



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.

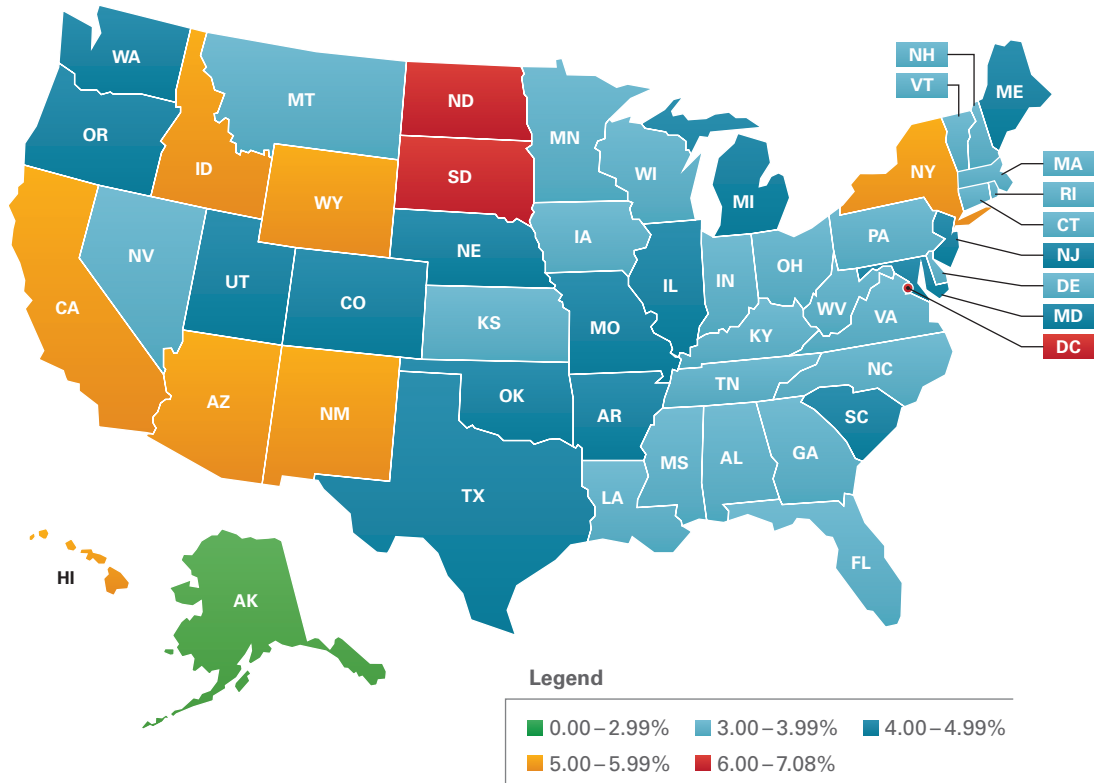
The process includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters in the field, extensive material and labor cost surveys, and analysis of more than 5 million actual damage repair estimates for claims each year. Updated reconstruction cost data 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 October 2013 to October 2014, overall reconstruction costs increased 3.3 percent in the United States. During the third quarter of 2014, reconstruction costs were up 1 percent.

As the housing market continued to recover during the past year, all states experienced an increase in total reconstruction costs. Forty-nine states and the District of Columbia saw increases of more than 3 percent. Twenty-four of those states saw an increase of more than 4 percent. Alaska was the only state with an increase of less than 3 percent. North Dakota topped the charts at more than 7 percent as construction costs soared because of the growth caused by the state's oil boom.

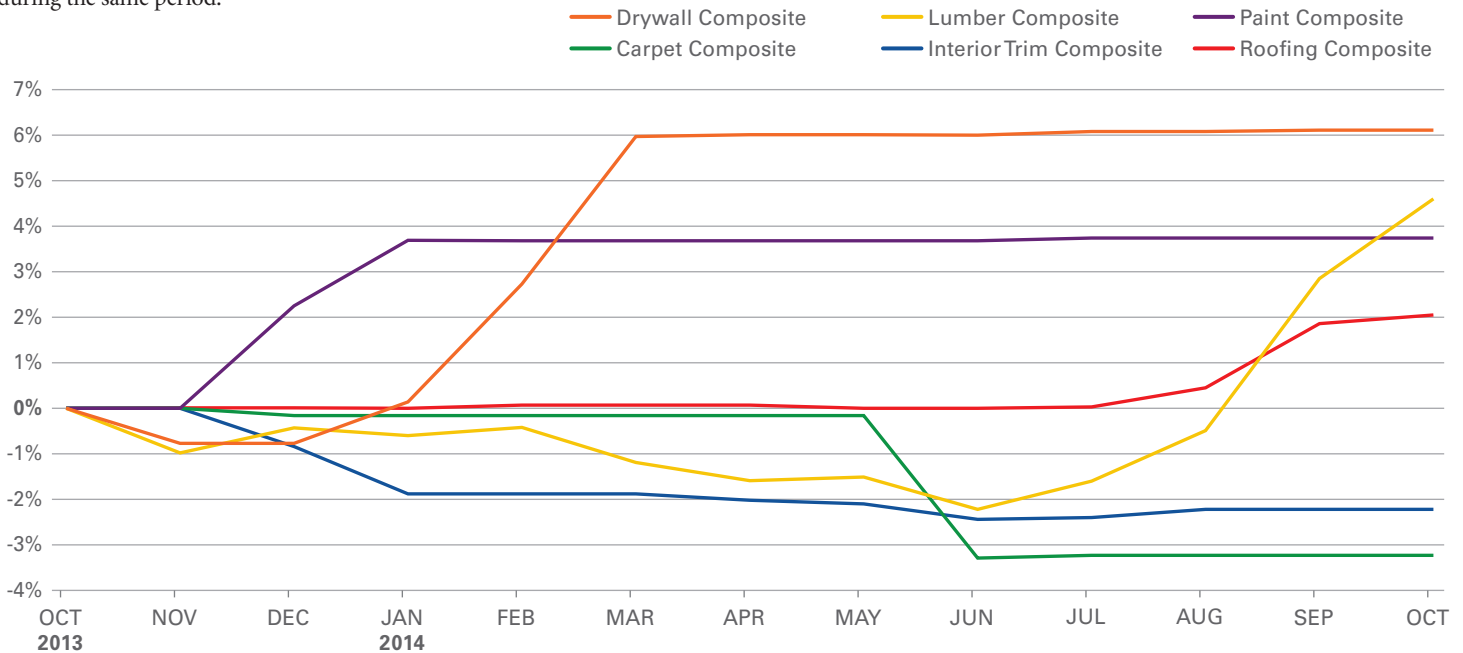
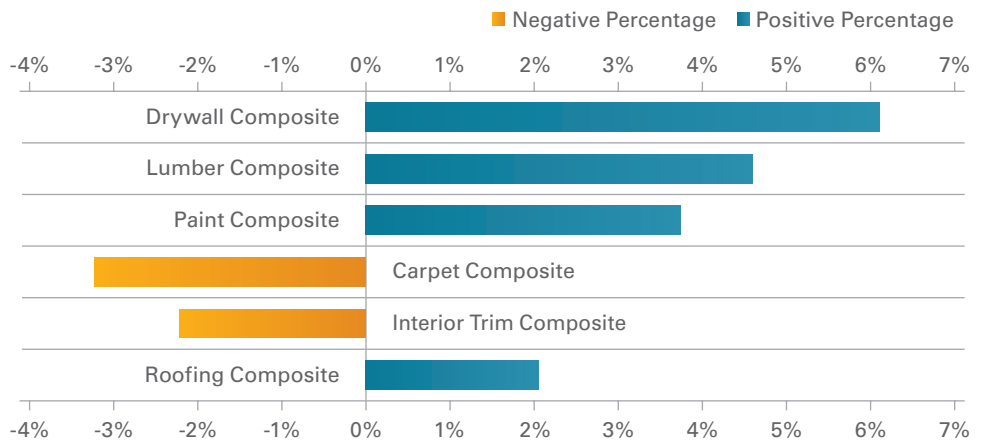


Changes in reconstruction costs by state from October 2013 to October 2014.

Material Cost Analysis

At the national level during the past 12 months, overall costs for material composites that Xactware tracks increased 1.6 percent. During the past three months, material costs increased 0.2 percent.

Over the past year, Xactware identified changes to several material categories. For example, roofing material costs grew 2.1 percent, primarily because of an increase in the price of wood shakes. Additionally, drywall material costs increased 6.1 percent, while lumber and paint costs rose 4.6 percent and 3.7 percent, respectively. Interior trim material costs dropped 2.2 percent, and carpet costs fell 3.2 percent during the same period.

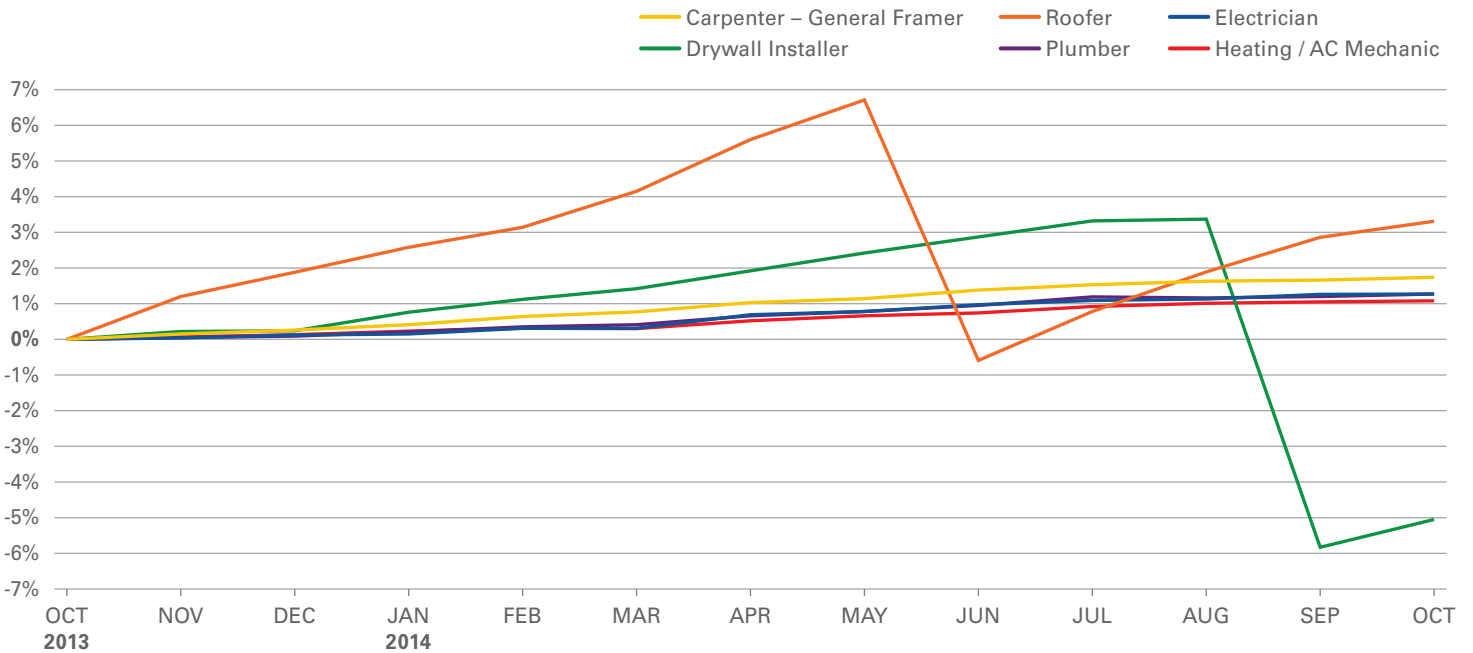
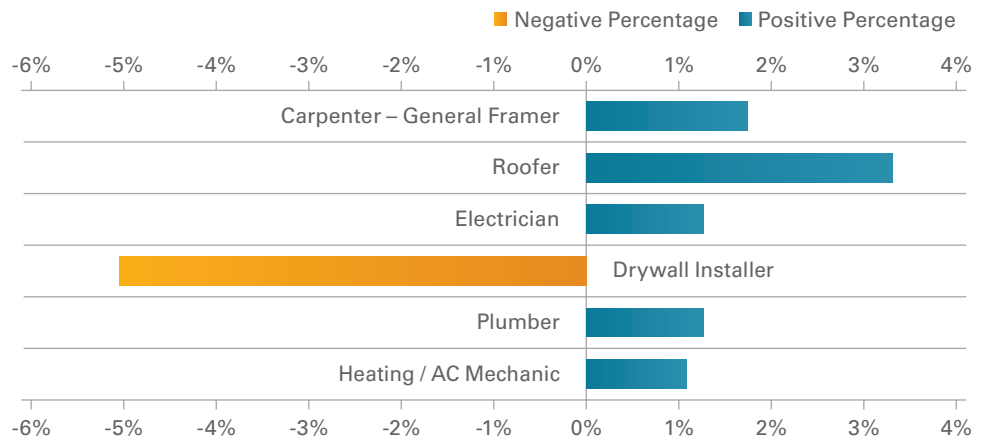


Cost changes for common building materials from October 2013 to October 2014 at the national level. The data is reported by composite, a grouping of materials needed to complete a particular aspect of reconstruction.

Labor Cost Analysis

Overall retail labor rates rose 2.1 percent from October 2013 to October 2014, with five of the six common labor trades showing increases. The quarterly change in overall retail labor costs was a modest 0.2%.

Rates for roofers rose the most over the past year at 3.3 percent, while rates for drywall installers decreased 5.1 percent. Rates for plumbers, carpenters–general framers, electricians, and heating/AC mechanics rose moderately within a range of 1.1 to 1.7 percent.



Changes in labor costs for some common trades from October 2013 to October 2014 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/>

