

North America Construction Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The North American construction market is projected to register a growth rate of about 4.84% during the forecast period (2022-2027).

Key Highlights

The COVID-19 pandemic has enormously impacted the construction industry in the United States. The building sector in the United States is heavily reliant on supplies of steel, copper, aluminum, stone, and fixtures from other countries, many of which come from China.

Non-residential construction started declining by 24% in 2020 due to the pandemic. Single-family dwelling starts are expected to rise by 11% in 2020. According to a report, the Canadian construction sector sank in the early stages of the COVID-19 pandemic, with Ontario taking the brunt of the damage, with activity plunging 57%. British Columbia and Ontario dropped to 41% below baseline in the first month of the pandemic, with Ontario falling to 57% in May 2020, while B.C. bounced back with a 7% decline. Industrial real estate has shown its strength, especially since the outbreak of the COVID-19 pandemic. This has rapidly accelerated the growth of e-commerce and has driven the demand for distribution space to new heights.

As reported in June 2021, the US will need to add 330 million sq. ft of warehouse space dedicated to online fulfillment by 2025 to keep pace with the expected uptick in e-commerce sales over the same period. In Canada, demand for warehouse space far outnumbers supply, resulting in a spike in industrial construction.

Following a 32% rise in online sales in 2020, Canada is expected to require an extra 40 million sq. ft of warehouse space over the next five years to meet demand by 2025. That is more than three times the combined storage capacity available in Canada's three busiest industrial cities: Toronto, Vancouver, and Montreal.

Manufacturing, mining, and a range of services all include construction as one of their biggest customers. This encompasses all private and government real estate and commercial infrastructure developments in the United States, a primary workforce

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generator.

Canada has one of the world's largest economies and is one of the world's wealthiest countries. Construction is the backbone of its economy, responsible for building and maintaining the constructed infrastructure of cities, towns, and communities.

Over the last decade, infrastructure and construction have seen remarkable growth, with around 50 skyscrapers completed in major cities like Toronto, Vancouver, and Calgary. Infrastructure Canada financed 6,500 projects to develop and maintain thousands of kilometers of expressways and motorways.

In keeping with its election promises, the Canadian government is likely to increase spending on housing and renewable energy initiatives. The party claimed in its election program that it would spend CAD 2.7 billion (USD 2.1 billion) over the next four years to build or repair 1.4 million affordable housing units and that greenhouse gas emissions would be reduced by 40-45% below 2005 levels by the end of the decade.

North America Construction Market Trends

Infrastructure Projects Driving the Market

The USD 20 trillion US economy relies on a vast infrastructure network from roads and bridges to freight rail and ports to electrical grids and internet provision. In July 2021, the Secretary of the United States Department of Transportation (USDOT) announced that the Infrastructure for Rebuilding America (INFRA) program would distribute USD 905.25 million in discretionary grants to 24 projects in 18 states.

The Los Angeles County Metropolitan Transportation Authority will receive USD 30.0 million in grant funding to construct a series of modifications to improve traffic flow in the 1.3-mile confluence area between the SR-57 and SR-60 highways in Los Angeles County.

The Georgia Ports Authority will receive USD 46.8 million to build a new inland container port in an unincorporated section of Gainesville along the I-85/I-985 corridor, which will be connected to the Port of Savannah through a direct 324-mile intermodal freight train service.

The Canadian government's intention (announced in February 2021) to invest CAD 14.9 billion (USD 12 billion) in public transportation projects over the next eight years will promote long-term output in the Canadian construction industry.

A new "COVID-19 Resilience" funding stream has been developed by the Government of Canada's Investing in Canada Infrastructure Program (ICIP) to support the pandemic response and economic recovery in collaboration with provinces and territories.

The combined federal-provincial financing is partly given through an allocation-based mechanism with a defined Local Government Intake in Ontario. A total of CAD 20.1 million (USD 15.77 billion) has been shown to the City of Ottawa.

A widely anticipated building project along the Trans-Canada Highway near the B.C.-Alberta border has begun, as reported in April 2021. The project will see a 4.8-kilometer stretch of highway in Kicking Horse Canyon near Golden restored to modern standards.

Growth in Residential Construction Driving the Market

Since the third quarter of 2020, the residential construction sector has been the star performer in the US economic recovery from the COVID-19 crisis, generating double-digit growth rates and making significant contributions to the economy and overall construction industry's recovery.

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Limited mortgage rates, robust demand for larger living spaces, and a meager housing inventory in the market continue to boost the sector. Home renovation, in addition to home construction, is a significant aspect of residential construction.

By 2023, the yearly value of residential building upgrades in the United States is expected to exceed USD 205 billion. More than 330,000 new rental units are scheduled to be supplied nationwide, comparable to the previous four years of a construction boom. Eight metros are expected to set five-year highs in new apartment deliveries, despite the pandemic's hurdles.

The continued expansion of the new home market implies that new homes are still being built, but mostly in locations where the market moves quickly. New York, Pennsylvania, and New Orleans are examples of this.

In March 2021, Canada's average home selling price increased by 31.6% Y-o-Y, setting a new high as sales rose to an all-time high. During the pandemic, record-low loan rates and a desire for greater room fueled demand for detached homes in smaller communities.

According to the Conference Board of Canada, low mortgage rates and strong population growth drive high home construction demand. In March 2021, residential construction investment climbed for 11 months, rising 7.6% to CAD 14.0 billion (USD 10.99 billion).

In the first quarter of 2021, total building construction investment increased by 9.3% to CAD 53.1 billion (USD 41.67 billion), owing to ongoing strength in the residential sector (+12.4%). Increased spending on single units in Ontario (+21.8%) and Quebec (+24.9%) boosted residential building investment to CAD 39.5 billion (USD 30 billion).

Following a 6.0% drop in the previous quarter, non-residential investment increased by 1.1% to CAD 13.6 billion (USD 10.2 billion) in the first quarter of 2021.

North America Construction Market Competitor Analysis

The North American construction market is less competitive, with major international players occupying a significant market share and leaving less scope for other small and medium-scale players.

The North American construction market presents opportunities for growth during the forecast period, which is expected to drive market competition further. The growing infrastructure and construction investments in the region's large economies create ample opportunities for the other players. With a few players holding a significant share, the North American construction market has a detectable level of consolidation.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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