REBUILD COSTS IN 2026: what’s changing and why?

3 September 2026

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THE TEAM

Host

James Fiske
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Panel

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AGENDA

- 2026 BCIS residential rebuild models update – the year to January 2026
- Conflict in the Middle East and the wider inflationary backdrop to the construction sector
- Rebuild cost movement in the first half of 2026 – residential and commercial
- What's going to happen in the next 12 months and beyond?

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RESIDENTIAL REBUILD COST MODELS UPDATE

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BCIS RESIDENTIAL REBUILD COST MODELS 2026 UPDATE

- Detailed cost build-ups for specific property types or archetypes, used to derive rebuilding cost estimates
- More than 1,200 dwelling and 650 ancillary models
- Priced using current input costs in January using more than 12,500 supply prices, labour, plant and specialist rates
- Adjusted for market conditions and benchmarked against other data

- Costs reflect current design practice, modern methods and materials with allowances for period features
- Includes demolition costs, supporting adjoining structures and professional fees
- Models are uplifted monthly using the HRCI
- Responds immediately to changes in statutory regulations

- Widely used by professionals as an aid to assessing likely rebuilding costs of dwellings:
  - Chartered surveyors - to prepare Reinstatement Cost Assessments
  - Insurers, brokers and loss adjusters - to assess risk in setting and reviewing sums insured

BCIS RESIDENTIAL REBUILD COST MODELS 2026 UPDATE

1,210 residential models

650 ancillary models

81

new models

4.9%

average annual increase to Jan 2026

3.25% - 6.45%

range of annual increases to Jan 2026 across models

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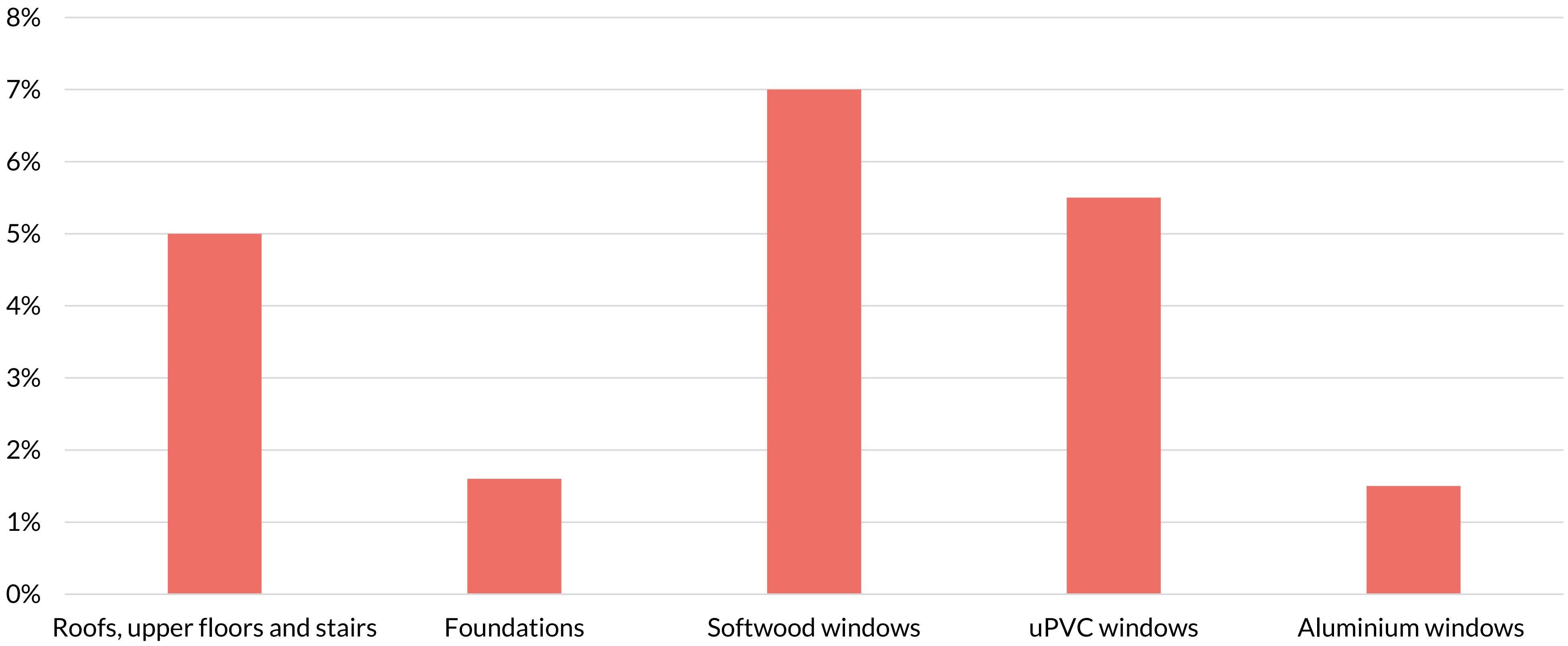
UPDATES TO THE BCIS RESIDENTIAL REBUILD COST MODELS SHOW A RANGE OF MOVEMENT BETWEEN ELEMENTS

Elemental cost movement in the year to January 2026



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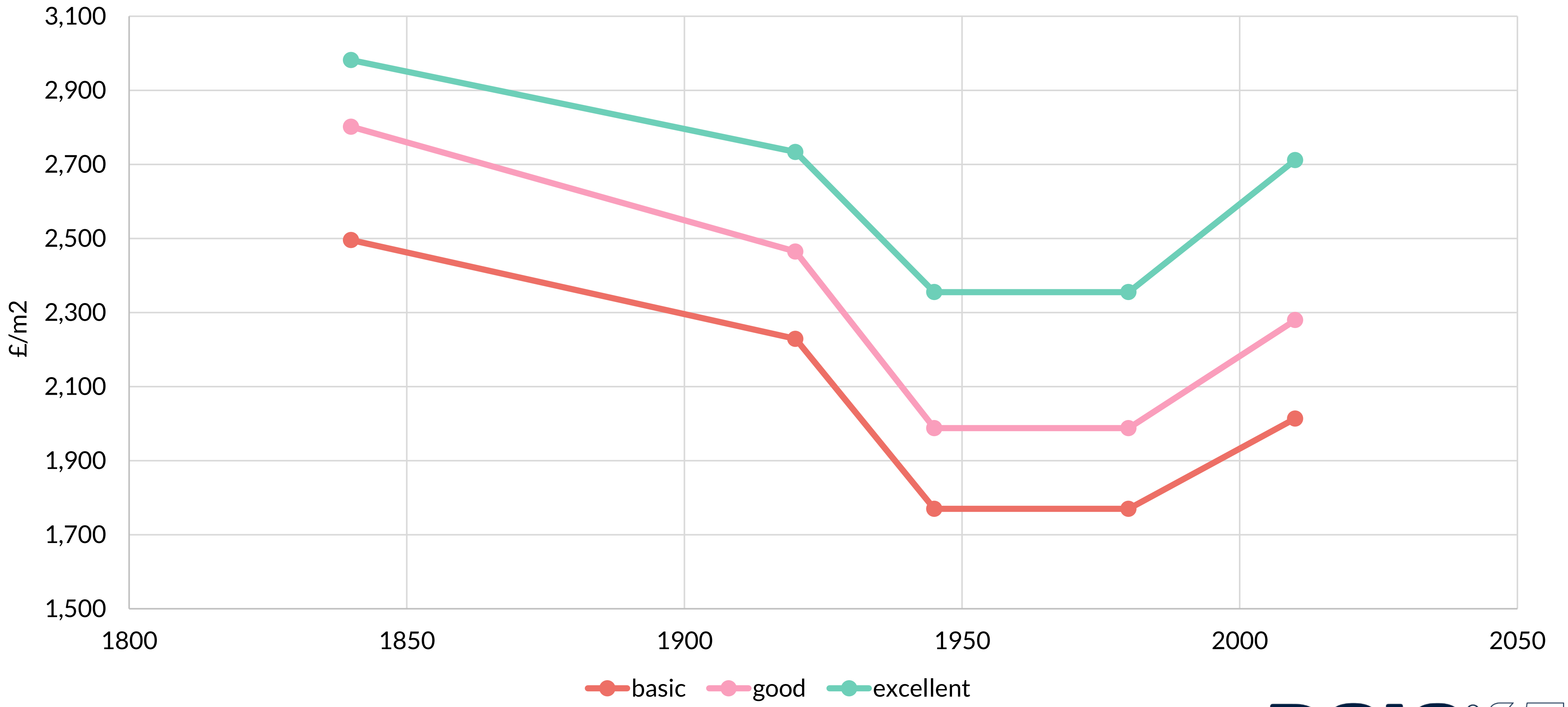
REBUILDING COST COMPARISON BY AGE AND QUALITY FOR FLATS



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INFLATIONARY BACKDROP TO CONSTRUCTION 1H2026

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BACKDROP TO THE CURRENT UK CONSTRUCTION MARKET

Construction output
-2%
2Q2025 to 2Q2026

Construction new orders
-18%
2Q2025 to 2Q2026

Construction wages
-0.2%
June 2025 to June 2026

Construction workforce
-0.2%
2Q2025 to 2Q2026

Bank Rate
3.75%
August 2026

CPI
2.9%
July 2025 to July 2026

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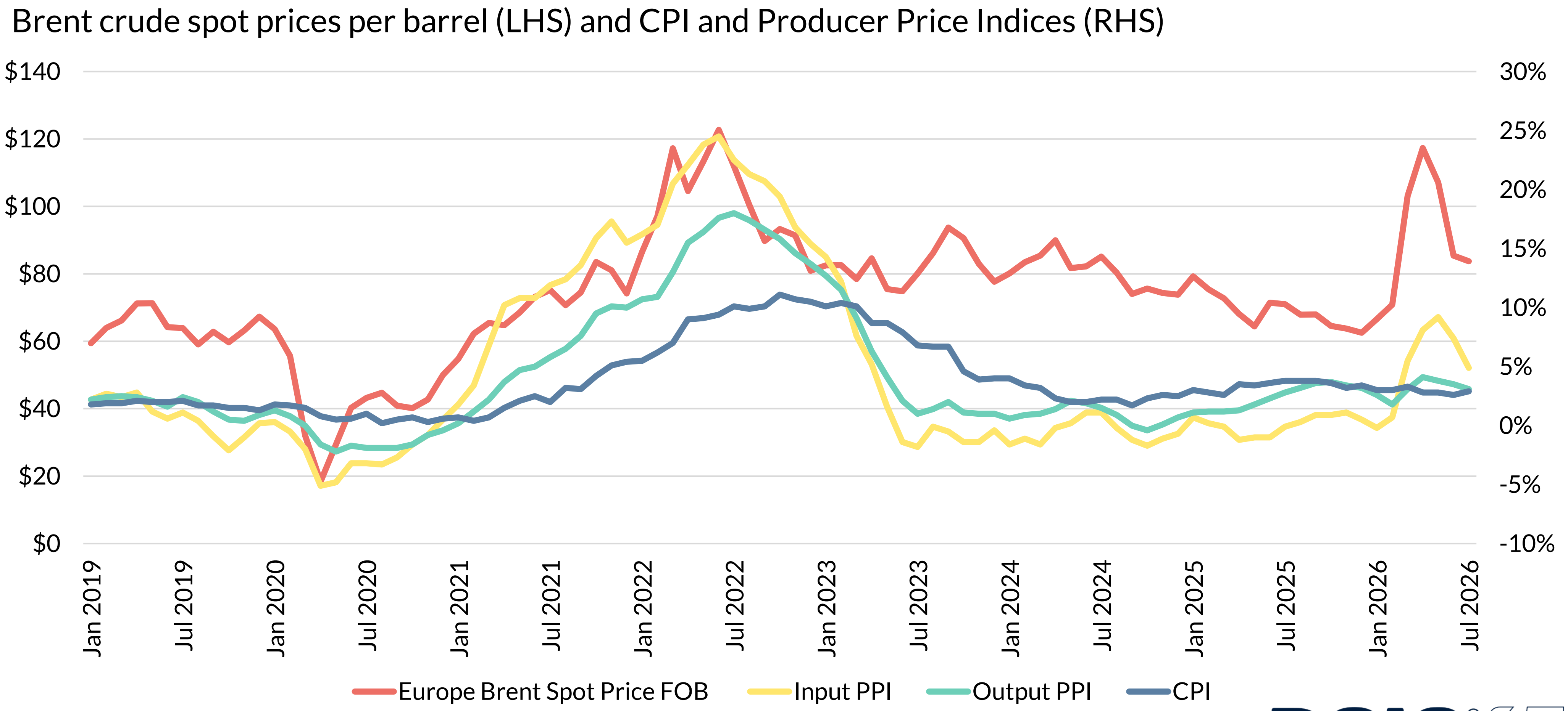
BRENT CRUDE PRICES HAVE CAUSED AN INCREASE TO PPIs BUT CPI REMAINS MUTED



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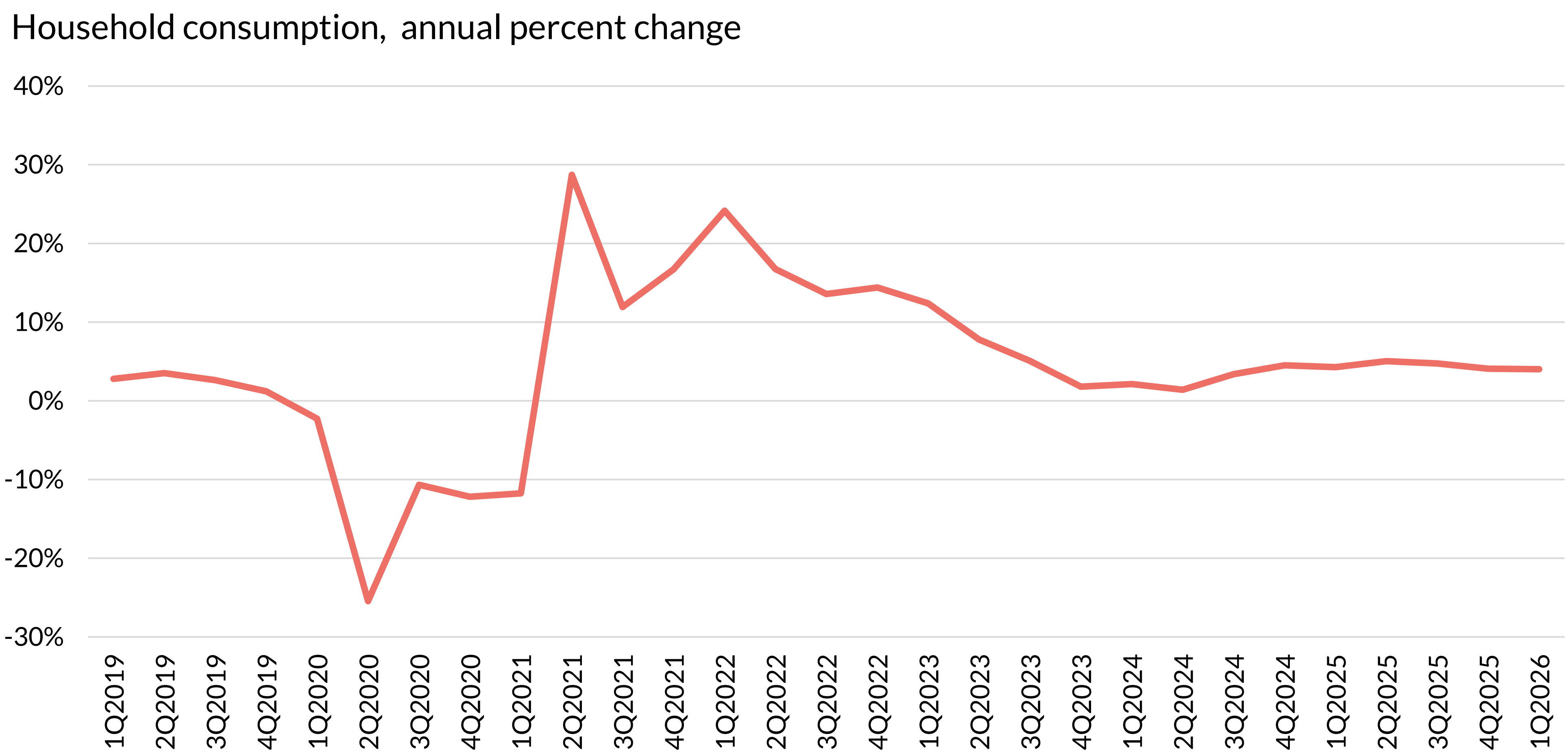
WEAK DEMAND IS LIMITING UPSIDE PRESSURE ON INFLATION



REBUILD COST MOVEMENT IN 1H2026

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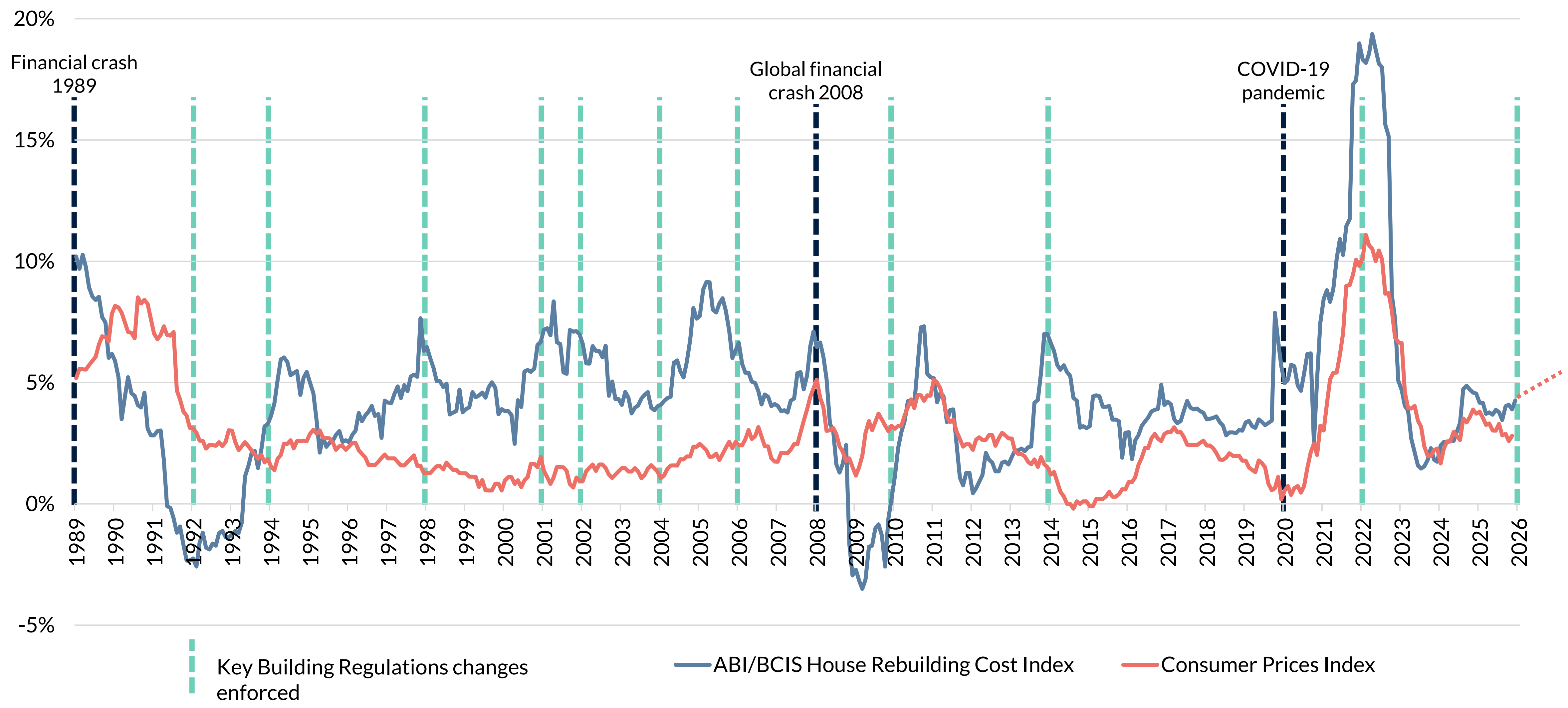
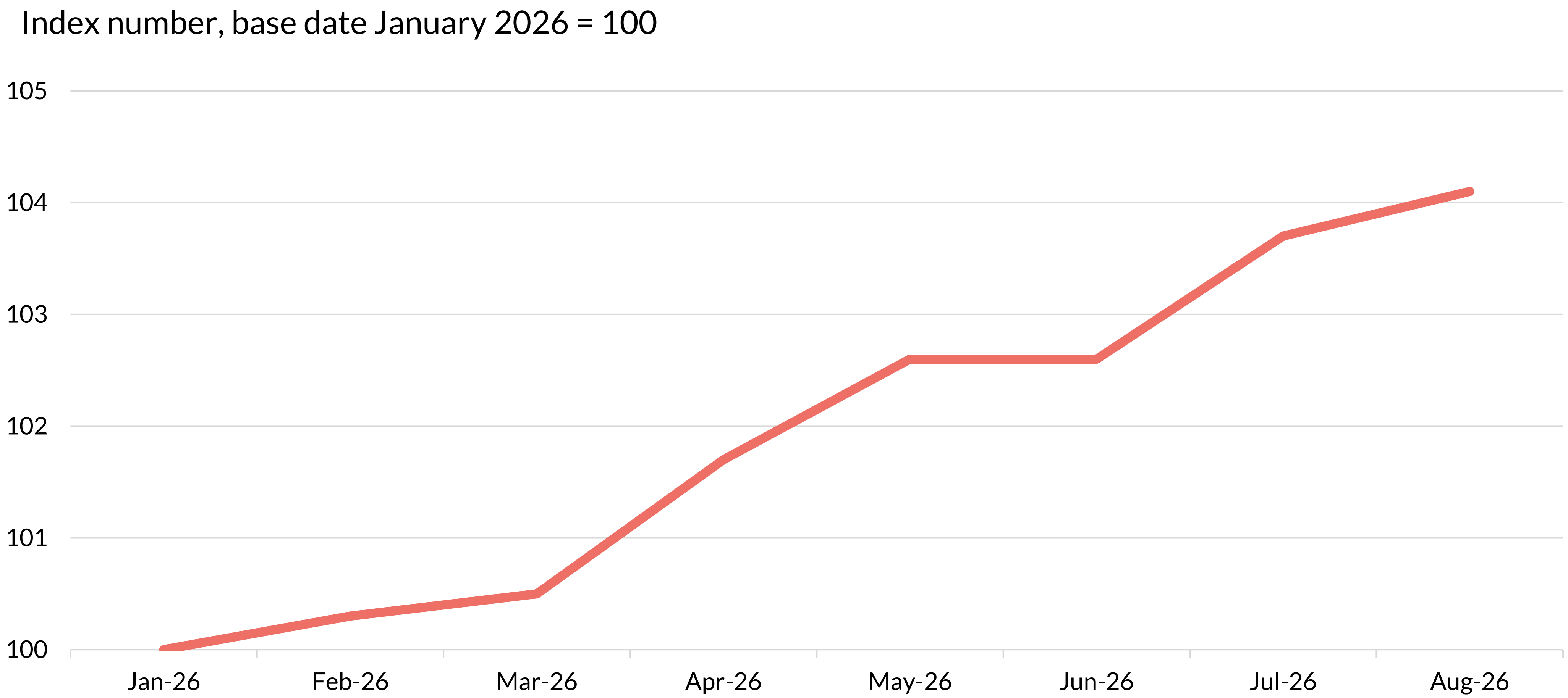
HISTORIC MOVEMENT IN THE ABI/BCIS HOUSE REBUILDING COST INDEX

Annual percentage change



THE ABI/BCIS HOUSE REBUILDING COST INDEX HAS INCREASED BY 4.1% SINCE JANUARY 2026



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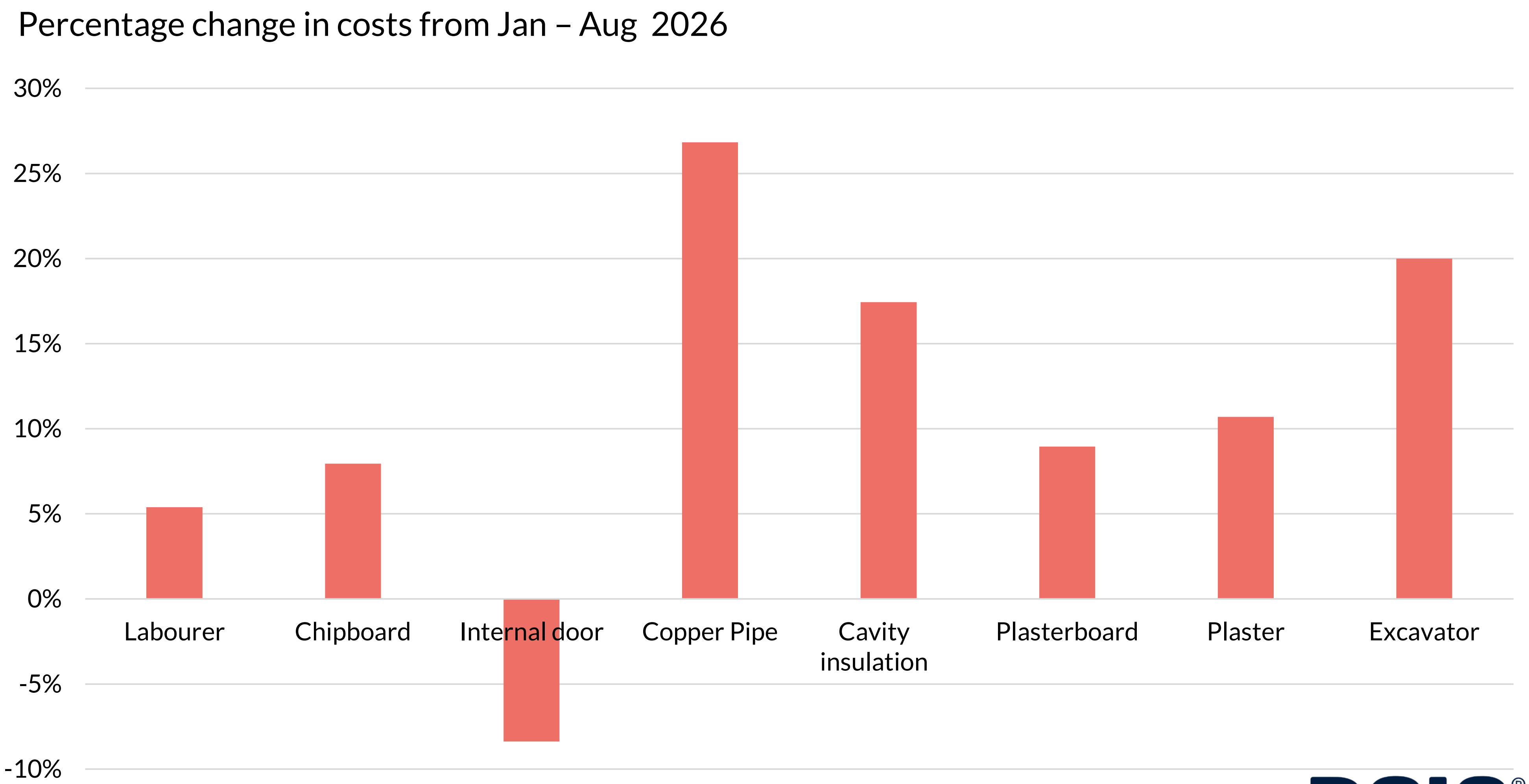
HRCI COST MOVEMENT OF A SELECTION OF RESOURCES



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MOVEMENT IN COMMERCIAL REBUILD COSTS

- **Non-Residential – Average Prices**
  - Based on analysed accepted tenders received from the industry - more than 30,000 analysed projects
  - Represent average costs of building similar facilities
  - Costs reflect current design practice, modern methods and materials
  - Lag in reflecting effect of regulatory changes
  - BCIS All-in Tender Price Index also commonly used in reinstatement cost assessments

MOVEMENT IN COMMERCIAL REBUILD COSTS

Annual movement in the BCIS All-in Tender Price Index

1Q2026: 2.8% | 2Q2026: 3.2%

Average Prices - Offices

- **1Q2026 – 3Q2026 = 4.5% increase in £/m2**

PRE-SUBMITTED QUESTION

With this summer's heatwaves, drought and flash flooding already pushing subsidence and flood claims up, and rebuild costs still rising, what should insurers and brokers actually be doing differently right now to make sure sums insured keep pace - beyond the usual advice to 'review regularly'?

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CLIMATE CHANGE AND UNDERINSURANCE

16.5°C

UK average mean temperature in 2Q2026, hottest on record provisionally

40+

Flood alerts issued for England on 27 August 2026

1,132

Wildfires responded to in England and Wales, 1 January to 16 August 2026

£1.2bn

Insurance payouts for weather-related property claims in 2025

£20,000

Average subsidence claim in 2Q2026

12%

Increase in average claim for damage from flooding, storms and burst pipes, 2Q2026 vs 2Q2025

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WHAT NEXT?

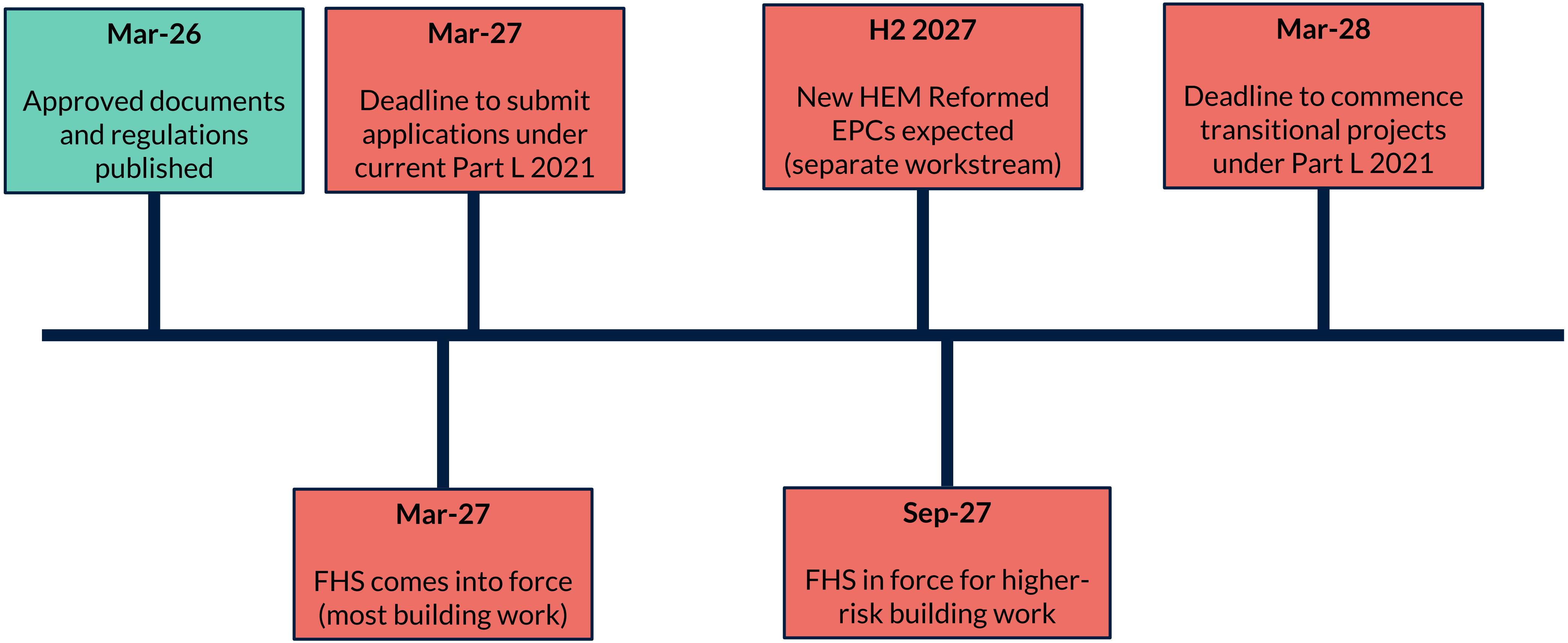
THE OUTLOOK CONTINUES TO LOOK BLEAK

- Energy
- Costs
- Demand
- Bank Rate
- Risks

FUTURE HOMES STANDARD, EFFECTIVE 2027

- Requires new dwellings to reduce carbon emissions by 75% compared with the 2013 Building Regulations baseline
- Amends Building Regulations via
  - Approved Document L (Energy and Greenhouse Gas Emissions) Volumes 1 & 2
  - Approved Document F (Ventilation) Volume 1: Dwellings
- Approved Document O (Overheating)
- Government's own impact assessment gives a weighted average capital cost uplift of £4,350 per dwelling, varying significantly by type

FUTURE HOMES STANDARD TIMELINE



FUTURE HOMES STANDARD IMPACT ASSESSMENT

Detached house £5,160	Semi-detached house £5,600	Mid-terraced house £5,690
Low rise flats (<11m) £5,300	Mid rise flats (11-18m) £2,210	High rise flats (>18m) £1,550

Weighted average (based on assumed build mix) **£4,350**

**2025 prices*

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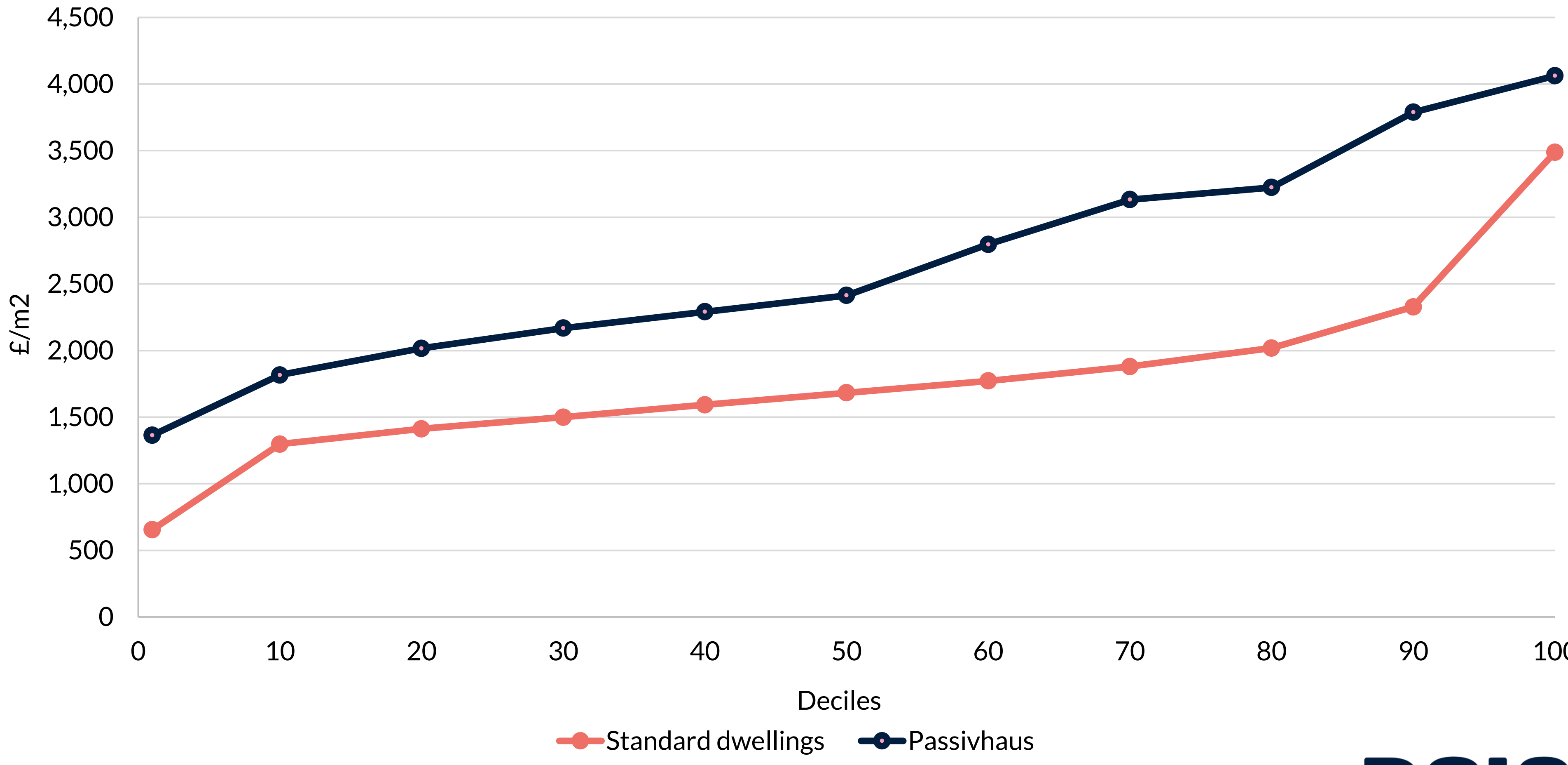
COST COMPARISON OF STANDARD AND PASSIVHAUS DWELLINGS



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OTHER DEVELOPMENTS TO KEEP AN EYE ON

- El Niño — significantly stronger than usual
- Flood Re's Build Back Better grants and more resilient repairs
- Landfill Tax
- UK Carbon Border Adjustment Mechanism (CBAM)
- Autumn Budget

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