

RECONSTRUCTION COST UPDATES CANADA



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THE NEW TREN D CON

03 RECONSTRUCTION COSTS IN CANADA
INCREASED BY 6.4% YOY

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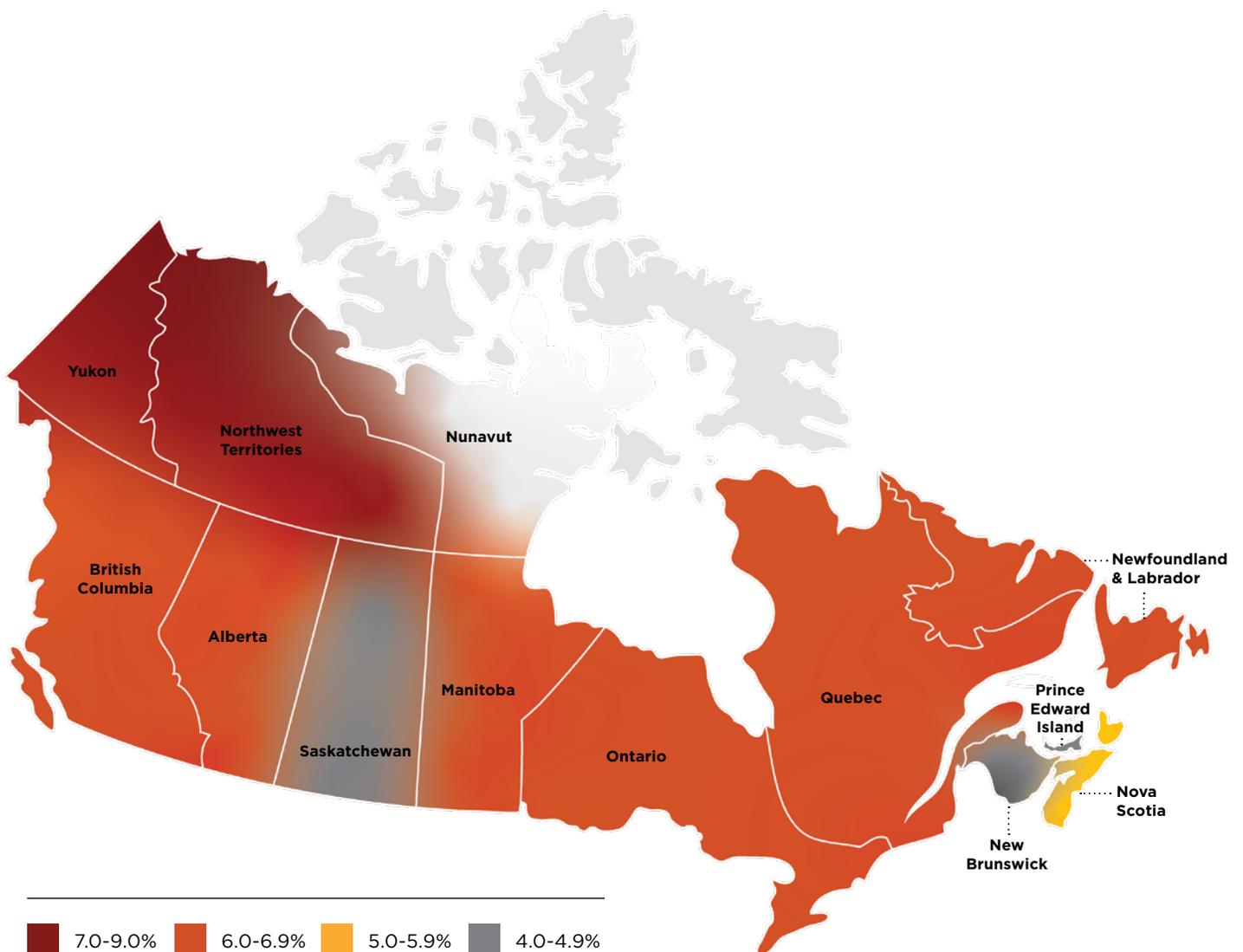
18 NATIONAL TOTAL LOSS STUDY
Q2/2021

This report reflects the rebuild costs up to the second quarter of 2021 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 6.4% YOY

Material supply shortages—mostly lumber, project delays, and the continued effects of the pandemic continue to affect reconstruction costs. Major rebuilders have weathered the uncertainty with lower price volatility than smaller operators but all have experienced a general upturn in YOY costs. At this time, there is no clarity on when this situation will end, and most operators have resigned themselves to another year of supply issues.

All provinces experienced cost increases. National reconstruction costs have increased by 6.4% YOY, from May 2020 to May 2021.



SQUARE FOOT COSTS IN CANADA

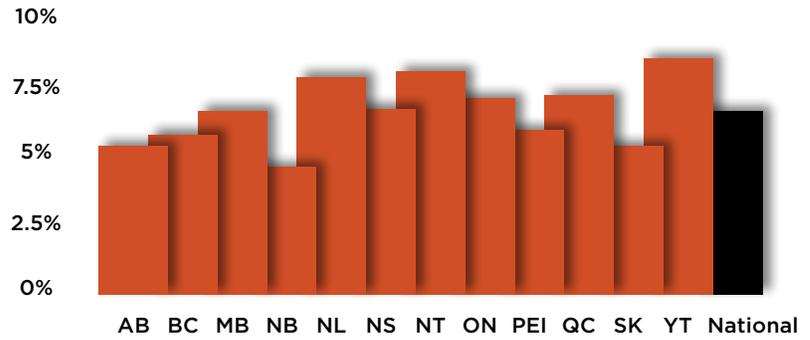
YT	8.70%
NT	8.40%
NL	6.80%
AB	6.70%
BC	6.70%
MB	6.70%
ON	6.30%
QC	6.30%
NS	5.90%
SK	4.90%
PEI	4.80%
NB	4.50%
National	6.4%

Although increases are, as usual, more evident in the West, Newfoundland and Nova Scotia show more pronounced increases than usual this quarter. Western province costing is still impacted by the 2020 storm season along with more recent events; however, roofing material shortages are under better control now.

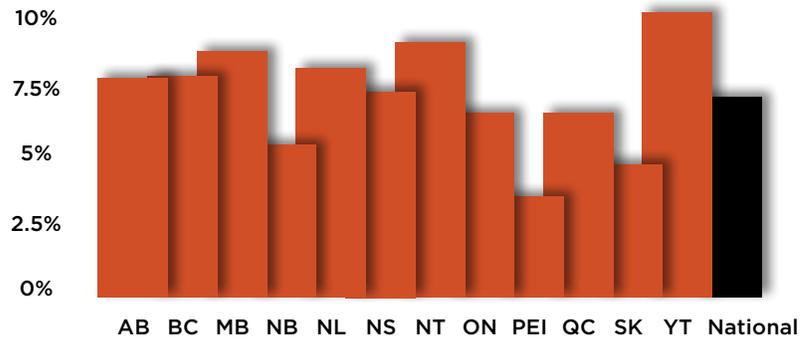
Lumber supplies and costs continue to create challenges. A recovery in the US housing market, fewer allowable cuts in British Columbia, a sustained home renovation demand across Canada, and additional railway freight fees from Canadian Pacific Railway (up to \$500 per intermodal container) are just some of the cost factors in play. With overall YOY lumber price increases of 120% - 140% already recorded, there's a likelihood that another 25% - 35% will be added this year. It should be noted that while material pricing is rapidly rising, wage increases are not.

Northern Territory costs spiked in all three model units. Overall, the major provinces recorded YOY increases of around 6.5% each.

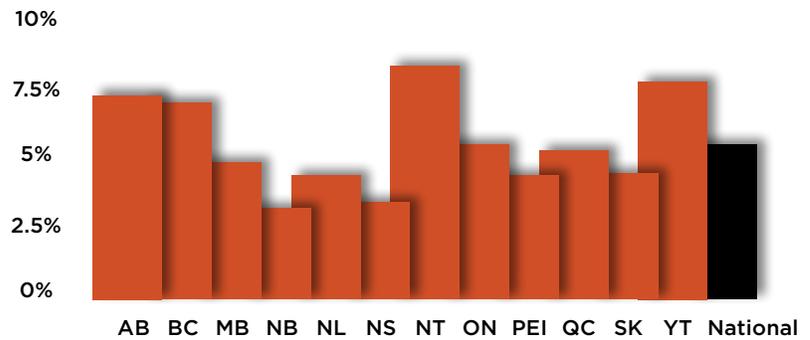
1,000 SF
Highest increases
seen in this model



2,000 SF



3,000 SF



COMPONENT COSTS

Component costs have risen with an overall increase of 6.5% YOY from May 2020 to May 2021, with Northern Territory, Yukon Territory and Newfoundland in the lead with 7.9%, 7.3%, and 7.1% respectively.

Basement	Kitchen	Bathroom	Roofing	Alum. Siding
6.1%	6.3%	6.6%	7.0%	6.6%

YOY May 2020 to May 2021 Component Cost Increases

	Basement	Kitchen	Bathroom	Roofing	Alum. Siding
AB	5.3%	6.6%	7.6%	7.9%	6.1%
BC	5.6%	5.5%	5.8%	6.4%	6.0%
MB	5.6%	5.6%	6.1%	6.7%	5.8%
NB	5.9%	6.2%	6.3%	6.3%	5.8%
NL	6.9%	6.6%	7.5%	8.5%	6.1%
NS	6.2%	5.8%	6.0%	6.4%	6.5%
NT	7.3%	7.6%	7.5%	8.1%	9.0%
ON	5.9%	5.8%	5.9%	6.8%	6.6%
PEI	6.1%	5.7%	5.9%	5.2%	5.9%
QC	6.0%	6.5%	6.8%	7.6%	7.6%
SK	6.2%	6.5%	6.2%	6.1%	6.6%
YT	6.8%	7.0%	7.2%	8.2%	7.5%

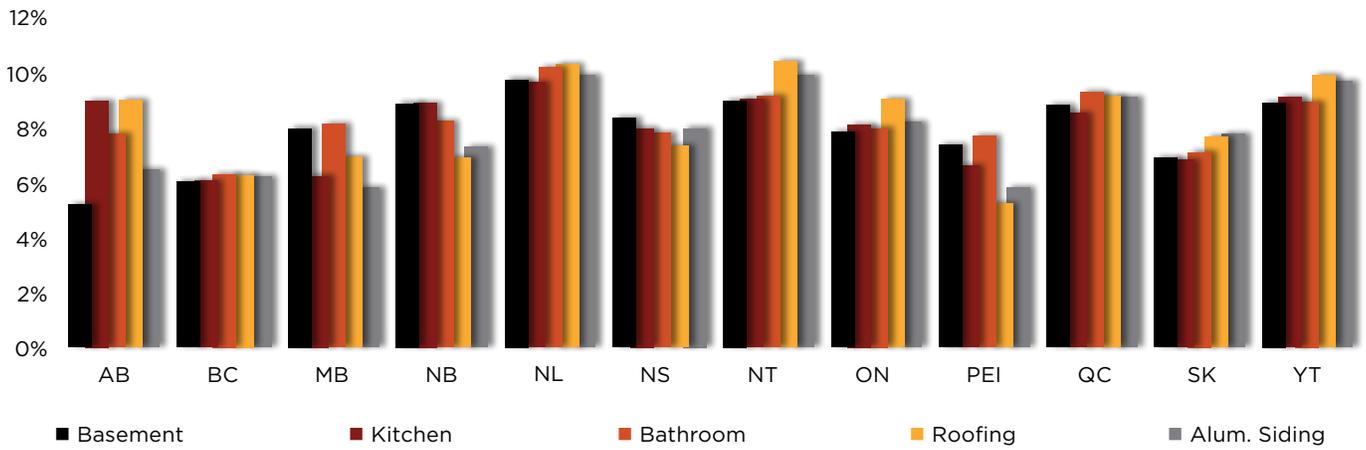
Although Alberta still shows expected high increases in roofing, Newfoundland experienced a spike in the last quarter. This was driven more by shortage than demand. The same can be said of Northern Territory and Yukon Territory as more roofing was diverted to areas of high demand.

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

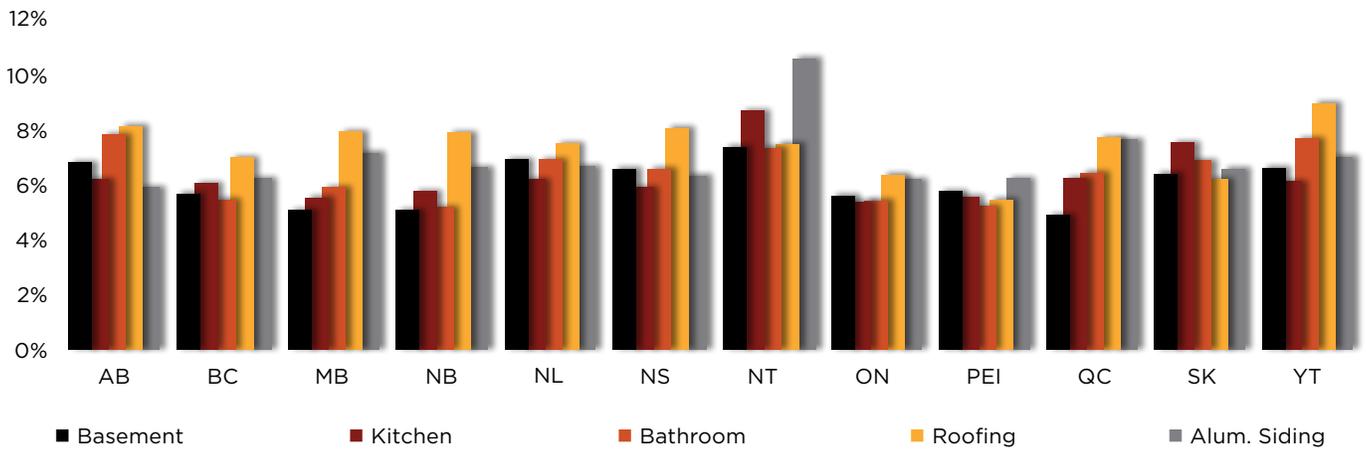
With home renovations activity continuing to be strong, insurance builders are moving resources from claims to residential jobs.

Below is the May 2020 to May 2021 YOY Component Cost breakdown by model unit size:

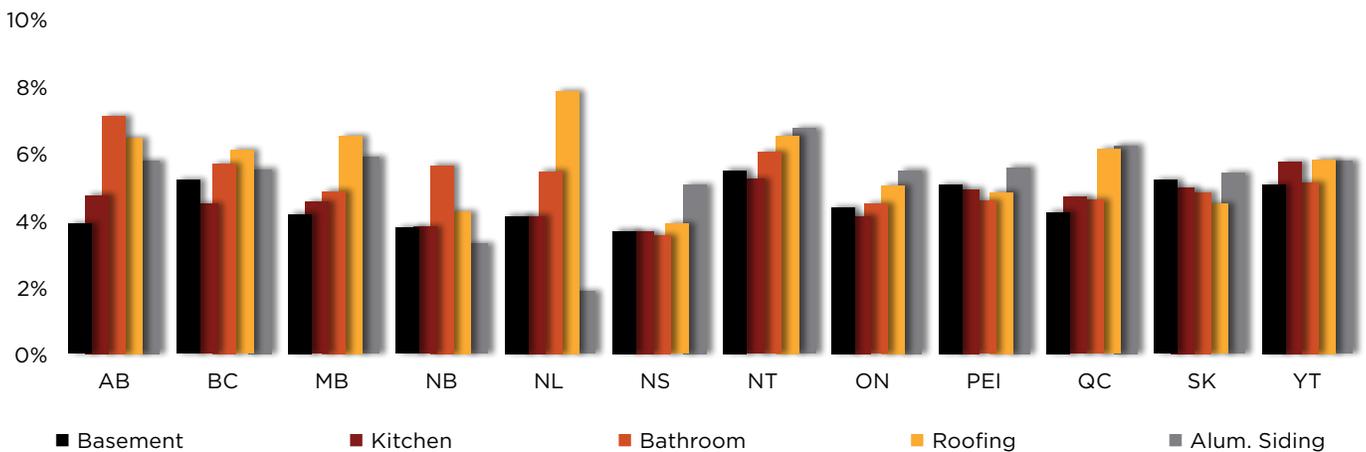
Component Costs - 1,000 sf



Component Costs - 2,000 sf



Component Costs - 3,000 sf





WOOD COST TO BUILD A DECK USING 1,000 BOARD FEET

APRIL 2020

\$308

APRIL 2021

\$1,130

400%

Lumber prices continue to break records and budgets. Overall price increases are approaching 400% over 2019. There was a brief period of decline in late 2020 but that quickly reversed in early 2021, and there's no apparent end in sight. Surprisingly, cabinet prices have not been noticeably affected yet, and prices have increased at their historical rate of about 3% YOY. There's a ready market building for alternatives to lumber but take up on steel, aluminum, and vinyl (for fencing), for example, will be slow as processes and skill sets need to catch up.

4x OSB

Depending on where you are in the country, a sheet of Oriented Strand Board (OSB) that was \$12 to \$15 two years ago is now up to \$56 per sheet. Equally surprising is that a quadrupling of prices has not materially affected demand. Yukon Territory and Northern Territory showed the most consistent high prices but the one single OSB high price is seen in Quebec.

PERMITS SURGE TO NEW HEIGHTS

With most people spending more time at home, 8 in 10 Canadians want renovations for comfort so that they are relaxed within their space.¹ Another driver for renovations is functionality—from dining rooms acting as homeschooling classrooms to pop-up office space in basements, it’s all about maximizing spaces. The closure of gyms, offices, and recreational centers may have led to 9 in 10 Canadians wanting a multifunctional space with those added amenities.²

According to Stats Canada, the month to month percentage change in total value of permits issued (Residential and non-residential) has gone up by 5.7% in Canada compared with February. Residential building permits have increased by 15.9% month over month with a total value of nearly \$8.1 million.

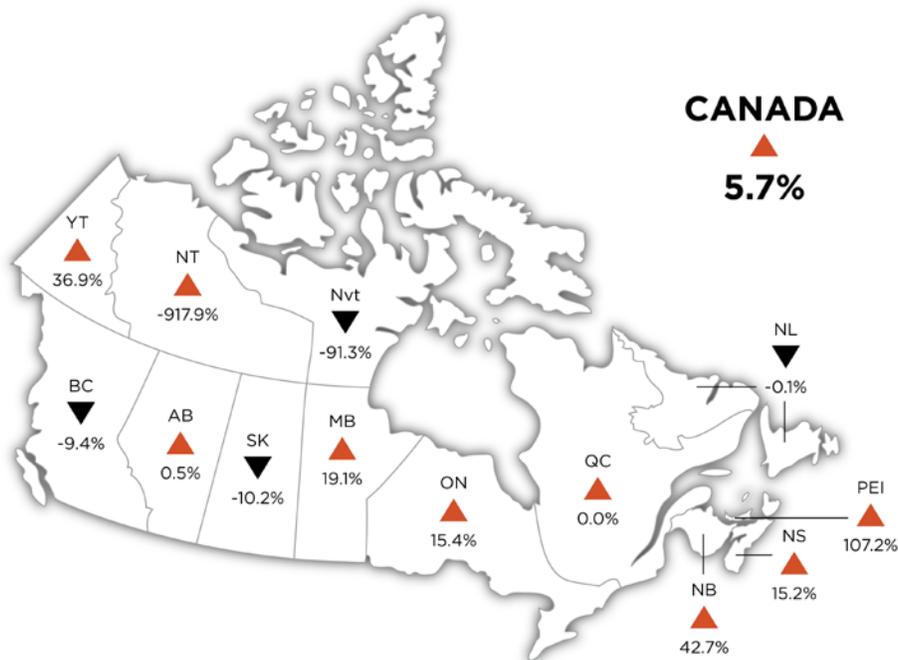


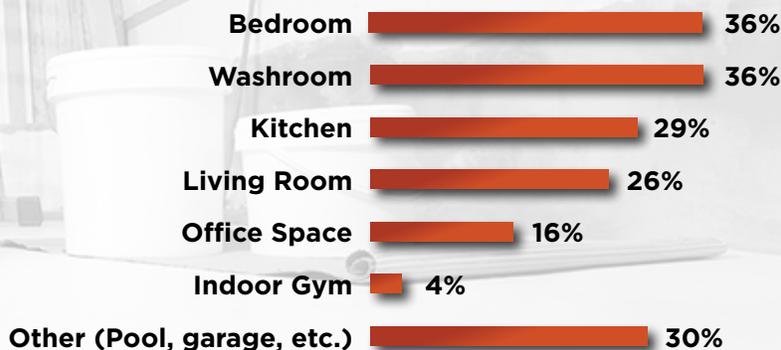
Figure 2: Building permits for residential and non-residential construction in Canada (seasonally adjusted)

	Residential ▲ 15.9%		Non residential ▼ -15.6%		
Total value	Single-family dwellings	Multi-family dwellings	Industrial	Commercial	Institutional
Month-to-month change, March	\$3,800 millions	\$4,267 millions	\$651 millions	\$1,453 millions	\$732 millions
	▲ \$269.4 (7.6%)	▲ \$839.8 (24.5%)	▲ \$91.4 (16.4%)	▼ \$248.1 (-14.6%)	▼ \$369.1 (-33.5%)

Source: Table 34-10-006-01 - Building permits, by the type of structure and type of work.

¹ <https://abacusdata.ca/home-renovations-covid-19/#:~:text=Canadians%20want%20multipurpose%20spaces%20that,driver%20for%20renovations%20is%20functionality.>
² <https://abacusdata.ca/home-renovations-covid-19/#:~:text=Canadians%20want%20multipurpose%20spaces%20that,driver%20for%20renovations%20is%20functionality.>
³ Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/210504/g-b001-eng.htm>

WHICH RENOVATIONS HAVE CANADIANS DONE?



THE RENO BOOM

HOW 1 IN 2 CANADIANS ARE INVESTING IN HOME RENOVATIONS DURING THE PANDEMIC

According to a recent Abacus Data study where 1,500 Canadians were surveyed to understand how many have undertaken a DIY or paid renovation project in the past year, results show that almost 1 in 4 have already completed a project.⁴ Home upgrades are a direct trigger to increase property value, and Canadians are fully participating in this movement. The areas with the most support include Ontario (57%), Saskatchewan/Manitoba (57%) and British Columbia (54%). In regions such as the Greater Toronto Area, 3 in 5 homeowners are looking to renovate their property to increase value. Toronto is the hottest Canadian housing market, and homeowners are taking advantage of this opportunity.⁵

Another study found that 74% of homeowners are planning home improvements this year within these top budget ranges:⁶

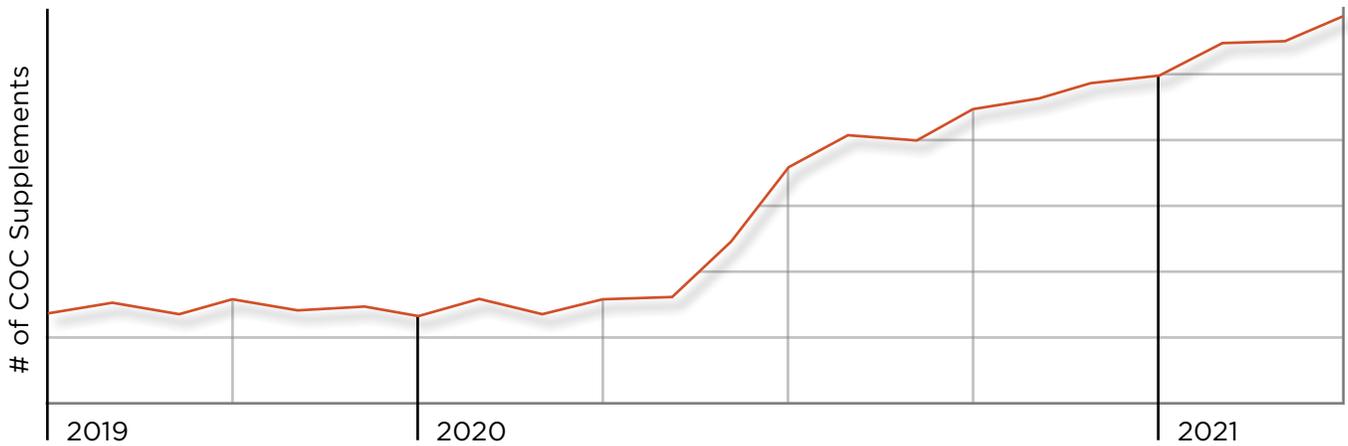
- \$1,000 - \$10,000 for 46 per cent of respondents (essentially the cost of an annual family vacation)
- \$10,000 - \$25,000 for 24 per cent of respondents
- \$25,000 - \$50,000 among 11 per cent of respondents

⁴ <https://abacusdata.ca/home-renovations-covid-19/>

⁵ <https://abacusdata.ca/home-renovations-covid-19/#:~:text=Canadians%20want%20multipurpose%20spaces%20that,driver%20for%20renovations%20is%20functionality.>

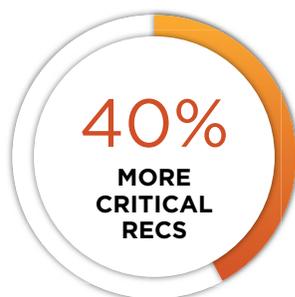
⁶ <https://www.newswire.ca/news-releases/2021-renovation-inclination-almost-three-quarters-of-homeowners-are-planning-home-improvements-this-year-862051653.html>

SPIKE IN HOME RENOVATIONS

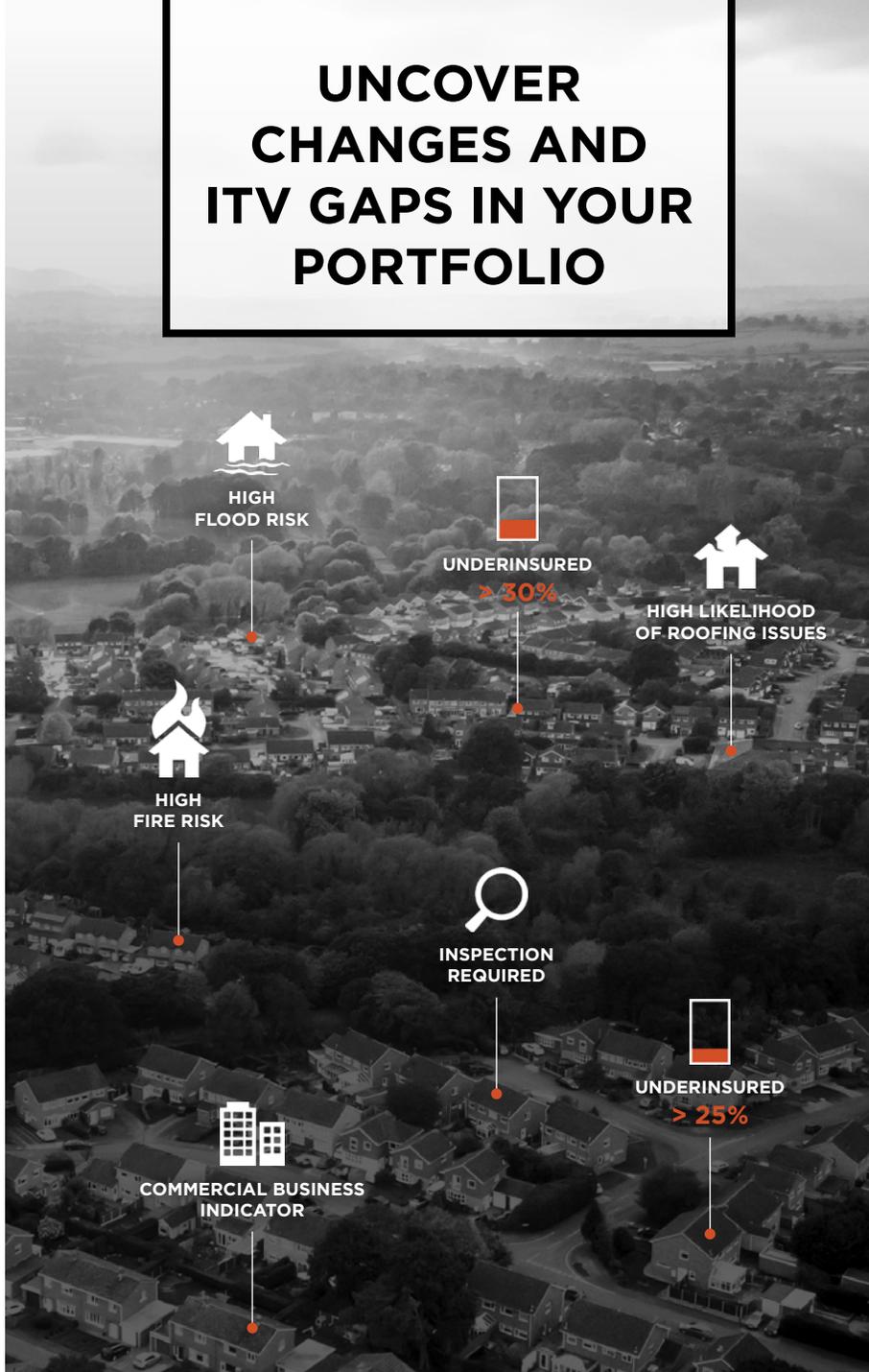


Opta's loss control experts continue to see a consistent spike in home renovations during the property inspection process. Pre-pandemic, one in every 50 homes had renovations underway, and now, one year later, and we are still seeing a consistent rise where nearly 1 in every 20 of the homes inspected have significant renovations underway and include a Course of Construction (COC) Supplement.

Our analysis shows that homes undergoing renovations generate an average of 40% more critical recommendations and have a higher variance in replacement cost.



UNCOVER CHANGES AND ITV GAPS IN YOUR PORTFOLIO



With all the changes and spikes in home renovations, now is an optimal time to get a quick view of all your exposures to uncover which properties have changes to construction features, are underinsured, at high risk of loss, or which ones need to be prioritized for inspection first. Explore Opta's full suite of solutions ranging from portfolio analysis to virtual risk assessment. Looking for solutions to help you with inspection backlog? **We can help.**

CONNECT WITH US

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 its 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

- 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 Rivieres

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.

30,000
DAILY CUSTOMER
UPDATES

126
NATIONAL FIELD
INSPECTORS

86
CENTRES OF
INFLUENCE

4x
QUARTERLY
NATIONAL TOTAL
LOSS ANALYSIS

FAQ'S

Q: HOW WILL OPTA BE HANDLING THE INCREASES OF BUILDING MATERIAL COSTS?

A: As the Industry leader in property risk data and valuations, Opta continuously monitors the fluctuating material costs and makes quarterly adjustments to ensure you get the most accurate and up-to-date valuations on the market. Our comprehensive research process includes real-time feedback from local reconstruction cost data gathered from Opta's 86 Centres of Influence and through extensive studies using the largest repositories of actual Canadian total loss data. Recent adjustments have been made to Opta's iClarify™ valuation outputs (May 2021) nationally to reflect the latest material cost increases.

Q: DO YOU SEE THIS AS LONG OR SHORT TERM TREND?

A: We believe that building material costs will continue to face inflationary pressures throughout the remainder of 2021, with a tail into end of first quarter 2022. We will continue to provide quarterly updates based on our national research on claims costs. Sign up to receive our regular Reconstruction Cost Analysis Report [here](#).

Q: HOW DOES OPTA FACTOR THE INCREASE ON INSURANCE TO VALUE WHEN HOME RENOVATIONS HAVE OCCURRED?

A: Material updates (new flooring, upgraded fixtures, replacing a roof) do not generally have a large impact on the total replacement cost of a house. New additions, upgraded roofing, or finishing a basement are larger projects that can be captured in iClarify™ and will impact the replacement cost directly. In situations where there are specific concerns about high quality or unique features in a home, Opta always recommends that an inspection be completed so that a full replacement cost can be calculated.

Q: WHAT ADVICE CAN BE GIVEN TO CONSUMERS?

A: Consumers want to be protected. As such, for consumers who have undergone renovations, it is recommended that an inspection is ordered to capture changes, new exposures, or the impact to their replacement cost.

Q: IS THERE ANY DIFFERENCE BETWEEN HOW COMMERCIAL OCCUPANCY CONSTRUCTION IS BEING AFFECTED VS RESIDENTIAL CONSTRUCTION?

A: The impact on commercial construction has differed from the residential experience during the pandemic. Overall commercial construction has slowed down during this time period, as seen by the drop in permits being requested. Timelines for commercial projects are fairly long, so it may be a while before there's a good understanding of impact. Uncertainty around the lasting impact of the pandemic on remote/home vs centralized/office work could definitely drive commercial vacancy and condo vacancy rates in metropolitan areas. Its too early to speculate what will happen, but the drivers are entirely different from the residential industry.

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 remains committed to mitigating any business disruption by responding quickly to your changing needs with innovative solutions that ensure the safety of all parties involved. We've enhanced our services to provide you with a full suite of inspection options to meet your changing business needs.

STAY CONNECTED

Don't miss out on Opta's regularly published Reconstruction Cost Analysis Report published in January, May, and September. Like this report? Stay tuned for our new Commercial Reconstruction Cost Analysis Report coming out in July! Sign up to receive all future reports.

SIGN UP

LEARN MORE, Earn More!

Register for one of Opta's Nationally Accredited education webinars designed to further your industry knowledge about Valuations. Sessions are complimentary and open to everyone in the P&C Community.



National | Accredited 1.5 CE

Bringing Clarity to iClarify™

Gain the knowledge, education, and experience necessary to identify and classify homes using online street-level imagery delivered through Opta's iClarify™ Valuation desktop platform, including topics like common home construction features from the foundation type to roof type, and how to measure the external square footage of tri-levels, bi-levels, and various other types of homes.

ENROL



National | Accredited 2.0 CE

Opta Precise Services Evaluation Systems

Gain a better understanding of residential construction costs and its relationship to insurance to value with a detailed view into valuation issues. Topics covered include market value, construction cost, replacement cost, guaranteed replacement cost and much more!

ENROL



NATIONAL TOTAL LOSS STUDY Q2/2021

A recent total loss study was conducted across Canada using 9 losses. As shown, there is minimal variance between Contractor Estimates and iClarify™ Valuations with an average variance of -2%. All results are well within the industry benchmark of +/-15%.

NATIONAL TOTAL LOSS ANALYSIS Q2/2021										ADDITIONAL INSIGHTS POWERED BY OPTA	
Date of Loss	City	Province	Year Built	Living Area (sq.ft.) (not including basement)	Architectural Style	Number of Storeys	iClarify (iC) Valuation	Current Contractor Estimate (CE)	iC/CE	Fire Peril Score (1 is low risk)	Previously Inspected (within the last 5 years)
Feb-20	Corner Brook	NL	1960	1,374	Detached	2	\$296,853	\$291,968	2%	97/100	No
Dec-20	Deer Lake	NL	1975	1,313	Detached	Duplex	\$528,837	\$529,838	0%	99/100	No
Jul-20	Dalhousie	NB	1972	1,000	Detached	1.5	\$211,000	\$205,446	3%	87/100	No
Oct-20	Quebec City	QC	1957	2,280	Detached	1.5	\$493,757	\$493,816	0%	99/100	No
May-20	Oxdrift	ON	1960	2,760	Detached	2	\$723,010	\$773,272	-6%	75/100	No
Jun-20	Morson	ON	1975	1,750	Detached	1	\$411,688	\$423,072	-3%	100/100	No
Apr-20	Salt Coats	SK	1978	1,808	Detached	Tri-Level	\$435,059	\$447,715	-3%	100/100	No
Mar-20	Ponoka	AB	1992	1,576	Detached	1	\$401,801	\$405,959	-1%	13/100	No
Jun-20	Campbell River	BC	1998	2,510	Detached	2	\$596,953	\$611,442	-2%	23/100	No
Average Variance									-2%		

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 LEADING SOURCE OF PROPERTY VALUATIONS, NATIONWIDE.

Want a deeper dive into the topics covered in this report? Individual or group webinars available.

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