



Reconstruction Costs Up 60% Since 2014

BY WILL JONES



Reconstruction costs for residential and commercial properties have surged over 60% in the past decade, according to a report released by Verisk. The analysis, using data spanning from October 2014 to October 2024, highlights substantial cost increases driven by inflation, labor shortages and supply-chain disruptions. However,

projections for early 2025 suggest a return to pre-pandemic growth rates.

The report found that national residential reconstruction costs, encompassing materials and labor, have climbed by 63.7% over the past 10 years. Between October 2014 and October 2019, residential reconstruction costs increased by 19.8% nationally, with the highest increases recorded in Washington, Nevada, Idaho, Oregon and Kentucky.

This growth accelerated between October 2019 and October 2024, reaching an average of 43.9% nationwide. Rhode Island, New Hampshire, Montana, Utah and Idaho saw the steepest price hikes during this period.

On an annual basis, average residential reconstruction cost growth increased from 4% in the first

Commercial properties followed a parallel trajectory, with reconstruction costs rising by 58.4% nationally since 2014. Between October 2014 and October 2019, commercial reconstruction costs grew by 16.6%, with Washington, Nevada, Oregon, Idaho, and Minnesota experiencing the largest state-level impacts. From October 2019 to October 2024, commercial reconstruction costs surged by 41.8% nationwide, with Rhode Island, Florida, New Hampshire, Utah, and New Mexico recording the most significant increases.

Annual growth in commercial reconstruction costs doubled from 2014 to 2024, jumping from 3.3% in the first five years to 7.2% in the latter half of the decade.

Lumber costs played a significant role in rising reconstruction expenses, the report explained. Since October 2014, the national average for lumber prices has increased by 43.8%. The five-year period between October 2019 and October 2024 saw a 39.9% increase, nearly ten times the 3.9% rise seen in the previous five years.

“Over the past 10 years, we have seen a dramatic increase in reconstruction costs,” explained Trish Hopkinson, head of 360Value at Verisk. “Rising reconstruction costs as such can make it more expensive for insurers to pay claims for property damage and increase policy premiums.”

While reconstruction costs remain high, the report suggests that increases in 2025 may align more closely with pre-pandemic levels. However, persistent economic pressures could continue to impact insurers, leading to higher premiums for property owners.

The most recent Verisk analysis found that total reconstruction costs, including materials and retail labor, increased nationwide by 5% from January 2024 to January 2025.

Concrete material again had the largest yearly increase at 8.1%. Concrete material also saw the largest quarterly increase in the fourth quarter of 2024, up 1.7%—similar to the previous quarter's increase of 1.77%. Paint material had the second-largest quarterly and yearly increases at 1.08% and 2.9%, respectively.

RELATED ARTICLES



IN THE NEWS 27 January 2025

Agency M&A Down 10% in 2024

While 2024 saw decreased mergers and acquisition activity from the previous four years, activity was still higher than in pre-pandemic years.

NEWS



IN THE NEWS 16 January 2025

Top 10 Business Risks in 2025

Business are most concerned about cyber, business interruption and natural catastrophes, according to the “Allianz Risk Barometer 2025.”
