sedgwick

Building repair cost review

December 2025

Quarterly update based on data from July 2025 to September 2025

The review

Each quarter, the quantity surveyors from Sedgwick's repair solutions team review the building and construction market to understand the primary drivers of cost and ensure that our rates remain fair and competitive. This report provides the latest insight and looks at factors that could affect insurers' building repair costs in the months ahead.

In Q3 of 2025 we've recorded contractor cost increases of 0.89%. Year to date increases are 4.09% and we're therefore optimistic that our forecast of 5% for the year can be maintained.

It remains a challenging environment for contractors who are receiving notifications of further material price increases together with problems recruiting skilled tradesmen. Forecasting cost increases over the next five years can be viewed optimistically at c.7% or pessimistically at c.40%, dependent on issues such as savings via AI or impacts from geopolitical events. There are though opportunities to manage some cost increases through a focused approach to customer care and redesigning the approach to some repair projects.

Headlines

01 We've recorded total contractor cost increases in Q3 2025 of 0.89%.

02 We've recorded a welcome slowdown in the rate of cost increases. In the year to date we've recorded increases of 4.09%. Our forecast at the start of the year was 4.5%, amended to 5% at the end of Q2.

03 We're continuing to monitor materials used in insurance repair. We classify materials into 24 categories and in the third quarter 15 categories saw an increase in cost of an average of 3.4%. Nine categories recorded reductions in cost by an average of 3.37%. Contractors are receiving notices of further material increases in 2026.

04 Labour shortages continue to be an industry problem, with a recent FMB survey highlighting problems in the recruitment of carpenters, roofers and plumbers with this impacting the progression of some projects. There are opportunities to help contractors manage costs and these include enhanced customer service and enhancing the claims and scoping processes for restoration and repair.

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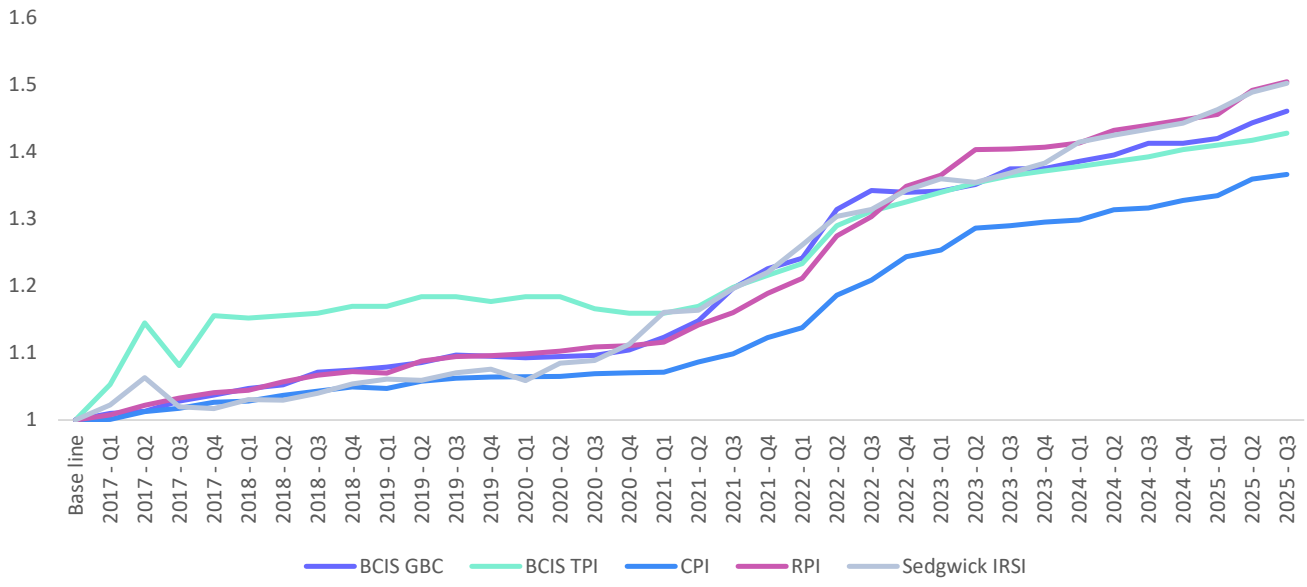
Building cost inflation

We use our own index that focuses specifically on the insurance repair market. To track the impact of inflation on building contractors, the Insurance Repair Specific Index (IRSI) monitors the four main cost components of insurance repairs, i.e. labour, plant, materials, and waste disposal, and takes account of the frequency of use of different materials. This allows us to monitor how changes in trade prices specifically affect the cost of insurance repair work. The IRSI is calculated quarterly. Each month we also track the trade prices of 145 of the most frequently used materials.

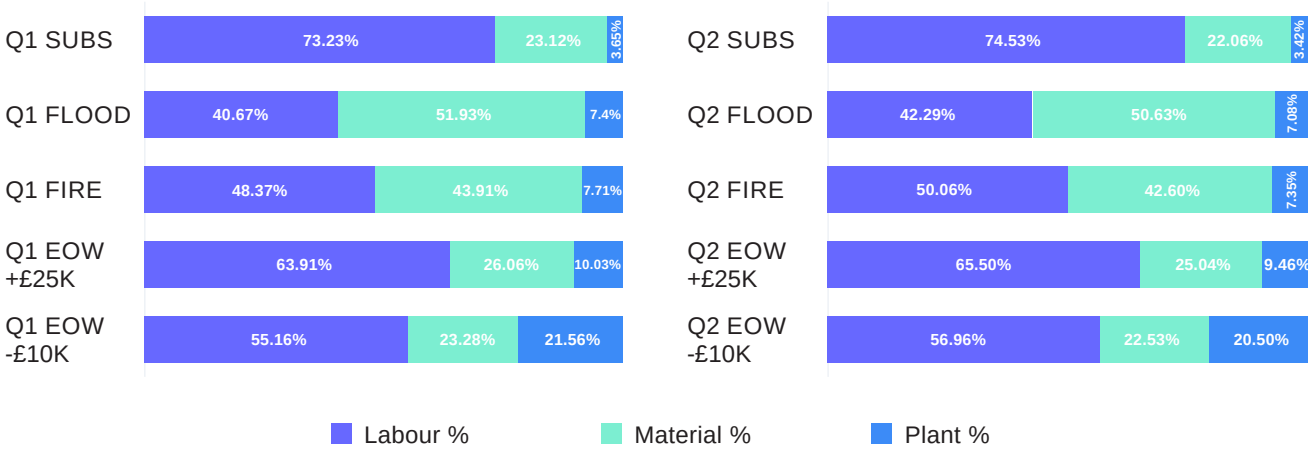
The index highlights how contractor repair costs change over time. In Q3 2025, we saw an overall increase of repair costs of 0.89%. Whilst contractor cost increases continue, these appear to be slowing.

Chart 1 – IRSI Q3 2025



The IRSI value includes costs for labour, materials, plant and waste removal. We weight each of these components to reflect their proportions contained within repair costs. For example, labour comprises c.60%. Chart 2 below shows the proportionate influence of the different components on the overall cost of projects over time. The cost of labour remains the most important element. Since Q1, the proportionate cost of labour has increased in by between 1.3% and 1.8% in all cases, dependent on the peril.

Chart 2 – IRSI cost trends by component over time: Q1 2025 v Q3 2025



Our index looks at cost changes to a model portfolio of work. We've been monitoring how the proportion of these different cost components vary by peril and how the proportions have changed over the course of 2024 and now in 2025. The Q3 chart above shows the breakdown comparison. Subsidence repairs have the highest labour content at over 74.5% of the total cost of a repair, and materials accounting for 22%. In contrast, flood repairs comprise 42% labour and almost 50.6% materials by cost. These mixes, and changes in component cost, are relevant to the types of peril claims and repairs carried out, with contractors being affected by labour and material cost increases to differing degrees based on the mix profile of work undertaken.

We track the changes in cost of materials which are most frequently used in insurance repairs and we summarise these into categories of the major components of building. Table 1 shows the movement in cost of the categories over Q1-Q3 this year.

Table 1 – IRSI cost trends of material categories

Material category	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Sep 2025	YTD 2025
Adhesive/sealants	0.00%	0.00%	-0.19%	0.43%	4.49%	-4.32%	1.32%	4.43%	6.18%
Aggregates	0.00%	0.00%	0.00%	1.44%	0.00%	0.00%	0.00%	0.00%	1.44%
Cement	-0.51%	0.86%	0.00%	-0.01%	0.10%	1.62%	-0.54%	0.28%	1.80%
Decorations	-0.27%	3.62%	-3.22%	1.68%	1.01%	0.53%	-0.53%	0.71%	3.54%
Drainage	0.00%	0.00%	0.00%	1.35%	0.00%	0.00%	0.00%	0.00%	1.35%
Electrical	5.34%	0.05%	0.27%	3.24%	0.00%	0.03%	0.00%	0.00%	8.93%
Enablings	2.74%	0.00%	0.00%	0.65%	0.00%	0.00%	0.00%	-4.61%	-1.22%
Floor covering	-0.46%	1.81%	-0.89%	0.00%	-9.45%	10.02%	0.49%	-1.73%	-0.20%
Gypsum	0.70%	0.13%	0.33%	0.00%	0.00%	-0.05%	0.00%	-1.79%	-0.68%
Heating	4.10%	0.72%	-0.35%	-1.87%	0.00%	-0.10%	0.10%	1.21%	3.82%
Insulation	-1.01%	2.17%	0.99%	13.45%	-4.20%	-1.51%	3.37%	-19.27%	-6.00%
Ironmongery	0.00%	0.89%	0.00%	-0.44%	0.00%	-0.89%	-3.13%	3.70%	0.13%
Kitchens	3.62%	1.46%	3.64%	0.95%	0.04%	0.00%	-4.83%	-3.52%	1.35%
Lead	-1.21%	0.24%	-0.35%	-6.46%	4.76%	-0.12%	0.91%	-7.71%	-9.95%
Masonry	3.78%	0.43%	0.00%	0.18%	0.00%	-0.48%	-1.93%	1.97%	3.94%
Pavings	0.00%	0.73%	0.00%	0.48%	0.00%	0.00%	0.00%	0.00%	1.21%
Plumbing	2.85%	0.33%	0.55%	0.00%	0.22%	0.00%	0.11%	0.00%	4.05%
Roofing	0.29%	-0.58%	0.64%	0.15%	-3.63%	3.77%	-4.58%	-0.24%	-4.18%
Sanityware	-0.74%	-2.82%	4.25%	0.17%	-3.83%	-0.17%	3.68%	0.88%	1.41%
Screws/nails	1.47%	0.00%	0.00%	-0.09%	0.00%	0.00%	0.00%	0.00%	1.38%
Taps	-7.71%	0.00%	0.00%	0.00%	0.00%	-3.48%	8.66%	0.00%	-2.53%
Tiles	-3.41%	2.94%	-6.88%	3.71%	-0.49%	0.00%	1.13%	-3.79%	-6.61%
Timber	3.29%	0.67%	-1.27%	-0.52%	0.79%	0.69%	0.95%	6.53%	11.14%
uPVC window	0.08%	-1.22%	2.14%	-1.81%	-6.36%	-0.48%	2.55%	2.91%	-2.19%

15 categories have recorded increases YTD, with an average 3.4%. Nine categories have recorded price reductions of an average of 3.73%. The cost of insulation was noted in September as falling significantly due to merchants offering large discounts.

Contractors have received numerous notices of price increases from merchants this year and in the Q2 report we highlighted advance notices of material increases contractors had received. These have continued. For example:

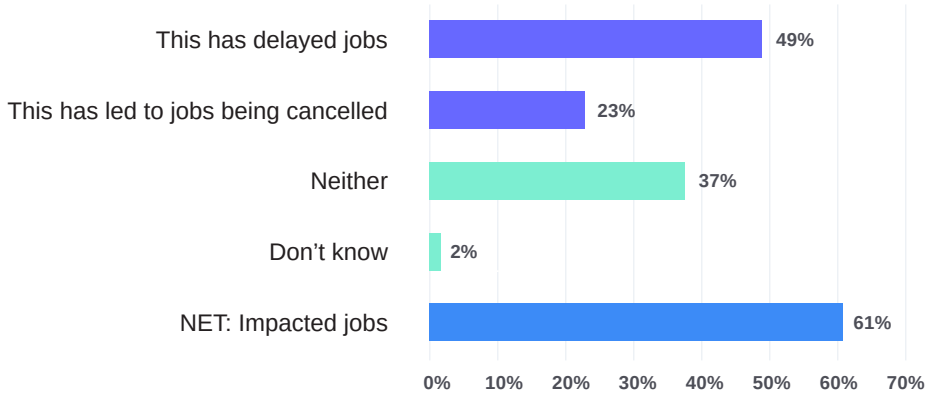
- National paint supplier advising of increases applicable from 1 February 2026 of 2.8% on paint, and third party supplied products of 3.3%
- Insulation manufacturer increasing prices by 10% effective from 16 February 2026
- Plaster products increasing by 3.75% effective from 1 January 2026
- A national merchant has advised that with effect from January 2026:
  - Roofing – up to 7%
  - Bricks – up to 8%
  - Blocks – up to 9%
  - Landscaping – up to 8%
  - Drainage – up to 8%
  - Plaster, plasterboard and cladding – up to 7%

Whilst our index covers all types of insurance building repair, we've investigated the way input costs of materials and labour have varied between domestic and commercial repairs over the last 12 months. Data indicates that, generally, materials more commonly and frequently used on commercial repairs have increased at a higher rate than typical domestic materials. The cost of domestic tradesmen has however risen at a greater rate than tradesmen employed on commercial work. Due to the high labour element of domestic work the combined total cost increase difference is in the region of 60%, e.g. commercial material and labour increases totaling 3.4%, domestic increases 5.5%. This is a guide and further research is needed.

The Federation of Master Builders, have surveyed their members, who are small to SME contractors, and so akin to contractors working in insurance repair, have published their latest State of Trade Survey. This receives details from members on their current market and trading experiences. They reported workloads up by 25%, but repair and maintenance work (most like insurance repair) had increased by 35%. Carpenters, roofers, plumbers and bricklayers were also highlighted. Of concern to respondents, and the sector, is the impact on projects, as shown below in Chart 3 below.

These challenges around labour availability and cost pressures contractors face can lead to poor service to customers as projects may be impacted. In 2023 Citizens Advice recorded 41,600 complaints about construction maintenance and improvement work. A Which? Survey noted that 1 in 10 people were unhappy with home renovations. The Home Builders Federation have reported that 93.7% of new homeowners report problems when they move into their new home. These problems can themselves lead to further cost issues and the opportunity to reduce these, and help manage inflationary impacts, exists if customer care can be enhanced and demonstrated. As an example, our contractor network, Repair Solutions, has worked with contractors to focus on this and are now recording NPS scores of 75 and a complaint ratio of 0.5%.

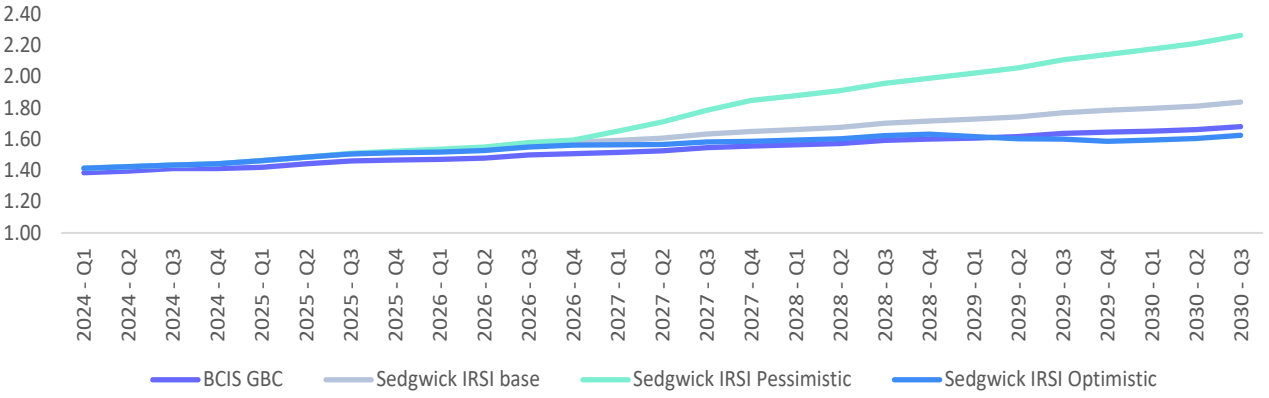
Chart 3 – FMB members reports on labour difficulties



Longer term inflationary trends

Contractor construction costs are expected to rise over the next five years and our estimates of cost trends are shown below in Chart 4.

Chart 4 – Contractor cost increases forecast



We've considered how costs might rise over the period and have created optimistic and pessimistic forecasts:

- **Optimistic** – assumes factors such as AI will drive some cost savings in management and material production. Increases of 7%
- **Pessimistic** – assumes factors such as increased activity in the housebuilding sector will impact the insurance repair sector tradesmen and geopolitical events may impact the supply chain. Increases of 40%
- **Base** – assumes that costs will increase consistently as seen in the last 24 months. Increases of 20%

An abridged version of the data is shown in Table 2 below.

Table 2 – Five-year forecast

Year	2026	2027	2028	2029	2030	Total
Sedgwick IRSI Base	3.98%	4.30%	4.04%	3.94%	2.96%	19.22%
Sedgwick IRSI Optimistic	3.23%	1.54%	2.88%	-2.81%	2.40%	7.25%
Sedgwick IRSI Pessimistic	4.67%	14.98%	7.52%	7.43%	5.58%	40.17%

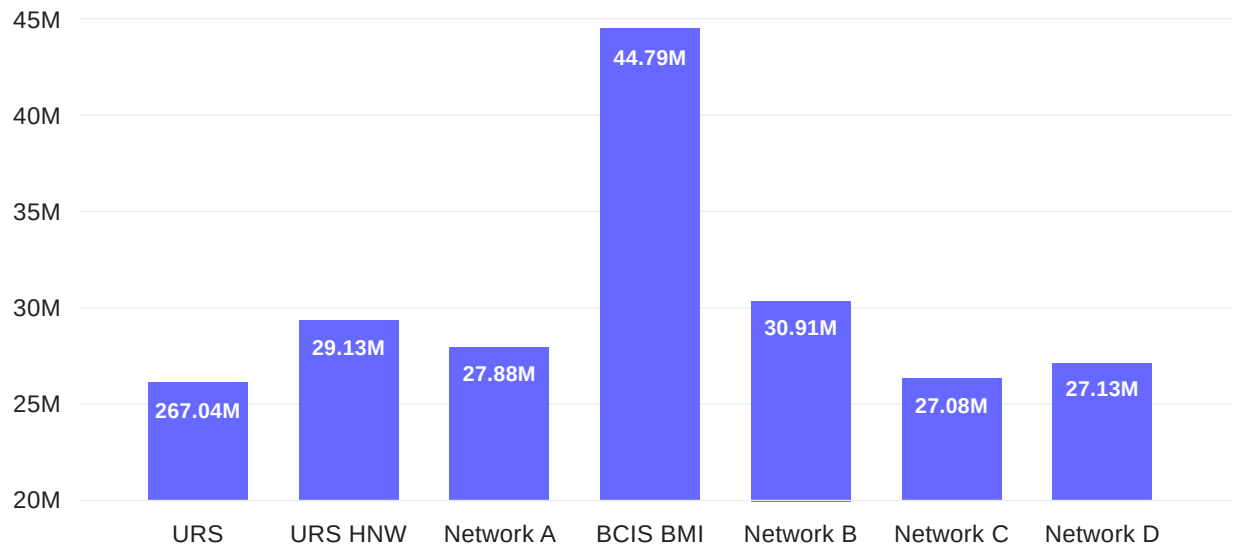
Rates benchmarking

To ensure that the costs of Sedgick's repair solutions are competitive, our quantity surveying team undertakes a quarterly rate review. Known as the URS, the review compares our rates with other market repair costs. This benchmarking exercise includes:

- A cost review of 25 of the most frequently used repair rates
- A review of the output costs of repairs on typical escape of water, fire, flood and subsidence
- claims in a hypothetical large portfolio of cases

The results of this review are shown in Chart 5 below. These include the Sedgwick Universal rates which were increased mid-2025. Other network costs reflect increases too. It's important to note that Sedgwick's repair solutions rates include all network management costs or fees. To allow comparison, our management costs has been included with the net rates and the results confirm Repair Solutions rates continue to remain competitive.

Chart 5 – Rate benchmarking



The changing cost of waste disposal

In last quarters report we commented on the Government's consultation on the reform of the Landfill tax. In the November budget the Chancellor announced that the proposals had been all but dropped, with the exception of a small category of dredged waste and this isn't expected to have an impact on contractor's costs.

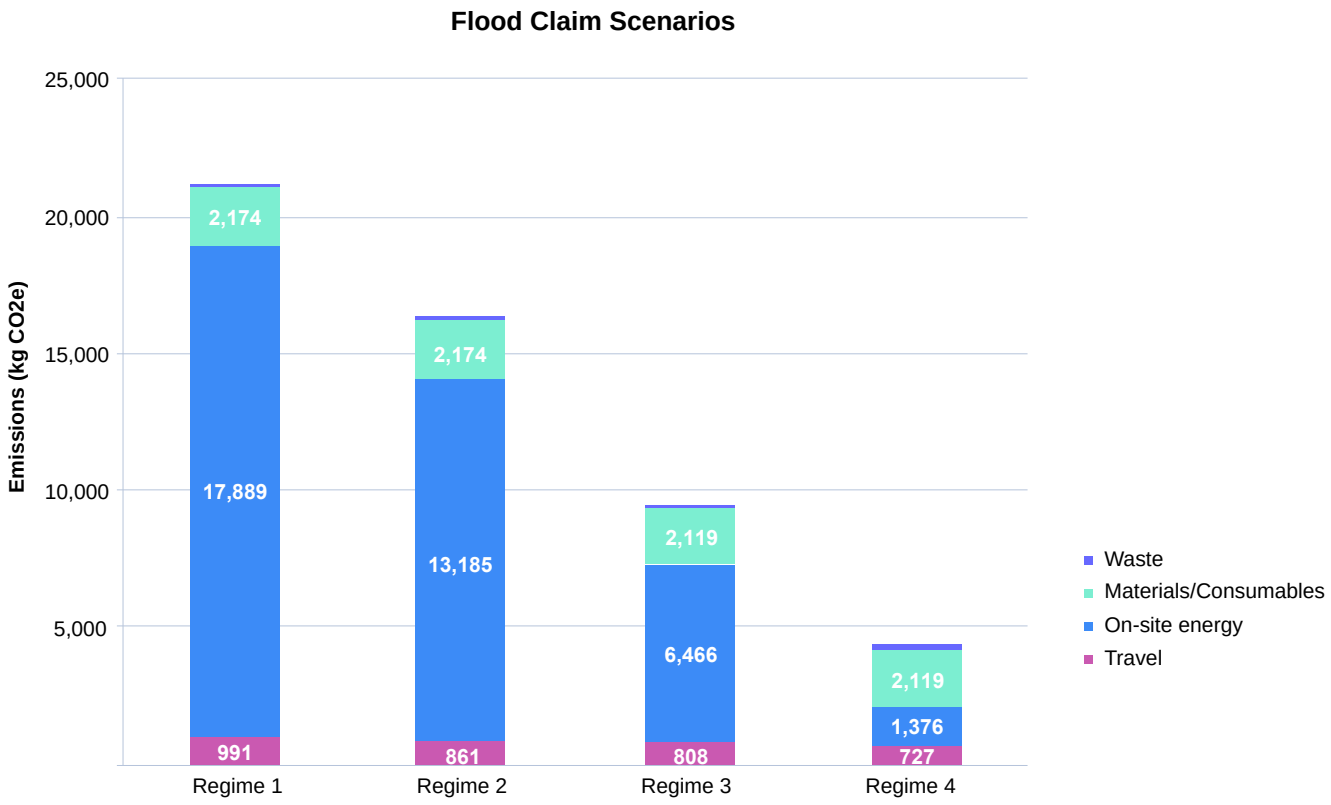
Cost saving opportunities to offset inflation impacts

We've previously completed research with ClimateWise opportunities that exist to make theoretical savings on wet peril and fire claims by adopting alternate approaches to the affected building restoration.

https://www.cisl.cam.ac.uk/system/files/documents/sustainable-claims-management-report.pdf

As an example, flood repairs could be approached applying the guidance to different extents creating savings in energy, time and cost. Details are shown in Chart 6.

Chart 6 – The impacts of alternate approaches to repairs



We're able to report here on an approach which can mitigate the impacts of inflation.

We've taken the principles of the research and have worked to validate the practicality of the approach for the last five years building up a significant sample of cases in developing an end to end claims solution for restoration and repair known as Complete Restore. We've learnt that effective control of costs in an insurance repair requires a holistic approach to the handling of a claim to ensure effective mitigation against a rise in indemnity cost, ensuring the right process / supply chain / procurement procedures are maintained.

The evidence that our philosophy on restore and not replace brings about savings is clear in the data.

- Reviewing an extensive sample of 30,000 claims over five years comparing a traditional strip out approach, to the restore v replace philosophy, has shown a reduced overall claim spend of 17% over the portfolio of claims
- There has been a commensurate 17% reduction in elapsed times
- There is an even more significant reduction in the carbon footprint of the claim- an analysis of a sample of claims has shown a reduction of the carbon footprint typically of 25-30%, using our buildings carbon calculator

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