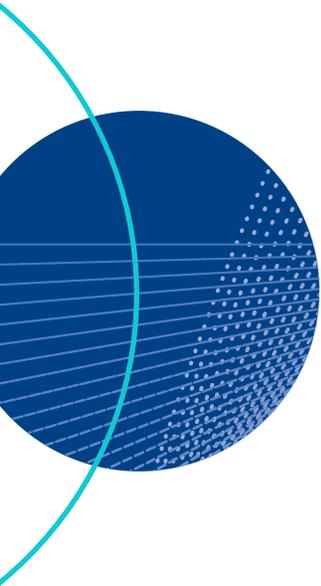


Sidestepping Extreme Pricing Shifts in Property Preservation

Gaining a competitive edge when providing estimates with XactPRM

June 2022

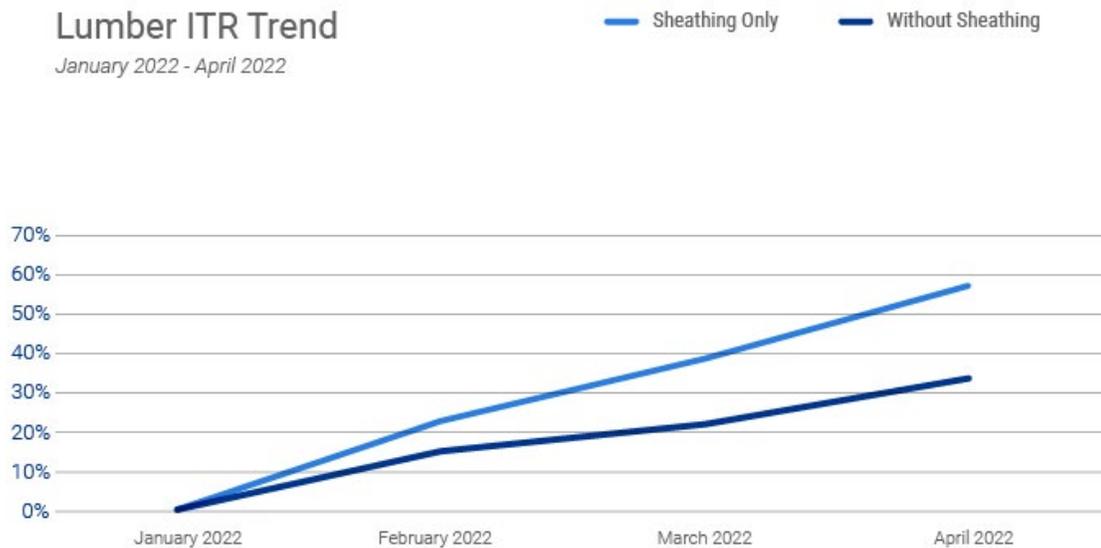


The post 2020 market is unlike anything our nation has ever experienced. While we've seen real estate prices surge and crash in the past, the unique combination of a pandemic, lumber shortages, and a shift to remote work have created a perfect storm that has made material and labor prices more unpredictable than ever before.

While it's a challenge to keep up with the rapidly shifting prices in lumber, drywall, copper, and other materials, doing so can yield greater success and profitability for field service providers, mortgage servicers, and contractors in today's unique market.

So, what's the deal with building material prices?

Over the past year, building material prices increased quickly across the board. Lumber prices are the most extreme example, having increased by over 100% since last May. Carpet, paint, drywall, interior trim, and roofing material have also seen steep price increases.



Charts Source: [Verisk Pricing Data Services Team](#)

Lumber prices have increased by over 100% since last May.

With rapidly changing prices for material and labor, it's difficult to know exactly how much repairs or renovations may cost.

Labor and Materials

April 2021 - April 2022



Charts Source: Verisk Pricing Data Services Team



Source: Majordomo

What’s going on? Limited supply coupled with increased demand has created shortages, driving prices up. For those building new homes, this means prolonged wait times—and even canceled contracts—as builders scramble to acquire the materials they need to finish construction, exacerbating an already tight housing market.

The rise of material prices carries major implications for default servicing professionals.

Rapidly changing prices for material and labor mean that field service providers and contractors can’t be certain exactly how much repairs, renovations or even basic maintenance may actually cost.

Traditionally, default servicing professionals could lean on their experience to determine reasonable cost estimates. However, shifting prices have made it almost impossible to accurately estimate repairs and ongoing maintenance based on anecdotal experience.

Small mistakes could cost thousands.

How big is this risk for mortgage servicers and field service providers? Consider this: Analysis of data from Majordomo, which provides zip-code-specific repair estimates based on home inspection reports, indicates that the average home inspection reveals 29 different items in need of repair, with an average repair cost of \$15K–\$23K. If prices increase even slightly, that’s a significant expense.

Within the past year, the Verisk pricing data team has seen material prices increase by as much as 20% in a single month. That means that in just a few weeks the cost to repair or provide much needed services could increase by as much as \$3K–\$5K. That’s a nightmare of unpredictability for field service providers on a tight budget or mortgage servicers looking to make better decisions for the properties in their portfolios.

When material prices increase by as much as 20% in a single month, the cost to repair items listed in a property repair estimate could increase by as much as \$3K–\$5K between contract and closing.

Average Repair Estimates
per inspection

Total
\$13,685 - 20,276

Urgent
\$2,310 - 3,383

Pressing
\$9,318 - 13,787

Cosmetic
\$2,591 - 3,904



The complexities of pricing research

The inner workings of pricing tech can be complicated. It pulls from thousands of local pricing data points each day, using sources such as contractor bids and material supply house pricing feeds. A direct link to pricing feeds means that, in many cases, the tech can identify the newest prices before most local contractors do. Using precise local prices, it then bundles different materials depending on what's needed for a specific job, covering everything from essentials like wood flooring to often-overlooked hardware costs such as staples or nails. The final step is to layer on statistical modeling to build a confidence range for prices. It's clear that access to reliable material pricing information is more important than ever before. So, what can professionals do to stay current on material price changes, predict project costs with greater precision, and keep themselves and their clients happy?

What's in the data?

1. Aerial imagery
2. Mortgage financing & home purchase intent signals
3. Property roof age
4. Historical permit data
5. Vacancy indicators
6. Property condition score

Bonus Points

Want an extra edge for preserving properties? Verisk can help you identify red flags that won't necessarily show up in online property photos.

With RealTwiin by Verisk, you can order an instant property report complete with aerial photos, building permit history, and key data insights like roof age or pool age. Old roofs and pools may indicate that properties are at a high risk for significant repair costs. Analyze these insights with XactPRM's pricing data, and you have an instant recipe for property preserving success.

New Pricing Tech Provides a Path Forward

As property preservation professionals press forward through the fog of unpredictability, there are a few bright lights that can help them navigate safely. One of those lights is new technology providing unprecedented insight into local material and labor pricing.

It is now possible to generate instant, precise repair cost estimates from locally sourced data for almost any job. That means mortgage servicers and field service providers can access repair pricing estimates for their zip code in minutes. That's a big advantage in today's environment where pricing trends are changing daily.

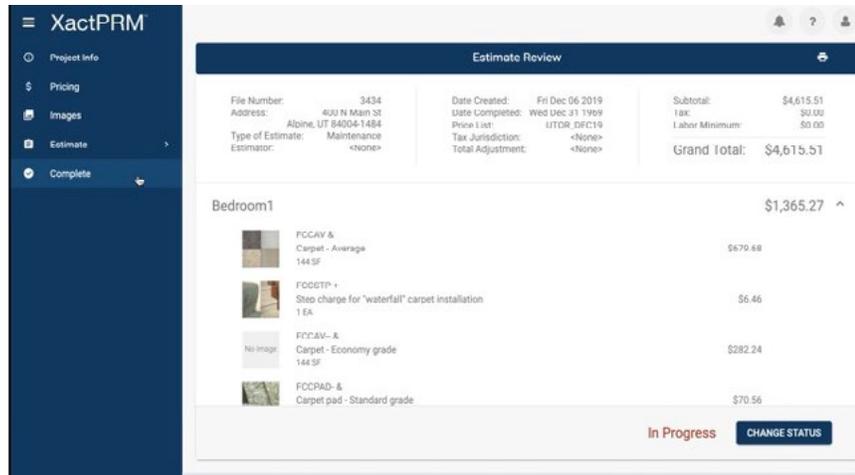
Verisk is the leading innovator in pricing technology. When it comes to pricing data, they're the first to use zip code specific pricing data points (most competitors build estimates by adjusting national averages, leading to unreliable data in many locations).

One of Verisk's pricing solutions, XactPRM, is an app specifically designed to help property preservation professionals deliver instant estimates. It uses the best pricing tech and monthly pricing updates to provide precise, local estimates for repairs and renovations in just a few easy steps. It's as simple as providing some property information, selecting from pre-built projects, adjusting square footage and material quality, and generating a shareable estimate that can be branded to your business. The entire process can be completed in a few minutes, saving time and providing invaluable insights.

XactPRM is just one source for Verisk's suite of property data, which has been carefully curated to provide exclusive insights into the workflows of property preservation providers.

[Do you know what it would cost to replace a deck?](#)





An unfair advantage?

It's clear that new pricing tech like XactPRM delivers advantages in the face of ever-changing prices.

If 2022 has taught us anything about material and labor pricing, it's that unpredictability comes standard. With some months showing pricing increases of over 20%, moving forward with an unclear pricing picture is a huge risk—especially if you're working with outdated quotes. While pricing tech can't eliminate risk, it can help you make educated decisions about what makes sense to repair right now. If pricing estimates reveal that margins are too thin to allow for a 20–40% increase in repair prices, consider reevaluating your property priorities.

Better, faster pricing estimates enable better business

In today's world of rapidly changing material pricing, every professional needs an edge. Precise pricing intelligence can help mortgage servicers, field service providers, and contractors set the right prices, prioritize problems on properties, and potentially save thousands of dollars.

If you're not using rock-solid pricing data to help you estimate repairs and maintenance, you're potentially opening yourself to cost overruns and other difficulties.

Curious about the possibilities? Start a free XactPRM trial today, and experience the difference that the power a precise pricing estimates can make for you.

[Free 30 day trial](#)



Want to know more?

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Verisk provides sales and support for XactPRM products.