



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.

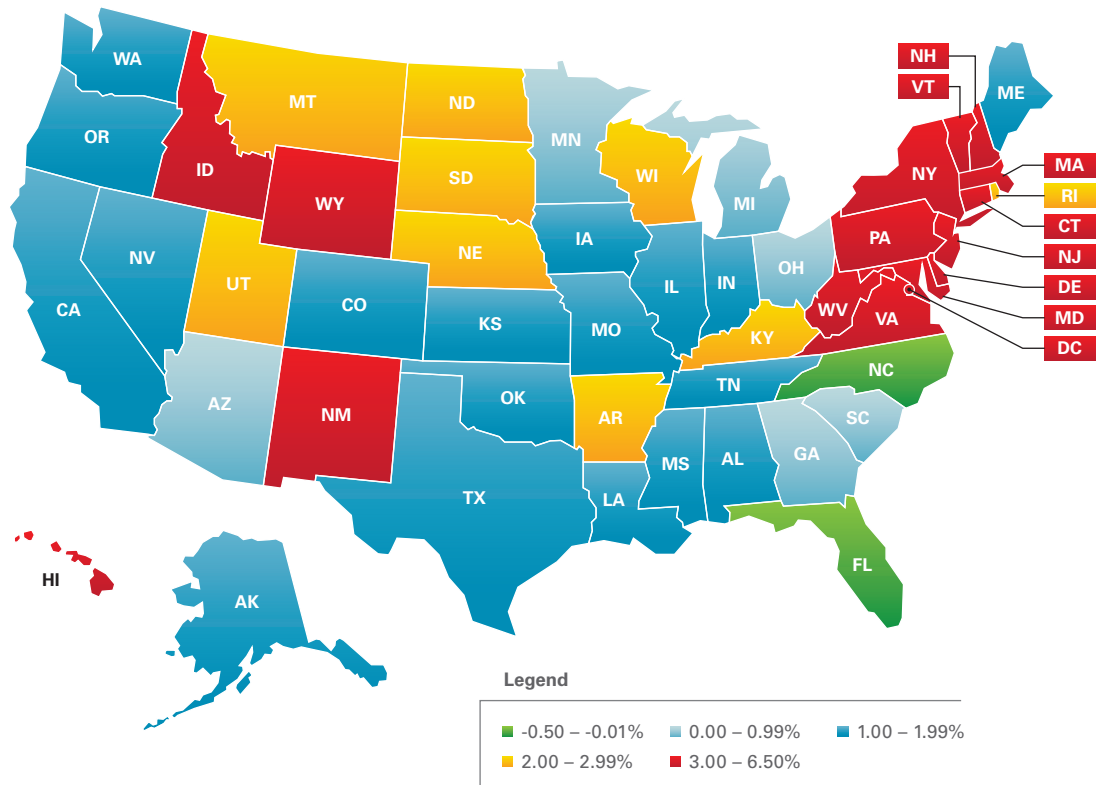
The process includes real-time feedback on reconstruction costs from tens of thousands of contractors and claims adjusters in the field, extensive material and labor cost surveys, and analysis of more than 5 million actual damage repair estimates for claims each year. Updated reconstruction cost data 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 January 2012 to January 2013, overall reconstruction costs increased 2.02 percent in the United States. During fourth-quarter 2012, reconstruction costs increased 0.44 percent, compared with the 0.18 percent increase during third-quarter 2012.

At the state level, 16 states saw increases in reconstruction costs greater than 3.00 percent, with the increases in the Northeast primarily attributable to Hurricane Sandy. The highest increases — 5.62 and 6.33 percent — were seen in Delaware and the District of Columbia, respectively. About half of the states experienced cost increases between 1.00 and 3.00 percent. Only two states experienced decreases — North Carolina, which dropped 0.43 percent, and Florida, which dropped 0.32 percent.

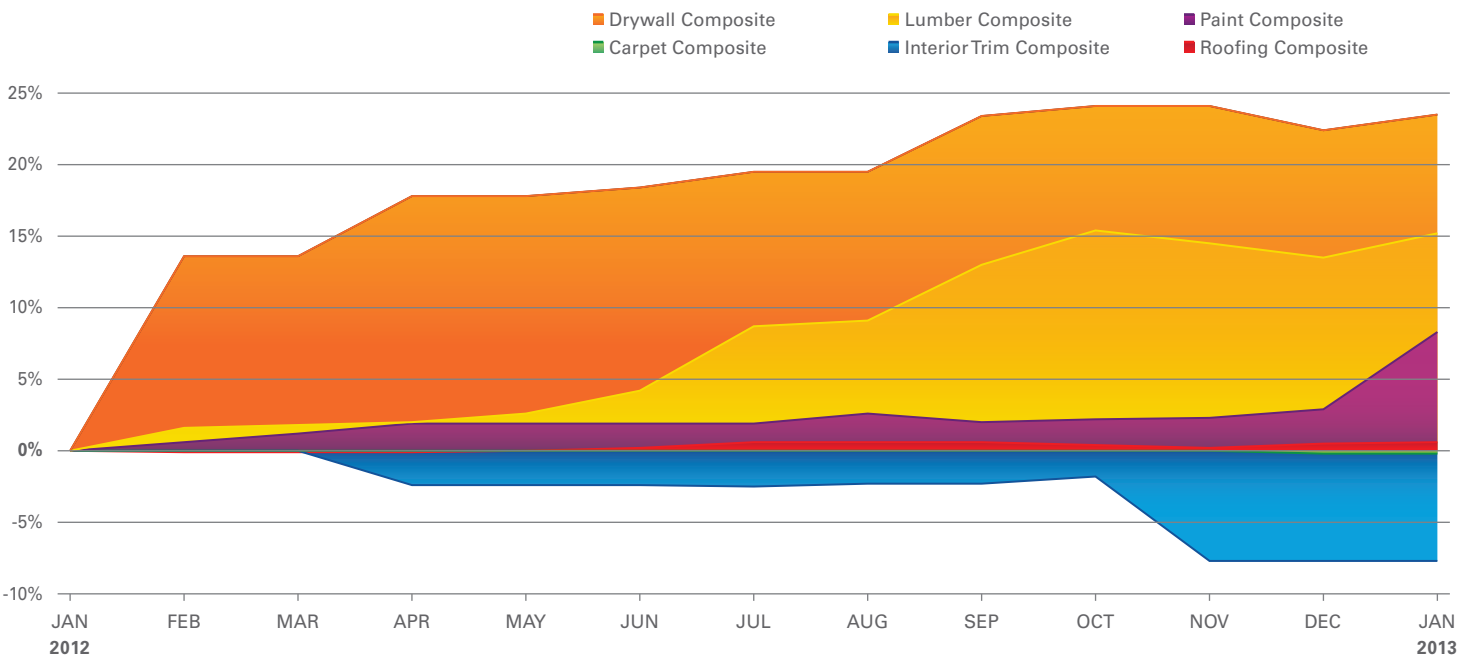
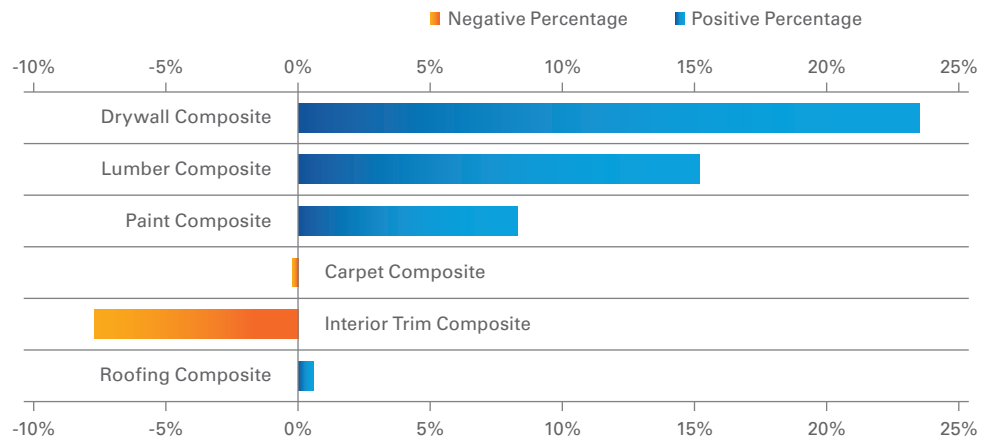


Changes in reconstruction costs by state from January 2012 to January 2013.

## Material Cost Analysis

At the national level during the past 12 months, overall costs for material composites tracked by Xactware increased 3.63 percent. During the past three months, material costs increased 0.72 percent.

The cost of drywall continued to increase, climbing 23.50 percent between January 2012 and January 2013. Lumber prices continued to remain strong, rising 15.20 percent during the past year. The cost of interior trim dropped to 7.70 percent.

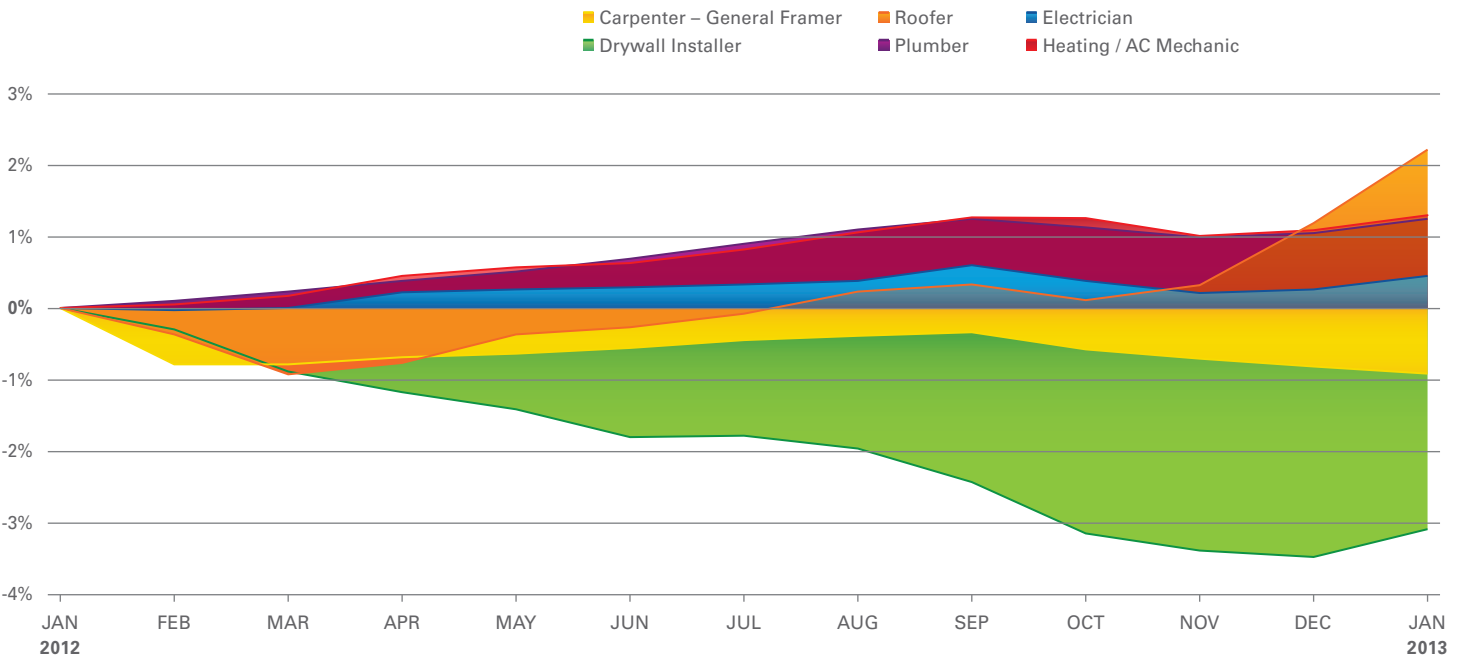
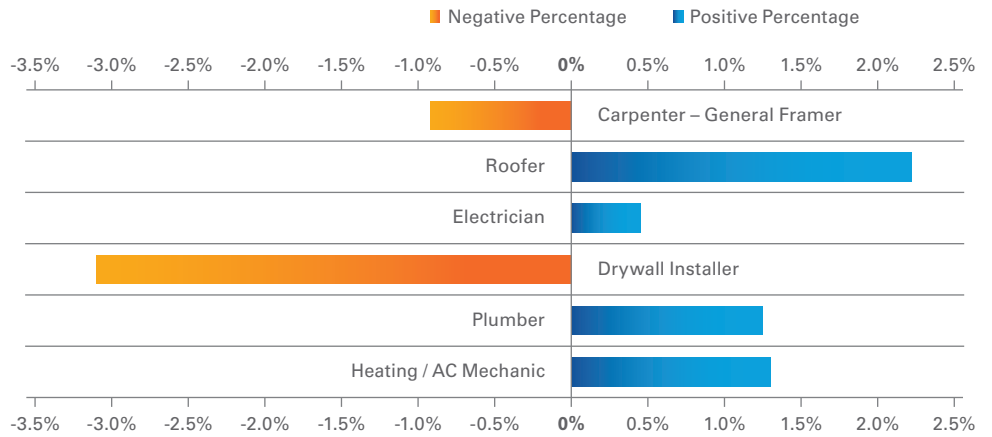


Cost changes for common building materials between January 2012 and January 2013 at the national level. This data is reported by composite, a grouping of materials needed to complete a particular aspect of reconstruction.

Labor Cost Analysis

Overall retail labor rates increased 0.45 percent between January 2012 and January 2013, with four of the six common labor trades tracked in this report showing increases. Rates for drywall installers decreased 3.10 percent, and rates for carpenters/general framers fell 0.92 percent.

During this past quarter, average retail labor rates showed an increase of 0.15 percent. Rates for roofers, plumbers, electricians, and heating/AC mechanics continued to rise from the previous quarter, with the largest increase (2.11 percent) seen in the rates of roofers.



Changes in labor costs for some common trades between January 2012 and January 2013 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/>

