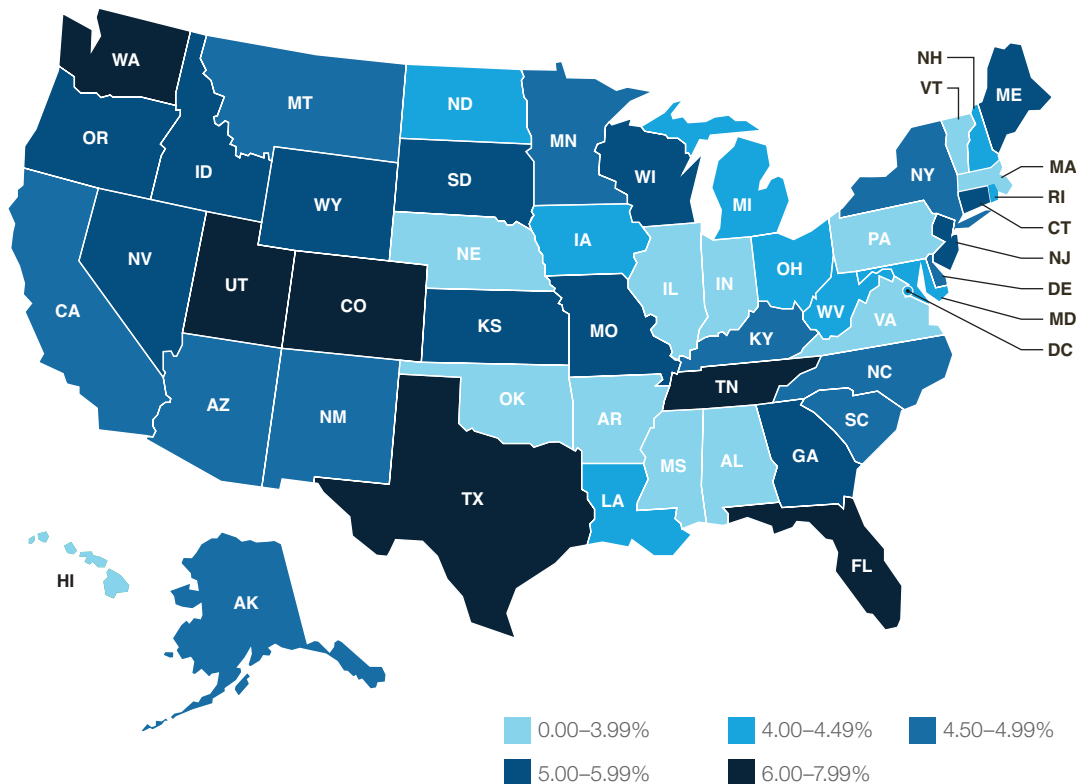


This report provides reconstruction cost trends at the national and state levels. 360Value® Quarterly Cost Updates are derived from building cost research conducted by industry leader Xactware.

In the aftermath of hurricanes, reconstruction costs rise

From October 2016 to October 2017, overall reconstruction costs grew 4.8 percent in the United States, the largest rate of increase since early 2015. During the third quarter of 2017, reconstruction costs were up 1.5 percent. All states experienced an annual increase in total reconstruction costs. Washington State had the highest rate of increase in the nation, at 7.2 percent, and Hawaii experienced the lowest increase, at just 2.7 percent.

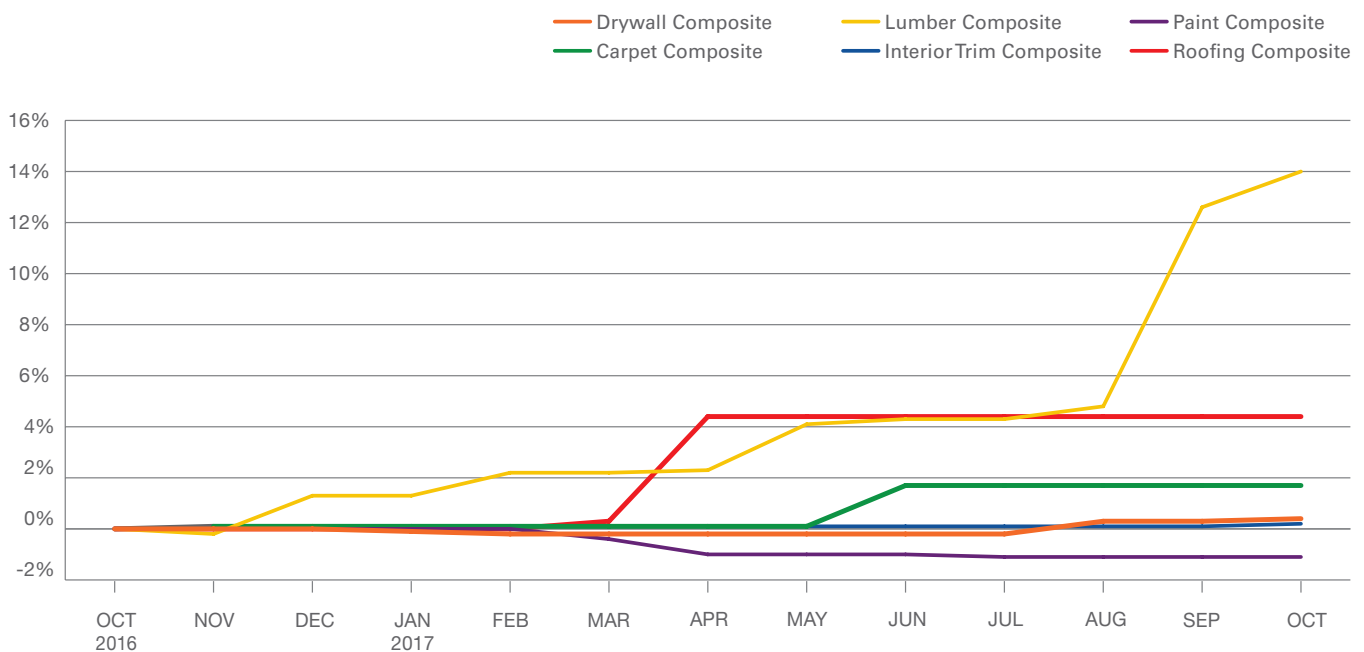
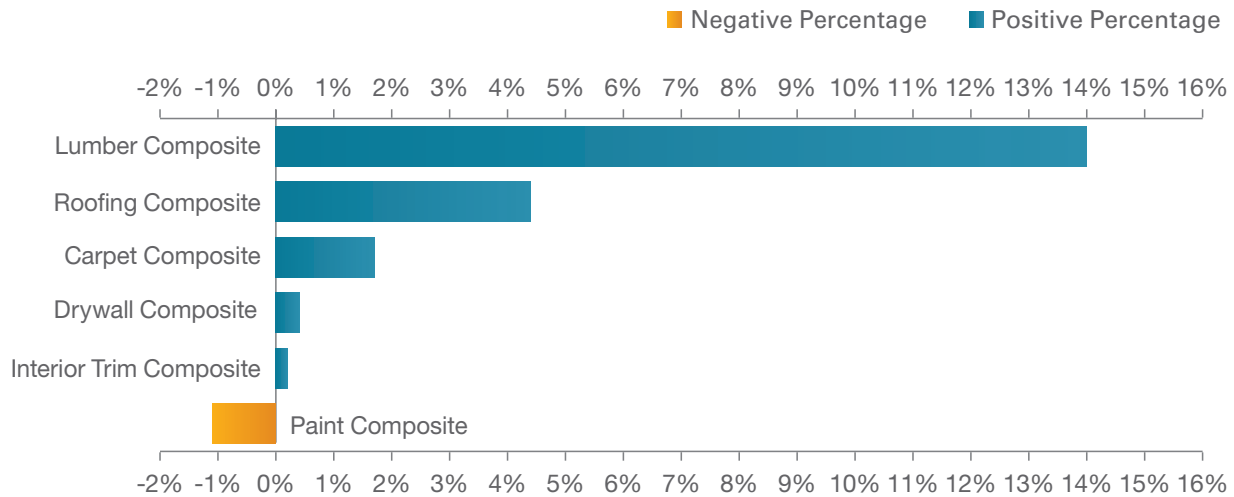
Hurricanes Harvey and Irma are driving up reconstruction costs. Texas had an average annual increase of 6.3 percent, jumping from a state rank of 12th a quarter ago to 3rd-highest in the nation. Meanwhile, Florida leapt from 27th to 2nd, with an average annual increase of 6.9 percent.



Changes in reconstruction costs by state from October 2016 to October 2017

Material Cost Analysis

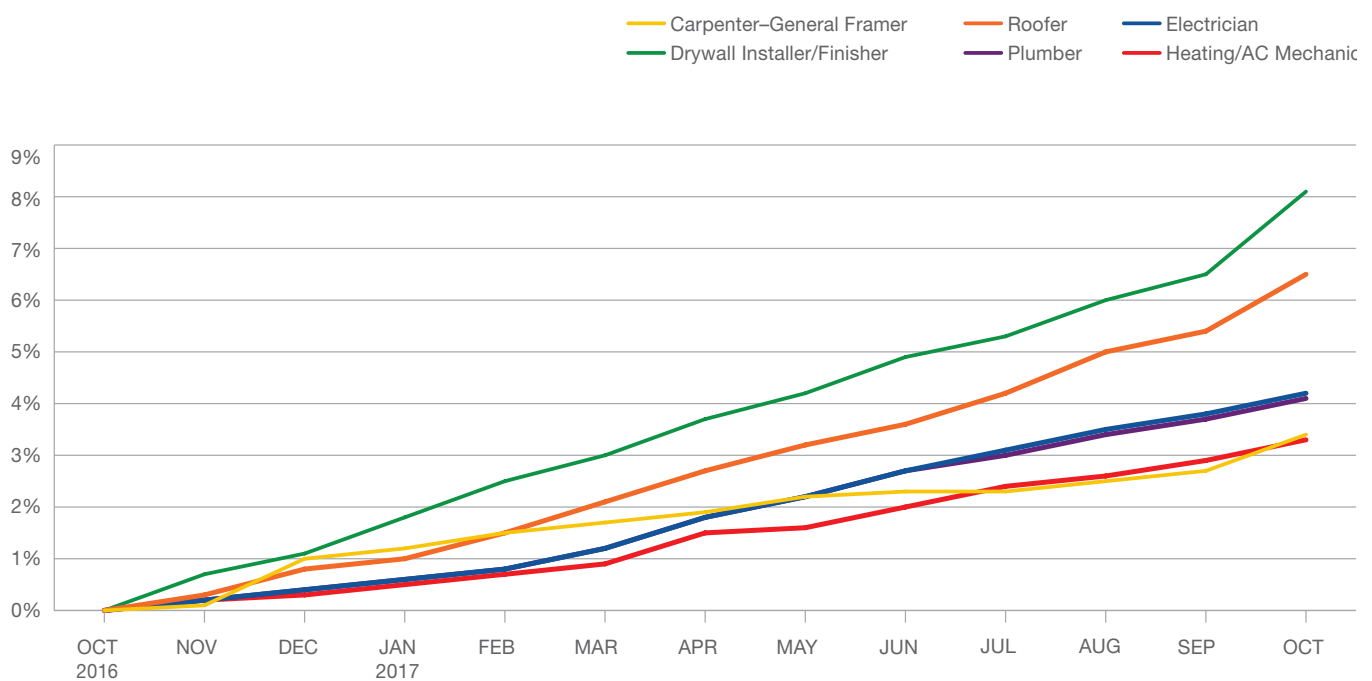
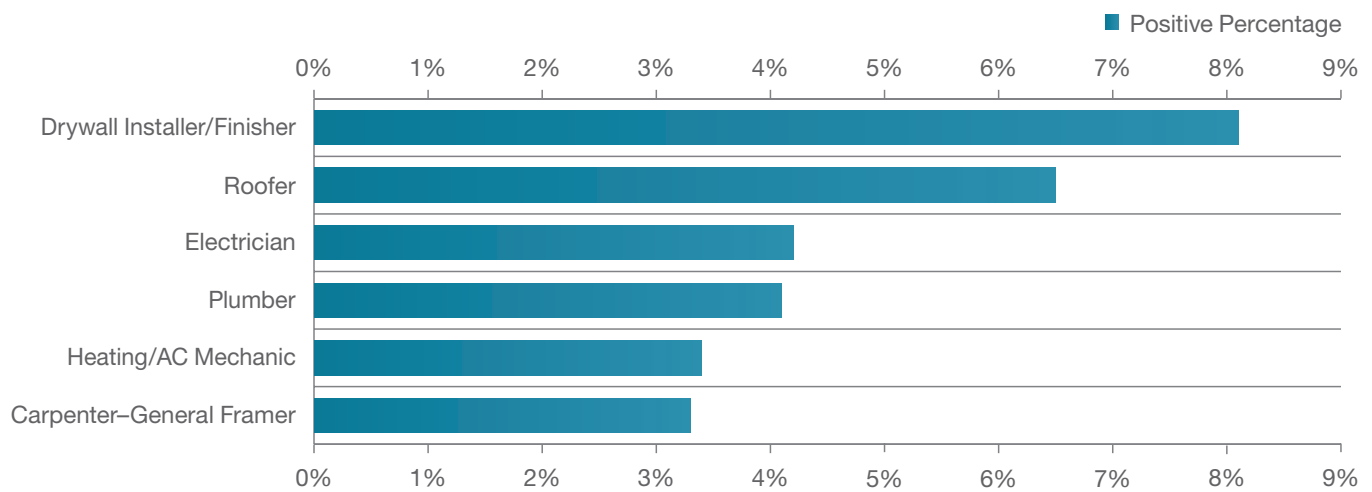
At the national level during the past 12 months, overall costs for material composites that Xactware tracks increased 3.3 percent. During the third quarter of 2017, material costs increased 2.0 percent. During the past year, Xactware identified changes to several material categories. Lumber costs skyrocketed by 14 percent, with multiple factors contributing to the increase, including high demand, announced tariffs on Canadian lumber, and shortened supply due to fires in British Columbia causing the shutdown of lumber mills. Roofing costs grew by more than 4 percent, but other material costs decreased during the period. Paint costs dropped 1.1 percent. Carpet costs were up 1.7 percent, while interior trim and drywall costs were largely unchanged.



Cost changes for common building materials from October 2016 to October 2017 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 4.3 percent from October 2016 to October 2017, with all six of the common labor trades showing increases. The quarterly change in overall retail labor costs was 1.3 percent. Rates for drywall installers increased the most during the past year, by 8.1 percent. Rates for roofers were close behind at 6.5 percent. Labor costs for electricians and plumbers rose by just over 4 percent. Heating/AC mechanics and carpenters—general framers were the common labor trades with the lowest increases, at just over 3 percent.



Changes in labor costs for some common trades from October 2016 to October 2017 at the national level. Labor costs include wages, burden, and overhead.

About This Report

360Value Quarterly Cost Updates are derived from building cost research conducted by industry leader Xactware and validated at a highly localized level.

Xactware employs a comprehensive research process that includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters, extensive material and labor cost surveys, and analysis of more than 5 million actual damage repair estimates for claims each year.


Current, localized, and detailed cost information on reconstruction labor and building materials is essential to create reliable, component-based replacement cost estimates. Each quarter, updated reconstruction cost data is incorporated into 360Value.

The data contained in this report should not be used as the basis for underwriting, coverage, rating, or renewal decisions, as changes in replacement costs vary dramatically at the individual property level.

The data compiled in this summary is available in Xactware's Industry Trend Reports, an online reporting tool that gives users an overview of market changes from one area to another; national and state averages; and price trends for roofing materials, drywall materials, and much 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/>

For more information on 360Value, visit:
<http://www.verisk.com/insurance/underwriting/property/360value-residential.html>

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