

## RCT PRODUCT UPDATE BULLETIN 4<sup>th</sup> Quarter 2012

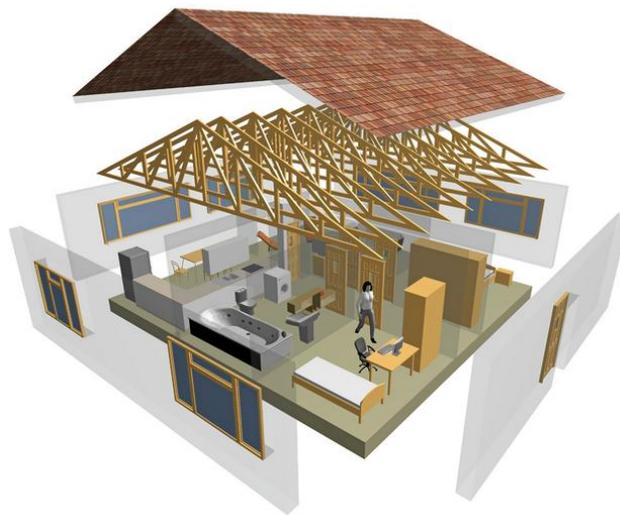
MSB is pleased to provide you with an overview of the updates and enhancements in the 4<sup>th</sup> Quarter 2012 release of RCT. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the Residential Component Technology<sup>®</sup> software.

To ensure that our clients receive the most current building material and labor costs, MSB continually researches labor, material, and equipment costs (hard costs) plus mark-ups, 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, localization requirements, markets trends as well as:

- 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 inspections 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 for 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

## 4<sup>th</sup> Quarter 2012

### U.S. QUARTERLY MATERIAL COST CHANGES

#### COPPER WIRE

4.4%



#### PLYWOOD

6.7%



#### LUMBER

6.5%



#### COPPER PIPE

2.7%



#### READY MIX

0.5%



#### FELT

1.3%



#### SHINGLES

1.3%



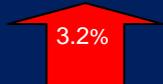
#### INSULATION

0.8%



#### DRYWALL

3.2%



#### U.S. Regional Quarterly Cost Changes 4<sup>th</sup> Quarter 2012 compared to 3<sup>rd</sup> Quarter 2012

Northwest	0.88%
Southwest	0.79%
Northeast	0.63%
Southeast	0.50%
North Central	0.53%
South Central	0.59%

National Average: 0.64%

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

The third quarter of 2012 saw dimensional lumber and plywood continue to build on their previous increases with substantial increases of 6.7% for plywood and 6.5% for lumber during the quarter. With winter approaching demand should dip slightly especially in the northern states, and we should see a plateau or even a slight decrease during the next couple of quarters.

Drywall prices rose 3.2% during the previous quarter, and are now 16.9% higher than this time one year ago. Prices are expected to remain stable on drywall during the last quarter of 2012 for the first time since the beginning of 2012.

The average change for U.S. building materials was 0.5% for the quarter. For labor, the average wage rate increased 0.4%, based on construction trade contracts that expired and were renewed during the quarter. A snapshot of some of the most common elements MSB monitors is listed below.

US	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10
Copper Wire	-4.4	-1.2	-1.2	-1.1	1.7	5.9	6.2	4.5
1/2" Plywood	6.7	6.1	3.7	1.7	-2.1	-3.0	-2.9	-3.0
2x4 Lumber	6.5	4.0	-0.9	0.0	1.1	1.7	1.0	-3.6
1/2" Copper Pipe	-2.7	0.1	0.4	0.3	3.0	6.8	4.1	3.8
Ready Mix	0.5	-1.7	1.3	1.6	-0.1	-0.4	1.1	0.8
Asphalt Felt 15#	1.3	0.2	-1.4	0.1	2.0	0.3	-0.6	-1.6
Asphalt Shingles 25yr, 3-tab	1.3	0.1	0.8	3.2	7.9	1.4	0.1	-1.1
R-13 Fiber Batt Insulation	0.8	-0.1	0.6	1.3	1.9	3.0	4.5	2.4
1/2" Drywall	3.2	6.5	5.9	0.5	0.5	-0.2	0.5	1.3

\*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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### COPPER WIRE

0.8%



### PLYWOOD

7.7%



### LUMBER

7.7%



### COPPER PIPE

0.3%



### READY MIX

2.1%



### FELT

0.6%



### SHINGLES

0.5%



### INSULATION

0.5%



### DRYWALL

1.8%



### Canada Regional Quarterly Cost Changes 4<sup>th</sup> Quarter 2012 compared to 3<sup>rd</sup> Quarter 2012

North	0.83%
West	0.72%
Central	0.75%
Atlantic	0.88%

National Average: 0.77%

### Canada Regional RCT Cost Changes

Plywood and lumber were the fastest movers during the last quarter with matching increases of 7.7%. Increased exports to foreign markets have continued to keep prices high with plywood now 14.4% higher than this time last year, and lumber not far behind at 13.5% higher than this time last year.

Ready mix prices showed a decrease of 2.1% during the previous quarter, but are expected to rebound in the next couple of quarters. Even with this decrease prices are still 2.2% higher than during the same time period of 2011.

The average change for Canadian building materials was 0.9% for the quarter. For labor, the average wage rate increased 0.5% for the quarter based on the construction trade contracts that expired and were renewed during the quarter. A snapshot of the most common elements MSB monitors is listed below.

CANADA	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10
Copper Wire	-0.8	-0.2	-0.5	-1.5	0.7	5.3	4.3	2.4
1/2" Plywood	7.7	3.2	1.5	1.5	-2.6	-3.7	-3.0	-3.0
2x4 Lumber	7.7	3.4	0.6	1.3	-1.1	-1.4	-1.5	-2.9
1/2" Copper Pipe	-0.3	0.4	-0.8	-1.0	-0.4	2.4	2.8	1.3
Ready Mix	-2.1	-1.5	2.7	3.3	-1.3	-1.6	2.5	2.8
Asphalt Felt 15#	0.6	-1.1	-0.8	0.0	1.0	0.0	-0.3	-1.0
Asphalt Shingles 25yr, 3-tab	0.5	-0.6	-1.2	0.3	2.2	0.5	0.7	-0.8
R-13 Fiber Batt Insulation	0.5	0.4	0.1	0.3	0.7	1.1	-0.8	-2.0
1/2" Drywall	-1.8	-1.6	-0.7	-0.9	-0.8	-0.5	0.1	-1.5

\*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.

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# U.S.

## ANNUAL MATERIAL COST CHANGES

# CANADA

## ANNUAL MATERIAL COST CHANGES

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## 4<sup>th</sup> Quarter 2012

### RCT Software Updates for This Quarter

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

#### Cost Data Changes

The fourth quarter 2012 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.

#### Canada

##### Canadian Knowledge Table Default Enhancement

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

The following Knowledge Table Assumptions have been updated in RCT Main Street and High Value.

- Exterior Wall Materials
- Roof Coverings
- Interior Wall Finishes
- Floor Coverings
- HVAC
- Bathroom counts by total living area

The following Knowledge Table Assumptions have been updated in RCT High Value.

- Electrical Services
- Staircase Balustrade

#### Non Cost Data Changes – Material Updates

The following materials were added to RCT Mobile Manufacturing Housing:

- 30203 – Solar Panels (Count) (Exterior, Special Items)
- 30204 - Photovoltaic System, Average (Count) (Exterior Special Items)
- 30205 - Photovoltaic System, Large (Count) (Exterior Special Items)
- 60003 – Heat & Central Air Conditioning Average Cost (Percent) (HVAC)
- 60012 – Heating, Propane, Gas, Forced Air (Percent) (HVAC)
- 60014 – Central Air Conditioning, Same Ducts (Percent) (HVAC)
- 60015 – Central Air Conditioning, Separate Ducts (Percent) (HVAC)
- 60048 – Central Air Conditioning, High Efficiency, Same Ducts (Percent) (HVAC)
- 60049 – Central Air Conditioning, High Efficiency, Separate Ducts (Percent) (HVAC)

The following new materials were added to RCT High Value.

- 009310 – Stud, 2”X10” (Percent) (Exterior Walls, Framing)
- 009311 – Stud, 2”X12” (Percent) (Exterior Walls, Framing)
- 055765 – Toilet, Flush (Count) (Kitchens, Baths & Plumbing, Bathrooms (Build-Up))

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#### READY MIX



#### READY MIX



#### FELT



#### FELT



#### SHINGLES



#### SHINGLES



#### INSULATION



#### INSULATION



#### DRYWALL



#### DRYWALL

