



Current, localized, and detailed cost information on reconstruction labor and building materials is essential to create reliable, component-based replacement cost estimates. To supply insurance professionals and underwriters with this valuable information, the underlying reconstruction cost data used to develop 360Value® estimates is continually researched and validated at a highly localized level.

The process includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters in the field, extensive material and labor cost surveys, and analysis of more than 5 million actual damage repair estimates for claims each year. Updated reconstruction cost data is incorporated into 360Value quarterly.

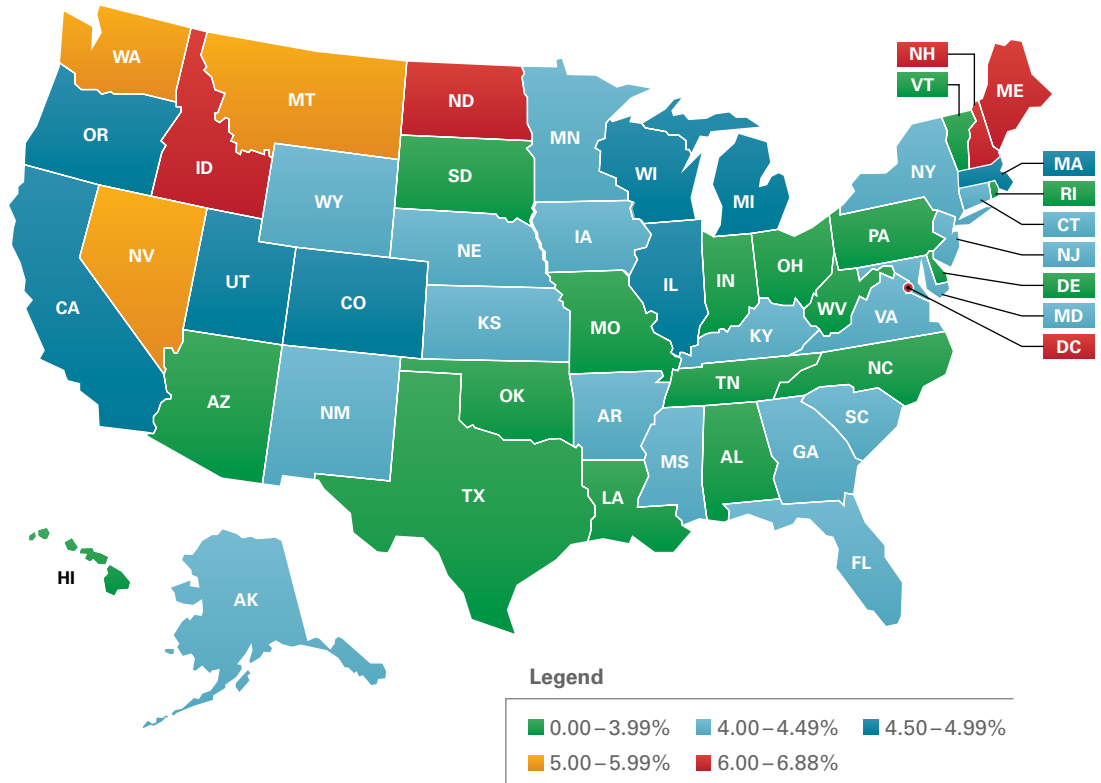
This report provides an overview of current reconstruction cost trends at the national and state levels. It also gives 360Value users a general understanding of reconstruction cost changes and how they may affect replacement cost estimates over the next quarter. The data contained in this report should not be used as the basis for underwriting or renewal decisions, as changes in replacement cost estimates may vary dramatically at the individual property level.

National Overview

From July 2014 to July 2015, overall reconstruction costs increased 4.3 percent in the United States. During the second quarter of 2015, reconstruction costs were up 0.5 percent. The housing market is recovering and with it material costs have risen. All states experienced an annual increase in total reconstruction costs; however, the rate of increase is slowing.

Last quarter, no states had annual increases of less than 4 percent. This quarter, 17 states had annual increases of less than 4 percent, with Hawaii coming in lowest, at 2.9 percent. The bulk of the states (43) show cost increases of below 5 percent, almost a complete reversal from last quarter, when a solid majority of states (44 plus Washington, D.C.) had increases of above 5 percent.

The only states with increases of more than 6 percent were North Dakota, Idaho, New Hampshire, and Maine. Washington, D.C., also saw replacement costs rise more than 6 percent, topping the nation at 6.9 percent.

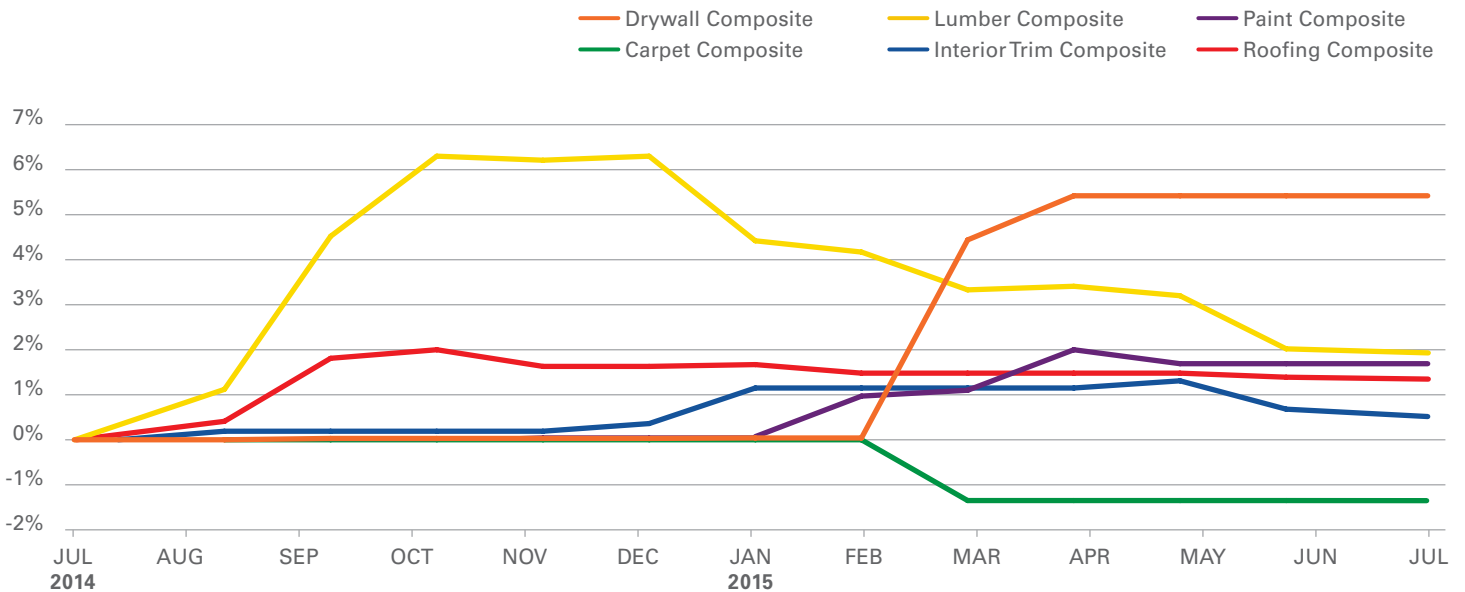
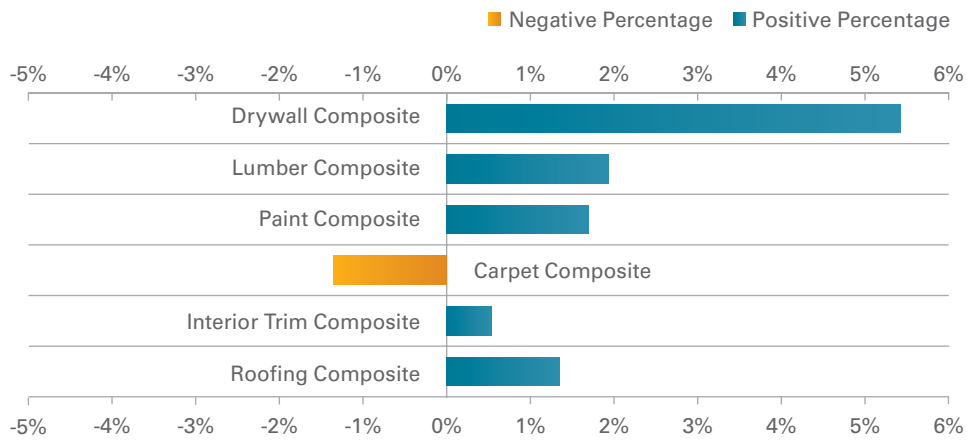


Changes in reconstruction costs by state from July 2014 to July 2015

Material Cost Analysis

At the national level during the past 12 months, overall costs for material composites that Xactware tracks increased 1.2 percent. During the past three months, material costs decreased 0.5 percent.

During the past year, Xactware identified changes to several material categories. For example, roofing material costs increased 1.4 percent. Additionally, drywall material costs increased 5.4 percent, while lumber, paint, and interior trim costs rose 1.9 percent, 1.7 percent, and 0.5 percent, respectively. Carpet costs fell 1.4 percent during the same period.

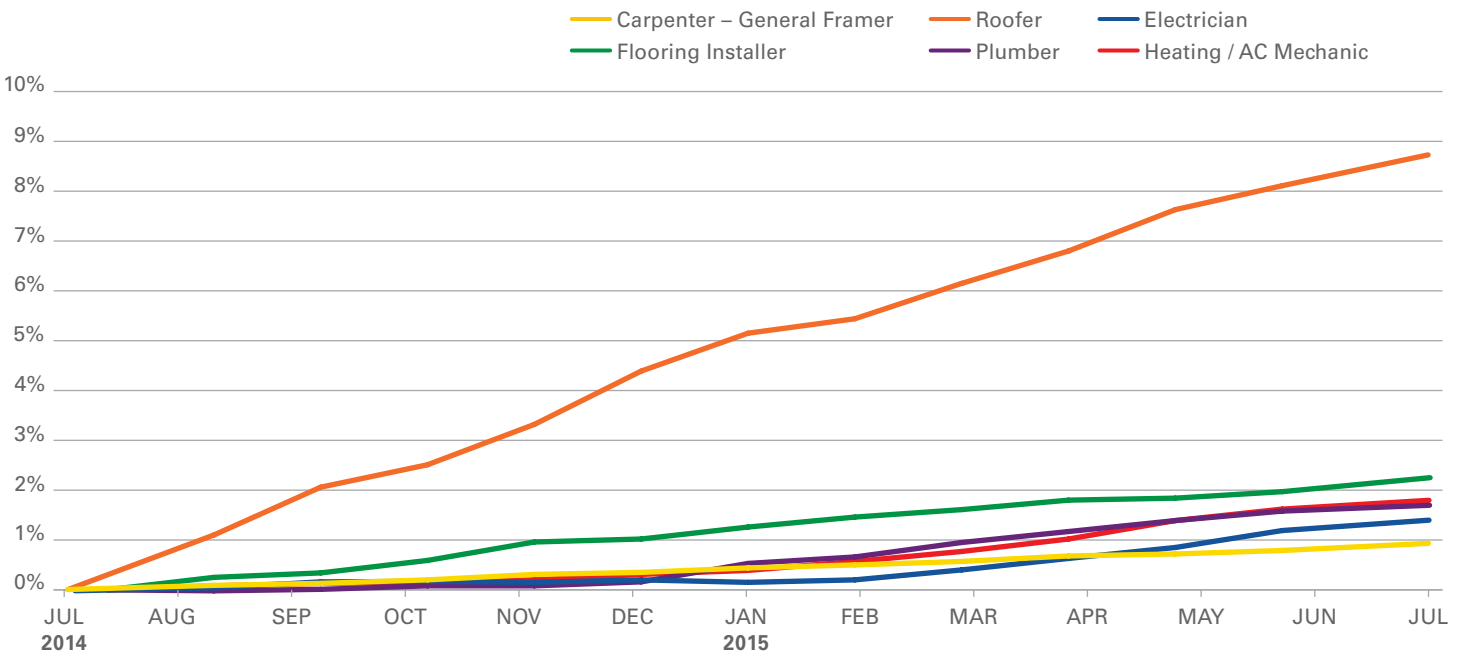
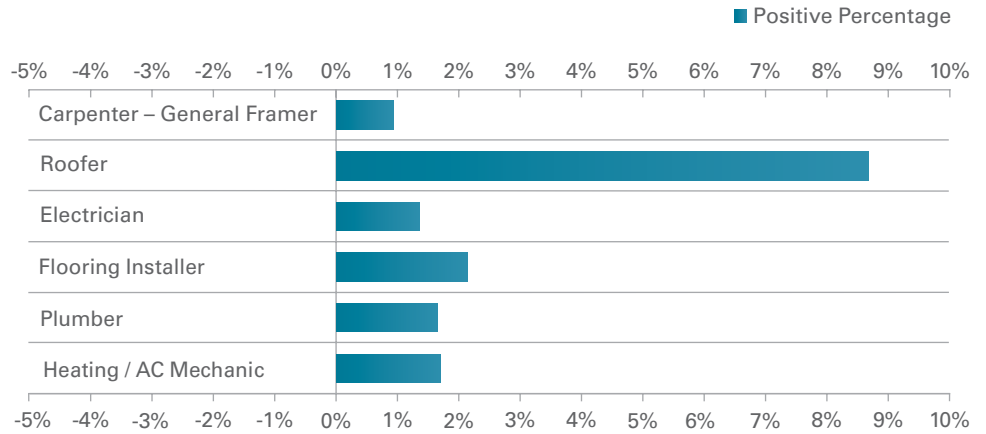


Cost changes for common building materials from July 2014 to July 2015 at the national level. The data is reported by composite, a grouping of materials needed to complete a particular aspect of reconstruction.

Labor Cost Analysis

Overall retail labor rates increased 2.1 percent from July 2014 to July 2015, 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 (8.7 percent), while rates for plumbers, electricians, and heating/AC mechanics rose moderately, from about 1 percent to 2 percent. Carpenters – general framers were the only monitored profession to increase less than 1 percent. Flooring installers exceeded a 2 percent increase.



Changes in labor costs for some common trades from July 2014 to July 2015 at the national level. Labor costs include wages, burden, and overhead.

The data compiled in this summary is also available in Xactware’s Industry Trend Reports, an online reporting tool that gives users an overview of market changes from one area to another, along with national and state averages. The reports contain information about price trends for roofing materials, drywall materials, and much more. Additional reports give users an idea of the movement for a “basket of goods” that includes items typically used in construction, such as shingles, paint, drywall, concrete, cabinets, and 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/>

