

# Saily Strategic Solutions

## Quarterly Construction Review — Q4 2025 (Ontario)

Market intelligence, procurement signals, and capital delivery outlook





# Executive Snapshot

Market conditions stabilised through year-end, but selectivity increased.

1

## Construction costs

Non-residential building construction costs continued to rise through 2025, with the latest published data showing quarter-over-quarter increases in the range of **1.5–2.0%** and year-over-year growth exceeding **4%**. Q4 conditions point to cost persistence rather than volatility.

2

## Materials and inputs

Industrial product prices and raw material inputs closed 2025 with **year-over-year increases above 6%**, reflecting ongoing pressure in manufactured products, metals, and electrical components critical to institutional construction.

3

## Permits and activity

Ontario building permit values increased sharply in October, rising more than **30% month-over-month**, signalling renewed intent. This remains an early indicator and has yet to fully translate into starts or awards.

4

## Labour

The 2025 ICI bargaining cycle concluded with cumulative wage growth of approximately **7–8% over three years**, providing short-term stability and predictability across major trades.

5

## Financing and inflation

The Bank of Canada reduced the policy rate to **2.25% by late Q4**, easing financing conditions. Consumer inflation remained contained in the low-2% range into November, supporting improved project feasibility.

❏ **What this means:** confidence improved in Q4, but only projects with strong governance, disciplined procurement, and credible delivery capability progressed.



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# Market Drivers

**Policy intent remains strong, while execution outcomes vary.**

## **Public capital investment**

Federal and provincial commitments to infrastructure, health, energy, and digital assets remained largely intact through year-end, reflecting the fact that many major capital programs are already funded, contractually committed, or embedded within long-term delivery pipelines. While governments have announced material reductions in public-sector employment, these measures have been positioned around operating expenditure rather than capital retrenchment.

In practice, this distinction is visible in the continued advancement of large, multi-year programs such as the **Centre Block Rehabilitation**, the **High Frequency Rail** corridor, and aviation infrastructure programs led by authorities such as **Greater Toronto Airports Authority**. These projects are supported by funding frameworks approved well in advance and are progressing through enabling works, procurement, or staged delivery, insulating them from short-term workforce adjustments.

The Q4 signal for the market is therefore not one of capital withdrawal, but of **heightened execution discipline**: funding remains available, but governments are increasingly focused on sequencing, affordability, and delivery readiness as programs move from planning into construction.



# Indigenous Procurement Performance

Federal reporting published by Indigenous Services Canada shows that progress toward the mandatory **5% Indigenous procurement target** has been uneven. In **2021–22**, Indigenous businesses received approximately **\$1.57 billion (5.1%)** of eligible federal contracting. This increased to **\$1.63 billion (6.27%)** in **2022–23**, before declining to approximately **\$1.24 billion (6.11%)** in **2023–24**, despite growth in overall eligible federal contracting.

## Federal Indigenous Procurement Outcomes

Fiscal Year	Total Eligible Federal Contracting	Awarded to Indigenous Businesses	% of Eligible Spend
2021–22	\$30.7B	\$1.57B	5.1%
2022–23	\$33.5B	\$1.63B	6.27%
2023–24	\$35.0B	\$1.24B	~6.11%

The data demonstrates that while the percentage threshold has been exceeded in recent years, performance has been **volatile rather than cumulative**, particularly in absolute dollar terms. Federal analysis attributes this inconsistency to structural procurement factors, including contract bundling, bonding and insurance requirements, late-stage engagement, administrative burden, and limited visibility of subcontracting activity. In addition, government reporting acknowledges that some Indigenous businesses elect not to participate in federal procurement due to governance considerations, payment practices, and alignment with community priorities.

Where outcomes have improved, evidence points to early market engagement, appropriately scaled scopes, joint venture enablement, and transparent subcontracting pathways. These findings reinforce that Indigenous procurement performance is primarily a function of **procurement design and execution**, rather than policy intent alone.



# Capital Concentration: Mega Projects That Dominate Market Value

One reason cancellable projects look bigger than they feel in execution is capital concentration: a relatively small number of very large megaprojects account for a majority of total disclosed infrastructure value.

## Top Mega Projects (Canada, 2025)

Based on rankings of the largest public infrastructure programs in Canada:

Project Name	Approx. Value (CAD)	Sector	Notes
Site C Clean Energy Project	~\$16 billion	Energy	Large renewable energy buildout in B.C.
GO Expansion – On-Corridor Works	~\$15.7 billion	Transit	Regional rail expansion across GTHA.
Bruce Power Refurbishment	~\$13 billion	Energy	Major nuclear facility overhaul.
Pickering Generating Station Refurbishment	~\$26 billion	Energy	Largest project on 2026 ranking.
(Billions; exact estimate varies)	Energy / Nuclear	Part of Ontario's nuclear strategy.	Darlington New Nuclear Project

These projects alone represent **well over \$60–70 billion CAD** of project value — and together with a handful of other high-value programs account for **≈60% or more of the total value on Canada's Top100 list (≈\$343 billion)**.



# What This Means for Ontario & Institutional Priorities

Within Ontario and national portfolios, several of these high-value programs are either underway or advancing planning:

- **Darlington New Nuclear** — strategic energy and supply chain focus
- **GO Expansion** — transit infrastructure enabling growth corridors
- **Bruce Power Refurbishment** — long horizon nuclear capability
- **Pickering Refurbishment** — newly prominent in 2026 rankings

These "mega projects" are structurally different from smaller institutional builds because they drive most published capital totals, influence labour and supply constraints, and dominate risk appetites and financing flows.

*"A very small subset of projects dominate disclosed infrastructure value — with perhaps five programs representing ~60% of the total Top100 pipeline. This concentration shapes market behaviour, crowding out mid-scale opportunities and skewing investor, lender, and supply-chain attention."*

## Cancellation Reality Check

- ~\$280 billion CAD worth of projects cancelled or deferred across Canada over the past decade
- Equivalent to nearly half the disclosed 2025 Top100 project value (~\$343 billion) *(Source: industry analysis of long-term project cancellations)*

## Capital Concentration

- Top 4–5 megaprojects (Site C, GO Expansion, Bruce Power, Pickering, Darlington) exceed **\$60 billion+** in combined value
- These projects alone represent **~60% of the Top100 program total** *(Sources: Top100 infrastructure rankings)*



## CMHC's Contribution to the Housing Market, 2025

# Market Oversight Context

In 2025, the housing market operated within a constrained feasibility environment despite improving macro-financial conditions. Construction costs remained elevated, labour availability was uneven, and lender selectivity increased across both residential and mixed-use development. Within this context, **Canada Mortgage and Housing Corporation (CMHC)** continued to play a central role in supporting market liquidity and facilitating access to insured financing.

CMHC's contribution did not eliminate delivery risk, but it remained a key stabilising mechanism for qualifying housing projects across Canada.

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## CMHC Activity — Key Data Signals (2025)

CMHC's publicly reported mortgage loan insurance activity through 2025 indicates sustained engagement in the housing market, particularly within the multi-unit residential sector.

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**Approximately 197,500 multi-unit residential units insured**

through the first three quarters of 2025, reflecting continued demand for insured financing in rental and institutional housing.

2

**Approximately 47,800 homeowner mortgage insurance units insured**

over the same period, alongside a smaller volume of portfolio insurance.

3

**Multi-unit mortgage insurance volumes of approximately \$31.4 billion CAD**

reported in the first half of 2025, driven primarily by new construction activity.

These figures demonstrate that insured mortgage activity remained material in scale, even as development feasibility and underwriting standards tightened.



## What CMHC Support Enables

CMHC participation continued to support the housing market in several key ways:

### Access to capital

Improved **access to capital** for qualifying residential projects



### Risk mitigation

**Risk mitigation for lenders** through insured financing structures



### Market liquidity

Sustained **market liquidity** during a period of heightened financing selectivity

For developers, CMHC-backed financing remained a meaningful tool for advancing viable housing projects, particularly in the multi-unit and rental segments.

## What CMHC Support Does Not Replace

While CMHC insurance supports feasibility and financing access, it does not remove execution risk. Projects advancing with CMHC involvement in 2025 still required:



### Cost intelligence

Credible and current **cost intelligence**



### Construction schedules

Realistic **construction schedules**



### Sponsor capability

Demonstrated **sponsor capability and delivery governance**



### Procurement discipline

Disciplined **procurement and contract administration**

## Implications for Developers and Lenders

- **For developers:** CMHC insurance can improve feasibility and financing access, but advancement remains contingent on execution readiness and disciplined project planning.
- **For lenders:** Strong insured volumes support lending activity and portfolio stability, while reinforcing the need for continued underwriting discipline in cost, schedule, and sponsor capability.



# Innovation & Digital Delivery

Digital transformation is advancing unevenly across government — but the direction is clear.

## Government digital mandates are creating the foundation

Across federal and provincial governments, digital modernisation has moved beyond experimentation into mandated practice. Cloud-first policies, common digital standards, and formal governance frameworks for automated decision-making are now embedded across public administration. These initiatives are most advanced in enterprise functions such as human resources, finance, case management, and regulatory administration, where automation and analytics are already delivering measurable efficiency gains.

While capital delivery and construction functions have not yet been the primary focus of these mandates, they operate within the same institutional systems — procurement platforms, contract management, payment processing, and workforce administration — that are already undergoing digital transformation.

## Public-sector engagement with cloud and AI platforms is deepening

Major cloud providers, including Amazon Web Services, continue to expand their engagement with Canadian public-sector organisations through structured forums and summits focused on secure cloud adoption, data governance, and responsible AI use. Participation by federal and provincial stakeholders reflects a growing institutional comfort with cloud-based platforms to support mission-critical functions, particularly in HR systems, analytics, and service delivery.

Direct engagement at recent public-sector digital summits attended by Saily's leadership reinforced this trend, with consistent emphasis on automation, interoperability, and governance rather than experimental technology adoption. These signals point to a maturing digital environment in which adjacent functions — including procurement and contract administration — are increasingly positioned for similar transformation.

## Implications for construction delivery

As digital capability deepens across government, construction delivery is likely to be affected not through design tools, but through **process optimisation**:

- automated procurement workflows,
- contract data standardisation,
- AI-assisted contract review and risk flagging,
- improved change management and claims analytics.

Internationally, similar trajectories have seen AI and data platforms applied to contract interpretation, dispute avoidance, and portfolio-level cost intelligence well before full integration into design and site execution. The Ontario signal is therefore less about immediate transformation, and more about **inevitability**.



# People & Inclusion Spotlight

Inclusion performance is increasingly measurable, auditable, and execution-dependent.

1

## Indigenous procurement performance

Federal reporting published by **Indigenous Services Canada** confirms that while the mandatory **5% Indigenous procurement threshold** has been achieved in certain fiscal years, performance has been **inconsistent and, in some cases, regressive**. This variability highlights structural execution challenges rather than a lack of policy intent, particularly on large and technically complex programs.

2

## Supplier diversity beyond Indigenous procurement

Ontario's supplier diversity ecosystem continues to mature through market-led initiatives and industry engagement. Events such as the **Canadian Aboriginal and Minority Supplier Council (CAMSC)** Supplier Diversity Conference (Ontario, March 2026) provide practical forums for connecting public buyers, primes, and diverse suppliers, with a focus on scalable participation, partnership models, and procurement readiness.

These forums are increasingly relevant as public and private owners seek to move from commitments to **repeatable, auditable outcomes** across supplier diversity categories.

## Industry leadership and engagement

The upcoming **CIQS Congress** in Prince Edward Island provides a national forum for advancing cost, procurement, and risk intelligence across the construction sector.

### Navigating the Funding Gap

*Cost Intelligence and Strategic Planning in Public Capital Projects*



### AI and Construction Law

*Building Risk Intelligence from Contract to Courtroom*

Active industry participation — whether in person or online — remains critical to building the collective capability required to deliver complex capital programs with inclusion, transparency, and accountability.



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## Closing Note

Ontario's construction sector enters 2026 with clarity, capability, and responsibility in equal measure.

The themes emerging from Q4 are not signals of disruption for disruption's sake, but of **measured evolution**. Cost pressures, capital concentration, inclusion outcomes, and digital capability are no longer abstract conversations — they are now **auditable, comparable, and increasingly decisive** in how projects are funded, procured, and delivered.

The industry understands the direction of travel. There is broad recognition that progress across social inclusion, technology adoption, cost optimisation, and technical standards is necessary — but also that meaningful change takes time. Systems evolve incrementally, skills mature over cycles, and procurement frameworks adapt through application, not proclamation.

The opportunity for Ontario — and Canada more broadly — is to lead deliberately. Global precedents show that jurisdictions that advance fastest are those willing to **pilot, learn, and institutionalise innovation**, whether in procurement design, digital delivery, or workforce participation. Leadership is not defined by copying models wholesale, but by adapting them intelligently to local context and regulatory environments.

For owners, this means setting clearer expectations around execution readiness, data discipline, and inclusion outcomes — and backing those expectations with procurement strategies that enable success. For funders, it means differentiating between projects that are merely feasible and those that are **deliverable** under modern constraints. For contractors and advisors, it means embracing new ways of working — not as compliance exercises, but as competitive advantage.

The message from Q4 is constructive and demanding: **the ingredients for leadership are present**, but progress will favour those willing to move first, test responsibly, and share what works. If Ontario continues to push capability, transparency, and collaboration, it has the potential not just to keep pace with global leaders — but to help define the next standard for capital delivery worldwide.