



**RECONSTRUCTION  
COST  
UPDATES**

**Q1 2021**

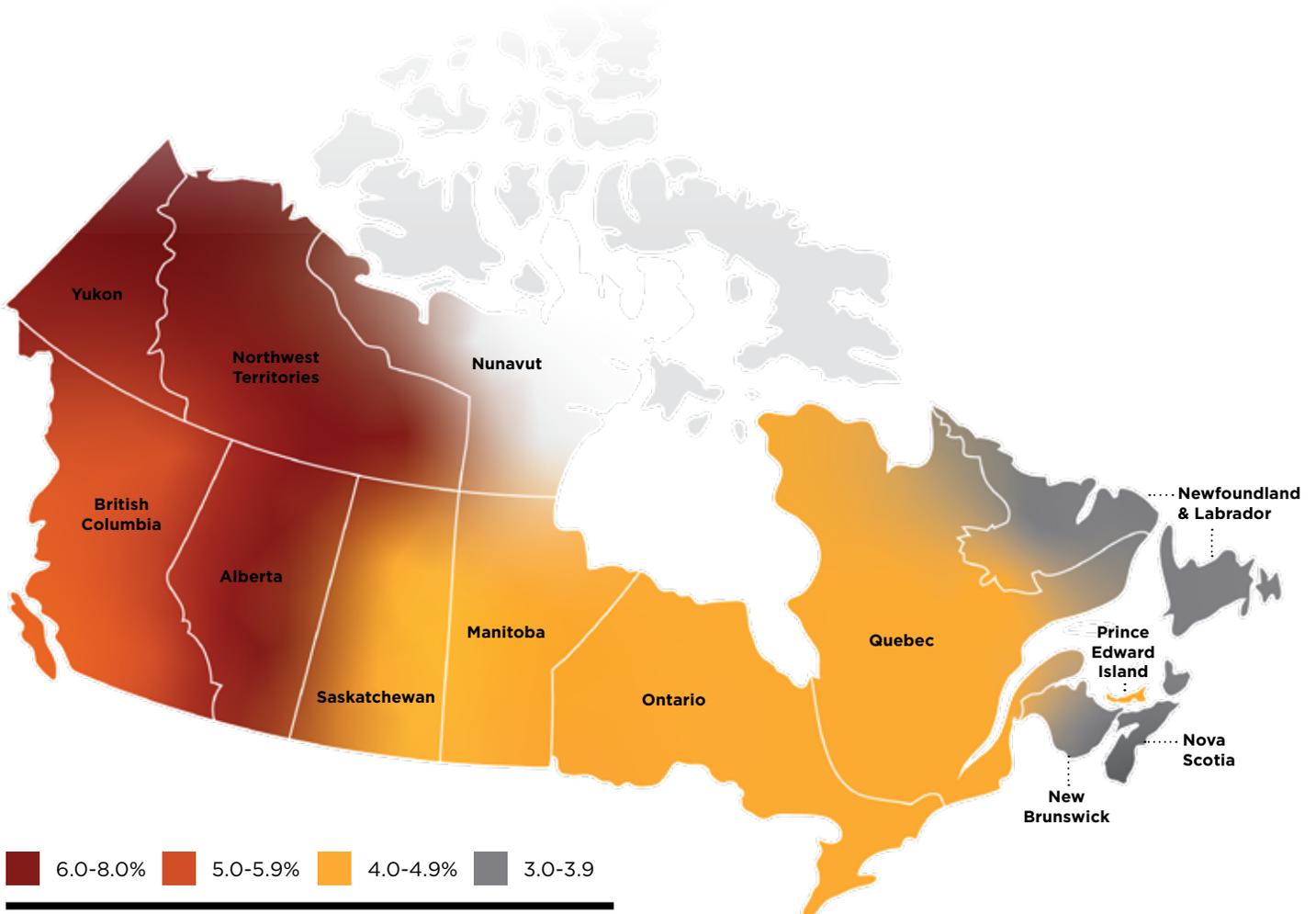
**CANADA**

This report reflects the rebuild costs up to the last quarter of 2020 and provides a cost analysis based on 86 cities across Canada that have been identified as Opta's "Centres of Influence".

## RECONSTRUCTION COSTS IN CANADA INCREASED BY NEARLY 5% YOY

The uncertainty over operating costs, material supply shortages, project delays, and the resurgence of the pandemic continues to affect reconstruction costs, however, the insurance rebuild industry is resilient and resourceful and has managed costs relatively well through 2020. Costs have increased, but not unrealistically, shortages have been managed, employees have largely remained safe, and most rebuild projects have been completed on schedule. The speculative pricing that occurred in the second half of 2020 has now started to stabilize as insurers and builders have learned and accepted that direct pandemic factors have mostly affected just lumber prices and health & safety costs so far.

All provinces experienced cost increases. The National reconstruction costs have increased by 4.9% YOY, from January 2020 to January 2021.



<b>NT</b>	<b>7.1%</b>
<b>AB</b>	<b>6.4%</b>
<b>YT</b>	<b>6.2%</b>
<b>BC</b>	<b>5.7%</b>
<b>ON</b>	<b>4.6%</b>
<b>PEI</b>	<b>4.5%</b>
<b>QC</b>	<b>4.5%</b>
<b>SK</b>	<b>4.5%</b>
<b>MB</b>	<b>4.1%</b>
<b>NL</b>	<b>3.8%</b>
<b>NS</b>	<b>3.7%</b>
<b>NB</b>	<b>3.4%</b>

Increases are more pronounced in the western provinces, driven by summer 2020 CAT's and material shortages. Some price corrections have occurred in PEI where lower than usual gains up to last quarter have reversed. Northwest Territories and Yukon Territories show higher increases because of localized material shortages.

Considering the volatility of the first three quarters of 2020, this is a relatively mild outcome. With material production and availability stabilizing quickly, we are beginning to see costs flattening and do not expect this spike to continue beyond Q1 2021. These YOY results have not changed significantly since September 2020 which suggests that the insurance industry has had some success in capping the cost volatility triggered by the pandemic.

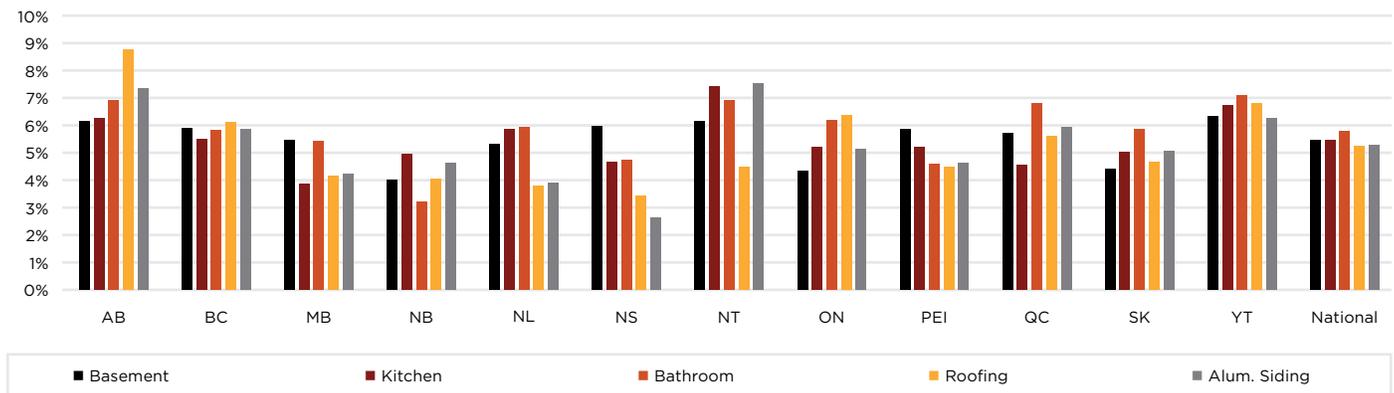


# COMPONENTS COSTS

Component costs have risen with an overall increase of 5.5% YOY from January 2020 to January 2021, with Alberta and British Columbia in the lead at 7% and 5.9%, respectively.

Basement	Kitchen	Bathroom	Roofing	Alum. Siding
5.5%	5.5%	5.8%	5.3%	5.5%

## YOY January 2020 to January 2021 Component Cost Increases



In Alberta the increases are related to demand for roofing and siding repair as a result of the Calgary hailstorm CAT in June 2020. Resources have been diverted from rebuilds to more lucrative roof repairs – including cases where even framers have moved over to roofing/siding repairs. Our research indicates that CAT repair work is progressing but we expect some pricing volatility early in the first half of 2021.

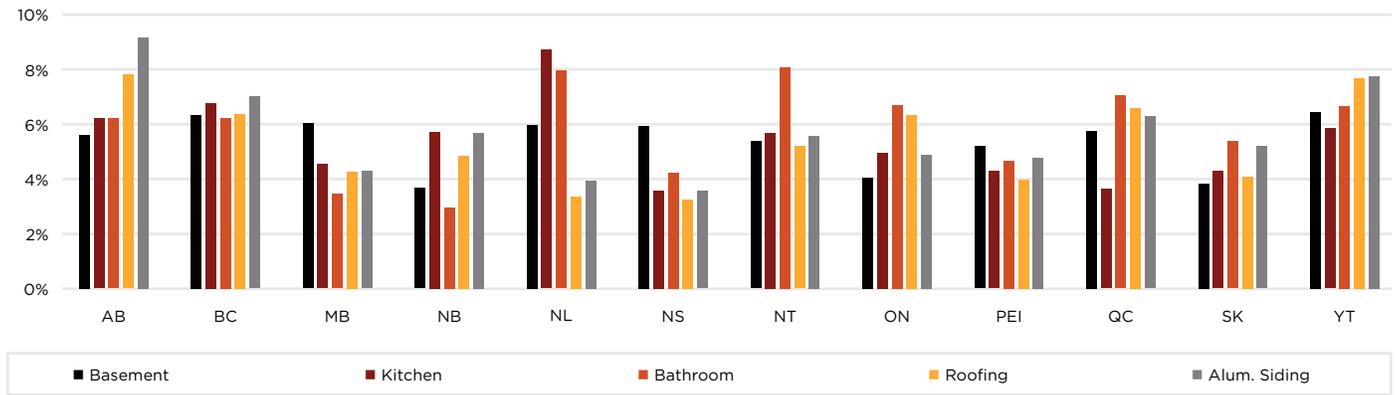
Ontario costs have been relatively stable compared to the other major provinces. Competition is strong and material and labour supplies have been generally well-managed.

The renovation/DIY activity triggered by the pandemic continues to strain supplies and labour resources – although to a lesser degree than throughout the second half of 2020. High volumes of new housing projects have also played a role in this. Overall, the insurance industry has managed to contain increases quite well mostly due to competition for fewer rebuild jobs.

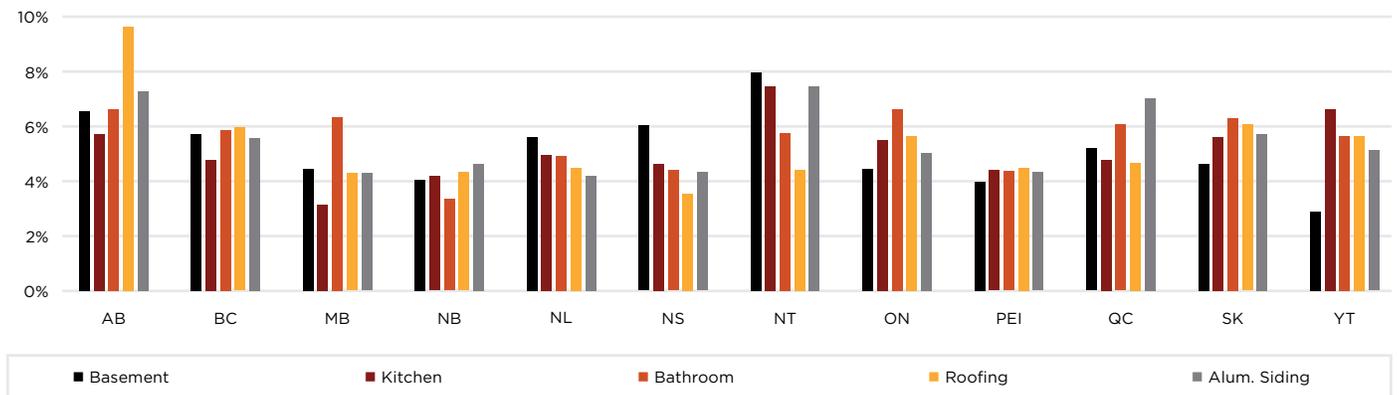


Below is the January 2020 to January 2021 YOY Component Cost breakdown by model unit size. Overall, square footage costs increased 0.6% in the 1000 SF unit, 0.8% in the 2000 SF unit, and 0.9% in the 3000 SF unit between mid October and late December 2020. This suggests that there is a temporary flattening of costs.

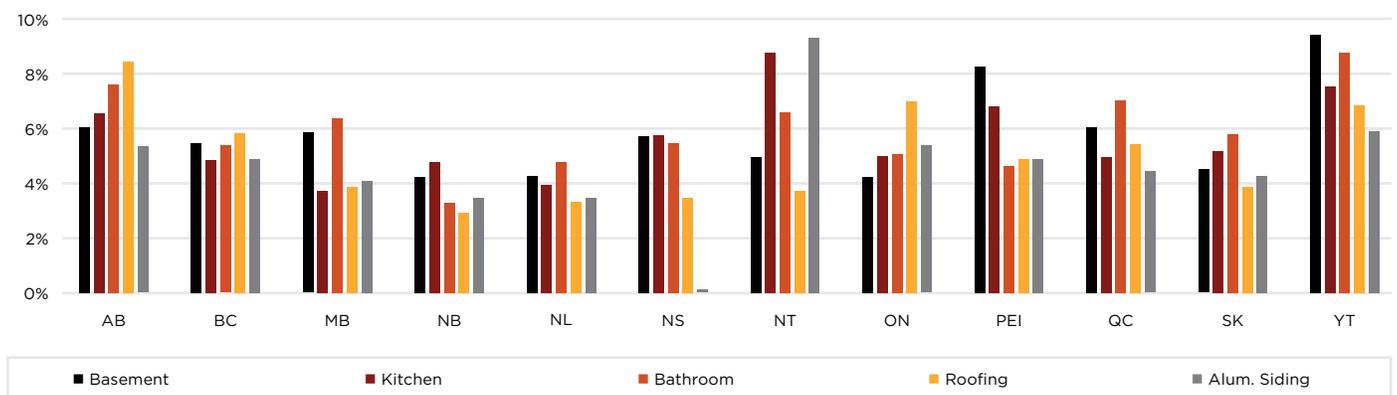
### Component Costs - 1000 SQFT



### Component Costs - 2000 SQFT



### Component Costs - 3000 SQFT





# 300%

Lumber prices experienced large YOY price increases with Oriented Strand Board (OSB) peaking at just over **300%**. During the summer months of 2020, lumber spiked by up to 600% from high demand for general home improvements, particularly fencing and decking. This pandemic related spike caused reduced outputs from mills and manufacturers creating longer processing times and backlogs at warehouses due to staff shortages. After peaking in Q3 2020, prices started to decline but there was a sharp increase in mid-December so a spillover effect on pricing for cabinets, millwork and windows is expected if lumber prices continue to rise.

Additionally, forest fires have ravaged prime lumber areas in Canada and the United States. The continued long-term effects of mountain pine beetles have impacted lumber supply, especially in BC, where millions of trees have been destroyed. Greater waste percentage of material due to unavailable sizes have also contributed to the YOY reconstruction cost increases. It is quite likely that a measurable demand will develop for alternatives to lumber such as aluminum and other non-wood materials.



# 10%

Changes to labour requirements and increased measures for site protection and general employee health and safety have increased costs by **10%**. Short-term layoffs in the early stages of the pandemic reduced labour rates (most noticeably in Quebec), which has alleviated some of the upward pressure on rebuild costs.

Overall, labour rate increases were led by Roofers (+9%), Drywallers (+7%), and Framers (+4%). These trades will continue to see higher than average rates in the next few months tapering off by the end of the first half of 2021.

# SPIKE IN HOME RENOS

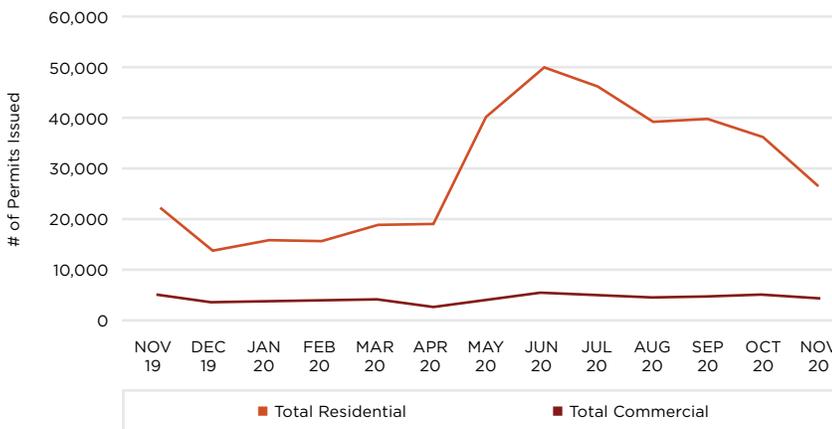
A steady increase in home renovations has also been captured throughout the property inspection process this year. Pre-pandemic, one in every 50 homes had renovations underway. Still, at its peak in September 2020, that jumped by 150% to nearly 1 in every 20 of the homes inspected by Opta Precise Services loss control team included a Course of Construction (COC) Supplement resulting from significant renovations present at the time of inspection. The COC Supplement focuses on the property and liability hazards inherent with residential construction projects, helping insurers mitigate risks during this hazardous process.

**Our analysis shows that homes undergoing renovations generate on average:**



# PERMIT AUTHORIZATION

According to Stats Canada, the number of permits authorized Nationally has increased by 20% YOY from November 2019 to November 2020 for residential buildings with a major spike during summer months, while commercial building permits dropped by 10%.



Statistics Canada. Table 34-10-0066-01 Building permits, by type of structure and type of work  
<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410006601>

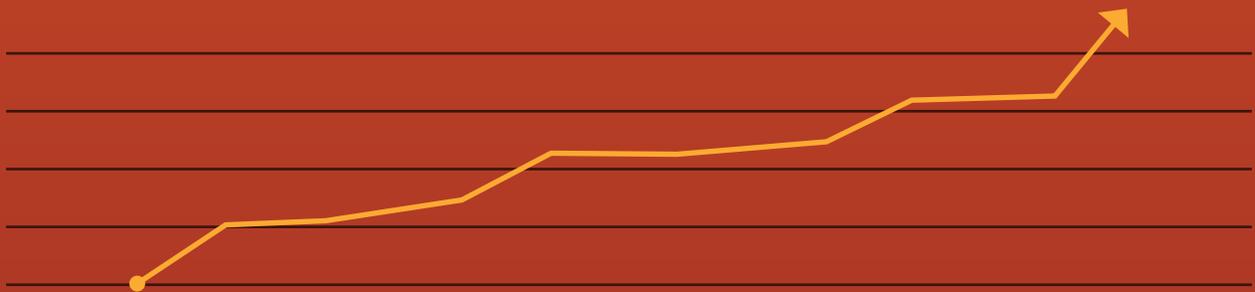


## A NEW YEAR ON THE HORIZON

While 2021 trends are difficult to predict at this time, it appears to be likely that lumber prices will affect square footage costs during the first quarter of 2021. The effect on overall square footage costs may be significant for the general construction industry but may be less for insurance rebuilds where competition tends to dampen price volatility.

# UNCOVER CHANGES AND NEW EXPOSURES TO YOUR PORTFOLIO

**Get a healthcheck.** With all the changes and spike in home renovations, now is an optimal time to get a scan of your entire book of business to quickly understand where and how your risks have changed, and prioritize which ones to inspect using Opta's full suite of inspection services ranging from comprehensive to virtual risk assessment.



# ABOUT THIS REPORT

Opta's cost updates are derived from extensive studies each year gathering local reconstruction cost data from 86 cities across Canada and through on-site field expertise performed by Opta Precise Services. Quarterly insights and analysis are also conducted using the largest repository of actual Canadian total loss data through Opta's affiliation with sister company ClaimsPro.

## 86 CENTRES OF INFLUENCE

Data is collected from 300 licensed contractors across 86 cities in Canada identified as 'Centres of Influence' and generate over 7750 data points annually that are used to validate the accuracy and regional relevance of iClarify™ replacement costs in Canada. Local taxes, overhead and profit, productivity, debris removal, general conditions, and other essential costs are completely and accurately reflected in the local reconstruction values of homes.



### British Columbia

Chilliwack  
Cranbrook  
Fort St John  
Kamloops  
Kelowna  
Nanaimo  
Prince George  
Prince Rupert  
Vancouver  
Victoria  
Whistler  
William Lake

### Alberta

Calgary  
Canmore  
Edmonton  
Fort McMurray  
Grande Prairie  
Jasper  
Lethbridge  
Medicine Hat  
Red Deer  
Wood Buffalo

### Saskatchewan

Lloydminster  
North Battleford  
Prince Albert  
Regina  
Saskatoon  
Swift Current  
Yorkton

### Manitoba

Brandon  
Grand Rapids  
Thompson  
Winnipeg

### Ontario

Barrie  
Guelph  
Hamilton  
Kapuskasing  
Kenora  
Kingston  
Kitchener  
London  
Norfolk  
North Bay  
Oshawa  
Ottawa  
Parry Sound  
Pembroke  
Peterborough  
Sarnia  
Sault St Marie  
St Catherines  
Sudbury  
Thunder Bay  
Timmins  
Toronto  
Windsor

### PEI

Charlottetown

### Quebec

Chicoutimi  
Gatineau  
Montreal  
Quebec City  
Rimouski  
Rouyn Noranda  
Saint Hyacinthe  
Sept-Iles  
Sherbrooke  
Sorel-Tracey  
Trois Rivières

### Atlantic

Bathurst  
Corner Brook  
Edmunston  
Fredericton  
Grand Falls  
Halifax  
Kentville  
Miramachi  
Moncton  
New Glasgow  
Saint John  
St. Anthony  
St. John's  
Sydney  
Truro  
Yarmouth

### Northern Canada

Yellowknife  
Whitehorse



# WHAT POWERS THE ACCURACY OF OPTA'S VALUATIONS?

With information on over 13 million residential locations across Canada, Opta's data is continuously validated through real-time dialogue, generating more than 30,000 daily updates through iClarify™ business transactions, and through continuous research and studies using the largest repositories of Canadian inspection reports and actual total loss data, delivering the most relevant, up-to-date and accurate valuation data on the market.



# HAVE A QUESTION?

Opta's Client Care team provides a streamlined experience offering bilingual support for all product inquiries ranging from iClarify valuations to technical post-inspection inquiries.

Have a question about our services or want to learn more about Opta's solutions? We're here to help!



**1 877 244 9437**

Monday-Friday 8:30am-4:30am EST



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**optaintel.ca**

## FAQ's

**Q:** HOW WILL OPTA BE HANDLING THESE COST ADJUSTMENTS?

**A:** iClarify changes reflect building cost (CPI) values up to the end of Q4 2020. Further adjustments will be made in January 2021.

**Q:** ICLARIFY VALUES DO NOT SEEM STRONG IN SOME REGIONS. WHAT IS OPTA DOING TO IMPROVE THESE VALUES?

**A:** Opta reviews valuations on a case by case basis and If we find a particular area where further review is necessary, we leverage our team of Property Validators to confirm construction features in areas via remote imagery and further investigation. We also leverage our network of local contractors from Opta's 'Centres of Influence' to provide additional insight on costs and guidance to refine replacement cost values.

**Q:** COVID-19 CONTINUES TO AFFECT THE INDUSTRY, HOW IS OPTA RESPONDING?

**A:** Opta's services remain flexible, our systems remain fully operational, and we are committed to mitigating any business disruption by responding quickly to your needs with innovative solutions. We have adapted our processes and taking the necessary precautions to ensure the safety of all office employees, including our field staff and your Insureds. Opta Precise Services Inspectors follow a pre-screening protocol, are equipped with personal protective gear and maintain physical distancing at all times to safeguard all parties involved.



# FIRE DESTROYS HOME ON VANCOUVER ISLAND'S FORBIDDEN PLATEAU

"Of particular concern was a large propane tank in front of the home. Crews used much of the water from the truck just cooling the tank"



## NATIONAL TOTAL LOSS STUDY Q4/2020

A recent total loss study was conducted across Canada using 6 losses. As shown, there is minimal variance between Contractor Estimates and iClarify™ Valuations with an average variance of **-3%**. All results are well within the industry benchmark of +/-15%.

NATIONAL TOTAL LOSS ANALYSIS Q4/2020*									ADDITIONAL INSIGHTS POWERED BY OPTA			
Date of Loss	City	Province	Year Built	Living Area (sqft)	Architectural Style	Current Contractor Estimate (CE)	iClarify (iC) Valuation	iC/CE	Fire Peril Score (1=low risk)	Inspection Score (100=inspection required)	Attributes (100=high probability)	Previously Inspected
May 2020	Edmonton	AB	1984	2,773	Detached	\$538,371	\$581,498	8%	63/100	8/100		No
April 2020	Courtenay	BC	1970	1,205	Detached	\$309,208	\$299,406	-3%	89/100	84/100	<b>Heating 95/100</b> (fuel tank present on property)	No
August 2020	Miramichi	NB	1800	1,092	Detached	\$191,469	\$202,894	6%	32/100	100/100		Yes
May 2020	Point Leamington	NL	2007	2,260	Detached	\$465,836	\$443,457	-5%	94/100	92/100		No
December 2019	North Bay	ON	1950	1,100	Detached	\$261,923	\$231,143	-12%	60/100	21/100		No
May 2020	Eagle River	ON	1970	3,666	Detached	\$842,028	\$782,251	-7%	36/100	42/100		No
								<b>Average Variance</b>	<b>-3%</b>			

\* Each property loss considers unique factors. Published costs are specific to the conditions and home characteristics for each loss and are not intended to provide guidance on general costs for any region in Canada.



**YOUR TRUSTED  
SOURCE OF  
GROUND TRUTH  
PROPERTY DATA,  
NATIONWIDE.**

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