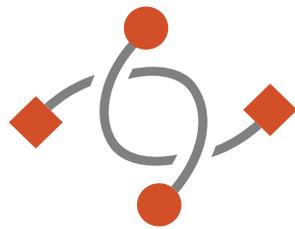


# RECONSTRUCTION COST UPDATES

2022 | CANADA





[optaintel.ca](http://optaintel.ca)

# FRONTLINE CON



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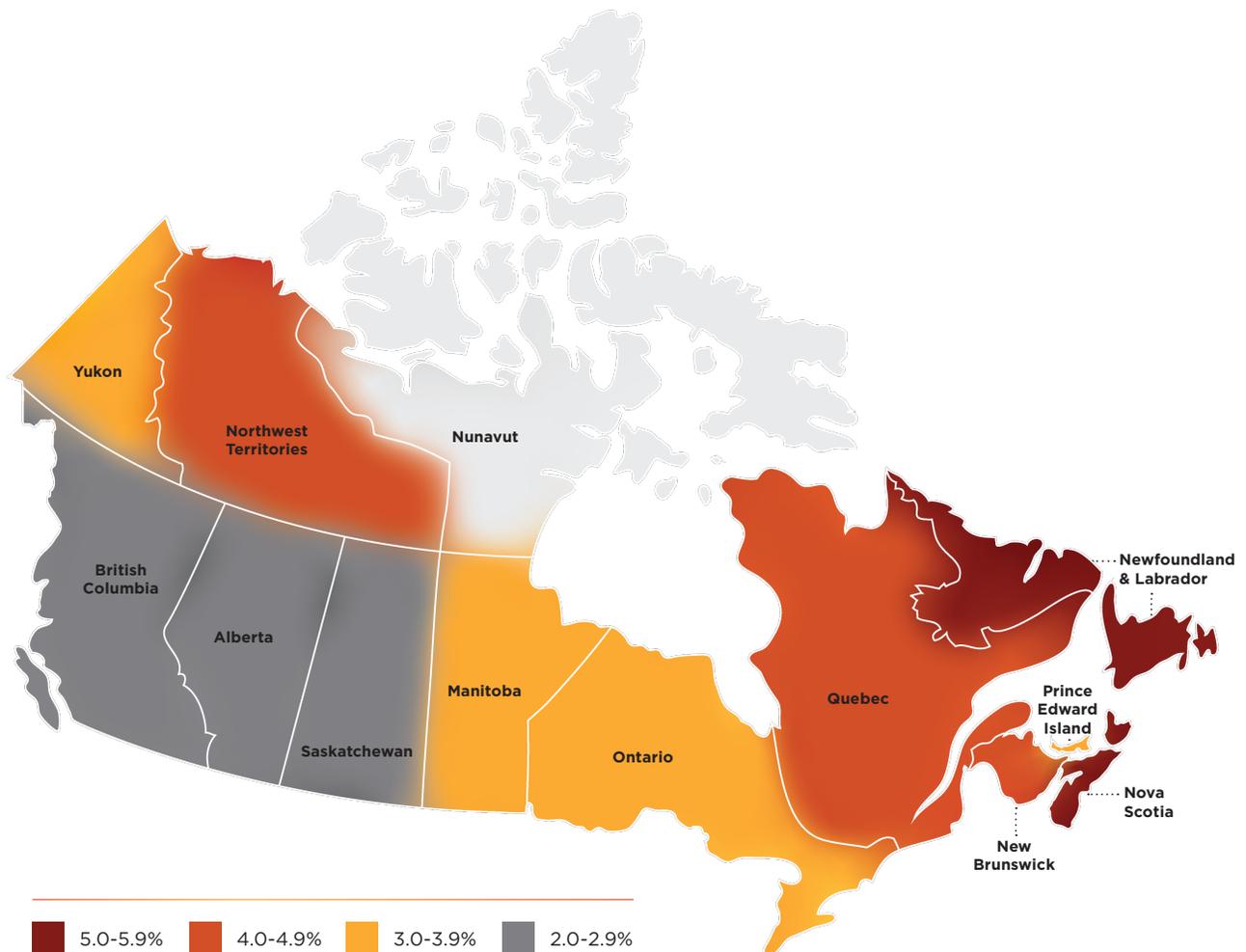
**21** LEARN MORE

This report reflects the rebuild costs up to the third quarter of 2022 and provides a cost analysis based on 86 cities across Canada that have been identified as Opta's "Centres of Influence."

## NEAR-HISTORIC HIGHS PERSIST

The summer of 2022 has seen some price corrections with year-on-year increases in material supply, and lumber prices flattening to new normals. Gas prices are historically high and are having downstream impacts in many areas of the reconstruction industry. Slightly lower demand and the resolution of many supply-chain issues has resulted in an easing of inventory backlogs and, therefore, lower rates of price increases. Labour shortages continue as before, but as noted in an earlier report, these shortages are more evident in front-end mitigation and technician categories and do not greatly affect the rebuild industry.

Inflation will continue influencing costs over the next 12 months.



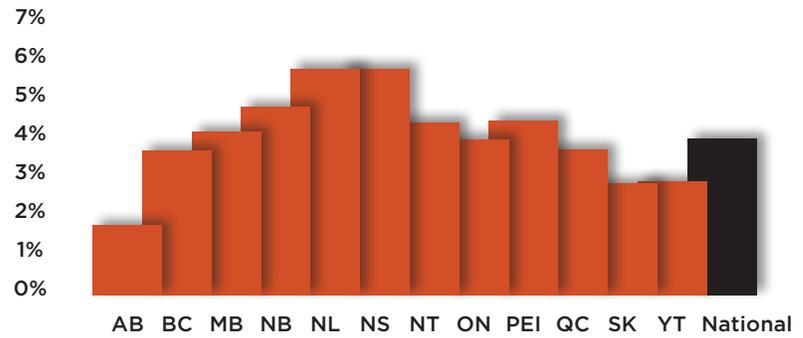
# SQUARE FOOT COSTS

NL	5.3%
NS	5.3%
NT	4.3%
QC	4.0%
NB	3.9%
PEI	3.8%
MB	3.5%
YT	3.3%
ON	3.0%
BC	2.8%
SK	2.4%
AB	2.1%
<b>National</b>	<b>3.6%</b>

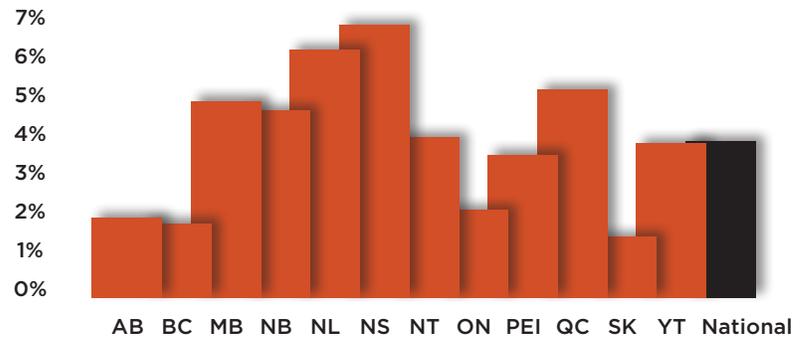
The Atlantic continues to lead in YOY square foot increases, but the rate of increase is easing, and barring another major global event, it appears that pricing will slowly stabilize. Most of the western provinces and Ontario continued to be below the national average, while the eastern provinces were above. We expect the slowdown in the rate of YOY increase will persist as material supply issues reduce.

This report shows a period of YOY pricing corrections, particularly in the 1,000SF and 2,000SF models, and we recommend comparing this data with the May 2022 data. The component cost changes are very moderate over this period (less than 1%).

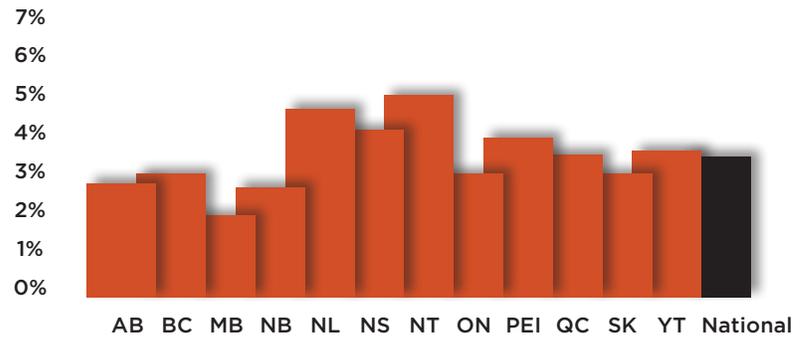
## 1,000 SF



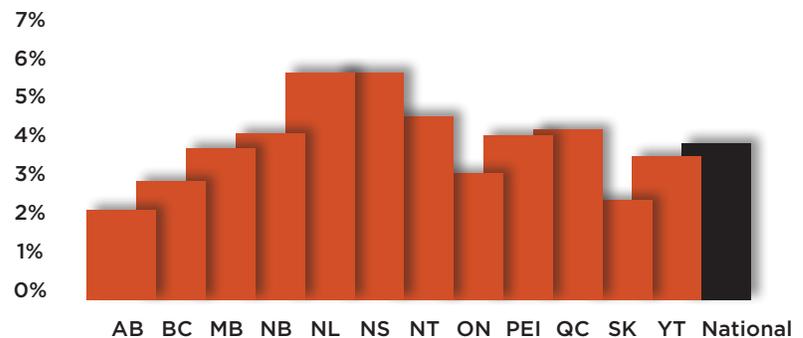
## 2,000 SF



## 3,000 SF



## ALL



# COMPONENT COSTS

The greatest component cost increases YOY continue to be in the East. Newfoundland and Nova Scotia led with 5.3% YOY increases, while Quebec was at 4% YOY. This is similar to our findings in January and May 2022.

Newfoundland roofing costs show a significant YOY spike; however, these are largely corrective increases, and the data for September 2022 vs. May 2022 shows a decline. We expect these costs to normalise by the next report.

As mentioned earlier, the expected spike in roofing and siding in the West did not occur due to the absence of major summer storms this year in Alberta.

## YOY INCREASE BY PROVINCE

AB	BC	MB	NB	NL	NS	NT	ON	PEI	QC	SK	YT	All
1.7%	1.2%	1.3%	2.0%	2.6%	2.0%	1.4%	1.7%	2.0%	2.1%	1.7%	2.8%	1.9%

## YOY INCREASE BY COMPONENT

Sep 2022 vs Sep 2021	Basement	Kitchen	Bathroom	Roofing	Alum. Siding	All
	1.3%	1.6%	1.8%	2.6%	2.1%	1.9%

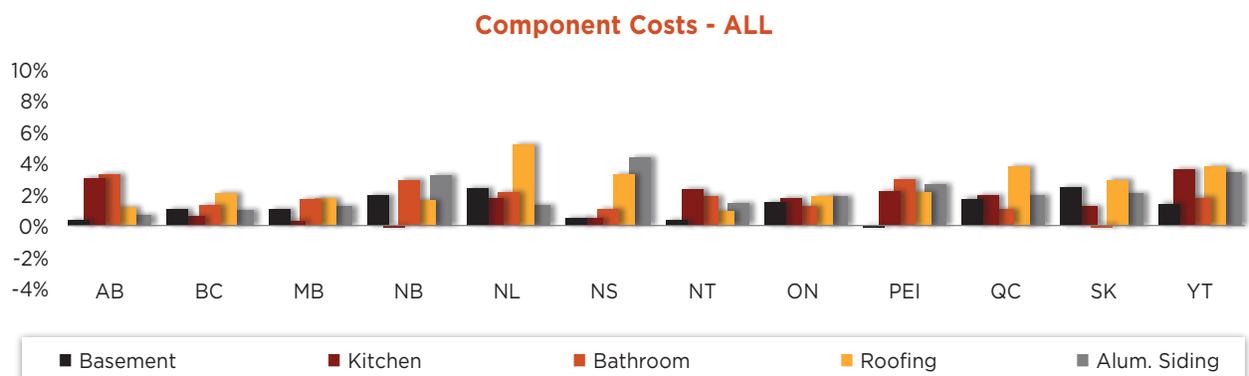
## YOY INCREASE BY UNIT MODEL

1000SF	2000SF	3000SF
1.9%	2.2%	1.6%

## YOY SEP 2022 TO SEP 2021 COMPONENT COST CHANGES

	Basement	Kitchen	Bathroom	Roofing	Alum. Siding
AB	0.4%	3.1%	3.4%	1.2%	0.7%
BC	1.1%	0.6%	1.3%	2.1%	1.0%
MB	1.1%	0.4%	1.8%	1.8%	1.3%
NB	2.0%	-0.1%	3.0%	1.7%	3.3%
NL	2.4%	1.8%	2.2%	5.3%	1.3%
NS	0.5%	0.5%	1.1%	3.4%	4.4%
NT	0.4%	2.4%	1.9%	1.0%	1.5%
ON	1.6%	1.8%	1.2%	1.9%	1.9%
PEI	-0.1%	2.3%	3.0%	2.2%	2.7%
QC	1.8%	2.0%	1.0%	3.9%	2.0%
SK	2.5%	1.2%	-0.1%	3.0%	2.1%
YT	1.5%	3.7%	1.8%	3.8%	3.4%

Below are the September 2022 vs. September 2021 YOY component cost breakdowns by model unit size.



# TOP 3 FAQ's

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

**A:** 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. Based on the analysis presented in this report, adjustments will be made to Opta's iClarify™ valuation outputs in October 2022 nationally to reflect the latest changes to material costs.

**Q. HOW DOES OPTA ACCOUNT FOR REGIONAL DIFFERENCES IN RECONSTRUCTION MARKETS?**

**A:** Opta leverages a network of local contractors from 86 centres of influence across the country to conduct detailed research on replacement costs. This research provides insights on regional differences in the reconstruction markets. These studies are conducted on a regular basis and are used to refine the replacement cost valuations. Opta reviews individual valuations on an ongoing basis and if we find a particular area or region where further review is necessary, we will leverage our team of Property Validators to review properties in detail. Our Validation experts use online imagery and measurement tools to confirm the construction features and update valuations to ensure accuracy

**Q: HOW DO YOU ADJUST FOR HOME RENOVATIONS?**

**A:** Material updates such as new flooring or upgraded fixtures 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 will impact the replacement cost directly. A renovation project valued at \$20,000 does not necessarily equate to an increase of \$20,000 to the insurable replacement cost of a home or its market value. In situations where there are specific concerns about high quality or unique features in a home, it is always recommended that an inspection be completed so that a full replacement cost can be calculated.



# ALIGNING ITV

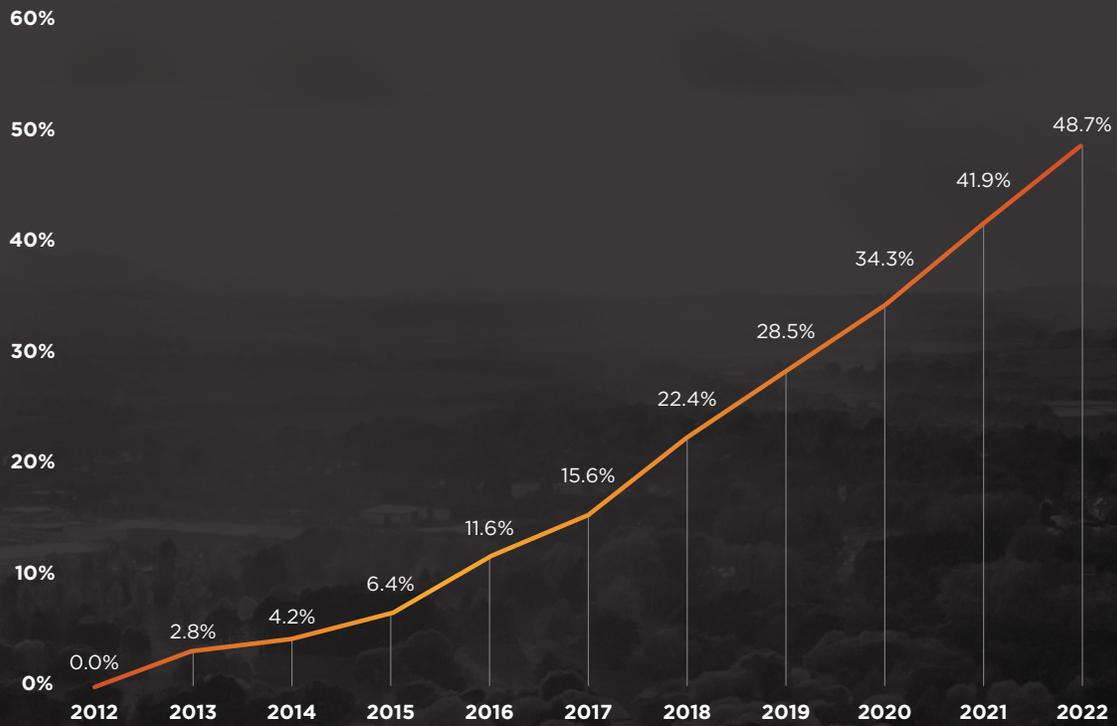
Using the most accurate and current data at point of sale or at renewal is key for adequate insurance to-value (ITV). Inflation-indexed adjustments to ITV across the board apply the same approach to both correct and inaccurate baseline values, and they may mask variations in inflation across Canada and even within regions. Opta, part of underwriting solutions at Verisk, is widely considered the industry standard for valuations and property risk intelligence in Canada.

Our insights reveal how price volatility has grown and persisted over a 10-year span of Canadian residential insurance rebuild costs per square foot. Using 2012 as the base year (0%), this graph shows the annual average percentage increase each year over the base year—a cumulative rise of 49% over 10 years and 15% in the last 2 years of the pandemic. Such market forces could have serious implications for ITV in a portfolio built on unreliable valuations with outdated or incomplete data.

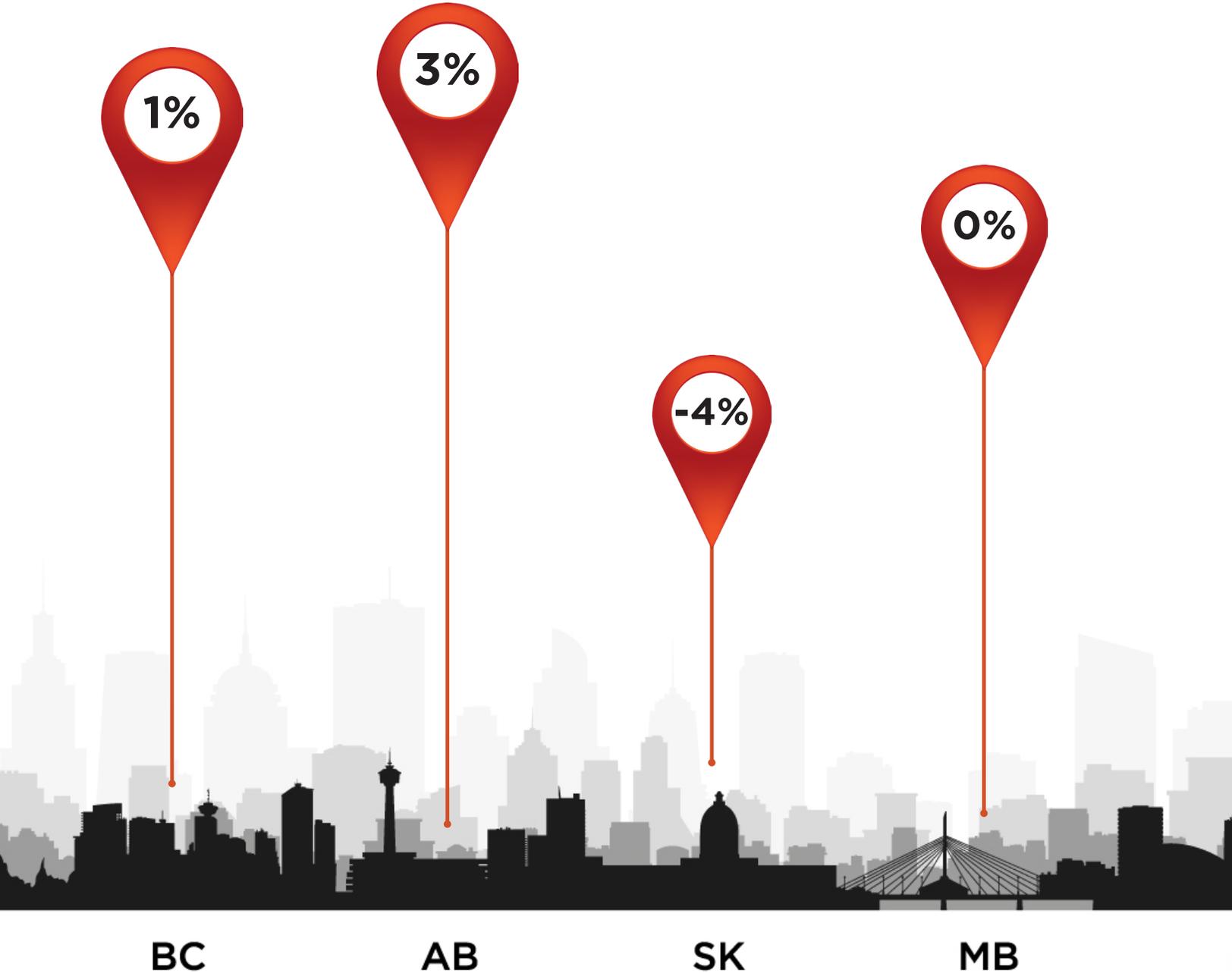


# RESIDENTIAL INSURANCE REBUILD SQ FT COSTS - CANADA

Indexed to Base Year 2012



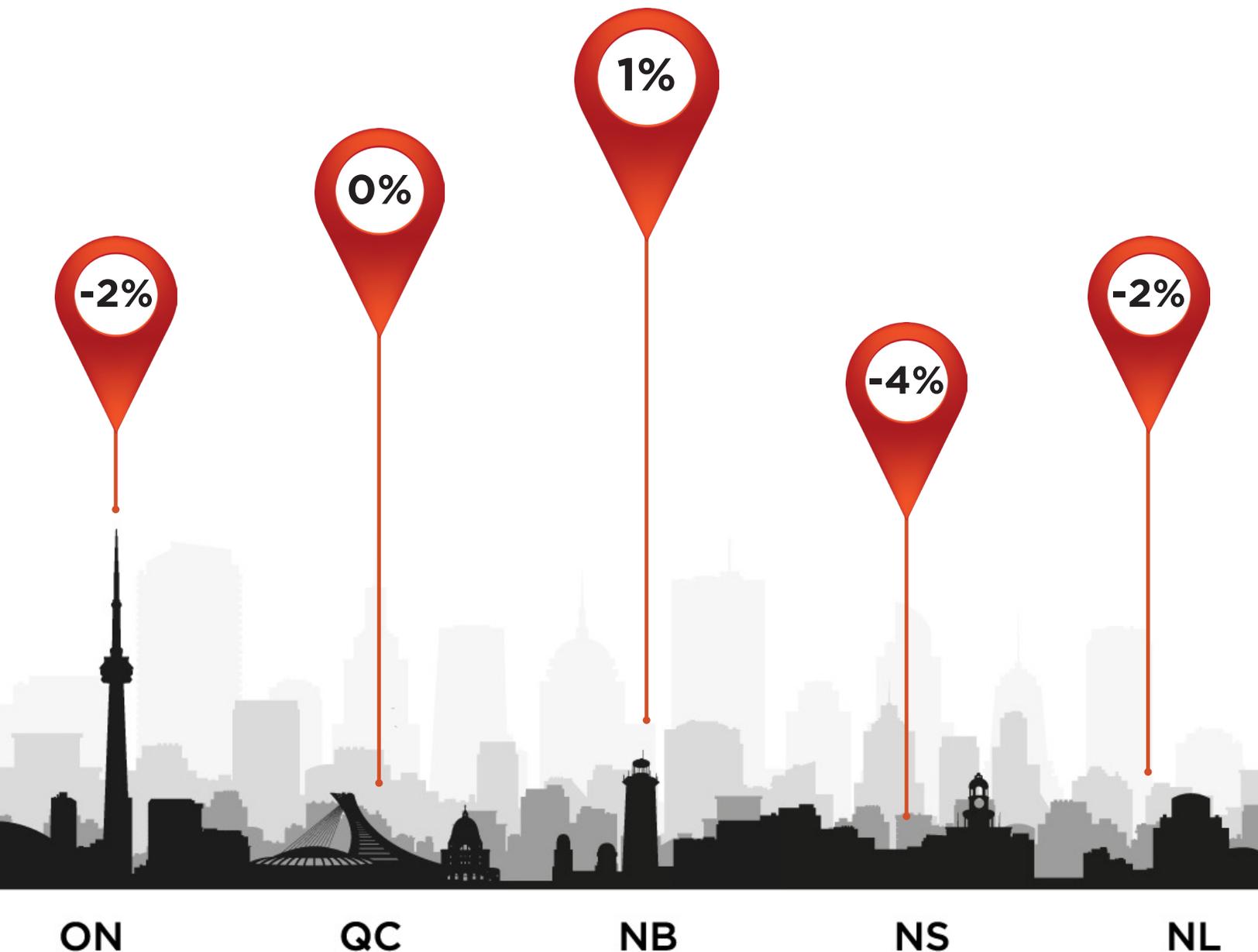
# NATIONAL TOTAL LOSS STUDY 2022



# PROVINCIAL RESULTS

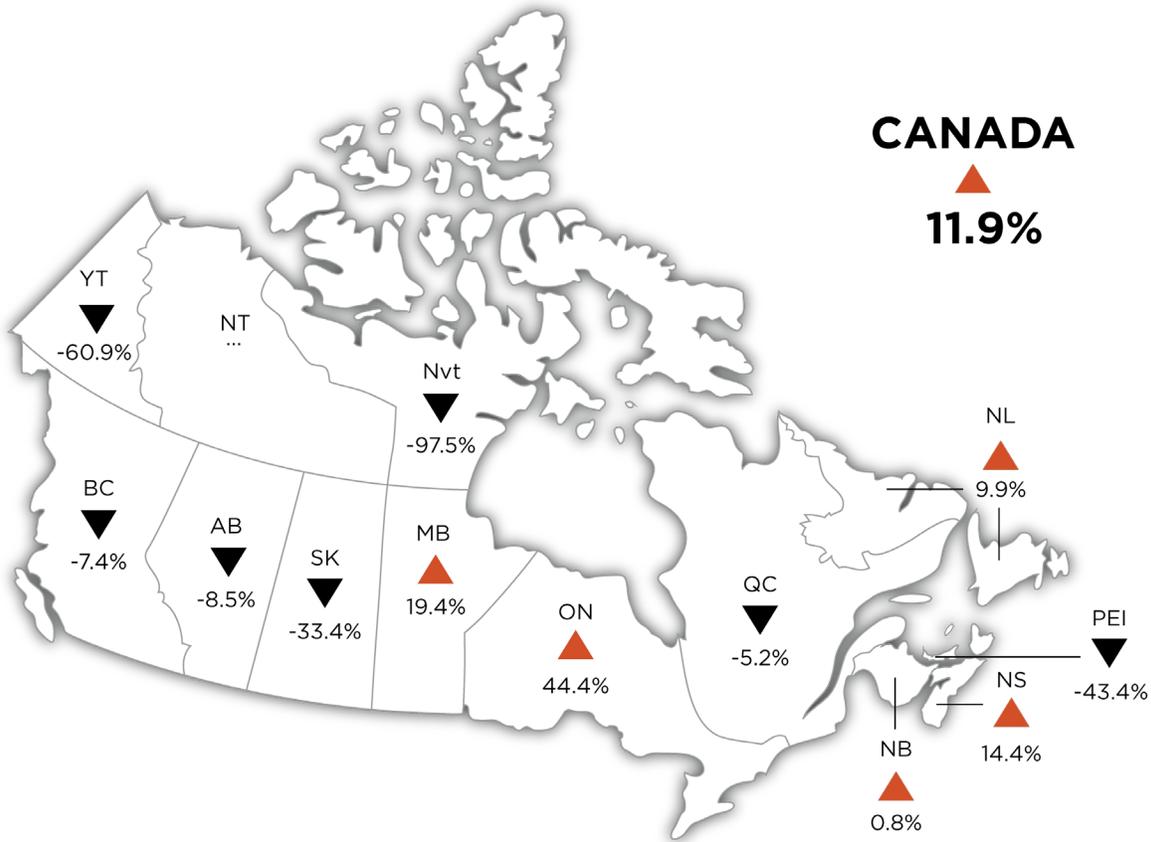
With information on over 18 million residential and 5.5 million business locations across Canada, Opta's data is continuously validated through real-time dialogue. Generating more than 30,000 daily updates through iClarify™ business transactions, and through continuous research and studies using the largest repositories of Canadian inspection reports and actual total loss data, Opta delivers the most relevant, up-to-date and accurate valuation data on the market.

Opta's iClarify™ valuations have remained strong and well within the industry benchmark of +/- 15%. A recent analysis was conducted across Canada using 108 losses with an average variance of 0% between iClarify™ Valuations and Contractor Estimates.



# VALUE OF CANADIAN BUILDING PERMITS UP 11.9% IN AUGUST

Permits across Canada continue to be on the rise. According to StatsCanada, the value of Canadian building permits grew by a surprise 11.9% in August from July<sup>1</sup>. Both the residential sector and non-residential sector saw strong gains, with Ontario causing much of the increase.



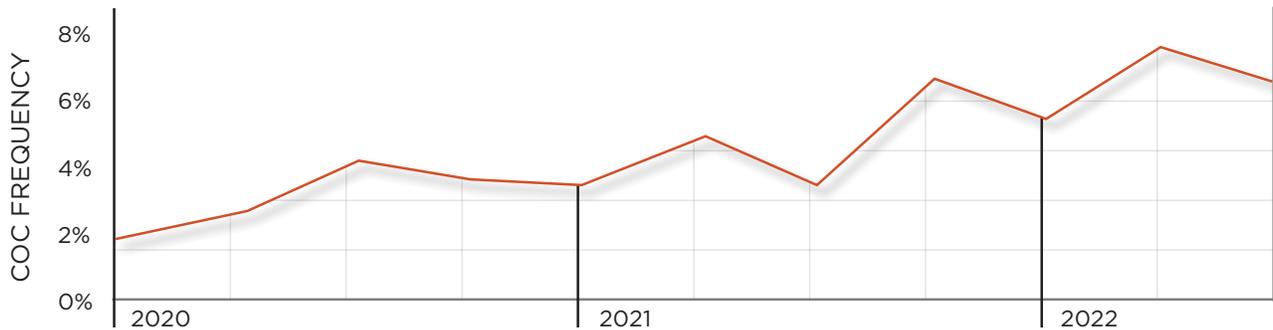
Total value	Residential ▲ 12.0%		Non residential ▲ 11.8%		
	Single-family dwellings	Multi-family dwellings	Industrial	Commercial	Institutional
Month-to-month change, August					
	<b>\$3,576</b> millions	<b>\$4,872</b> millions	<b>\$787</b> millions	<b>\$2,062</b> millions	<b>\$1,185</b> millions
	▲ \$15.1 (0.4%)	▲ \$886.7 (22.2%)	▲ \$120.6 (18.1%)	▼ -\$28.8 (-1.4%)	▲ \$332.8 (39.1%)

<sup>1</sup> <https://www.nasdaq.com/articles/value-of-canada-building-permits-up-11.9-in-august>

map source: <https://www150.statcan.gc.ca/n1/daily-quotidien/221005/dq221005b-eng.htm>

## CONTINUED SPIKE IN HOME RENOVATIONS

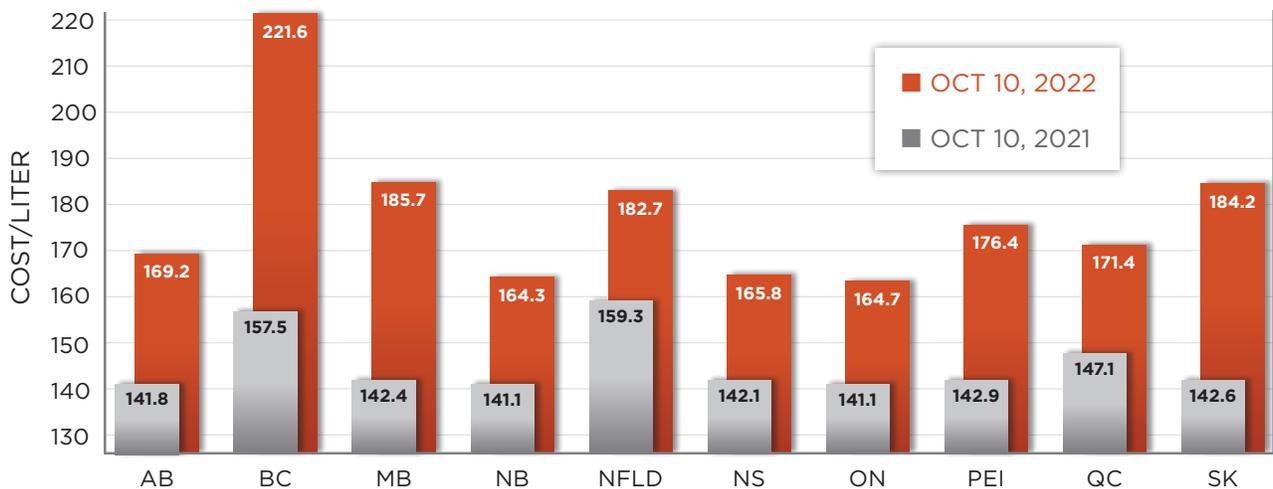
Opta’s loss control experts continue to see a spike in home renovations during the property inspection process. Pre-pandemic, one in every 50 homes had renovations underway, and now, two years later, and we are still seeing a consistent rise where nearly 1 in every 20 of the homes inspected have significant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



THE LATEST PULSE ON LOSS CONTROL TRENDS, *NATIONWIDE.*

## FUEL COSTS PINCH THE ENTIRE BUILDING SECTOR

Fuel prices in the past year have figured more prominently in building and renovation costs—across Canada and on multiple levels. Between October 2021 and October 2022, increases at the pump ranged from about 15% in Newfoundland to 41% in British Columbia. From manufacturing of materials to construction and inspection, whenever goods or workers move, fuel adds a growing share of overall building expenses.



<https://www.caa.ca/gas-prices/>

How are you managing

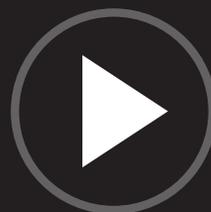
# INFLATION?

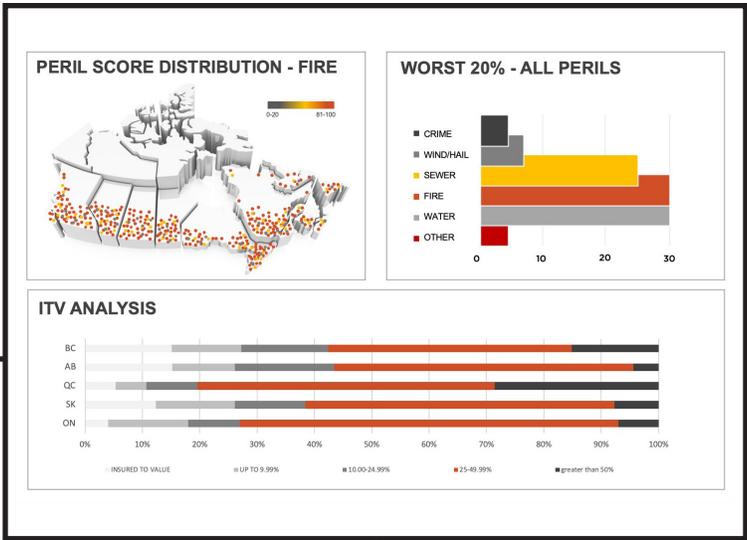
With little chance of a return to pre-pandemic prices, do you know which properties are underinsured and by how much? As leaders in valuations, Opta recommends three effective strategies that can help you detect changes in your portfolio and tame inflation:



**WANT TO HEAR ABOUT MORE STRATEGIES?**

Watch this 2-minute episode from our new series, The Intel, featuring insights from Opta's leader, Greg McCutcheon, on turn-key solutions to help you manage inflation and continue to meet every property's coverage needs.





### GET A HOLISTIC VIEW OF YOUR RISK

Get a quick view of any changes, ITV gaps, or new exposures like flood, perils, or wildfire on your inforce policies or renewals.

**PERMIT DETECTED** 1

**PROJECT COST** \$450,000

**PERMIT TYPE** ADDITION

### USE PERMIT DATA TO IDENTIFY CHANGES

Get real-time property and permit data to help detect hidden risks and changes that affect exposure—and to better understand the evolution of your property risk. Get access to high-quality, detailed permit data for Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, and the Atlantic provinces.

INSPECT ANYWHERE

powered by Hover

### ORDER AN INSPECTION

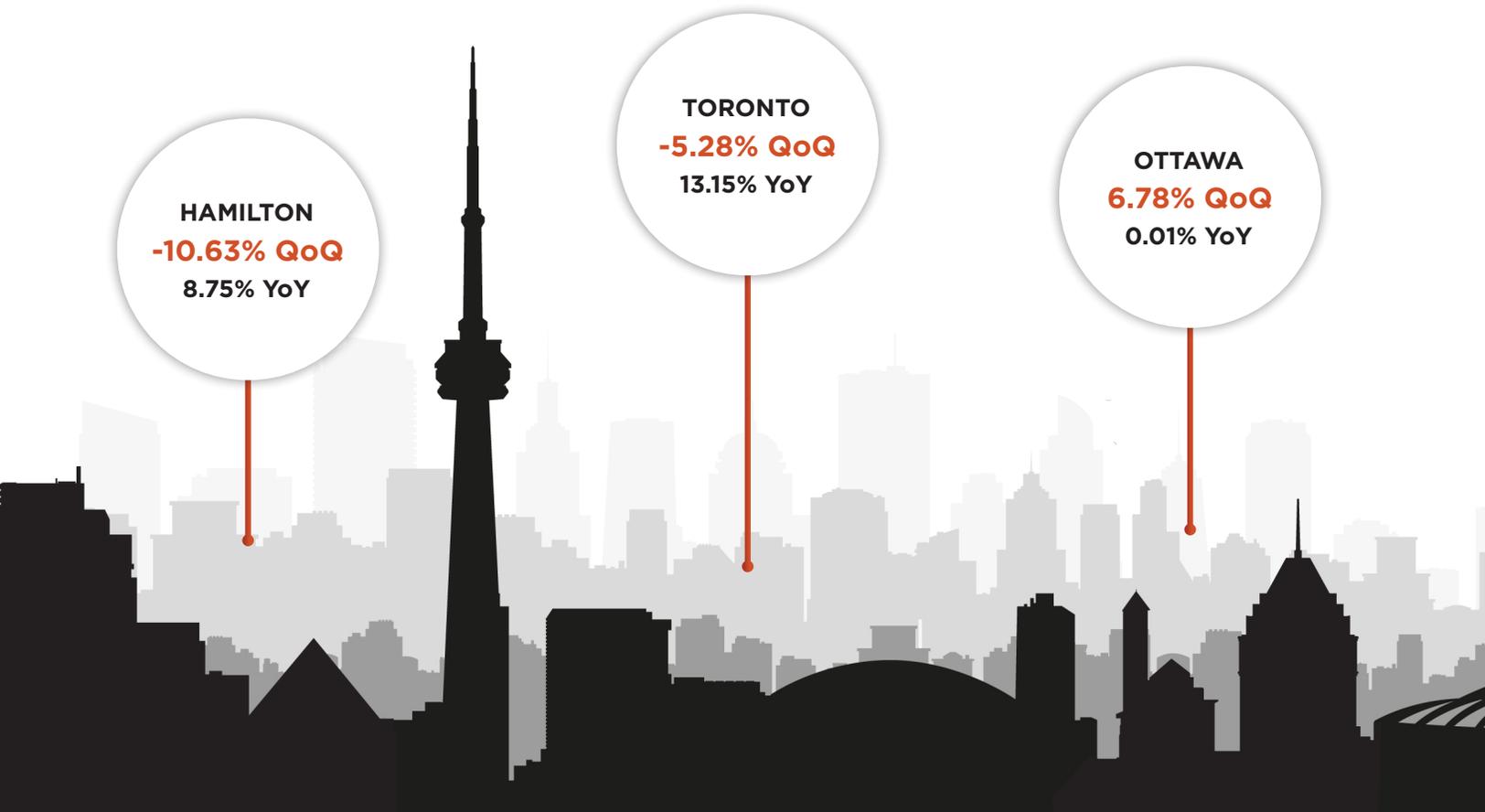
Uncover changes and new exposures using Opta’s full suite of loss-control solutions, ranging from comprehensive to virtual. Do you have properties in remote or difficult to access areas across Canada? Our new virtual solution – powered by Hover, can help.

# REAL ESTATE MARKET WATCH

The latest changes in mortgage interest rates, combined with inflation in the cost of living, continue to slow the market. Throughout the summer, activity decreased by approximately 25% year over year. (It should be noted that 2021 had an unprecedented real estate volume to compare to and the traditional summer market speed was accelerated during the pandemic.)

Despite the decline in activity during Q2 and Q3, home price changes have needed some time to catch up. Sales data from August and early September 2022 shows a decline in median sold prices in eastern Canada, month over month and quarter over quarter, but it also reveals notable increases in some areas year over year.

Moreover, recent activity changes show that buyers are waiting out the current situation, which will likely continue to cause a decline in prices. Beyond market conditions, factors such as inflation, mortgage rates, and rules are creating more barriers for first-time buyers to enter the market. With return-to office at the forefront of some company strategies, the change will be most notable in rural areas and suburbs before the downtown core.



## WHAT DOES THIS MEAN FOR AVMS?

In a changing market, valuations become more complex no matter how they are done. Fortunately, technology and automation development should continue to accelerate despite market changes. Training and timeliness of data are most critical for models in a changing market. Opta's data and models are refreshed weekly with current and timely market data. We are proud to have insight into values before the traditional registry delay. Hear what our experts have to say about Opta's AVM solution.



## WHAT DOES THIS MEAN FOR POLICY?

While the industry has an opportunity to plan for the next hot market, automation is still at the forefront of everyone's strategy. Understanding loan-to-value (LTV) is critical for 2023 and banks will need to take new guidelines into account when deciding whether and how to lend. In May 2022, the Office of the Superintendent of Financial Institutions (OSFI) issued a draft version of Guideline B-15: Climate Risk Management, proposing a reasonable, climate-sensitive framework that recognizes the impact of climate change on managing risk and sets the stage for OSFI's expectations of federally regulated financial institutions (FRFIs). Watch our video to learn more about how this guideline will affect the financial impacts of climate risk.



**-1.10% QoQ**  
**3.68% YoY**

**5.72% QoQ**  
**20.29% YoY**



QC

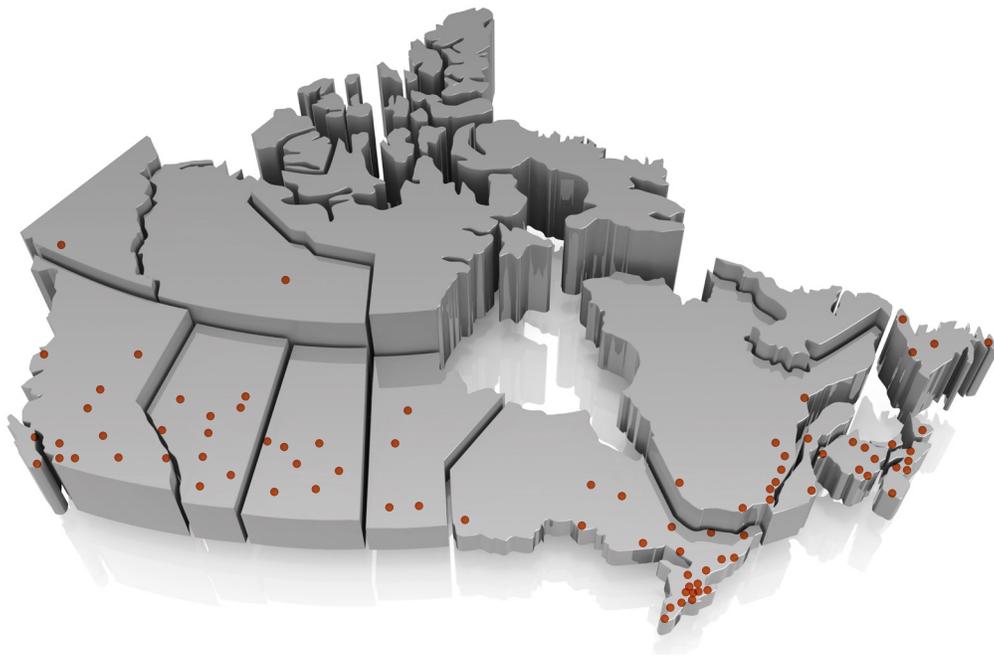
ATLANTIC

# 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 loss control performed by Opta Precise Services. Quarterly insights and analysis are also conducted using the largest repository of actual Canadian total loss data.

## OPTA'S 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  
Williams 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  
Miramichi  
Moncton  
New Glasgow  
Saint John  
St. Anthony  
St. John's  
Sydney  
Truro  
Yarmouth

### Northern Canada

Yellowknife  
Whitehorse

# 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.



REGISTER

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.



REGISTER

Accredited 1.5 CE

## iClarify™ Commercial Features

### Understanding Risk Assessment Tools and How to Use Them

When assessing commercial risks, front lines insurance professionals often use different data driven tools to accurately put together a complete submission; fully understanding the risk goes beyond good faith between the broker and the client and depends on the broker's ability to use these tools properly. In this on-demand webinar, find out about the various data points and commercial underwriting factors in iClarify™ Commercial including the common questions that come up when using the platform.

**YOUR LEADING SOURCE OF  
VALUATIONS, NATIONWIDE.**

**optaintel.ca**

■ THE  
**INTEL.**  
insights from experts

**INSURANCE TO VALUE THAT CAPTURES THE WHOLE VALUE**

**Evan Byrne, Director of Product & Account Management**

Coverage for an entire property, including contents and out-structures, can fall short without proper tools to set accurate insurance-to-value (ITV). Opta's iClarify solution can help ensure reliable replacement cost valuations and more accurate ITV across your book of business.

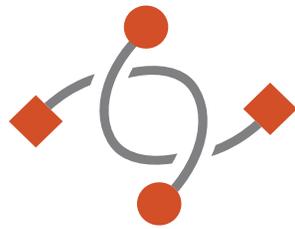


**THE CRITICAL ROLE OF FUS® FOR FIRE PROTECTION AND WILDFIRE RISK AWARENESS**

**Evan Byrne, Director of Product & Account Management**

Increasing wildfire risk in Canada compels insurers to have property-level knowledge of fire protection services and exposures. Opta's Fire Underwriters Survey (FUS) serves the entire Canadian insurance industry with reliable information about fire protection at any location and an index of wildfire risk levels across the country.





[optaintel.ca](http://optaintel.ca)