

## RCT PRODUCT UPDATE BULLETIN

### 1<sup>st</sup> Quarter 2013

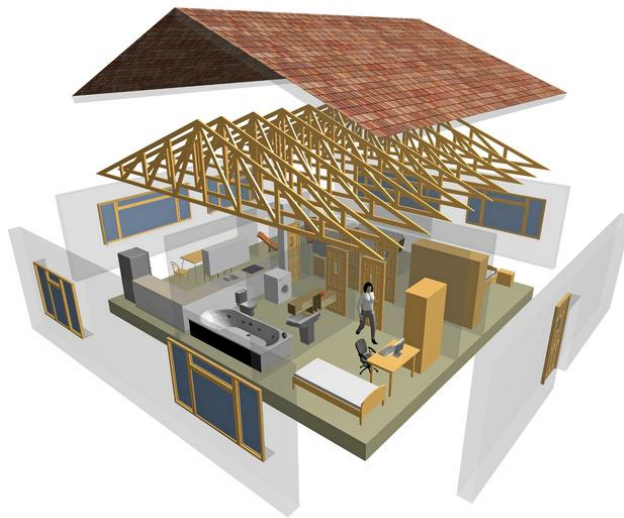
MSB is pleased to provide you with an overview of the updates and enhancements in the 1<sup>st</sup> Quarter 2013 release of RCT. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the Residential Component Technology<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

## 1<sup>st</sup> Quarter 2013

### U.S. QUARTERLY MATERIAL COST CHANGES

#### COPPER WIRE

0.9%

#### PLYWOOD

5.4%

#### LUMBER

2.6%

#### COPPER PIPE

1.0%

#### READY MIX

1.1%

#### FELT

0.5%

#### SHINGLES

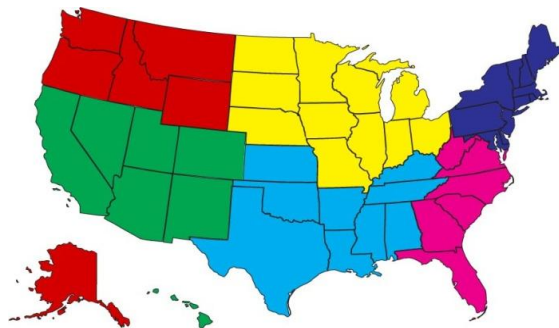
0.1%

#### INSULATION

1.9%

#### DRYWALL

1.0%



#### U.S. Regional Quarterly Cost Changes 1<sup>st</sup> Quarter 2013 compared to 4<sup>th</sup> Quarter 2012

Northwest	0.96%
Southwest	0.76%
Northeast	0.70%
Southeast	0.68%
North Central	0.66%
South Central	0.71%

National Average: 0.73%

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

Lumber and plywood continued to be the biggest movers driven by a strengthening housing market converging with an environment where most mills are working at near capacity. Plywood prices rose 5.4% for the quarter and are now 23.8% higher than this time a year ago. Lumber prices have followed a similar although not as drastic an upward trend up 2.6% for the quarter and 12.6% on the year.

Drywall prices continued their rise up 1.0% over the previous quarter, and are now 17.5% higher than this time one year ago. While price increases on drywall slowed during the last quarter of 2012 many of the largest manufacturers have issued price increase notices to their suppliers of future price increases in 2012. It is not expected that all of these increases will make it to the market during 2013.

The average change for U.S. building materials was 0.7% for the quarter. For labor, the average wage rate increased 0.3%, 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	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11
Copper Wire	0.9	-4.4	-1.2	-1.2	-1.1	1.7	5.9	6.2
1/2" Plywood	5.4	6.7	6.1	3.7	1.7	-2.1	-3.0	-2.9
2x4 Lumber	2.6	6.5	4.0	-0.9	0.0	1.1	1.7	1.0
1/2" Copper Pipe	-1.0	-2.7	0.1	0.4	0.3	3.0	6.8	4.1
Ready Mix	1.1	0.5	-1.7	1.3	1.6	-0.1	-0.4	1.1
Asphalt Felt 15#	-0.5	1.3	0.2	-1.4	0.1	2.0	0.3	-0.6
Asphalt Shingles 25yr, 3-tab	0.1	1.3	0.1	0.8	3.2	7.9	1.4	0.1
R-13 Fiber Batt Insulation	1.9	0.8	-0.1	0.6	1.3	1.9	3.0	4.5
1/2" Drywall	1.0	3.2	6.5	5.9	0.5	0.5	-0.2	0.5

\*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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### COPPER WIRE

0.9%



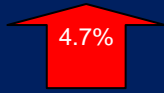
### PLYWOOD

7.2%



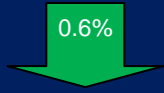
### LUMBER

4.7%



### COPPER PIPE

0.6%



### READY MIX

3.4%



### FELT

0.7%



### SHINGLES

0.9%



### INSULATION

0.5%



### DRYWALL

1.3%



### Canada Regional Quarterly Cost Changes 1<sup>st</sup> Quarter 2013 compared to 4<sup>th</sup> Quarter 2012

North	1.00%
West	0.95%
Central	0.75%
Atlantic	0.86%
National Average:	0.83%

### Canada Regional RCT Cost Changes

Plywood and Lumber prices continued to be the fastest movers for the quarter with 7.2% and 4.7% increases respectively. Being driven by an improving housing market on both sides of the border, price decreases are not expected any time in the near future.

As expected, ready mix prices increased 3.4% during the quarter as winter took hold throughout the country. Prices are expected to ride this upward swing through the first quarter and most of the second quarter before the warmth of the sun starts to bring prices back down.

The average change for Canadian building materials was 0.9% for the quarter. For labor, the average wage rate increased 0.2% 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	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11
Copper Wire	-0.9	-0.8	-0.2	-0.5	-1.5	0.7	5.3	4.3
1/2" Plywood	7.2	7.7	3.2	1.5	1.5	-2.6	-3.7	-3.0
2x4 Lumber	4.7	7.7	3.4	0.6	1.3	-1.1	-1.4	-1.5
1/2" Copper Pipe	-0.6	-0.3	0.4	-0.8	-1.0	-0.4	2.4	2.8
Ready Mix	3.4	-2.1	-1.5	2.7	3.3	-1.3	-1.6	2.5
Asphalt Felt 15#	-0.7	0.6	-1.1	-0.8	0.0	1.0	0.0	-0.3
Asphalt Shingles 25yr, 3-tab	0.9	0.5	-0.6	-1.2	0.3	2.2	0.5	0.7
R-13 Fiber Batt Insulation	0.5	0.5	0.4	0.1	0.3	0.7	1.1	-0.8
1/2" Drywall	-1.3	-1.8	-1.6	-0.7	-0.9	-0.8	-0.5	0.1

\*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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### 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 first quarter 2013 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.

#### Mobile-Manufactured Housing - 2013 Historical Depreciation Tables

Each year as part of the first quarter update, the Mobile Manufactured Home Historical Depreciation table and definition are updated to reflect changes to the year built range 1950 to 2014.

#### 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 through multiple methods and is refreshed on a continuous process.

#### United States (US) Knowledge Table Default

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

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

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

- Framing Materials
- Electrical Services
- Staircase Balustrade

#### US and Canadian Knowledge Table Default

The following Knowledge Table Defaults have been updated in RCT 4.0 only:

- New Garage defaults
- New Carport defaults
- New Fireplace defaults

#### Non Cost Data Changes – Material Updates

The following new materials and definitions were added to RCT 4.0:

- 065199 – 100 amp Service, Standard (Percent) (Whole House Systems, Electrical)
- 065198 – 100 amp Service, Custom (Percent) (Whole House Systems, Electrical)

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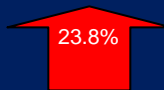
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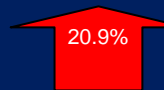
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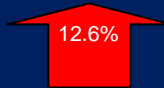
#### PLYWOOD



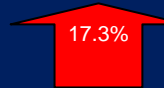
#### PLYWOOD



#### LUMBER



#### LUMBER



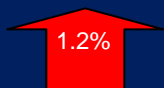
#### COPPER PIPE



#### COPPER PIPE



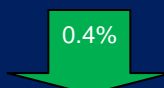
#### READY MIX



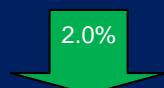
#### READY MIX



#### FELT



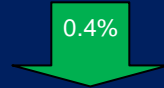
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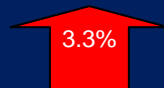
#### SHINGLES



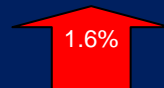
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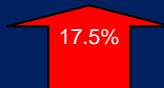
#### INSULATION



#### INSULATION



#### DRYWALL



#### DRYWALL

