



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.

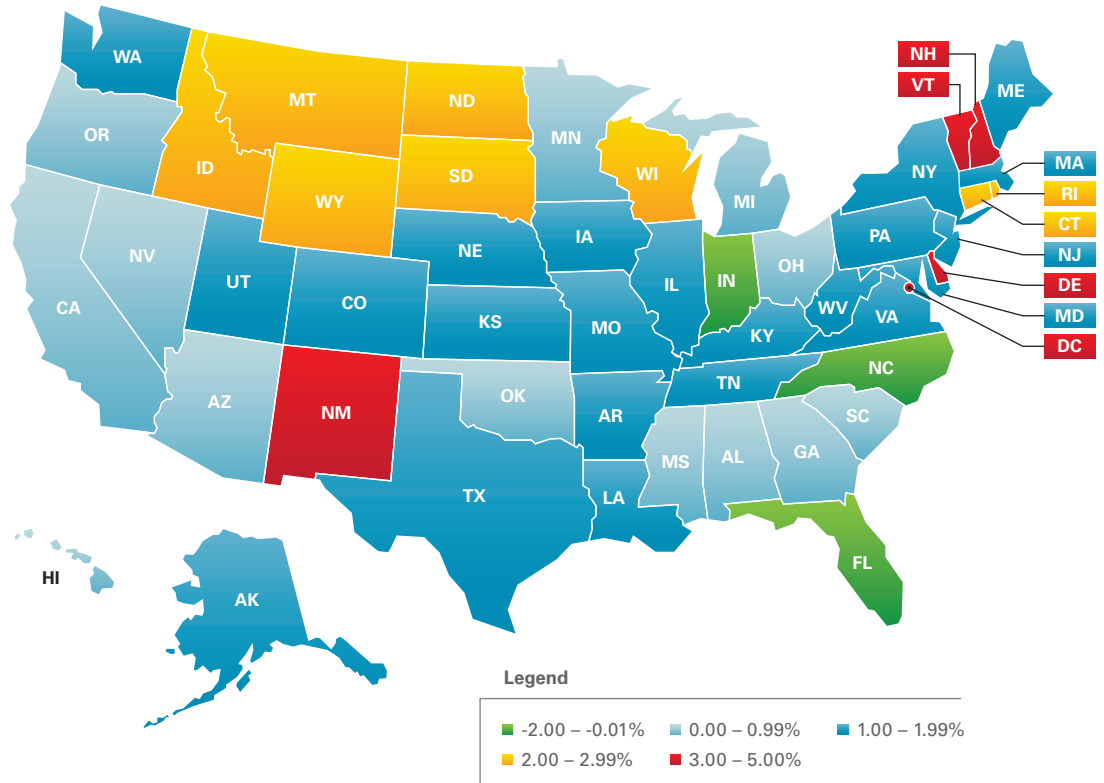
The process includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters in the field, extensive material and labor cost surveys, and analysis of more than 5 million actual damage repair estimates for claims each year. Updated reconstruction cost data 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 2011 to October 2012, overall reconstruction costs increased 1.85 percent in the United States. During third-quarter 2012, reconstruction costs increased 0.18 percent, compared with the 0.73 percent increase during second-quarter 2012.

At the state level, almost half the states experienced cost increases between 1.00 and 2.00 percent. Five states saw increases greater than 3.00 percent, with the highest increase — 4.48 percent — seen in the District of Columbia. Only three states experienced decreases. In Indiana and North Carolina, reconstruction costs dropped 0.22 percent, while costs in Florida dropped a notable 1.99 percent.

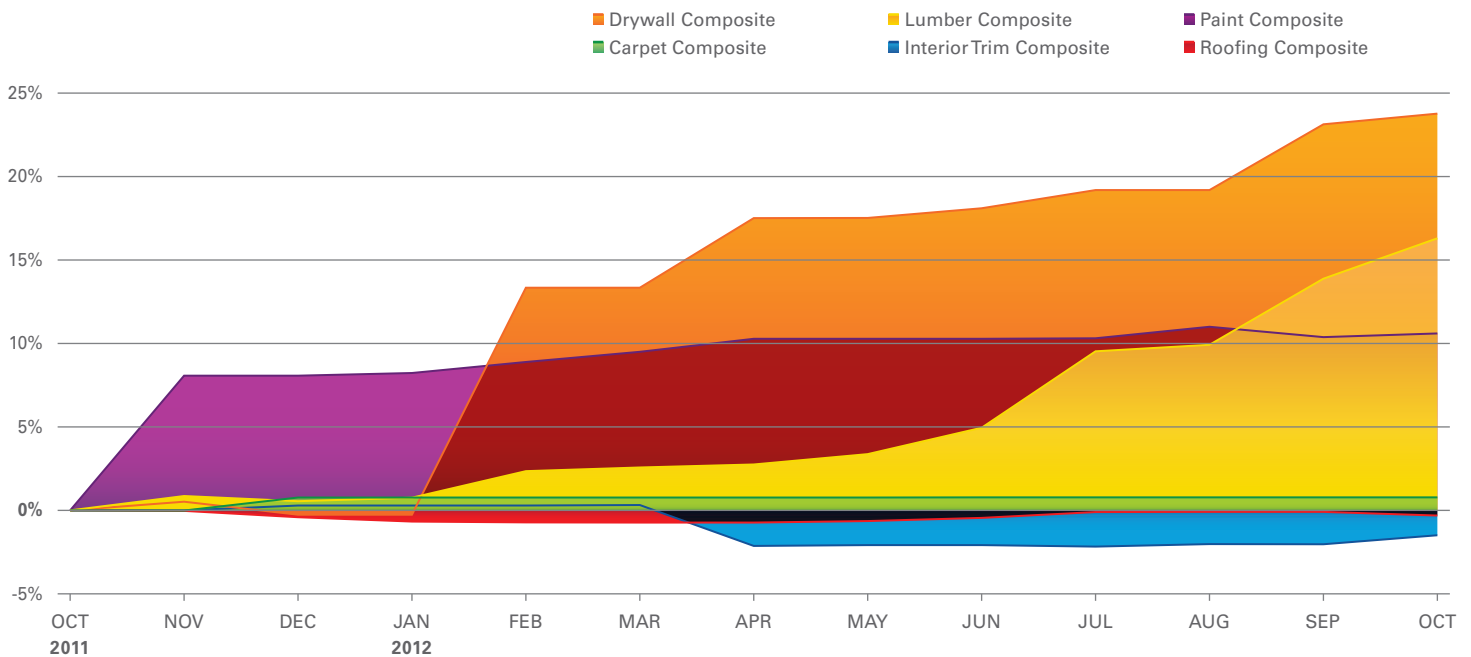
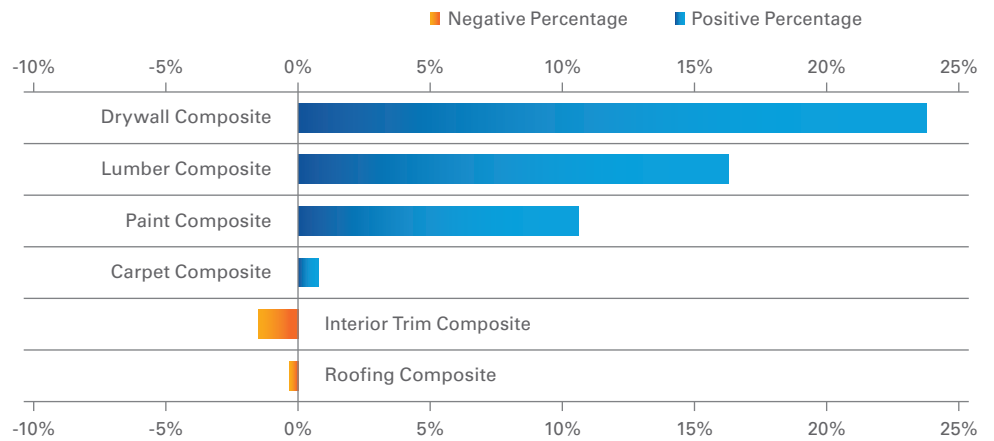


Changes in reconstruction costs by state from October 2011 to October 2012.

## Material Cost Analysis

At the national level during the past 12 months, overall costs for material composites tracked by Xactware increased 2.50 percent. During the past three months, material costs increased 1.24 percent.

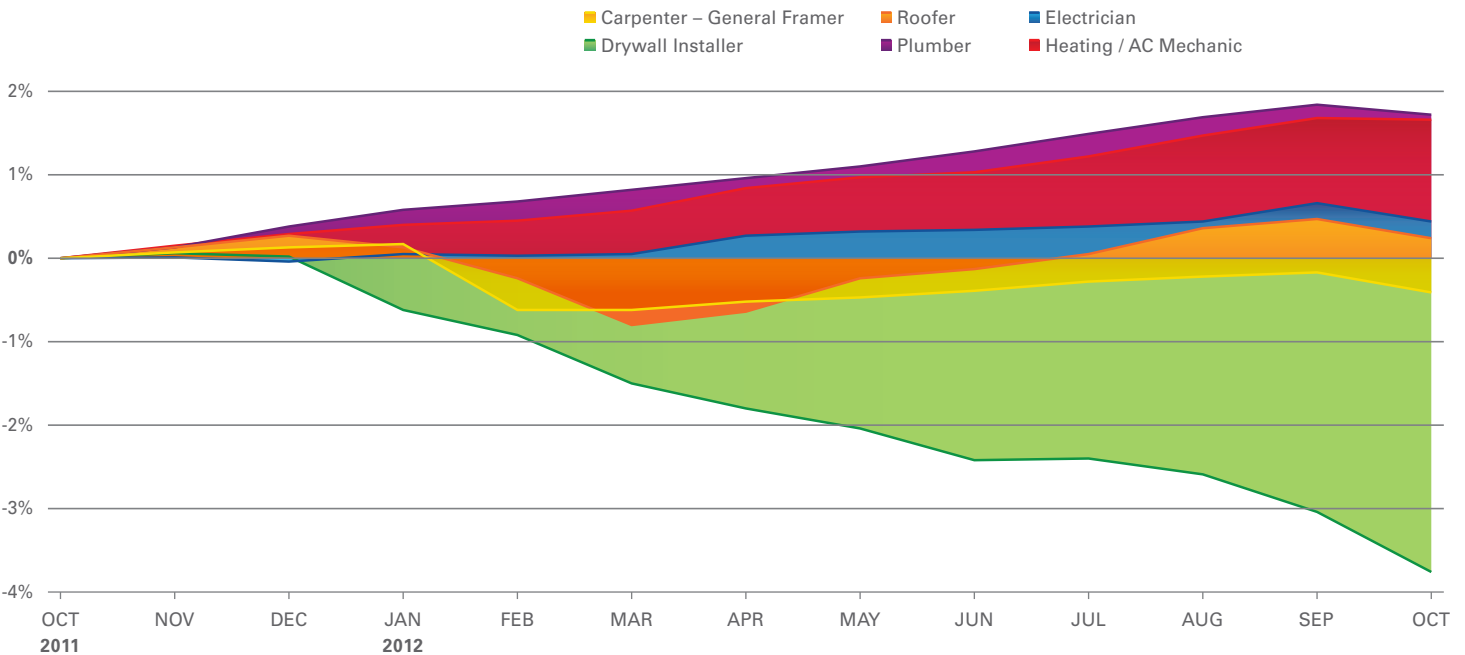
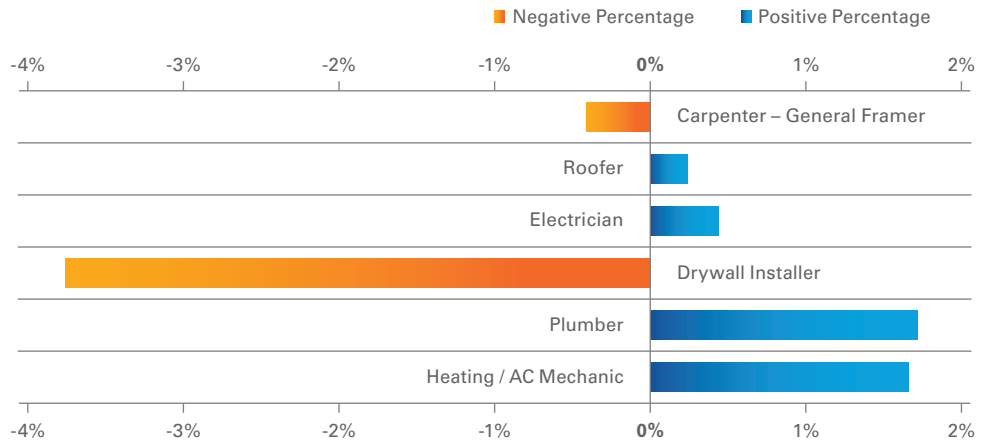
The cost of drywall continues to increase, climbing 23.77 percent between October 2011 and October 2012. While the cost of the more common drywall materials remained fairly constant during third-quarter 2012, there were increases in water-resistant drywall. Lumber prices remained strong through third quarter, rising 16.30 percent during the past year, as a result of increased construction activity.



Cost changes for common building materials between October 2011 and October 2012 at the national level. This 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 0.34 percent between October 2011 and October 2012, with four of the six common labor trades tracked in this report showing increases. Rates for drywall installers decreased 3.76 percent, and rates for carpenters/general framers fell 0.41 percent. During this past quarter, average retail labor rates showed an increase of 0.12 percent. Rates for roofers, plumbers, electricians, and heating/AC mechanics continued to rise from the previous quarter at an average of 0.23 percent.



Changes in labor costs for some common trades between October 2011 and October 2012 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/>

