



Markets in Focus

Real Estate

SECOND QUARTER
2026

MARKET UPDATE

Real Estate Snapshot



COVERAGE HIGHLIGHTS

PROPERTY INSURANCE

Catastrophe-exposed placements are seeing favorable reductions. Clients with consistent renewals have achieved cumulative decreases. Outside catastrophe zones, improvements are limited and underwriting remains strict.

CASUALTY INSURANCE

Costs continue to rise, especially for mixed-use and residential-adjacent properties. Many umbrella placements now require a \$2 million attachment point. Coverage is harder to assemble, with more business shifting to the excess and surplus market.



INDUSTRY TRENDS

Insurability is a gatekeeper for project feasibility - insurance volatility and coverage uncertainty are shaping development decisions as much as interest rates.

Construction activity is slowing due to difficulty modeling insurance costs early in projects.

Regional rental vacancy rates influence underwriting confidence and reserve expectations. The South continues to have higher vacancy rates than the West.

Smaller owners face more binary outcomes at renewal or refinance, while larger operators can better navigate complexity.



CLAIMS INSIGHTS

Claims trends are driving underwriting strategy more than market optimism.

Severe weather, litigation, and large jury awards are increasing claim severity.

National Flood Insurance Program is authorized through September 30, 2026, remaining critical for many property owners.

Leading causes of workplace fatalities: Violent acts, harmful exposures, and falls.

Proactive loss control and documentation are essential for better claims outcomes.

Executive Summary

Property pricing is becoming more favorable for well-managed, non-catastrophe-exposed assets as capacity returns, but the improvement is selective rather than broad-based. Underwriters remain disciplined around valuation, construction quality, and climate exposure, while casualty lines continue to harden under the weight of litigation severity and large verdicts. Higher attachment points, reduced limits, and narrower terms are becoming more common for public-facing and residential-adjacent risks.

As a result, insurance is no longer behaving like a stable operating expense. It is increasingly affecting cash flow, valuations, development timelines, and financing outcomes. For mixed-use and adaptive reuse projects, construction complexity, long-tail liability, claims trends, and public program constraints are adding friction to placement and reinforcing lender scrutiny. Across the sector, insurance has become a material financial risk variable, not just a cost of doing business.



Insurance is increasingly impacting cash flow, valuations, timelines, and financing.



Insurance Market Trends

Property

The property market is continuing to soften, but the story varies depending on where risk sits and how it is structured. In catastrophe-exposed placements, increased competition and returning capacity are driving meaningful rate relief, particularly on layered and portfolio programs. As markets compete more aggressively for those opportunities, some owners are seeing reductions of 20% to 30%, and clients who have consistently renewed through this cycle have achieved cumulative decreases of 25% to 35% across multiple renewals.

Outside the catastrophe arena, however, the picture is less favorable. Standard property markets remain challenging in several states, where appetite is narrowing, and well-managed assets are no longer benefiting as broadly from improved market conditions. Even where pricing pressure has eased, underwriting remains focused on valuation, construction quality, maintenance, and exposure to climate-driven loss. Buyers may gain some relief through lower deductibles and better terms. However, the market is still rewarding detail, discipline, and clean risk presentation more than it is offering across-the-board flexibility.

Property Market Trends: A Split Landscape

CATASTROPHE EXPOSED



MARKET SOFTENING

Increased capacity, more competition, and strong rate relief



PRICING IMPACT

20% to 30% reductions and up to 35% cumulative decreases across multiple renewal periods



MARKET BEHAVIOR

Aggressive competition and favorable for layered programs

STANDARD PROPERTY



ONGOING PRESSURE

Narrowing appetite, challenging in key states, and limited benefits from softening



UNDERWRITING FOCUS

Valuation, construction quality, maintenance, and climate exposure



MARKET BEHAVIOR

Discipline over flexibility and clean risk presentation rewards

Casualty

The casualty market remains under sustained pressure, and that strain is showing up in both pricing and placement. General liability and umbrella costs continue to rise as litigation severity and large jury awards reshape underwriting, particularly for mixed-use, residential-adjacent, and public-facing properties. In response, buyers are being pushed to evaluate limit adequacy more carefully while strengthening documentation and incident reporting practices to support defense strategies.

At the same time, coverage is becoming harder to assemble cleanly. Cyber and crime policies can still leave meaningful gaps, especially when special purpose entities (SPEs) are insured under a parent company structure. The admitted market has also narrowed significantly, with several carriers stepping away from mono-line general liability for retail and habitational risks. As more business shifts into the excess and surplus market, placements are becoming more complex and less predictable.

That tightening continues higher up the tower. Many underwriters now require a \$2 million attachment point, and umbrella programs are subject to narrower appetites and deeper underwriting scrutiny around site security, property condition, and loss history. In this environment, disciplined risk transfer, precise contract language, strong indemnity provisions, and efficient claims handling are becoming more important differentiators.



The broader financial impact is becoming harder to ignore. Premium volatility, higher deductibles, and uncertain coverage terms now rival interest rates in their effect on cash flow and valuation, with outcomes varying sharply by asset type, geography, and prior losses. Complexity is also drawing greater penalties from insurers. Mixed-use properties, in particular, are increasingly viewed as correlated exposures, leading to higher retained risk, narrower business interruption protection, and use-specific restrictions that complicate placement. Builder's risk has become a critical path issue for development, while lenders are treating insurance terms more directly as a credit concern, incorporating them into loan covenants and refinancing decisions.

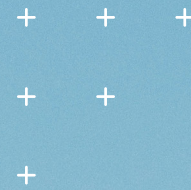
Industry Trends

Insurability is becoming a gatekeeper for project feasibility, regardless of how strong local demand or policy support may be. Construction activity is slowing, and owners are finding that insurance cost volatility, coverage uncertainty, and labor-driven claims risk are difficult to model early in the development process. Alongside interest rates, those variables are now shaping whether a deal looks financeable before it ever breaks ground.



Smaller owners are more likely to face binary outcomes at renewal or refinance.

Mixed-use and adaptive reuse projects still hold appeal, but they are facing growing friction as construction complexity collides with insurability concerns. Office-to-residential conversions and urban infill developments are increasingly being evaluated through an insurance lens before capital is committed. Where rental vacancy is rising, lease-up uncertainty can translate into tighter terms, higher reserve expectations, and less insurer tolerance for coverage friction. In tighter vacancy markets, underwriting confidence is generally stronger, giving owners more room to absorb insurance volatility. The result is a widening divide: larger operators can often absorb complexity and navigate the market, while smaller owners are more likely to face binary outcomes at renewal or refinance.

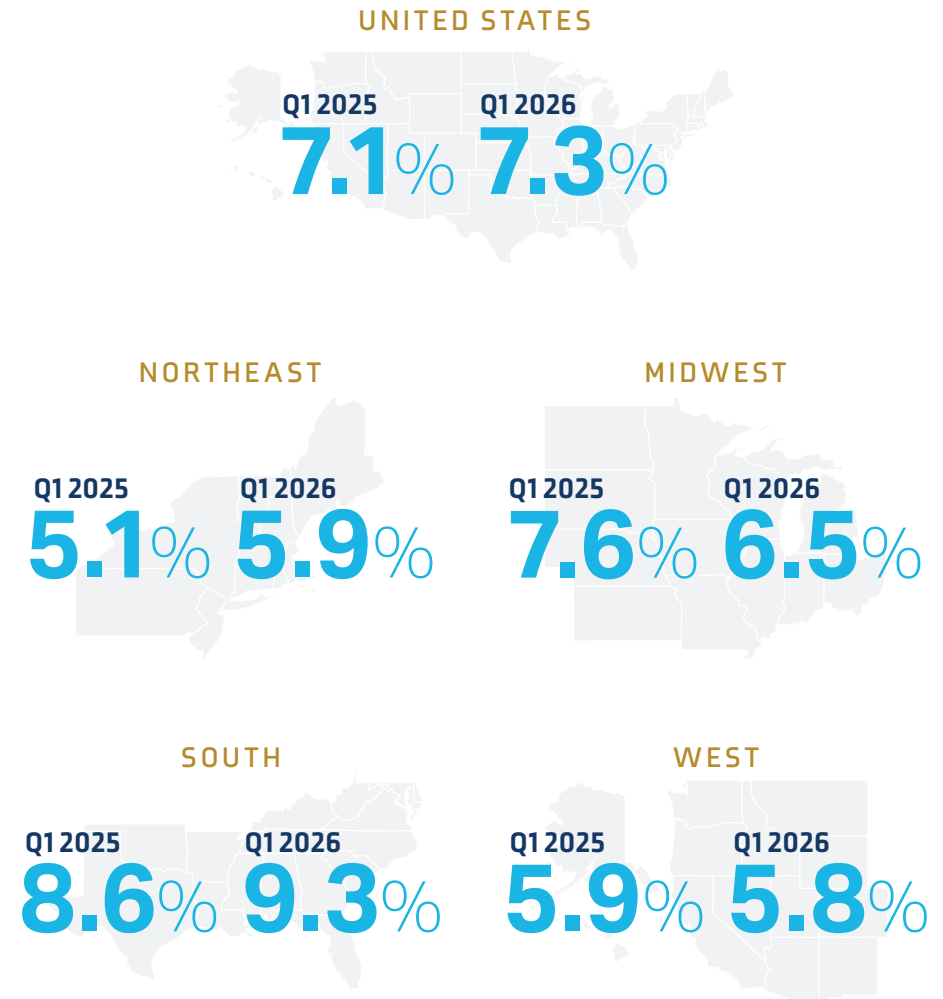


Rental vacancy data shows limited year-over-year movement, but the longer-term regional split still matters. Over the past decade, average vacancy has remained materially higher in the South than in the West, reinforcing that lease-up risk is shaped more by local supply and demand dynamics than by any single quarter's shift. For insurers and lenders, those regional patterns can influence underwriting confidence, reserve expectations, and tolerance for operational uncertainty.

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Habitational assets add another layer of complexity. Meeting lender certificate requirements while navigating insurer restrictions often requires tailored solutions at the individual property or lender level rather than portfolio-wide fixes. Certain subclasses, including student housing, Section 8, and Low-Income Housing Tax Credit properties, remain especially difficult to place as carrier appetite stays limited and underwriting remains sensitive to tenant-driven exposures and regulatory constraints. In many cases, the difference between a workable placement and a stalled one comes down to how clearly the owner can tell the story of management quality, controls, and operational discipline.

Rental Vacancy Rates by Region



Source: United States Census Bureau. (2026, April 28). Quarterly Residential Vacancies and Homeownership, First Quarter 2026. United States Census Bureau. <https://www.census.gov/housing/hvs/current/index.html>

Claims Trends

Claims trends are shaping underwriting strategy more directly than any broad sense of market optimism. Severe storms, flooding, and wildfires continue to produce volatile loss outcomes across regions, forcing insurers to reevaluate appetite, pricing, and coverage structure. That pressure is also keeping attention on the National Flood Insurance Program, which remains critical to coverage continuity for many policyholders. With authorization currently extended through September 30, 2026, its future will remain a meaningful concern for property owners who rely on flood coverage to protect asset value and lending relationships.



The National Flood Insurance Program is authorized through **September 30, 2026**.

Drivers of Claims Trends: Key Forces Reshaping Underwriting and Risk Strategy



LITIGATION PRESSURE

Larger jury awards and contested liability lead to higher claim severity



COVERAGE SHIFTS

More exclusions and growing sublimits have created coverage gaps



WORKPLACE EXPOSURE

Violent acts, contact injuries, and environmental hazards mean persistent risk

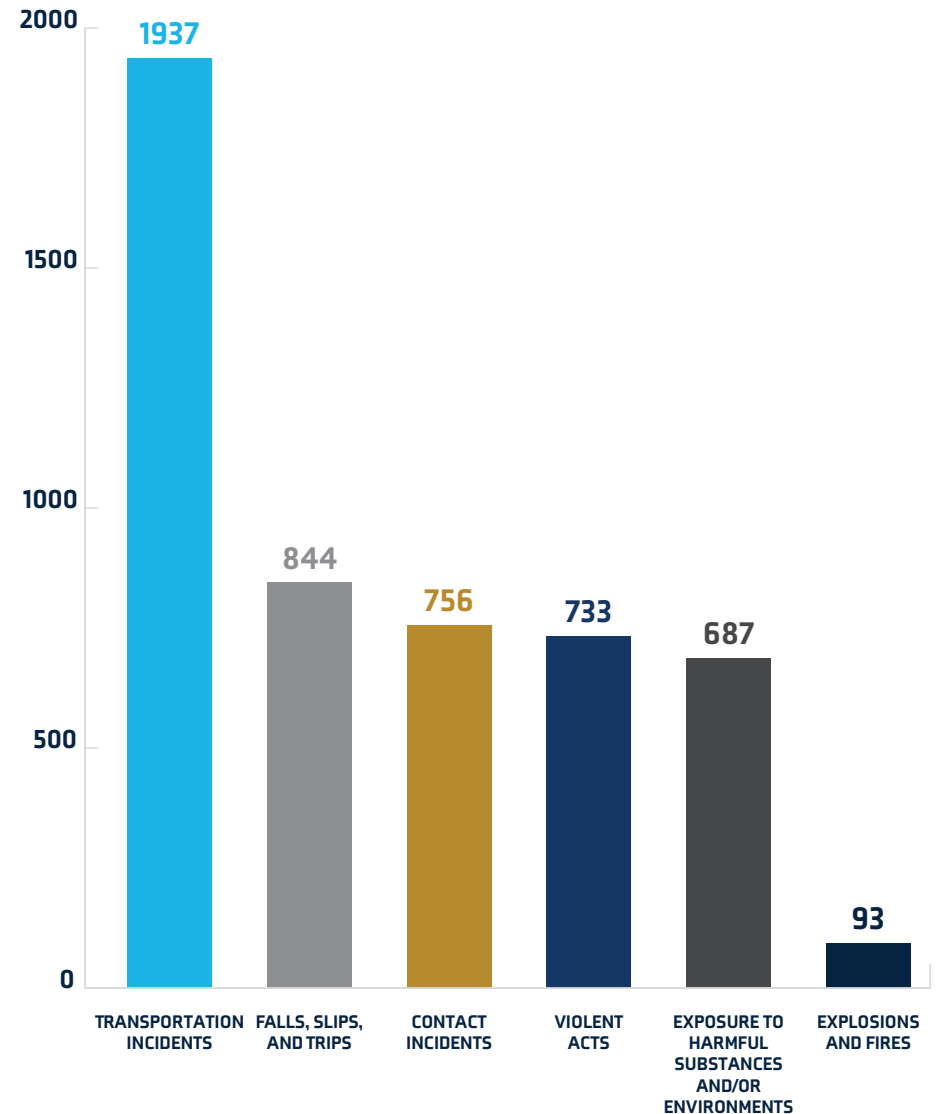
Weather volatility is not the only force driving claim severity. Litigation trends and large jury awards are continuing to reshape casualty outcomes, especially where liability is contested, and claimants are pursuing larger recoveries. In that environment, documentation, incident response, and staff training are becoming more important not only for prevention but also for preserving a defensible claims position. General liability policies also carry more exclusions and sublimits for sexual abuse and molestation, as well as assault and battery, which can leave meaningful gaps for property owners with public-facing operations.

Occupational exposures remain significant as well. Recent labor data shows violent acts, contact-related incidents, and harmful substance or environmental exposure still rank alongside falls, slips, and trips as leading causes of workplace fatalities. Stand-alone solutions may be available for some exposures, but they are far from universal, underscoring the need for disciplined risk transfer and operational controls as a central line of defense.

Claims trends are magnifying the impact of persistent coverage gaps, higher retained risk, and growing lender scrutiny.

This makes proactive loss control more important than ever. Carrier surveys may begin as a compliance exercise. Still, they create the most value when advisors are present at every visit, findings are captured early, and recommendations are applied across a portfolio rather than to a single property at a time. Claims trends are magnifying the impact of persistent coverage gaps, higher retained risk, and growing lender scrutiny. Even so, organizations that treat risk management as an ongoing operating discipline instead of a renewal-time task are still putting themselves in a stronger position to secure better outcomes.

Fatal Occupational Injuries by Event or Exposure, 2024



Source: U.S. Bureau of Labor Statistics. (2026, February 19). Census of Fatal Occupational Injuries. U.S. Bureau of Labor Statistics. <https://www.bls.gov/news.release/cfoi.t02.htm>

Risk in Focus

Position Risk for Better Outcomes



Shift Risk Identification Upstream

Treat risk identification as an early operating discipline, not a renewal exercise. Challenging market conditions are pushing buyers to engage more actively in understanding where exposures sit across operations, locations, and entities. Structured risk reviews help move that work upstream, making risk mitigation more proactive and consistent instead of reactive. When exposures are identified earlier, buyers are in a stronger position to make informed decisions about coverage structure, limits, and retained risk before those choices become urgent.

Align Risk Control with Coverage Strategy

Integrate risk control teams annually and tie insights directly to coverage strategy. Regular, structured engagement with risk control professionals, particularly when new operations, redevelopment, or exposure crossover is occurring, helps align evolving risks with coverage expectations. These discussions should explicitly address emerging market constraints, areas of heightened underwriting scrutiny, and business continuity vulnerabilities.



Portfolio-wide application of survey findings creates scalable improvements.

Tighten Contract and Risk Transfer Discipline

Strengthen contract review, indemnification, and risk transfer practices. Greater scrutiny of contract language, indemnity provisions, and risk transfer mechanisms is proving effective. Aligning contractual obligations with actual operational risk reduces coverage gaps, limits unintended retention, and supports more defensible underwriting positions.

Evolving the Risk Management Approach

REACTIVE APPROACH

PROACTIVE APPROACH

| | | |
|----------------------------|---|------------------------------|
| Renewal-driven | → | Continuous discipline |
| Late exposure discovery | → | Early risk identification |
| Property-by-property fixes | → | Portfolio-level strategy |
| Compliance-based surveys | → | Advisor-led engagement |
| Isolated improvements | → | Scalable, coordinated action |

Strengthen Business Continuity for Complex Assets

Elevate business continuity planning as redevelopment and mixed use exposure increases. Business continuity planning is becoming more critical as projects grow more complex and interdependent. Ensuring plans are regularly reviewed, stress-tested, and updated alongside operational changes improves resilience and supports stronger underwriting narratives, particularly for assets with redevelopment or adaptive reuse components.



Contract language and indemnity alignment can reduce coverage gaps.

Scale the Value of Loss Control Across the Portfolio

Maximize the impact of carrier loss control surveys by broadening their portfolio. While many carrier loss control surveys are compliance-driven, their value increases when risk advisors are actively involved. Recommendations that have relevance beyond a single property should be evaluated for broader portfolio application. Coordinated communication between service, claims, and risk teams helps ensure findings translate into meaningful, scalable improvements rather than isolated fixes.

Five Actions for Stronger Risk Positioning



IDENTIFY RISK EARLY

Treat risk identification as an ongoing discipline



STRENGTHEN CONTRACTS

Align indemnification and risk transfer with actual exposure



INTEGRATE RISK CONTROL

Connect annual risk insights directly to coverage decisions



REINFORCE BUSINESS CONTINUITY

Regularly review and stress-test plans as complexity increases



SCALE LOSS CONTROL INSIGHTS

Apply findings across the portfolio, not just individual assets



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