

Quarterly Property Report

April – June 2026



What's inside

Executive summary	3
Claim assignment trends	4
Volume	4
Regional impact analysis	6
CAT claims year-over-year analysis	7
Claims by type of loss	8
Severity	10
U.S. Q2 severity	10
Canada Q2 severity	11
Pricing trends	12
Labor and materials	12
Billable labor costs by trade	13
Materials	15
Lumber	16
Fuel	18
Reconstruction trends	19
Overall reconstruction costs	19
Residential reconstruction costs	20
Commercial reconstruction costs	21
Reconstruction cost market expectations	22
Economic indicators	23
Housing Market Index and mortgage rates.....	23
Regional HMI	24
Construction unemployment.....	25
Conclusion	27
References	28

Executive summary

Property and reconstruction spend is consolidating into fewer, higher cost claims. U.S. claim assignment volume dropped in Q2 2026 while average severity is tracking toward the highest quarterly level in recent years. For carriers and restoration partners, that means fewer claims to manage but higher stakes on each one.

U.S. claim assignment volume fell to 1.24 million, the lowest second quarter in recent years. Volume dropped 12.21% from Q2 2025 and ran 13.05% below the five-year average, extending a four-year decline. This decline concentrated in non-catastrophe claims: measured against the five-year average, non-CAT assignments were down 18.65% while CAT assignments slipped just 4.29%. The result is a quarter increasingly defined by catastrophe. CAT claims now account for 43% of Q2 volume, up from 34% five years ago, even though the number of PCS® designated events has held steady.

Severity is following a familiar pattern of maturation. U.S. average severity currently sits at \$17,085, down 10.77% from Q2 2025 but only 2.88% below the five-year average. Q1 2026 offers the precedent: initially reported at \$16,079, it has since matured 13.1% to \$18,185, exceeding the projection published last quarter. Applying a maturation rate drawn from several years of historical data, puts Q2 2026 near \$18,794. Applying the stronger rate Q1 followed would put it above \$19,400, which would make it the highest quarterly average in recent years. Both figures are projections and will move as data matures.

Cost pressure, meanwhile, has not gone away. Combined labor and material costs rose 4.0% year over year in the U.S. and 3.2% in Canada, with monthly gains accelerating through the quarter. Labor accounts for most of this.

For carriers, that means lower claim counts, a CAT heavier mix, and increasing severities are colliding with rising unit costs, especially labor, right as they finalize second half reserving, reinsurance, and vendor strategies.

- Total reconstruction costs (residential and commercial combined) rose 3.8% year over year in the U.S. and 3.0% in Canada; quarterly growth accelerated to 1.3% (U.S.) and 1.2% (Canada), up from 0.7% and 0.5% the prior quarter

- Combined labor and material costs rose 4.0% (U.S.) and 3.2% (Canada) annually, with quarterly gains of 1.3% and 1.4%
- Labor composite index rose 3.9% (U.S.) and 4.1% (Canada) annually; concrete mason led both markets at roughly 15.6%
- Material-only costs rose just 2.1% (U.S.) and 0.2% (Canada) annually, with lumber down 2.8% and 11.5%, respectively
- Fuel remains elevated at 21.1% (U.S.) and 18.1% (Canada) above June 2025, though prices eased roughly 7% late in the quarter

About the data

Claim figures in this report come from XactInsights®, the claims analytics solution built on the XactAnalysis® network. XactAnalysis carries property claim assignments between insurers, independent adjusters, and restoration contractors across the U.S. and Canada. XactInsights aggregates that activity into industry-level views of assignment volume, type of loss, cycle time, and replacement cost value as reported through Xactimate®. Severity figures are provisional and continue to rise as larger, more complex claims close. Five-year averages in this report cover the same quarter across 2021 through 2025 and exclude the current year. Severe weather exposure data comes from Verisk Respond®, and catastrophe designations and event numbering come from PCS®.

Pricing figures come from Verisk Property and Restoration Solutions pricing research. Verisk publishes updated price lists every month for more than 460 local markets across the U.S. and Canada, covering labor, materials, and equipment used in insurance repair and reconstruction work. Prices reflect recent transactions, completed bids, and supplier surveys within each individual market rather than regional averages applied to local areas. Those same price lists reach the field through Xactimate® and the wider Xactware® family of products. Forward-looking reconstruction cost figures come from the Verisk 360Value® Market Expectations Index.

Housing employment, permit, and fuel data comes from the public and third-party sources listed in the references section. Unless otherwise stated, pricing values are national averages for North America and will vary from local prices.

Claim assignment trends

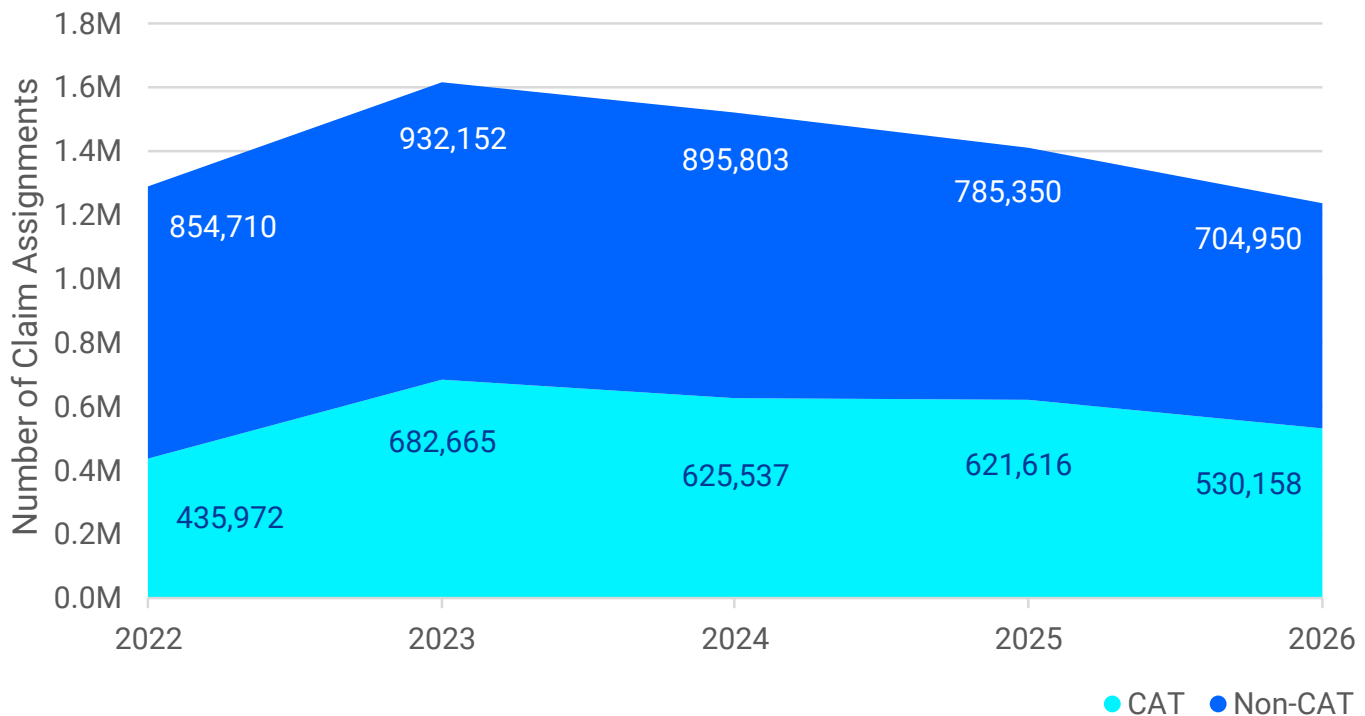
Volume

According to XactInsights, Q2 2026 produced the lowest second-quarter claim assignment volume in recent years: approximately 1.24 million total assignments across the U.S. That represents a 12.21% decline from 2025 and sits 13.05% below the five-year average, continuing a three-year downward trend.

Routine, everyday claim activity is thinning out, while catastrophe-driven activity is holding. Measured against the five-year average, non-CAT assignment volume fell 18.65% while CAT volume declined only 4.29%.

That divergence has been building for years, and Q2 shows it most clearly. Since 2021, CAT claims have grown from 34% of second-quarter volume to 43%, even as the number of PCS-designated catastrophe events for the quarter has stayed relatively consistent. While other quarters fluctuate year to year, Q2 shows a clear, sustained climb. As weather patterns grow less predictable from one year to the next, close monitoring of event activity becomes increasingly valuable to carriers and restoration contractors.

Q2 U.S. Total Claim Assignments by Year (2022-2026)



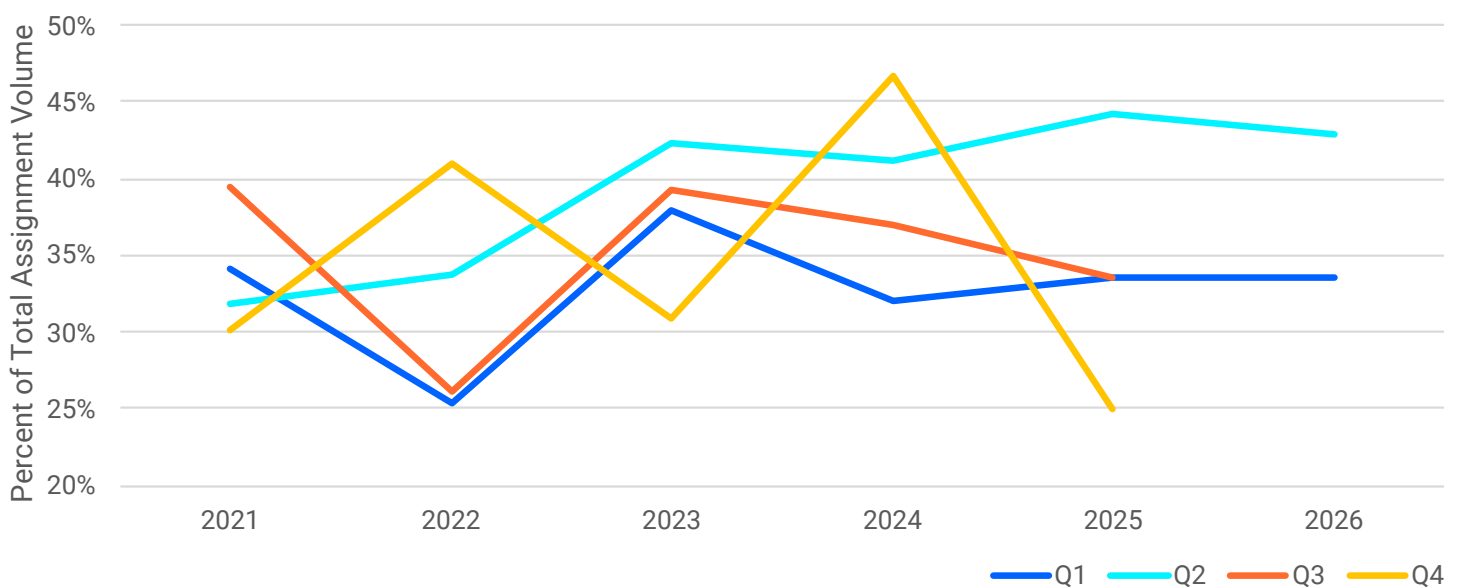
Total Q2 assignment volume has declined for four consecutive years.
Source: XactInsights, Verisk Property and Restoration Solutions



In Canada, Q2 volume declined 7.7% from Q2 2025. Both 2025 and 2026 had larger claim volume than normal, however, with 2026 volume sitting 14.31% above the Canadian five-year average. Compared to 2025, CAT claims decreased 38% while non-CAT claims held steady with a 1.8% increase. Catastrophe claims accounted for 16% of

Canadian assignments for the quarter, just two percentage points below the five-year historical average. Compared with 2025, which had 24% of all claims designated as CAT, 2026 is showcasing a slow return to normal claim volume after the spike in Q2 2025 activity.

CAT Share of total Claim Assignments by Quarter (2021-2026)



Q2 is the only quarter showing a general upward trend in catastrophe share, rising from 34% to 43% since 2021.

Source: XactInsights, Verisk Property and Restoration Solutions

Regional impact analysis

XactInsights data shows Texas again led the country in total Q2 assignment volume, but the state was down 27.3% from Q2 2025. The decline traces almost entirely to catastrophe activity, which fell 36%, including a 90% drop in hurricane claims, a 48% drop in wind, and a 42% drop in flood. Because not every carrier uses a hurricane type of loss designation, a meaningful share of those wind and flood claims also reflects hurricane activity.

After Hurricane Beryl struck in 2024, many policyholders filed near their one-year deadline, inflating 2025 volume. No comparable event drove 2025 or 2026 claim volume. Given that Texas typically represents 10–15% of national claim volume, this single state accounts for a substantial share of the national decline.

Where Texas receded, the Midwest surged. Illinois and Ohio posted the second and third largest assignment volumes in the country, driven by a series of convective storm systems that crossed the region through the quarter. PCS 2624 at the close of Q1 and PCS 2633 in mid-April were among the largest. Verisk Respond® data shows severe hail (one inch or greater) up 73% in Illinois and 41% in Ohio through the first half of the year compared with the same period in

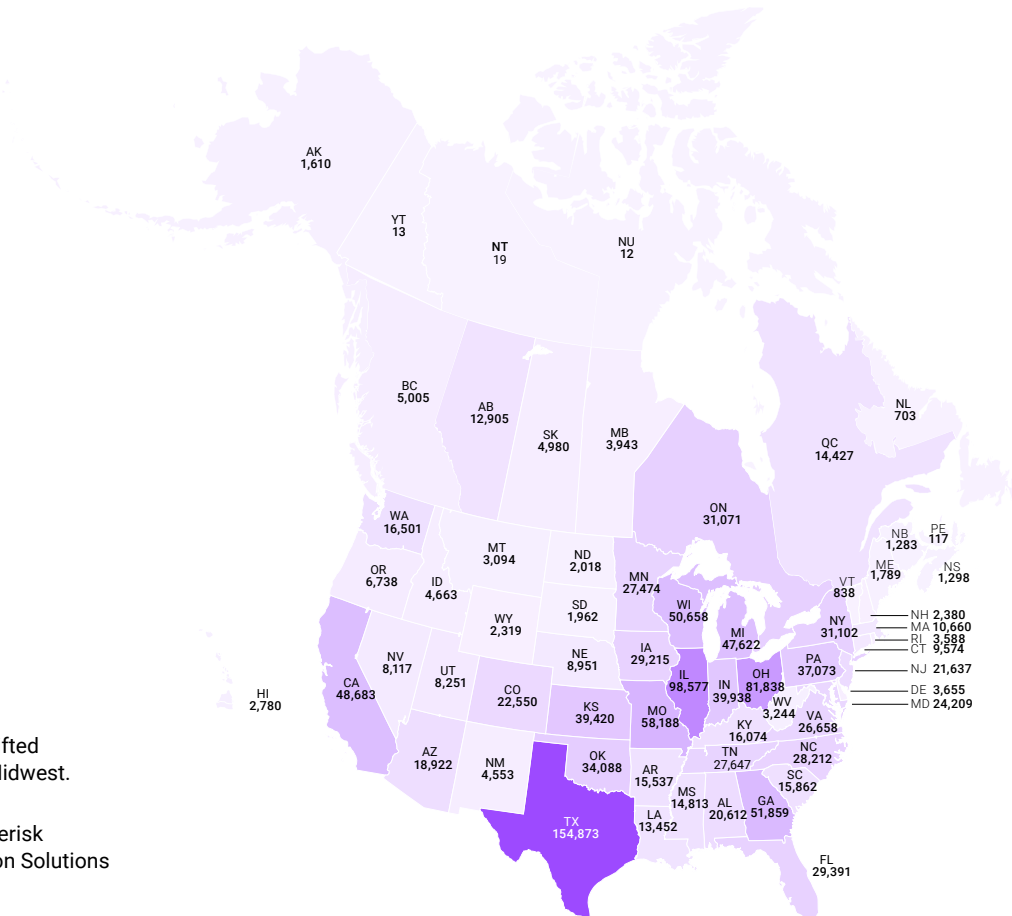
2025. In both states, assignment volume and severe hail rose in close proportion, confirming the storm track as the operative driver.

Kansas and Iowa recorded the sharpest rank improvements, each climbing 14 places to 10th and 15th, respectively. Assignment volume rose 73% in Kansas and 95% in Iowa, tracking with Respond severe hail increases of 67% and 132%, respectively.

The states that missed this quarter's convective storm activity saw the steepest declines. West Virginia led the nation with a 68.1% drop in assignment volume, falling eight places to 41st, alongside a 70% decrease in severe hail occurrences. Kentucky and Arkansas each fell roughly 60%, with severe hail down 85% and 46%.

Canada followed a similar pattern of concentration. Ontario accounted for 41% of national claim volume yet declined 27.9%, driven by a 46.8% drop in wind claims. Manitoba moved the opposite direction with an 80.5% increase in assignments, including a more than 200% jump in water claims tied largely to catastrophe activity. New Brunswick declined 31% against a 2025 quarter that carried significantly more wind and water claims.

Q2 2026 Claim Assignment Volume by State & Province



Assignment volume shifted decisively toward the Midwest.

Source: XactInsights, Verisk Property and Restoration Solutions

CAT claims year-over-year analysis

A different set of states surfaces in XactInsights when the focus narrows to catastrophe designated events. This quarter stands out for how long a single event can keep generating claim activity.

Hawaii continued to accumulate claims from the previous quarter's Kona low (PCS 2627). Idaho saw an increase of more than 700% in CAT volume, driven overwhelmingly by late-reported wind claims from PCS 2628 on March 11–13. Rhode Island rounded out the top three with a 224% increase, again from late-reported wind claims tied to PCS 2626 on March 15–17.

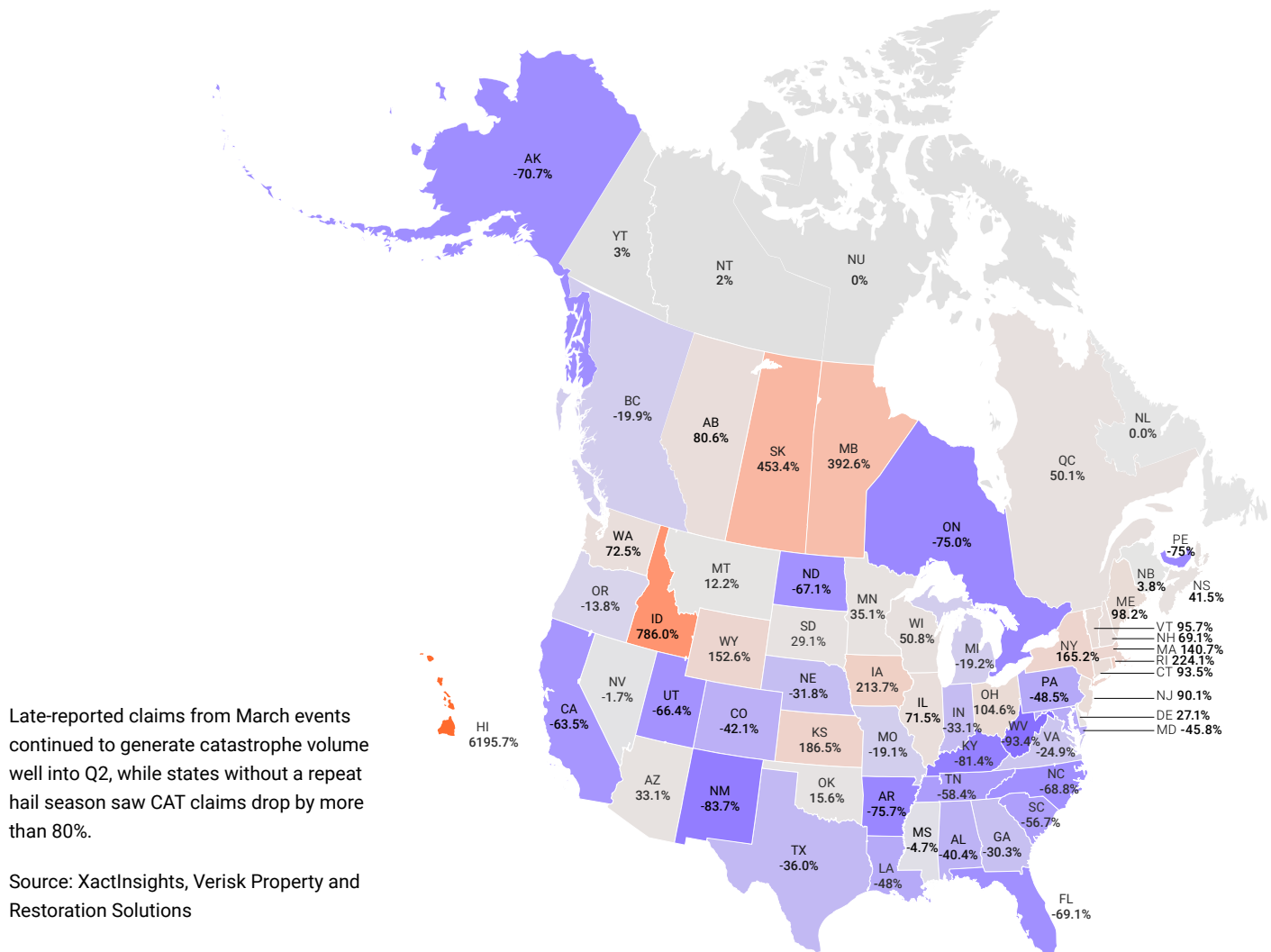
Kansas and Missouri showed the heaviest catastrophe concentration in the country, with more than 70% of quarterly claims designated as CAT: Kansas from PCS 2633 which ran April 12–16, and Missouri from PCS 2636 which ran April 22–May 1. On the other end of the spectrum, Alaska and

Utah each saw just 3% of volume designated as catastrophe this quarter.

The largest catastrophe declines came from West Virginia (-94%), New Mexico (-84%), and Kentucky (-81%). Though geographically scattered, all three shared the same cause: the absence of the significant CAT designated hail events they experienced in 2025.

In Canada, Manitoba recorded a 393% increase in CAT assignment volume, with catastrophe claims representing 45% of the province's quarterly total, mostly attributed to PCS 91 on June 8–10. Ontario posted the country's largest decrease at 75%, with CAT claims falling to just 12% of quarterly assignment volume. The comparison reflects an unusual 2025, where late-reported claims from Q1 events PCS 75 and 76 inflated Q2 figures.

Change in Q2 CAT Claim Assignment Volume by State & Province (2025-2026)



Claims by type of loss

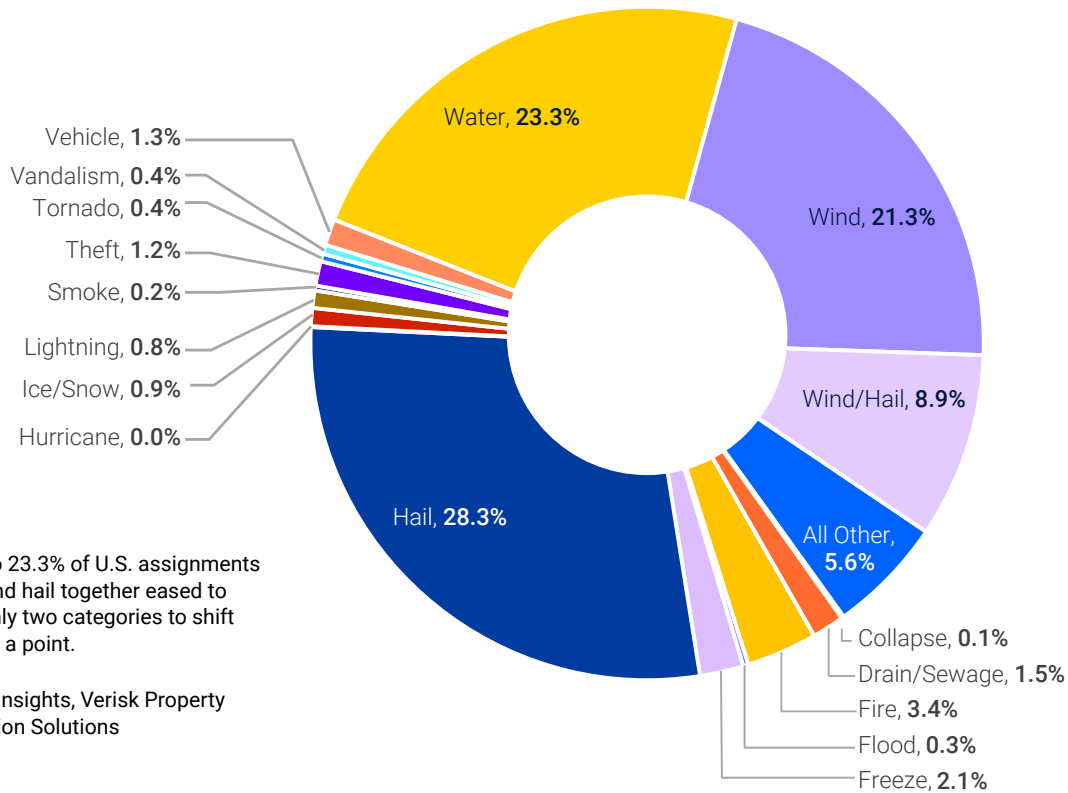
The distribution of claims across perils in Q2 2026 tracked closely with 2025.

Measured in XactInsights as each peril's share of total assignments, only two categories shifted by more than a percentage point. Water rose from 20.5% of assignments in 2025 to 23.3% in 2026. Wind and hail combined declined from 61.3% to 58.5%. Movement of roughly two points in either direction points to a stable quarter by type of loss.

Weather data corroborates the claims data. Respond recorded a 9.3% decrease in severe hail in Q2 2026 compared with Q2 2025, closely aligned with the 13.2% decrease in hail claim assignment volume.

Water dominated Canada at 65.8% of all claims, essentially flat against 2025 with a 1.6% increase in volume. Fire and smoke fell sharply, down 21.3% and 35.8%, reflecting a more active wildfire season in May and June of 2025. Ice and snow claims dropped 80.9% year over year.

Q2 2026 Claim Assignments by Type of Loss

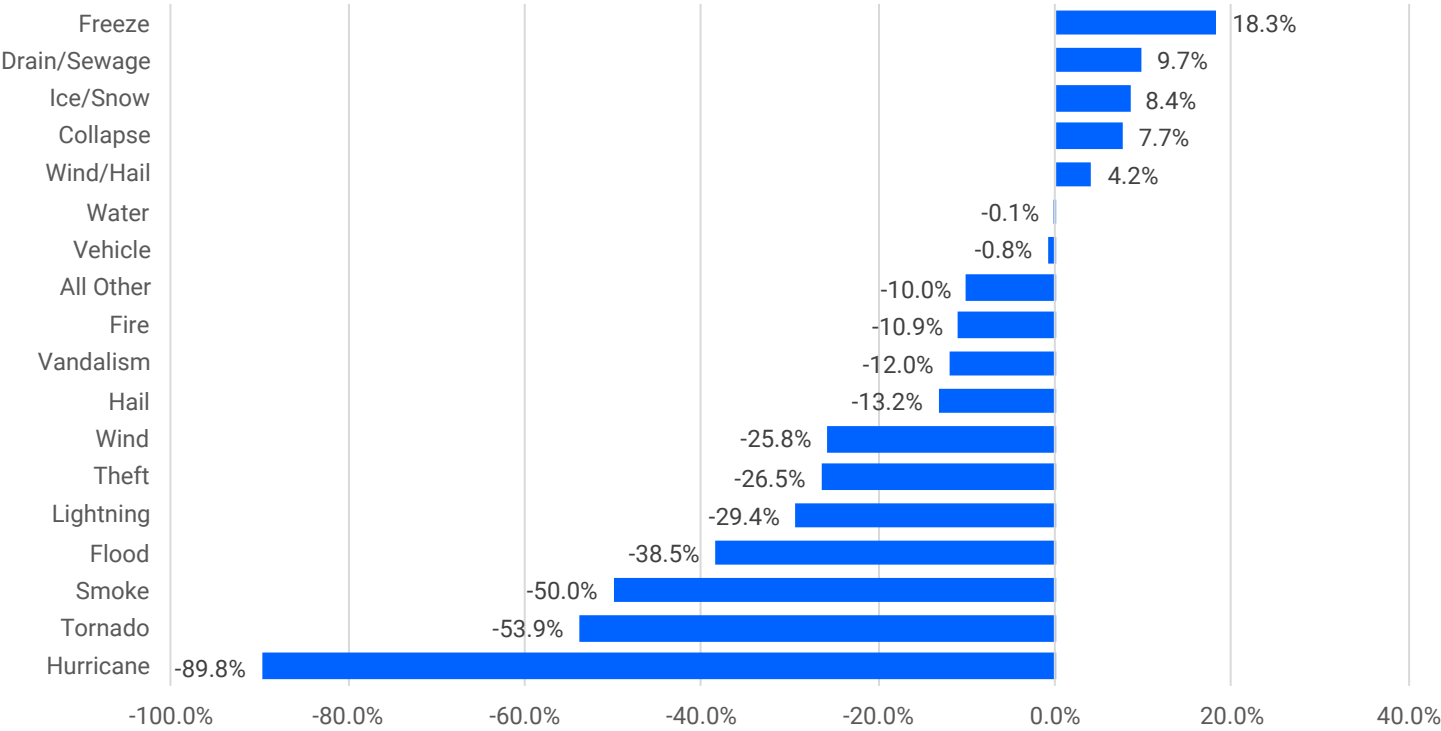


Water rose to 23.3% of U.S. assignments while wind and hail together eased to 58.5%, the only two categories to shift by more than a point.

Source: XactInsights, Verisk Property and Restoration Solutions



Change in Q2 U.S. Claim Assignments by Type of Loss
(2025-2026)



Five loss types increased year over year, but all except wind/hail represent 2% or less of total volume.
Source: XactInsights, Verisk Property and Restoration Solutions



Severity

U.S. Q2 severity

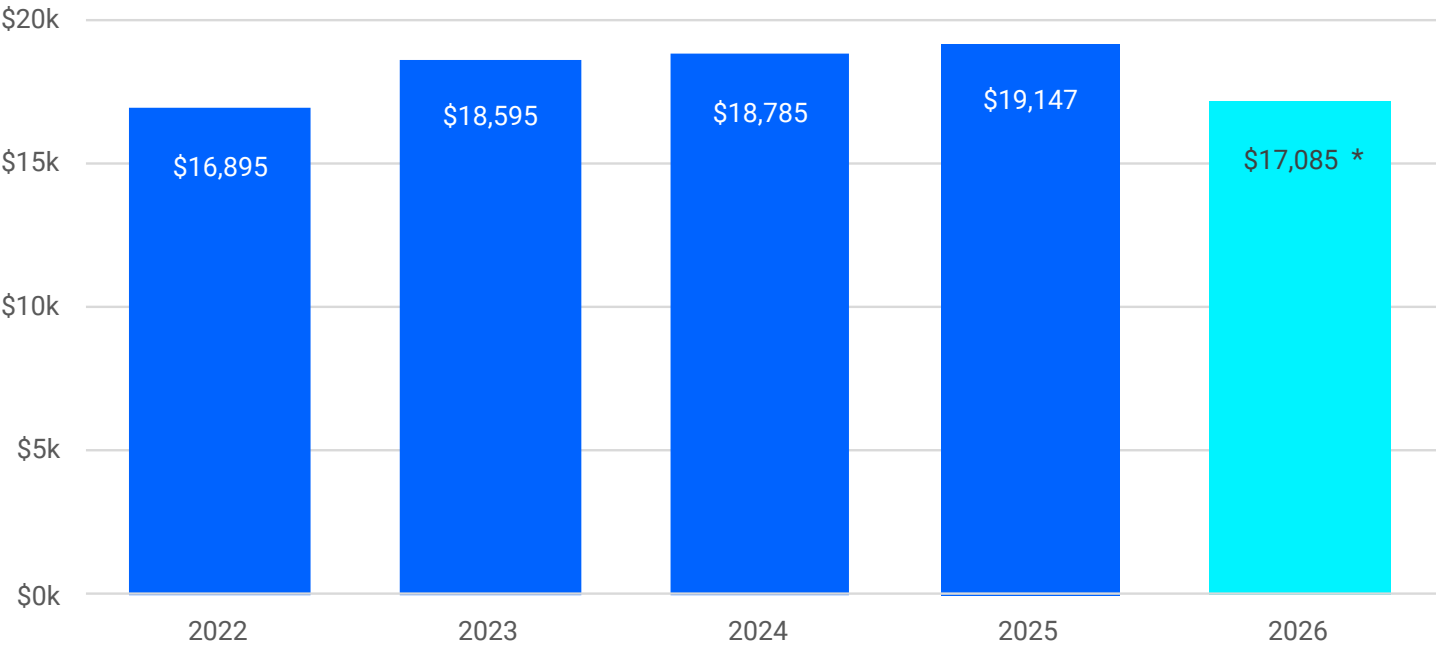
Average claim severity in XactInsights currently sits at \$17,085, down 10.77% from Q2 2025 and just 2.88% below the five-year average. Because larger and more complex claims take longer to complete, this figure will rise over the coming months.

Last quarter demonstrated this principle. Q1 2026 was reported at \$16,079 with a projected maturation of roughly \$17,687. It has since exceeded that estimate, maturing 13.1% to an average replacement cost value of \$18,185, the second-highest Q1 average in five years, behind only 2025.

Q2 2026 is currently projected to mature to approximately \$18,794, based on a maturation rate drawn from several years of historical data and would place this quarter alongside 2024.

Applying the stronger rate Q1 2026 followed would bring Q2 near \$19,323, which would make it the highest quarterly average replacement cost value in recent years. Both figures are projections and will move as the data matures. We will report on how these figures matured in the next quarterly property report.

Q2 Average U.S. Replacement Cost Value (2022-2026)



Current Q2 2026 severity of \$17,085 is subject to data maturity and is projected to rise above \$18,700.

* Subject to data maturity

Source: XactInsights, Verisk Property and Restoration Solutions

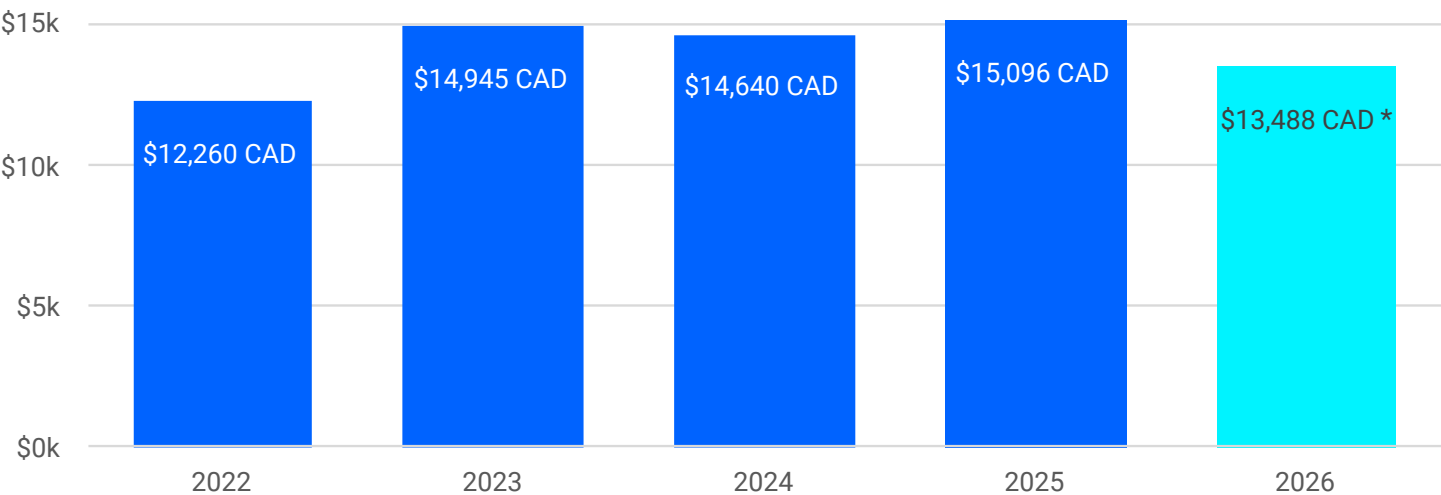
Canada Q2 severity

Canadian average replacement cost value currently sits at \$13,488 CAD, down 10.65% year over year and 2.15% below the five-year average. This figure is expected to climb as larger and more complex claims close.

Q1 2026 indicates the likely scale of that movement. Initially reported at \$12,765 CAD, it has since matured 13.05% to \$14,432 CAD, placing it just 3.23% below the prior year and making it the third-highest Q1 severity in five years.

If Q2 matures at a comparable rate, average severity would likely land between \$14,837 and \$15,241 CAD. The low end of that range would make for an unremarkable quarter; the high end would be one of the highest Q2 averages on record. We will report on how these figures matured in the next quarterly property report.

Q2 Average Canada Replacement Cost Value (2022-2026)



Current Q2 2026 Canadian severity of \$13,488 CAD is subject to data maturity and is projected to rise above \$14,800 CAD. * Subject to data maturity

Source: XactInsights, Verisk Property and Restoration Solutions



Pricing trends

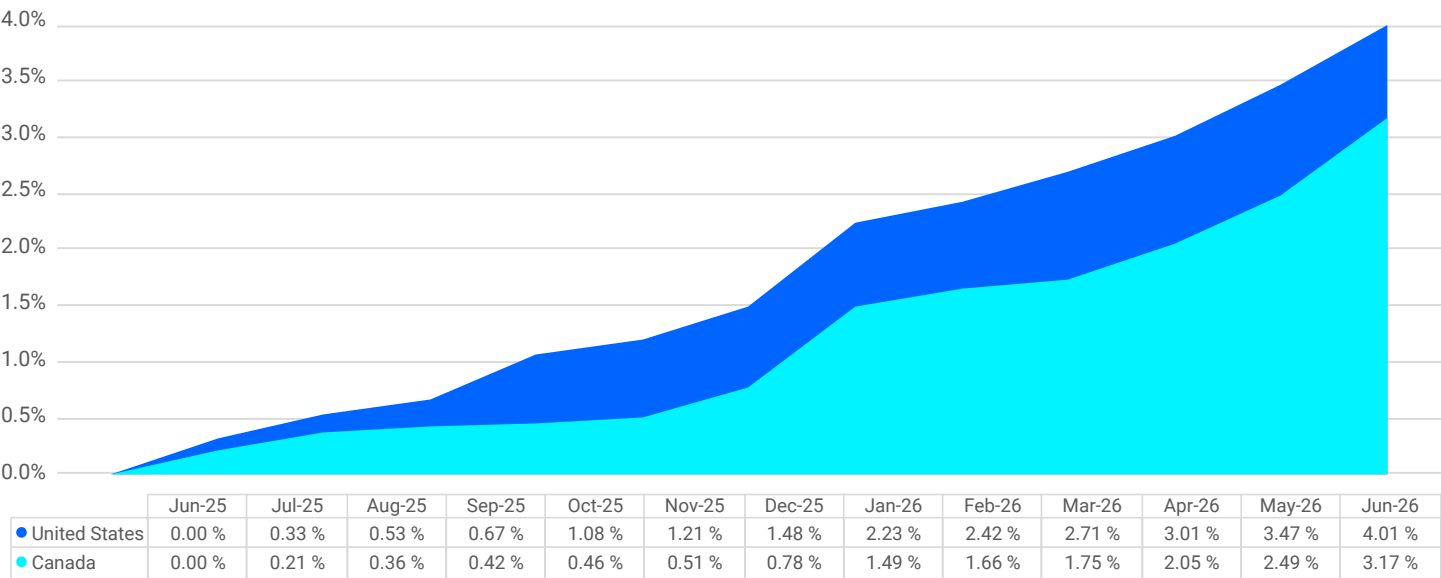
Labor and materials

Combined labor and material costs continued to rise in Q2 2026, though at a pace well short of the sharp inflation of prior years. From June 2025 to June 2026, combined costs increased 4.0% in the U.S. and 3.2% in Canada. Quarter over quarter, costs rose 1.3% in the U.S. and 1.4% in Canada.

Gains accelerated as the quarter progressed. U.S. monthly increases climbed from 0.30% in April to 0.44% in May and 0.53% in June. Canada followed the same trajectory at 0.30%, 0.43%, and 0.67%.

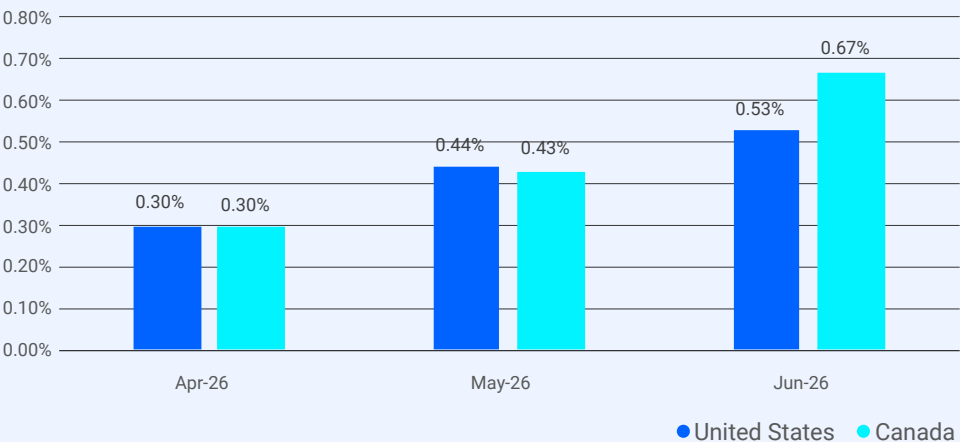
That pressure is increasingly concentrated rather than broad-based, falling on labor-intensive components and select materials. Public-sector construction remained supportive through the spring, and private residential activity held up better than private nonresidential work in early Q2, keeping reconstruction cost pressure positive even as new-building momentum softened.

Labor and Materials June 2025 - June 2026



Combined labor and material costs rose 4.0% in the U.S. and 3.2% in Canada over the year.

Monthly Change



Monthly gains accelerated through the quarter in both countries, with June posting the largest single-month increase.

Billable labor costs by trade

Labor remained the firmest component of reconstruction pricing. The labor composite index rose 3.9% year over year in the U.S. and 4.1% in Canada through June. Quarter over quarter, labor costs increased 1.4% in the U.S. and 1.3% in Canada, with May posting the largest single-month gain in both countries.

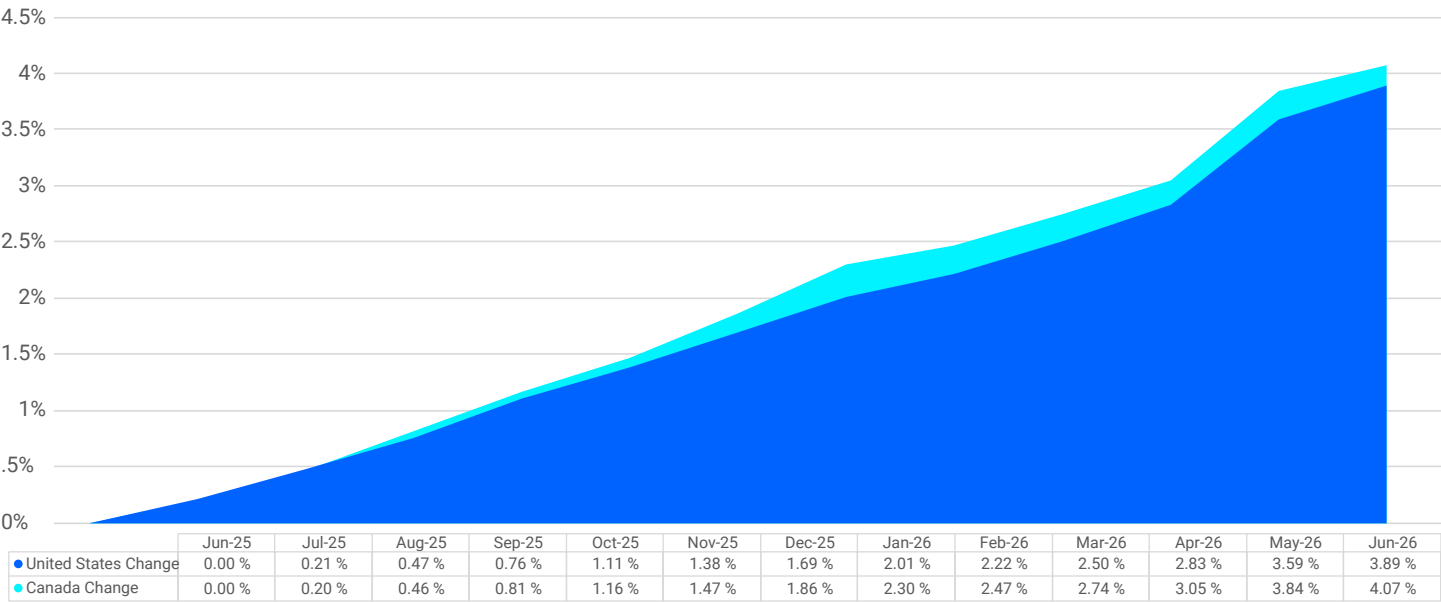
Quarterly increases were led by specialty and field-intensive trades rather than broad-based movement. Concrete mason labor again led both markets, up roughly 15.6% year over year in each and approximately 2.2% for the quarter, continued evidence of demand for skilled concrete work tied to infrastructure, industrial, and data center projects. In the U.S., cleaning technicians and supervisors rose 1.3% to 1.7% and general laborers 1.5%, with most other trades near 1.0%. Canada showed similar concentration: equipment operators (+1.8%), general laborers (+1.6%), and demolition laborers (+1.4%) posted above-average gains, with drywall installers and finishers increasing 0.5%. The only decline was a 0.2% dip in Canadian roofer labor.

Across both markets, cost pressure is most acute in hands-on trades tied to field work, remediation, and structural tasks—the same trades restoration work depends on.

The broader labor picture remains structurally tight even where headline indicators have improved. U.S. construction employment reached a record 8.337 million workers in May 2026, with the construction unemployment rate at 4.1% that month, down sharply from winter levels. Job openings sat near 259,000 in April against roughly 323,000 hires, a pattern that suggests contractors are retaining existing workers rather than expanding aggressively.

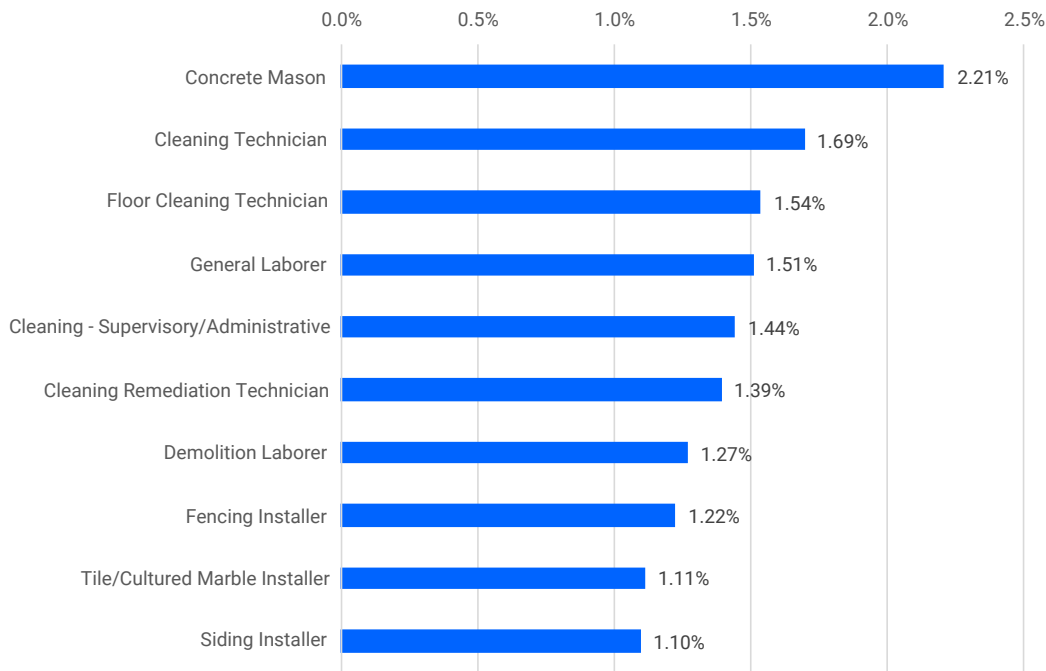
Even so, Associated Builders and Contractors (ABC) projects the industry will need 349,000 net new workers in 2026 and 456,000 in 2027. Much of that need stems from retirements and structural shortages in skilled trades rather than cyclical growth, which is why wage pressure stays firm even when construction activity is mixed. ABC also notes that nonresidential specialty trade contractors have added jobs steadily since 2024, reflecting demand in infrastructure and data center construction despite a tepid housing market.

Labor Composite Index
June 2025 - June 2026



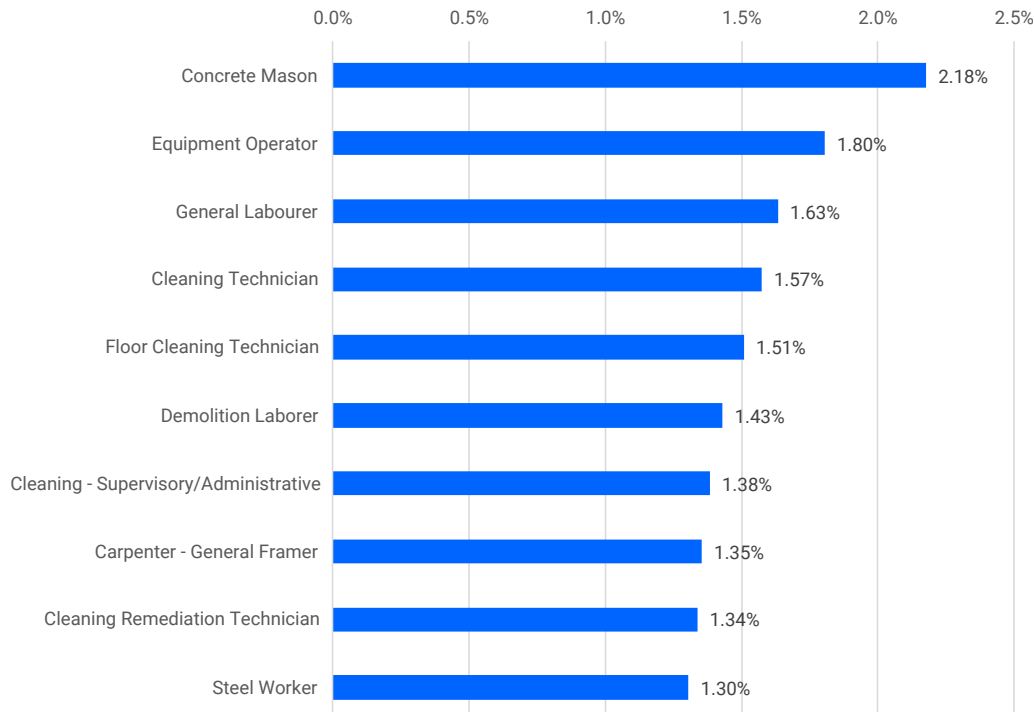
The labor composite index rose 3.9% (U.S.) and 4.1% (Canada) over the year, outpacing materials in both markets.

Top 10 Trades by Retail Labor Percent Change April - June 2026 | United States



Concrete mason labor led U.S. quarterly gains at approximately 2.2%, with most other trades near 1.0%.

Top 10 Trades by Retail Labor Percent Change April - June 2026 | Canada



Canadian gains concentrated in concrete masons, equipment operators, and general laborers.

Materials

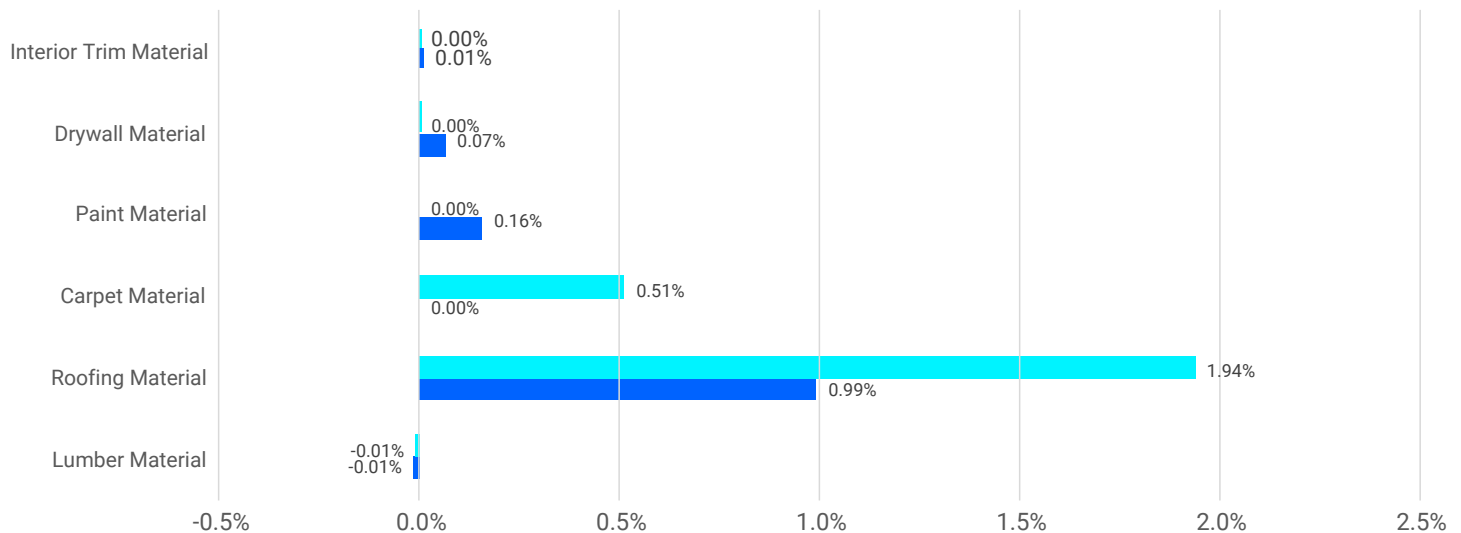
Material-only costs rose far more modestly than labor. Through June 2026, the material-only basket of goods was up 2.1% year over year in the U.S. and 0.2% in Canada. Quarter over quarter, material costs increased 0.4% in the U.S. and 0.5% in Canada.

Lumber posted the largest annual decline in both countries, down 2.8% in the U.S. and 11.5% in Canada. Finish materials moved the other way: U.S. interior trim rose 5.0% year over year and paint rose 3.6%, while Canadian drywall gained 3.1% and roofing rose roughly 2.2%. On a quarterly basis,

roofing materials showed the strongest rise at approximately 1.0% in the U.S. and 1.9% in Canada, while lumber stayed essentially flat.

This split between softer wood products and firmer non-wood inputs reflects the broader materials environment. Producer price data indicate overall U.S. construction input prices surged 2.6% in May and were up nearly 10% year over year, with energy and globally traded commodities such as iron, steel, and copper contributing heavily.

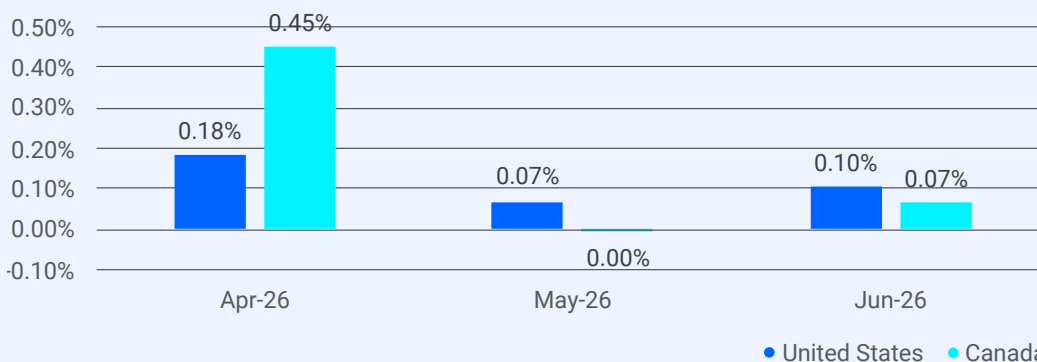
Key Material Categories April - June 2026



Lumber remains the outlier in an otherwise inflationary materials basket.

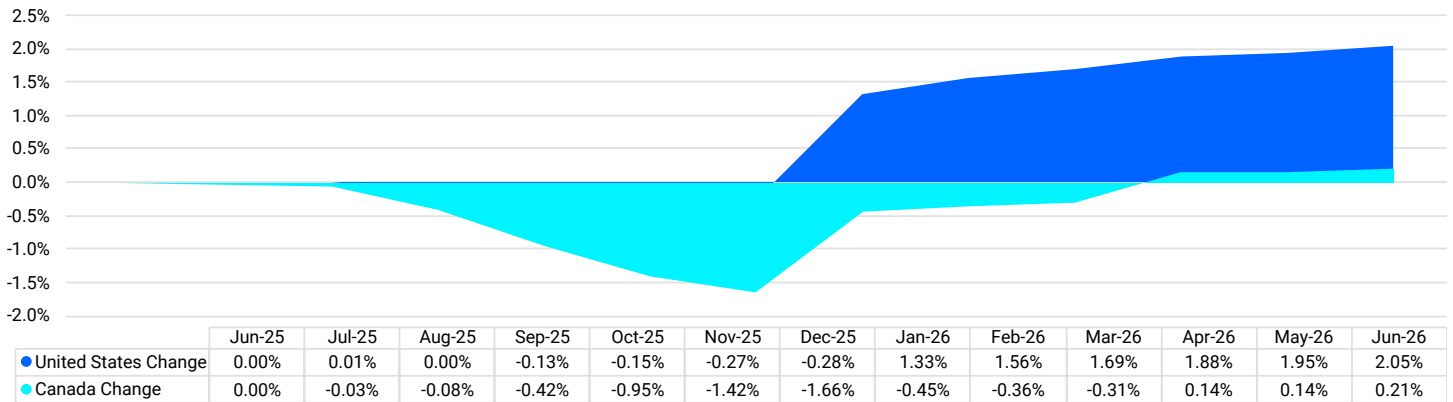
● United States ● Canada

Monthly Change



Monthly material gains stayed under half a percent in both countries, a fraction of the pace set by labor.

Material Composite Index June 2025 - June 2026



Material-only costs rose 2.1% in the U.S. and just 0.2% in Canada over the year, a fraction of the pace set by labor.

Lumber

Lumber was the weakest major material grouping of the quarter. The lumber composite index fell 2.8% year over year in the U.S. and 11.5% in Canada through June, with little net movement quarter over quarter in either market.

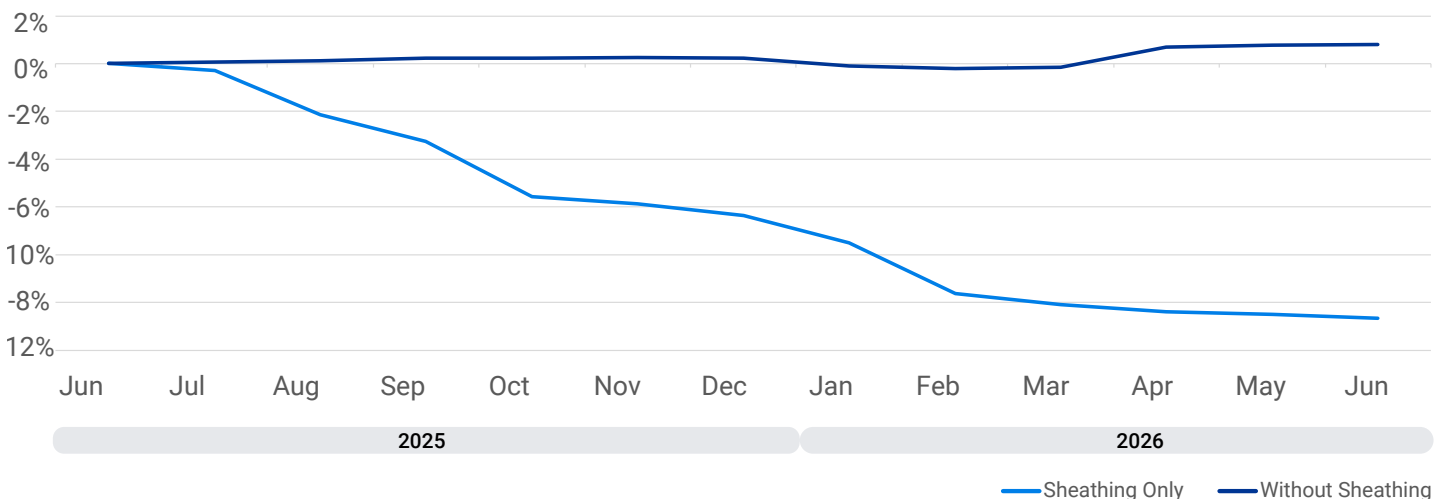
Demand explains much of the softness. U.S. housing starts dropped sharply in May to a seasonally adjusted annual rate of 1.177 million, down 15.4% from April and 8.7% year over year, while single-family starts fell 1.9% month over month and 6.7% year over year.

On the supply side, oversupply in panel products has persisted as mills in the U.S. South and Midwest maintained high output despite slowing residential demand. Sheathing materials declined more than 9% year over year in the U.S. and 12.3% in Canada, while dimensional lumber held comparatively stable.

Canadian conditions were weaker still. Canada Mortgage and Housing Corporation reported the six-month trend in housing starts at approximately 258,000 units in May, with actual monthly urban starts down 5.2% year over year. The count of approved but not yet started units also declined, signaling sluggish near-term activity.

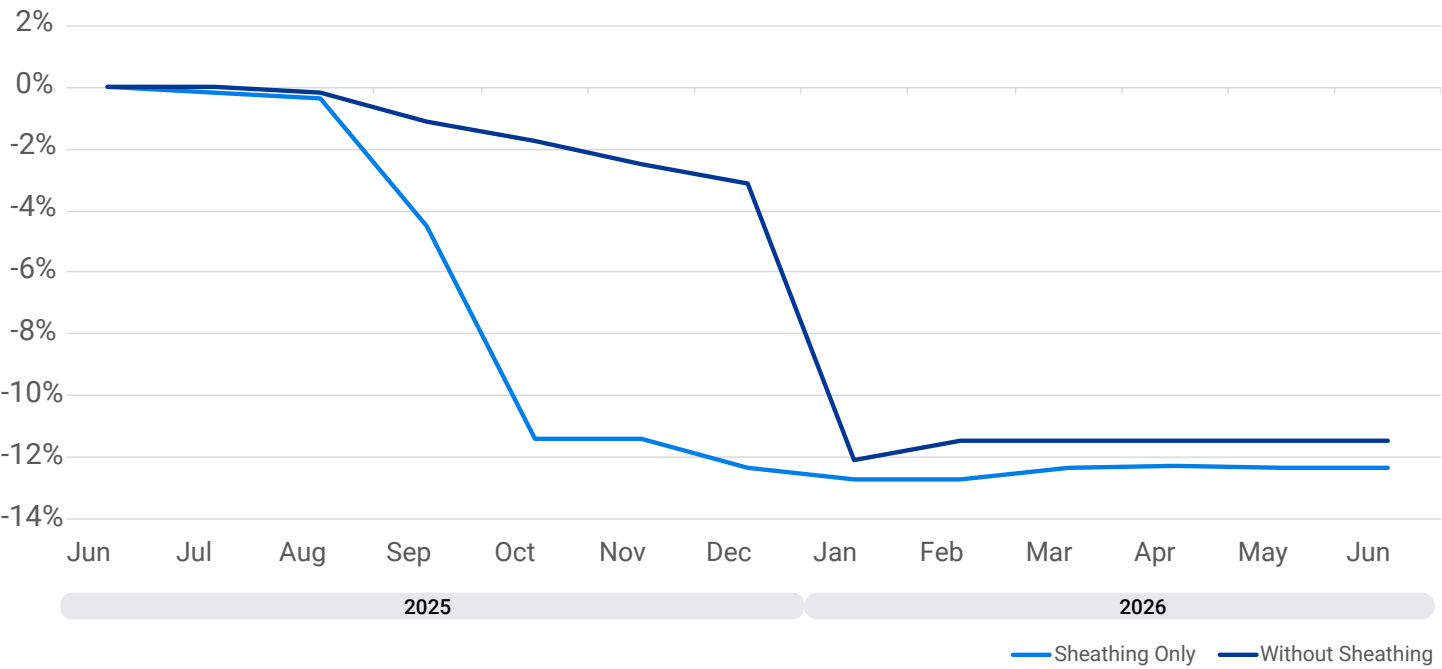
Trade policy adds further uncertainty. Global Affairs Canada reported that the U.S. Department of Commerce's preliminary seventh administrative review of Canadian softwood lumber duties produced preliminary combined rates ranging from 20.70% to 31.02%, with a preliminary all-others combined rate of 24.83%. These rates are not yet in effect and may change before final results. Global Affairs Canada expects final determination no earlier than August 2026, or October 2026 if fully extended.

Lumber ITR Trends United States



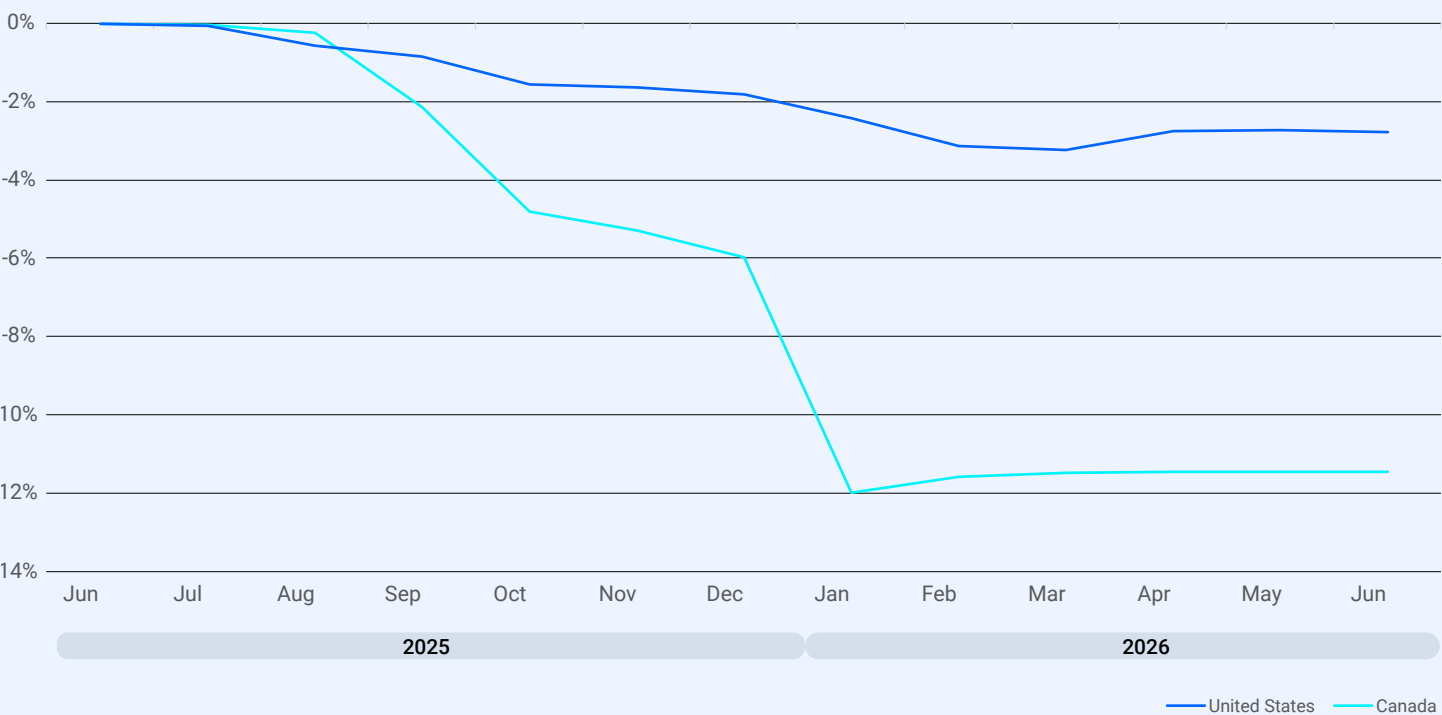
U.S. sheathing prices continued to decline while dimensional lumber held relatively stable.

Lumber ITR Trends
Canada



Canadian lumber declines outpaced the U.S. across both categories, reflecting softer domestic demand and trade friction.

Overall Lumber ITR Trends



Lumber has trended down for a full year in both markets, with the Canadian index falling roughly four times as far as the U.S.

Fuel

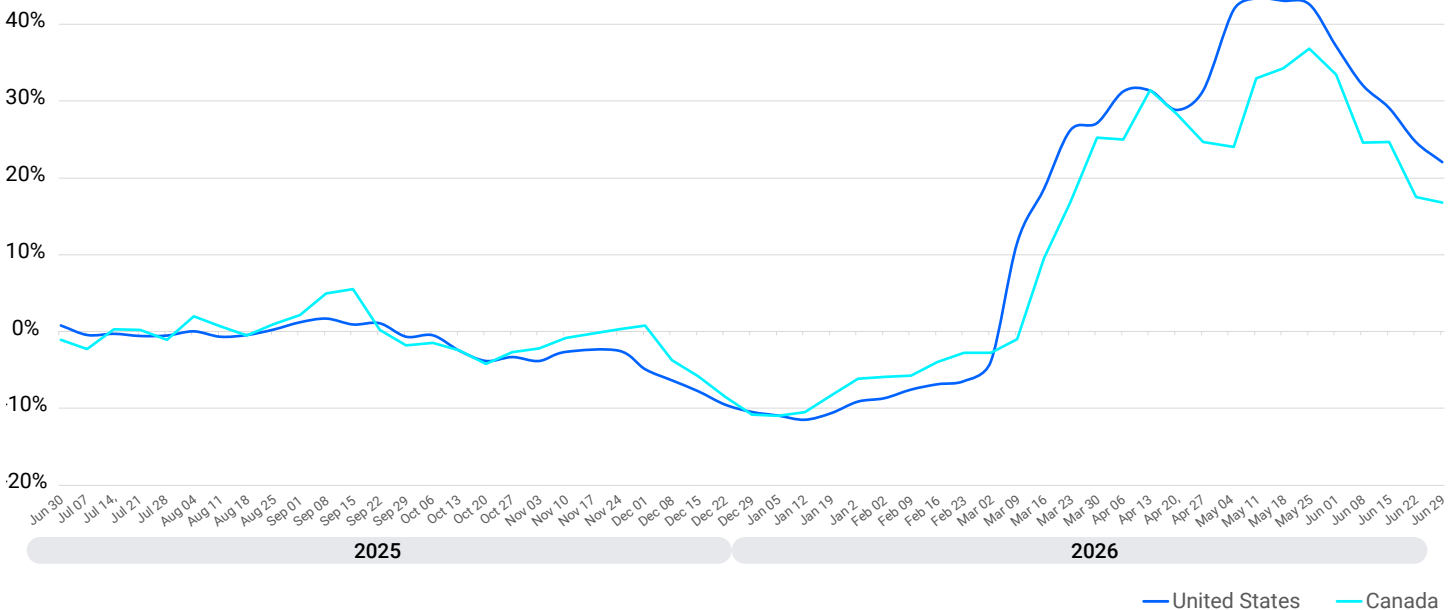
Fuel costs remained sharply elevated year over year, but the quarter ended with relief after a spring spike. The fuel price index, a blend of gasoline and diesel, was up 21.1% in the U.S. and 18.1% in Canada compared with June 2025. From April to June, however, the index eased 7.1% in the U.S. and 6.3% in Canada.

The U.S. Energy Information Administration reported regular gasoline falling from about \$4.30 per gallon on June 1 to \$3.83 by month's end, while on-highway diesel declined from \$5.35 to \$4.67. Both remained well above year-earlier levels. Natural Resources Canada recorded a similar pattern, with a late-June national average near \$1.67 per liter for gasoline.

Geopolitical risk drove much of the volatility. The Strait of Hormuz, which carries roughly one-fifth of global oil shipments, remained a persistent concern through the quarter. Conditions improved in mid-June when the U.S. and Iran reached a ceasefire framework and agreed to reopen the Strait, easing supply concerns and pulling global oil prices lower.

Fuel functions as a leading indicator for construction costs. Direct impacts on equipment operation and transportation appear quickly, while effects on material prices and labor rates lag. Rising fuel costs push logistics and mobilization expenses higher, and those costs are ultimately factored into contractor pricing. For more detail, see the [fuel cost white paper in the eService Center](#).

Average Retail Fuel Price



Fuel prices remain more than 18% above year-earlier levels despite easing roughly 7% late in the quarter.



Reconstruction cost trends

Overall reconstruction costs

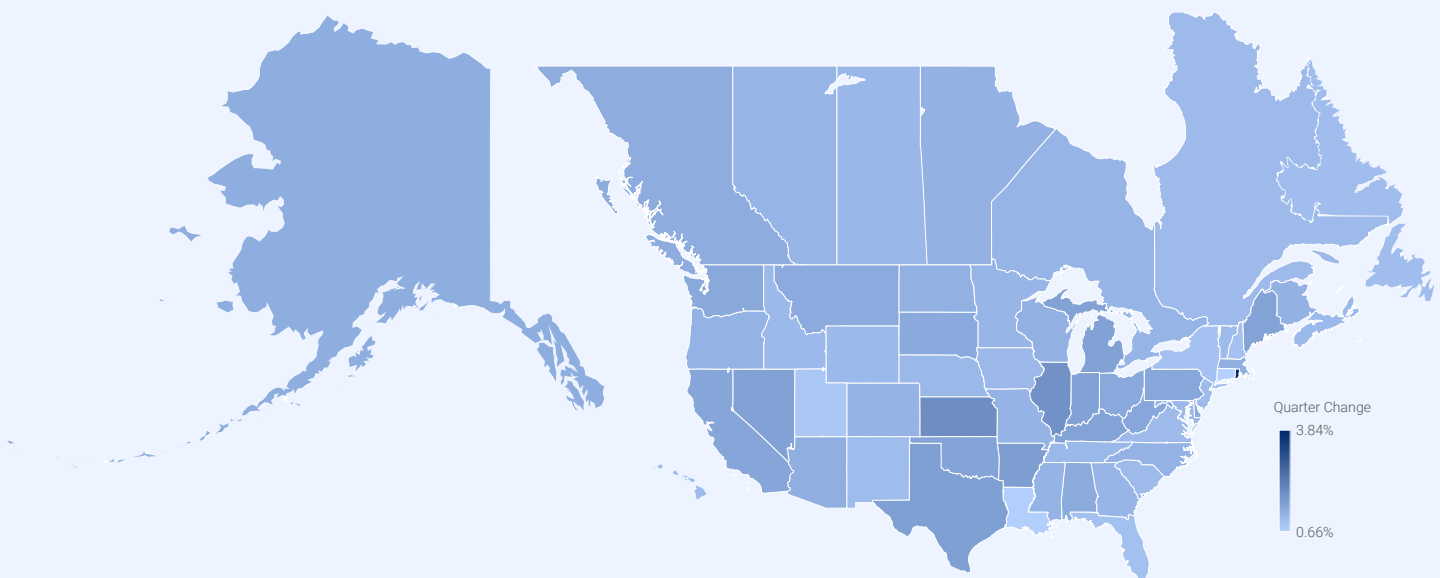
Total U.S. reconstruction costs, covering residential and commercial structures together, rose 3.8% from June 2025 to June 2026, down from 4.7% during the prior-year period. But the quarterly figure moved the other direction: costs increased 1.3% from March to June, accelerating from 0.7% the previous quarter.

Annual inflation continues to moderate, yet reconstruction pricing regained momentum during Q2 as labor costs stayed elevated and demand concentrated in select segments. Canada followed the same pattern, with annual growth of 3.0% against 4.6% a year earlier while quarterly growth accelerated to 1.2% from 0.5%.

The moderation in annual growth reflects a construction environment no longer facing the broad-based inflation of 2021–2024. Material prices have become mixed, supply chains have largely normalized, and overall construction spending has cooled. U.S. Census Bureau data show total construction spending in May 2026 essentially flat month over month and down 1.5% year over year.

Labor is the exception, and it is carrying the increase almost single-handedly. Availability remains constrained across many regions, particularly in skilled trades tied to structural work, remediation, infrastructure, and industrial projects.

Overall Reconstruction Costs



Total reconstruction costs rose in every state and province over the year, though the size of the increase varied by more than three percentage points.

Residential reconstruction costs

U.S. residential reconstruction costs rose an average of 3.7% from June 2025 to June 2026, compared with 4.3% the prior year. Quarter over quarter, residential costs increased 1.4% from March to June, up from 0.8%.

Kansas (+5.2%), Michigan (+5.1%), and Oklahoma (+5.1%) recorded the largest annual gains; Maryland (+2.3%) and Connecticut (+2.5%) the smallest. Quarterly growth varied more widely, led by Rhode Island (+3.3%) and Kansas (+2.9%). Every state posted a positive quarterly gain, suggesting that labor costs are providing a floor under residential reconstruction pricing regardless of local housing conditions.

In Canada, residential reconstruction costs rose 2.8% year over year, down from 4.5%, while quarterly costs increased 1.4% from 0.4% the prior quarter. New Brunswick (+3.8%), Saskatchewan (+3.6%), and British Columbia (+3.3%) led annual provincial gains, and quarterly growth was positive across all provinces.

Residential reconstruction cost inflation appears to be settling into a low- to mid-single-digit range. Elevated mortgage rates and affordability pressure continue to weigh on new construction, but repair, remodeling, and catastrophe-related reconstruction keep demand for skilled labor high. Labor is likely to remain the primary source of residential cost inflation through the remainder of 2026.

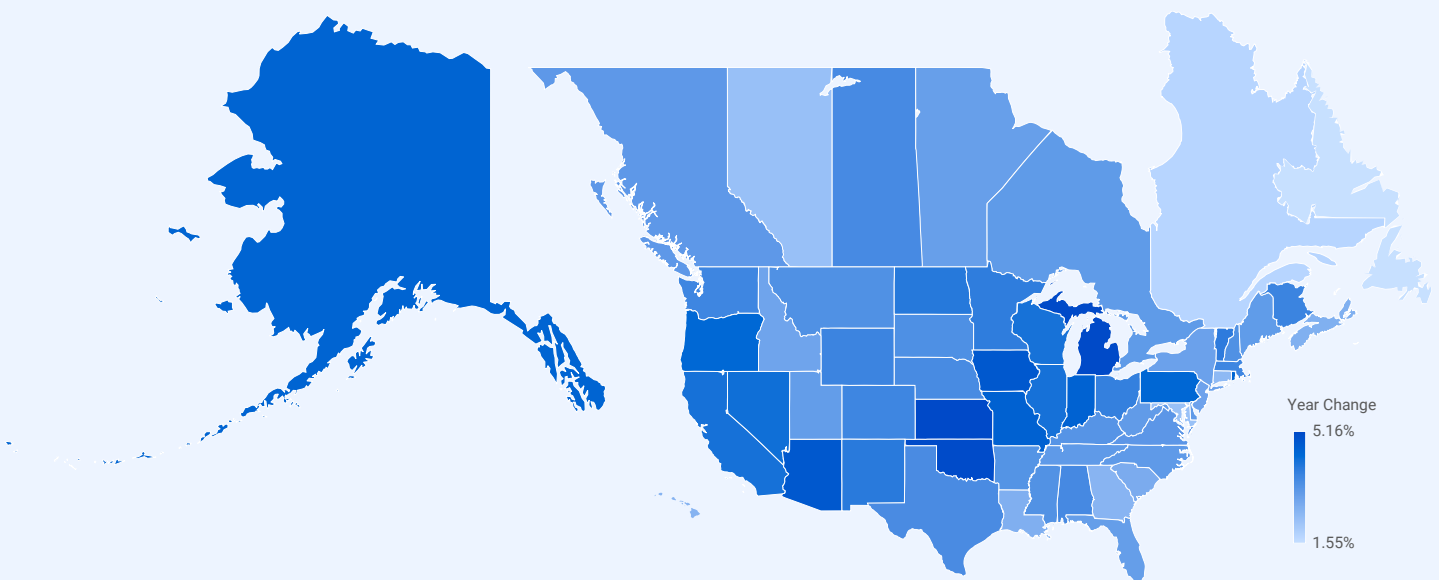
**U.S. residential
reconstruction costs rose**

3.7%

**Canada residential
reconstruction costs rose**

2.8%

Residential Reconstruction Costs June 2025 - June 2026



Annual residential reconstruction cost increases remained positive in nearly every state and province.

Commercial reconstruction costs

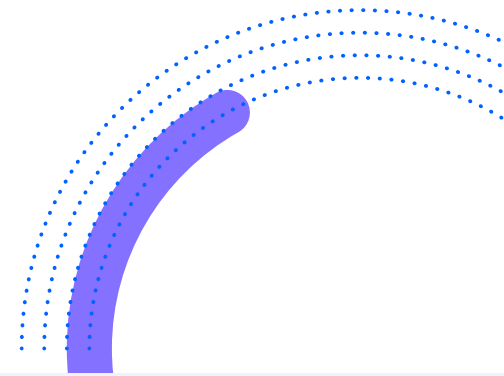
U.S. commercial reconstruction costs rose 4.0% from June 2025 to June 2026, slowing from 5.0% the prior year. Quarterly costs increased 1.2%, up from 0.7%.

Rhode Island (+6.6%) and Oklahoma (+6.5%) led annual gains, while Georgia (+2.4%) and Maryland (+2.6%) trailed. Quarterly growth was uneven, with Rhode Island posting a substantially larger increase than any other state at 4.4%. All states posted positive quarterly growth.

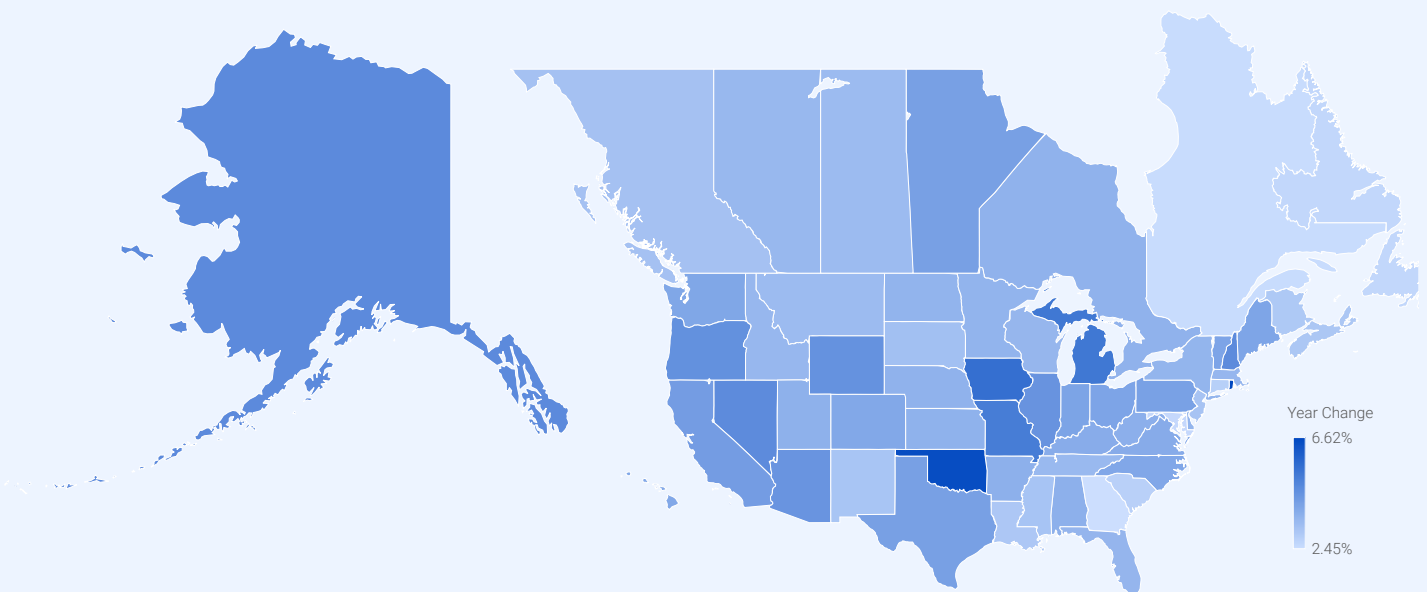
The commercial market continues to be shaped by divergent conditions across segments. Data center development, infrastructure projects, and utility investment continue to

support labor demand and pricing, while traditional office, warehouse, and portions of retail construction remain comparatively weak. ABC reports that backlog levels are strongest among firms involved in data center work, a narrow group of project types exerting outsized upward pressure on labor and reconstruction costs.

In Canada, commercial reconstruction costs rose 3.2% year over year, down from 4.6%, while quarterly growth accelerated from 0.6% to 0.9%. Manitoba led annual gains at 4.2%, followed by Ontario (+3.7%). Quarterly growth was positive across all provinces.



Commercial Reconstruction Costs June 2025 - June 2026



Commercial reconstruction costs rose in the U.S. and Canada over the year, with every state and province posting a positive quarterly gain.

Reconstruction cost market expectations

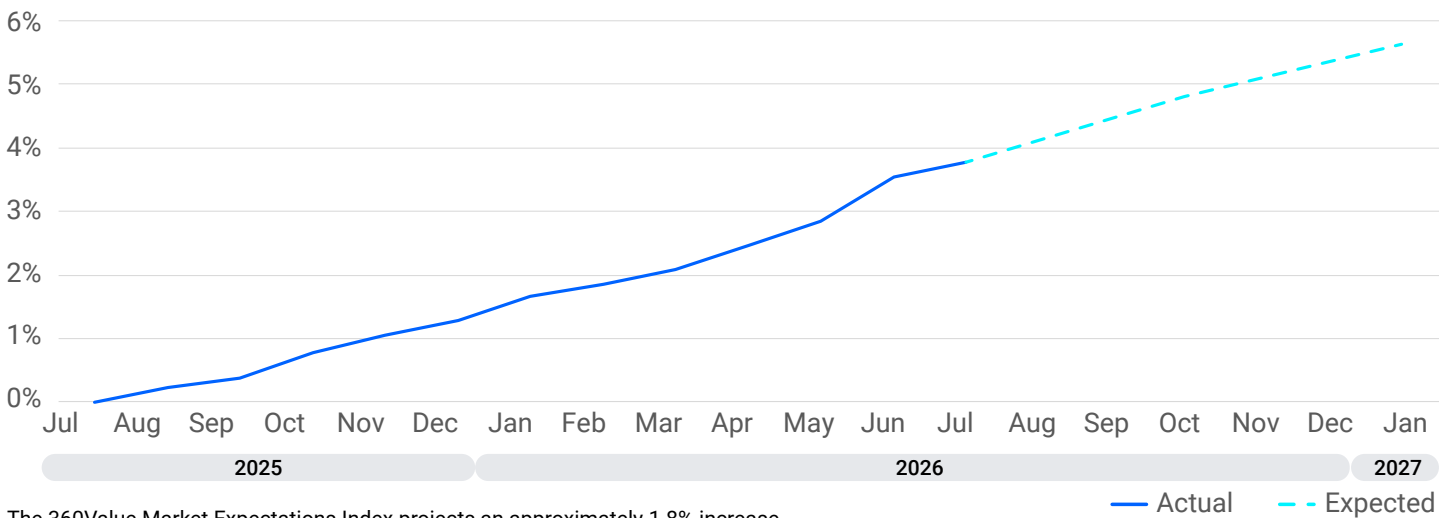
The Verisk 360Value® Market Expectations Index projects U.S. residential reconstruction costs will rise approximately 1.8% between July 2026 and January 2027, with steady increases through the remainder of 2026 and into early 2027. This points to continued but moderate inflation compared with the rapid escalation of recent years. Even where broader construction activity has softened, labor market constraints continue to support reconstruction pricing, with competition for experienced tradespeople intense across infrastructure, utility, industrial, and data center construction.

Material cost pressure stays mixed. Some building product categories have moderated from prior highs, but steel, copper, concrete-related products, mechanical equipment, and

other manufactured inputs continue to face upward pressure. Trade policy uncertainty, tariffs on construction inputs, and volatility in transportation and energy costs remain potential disruptors entering 2027. Offsetting those risks, slower residential construction, improved material availability, and normalized supply chains should help limit the overall pace of growth.

The through-line: reconstruction costs will keep rising, but at a pace consistent with a mature expansion rather than the unusual inflation of 2021 through 2024. Labor availability remains the primary driver, with materials contributing localized volatility rather than broad-based inflation.

Reconstruction Cost Expectations July 2025 - January 2027



The 360Value Market Expectations Index projects an approximately 1.8% increase in residential reconstruction costs from July 2026 through January 2027.



Economic indicators

The indicators that follow do not move claim volume directly, but they shape the cost environment that reconstruction estimates have to survive. Each one tracks the same regional divergence the claims data showed: national averages are increasingly poor proxies for what any individual market looks like.

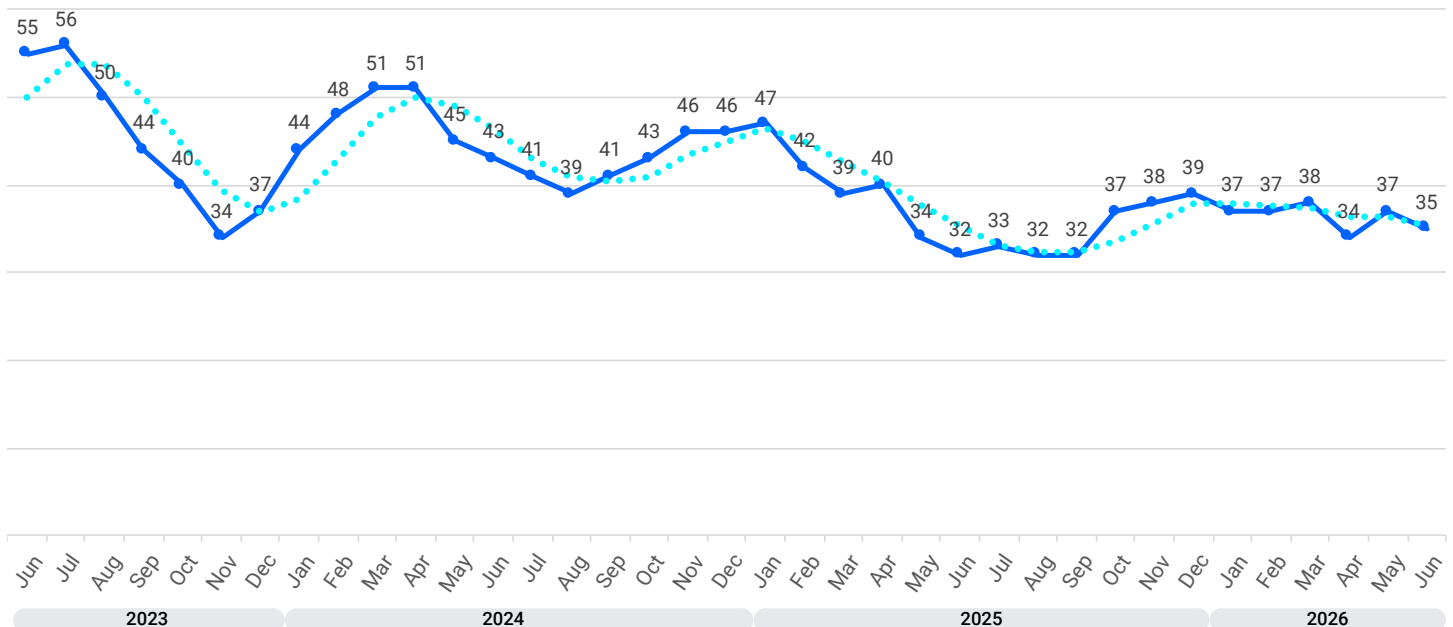
Housing Market Index and mortgage rates

Builder sentiment weakened further late in the quarter. According to the NAHB/Wells Fargo Housing Market Index, confidence among U.S. single-family home builders fell to 35 in June, the 14th consecutive month below 40 and well under the neutral threshold of 50. It is the longest stretch of weak builder confidence since the 2011–2012 housing downturn.

Mortgage rates are one major contributing factor. Freddie Mac's Primary Mortgage Market Survey reported the 30-year fixed-rate mortgage averaging 6.49% in June 2026, near the highest levels of the year. Rates persisting in the 6% to 7% range, combined with substantial home price appreciation, have kept buyers on the sidelines despite ongoing demand, while builders face rising land, labor, and material expenses that compress margins. In June, 35% of builders cut home prices, up from 32% in May, with an average reduction near 6%. Another 62% used sales incentives such as discount financing or upgrades, the 15th consecutive month above 60%.

For reconstruction, weak new-build activity cuts two ways. It relieves competition for materials, which shows up in this quarter's soft lumber prices. It does not relieve competition for skilled trades, because the same crews serve repair and remodel work regardless of what happens to housing starts.

NAHB/Wells Fargo National HMI



Builder confidence fell to 35 in June, extending the longest sub-40 streak since 2011–2012.

— HMI 3-Month Rolling Mean

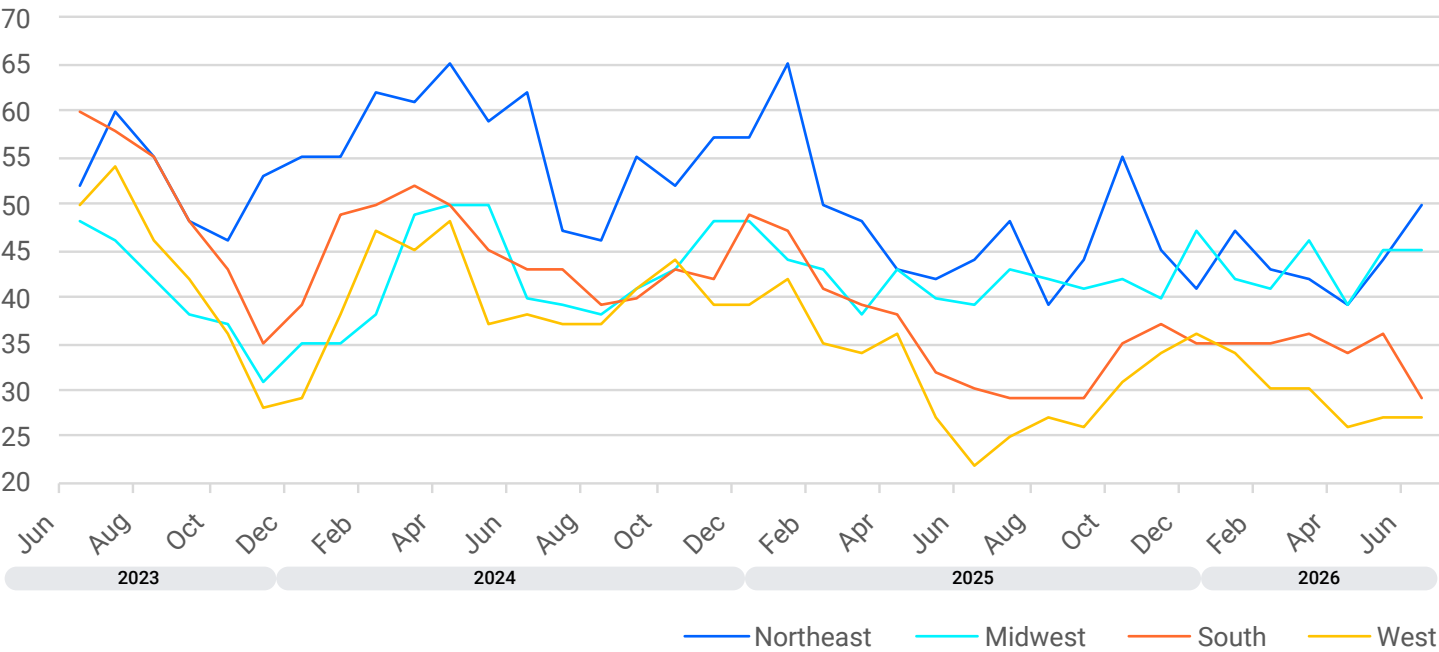
Regional HMI

Regional confidence remains highly uneven. As of June 2026, the three-month moving average stood at 44 in the Northeast and 43 in the Midwest, against 33 in the South and 27 in the West.

The gap likely reflects differences in local housing demand, affordability, inventory, construction costs, and regional

economic fundamentals, though the index itself does not isolate a single driver. Tighter affordability and weaker buyer traffic appear to be weighing on sentiment across parts of the West and South, while more resilient conditions support confidence in the Northeast and Midwest. That 17-point regional spread is the same divergence visible in claim volume and permit activity.

Regional HMI



Northeast and Midwest builders view conditions considerably more favorably than their counterparts in the South and West.

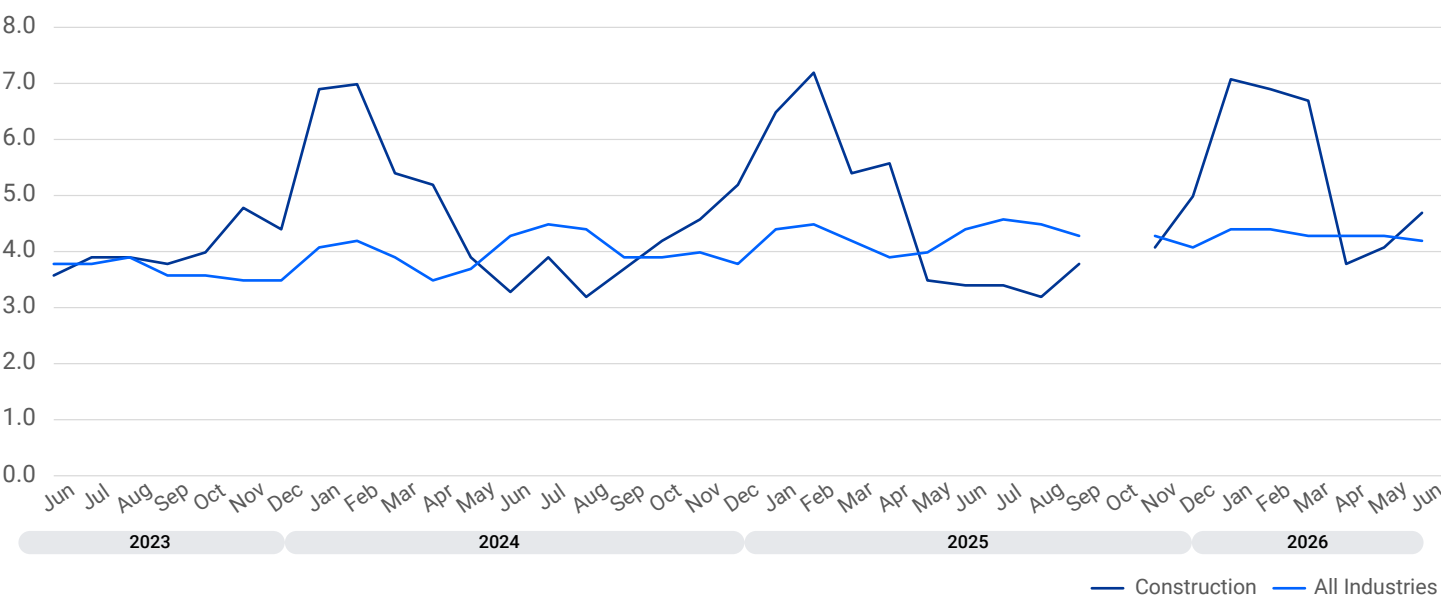


Construction unemployment

Construction unemployment eased upward during Q2 after unusually low readings in early spring. U.S. Bureau of Labor Statistics data put the construction unemployment rate at 4.7% in June, up from 3.8% in April and 4.1% in May. The all-industries rate was 4.2% in June. Year over year, construction unemployment rose 1.3 percentage points from 3.4% in June 2025 to 4.7% in June 2026.

That increase suggests portions of the labor market have cooled as residential activity and traditional commercial segments face financing headwinds and slower project starts. But the rate remains well below recessionary levels and historically low by long-term industry standards, which is why the softening has not translated into any relief in labor pricing.

Construction vs All-Industries Unemployment Rate



Construction unemployment rose to 4.7% in June.
Data unavailable for October 2025



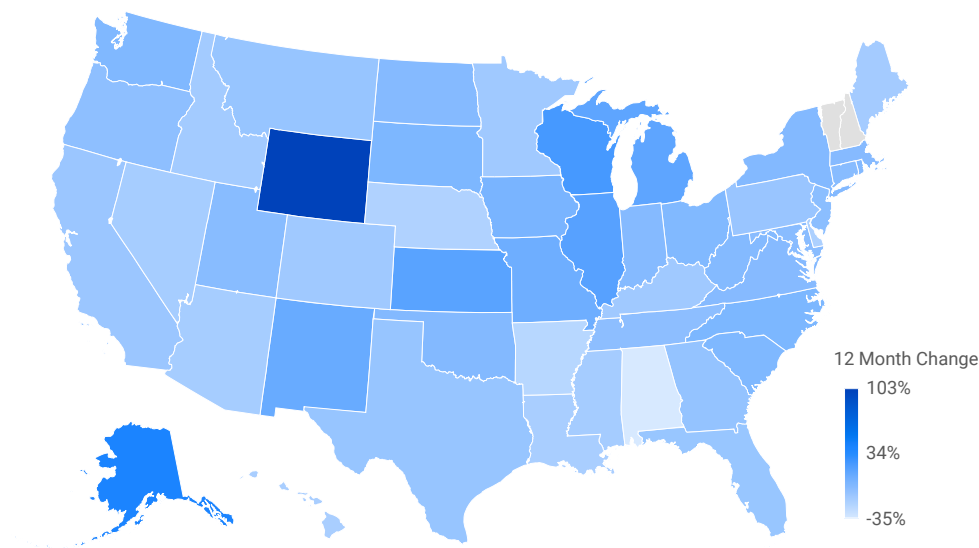
Building permits

Permitting data from BuildFax®, a Verisk Analytics company, shows national activity that remains uneven and highly regionalized.

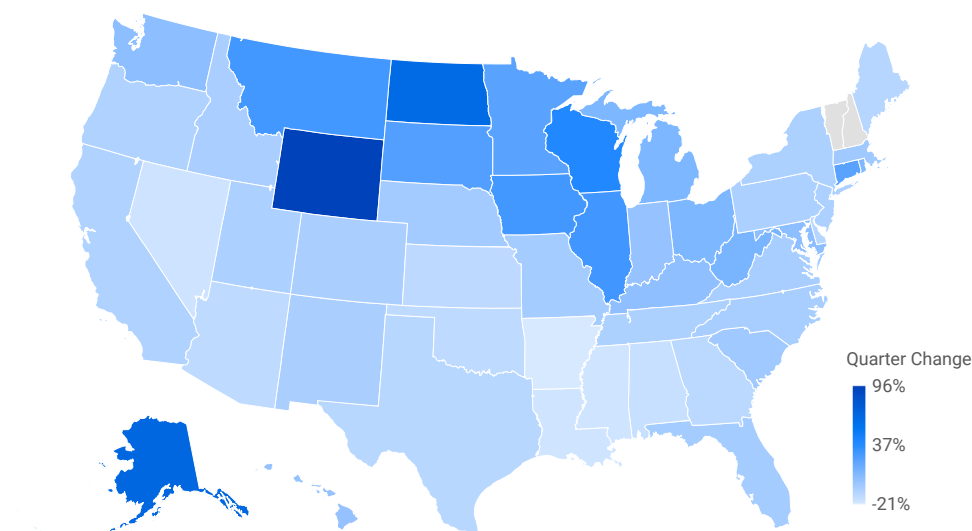
Over the latest 12-month period, Wyoming, Alaska, and Wisconsin recorded the strongest growth in total permits at approximately 103.2%, 41.9%, and 24.2%. At the other end, Alabama (-34.9%) and Arkansas (-21.5%) posted the steepest declines. Quarterly figures show the same concentration, led again by Wyoming (+95.6%), Alaska (+67.1%), and North Dakota (+63.7%).

Permits function as a leading indicator for future construction volume and, by extension, future reconstruction demand. Today's new construction becomes tomorrow's maintenance, repair, and renovation work. The current pattern points toward a market where growth concentrates in selected Midwestern and Mountain states while many other regions continue to adjust to elevated financing costs. Those are not the same states currently generating the most claim volume, which means exposure growth and claim activity are diverging geographically as well.

Total Building Permits by State | 12 Month Change



Total Building Permits by State | Quarter over Quarter Change



Permit growth is concentrated in a small number of Mountain West and Upper Midwest markets.

Conclusion

Three findings from this quarter are worth weighing as you plan the back half of 2026.

Treat the current severity figures as provisional. The \$17,085 average is unlikely to be the final number. Q1 matured 13.1% after publication, and the same pattern points Q2 toward roughly \$18,794. Where reserve adequacy or reinsurance discussions are anchored to provisional severity, there may be value in revisiting those assumptions as the data matures.

Consider staffing for peaks rather than totals. The count of PCS designated events has held steady while the claim volume each event carries has grown. PCS 2633 produced more than 25,000 claims in five days. Annual workload is shrinking, but event-driven workload is not.

National averages may not directly apply to regional numbers. Claim volume, permit growth, commercial cost pressure, and builder sentiment all diverged sharply by region this quarter. A 17-point spread separates the most and least confident builder regions, which suggests a regional view will serve planning better than a national one.

Underneath all three sits labor. Every U.S. state and Canadian province posted positive quarterly residential cost growth despite subdued housing conditions and rising construction unemployment. Labor is the most plausible explanation for such a uniform pattern.

We will report on how these figures matured in the next quarterly property report.



References

Claims and severity data

- XactInsights® — Verisk Property and Restoration Solutions; industry claims data from the XactAnalysis network
- Verisk Respond® — severe weather and hail exposure data
- PCS® — catastrophe designations and event numbering
- Xactimate® — restoration and repair estimating software
- Verisk Property and Restoration Solutions Pricing Research — monthly price list publication for 460+ local markets in the U.S and Canada.

Construction cost and economic indicators

- NAHB/Wells Fargo Housing Market Index — National Association of Home Builders monthly builder confidence survey
- NAHB — “Builder Sentiment Remains Weak Amid Affordability Concerns,” June 2026
- Freddie Mac Primary Mortgage Market Survey — weekly mortgage rate survey
- Freddie Mac — “Mortgage Rates Average 6.52%”
- U.S. Bureau of Labor Statistics — Current Population Survey; construction employment and unemployment data
- U.S. Census Bureau — Monthly Construction Spending
- U.S. Census Bureau — New Residential Construction; housing starts and building permits
- Associated Builders and Contractors (ABC) — “Construction Industry Must Attract 349,000 Workers in

- 2026 Despite Macroeconomic Headwinds”
- Associated Builders and Contractors — “Construction Job Openings Increased By 25,000 in April”
- Associated Builders and Contractors — “ABC’s Construction Backlog Surges in May, Contractor Confidence Slips”
- Associated General Contractors of America — “Construction Employment Increases By 17,000 In May”
- Modern Distribution Management — “April 2026 U.S. Construction Spending Beats Expectations on Public Strength”
- BuildFax® (a Verisk Analytics® company) — building permit data
- Canada Mortgage and Housing Corporation — monthly housing starts and construction data
- Global Affairs Canada — softwood lumber trade developments

Fuel and energy

- U.S. Energy Information Administration — Gasoline and Diesel Fuel Update
- Natural Resources Canada — Transportation fuel prices
- CNBC — Strait of Hormuz oil market and tanker traffic coverage, June 2026
- Reuters — “Oil shipments rise in Hormuz although questions grow over Iran’s transit terms”
- Al Jazeera — “With Hormuz reopened, has the oil shortage turned into a glut?”

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



+1.800.888.4476

info@verisk.com

verisk.com

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.

© 2026 Verisk Analytics, Inc. Verisk Analytics, 360Value, and BuildFax are registered trademarks and Verisk and the Verisk logo are trademarks of Insurance Services Office, Inc. All other product or corporate names are trademarks or registered trademarks of their respective companies. 2702850 (09/26)