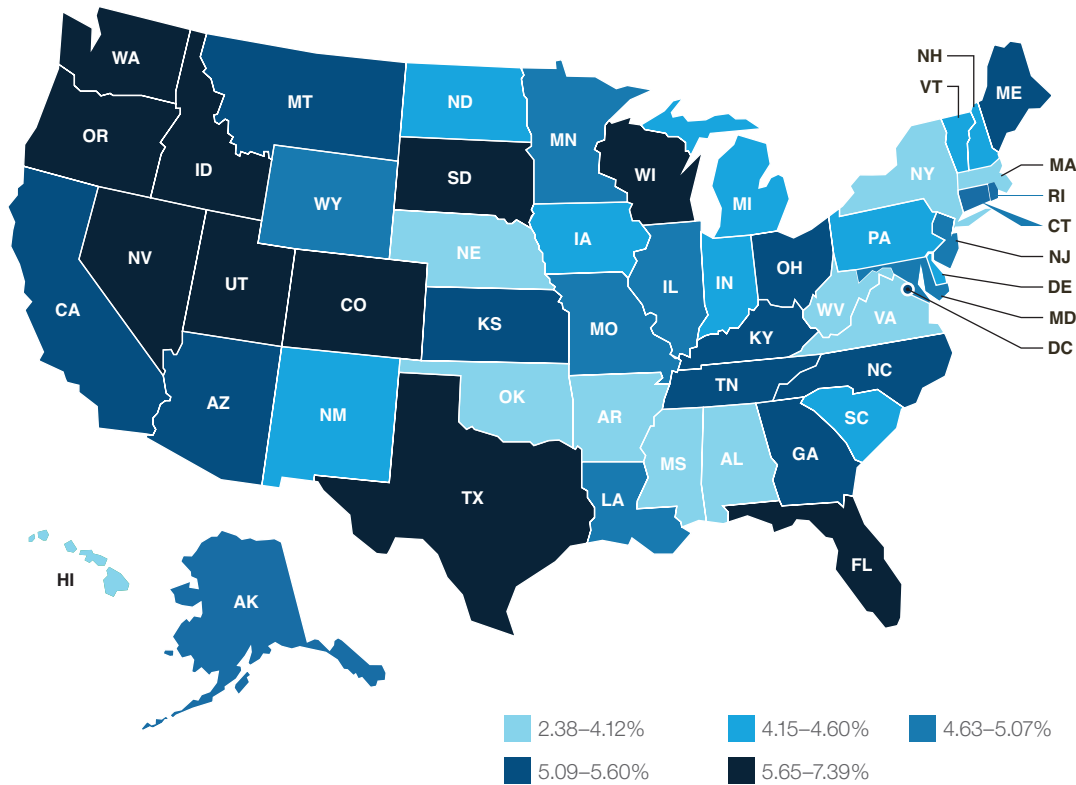


This report provides reconstruction cost trends at the national and state levels. 360Value® Quarterly Cost Updates are derived from building cost research conducted by industry leader Xactware®.

Reconstruction costs continue to climb

Total reconstruction costs, including materials and retail labor, grew 5.0 percent* in 2017. This compares to a 2.4 percent increase in 2016 and is the highest annual percentage increase in the past three years.

Reconstruction costs increased in all states. Nevada, Colorado, and Florida had the highest increases for the year (7.4 percent, 7.0 percent, and 6.9 percent, respectively). Hawaii experienced the lowest increase at just 2.4 percent.



Changes in reconstruction costs by state from January 2017 to January 2018.

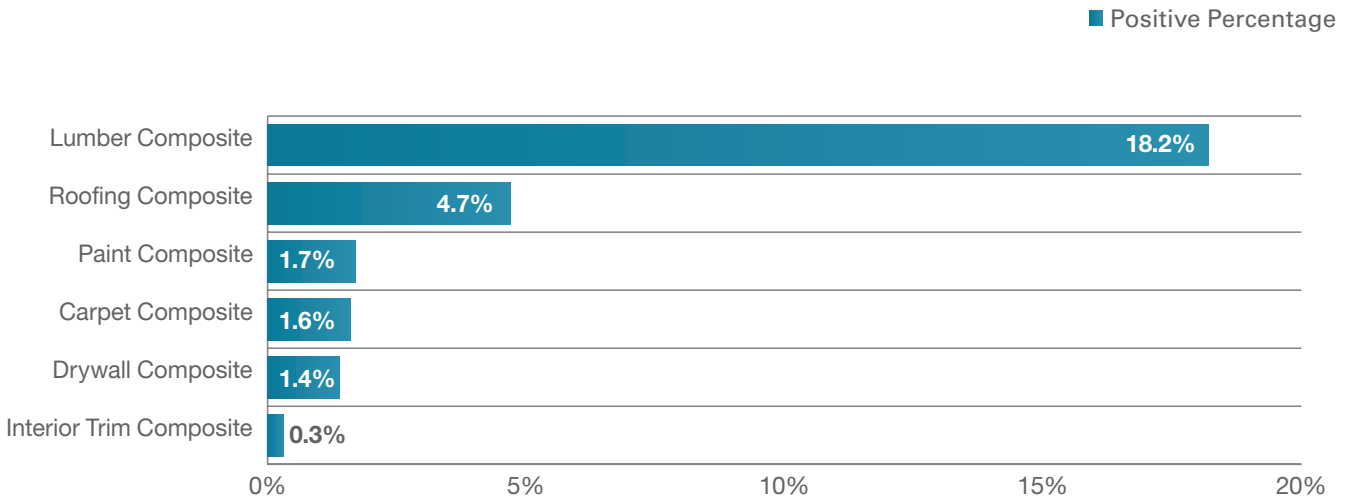
States are grouped in quintiles; each range/color in the legend includes 20 percent of the total number of states.

*All rates, percentages, increases, decreases, etc., are calculated as percentage change versus the 12th month prior, unless otherwise noted.

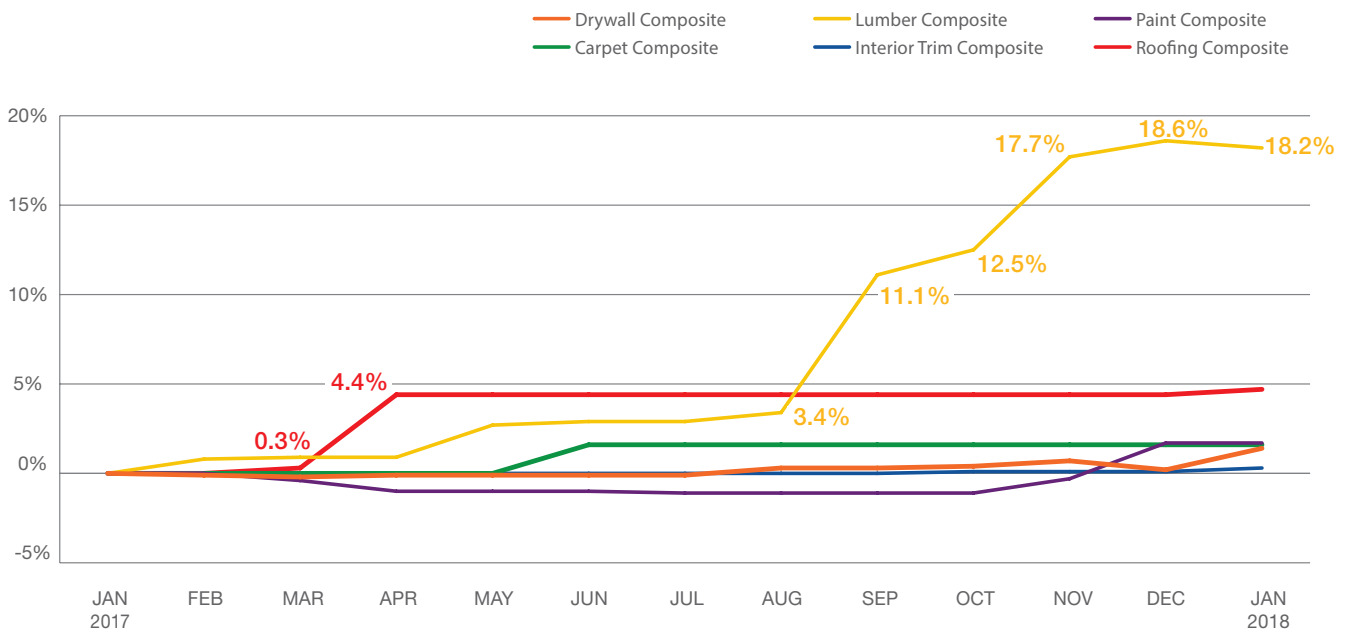
Material Cost Analysis

Combined costs for material composites that Xactware tracks increased 3.7 percent in 2017. Xactware identified key changes to several material composite categories over the course of the year. Lumber costs skyrocketed 18.2 percent, with multiple factors contributing to the increase; these included high demand, announced tariffs on Canadian lumber, and supply backlog due to fires in British Columbia that shut down lumber mills. Roofing costs grew 4.7 percent for the year, driven by a significant increase between March and April; wood shakes were the main reason. Roofing costs remained stable the rest of the year. Cost changes for all other materials were relatively stable throughout 2017.

Percentage change in costs



Percentage change in costs by month

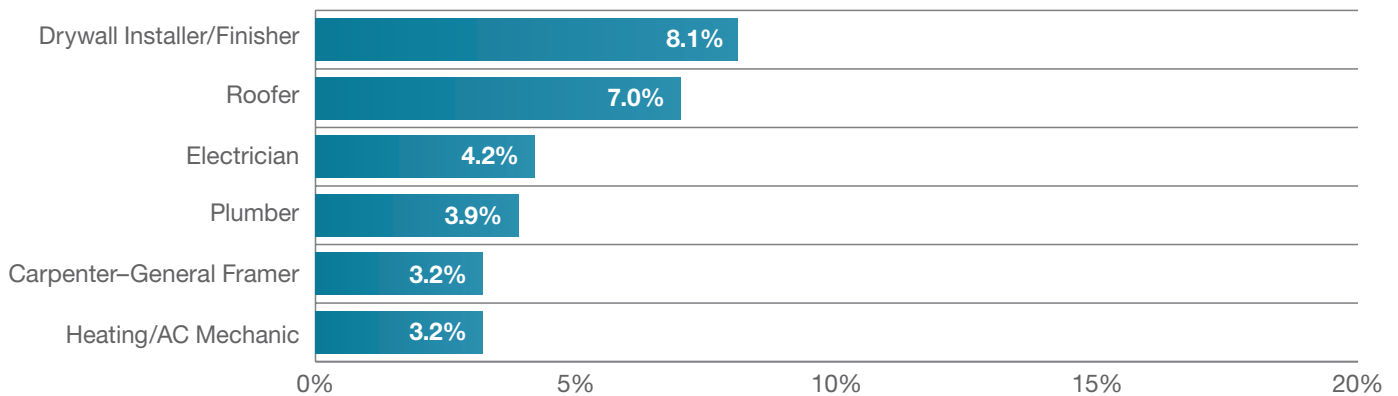


Labor Cost Analysis

Combined retail labor costs increased 4.3 percent in 2017; costs for all six of the common labor trades increased. Rates for drywall installers increased the most during the past year (8.1 percent). Cost increases for roofers closely trailed drywall installers at 7.0 percent. Labor costs for electricians and plumbers rose by approximately 4.0 percent each, and costs for heating/AC mechanics and carpenters—general framers increased the least at just over 3.0 percent each.

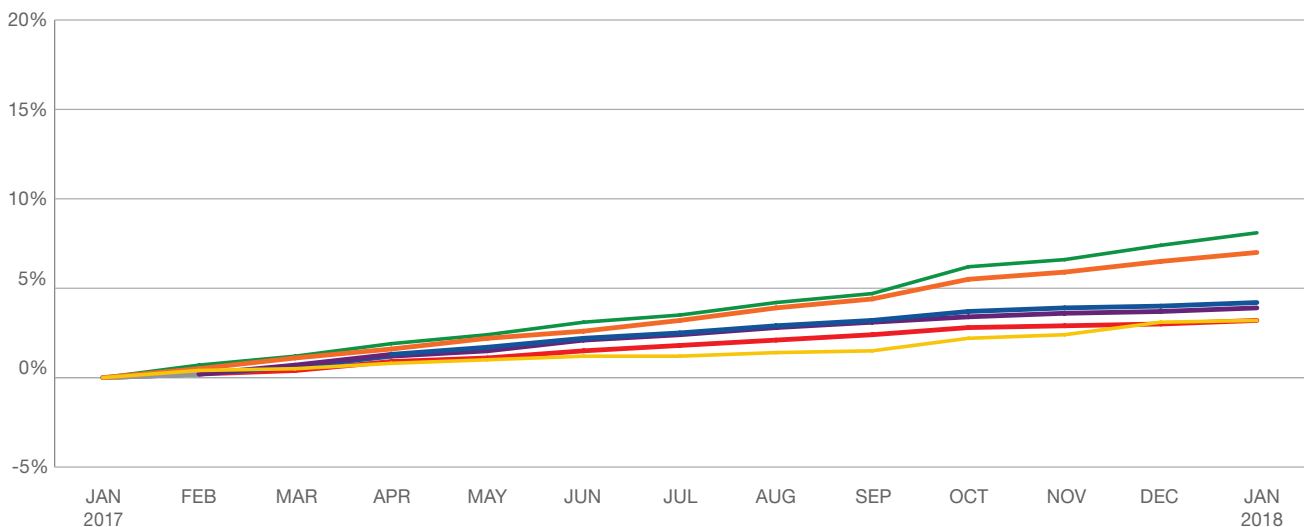
Percentage change in costs

■ Positive Percentage



Percentage change in costs by month

— Carpenter-General Framers
 — Roofer
 — Electrician
— Drywall Installer/Finisher
 — Plumber
 — Heating/AC Mechanic



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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