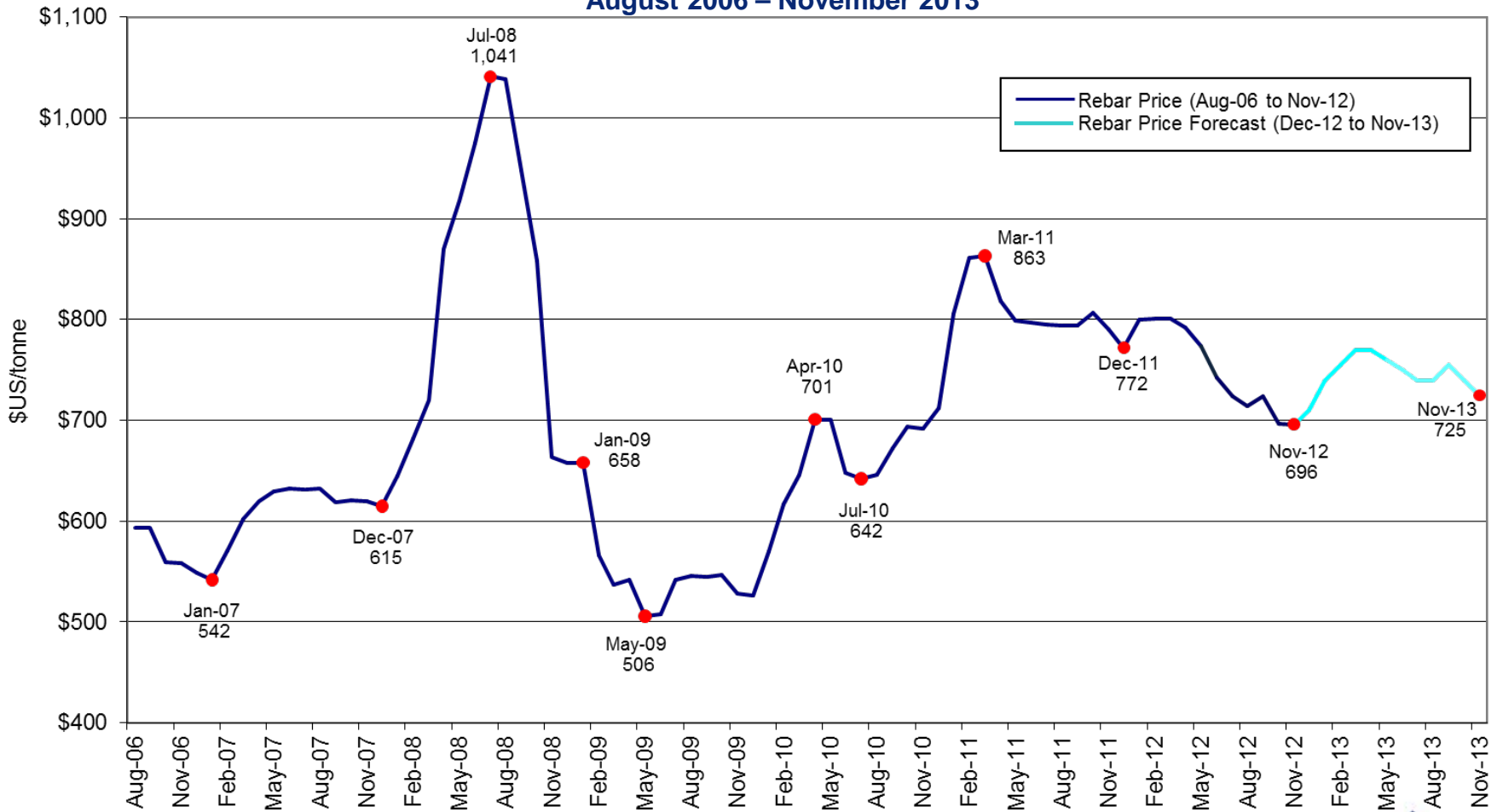
Material Prices

COPPER - COMEX high grade - Comex, 1st most active close (¢US/pound) (January 2000 – January 2013)



Material Prices

North American Rebar Price (ex-mill \$US/Tonne)
August 2006 – November 2013



Source: MEPS.CO.UK

*November 2012 – October 2013 Forecast by MEPS.CO.UK

Updated: January 14, 2013

Material Prices

Lumber and Timber Price Index – Canada (2001 = 100) January 2001 – November 2012



With the return of a demand-driven wood products market in 2012 – due to rapidly increasing housing starts in the U.S. – it is now forecast that lumber and panel prices will move to new highs in 2013 and record highs for lumber in 2014.

- International Wood Markets Group



Construction Cost Trends

Division	Trend	Comments
1 General Conditions & Fees	↑	Moderate increase due to competition for experienced personnel.
2 Site Work & Earthworks	↓	Generally trending downwards based on oil pricing.
3 Concrete	=↑	Concrete supply prices are relatively stable with typical increases, but formwork and reinforcing is slightly higher based on demand
4 Masonry	=	Material prices are stable.
5 Metals	=	Relatively stable with flat material prices being offset by increasing labour costs due to competition for labour, although this may be moderating depending on the oil price.
6 Carpentry	↑	Raw lumber prices are above average and we anticipate this to peak in the summer of 2013.
7 Thermal & Moisture Protection	=	Prices are not expected to change
8 Doors & Windows	=	Domestic manufacturers are very competitive. No significant increase expected.
9 Finishes	=/↑	No significant increases are expected, however could vary depending on US housing market gypsum demand.
10 Specialties	=	Generally stable.
11 Equipment (Appliances)	↓	Competitive market. There is generally increased competition in the electric / electronic consumer market.
12 Furnishings	=	Generally competitive.
13 Special Construction	=	Generally stable.
14 Conveying Systems (Elevators)	=↑	Price increases are expected due to a combination of increased labour costs due to skilled labour shortages and material cost increases.
15 Mechanical	↑	Moderate increases due to demand for skilled labour and material increases. The increase is dependent on the oil price and resultant activity in the oil sands.
16 Electrical	↑	Moderate increases due to demand for skilled labour and material increases. The increase is dependent on the oil price and resultant activity in the oil sands.



Labour Market Rankings

Trades and occupations	2013	2014	2015	2016	2017	2018	2019	2020
Construction managers	3	3	3	3	3	3	3	3
Crane operators	3	3	4	4	4	3	3	3
Electricians (including industrial and power system)	3	3	4	4	4	4	4	3
Plumbers	3	3	3	3	4	4	3	3
Sheet metal workers	3	3	4	4	4	4	3	3
Steamfitters, pipefitters and sprinkler system installers	3	3	4	4	4	4	4	3
Trades helpers and labourers	3	3	3	3	4	4	4	3

- 1 Qualified workers are available in local markets. Excess supply is apparent. Workers may move to other markets
- 2 Qualified workers are available in local or adjacent markets.
- 3 Qualified workers in the local market may be limited by short-term increases in demand. Established patterns of recruiting are sufficient.
- 4 Qualified workers are generally not available in local and adjacent markets. Recruiting may extend beyond traditional sources and practices.
- 5 Qualified workers are not available in local or adjacent markets. Competition is intense.

Summary

1. Construction costs have risen slightly in 2012.
2. We can expect further increases in 2013, with lumber being the most significant material factor and labour in general increasing.
3. No significant differences between Regina and Saskatoon. Labour market in Regina is a bit tighter but not likely enough to be significant.
4. Oil and Gas sector uncertainty, with limited pipeline capacity threatening oilfield activity and reducing profitability of oil companies.