
Why does Reconstruction usually cost more than New Construction?

Economy of Scale

When a contractor is building many homes at the same time, materials can be purchased in large quantities for delivery, as needed... everything from framing lumber to plumbing fixtures. If you buy a large number of bathtubs for instance, suppliers will compete for your business and offer substantial price discounts.

When you buy just one bathtub, especially if it must be a match for one that has been destroyed, it will nearly always cost much more than if it had been part of a larger purchase. This holds true for almost everything that goes into a home and this factor alone can push the cost of rebuilding, thousands of dollars higher than the cost for comparable new construction.

Top-down versus Bottom-up

New construction begins at the foundation and builds upwards.

Repairing a house that is not destroyed often means removing the roof and rebuilding from the top down, a far more time-consuming and labour intensive process.

Demolition and Debris Removal

New home construction normally begins on open ground, perhaps with some brush removal, grading or other minor site preparation.

Rebuilding begins with a partially or totally destroyed structure occupying the building site. Parts of the structure may still be standing but are unusable, requiring demolition and removal. The site may have to be extensively cleaned, after an intense fire for example, the soil may be contaminated. The foundation may have been damaged beyond repair. A lot of work is usually required before the first cement can be poured or the first nail hammered in.

Use of Labour

When a new homebuilder has several houses under construction, even if they are not all in the same area, work can be scheduled for the most efficient use of carpenters, plumbers, electricians, and casual labourers. If one house is not ready for wiring, the electrician can often work on another.

When only one home is being rebuilt, the same kind of efficient scheduling is rarely possible. Labour usually accounts for the largest share of home-building costs.

Inflation

It is rare that all sectors of the economy respond to inflationary pressures at the same rate. Construction materials, especially wood products, frequently increase in cost faster than other commodities and significantly faster than the general rate of inflation.

Access to the Worksite

When new homes are under construction, there is usually no landscaping, allowing for easy access to the site. Materials can be driven directly up to any side of the structure as needed. When a house is being rebuilt among existing homes though, there are trees, shrubs, lawns, flowerbeds, fences, and similar obstructions limiting access. Materials often have to be off-loaded further away and hand-carried to where they are needed. This factor is compounded if the building site is on sloping ground. The impact on labour costs can be significant.

Special Features and Unusual Materials

Older homes and homes that have been extensively remodeled often have customized features or include materials not commonly found in homes being built today. These features and materials can be expensive, if not impossible to duplicate. Examples include slate or tile roofs, lath & plaster walls, coved ceilings, wainscoting, solid wood doors, custom ironwork, ornamental fireplaces, exposed beam ceilings, stained glass, or other leaded windows, curved staircases or tile floors and other items.

Building code changes

Most older homes, and many newer homes, were built during times when building codes were less strict than they are today. If you are rebuilding or restoring your home, you may need to meet the newer and more demanding building codes. Even undamaged parts of the structure may have to be rewired or plumbed to meet current codes. Building codes may also require you to replace windows with safety glass or replace roofs with fire-retardant materials. Building code changes can add thousands of dollars to the cost of restoring a damaged home.

Construction costs rise after natural disasters

In the wake of a natural disaster affecting a wide area, the costs of building materials and contractor fees nearly always rise sharply in response to the sudden surge in demand. Even without deliberate profiteering, this would normally be true because when local supplies are quickly exhausted, materials have to be brought in on an emergency basis, often from mills or factories at great distance. This may require higher transportation costs, and a lot of overtime pay. Whenever many homes have to be repaired or rebuilt at the same time, the cost for each will be higher than normal, sometime much higher.

Undamaged Parts of the home and the contents must be protected

Once the fire is out or the windstorm has abated, all parts of the property not destroyed must be protected from further damage or looting. This can involve covering a roof, missing windows, and holes in the walls, with plastic sheeting for example. As soon as possible, surviving personal property items must be removed and placed in temporary storage for safekeeping.

Satisfying the policyholder

One of the most important service elements to a homeowners claim, is getting the homeowners back into their repaired home as soon as possible. Not only does this reduce the additional living expense part of the claim, but also it strengthens the relationship between insurer and policyholder, through the perception of good service commitment. This heightened "urgency" usually carries a higher cost in materials' delivery fees and contractor fees. There is not the same pressure or expectation when constructing a new home.