



INSURANCE

How to Calculate the True Cost to Rebuild Your Home

altadenafiresafe.org

Our Mission

The **Altadena Fire Safe Council** is working to reduce wildfire risk across our community through GIS-informed planning, science-based integrated vegetation management and regenerative land stewardship. We will pursue Firewise USA® neighborhood recognition by educating our community about home hardening, defensible space design, soil restoration and native plant landscaping.



Charity On Top (EIN #81-1198370) is a California-registered 501(c)(3) nonprofit foundation and is the official fiscal sponsor for the Altadena Fire Safe Council.

Insurance Disclaimer

The information provided is for general informational purposes only and should not be considered professional insurance advice. It does not replace the guidance, evaluation, or opinion of a licensed home insurance professional. Coverage terms, eligibility, and policy interpretations vary by provider and individual circumstances. For advice specific to your property or insurance needs, please consult a qualified insurance agent or licensed expert.

© 2026 Altadena Fire Safe Council. All Rights Reserved.

Understanding How Rebuild Costs are Calculated

After major wildfires across California, thousands of homeowners discovered that their insurance policies were far too low to rebuild their homes.

The reason is simple: rebuilding costs are very different from real estate market values. Land value, views, and neighborhood demand may drive home prices up, but insurance only covers the cost to reconstruct the structure itself. Understanding how rebuild costs are calculated is one of the most important steps homeowners can take to ensure they are fully protected.

Rebuilding Cost Is Not the Same as Market Value	
Real estate prices include the value of land, location, schools, and neighborhood demand. Insurance, however, only pays to replace the physical structure of the home. For example, a home in Altadena might sell for \$1.4 million, but the cost to rebuild the structure could be \$600,000 to \$1 million or more, depending on materials, size, and site conditions. This difference is why insurance policies should always be based on construction costs, not real estate prices.	
Key Factors That Affect Rebuild Costs	Site Conditions and Hillside Construction
Construction Costs Per Square Foot	Homes located in foothill communities often have additional rebuilding challenges, including:
The most basic rebuild estimate begins with the cost per square foot for residential construction in your region. In Los Angeles County, rebuilding costs can vary widely depending on materials, architectural style, and contractor availability.	✓ steep driveways or narrow roads
	✓ retaining walls
Typical rebuild estimates may include:	✓ foundation stabilization
✓ basic construction costs	✓ limited construction access
✓ labor	These factors can significantly increase rebuilding costs compared to homes on flat suburban lots.
✓ materials	
✓ contractor overhead and profit	Fire-Resistant Building Requirements
After major wildfires, these costs can rise quickly due to regional demand for contractors and building supplies.	Homes rebuilt after wildfires must comply with modern fire safety building codes, which may include:
	✓ ignition-resistant roofing and siding
	✓ ember-resistant vents
	✓ tempered glass windows
	While these upgrades make homes safer, they can also increase the cost of rebuilding compared to older construction.

Understanding How Rebuild Costs are Calculated

Debris Removal and Site Preparation	Regional Disaster Cost Surges
Before reconstruction begins, wildfire sites often require:	After large fires, rebuilding demand spikes across the region. This can lead to:
✓ hazardous debris removal	✓ contractor shortages
✓ soil testing and environmental cleanup	✓ material price increases
✓ foundation inspections or demolition	✓ longer construction timelines
These steps can add tens of thousands of dollars to the overall rebuild cost.	Insurance experts often refer to this as demand surge , and it can significantly increase the total cost of rebuilding.
How to Estimate Your Home's Rebuild Cost	
Homeowners can take several steps to ensure their insurance coverage reflects the true cost to rebuild:	
1. Request a Replacement Cost Estimate	
Ask your insurance provider to conduct a professional replacement cost analysis using detailed construction data.	
2. Consult a Local Contractor or Builder	
A contractor familiar with foothill construction can provide a more realistic rebuild estimate.	
3. Update Coverage After Renovations	
Additions, remodels, or custom features may significantly increase your rebuild cost.	
4. Review Your Policy Annually	
Construction costs change over time. Reviewing your policy each year ensures coverage keeps pace with inflation.	
Why This Matters	
Underinsurance has become one of the most common financial challenges for wildfire survivors. When rebuilding costs exceed policy limits, homeowners may face hundreds of thousands of dollars in out-of-pocket expenses .	
Taking the time now to estimate the real cost of rebuilding your home ensures that if disaster strikes, your insurance will provide the protection you expected.	