

Quarterly Property Report

January – March 2026



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Executive summary

Q1 2026 continued the downward quarterly trend in claim volume in place since Q1 2025. Despite significant winter storm activity, U.S. claim volume fell 8.9% year-over-year and ran 13.13% below the five-year average, with CAT claims down 9.58% and non-CAT down 8.56%. The CAT/non-CAT mix tracked the historical norm almost exactly at 33% CAT. Canada's deceleration was more muted—down 4.24% from Q1 2025—but volume remains 17.77% above its five-year average, as both 2025 and 2026 have been a sharp departure from prior years.

U.S. severity for Q1 2026 currently sits at \$16,079, 12.11% lower than 2025's adjusted figure (excluding Palisades and Eaton fire claims) and just 3.42% below the adjusted five-year average. Severity is expected to mature meaningfully: Q4 2025 has already climbed 10.15% post-report, suggesting Q1 2026 could land near \$17,687—the second-highest year on record after 2025.

The Q1 weather story was defined by two major winter storms (Fern and Hernando), a March wind event across the central U.S., and a Kona low that drove historic CAT activity in Hawaii.

Key pricing and cost trends include:

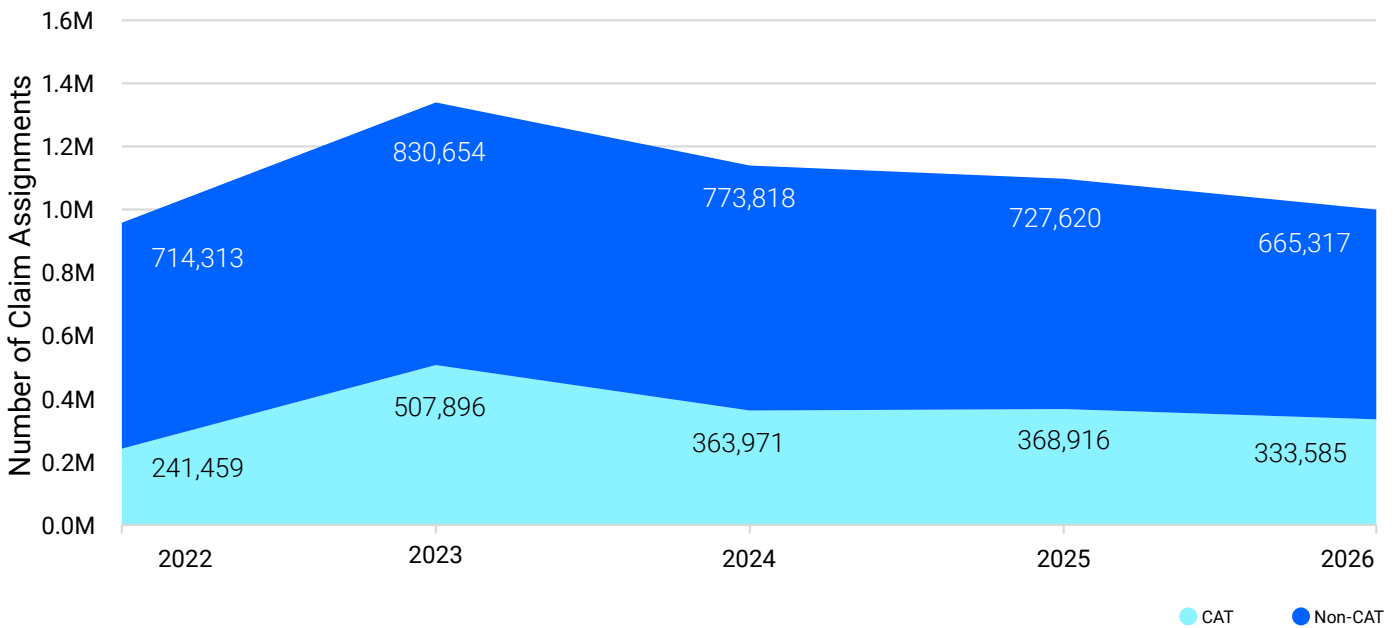
- Total reconstruction costs rose 3.4% year-over-year in the U.S. and 2.5% in Canada
- Combined labor and materials costs rose 1.21% in the U.S. and 0.96% in Canada for the quarter
- Concrete masons led all trades annually, up 15.39% (U.S.) and 14.72% (Canada)
- Lumber posted the largest material declines in both countries, down 2.32% (U.S.) and 12.42% (Canada) year-over-year
- Fuel costs spiked 42.70% in the U.S. and 39.69% in Canada for the quarter, driven by March increases tied to the Iran conflict and Strait of Hormuz disruptions
- Builder confidence rose to 38 on the Housing Market Index in March 2026, the 23rd consecutive month below the 50-point breakeven threshold

Claim assignment trends

Volume

As noted above, U.S. claim volume fell 8.9% year-over-year and 13.13% below the five-year average, while Canada was down 4.24% but still 17.77% above its five-year norm. One detail not captured in the summary: Canada's CAT share closely mirrors its five-year average at 11% versus 12%.

Q1 U.S. Total Claim Assignments by Year (2022-2026)



Regional impact analysis

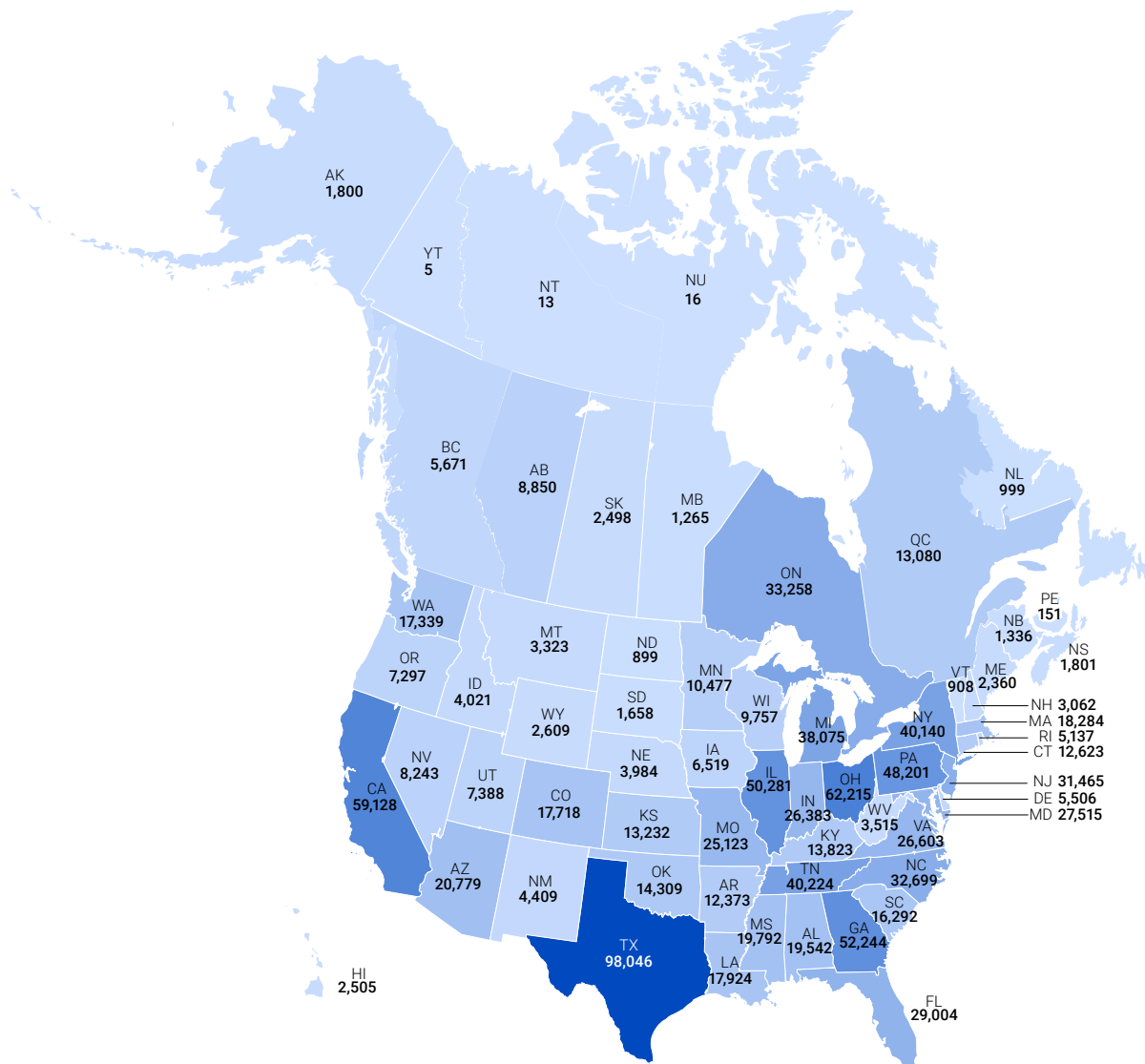
Texas led the U.S. in Q1 claim volume, followed by Ohio and California, together accounting for nearly a quarter of all claims for the quarter. Texas and California claims spanned multiple weather events and perils, while Ohio's were driven primarily by a single wind event (PCS 2625) on March 13–14. Verisk Respond® reports that more than 1.5 million residential properties were exposed to wind gusts of at least 60 mph during that two-day window.

Alaska, Arizona, and Montana saw the largest year-over-year claims increases at 121%, 78%, and 49%, respectively. Kansas posted the largest jump in state ranking, climbing 10 places (from 30th to 20th). Notably, all four were driven by late-reported Q4 wind and hail claims.

Florida had the steepest decline with a 65.7% decrease, falling 13 ranks (from 21st to 34th). South Carolina, Georgia, and North Carolina also saw sharp drops at -51.83%, -39.73%, and -39.44%, respectively. These declines reflect comparisons against Q1 2025, which carried a heavy load of late-reported Hurricane Milton claims from Q4 2024, while 2025 itself was a famously quiet hurricane year in the U.S.

In Canada, Ontario led with 48.2% of national claim volume, followed by Quebec (19%) and Alberta (12.8%). Despite leading, Ontario was down 9.45% from 2025. Nova Scotia posted the largest year-over-year increase at 31.27%, followed by Alberta at 10.28% (driven primarily by water claims).

Q1 2026 Claim Assignment Volume by State & Province



CAT claims year-over-year analysis

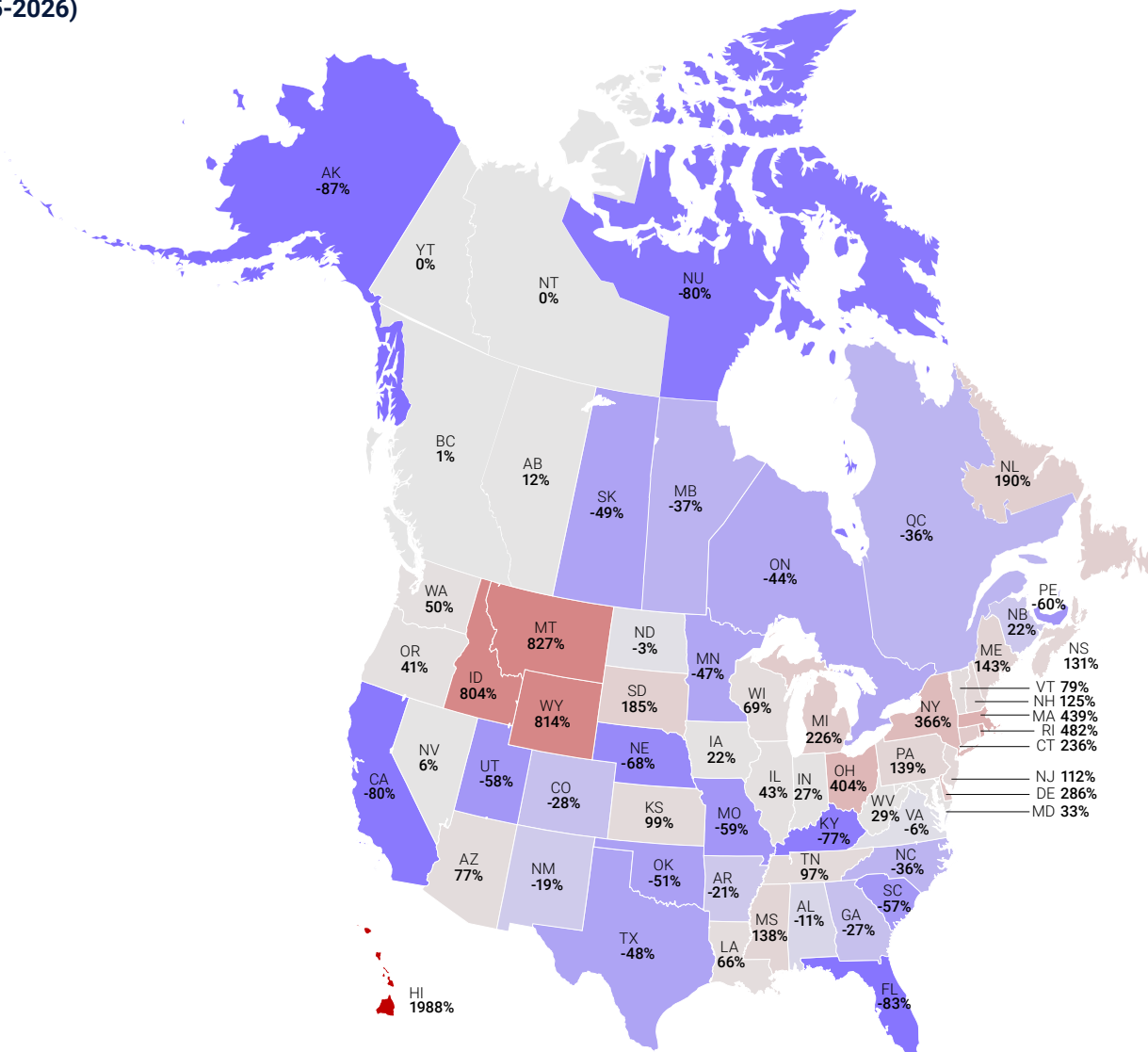
A few states stand out for sharp CAT-claim increases. Hawaii led the nation with a jump of over 1,900% from 2025, driven by the March Kona low (PCS 2627), which saw most claims designated as wind, water, or flood. This system generated more than 2,000 claims on O’ahu, totaling over \$14 million in RCV, with that figure expected to rise as more complex claims are completed.

Within the contiguous U.S., Montana, Wyoming, and Idaho followed at 827%, 814%, and 804%, respectively, all driven by a strong wind event (PCS 2628) on March 11–13. Verisk Respond® estimates more than 140,000 residential properties were exposed to wind gusts of 70 mph or more, producing more than 1,500 claims and an estimated \$14.5 million in RCV.

On the other side, nine states saw CAT claims fall by more than 50%, led by Alaska (-87%), Florida (-83%), and California (-80%). Each had notable 2025 events that did not recur: Alaska’s Anchorage windstorm on January 12, 2025; Florida’s late-reported hurricane claims; and California’s 2025 wildfires, including Palisades and Eaton.

In Canada, Newfoundland and Labrador led CAT-claim growth at 190%, followed by Nova Scotia at 131%—both increases stemming from CAT-designated water events. Ontario, by contrast, saw a 44% reduction in CAT-claim volume, driven significantly by fewer CAT-designated water and ice/snow claims.

Change in Q1 Claim Assignment Volume by State & Province (2025-2026)

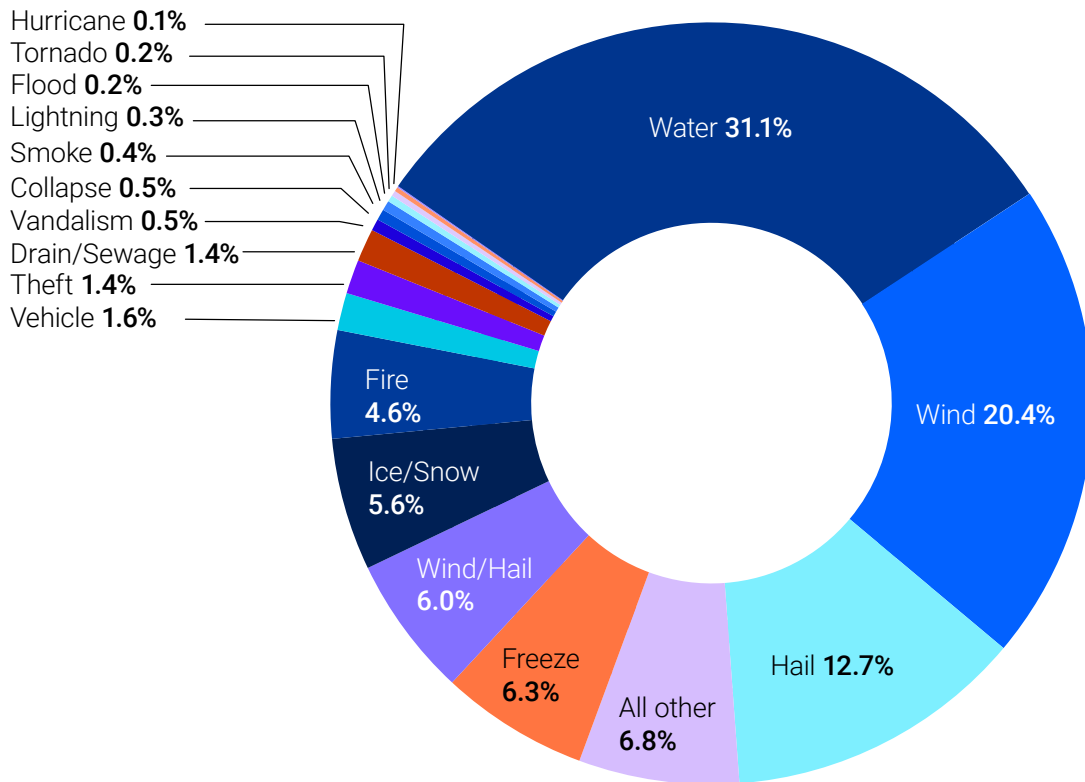


Claims by type of loss

Water claims led the quarter at 31% of U.S. volume, a 6% increase from Q1 2025. Ice and snow grew the most year-over-year, up 189% on the back of winter storms such as Fern and Hernando, comprising 5.6% of total volume. Collapse also jumped 74%, but accounted for just 0.5% of total volume.

Year-over-year, Verisk Respond® shows a 10% decrease in residential roofs impacted by 1" to 1.99" hail and a 59% decrease in roofs hit by 2"+ hail, helping drive a 23.6% decrease in hail-claim activity for the quarter.

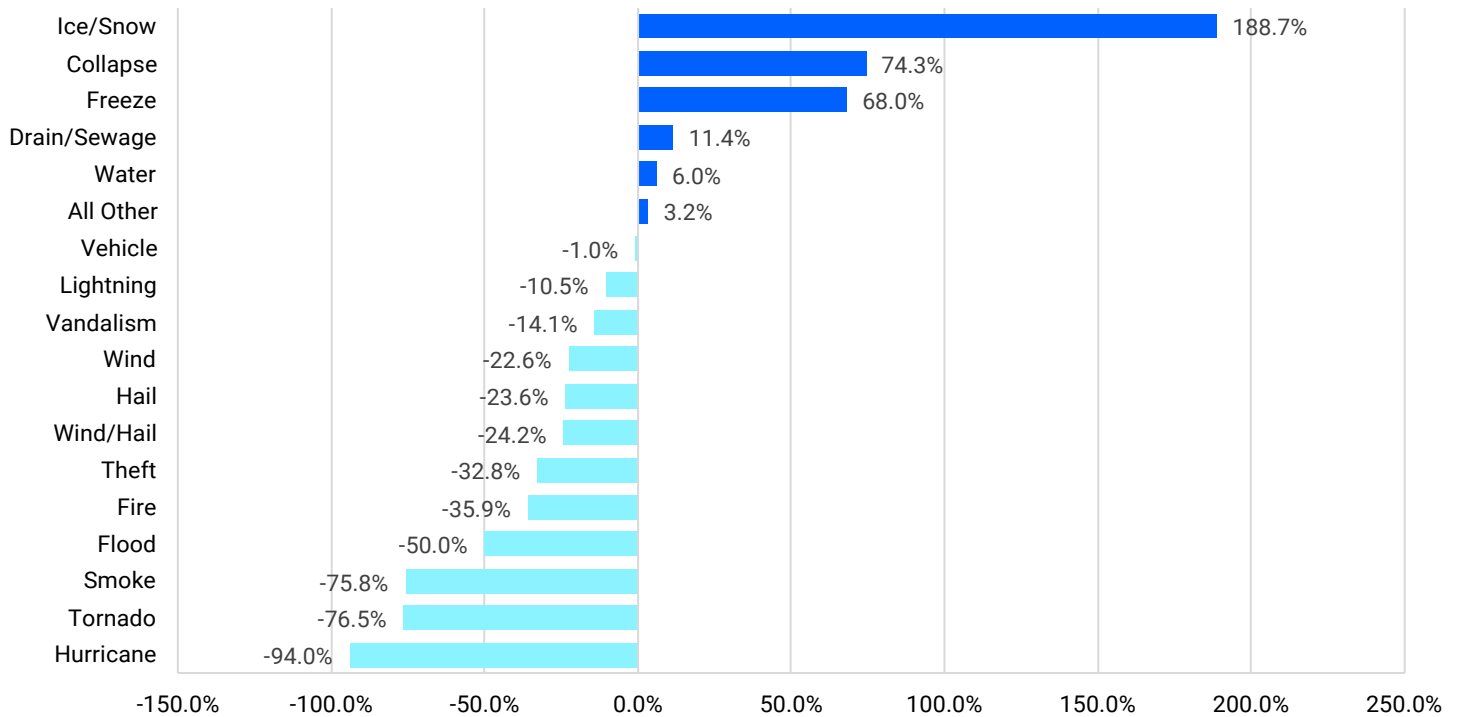
Q1 2026 Claim Assignments by Type of Loss



Fire and smoke claims fell sharply against a 2025 baseline that included the Palisades and Eaton fires. Hurricane claims posted the largest percentage decrease, reflecting Q1 2025's late-reported Milton volume. Tornado claims fell 76.5%, reflecting a return to normal given Q1 2025's 133% jump from 2024.

In Canada, water dominated 68.2% of all claims, up just 0.7% from 2025. Wind claims posted the largest increase at 112%, becoming the second-largest loss type at 8% of total volume. Hail saw the steepest decline, down 78.3%.

Change in Q1 Types of Loss (2025-2026)



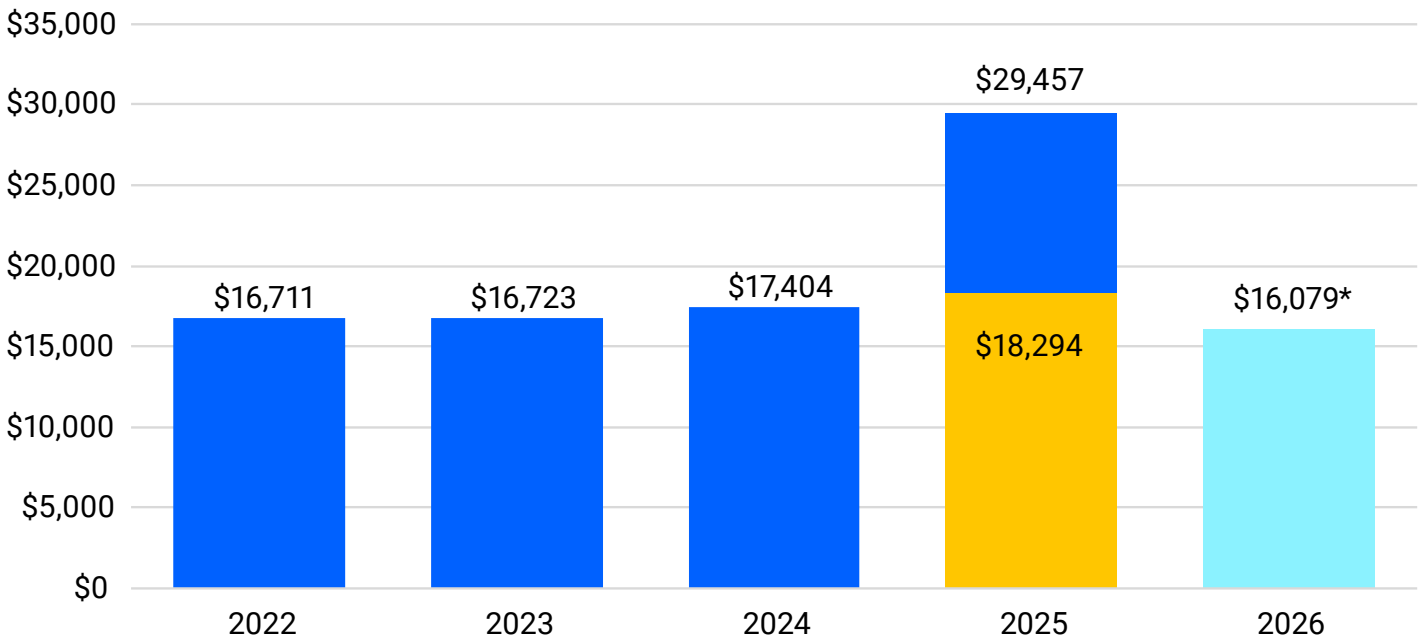
Severity

U.S. Q1 severity

Average claim severity for Q1 2026 is currently \$16,079. The 2025 Palisades and Eaton fires will complicate Q1 severity comparisons for years. Due to their total loss nature, Q1 2025 reports a significantly higher average than any other year. To account for this, year-over-year comparisons use an adjusted average of \$18,294, which excludes California fire and smoke claims. On that basis, 2026 is 12.11% below 2025 but only 3.42% below the five-year historical average.

This figure is expected to rise as complex claims close. Q4 2025, previously reported at \$17,167, has since matured 10.15% to \$18,910—the second highest quarterly average in recent record, behind only 2022 and just slightly above 2024’s \$18,758. Using a 10% maturation estimate, Q1 2026 could mature to roughly \$17,687, which would make 2026 the second-highest year for average severity after 2025.

Q1 Average U.S. Replacement Cost Value (2022-2026)



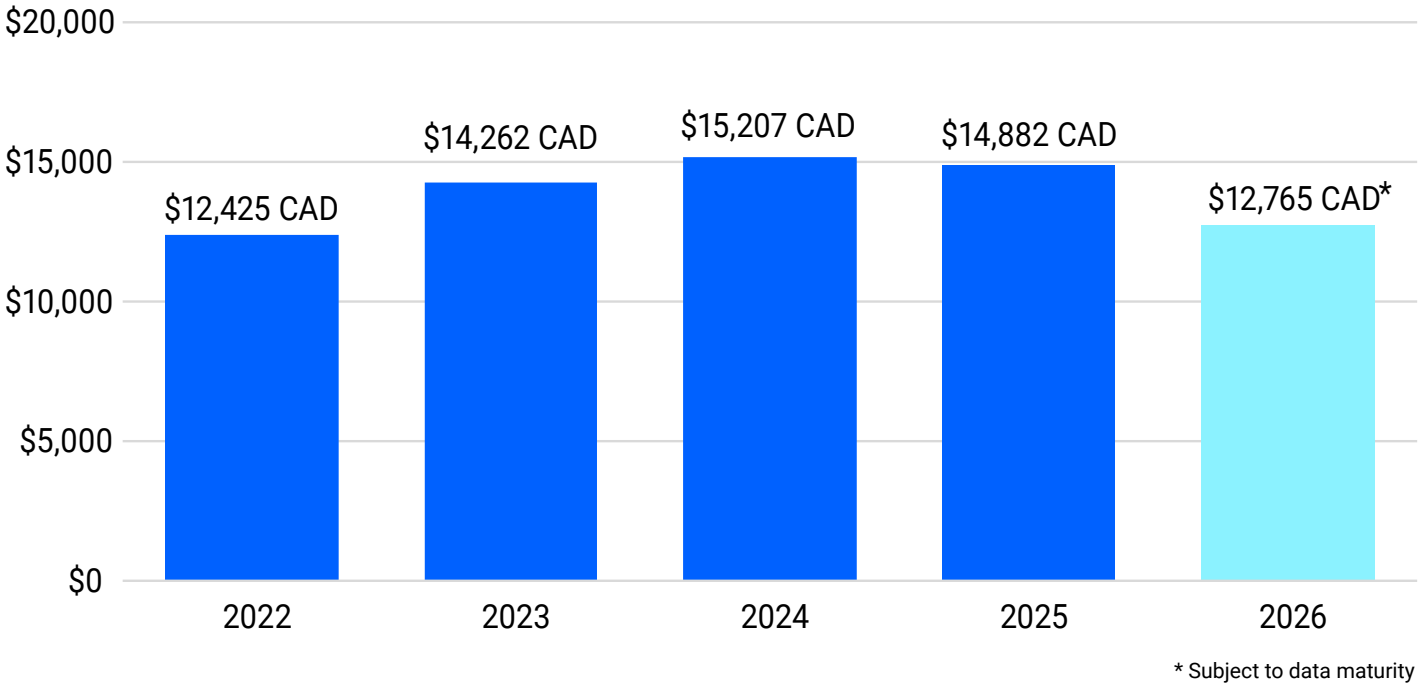
* Subject to data maturity

Canada Q1 severity

Canadian severity declined sharply for the quarter. Q1 2026 currently sits at \$12,765 CAD, 14.22% below 2025 and 5.87% below the five-year average. As with the U.S., this figure will mature: Q4 2025 was initially reported at \$12,945 CAD and

has since risen to \$14,605 CAD, a maturation rate of 12.83%. Q1 2026 is forecasted to mature to roughly \$14,400 CAD, still below 2024 and 2025 levels.

Q1 Average Canada Replacement Cost Value (2022-2026)



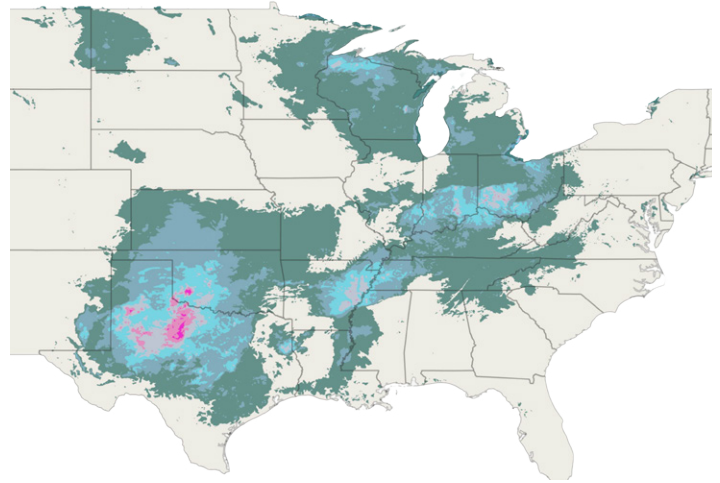
Q1 winter storm overview

Two winter storms—Fern and Hernando—defined the quarter’s weather narrative. Fern (PCS 2613) ran January 23–29 and impacted a wide swath of the eastern U.S. Hernando, more commonly known as The Blizzard of 2026 (PCS 2620), occurred February 21–23 with a more localized footprint over the Northeast.

Although winter weather typically converts to property claims at a lower rate than other perils, these storms produced substantial activity: Together they generated more than 46,000 ice, snow, and collapse claims, of which roughly 83% are currently completed, totaling over \$478 million in estimated RCV.

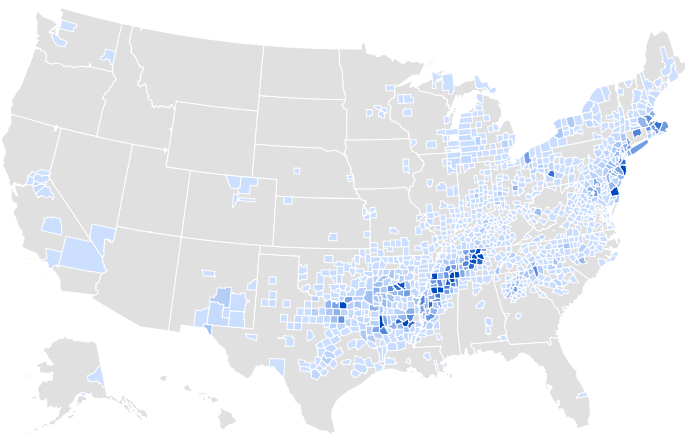
Geographic patterns differ sharply by claim count versus claim value. Volume hotspots cluster in western Tennessee/northern Mississippi and along the mid-Atlantic coast.

By average RCV, however, the hotspots shift to Arkansas and eastern Oklahoma, where 32 counties currently post average RCVs above \$100,000, suggesting many of these claims may be total-loss in nature.

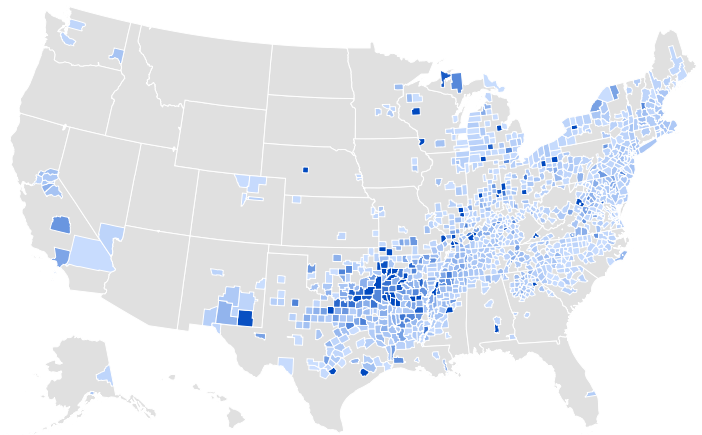


Respond freeze data indicating areas most severely affected by anomalous cold temperatures during the 23–29 January 2026 event

Winter Storms Fern & Hernando Claim Assignment Distribution by County



Winter Storms Fern & Hernando Average RCV by County

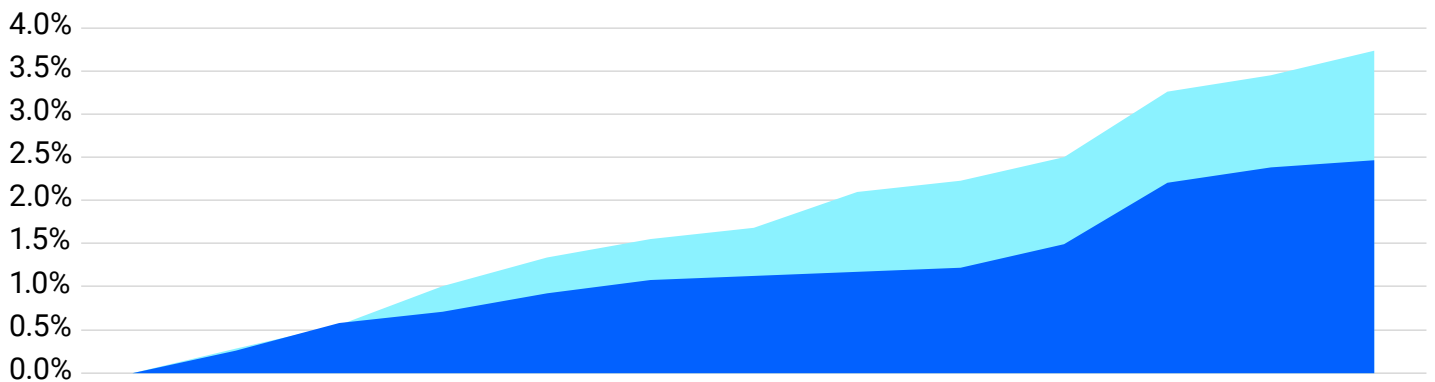


Pricing data services

Labor and materials

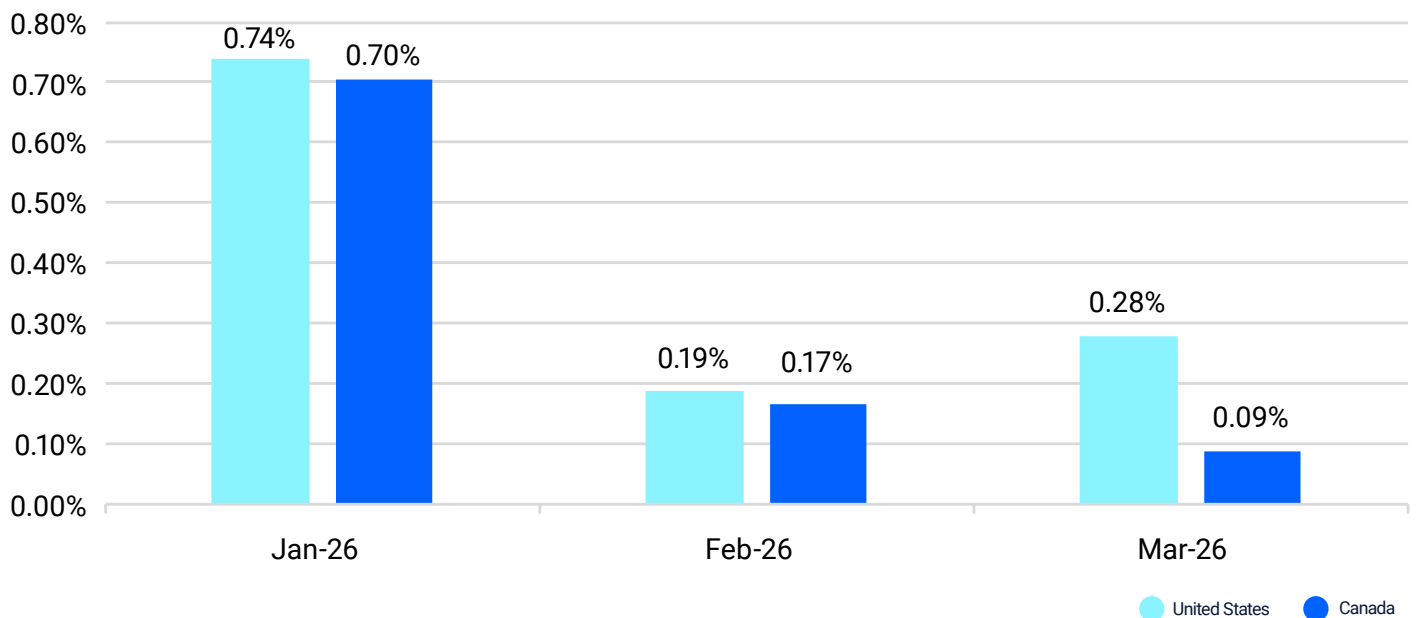
Combined labor and material costs rose 1.21% in the U.S. and 0.96% in Canada. Consistent with labor-only and material-only trends, January was the largest contributor: Combined costs rose 0.74% (U.S.) and 0.70% (Canada) that month.

Labor and Materials March 2025 - March 2026



	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
United States	0.00 %	0.28 %	0.55 %	1.01 %	1.34 %	1.55 %	1.68 %	2.09 %	2.23 %	2.50 %	3.26 %	3.45 %	3.74 %
Canada	0.00 %	0.26 %	0.58 %	0.71 %	0.92 %	1.07 %	1.13 %	1.17 %	1.23 %	1.49 %	2.21 %	2.38 %	2.47 %

Monthly Change



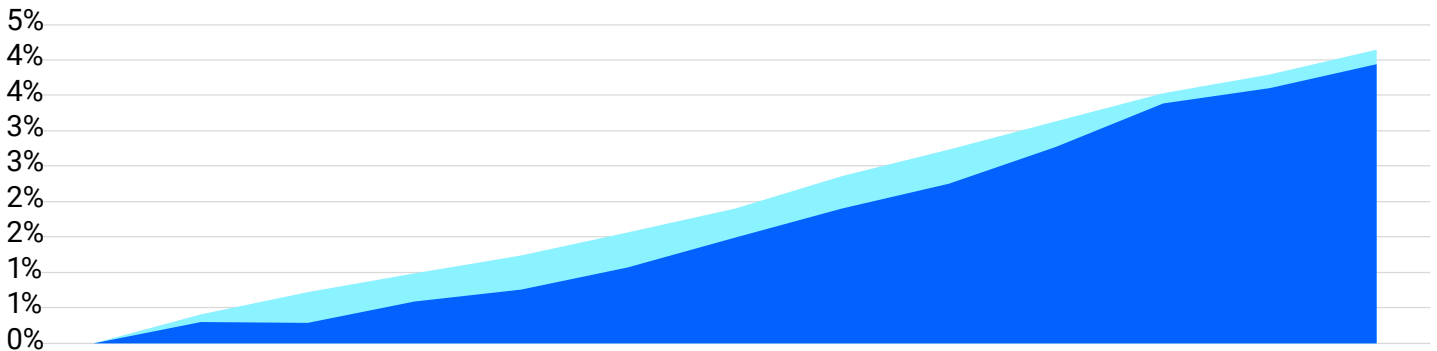
Labor costs by major trades

Across both countries, only one major labor trade declined: Canadian roofer labor, down 0.22%. The largest U.S. quarterly increase was concrete mason at 1.96%. In Canada, drywall installer led at 4.17%. On an annual basis, concrete mason remains the leader in both countries, up 15.39% (U.S.) and 14.72% (Canada), though its quarterly pace has moderated to roughly 2%, signaling slower expansion.

Concrete mason wage growth correlates with strength in infrastructure and civil projects, data centers, and advanced manufacturing.

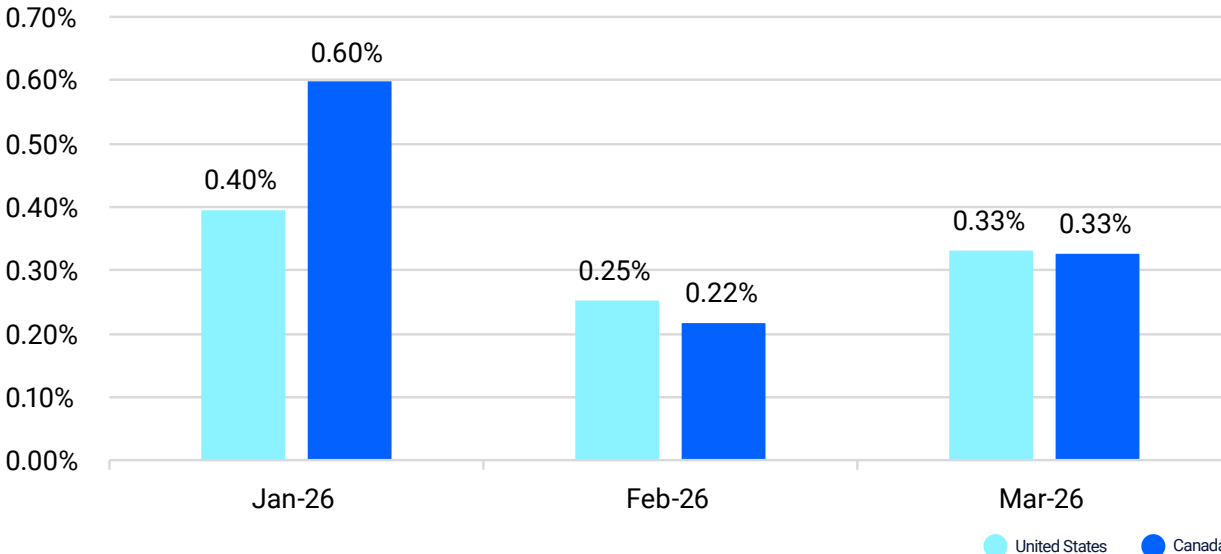
The average quarterly labor increase was 0.98% in the U.S. and 1.15% in Canada, with January again the largest single-month contributor (0.40% U.S.; 0.60% in Canada).

Labor Composite Index March 2025 - March 2026



	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
United States Change	0.00 %	0.41 %	0.72 %	0.98 %	1.23 %	1.56 %	1.90 %	2.36 %	2.73 %	3.13 %	3.53 %	3.80 %	4.14 %
Canada Change	0.00 %	0.30 %	0.29 %	0.58 %	0.76 %	1.07 %	1.50 %	1.91 %	2.25 %	2.77 %	3.38 %	3.61 %	3.94 %

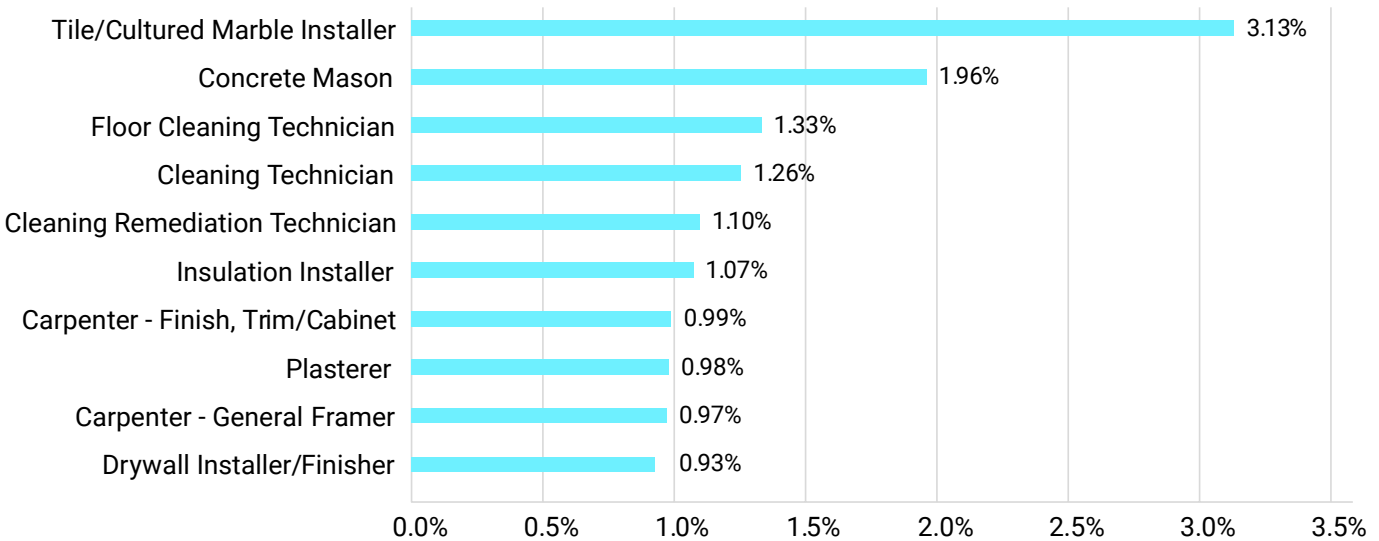
Monthly Change



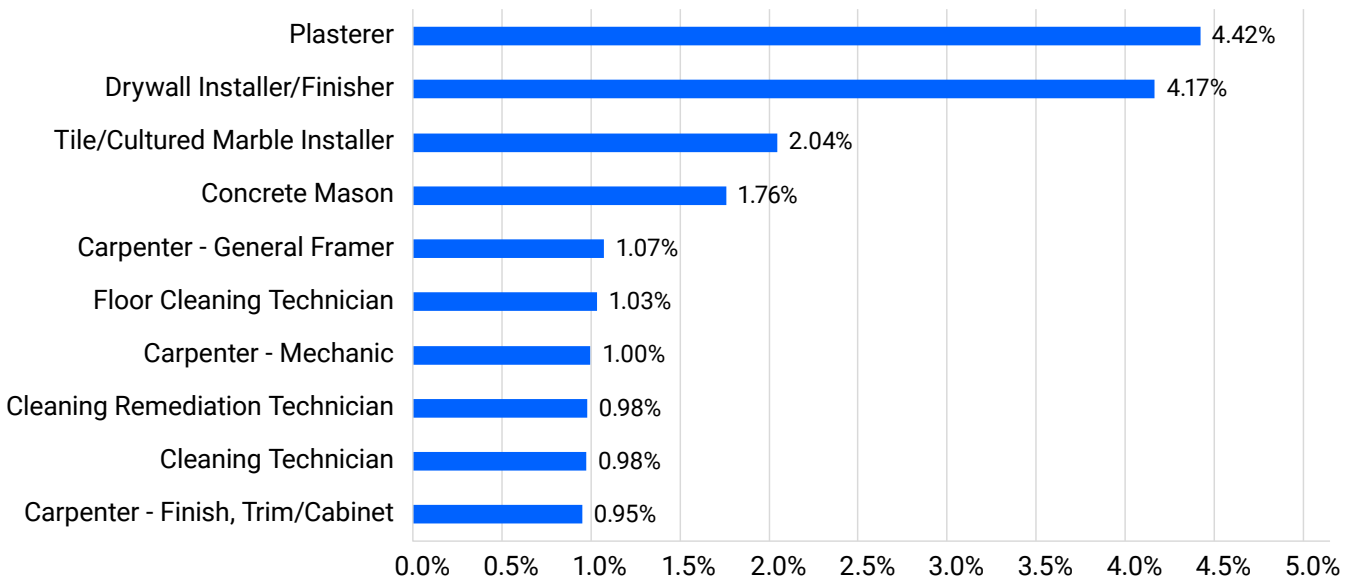
Labor costs by all trades

In the U.S., tile/cultured marble installer posted the highest quarterly increase at 3.13%—the only trade above 2%, with most others hovering near 1%. In Canada, two trades stand out: plasterer at 4.42% and drywall installer/finisher at 4.17%.

Top 10 Trades by Retail Labor Percent Change January - March 2026 | United States



Top 10 Trades by Retail Labor Percent Change January - March 2026 | Canada



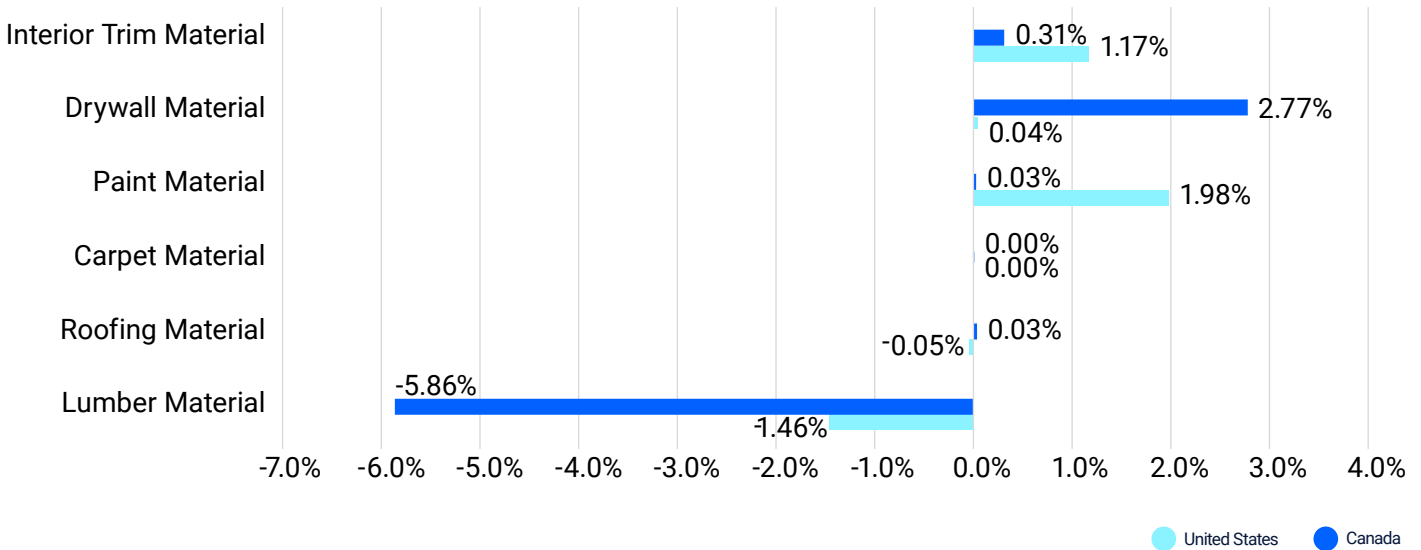
Materials

Lumber prices declined in both countries during the quarter, down 1.46% in the U.S. and 5.86% in Canada. The only other major material decline was a minimal decrease in Canadian roofing. Paint led U.S. quarterly increases at 1.98%, while Canadian drywall led at 2.77%.

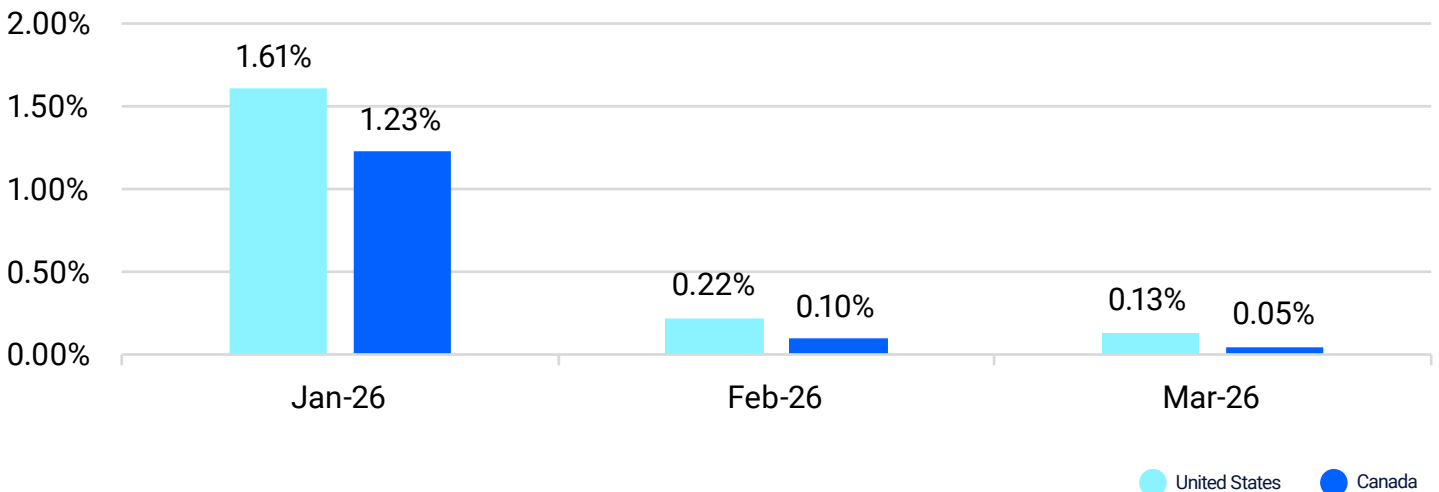
Material-only Basket of Goods (BOG) rose 1.97% in the U.S. and 1.37% in Canada for the quarter. In both markets, January drove most of the quarterly gain (1.61% U.S.; 1.23% Canada). Notably, four of the six major material categories posted smaller quarterly increases in Canada than in the U.S.

On an annual basis, lumber remains the largest material decrease in both countries: -2.32% in the U.S. and -12.42% in Canada. The largest annual U.S. increase was interior trim at 6.13%. In Canada, drywall led at 2.01%.

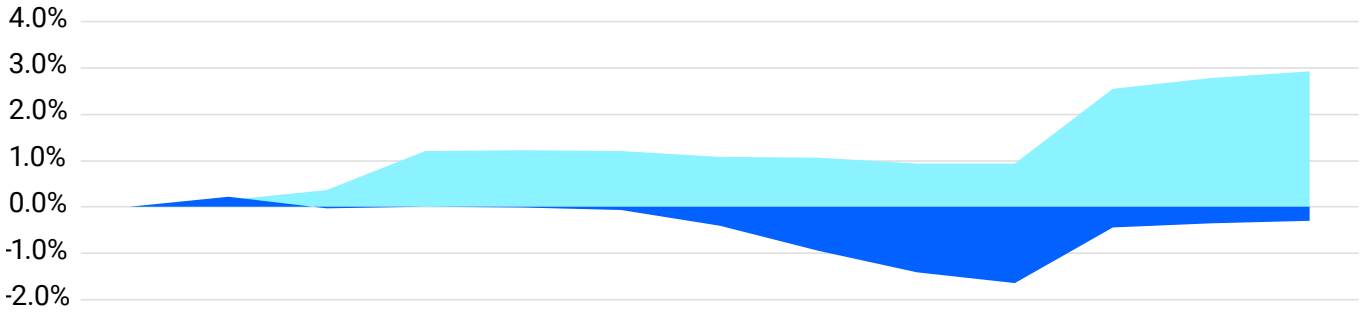
Key Material Categories January - March 2026



Monthly Change



Material Composite Index March 2025 - March 2026



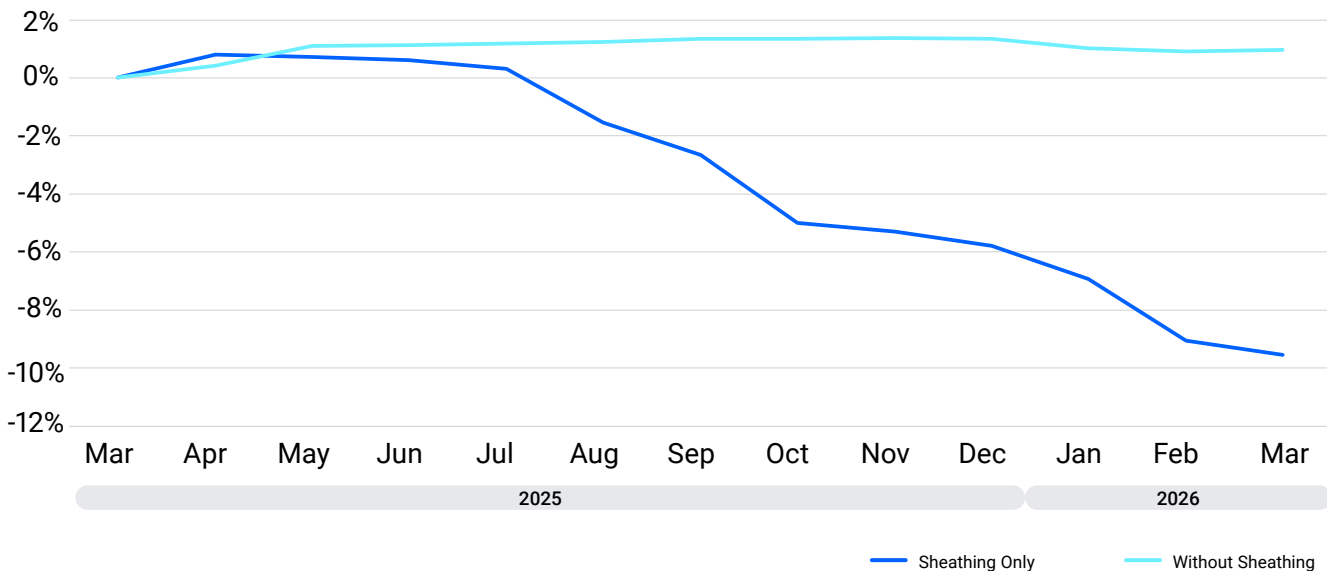
	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
United States Change	0.00%	0.16%	0.36%	1.21%	1.23%	1.21%	1.08%	1.06%	0.94%	0.93%	2.56%	2.79%	2.93%
Canada Change	0.00%	0.23%	-0.03%	0.01%	-0.01%	-0.06%	-0.40%	-0.94%	-1.41%	-1.65%	-0.44%	-0.34%	-0.30%

Lumber

In the U.S., sheathing lumber continued to decline, down 9.55% year-over-year, while dimensional lumber rose slightly, by 0.97%. The Q1 trajectory reinforced this divergence: Sheathing fell further while dimensional lumber held relatively stable. The ongoing drop in sheathing reflects persistent oversupply in OSB and plywood capacity, as mills in the Southeast and Midwest have maintained strong production even as demand from residential builders softened.

Higher interest rates, elevated home prices, and slower single family starts have reduced the pace of new construction. This limits the ability of builders to absorb available panel volumes and pushes prices lower.

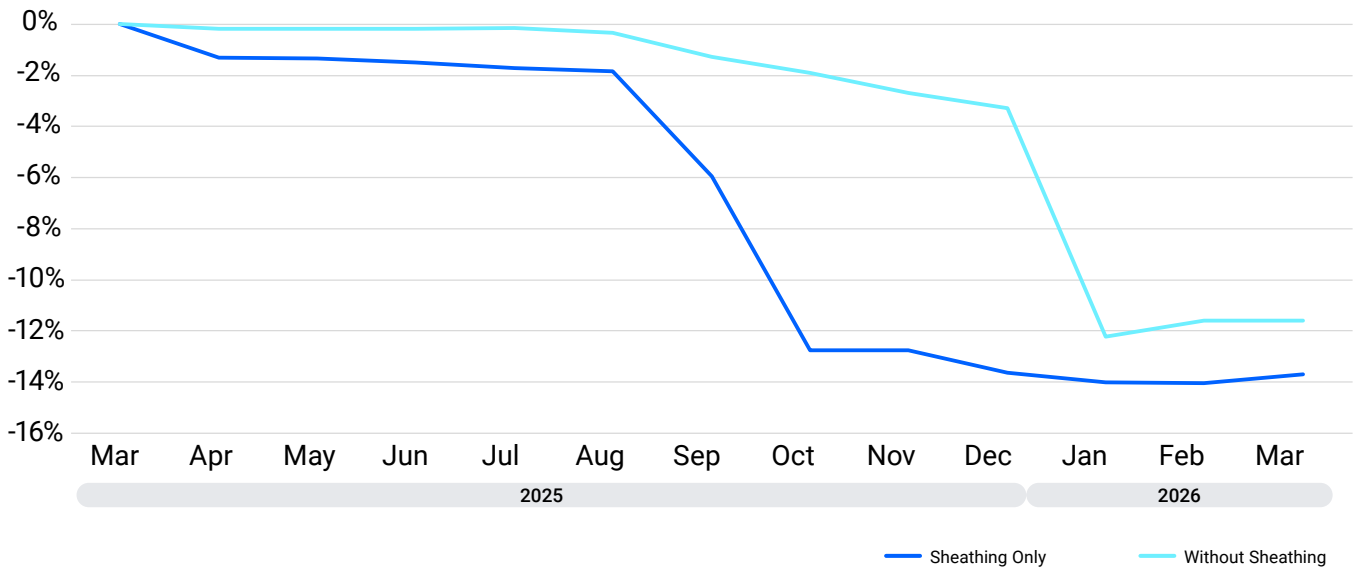
**Lumber ITR Trends
United States**



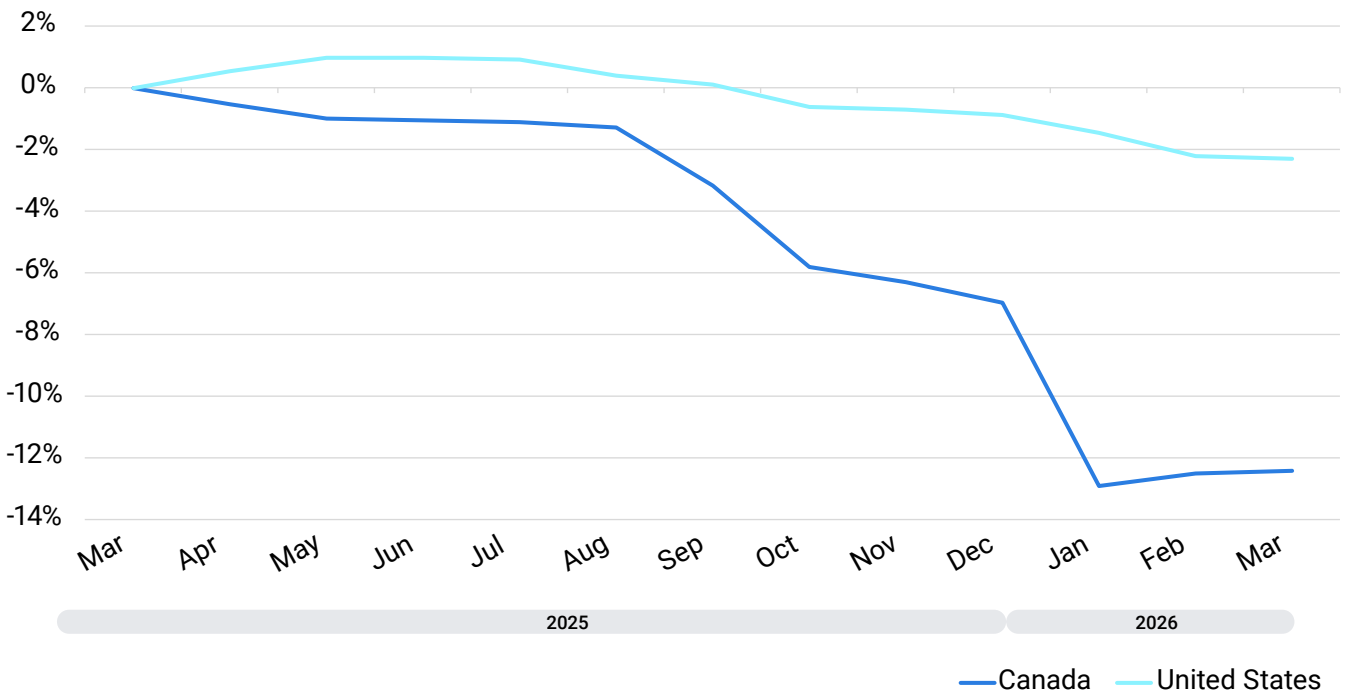
In Canada, sheathing prices fell 13.68% over the year and dimensional lumber dropped 11.60%, with most of the decline concentrated in late 2025 and early 2026. The drivers are persistently high supply and excess inventories, as sawmills and panel producers entered the cycle running at high capacity and built inventories in anticipation of continued demand that did not fully materialize. Softer housing

demand, driven by higher interest rates, has reduced absorption of these volumes, particularly in single-family starts and renovation work, and weighed on overall construction activity. Trade dynamics have also weakened Canadian lumber's competitiveness in key export markets. Despite these year-over-year declines, both categories have largely stabilized in the most recent quarter.

**Lumber ITR Trends
Canada**



Overall Lumber ITR Trend



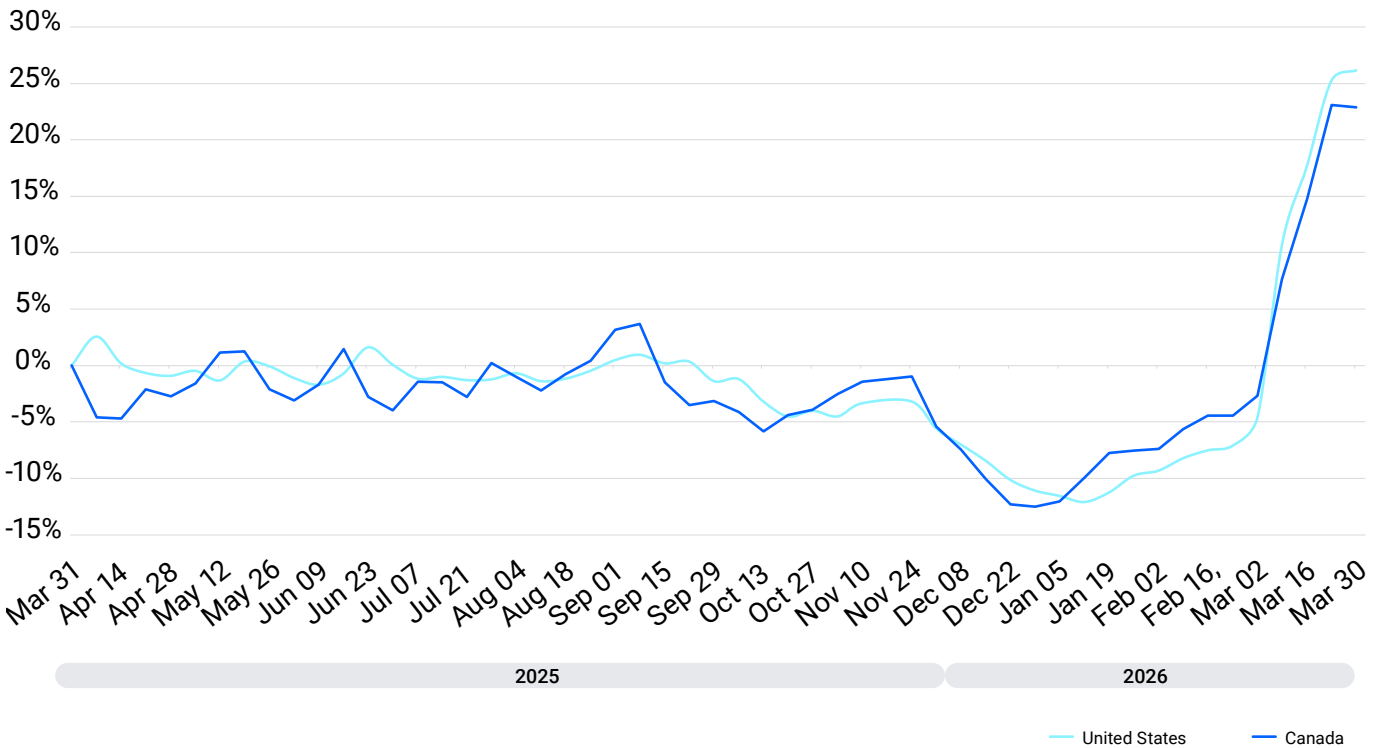
Fuel

According to the U.S. Energy Information Administration and Natural Resources Canada, fuel prices spiked sharply in both countries, with the bulk of the gain in March. The U.S. rose 42.70% for the quarter and Canada 39.69%. On an annual basis, fuel prices rose 26.19% (U.S.) and 22.86% (Canada).

This increase aligns closely with the escalation of the Iran conflict and the resulting disruption of shipping through the Strait of Hormuz, a critical global energy transit route handling roughly one-quarter of seaborne oil trade. Vessel-traffic restrictions, heightened security risk, and higher insurance and freight costs have meaningfully reduced effective supply, lifting global oil prices pressuring fuel-dependent transportation costs.

This quarter stands in sharp contrast to Q4, which posted a net fuel-cost decline. Because fuel is a leading indicator for construction costs, direct impacts (equipment, trucking) appear quickly, while effects on material prices and contractor billable labor typically lag. Rising fuel costs can be a primary driver of construction cost increases. Higher fuel prices directly impact crew transportation, equipment mobilization, and daily operating expenses, which are often incorporated into billable labor rates. For more detail on fuel cost trends and their downstream effects, see the white paper in the [eService Center](#). Verisk continues to monitor these trends.

Average Retail Fuel Price



Construction and reconstruction trends

Overall reconstruction costs

U.S. total reconstruction costs (materials plus billable labor) rose 3.4% from March 2025 to March 2026, down from 5.3% the prior year. Quarter-over-quarter costs rose 0.7% in Q1 2026 versus just over 1.0% in Q4 2025—signaling that cost inflation is moderating even as prices continue to rise.

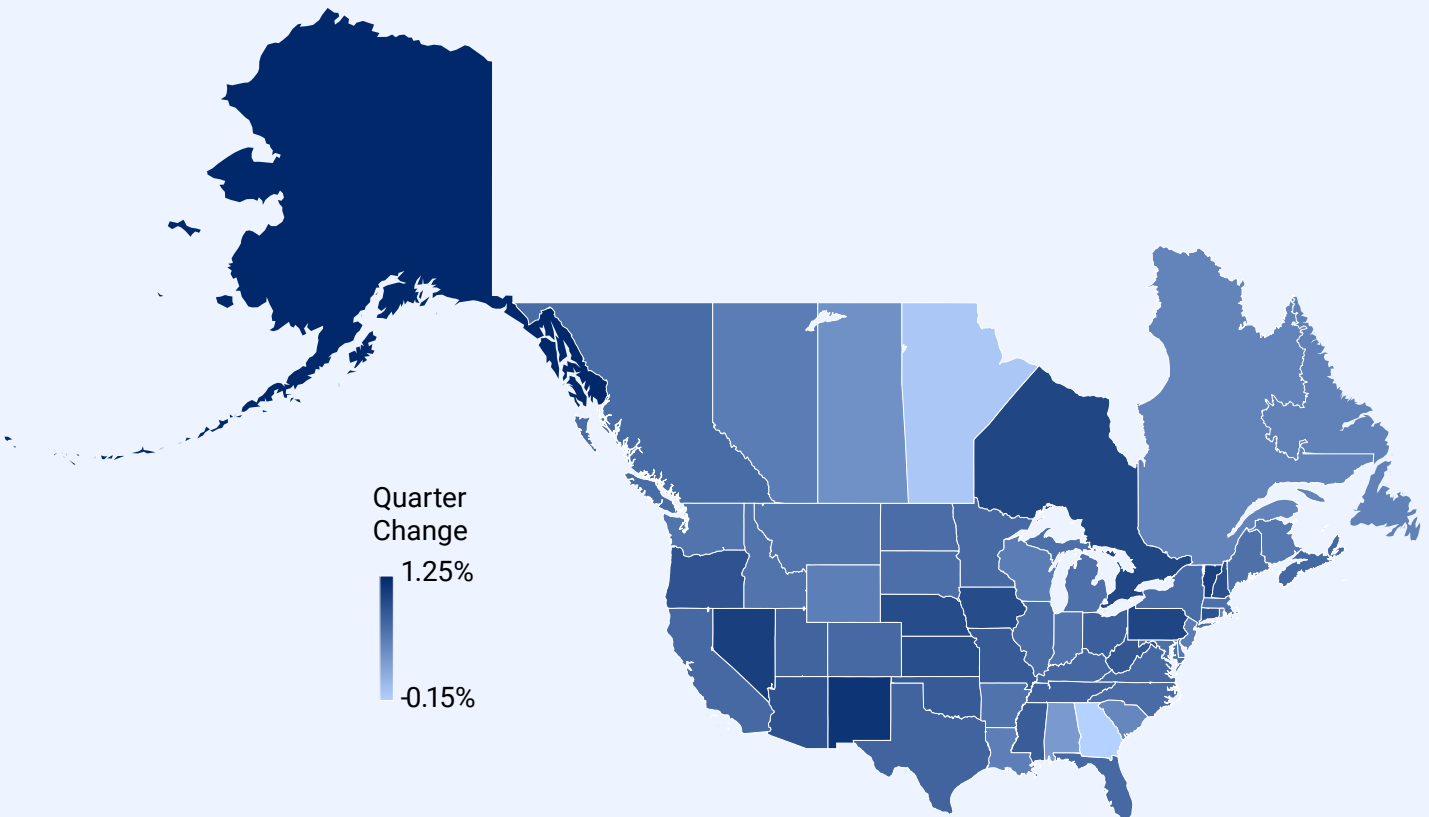
In Canada, total reconstruction costs rose roughly 2.5% year-over-year, a notable deceleration from prior-year gains near 4.9%, largely attributable to lumber. Q1 growth was likewise moderate at 0.5%, versus just over 0.8% in Q4 2025, a similar downshift to the U.S.

The cooling reflects easing materials inflation, incremental supply-chain normalization, and a more measured pace of construction outside of strong segments like data centers and specialized industrial projects. [U.S. Census data](#) show

that total construction spending in January 2026 was 1.0% above January 2025 but down 0.3% month-over-month, indicating a slower but still expanding pipeline.

At the same time, persistently tight construction labor markets keep cost trends positive even as inflation eases. Industry analysis from [Associated Builders and Contractors \(ABC\)](#) projects the sector will need to attract an estimated 349,000 additional workers in 2026, largely to replace retirees and support modest spending growth, underscoring the ongoing wage pressure from structural labor shortages.

Overall Reconstruction Costs



Residential reconstruction costs

U.S. residential reconstruction costs rose roughly 3.1% year-over-year and about 0.8% in Q1 2026, with virtually all states posting annual gains. Washington, D.C. led at about 5.5%, followed by Iowa and Oregon at just under 4.4% each.

On a quarterly basis, New Mexico led at 1.7%, with Pennsylvania (1.3%) and Nevada (1.2%) close behind. Georgia posted a slight decline, and Rhode Island and Alabama saw only marginal gains. The dispersion reflects local differences in labor availability, permitting, and the mix of reconstruction versus new-build activity—consistent with broader research showing housing activity and remodeling activity often varies sharply by metro and region.

In Canada, residential reconstruction costs rose 2.1% year-over-year and 0.4% for the quarter, with the annual figure well below the prior year's 4.8%. British Columbia, New

Brunswick, and Saskatchewan led annual gains at 3.2%, 2.9%, and 2.9%, respectively. Ontario posted the strongest quarterly increase at 1.1%, followed by British Columbia (0.7%) and Alberta (0.5%). Manitoba was the only province to decline, at -0.2%.

Looking ahead, residential reconstruction cost inflation appears to be settling into a low-to-mid single-digit range, supported by still solid (though rate-constrained) housing demand and structurally tight skilled labor markets, but tempered by slower materials inflation and more cautious household spending. This view is consistent with national housing health and remodeling reports showing moderating but still positive growth, as elevated home prices and limited inventory encourage owners to improve existing homes rather than move.

U.S. Residential Reconstruction Highlights

LARGEST 12 MONTH

~+5.5%

Washington, D.C.

SECOND

~+4.4%

Iowa

THIRD

~+4.4%

Oregon

LARGEST QUARTERLY

+1.7%

New Mexico

SECOND QUARTERLY

+1.3%

Pennsylvania

THIRD QUARTERLY

+1.2%

Nevada

Canada Residential Reconstruction Highlights

LARGEST 12 MONTH

+3.2%

British Columbia

SECOND

+2.9%

New Brunswick

THIRD

+2.9%

Saskatchewan

LARGEST QUARTERLY

+1.1%

Ontario

LOWEST QUARTERLY

-0.2%

Manitoba

Commercial reconstruction costs

U.S. commercial reconstruction costs rose 3.6% from March 2025 to March 2026 and 0.7% in Q1 2026, down from prior-year increases near 5.7% annually and over 1.2% the prior quarter. Oklahoma, Missouri, and Iowa led annual gains, all in the 5.2–5.8% range, reflecting active pipelines in industrial, logistics, and data-center-related construction.

Quarterly commercial growth was more subdued and uneven, averaging around 0.7% nationally. Alaska, Vermont, and Iowa posted the largest quarterly increases (1.0–1.6%), Georgia was the only state to decline (-0.3%), and Alabama and Louisiana saw only modest gains. This pattern reflects a commercial market where data centers, infrastructure, and select manufacturing projects remain strong drivers, while traditional office and parts of retail face headwinds from

higher financing costs, soft occupancy, and structural shifts in workspace demand.

In Canada, commercial reconstruction costs rose by 2.9% year-over-year and 0.6% in Q1—also slower than prior-year increases just above 5% and the prior quarter’s increase of 1.1%. British Columbia and Manitoba led annual growth at roughly 3.9% and 3.7%, respectively, with Ontario close behind at about 3.1%, consistent with relatively robust nonresidential investment in these provinces. Quarterly gains were positive across all provinces, with Nova Scotia, Ontario, and Newfoundland and Labrador strongest (0.9%, 0.9%, 0.8%) and Manitoba, Prince Edward Island, and Saskatchewan at the low end (0.1%, 0.3%, 0.4%).

U.S. Commercial Reconstruction Highlights

LARGEST YEARLY

~+5.8%

Oklahoma

SECOND

~+5.5%

Missouri

THIRD

~+5.2%

Iowa

LARGEST QUARTERLY

+1.6%

Alaska

LOWEST QUARTERLY

-0.3%

Georgia

Canada Commercial Reconstruction Highlights

LARGEST YEARLY

+3.9%

British Columbia

SECOND

+3.7%

Manitoba

THIRD

+3.1%

Ontario

LARGEST QUARTERLY

+0.9%

Nova Scotia/ Ontario

LOWEST QUARTERLY

+0.1%

Manitoba

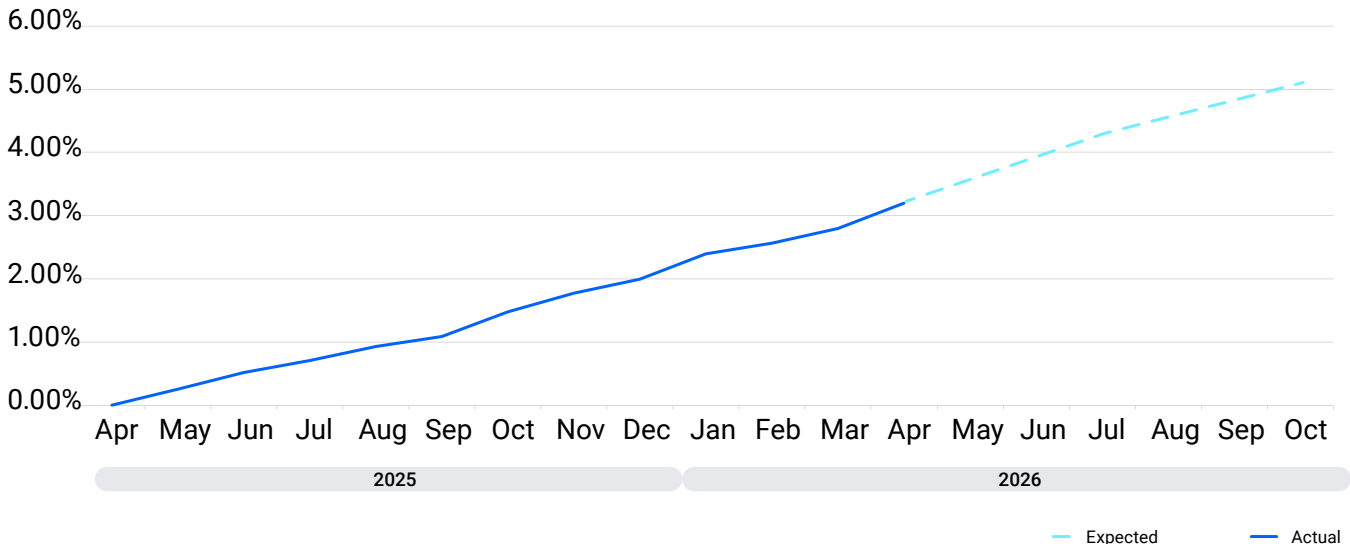
Reconstruction cost market expectations

Verisk’s 360Value® Market Expectations Index projects U.S. residential reconstruction costs will rise roughly 1.8% from April 2026 to October 2026.

These expectations reflect ongoing but moderating cost pressures. Reconstruction costs are still rising, driven primarily by construction wage growth and modest, uneven changes in key materials such as metals, concrete, and interior finishes. Looking ahead, tariffs and trade policy on steel, aluminum, and other inputs, persistent skilled labor

shortages, and policy-driven immigration constraints are expected to keep wages and certain material categories growing faster than overall inflation, even as interest rates gradually ease and new residential construction remains subdued. Recent volatility in diesel and other fuel prices is also feeding into both energy-intensive material production (steel, cement, and other core inputs) and freight costs; sustained changes in fuel markets could meaningfully influence costs going forward.

Residential Reconstruction Cost Expectations April 2025 - October 2026



Economic indicators

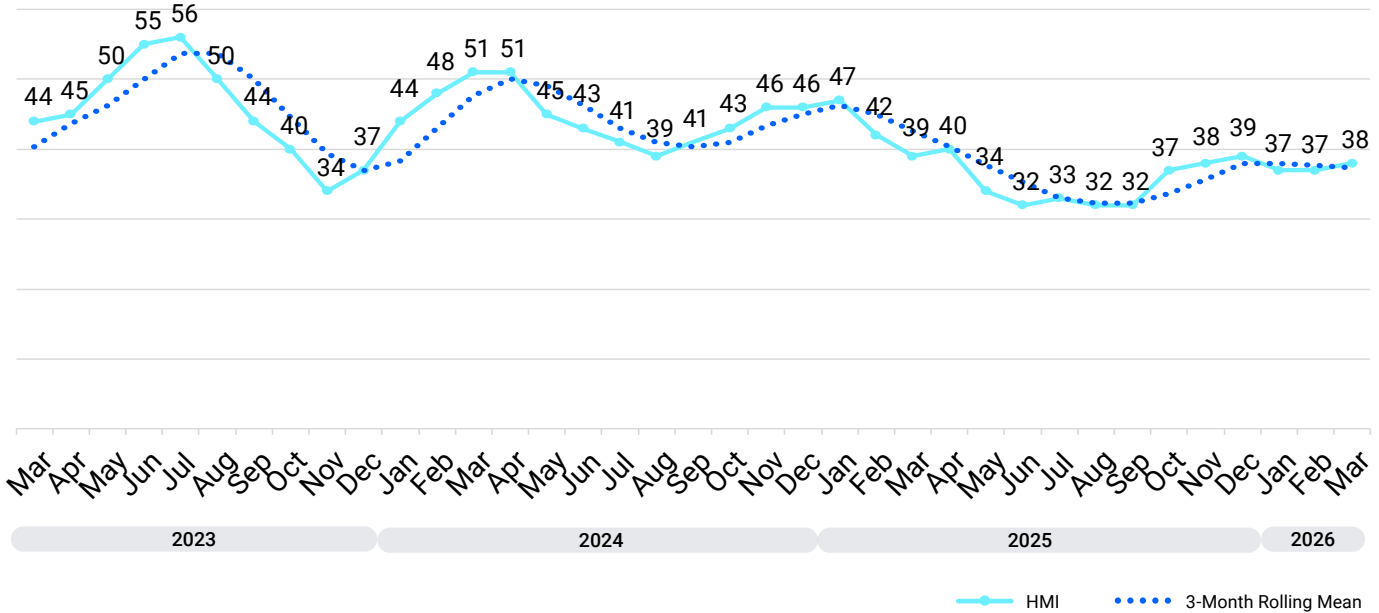
Housing Market Index

According to the **NAHB/Wells Fargo Housing Market Index**, builder confidence in newly built single-family homes rose one point to 38 in March 2026, following a revised upward February reading, but remains well below the neutral sentiment threshold of 50.

The HMI rose to 38 in March from 37 in February, marking the 23rd consecutive month below 50. All three underlying components posted gains: Current sales conditions rose one point to 42, future sales expectations gained two points to 49, and buyer traffic increased three points to 25—still well below neutral.

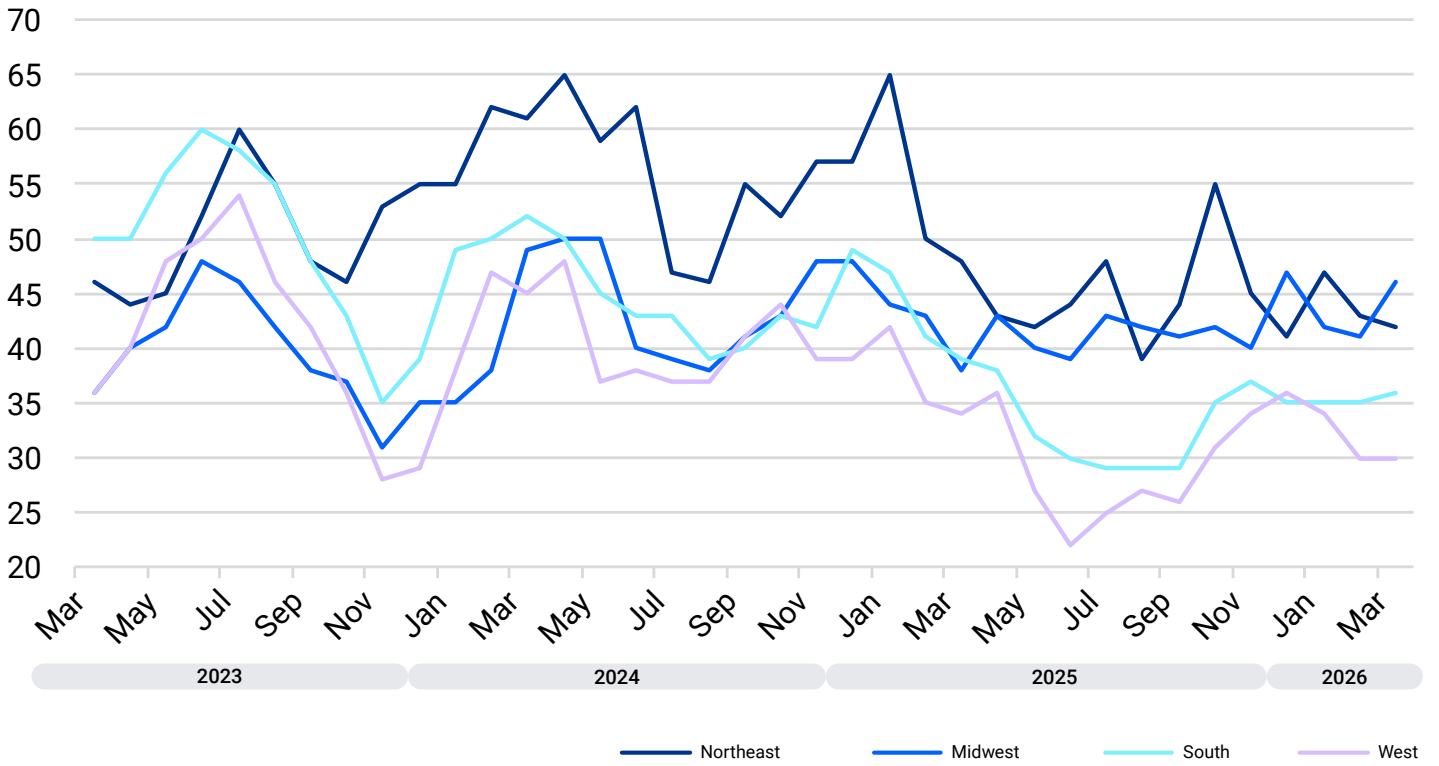
NAHB/Wells Fargo HMI

NAHB/Wells Fargo National HMI



Regional three-month moving averages highlight an uneven recovery. As of early 2026, the Northeast and Midwest sat in the mid-40s and low-40s, respectively, while the South was in the mid-30s and the West in the low-30s, with only some regions approaching neutral sentiment.

Regional NAHB/Wells Fargo HMI



Mortgage rates remain the single most important macroeconomic headwind. Freddie Mac’s Primary Mortgage Market Survey shows the 30-year fixed-rate mortgage averaging roughly 6.46% in early April 2026, only slightly below year-earlier levels around 6.6%, with Trading Economics/FRED data showing rates fluctuating in a 6–7% band for much of 2024–2026.

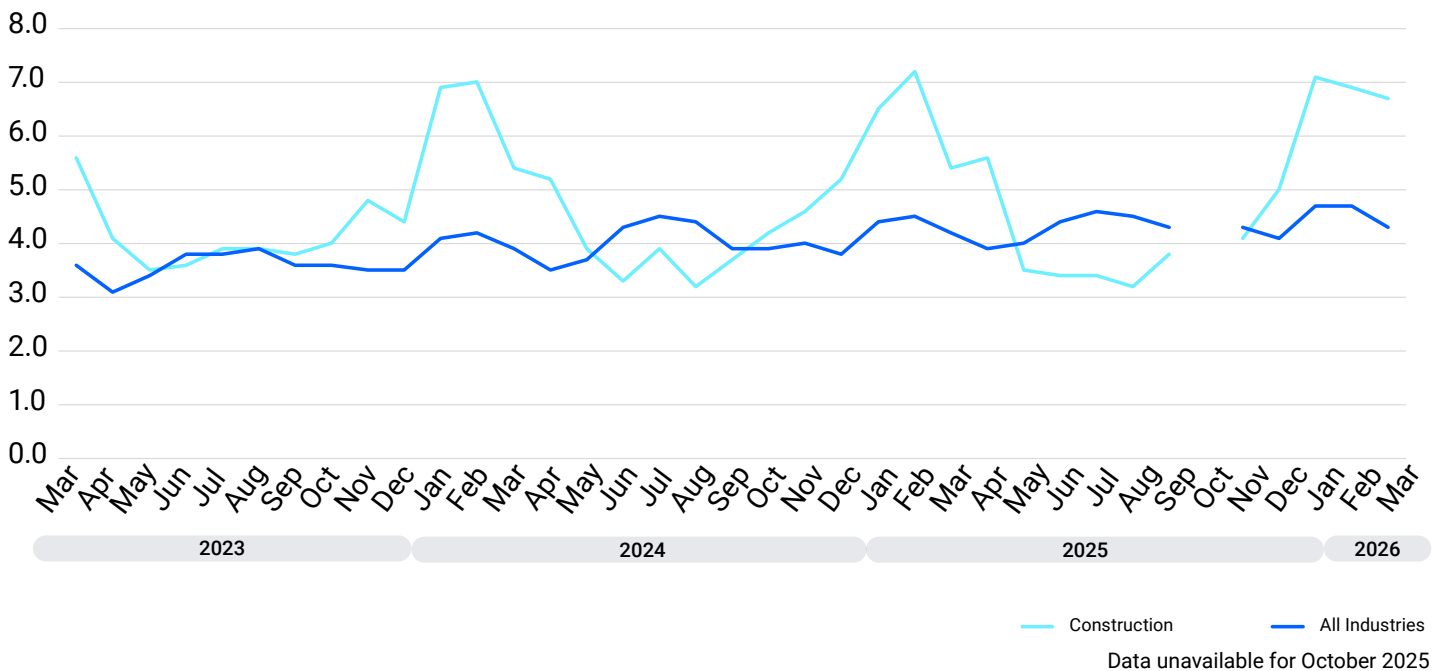
These borrowing costs, combined with the substantial home-price appreciation of recent years, continue to strain affordability and skew demand toward higher-income households and markets with better income-price balance. NAHB notes that more than a third of builders are still

cutting prices and roughly two-thirds are using sales incentives—clear evidence of buyer resistance at current price and rate levels.

Construction unemployment

Recent data from the U.S. Bureau of Labor Statistics show that construction unemployment has moved higher over the past year even as overall construction employment continues to edge up. The latest BLS Current Population Survey readings put construction unemployment at 6.7% in March 2026 versus roughly the low-4% range for all industries, implying a substantial gap with the broader labor market.

Construction vs All-Industries Unemployment Rate



Year-over-year, construction unemployment has risen more than the all-industry rate (up roughly 1.3%), pointing to more pronounced cyclical cooling in parts of the sector. Quarter-over-quarter, however, it has eased about 0.4% off the January peak after a sharper increase in the prior quarter, suggesting earlier softening in residential and traditional commercial activity has already worked through the labor market, while infrastructure, industrial, and data-center work continues to support employment.

Despite higher unemployment readings, ABC's workforce model still calls for the sector to attract an estimated 349,000 additional workers in 2026 and 456,000 in 2027 to meet projected demand. Most of that need is tied to retirements and structural growth rather than cyclical expansion; failure to meet it would deepen labor shortages and keep upward pressure on wages.

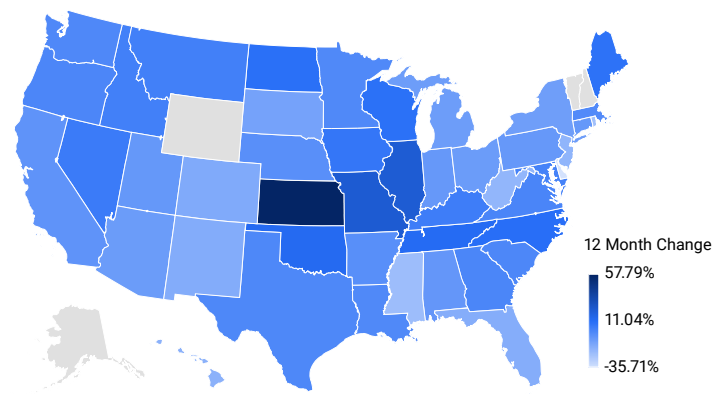
Building permits

Recent data from BuildFax®, a Verisk Analytics company, show that national permitting remains soft, but with very wide state-level differences. Over the latest 12-month period, Kansas, Missouri, and Illinois posted the largest percentage increases at 58%, 23%, and 22%, respectively, while many other states still saw double-digit declines. These outsized gains appear tied to relatively strong housing demand and affordability in key Midwestern metros, along with policy efforts to expand supply and ease local regulatory constraints, particularly in Illinois.

On a quarterly basis, the sharpest recent gains were in Alabama, South Carolina, and Tennessee, with quarter-over-quarter increases of about 40%, 23%, and 22%, respectively. Local data point to robust new-home construction and lot development in fast-growing Alabama markets such as Huntsville and parts of the Gulf Coast, in-migration and development pressure in South Carolina, and renewed permit strength in Tennessee.

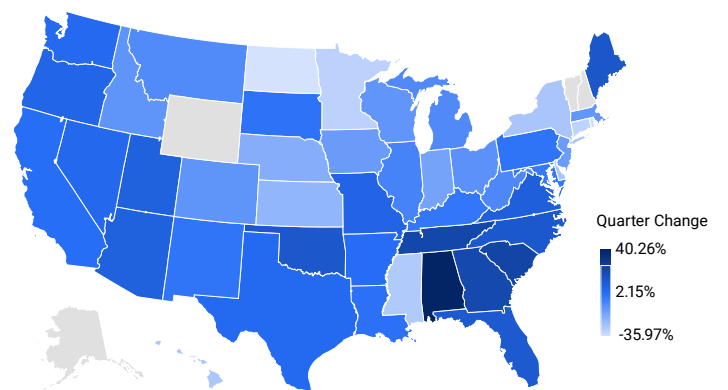
Permitting trends remain a key leading indicator for future construction volume and, by extension, future reconstruction demand as today's new builds mature into tomorrow's repair and renovation work. The current pattern of muted national totals but very strong gains in select growth and affordability markets suggests reconstruction activity will increasingly concentrate in those states even as other regions work through slower pipelines.

12 Month Change by State



Data for Alaska, New Hampshire, Vermont, and Wyoming unavailable

Quarter over Quarter Change by State



Data for Alaska, New Hampshire, Vermont, and Wyoming unavailable

Residential repair and remodeling costs

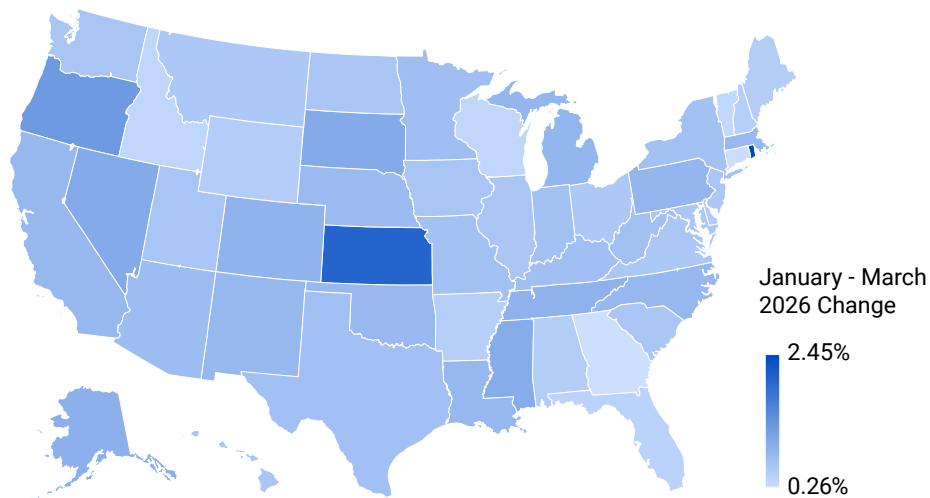
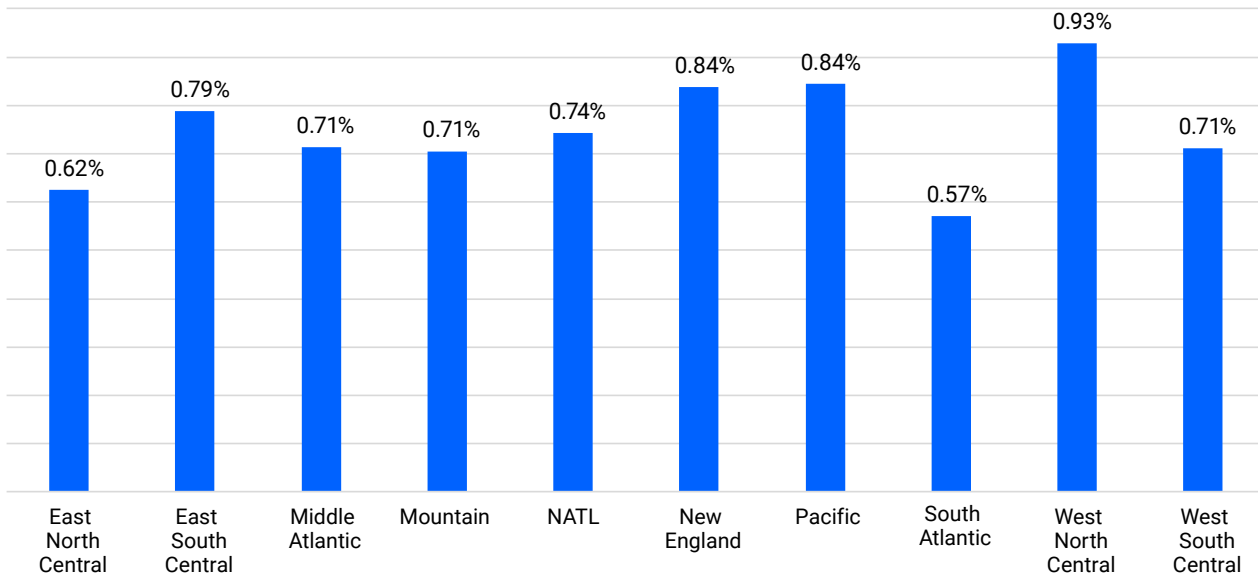
U.S. residential repair and remodeling costs (materials and labor) rose 2.54% from March 2025 to March 2026, down from 3.97% the prior year. Quarterly costs rose 0.74% (January–March), versus 0.47% the prior quarter (October–December). Over the past decade, U.S. repair and remodeling costs have risen nearly 68%.

Labor continues to account for almost two-thirds of repair and remodeling costs, and an even higher percentage of jobs with the highest quarterly increases. Labor was 80% of the cost of sealing and painting a house exterior (up 1.77%) and 79% of the cost of replacing tile flooring (up 1.19%). Of the 21 typical repair jobs tracked, only one—replacing wood laminate flooring—declined, falling 1.33%.

All nine U.S. Census Bureau regions posted higher costs. The West North Central Region led both year-over-year (3.05%) and quarterly (0.93%). The Pacific Region, affected by the Palisades and Eaton fires, posted the second-highest annual (2.78%) and the second-highest quarterly (0.84%) increases.

Quarterly costs also rose in all 50 states and the District of Columbia. Rhode Island led at 2.45%, followed by Kansas (2.05%) and Oregon (1.27%). Only three other states—South Dakota, Nevada, and Mississippi—posted quarterly increases of 1% or more.

Remodel Index Change Jan - March 2026



Conclusion

Q1 2026 extended the downward claim-volume trend that has defined the past five quarters. The more important questions for the property insurance and construction industries are where costs and severity head from here. A few forward-looking takeaways stand out:

Severity is set to mature meaningfully higher. Applying a typical 10% maturation to Q1 2026's current \$16,079 average puts the figure near \$17,687, which would make 2026 the second-highest year for average severity on record, behind only 2025. Canada's \$12,765 CAD is forecast to mature toward roughly \$14,400 CAD, still below 2024 and 2025 levels but a reminder that headline declines often soften with time.

The labor market is sending mixed signals. Construction unemployment at 6.7% sits well above the all-industries rate and has risen year-over-year, yet eased 0.4% off the January peak, suggesting earlier residential and traditional commercial softening has worked through. Even so, ABC still projects the sector needs 349,000 additional workers in 2026 and 456,000 in 2027, largely tied to retirements and structural growth. That gap, combined with persistent wage pressure in skilled trades, will keep upward cost pressure in place even as broader inflation eases.

Builder sentiment remains negative despite incremental gains. The HMI's 23rd consecutive month below 50, mortgage rates near 6.46%, and roughly two-thirds of builders still using sales incentives all point to demand-side strain that won't resolve quickly. New residential construction is likely to stay subdued, shifting more activity toward repair, remodel, and reconstruction work.

Reconstruction activity is concentrating geographically. Permit growth in Kansas, Missouri, and Illinois (12-month) and Alabama, South Carolina, and Tennessee (quarterly) signals that future reconstruction demand will increasingly cluster in select growth and affordability markets, even as national totals stay muted.

As the industry moves further into 2026, the operating environment remains complex. Claim volumes continue to run below historical norms, providing operational breathing room. But maturing severity values, persistent labor cost pressure in skilled trades, and a sudden reversal in fuel cost direction warrant continued vigilance. The Hawaii Kona low and the central U.S. wind event are reminders that catastrophe risk remains highly localized and unpredictable, even in quarters where headline totals trend lower.

Where to Get More Insights

Industry trends reports — Examine pricing trends for key material and labor changes across multiple trades on national, state/province, and local levels.

Pricing methodology white paper — Gain further insight into Verisk's process for researching and publishing pricing information.

360Value quarterly reconstruction cost analysis — Get an overview of current reconstruction cost trends at the national and state levels for the U.S.



Contact your sales representative or call 1-800-424-9228 for more information or access.

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NAHB March 2026 HMI press release

Freddie Mac Primary Mortgage Market Survey — “30-year fixed-rate mortgage averages 6.46%” (April 2026)

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Associated Builders and Contractors (ABC)—“Construction Industry Must Attract 349,000 Workers in 2026”

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U.S. Energy Information Administration—“Gasoline and Diesel Fuel Update”

Natural Resources Canada—“Transportation fuel prices”

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Unless otherwise stated, the pricing values reported in this bulletin are national averages for North America (United States and Canada) and will vary from local prices.

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