



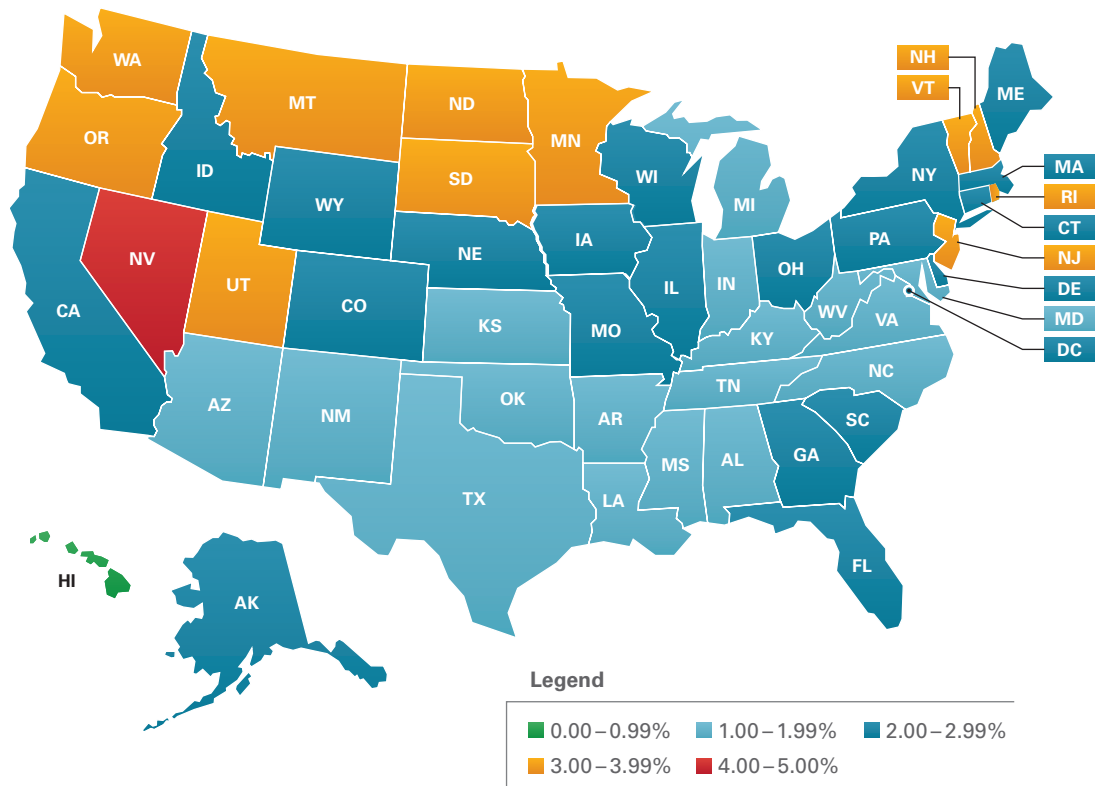
Current, localized, and detailed cost information on reconstruction labor and building materials is essential to create reliable, component-based replacement cost estimates. To supply insurance professionals and underwriters with this valuable information, the underlying reconstruction cost data used 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

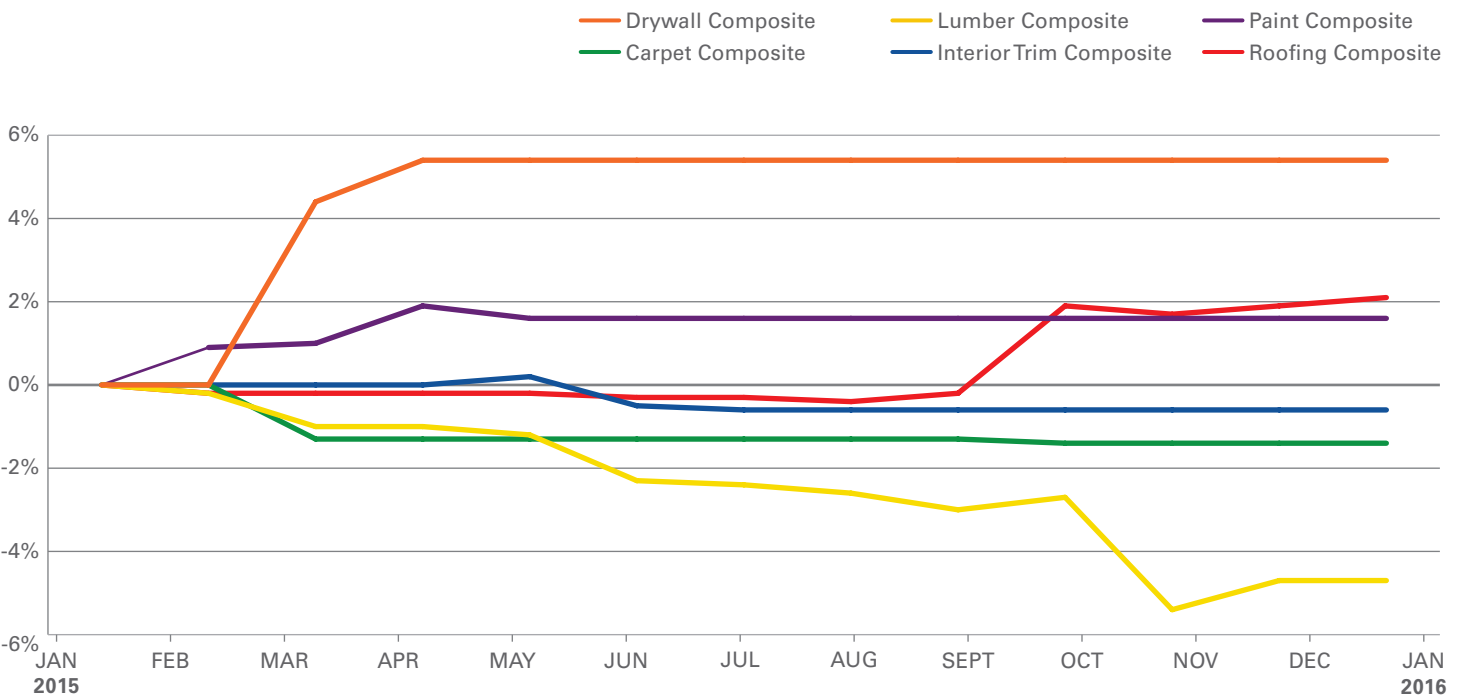
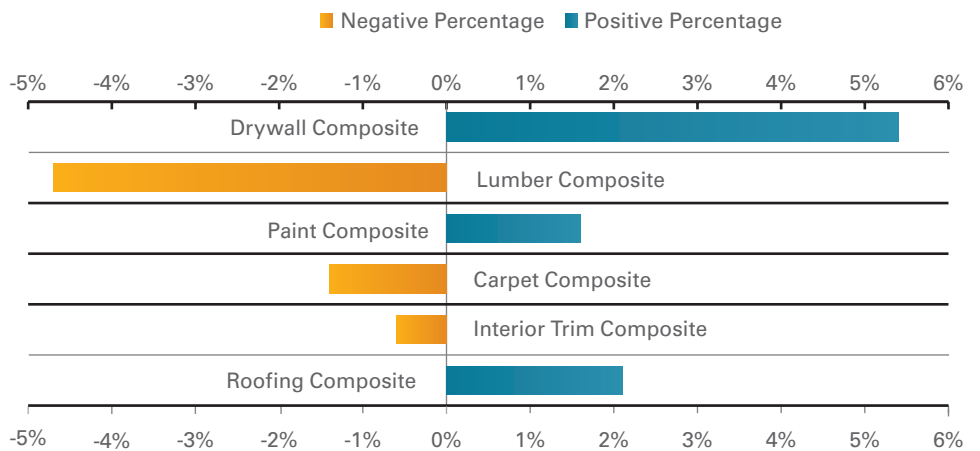
From January 2015 to January 2016, overall reconstruction costs increased 2.2 percent in the United States. During the fourth quarter of 2015, reconstruction costs were up 0.1 percent. The housing market is recovering, and while all states experienced an annual increase in total reconstruction costs, the rate of increase continues to slow. Last quarter, 34 states plus Washington, D.C., experienced increases of less than 4 percent. This quarter, the only state to exceed the 4 percent mark was Nevada, at 4.3 percent, while Hawaii experienced the lowest increase, of only 0.7 percent.



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

Material Cost Analysis

At the national level during the past 12 months, overall costs for material composites that Xactware tracks increased 0.7 percent. During the past three months, material costs decreased 0.8 percent. During the past year, Xactware identified changes to several material categories. Drywall material costs increased 5.4 percent, roofing material costs increased 2.1 percent, and paint costs rose 1.6 percent. Lumber, carpet, and interior trim costs fell 4.7 percent, 1.4 percent, and 0.6 percent, respectively, during the same period.

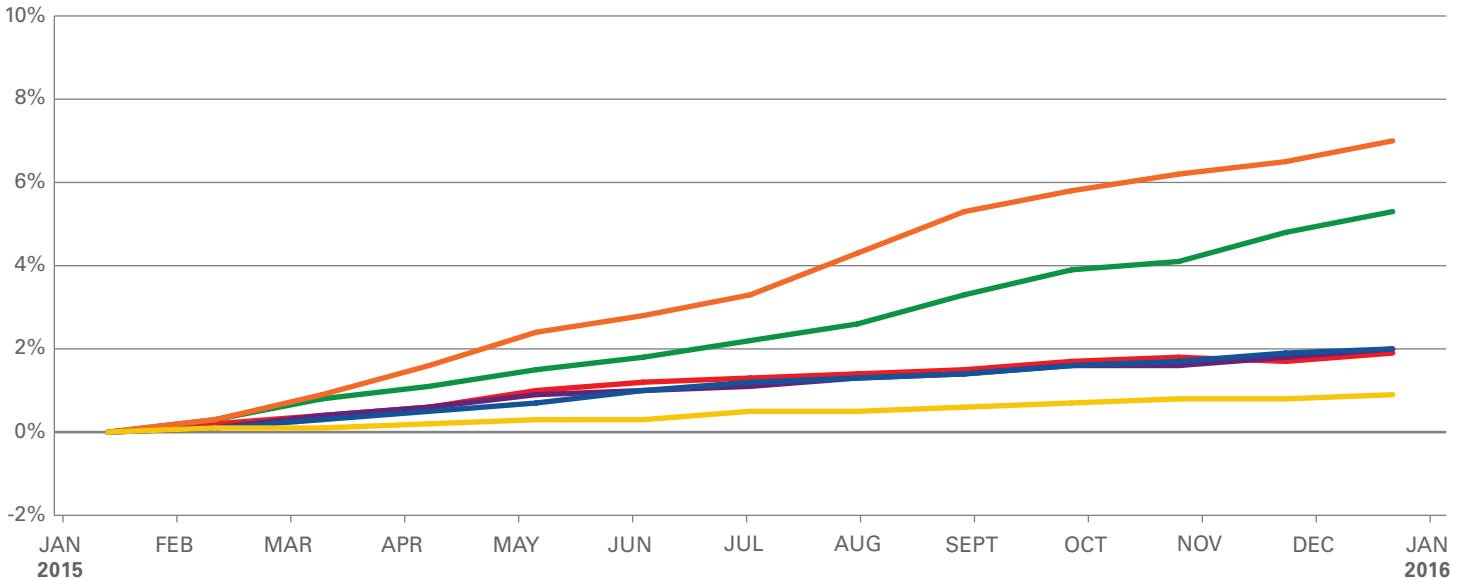
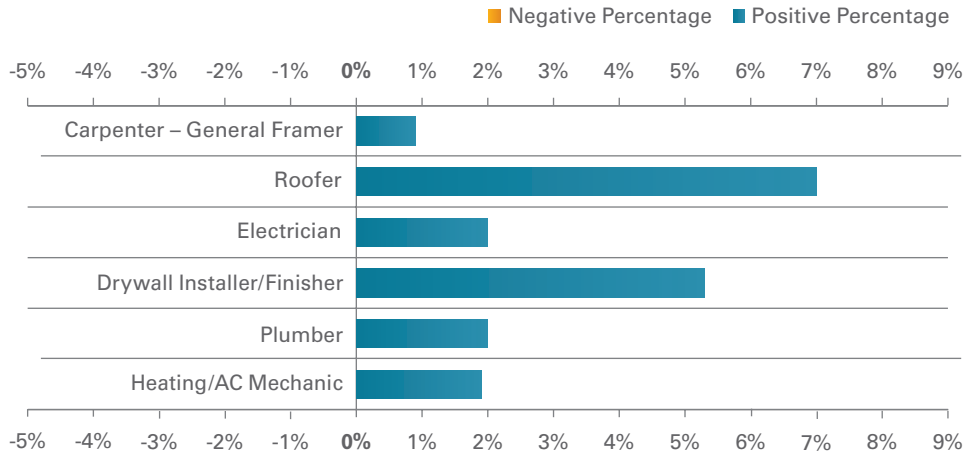


Cost changes for common building materials from January 2015 to January 2016 at the national level. The data is reported by composite, a grouping of materials needed to complete a particular aspect of reconstruction.

Labor Cost Analysis

Overall retail labor rates increased 2.4 percent from January 2015 to January 2016, with all six of the common labor trades showing increases. The quarterly change in overall retail labor costs was 0.6 percent.

Rates for roofers increased the most during the past year, by 7 percent, while rates for drywall installers increased 5.3 percent. Labor costs for plumbers, electricians, and heating/AC mechanics rose moderately, at roughly 2 percent each. As was the case last quarter, carpenters—general framers represented the only common labor trade to increase less than 1 percent.



Changes in labor costs for some common trades from January 2015 to January 2016 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, and cabinets.

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/>

