

PLANNING AHEAD

HOW TO REBUILD ON TIME AFTER PROPERTY DAMAGE

FOR BUSINESSES that suffer property damage, getting repairs or rebuilding completed on time and within budget is becoming an uphill battle.

A mix of inflation, supply chain challenges leading to material shortages, a tight construction labor market and the inherent complexity of commercial construction have pushed costs higher and stretched timelines longer. This can leave a company unable to operate or producing revenue at only partial capacity while they wait.

As the problem worsens, it's important that property owners have a strategy to jump-start repairs through planning and by establishing a network of contractors in advance.

Why repairs take longer, cost more

Persistent inflation – Verisk reports that commercial reconstruction costs rose 5.7% year over year through the second quarter of 2025, with concrete prices jumping by more than 9%.

Supply chain disruptions – Tariffs on imported materials, supply chain issues and transportation delays are further inflating prices and lengthening delivery times. It's not uncommon for a project to be delayed for months because of part shortages.

Labor shortages – Nearly 900,000 skilled trade positions remain unfilled nationwide, and many contractors are struggling to meet demand for work.

Complex project requirements – Unlike a home, a commercial property may include multiple systems such as HVAC, fire suppression, medical gases, industrial machinery or commercial kitchens, all of which must meet strict codes and specialized standards.

Local contractor limitations – Contractors accustomed to routine maintenance may lack the expertise or workforce to manage large-scale reconstruction, leading to delays as businesses search for more capable contractors.

Risk multiplies after disasters

After natural disasters, these problems are compounded. Local labor, materials and equipment become scarce almost immediately after a disaster, as affected businesses vie for the same resources.

In these situations, unprepared property owners can end up paying steep premiums for scarce labor or settling for subpar work just to reopen sooner. Insurers face their own exposure as delayed repairs prolong business interruption claims and push overall loss costs higher.

Steps you can take

While these challenges are significant, property owners can take practical steps to mitigate repair delays and inflated costs when filing commercial property claims.

Build a broad contractor network – Developing relationships with a wider network of pre-qualified commercial restoration firms can give you options when demand spikes. A vetted network also allows property owners and insurers to match each job to the right expertise rather than defaulting to whoever is available.

Use time-and-material pricing models – Fixed-price contracts can create inefficiencies and inflated costs when project scopes shift. A time-and-material model charges based on actual labor hours and materials used, which provides transparency and flexibility.

This approach also allows for detailed tracking and frequent review of expenses so both owner and contractor understand exactly where costs are going.

Establish pre-loss agreements – Pre-loss agreements set expectations in advance by outlining pricing frameworks, response times and emergency protocols before a loss occurs.

By having these contracts in place, property owners can mobilize resources immediately after a loss without wasting time negotiating terms. This proactive planning is particularly valuable for multi-site operations or organizations located in catastrophe-prone regions.

Emphasize proactive project management – Active oversight keeps contractors accountable, coordinates multiple trades and helps ensure the contractor stays on schedule. This requires someone on the team to regularly check on work progress.

Whether through an internal facilities team, a dedicated project manager or virtual monitoring tools, close supervision helps ensure the repair process stays on course and minimizes costly delays.



If you have any questions regarding your coverage or our products, please call us at one of our offices:

Walnut Creek
Los Angeles
San Jose
Portland
Bakersfield
Philadelphia

Cypress
Petaluma
Phoenix
Truckee
St. Louis
London

San Francisco
Irvine
San Mateo
Seattle
Woodland Hills

Phone: 800-234-6787
CA License No.: 0564249

Produced by Risk Media Solutions on behalf of Heffernan Insurance Brokers. This newsletter is not intended to provide legal advice, but rather perspective on recent regulatory issues, trends and standards affecting insurance, workplace safety, risk management and employee benefits. Please consult your broker or legal counsel for further information on the topics covered herein. Copyright 2025 all rights reserved.