# Saily Strategic Solutions – Quarterly Construction Review Q3 2025

Ontario Edition | Institutional Investor Briefing

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# Executive Snapshot

## Foreward

Saily Strategic Solutions publishes this quarterly construction review to provide institutional/public owners, funders, and contractors with a data-informed view of Ontario's capital project landscape. Each edition integrates economic indicators, policy movements, procurement trends, and inclusion benchmarks to support evidence-based decisions. The report is designed as a market reference for planning, benchmarking, and risk assessment across public and private infrastructure portfolios.

### Price Movements

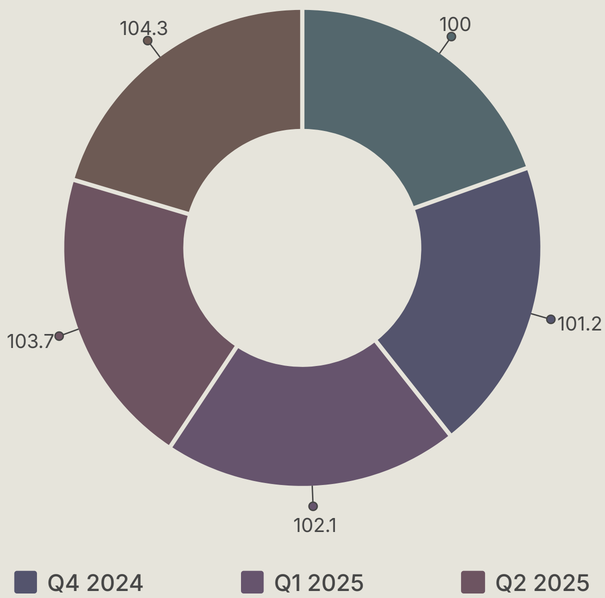
Construction costs continued to rise modestly through mid-2025, with non-residential building prices up 1.6% in the latest quarter — outpacing the residential sector. Material input prices for manufactured and raw goods also trended upward, reflecting higher costs for steel, copper, and electrical components.

Building permit activity softened in August, particularly in Ontario, where values fell nearly 12%, signalling caution in new project starts across both residential and institutional sectors.

### Labour & Monetary Context

Labour conditions remain stable following the 2025 bargaining cycle, with moderate wage increases across key construction trades providing cost certainty through 2028. Carpenters and electrical workers secured multi-year agreements without major disruptions, reinforcing labour stability across Ontario's industrial and institutional projects.

The Bank of Canada's recent rate cut to 2.50% has begun easing financing conditions, while overall inflation edged higher to 2.4% in September. Housing activity has slowed slightly as the market adjusts to the new interest-rate environment, with regional performance remaining mixed.




The index dashboard above tracks three critical cost indicators through Q3 2025, illustrating the convergence of construction-specific inflation with broader economic price pressures. IPPI has accelerated notably in recent months, driven by elevated prices for steel, copper, and electrical equipment.

# Market Drivers – Economic & Policy Environment

### Monetary Easing

The Bank of Canada's rate reduction to 2.50% represents an inflection toward growth-supportive conditions heading into 2026, with financing costs easing for major capital projects and improving feasibility across institutional and infrastructure portfolios.

### Procurement Restriction

Ontario's Procurement Restriction Policy continues to apply limits on new public contracts with U.S. businesses, effective March 2025, reshaping vendor eligibility criteria and requiring supply-chain restructuring across major programs.

### Infrastructure Investment

The province confirmed $325M in critical water infrastructure funding aimed at unlocking housing supply in high-growth corridors, directly enabling residential and mixed-use development in capacity-constrained municipalities.

### Project Acceleration

Federal fast-track review prioritised Ontario Power Generation (OPG) Darlington Small Modular Reactor (SMR), while Infrastructure Ontario and Metrolinx executed the East-Central-West Expansion (ECWE) Development & Master Construction Agreement, cementing alliance-style delivery frameworks for complex transit programs.

**1 — March 2025**
Ontario Procurement Restriction Policy takes effect

**2 — July 2025**
BoC rate cut cycle begins

**3 — September 2025**
Rate held at 2.50%; water infrastructure funding announced

**4 — Q4 2025**
Federal fast-track review underway for Darlington SMR

These four drivers—monetary easing, procurement policy shifts, public capital commitments, and mega-project acceleration—define the structural context for Ontario construction through mid-2026. The combination of lower borrowing costs and targeted public investment creates a favourable backdrop, though procurement restrictions introduce frictional constraints on cross-border supply chains that will require strategic supplier engagement

# Project Pipeline & Major Activity

Ontario's Q3 2025 project pipeline reflects sustained momentum across health, transit, energy, and digital infrastructure, with five flagship initiatives defining the capital deployment landscape. These programs collectively represent over $36 billion in committed or advancing capital, anchoring contractor workload visibility through the end of the decade.

| Project | Value (C$) | Sector | Location | Q3 Status & Notes |
|---|---|---|---|---|
| Trillium Health Partners – Peter Gilgan Mississauga Hospital & Shah Family Hospital | $13.9B | Health | Mississauga | Contract awarded; site mobilization underway; completion targeted 2033 |
| Yonge North Subway Extension – Advance Tunnelling | $1.44B | Transit | Toronto / Markham | Tunnelling D&C contract awarded August 2025; excavation commencing |
| OPG Darlington New Nuclear – 4× BWRX-300 SMRs | $20.9B (program est.) | Energy | Clarington | Construction approvals secured; site work progressing; federal fast-track priority |
| Modular Expansions – Niagara, Milton, Sudbury Corrections | Not disclosed | Justice | Thorold / Milton / Sudbury | Design-Build contract awarded to Bird Construction; modular fabrication 2026 |
| 54 MW Hyperscale Data Centre Expansion | $225M construction | Digital | Cambridge | Financing finalized; expansion moving into construction phase |

The Trillium mega-hospital and OPG Darlington SMR program anchor the pipeline by capital scale, while the Yonge North tunnelling package and corrections modular program demonstrate the breadth of active procurement across transit and justice sectors. The Cambridge data centre expansion underscores continued institutional investor appetite for digital infrastructure, with Canadian Pension Plan (CPP) Investments providing half of the construction financing.

Energy and health sectors dominate the pipeline by dollar value, reflecting Ontario's dual commitment to grid decarbonisation and healthcare capacity expansion. Transit and digital infrastructure represent secondary but strategically critical growth vectors, particularly as urbanisation and data demand continue to accelerate.

# Procurement & Delivery Model Evolution


## Progressive Models Scaling

The Trillium Progressive P3 award reinforces the model's adoption across mega-hospital programs, enabling early contractor engagement, collaborative risk allocation, and phased scope definition. Progressive delivery mitigates cost escalation risk in long-duration, complex programs by aligning owner and contractor incentives from preconstruction through commissioning.

### Progressive P3

Early collaboration and phased risk allocation dominate health mega-projects, with Trillium serving as the flagship example.

### Alliance Frameworks

The ECWE agreement highlights integrated alliance delivery for complex transit portfolios, sharing risk and reward across parties.

### Modular DB

The Ontario corrections program demonstrates modular Design-Build's traction in compressing schedules and standardizing facility design.

### Transit Pipeline

Metrolinx continues releasing station, corridor, and systems packages, sustaining procurement activity through 2026 and beyond.

Alliance-style frameworks are gaining traction in transit and infrastructure portfolios, particularly where scope complexity, interface risk, and stakeholder coordination challenge traditional design-bid-build or fixed-price P3 structures. The ECWE Master Construction Agreement embeds collaborative governance, pain-share/gain-share mechanisms, and integrated design-construction teams, reflecting Infrastructure Ontario's strategic pivot toward relationship-based delivery on flagship programs.

Modular adoption in the corrections sector demonstrates the model's applicability beyond residential and light commercial construction. Bird Construction's award for the Niagara, Milton, and Sudbury facilities leverages off-site fabrication to compress on-site schedules, reduce weather exposure, and standardize design across multiple sites, achieving cost and time efficiencies that traditional stick-built delivery cannot match.

Metrolinx's sustained release of procurement packages—spanning tunnelling, systems, stations, and rolling stock—ensures a robust forward pipeline for heavy civil, MEP, and systems integration contractors through 2026. This procurement cadence provides visibility and capacity planning confidence for supply chain participants, particularly in specialty trades and advanced manufacturing.

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# Risks & Challenges

Despite favorable monetary conditions and robust pipeline activity, Ontario construction participants confront a multifaceted risk environment characterized by material volatility, permitting softness, sustained labor cost pressures, policy friction, and first-of-a-kind execution risk on the SMR program. Effective risk mitigation requires integrated strategies spanning procurement structure, supply chain management, and labor relations.

### Material Volatility

Steel, copper, and electrical gear prices remain elevated, with September IPPI and RMPI indicating mild but sustained inflationary pressures. Supply chain disruptions and commodity market dynamics continue to introduce cost uncertainty, particularly on long-lead electrical and structural components.

### Permitting Softness

Ontario building permits declined 11.9% month-over-month in August, reflecting near-term uncertainty in residential and institutional project starts. Permitting delays and planning approval bottlenecks risk cascading into contractor mobilization schedules and revenue recognition timelines.

### Labour Cost Escalation

Multi-year ICI settlements for Carpenters (+8% over 3 years), IBEW (+6.9%), and LIUNA continue to drive upward wage pressure through 2028. Labor availability constraints in specialized trades compound cost escalation, particularly in high-demand urban markets.

### Procurement Policy Friction

Ontario's Procurement Restriction Policy limits cross-border supplier participation, influencing bid composition and reducing competitive tension on certain packages. Contractors must navigate vendor eligibility criteria and manage domestic supply chain capacity constraints.

### Megaproject Execution Risk

The SMR program introduces first-of-a-kind delivery risk despite federal fast-track prioritization. Technology readiness, regulatory approval timelines, and supply chain maturity remain uncertain, with potential for schedule and cost overruns inherent to FOAK nuclear deployments.

**Risk Mitigation Strategies:** Owners should consider progressive delivery models to manage material and labor volatility, while contractors should prioritize early supplier engagement, long-lead procurement, and strategic labor partnership agreements to mitigate cost and schedule exposure.

The interplay of these risks requires sophisticated portfolio management and proactive mitigation. Material cost hedging, early procurement commitments, and strategic supplier partnerships can partially offset price volatility. Progressive and alliance delivery models enable adaptive scope and cost management, while collaborative labor agreements can stabilize workforce availability and reduce strike risk. On the policy front, contractors must invest in domestic supplier relationships and capacity development to navigate procurement restrictions effectively.

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# Opportunities & Outlook – Next 6 to 12 Months

The Ontario construction outlook for the next six to twelve months is defined by sustained pipeline activity across health, transit, energy, digital infrastructure, and water sectors, underpinned by easing monetary conditions and targeted public investment. Institutional investors and contractors with strategic positioning in these verticals will benefit from robust demand, though execution discipline and supply chain management remain critical to value capture.

The 2025 Federal Budget reinforces this positive trajectory through its commitment to domestic capital and infrastructure investment, aimed at reducing reliance on U.S. imports and strengthening local supply chains. This policy direction aligns with Ontario's own priorities, extending the current momentum well into 2026 and beyond.

### Health & Life Sciences

Progressive P3 pipeline remains robust, with the Bowmanville Hospital RFP released in late September. Additional hospital and long-term care procurements are anticipated through Q1 2026, sustaining demand for integrated project delivery expertise.

### Transit Infrastructure

Continued tunnelling and systems work on Yonge North and ECWE sustains demand for heavy civil, MEP, and digital integration capabilities. Station packages and corridor upgrades will maintain procurement momentum through 2026.

### Energy & Grid Modernization

SMR buildout and grid reinforcement projects—including transmission upgrades and substation expansions—maintain momentum, driven by decarbonization targets and electrification demand from industrial and data centre loads.

### Digital Infrastructure

Ongoing hyperscale and enterprise data centre expansions across GTHA and Southwestern Ontario reflect sustained institutional capital deployment in mission-critical digital assets, with power and cooling infrastructure as key enablers.

### Water & Housing Enablers

$325M infrastructure funding unlocks critical housing-related projects at the municipal level, enabling residential and mixed-use development in capacity-constrained markets and supporting provincial housing supply targets.

The 12-month opportunity index reflects relative pipeline strength, procurement visibility, and capital deployment momentum across five core sectors. Health and energy sectors score highest, driven by mega-project scale and provincial strategic priorities. Transit maintains strong momentum through Metrolinx's active procurement cadence, while digital infrastructure benefits from sustained institutional investor demand. Water infrastructure scores moderately, reflecting its role as an enabler rather than a direct capital deployment driver, though the $325M provincial commitment provides meaningful near-term project flow.

# Strategic Implications for Market Participants

## Owners & Developers

Lock scope early and leverage progressive delivery models to manage volatility and labor constraints while capturing the benefits of rate easing. Early contractor engagement and phased risk allocation enable adaptive cost management in a dynamic materials environment.

Consider alliance frameworks for complex, multi-stakeholder programs where interface risk and coordination challenges exceed traditional delivery model capabilities.

## Funders & Investors

With borrowing costs falling, project feasibility improves across health, transit, and digital infrastructure portfolios. However, supply-chain exposure and first-of-a-kind execution risk on SMR and modular programs warrant close monitoring and structured due diligence.

Prioritize assets with long-term public backing, visible revenue streams, and experienced operator track records to mitigate construction and operational performance risk.

## Contractors & Supply Chain

Modular, progressive, and alliance-style procurement structures are gaining traction—capability alignment and partner selection will define competitive advantage. Invest in preconstruction capacity, integrated design capabilities, and collaborative governance frameworks.

Develop domestic supplier relationships to navigate procurement policy restrictions and secure long-lead materials early to mitigate cost escalation and schedule risk.

**Market Positioning Imperative:** The next 12 months will reward participants who combine delivery model sophistication, early supply chain engagement, and strategic labor partnerships. Traditional approaches risk margin compression and schedule overruns in an environment defined by elevated material costs, tight labor markets, and evolving procurement frameworks.

The convergence of easing monetary policy, sustained public investment, and procurement model evolution creates a favorable but complex operating environment. Owners must balance early commitment with scope flexibility, funders must calibrate risk premiums against execution uncertainty, and contractors must align capabilities with the shift toward progressive and alliance delivery. Strategic differentiation will hinge on the ability to manage volatility, collaborate across stakeholder ecosystems, and execute disciplined project delivery in a tightening resource environment.

# People & Inclusion Spotlight – Equity, Diversity & Inclusion

Ontario's construction sector continues to advance equity, diversity, and inclusion (EDI) initiatives across workforce development, supplier diversity, and procurement policy. The quarter saw notable recognition events, policy milestones, and measurable progress in apprenticeship representation, reflecting the industry's commitment to building a more inclusive and representative labor force and supply chain.

### CAMSC Business Achievement Awards

The 21st Business Achievement Awards, held in Toronto on September 26, 2025, celebrated excellence in supplier diversity and Indigenous business partnerships. The event recognized contractors, owners, and suppliers demonstrating leadership in advancing inclusive procurement practices

### PSPC Supplier Diversity Action Plan

Public Services and Procurement Canada's Supplier Diversity Action Plan continues to influence federal procurement criteria, aligning with inclusive supply chain goals and establishing measurable targets for diverse supplier participation on major infrastructure and institutional programs.

### Apprenticeship Representation

Ontario's apprenticeship programs show strong representation across under-represented groups, with over 8,300 new diverse apprentices registered in the 2024–25 cycle. This reflects sustained investment in outreach, recruitment, and retention initiatives targeting women, Indigenous peoples, and racialised communities.

**18%**

**Supplier Diversity Spend**

Percentage of total procurement allocated to certified diverse suppliers across major Ontario infrastructure programs

**22%**

**Workforce Representation**

Combined representation of women, Indigenous, and racialized staff in construction workforce and leadership roles

**8,300+**

**Diverse Apprentices Onboarded**

New diverse apprentices registered in Ontario skilled trades programs during the 2024–25 cycle

These metrics reflect measurable progress, though sustained effort is required to close representation gaps and ensure equitable access to opportunities across all levels of the construction value chain. Owners, contractors, and funders are increasingly embedding EDI criteria into procurement evaluation frameworks, RFP scoring, and contract performance metrics, driving accountability and transparency in diversity outcomes.

Looking forward, the industry must continue to invest in mentorship, skills training, and barrier removal to sustain momentum in workforce diversification. Supplier diversity targets should be supported by capacity-building programs, financial access initiatives, and long-term partnership frameworks that enable diverse businesses to scale and compete on major programs. Policy alignment between federal, provincial, and municipal procurement frameworks will be critical to achieving consistent progress across jurisdictions and project types.

# Conclusion – Navigating Opportunity in a Dynamic Market

Q3 2025 marks an inflection point for Ontario construction, characterised by easing monetary conditions, robust pipeline activity, and evolving procurement frameworks that reward sophistication in delivery model selection, supply chain management, and stakeholder collaboration. The province's $36+ billion in advancing health, transit, energy, and digital infrastructure projects provides sustained demand visibility through the end of the decade, while the shift toward progressive, alliance, and modular delivery models introduces new opportunities for contractors and investors willing to adapt capabilities and operating models.

However, opportunity is matched by complexity. Material price volatility, permitting softness, labor cost escalation, procurement policy constraints, and first-of-a-kind execution risk on mega-projects demand disciplined risk management and proactive mitigation strategies. Success will require early scope definition, integrated supply chain partnerships, strategic labor agreements, and collaborative governance frameworks that align incentives across owners, contractors, and funders.

### Strategic Positioning

Align capabilities with progressive and alliance delivery models gaining traction across health, transit, and infrastructure portfolios

### Supply Chain Discipline

Secure long-lead materials early and develop domestic supplier relationships to navigate procurement restrictions and cost volatility

### Collaborative Execution

Embed integrated governance, pain-share/gain-share mechanisms, and early stakeholder engagement to manage complexity and deliver value

### Inclusive Growth

Advance EDI commitments through workforce diversification, supplier diversity targets, and measurable accountability frameworks

For institutional investors, the combination of lower borrowing costs and sustained public capital deployment is improving project feasibility and return profiles, particularly in health, digital infrastructure, and regulated energy assets. Due diligence must continue to account for construction execution risk, supply chain dependencies, and policy exposure, with preference given to experienced operators, visible revenue streams, and government-backed programs.

For contractors and supply chain participants, the next 12 months will reward those who combine delivery model sophistication, early preconstruction engagement, and strategic labour partnerships. Traditional approaches risk margin compression and schedule overruns in an environment defined by elevated material costs, tight labour markets, and evolving procurement models.

Ontario construction enters 2026 with momentum, complexity, and opportunity in equal measure. Navigating this landscape will require strategic clarity, operational discipline, and a willingness to adopt delivery frameworks that balance risk, reward, and collaborative value creation. Participants who adapt will thrive; those who rely on legacy approaches will face growing competitive and execution pressure.

The 2025 Federal Budget’s emphasis on digital infrastructure, procurement modernisation, and supply chain resilience provides national backing to these provincial trends. Together, these policies create a coordinated environment where innovation, inclusion, and capability alignment define competitiveness across Canada’s construction industry.