

## RCT PRODUCT UPDATE BULLETIN 2<sup>nd</sup> Quarter 2014

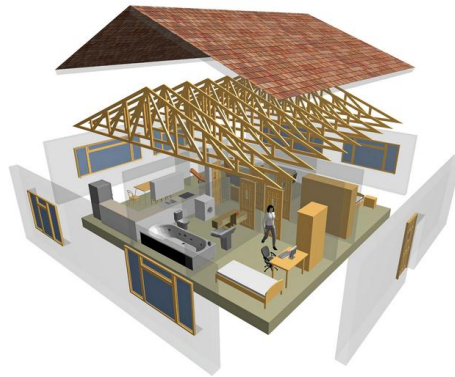
Corelogic® Insurance Solutions is pleased to provide you with an overview of the updates and enhancements in the **2<sup>nd</sup> Quarter 2014 release of RCT**. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the Residential Component Technology® software.

To ensure that our clients receive the most current building material and labor costs, Corelogic® Insurance Solutions Data team continuously researches labor, material, and equipment costs (hard costs) including mark-ups. Our research is extended to cover taxes and fringes (soft costs) for reconstruction work performed for the insurance industry in the United States and Canada. Research professionals monitor data from nearly 3,000 unique economies in the United States and over 100 in Canada.

The process includes monitoring demographics and econometric statistics, government indicators, and localization requirements, including market trends. Other factors in this process include:

- Wage rates for more than 85 union and non-union trades
- Over 100,000 line items of construction data
- Productivity rates and crew sizes
- Local cost concerns, such as building code requirements and other localized variables

In addition, we validate cost data by analyzing field inspection records, contractor estimates, phone surveys and partial and full loss claim information.



**NOTE:** The cost information in this bulletin is only intended to give you a *general sense* of reconstruction cost trends in North America. We do not advocate using these factors when adjusting renewal values for specific locations or across your book of business. The building material and labor cost trends presented in this bulletin are broad averages derived from our research of construction trades and building materials used in a typical, 2,400 square foot, single family, 2-story home and does not translate into the property specific localized, detailed results calculated by RCT.

For more information or explanation, please contact your sales consultant or account manager.

# RCT PRODUCT UPDATE BULLETIN

## 2<sup>nd</sup> Quarter 2014

### U.S. QUARTERLY MATERIAL COST CHANGES

#### COPPER WIRE

2.3%

#### PLYWOOD

-2.8%

#### LUMBER

0.7%

#### COPPER PIPE

-0.2%

#### READY MIX

2.3%

#### FELT

0.3%

#### SHINGLES

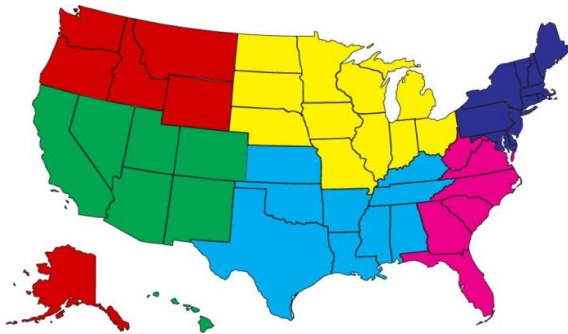
-0.6%

#### INSULATION

2.7%

#### DRYWALL

3.1%



#### U.S. Regional Quarterly Cost Changes 2<sup>nd</sup> Quarter 2014 compared to 1<sup>st</sup> Quarter 2014

Northwest	0.44%
Southwest	0.70%
Northeast	0.32%
Southeast	0.14%
North Central	0.23%
South Central	0.41%

National Average: 0.38%

#### U.S. Regional RCT Cost Changes

Wood product prices continue to be unsteady as plywood decreases -2.8% and lumber slightly increases 0.7% for the quarter. However, a positive shift in pricing may be expected as we approach the upcoming construction season. Drywall prices revealed a 3.1% increase, which is much higher than the previous quarter. Manufacturer price increases have caused fluctuation throughout local markets. Roofing shingles declined -0.6% as weather conditions continue to influence prices during the first half of 2014.

Copper pipe continues to decline -0.2% for the quarter, while copper wire increased 0.3% for the first time since a year ago. An increase in demand for metal products may be prevalent early in the next quarter. Ready mix concrete increased at 2.3% over the quarter. A fall in pricing may be more likely as temperatures begin to rise in the third quarter.

The average for U.S. building materials revealed little change over the quarter. For labor, the average wage rate increased 0.4%, based on construction trade contracts that were renewed during the quarter. A snapshot of some of the most common elements CoreLogic® Insurance Solutions monitors is listed below.

US	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Copper Wire	0.3	-0.6	-1.4	-1.7	0.5	0.9	-4.4	-1.2
1/2" Plywood	-2.8	-5.0	1.3	6.9	3.0	5.4	6.7	6.1
2x4 Lumber	0.7	-2.1	1.1	6.3	3.0	2.6	6.5	4.0
1/2" Copper Pipe	-0.2	-0.4	-1.0	-0.4	0.8	-1.0	-2.7	0.1
Ready Mix	2.3	1.4	0.1	-0.6	2.0	1.1	0.5	-1.7
Asphalt Felt 15#	-0.3	0.0	-0.3	-0.1	-0.3	-0.5	1.3	0.2
Asphalt Shingles 25yr, 3-tab	-0.6	-0.2	1.1	-0.8	0.1	0.1	1.3	0.1
R-13 Fiber Batt Insulation	2.7	5.6	4.8	1.7	0.8	1.9	0.8	-0.1
1/2" Drywall	3.1	1.5	3.9	4.7	4.5	1.0	3.2	6.5

\*Aggregate Material Index of the nine most commonly used building materials – Residential

\*\* This table represents the percent change from one quarter to the next period.

TECHNICAL SUPPORT: 1-888-370-8324 7 a.m. to 7 p.m. CT ♦ [MSBHelpdesk@msbinfo.com](mailto:MSBHelpdesk@msbinfo.com)

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# CANADA

## QUARTERLY MATERIAL COST CHANGES

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## 2<sup>nd</sup> Quarter 2014

### COPPER WIRE

1.6%

### PLYWOOD

1.0%

### LUMBER

2.3%

### COPPER PIPE

0.8%

### READY MIX

2.6%

### FELT

0.0%

### SHINGLES

0.4%

### INSULATION

0.2%

### DRYWALL

1.1%



### Canada Regional Quarterly Cost Changes 2<sup>nd</sup> Quarter 2014 compared to 1<sup>st</sup> Quarter 2014

North	0.47%
West	0.47%
Central	0.37%
Atlantic	0.36%

National Average: 0.40%

### Canada Regional RCT Cost Changes

Plywood pricing continues to decline -1.0% while lumber significantly increased 2.3% for the quarter. An unsteady pattern for mill pricing may be reflecting continued issues in production and demand. Ready mix concrete increases 2.6%, an upward pattern in pricing that may continue through the first half of 2014.

Drywall increased 1.1% for the quarter, as preliminary indicators point toward more increases in the lower market areas. Roofing shingles revealed little to no change over the quarter, a downward trend in pricing may continue early into the next quarter. Insulation products were up 0.2%, a small increase in demand may continue to stimulate pricing in the upcoming building season.

The average change for Canadian building materials was 0.1% for the quarter. For labor, the average wage rate increased to 0.7% for the quarter, based on the construction trade contracts that were renewed during the quarter. A snapshot of the most common elements CoreLogic® Insurance Solutions monitors is listed below.

CANADA	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Copper Wire	-1.6	-0.3	-1.4	-2.1	-1.6	-0.9	-0.8	-0.2
1/2" Plywood	-1.0	-3.4	-1.7	3.6	4.8	7.2	7.7	3.2
2x4 Lumber	2.3	0.1	2.2	4.9	3.8	4.7	7.7	3.4
1/2" Copper Pipe	-0.8	-0.5	-1.1	0.3	-2.0	-0.6	-0.3	0.4
Ready Mix	2.6	1.8	-1.1	-1.3	3.0	3.4	-2.1	-1.5
Asphalt Felt 15#	0.0	-0.1	-0.3	-1.4	-0.6	-0.7	0.6	-1.1
Asphalt Shingles 25yr, 3-tab	0.4	-0.1	-1.3	-1.1	0.6	0.9	0.5	-0.6
R-13 Fiber Batt Insulation	0.2	0.1	1.9	-0.4	1.3	0.5	0.5	0.4
1/2" Drywall	1.1	-0.5	-0.8	0.9	0.0	-1.3	-1.8	-1.6

\*Aggregate Material Index of the nine most commonly used building materials – Residential  
\*\*This table represents the percent change from one quarter to the next period.

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# U.S.

# CANADA

## ANNUAL MATERIAL COST CHANGES

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### RCT Software Updates for This Quarter

**NOTE:** Corelogic® Insurance Solutions recommends a full program install whenever possible to ensure that you have the latest data and program enhancements.

#### Cost Data Changes

The second quarter 2014 cost data update reflects reconstruction cost changes in both labor and material. Standardized costs in this release reflect localized, updated costs, which represent the impact of emerging markets on construction cost trends, as required by economic trends.

#### Yuma, AZ 85364

Corelogic® Insurance Solutions conducted a review of Yuma, AZ 85364 comparing and validating RCT with local contractor costs. Corelogic® Insurance Solutions verified changes in market conditions have occurred in zip code 85364 resulting in necessary RCT cost recalibration. This change will more closely align 85364 with its neighboring zip codes. Research validated that these zip codes have closely aligned costs and move together as a microeconomic cell. In an opportunity to improve database accuracy, Corelogic® Insurance Solutions is adjusting the costs for 85364 to be more in line with its neighboring zip codes resulting in an average reduction of -3.17%.

#### RCT Knowledge Table Update

The primary purpose of the RCT Knowledge Tables is to provide default building characteristic assumptions when actual information is not readily available or is unknown. Knowledge Table information is based on analysis of actual house data through multiple methods and is refreshed on a continuous basis.

The following Knowledge Table Defaults have been updated in RCT Main Street, RCT High Value and RCT 4.0:

- Kitchen quality defaults for the State of Washington will be adjusted from Builders Grade to Semi-Custom in all non-high worth zip codes.
- Bathroom quality defaults for the State of Washington will be adjusted from Builders Grade to Semi-Custom in all non-high worth zip codes.

#### Non Cost Data Changes – Material Updates

##### Definition Update

RCT Main Street, RCT High Value and RCT 4.0's Wall Height definition has been updated from Floor-to-Floor to Floor-to-Ceiling. The update definition offers more clarity on RCT's calculation and determination of Wall Height.

##### Material Selection Update

RCT High Value and RCT 4.x material – Breezeway Wall has been updated from Masonry Exterior Wall material to Exterior Frame Wall

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