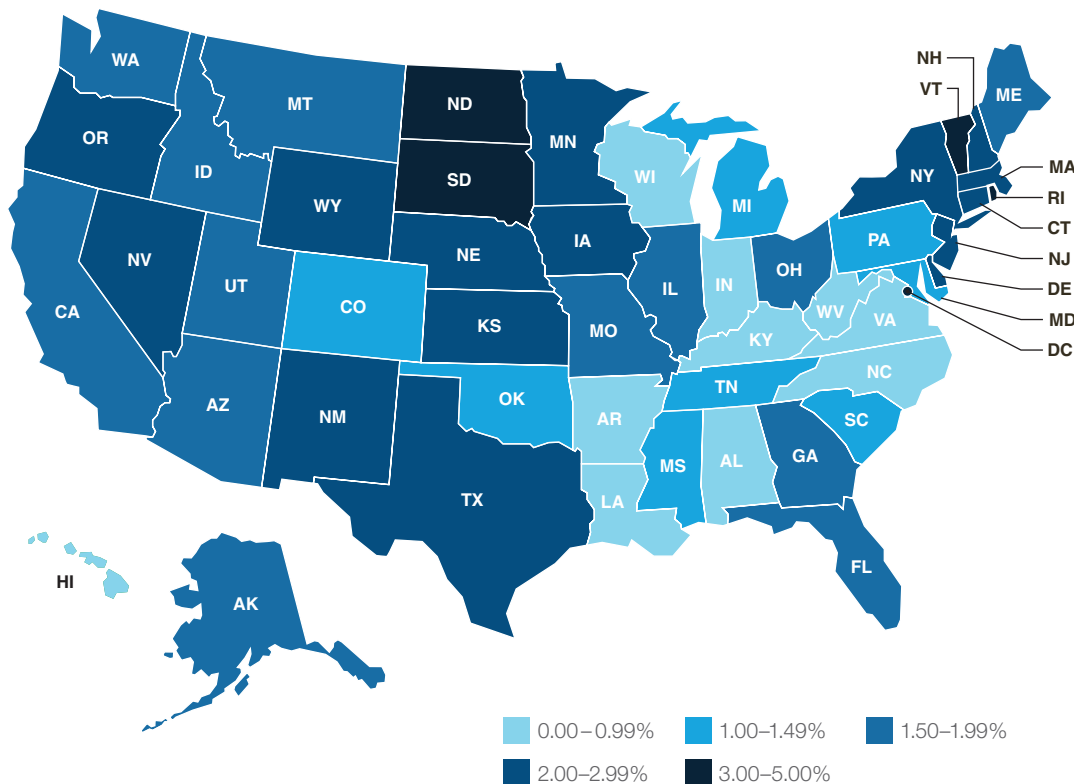


This report provides reconstruction cost trends at the national and state levels. 360Value® Quarterly Cost Updates are derived from building cost research conducted by industry leader Xactware.

Property reconstruction costs show modest annual increase

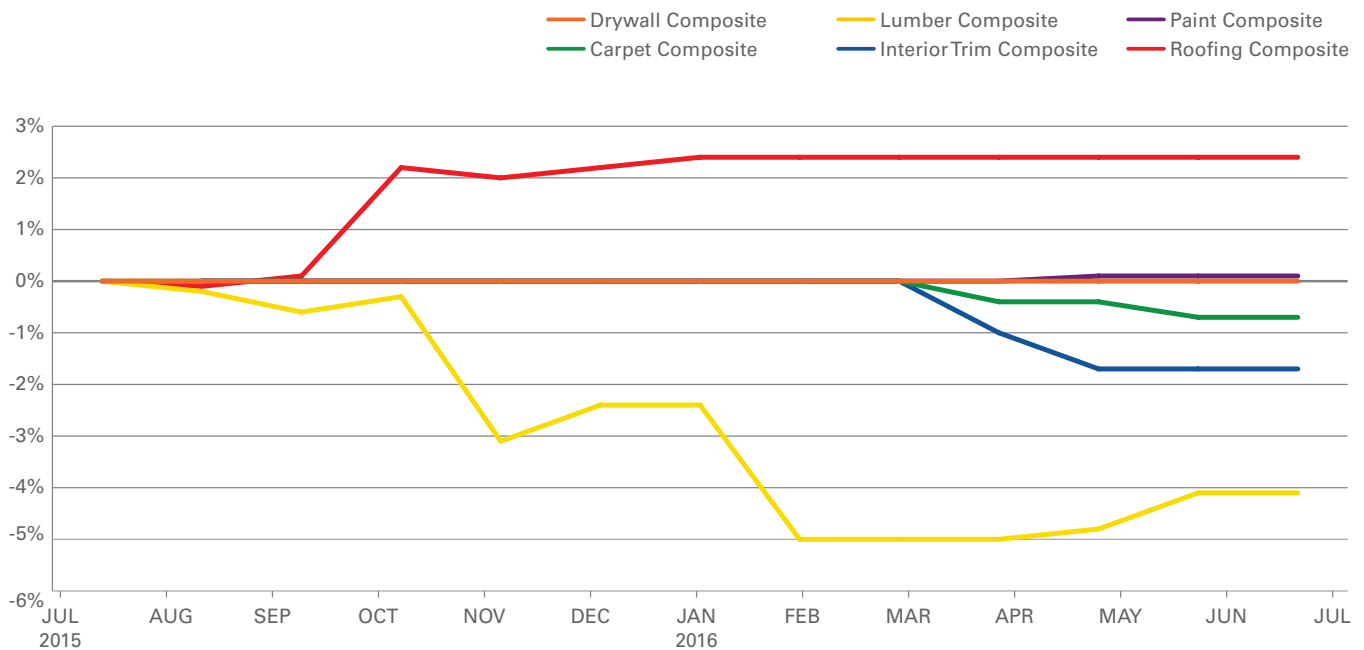
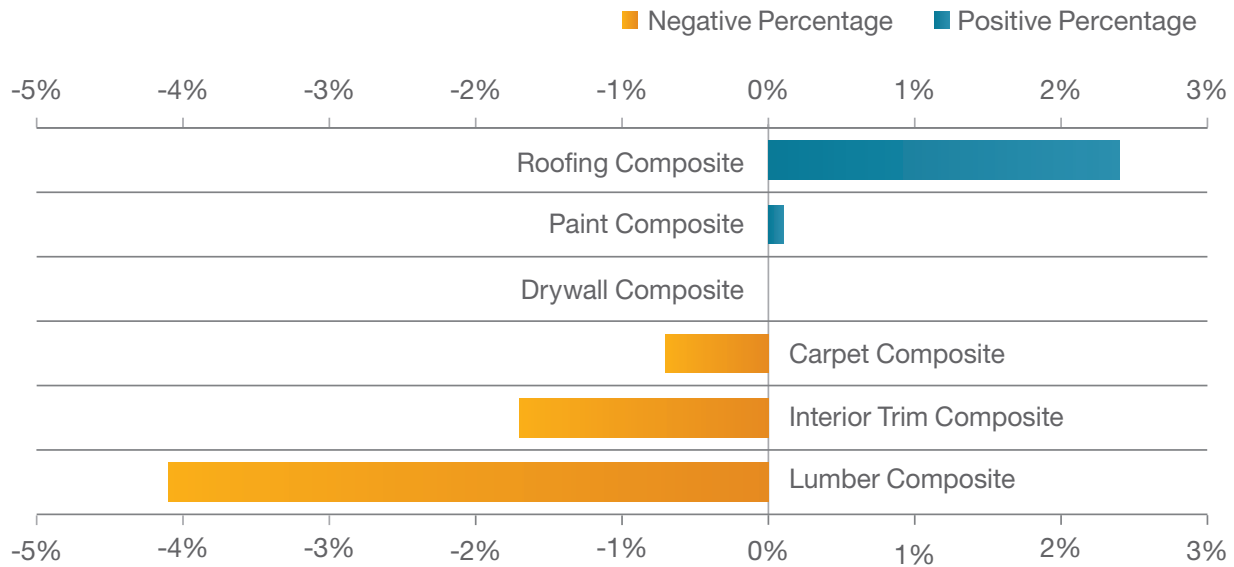
From July 2015 to July 2016, overall reconstruction costs increased 1.7 percent in the United States. During the second quarter of 2016, reconstruction costs were up 0.6 percent. As the housing market has recovered, the rate of increase for construction costs has been slowing. While all states experienced an annual increase in total reconstruction costs, this marks the first time in the last five quarters when the rate has increased relative to the previous quarter. Despite this trend reversal, reconstruction cost changes remain fairly low. In fact, only the District of Columbia and Vermont broke the 4 percent threshold, with Vermont having the highest increase in the nation, at 4.6 percent. Hawaii experienced the lowest increase, at only 0.4 percent.



Changes in reconstruction costs by state from July 2015 to July 2016

Material Cost Analysis

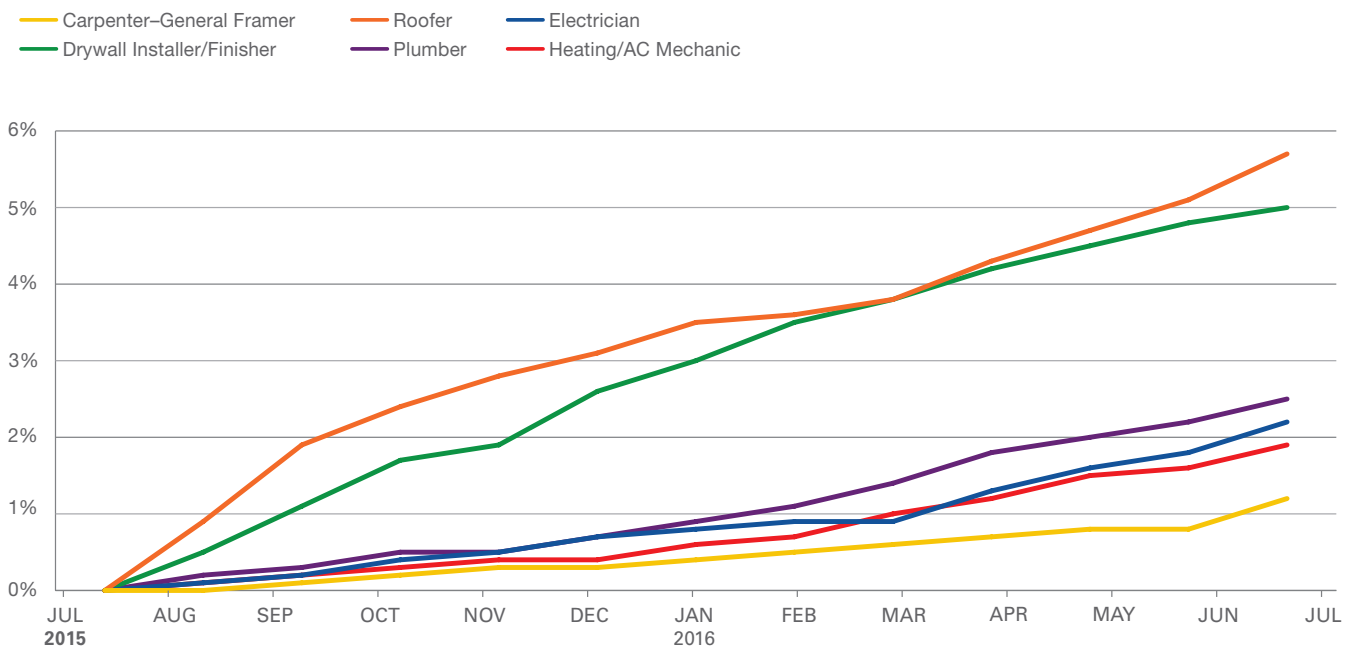
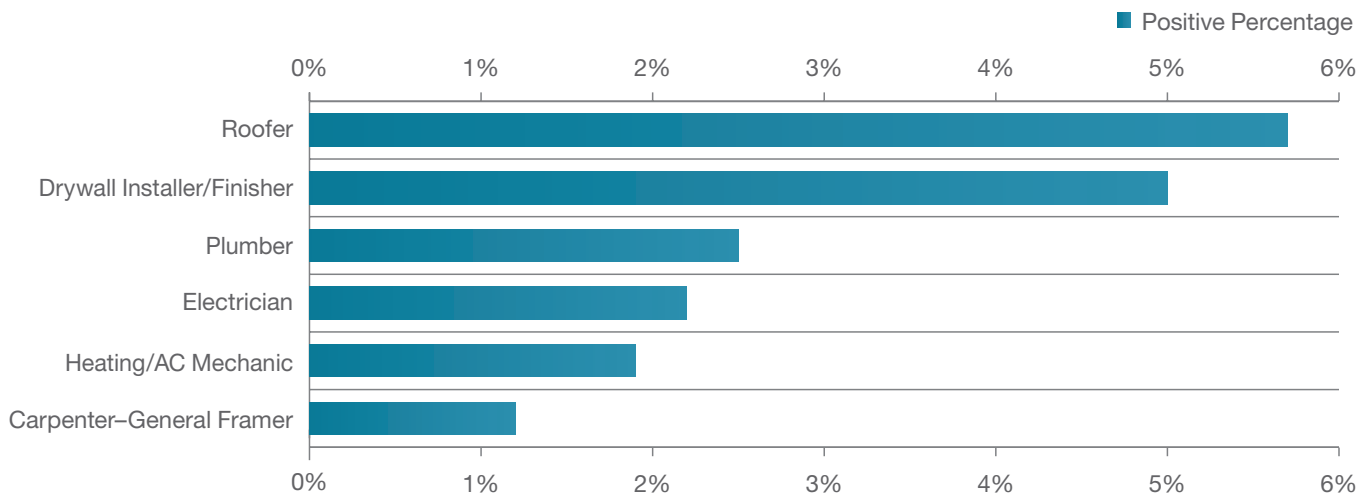
At the national level during the past 12 months, overall costs for material composites that Xactware tracks increased 0.5 percent. During the second quarter of 2016, material costs increased 0.3 percent. During the past year, Xactware identified changes to several material categories. Costs for some materials decreased during the period, with lumber falling by 4.1 percent, interior trim costs down 1.7 percent, and carpet costs decreasing 0.7 percent. Drywall and paint costs were largely unchanged. Roofing was the only category with a material increase (2.4 percent).



Cost changes for common building materials from July 2015 to July 2016 at the national level. The data is reported by composite, a grouping of materials needed to complete a particular aspect of reconstruction.

Labor Cost Analysis

Overall retail labor rates increased 2.8 percent from July 2015 to July 2016, with all six of the common labor trades showing increases. The quarterly change in overall retail labor costs was 0.7 percent. Rates for roofers increased the most during the past year, by 5.7 percent, while rates for drywall installers increased 5.0 percent. Labor costs for plumbers rose 2.5 percent, and costs for electricians and heating/AC mechanics rose moderately at roughly 2 percent each. Carpenters—general framers was the common labor trade with the lowest increase, 1.2 percent.



About this report

360Value Quarterly Cost Updates are derived from building cost research conducted by industry leader Xactware and validated at a highly localized level.

Xactware employs a comprehensive research process that includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters, extensive material and labor cost surveys, and analysis of 5 million actual damage repair estimates for claims each year.


Current, localized, and detailed cost information on reconstruction labor and building materials is essential to create reliable, component-based replacement cost estimates. Each quarter, updated reconstruction cost data is incorporated into 360Value.

This report should not be used as the basis for underwriting, coverage, rating, or renewal decisions, as replacement costs vary dramatically at the individual property level.

The data compiled in this summary is available in Xactware's Industry Trend Reports, an online reporting tool that gives users an overview of market changes from one area to another; national and state averages; and price trends for roofing materials, drywall materials, and much more.

For more information or to subscribe to Xactware's Industry Trend Reports, visit:
<http://www.xactware.com/en-us/solutions/claims-management/industry-trend-reports/>

For more information on 360Value, visit:
<http://www.verisk.com/insurance/underwriting/property/360value-residential.html>

 1-800-444-4554, option 3.

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