Untangling Construction Costs: How Tariffs, Carbon Tax Repeal and Code Changes are Shaping the Industry

Presented By: Devin Baker, B.Comm

Manager, Business Development

SUNCORP VALUATIONS

PRESENTATION SUMMARY

Construction Costs: Post-COVID Landscape

Tariffs & Trade Policy

Carbon Tax & Climate Policy

Legislative & Regulatory Changes

Q&A

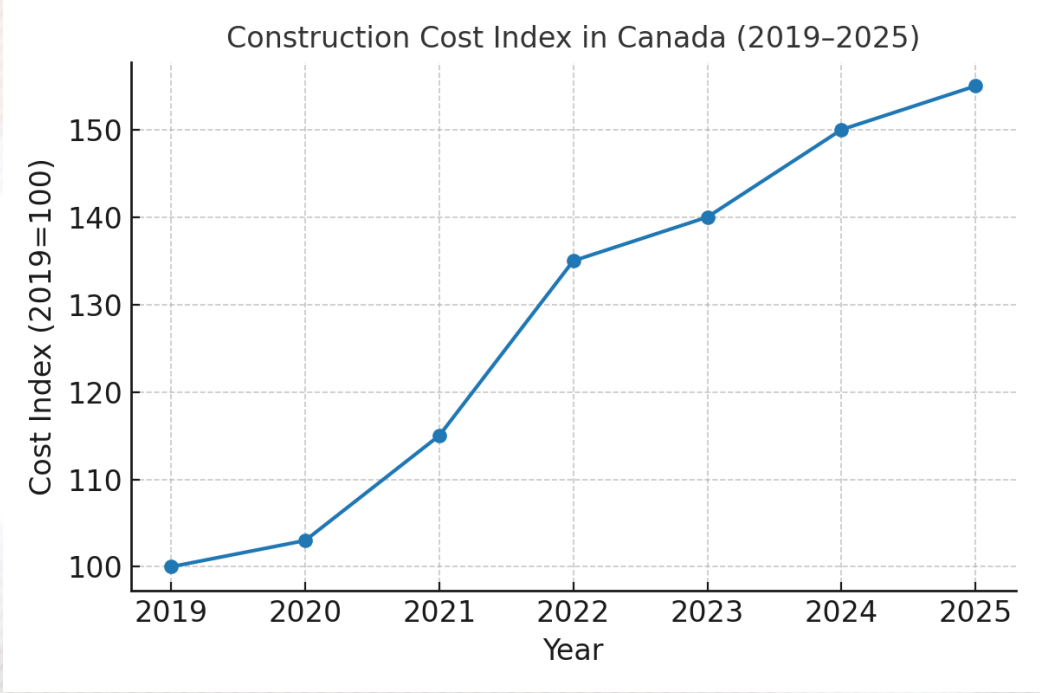
SUNCORP VALUATIONS

Construction Costs: Post-COVID Landscape

SUNCORP VALUATIONS

Construction Costs in Canada: Where Are We Now?

- COVID-19 shock: material & labour shortages, delays, spikes
- Peak inflation: 2021–2022 double-digit increases
- Current trends: lumber easing, steel/cement high, labour shortages persist
- Insurance values stab



SUNCORP VALUATIONS

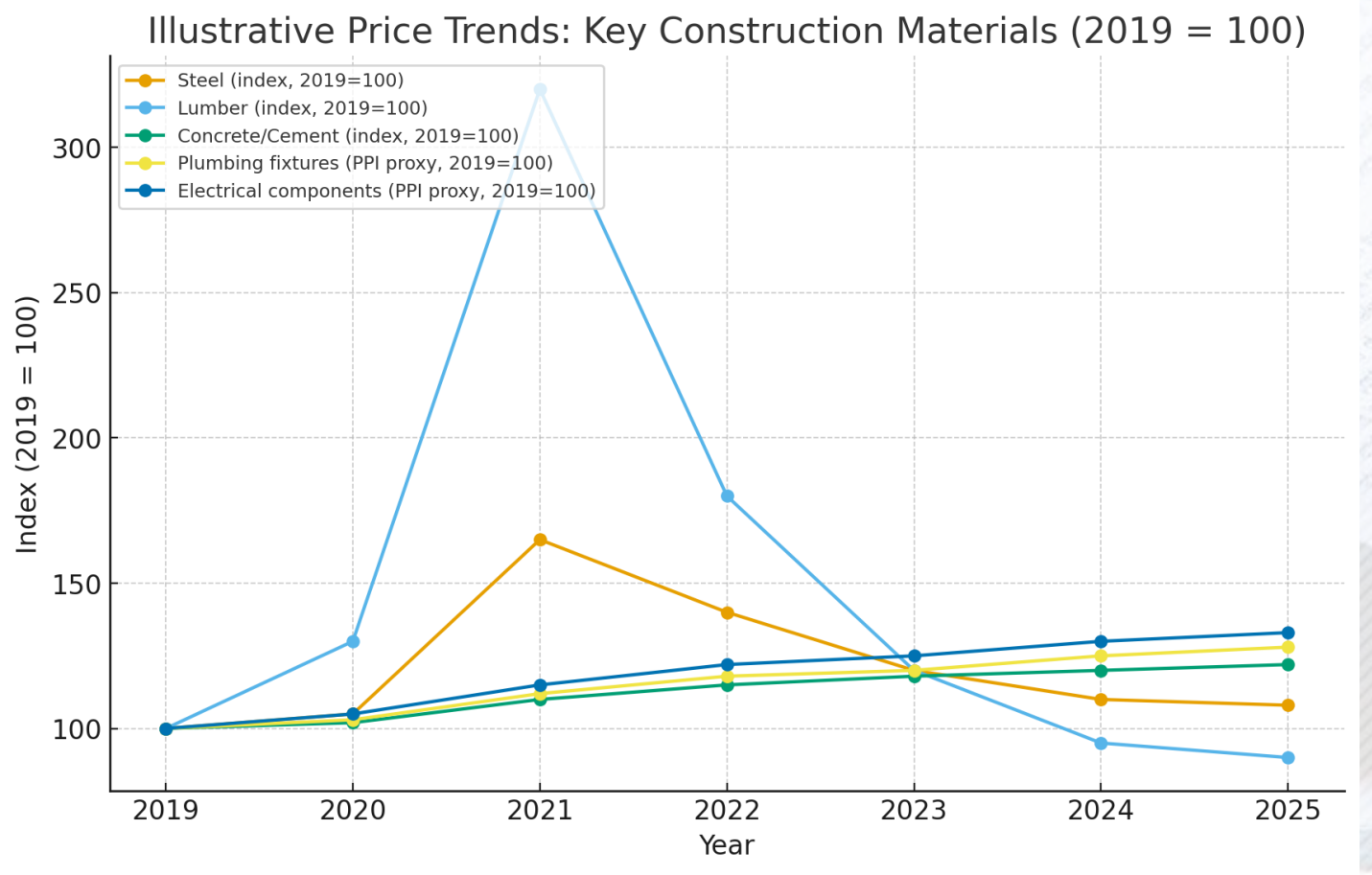
Poll Question #1

Since 2019 which construction material has seen the largest increase in cost?

- Steel
- Lumber
- Concrete
- Plumbing Fixtures
- Electrical Components

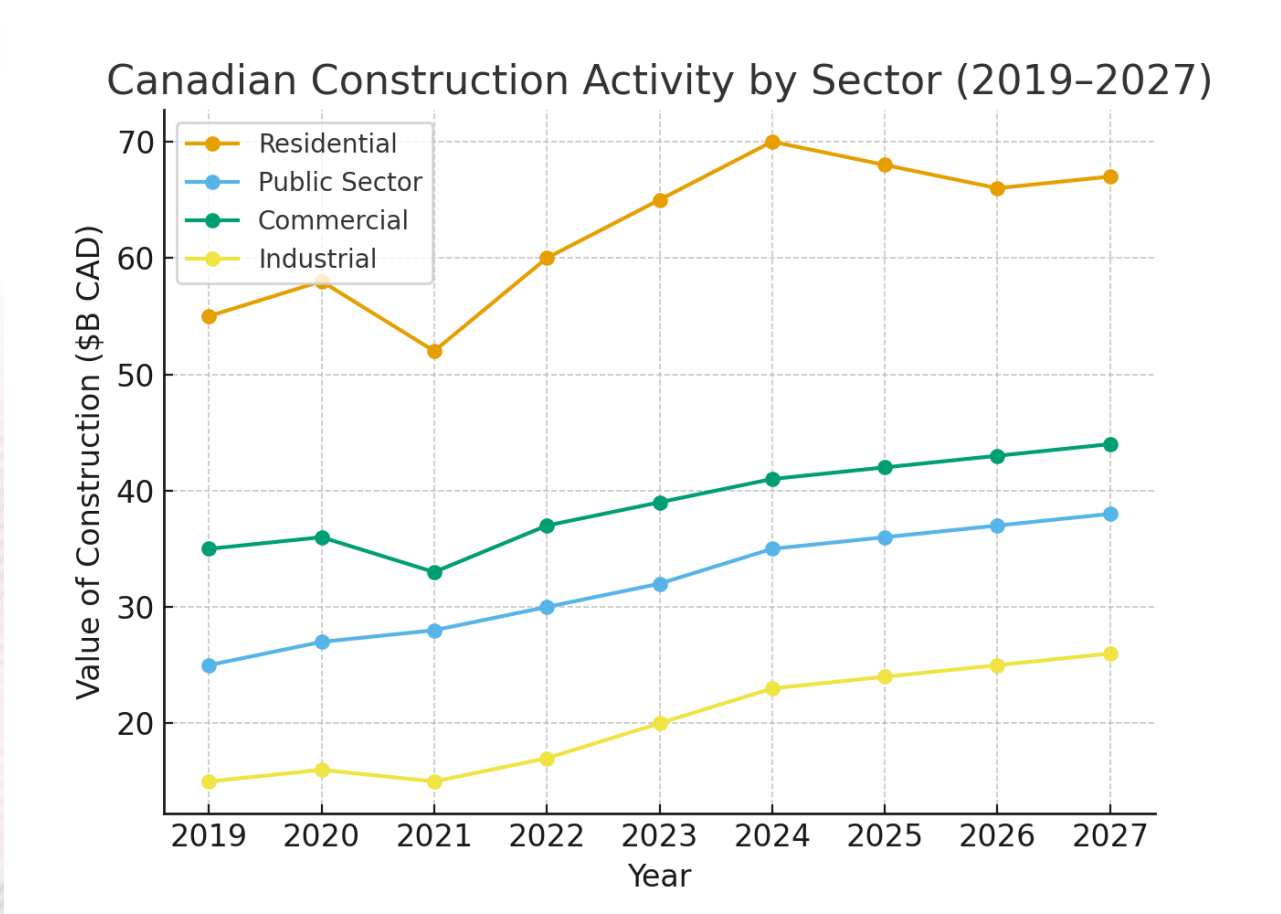
SUNCORP VALUATIONS

Construction Material Prices (2019–Current)



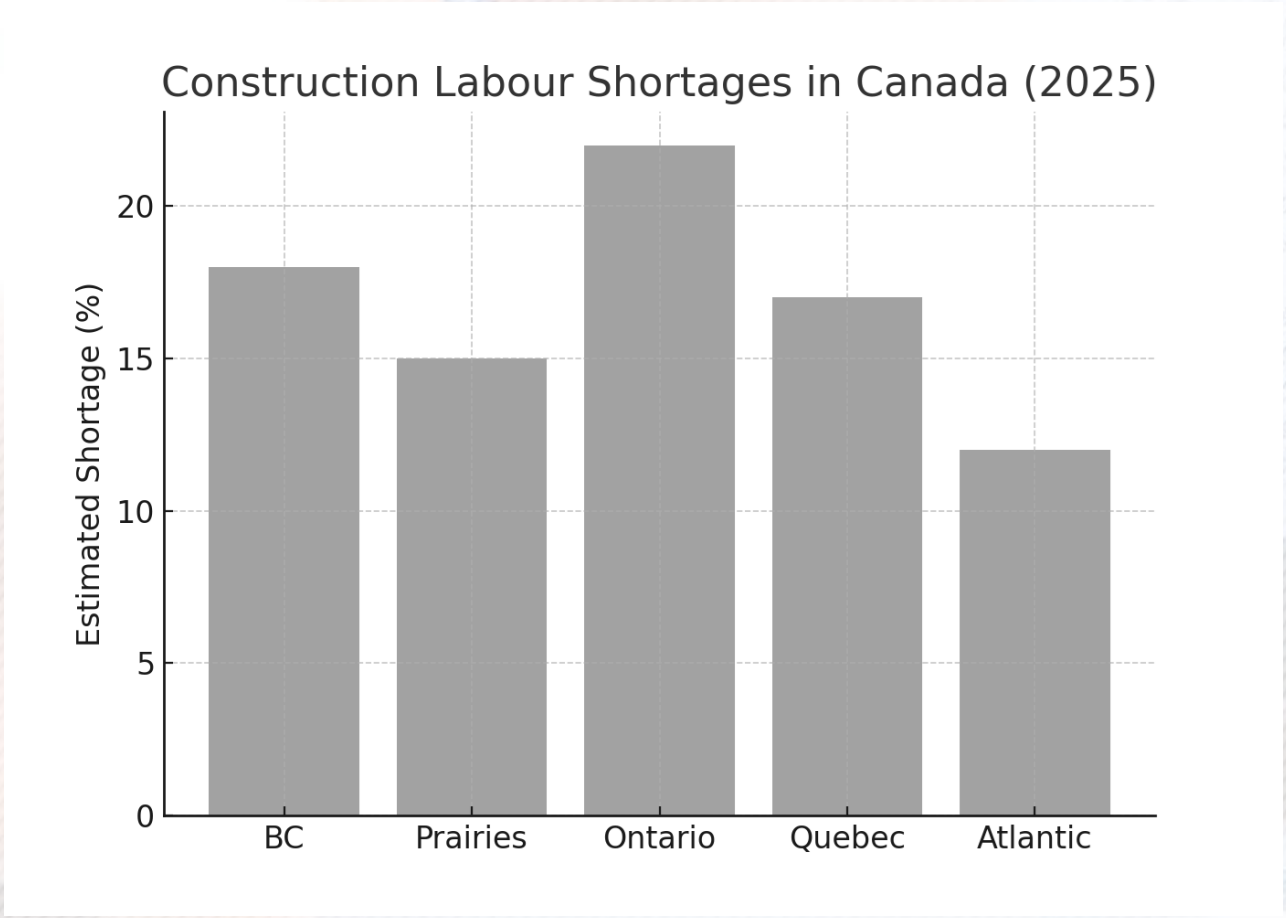
SUNCORP VALUATIONS

Canadian Construction Activity Trends



SUNCORP VALUATIONS

Construction Labour Shortages in Canada



SUNCORP VALUATIONS

Construction Labour Shortages by Trade (2025)

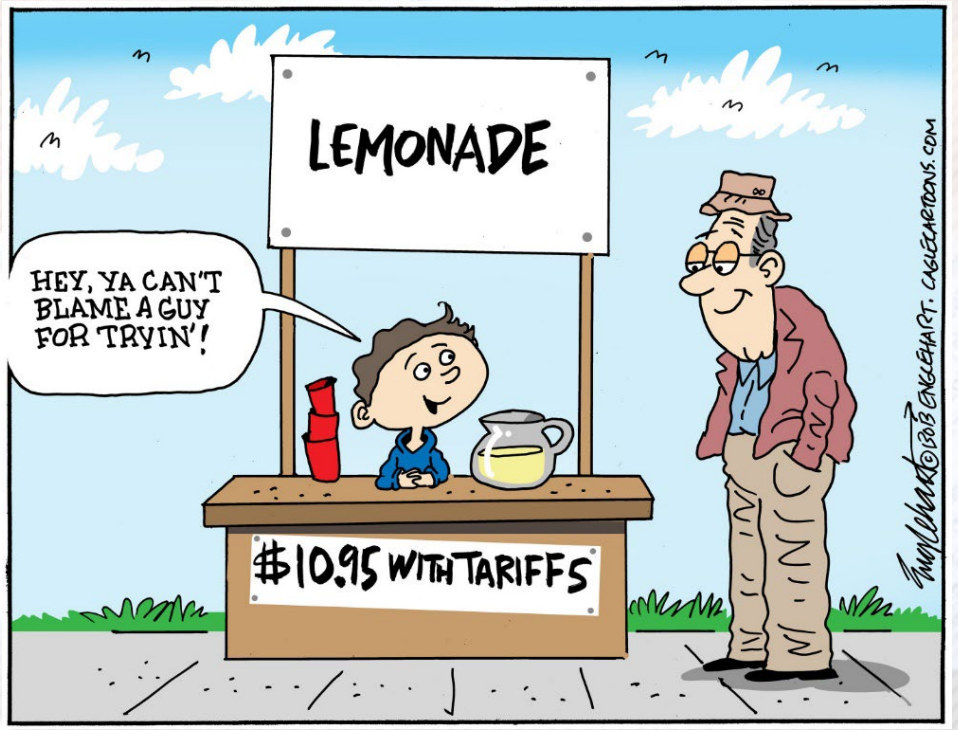
Trade	Estimated Shortage (%)	Notes
Carpenters	20%	High demand in residential/commercial builds
Electricians	18%	Shortages in both urban and industrial projects
Plumbers	15%	Slightly less severe, but persistent across Canada
Welders	22%	Acute shortages in Western Canada, industrial projects
Heavy Equipment Operators	17%	Recruitment challenges, especially in remote projects

SUNCORP VALUATIONS

Tariffs & Trade Policy

SUNCORP VALUATIONS

What are Tariffs?



SUNCORP VALUATIONS

Tariffs & Trade Policy: Overview

- Tariffs = taxes on imports/exports
- Key disputes: steel, aluminum, lumber, gypsum
- Canada–U.S. trade tension = cost volatility
- Ripple effects on costs & timelines

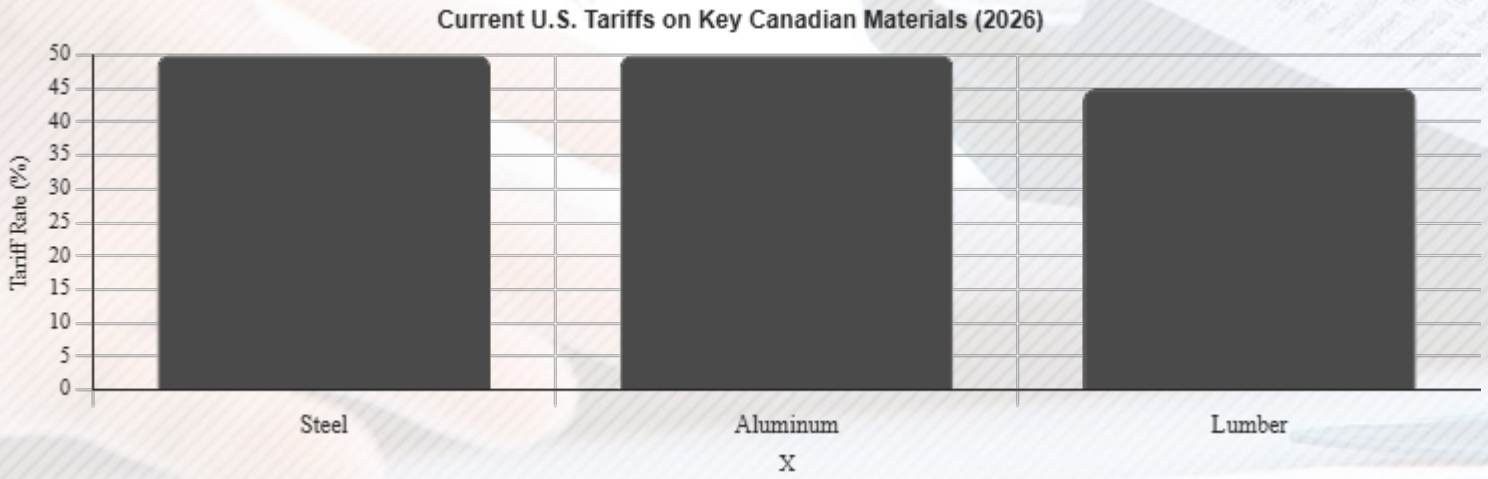
SUNCORP VALUATIONS

Tariffs: Current US Landscape

Steel & Aluminum: 50%

Softwood Lumber Duties: ~45%

Result: higher costs + sourcing delays



SUNCORP VALUATIONS

Tariffs: Current CDN Landscape

Steel & Aluminum: 25%

Softwood Lumber Duties: No equivalent counter-tariff

Result: Higher Costs + Sourcing Delays + Market Uncertainty

SUNCORP VALUATIONS

Tariff: Quantitative Impact

- Steel framed buildings: steel ≈ 10% of total cost
- 50% U.S. tariff on steel → ~5% increase in overall building cost
- Example: $10M project → +$500,000 cost
- Aluminum tariffs: 5–8% of some building systems (cladding, roofing)
- Softwood lumber duties: ~45% → ~4–6% overall increase for wood-framed buildings

SUNCORP VALUATIONS

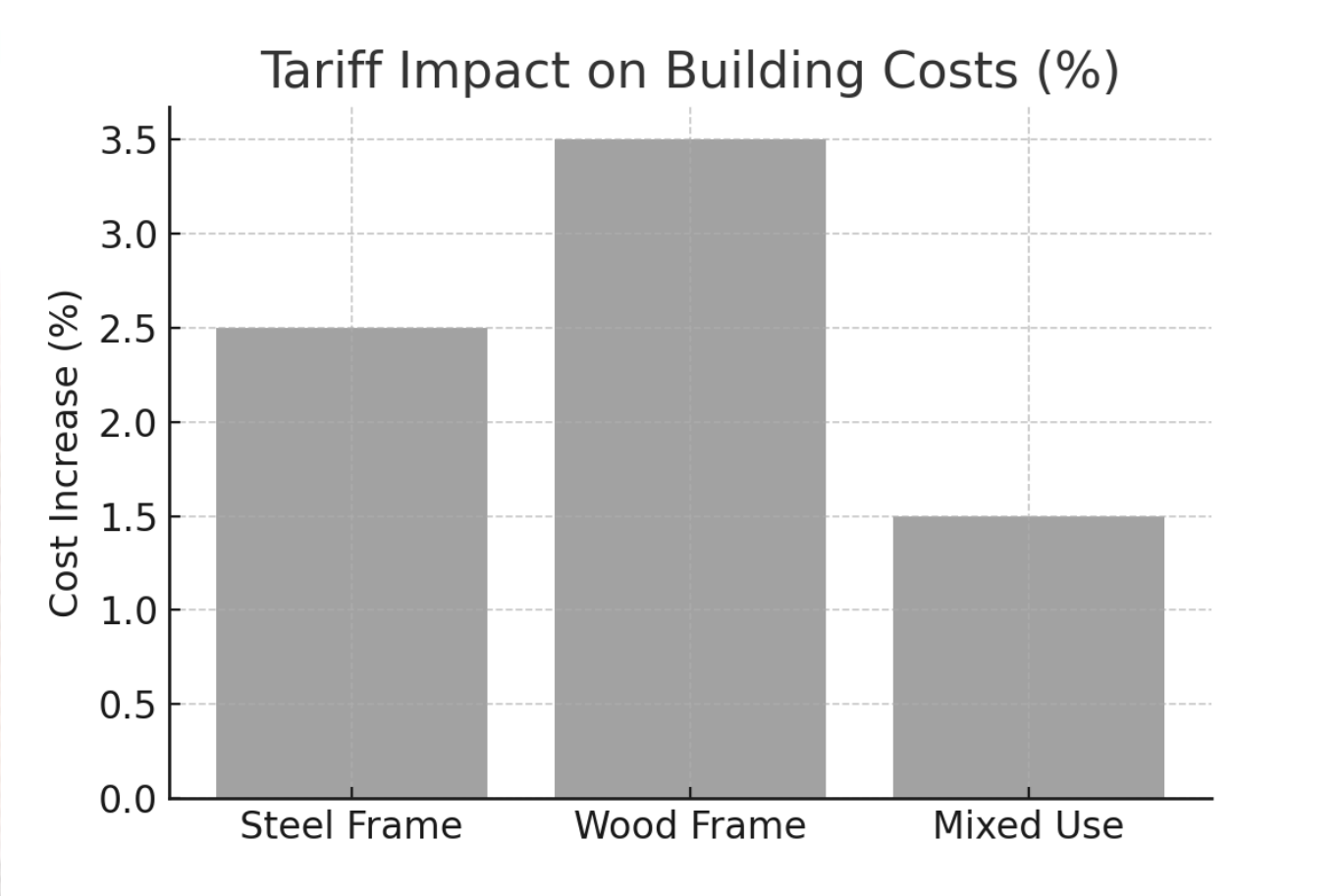
Poll Question # 2

Tariffs have had the largest impact on this building type:

- Wood Frame
- Steel
- Mixed Use

SUNCORP VALUATIONS

Tariff Impact on Building Costs



SUNCORP VALUATIONS

Tariff: Case Study (Regina, SK)

- Multi-use commercial build (~50,000 sq. ft.)
- Original Budget (2024): $12.5M CAD
- Post-tariffs (2025): $14.3M CAD
- Drivers: steel, aluminum, machinery tariffs
- Outcome: +14.4% cost, delays, reduced scope

SUNCORP VALUATIONS

What is Carbon Tax?

- Legislated in 2019 – Greenhouse Gas Pollution Pricing Act
- Applies to households (fuel, heating) & businesses
- 2025: $80/tonne$CO^2e$ to $170 by 2030
- Revenue: $20B+ annually, rebates & climate programs
- Impacted industries: transport & gas, cement, steel, construction

SUNCORP VALUATIONS

Carbon Tax & Climate Policy

SUNCORP VALUATIONS

Carbon Tax: Impact on Construction

- Higher cost of cement, steel, asphalt, glass

- Transport/logistics cost increases

- Compliance: codes & efficiency standards

- Long-term: shift to greener construction

SUNCORP VALUATIONS

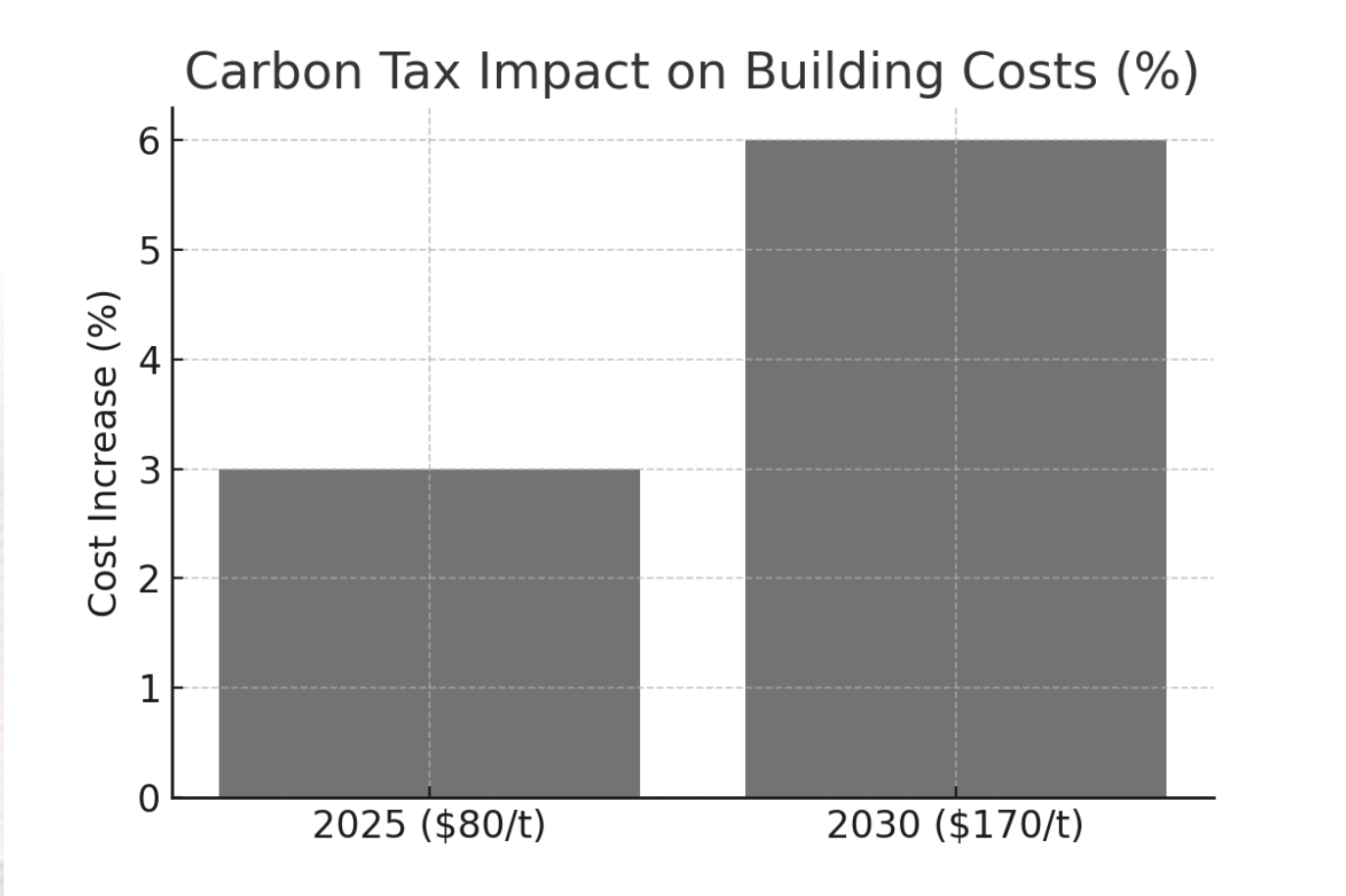
Poll Question #3

What is the project impact of the Carbon Tax on building costs by 2030?

- 3%
- 6%
- 9%

SUNCORP VALUATIONS

Carbon Tax Impact on Building Costs



SUNCORP VALUATIONS

Carbon Tax: Quantitative Impact

- 2025 carbon price: $80/tonne CO_2e (to $170 by 2030)
- Cement: adds ~1–2% to overall building cost
- Steel & Manufacturing adds ~0.5–1.5%
- Transportation/Logistics adds ~0.5–1%
- Overall: 2–4% increase in building cost (2025 levels)
- By 2030: potential 5–8% increase with $170/tonne carbon price

SUNCORP VALUATIONS

Carbon Tax: Tariff & Carbon Impact

Urban office tower (steel-heavy, $50M): tariffs +2.5%, carbon +3% → total +$2.75M

Warehouse (tilt-up concrete, $20M): carbon +2%, minimal tariff impact → +$400k

School (wood-frame, $15M): lumber tariffs +3%, carbon +1.5% → +$675k

Remote northern project: higher transport costs → +5–7% overall impact

SUNCORP VALUATIONS

Legislative & Regulatory Changes

SUNCORP VALUATIONS

What Are Building Codes?

- Set of regulations that govern design, construction, and occupancy of buildings. Ensure safety, energy efficiency, accessibility, and resilience.

- National Building Code of Canada (NBC) provides the model; provinces adapt it. Covers structural design, fire safety, energy use, and health standards.

SUNCORP VALUATIONS

Poll Question #4

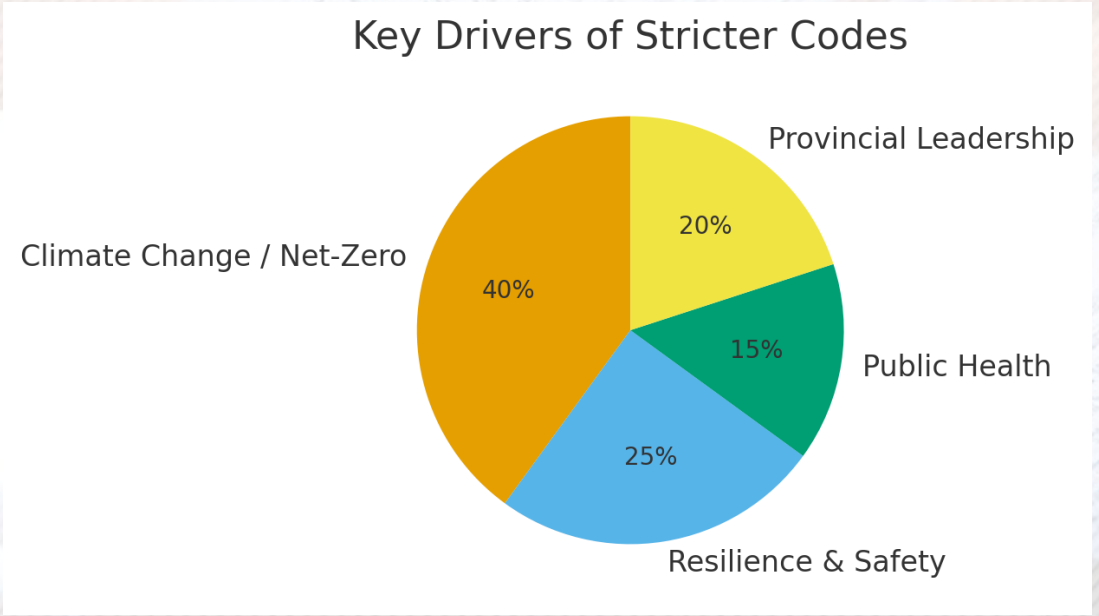
Why are building codes becoming stricter?

- Public Health
- Provincial Leadership
- Resilience & Safety
- Climate Change/Net-Zero

SUNCORP VALUATIONS

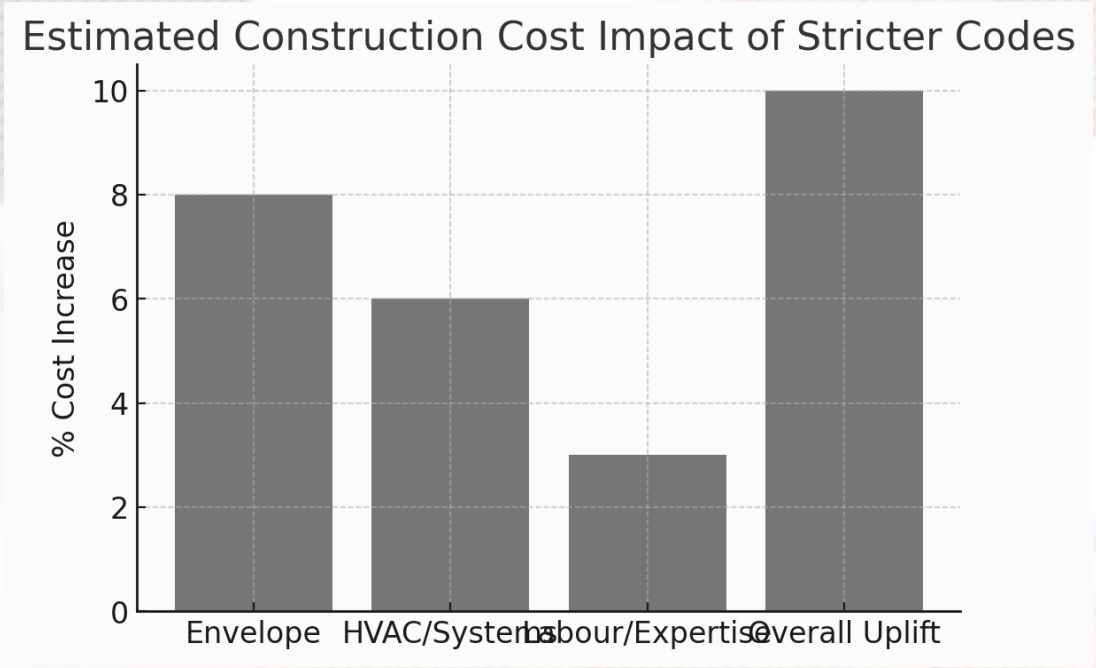
Why Codes Are Getting Stricter

- Canada's Net-Zero by 2050 → stronger energy codes
- Growing focus on resilience: fire, seismic, flood
- Public health lessons (ventilation, air quality)
- Provinces leading with stricter local codes (BC Step Code, Toronto Green Standard)



SUNCORP VALUATIONS

Impact on Construction Costs



- Building envelope upgrades (insulation, windows) → +5–10%
- Efficient HVAC & systems → +2–6%
- Specialized labour & compliance costs → +2–4%
- Overall: +5–12% new builds; higher for deep retrofits

SUNCORP VALUATIONS

Other Legislative & Regulatory Changes

- Labour: aging workforce, immigration policy

- Building codes: energy, fire, accessibility

- GST/HST application on projects

- Indigenous procurement & funding rules

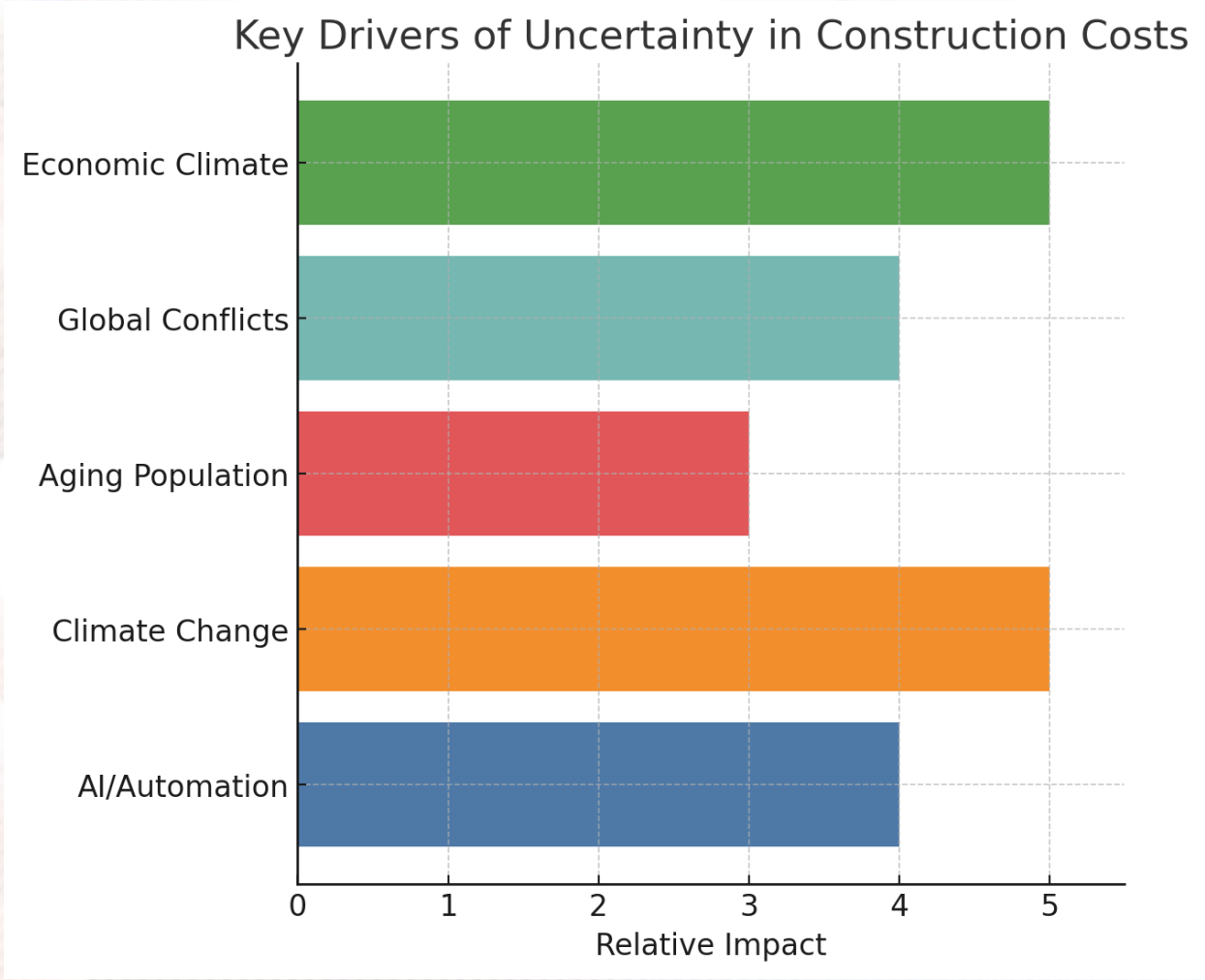
SUNCORP VALUATIONS

FINAL THOUGHTS

SUNCORP VALUATIONS

Welcome to the Age of Uncertainty

- AI & Automation – reshaping labour and material demand
- Climate Change – new standards, carbon costs
- Aging Population – labour shortages, infrastructure needs
- Global Conflicts – supply chain disruptions
- Economic Climate – inflation, volatility



SUNCORP VALUATIONS

QUESTIONS?

SUNCORP VALUATIONS