

Understand what's driving higher home premiums

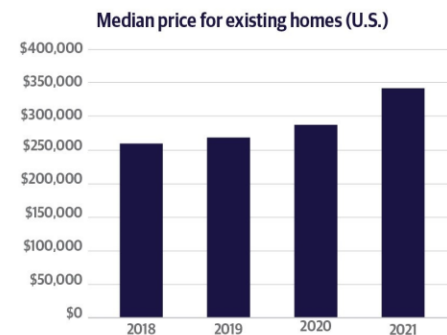
07/06/2021 By: Jeff Encke, Safeco insurance

The perfect storm of market forces is driving up housing prices – and with it the cost of insuring them for repair and replacement, leading to higher-than-normal home premium increases this year.

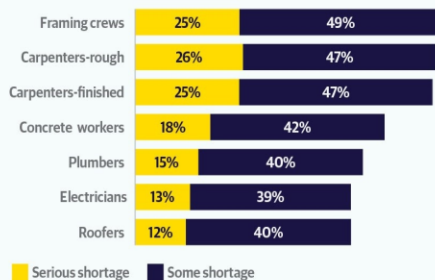
Low housing inventory and historic demand

In April 2021, there were 1.16 million unsold homes on the market, down 20.5% from the previous year. That inventory shortage has caused the U.S. median home price to surge 19.1% in the past year.

Source: National Association of Realtors



Builders reporting shortages of labor: Oct. 2020



A shortage of skilled labor

The home-building industry is currently facing a shortfall of at least 200,000 skilled trade workers. About 60% of surveyed builders report a skilled labor shortage.

Source: Home Builders Institute

Skyrocketing materials costs

Between 2020 and 2021, the cost of construction materials rose 11.9%. Lumber played an outsized role in that increase, rising a staggering 42% over the past year.

Source: CoreLogic Quarterly Construction Insights (Q2 2021)

Material trends: March 2020 to March 2021

