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# Construction Cost Data

## Frequently Asked Questions

Providing current and localized construction costs is the foundation of the CoreLogic suite of insurance, appraisal and assessor cost estimating solutions. Insight regarding how we research, obtain and manage our construction cost data follows.

### What is the background of the CoreLogic® Construction Data Team?

The Construction Data Team is comprised of architects, structural engineers, building estimators, construction project managers, general and restoration contractors, independent residential builders, tradespeople, realtors, claims adjusters, appraisers, assessors and data analysts.

CoreLogic's Data Research Team is responsible for researching and compiling the data behind the CoreLogic estimating tools. These dedicated staff members research construction trades and their associated labor rates across the U.S and Canada. Our Analytics Team helps drive improvements by closely analyzing data influencing construction trends. The Construction Cost Estimating Team diligently aggregates the component costs into the data that powers our estimating tools.

### What is the process for researching prices: how are labor and material costs obtained?

Price research, as used in this context, represents the most fundamental building elements used in the construction process, the price per yard of concrete, the cost for a 2" x 4" or a bundle of shingles. It is the base wage of a carpenter and the benefits and taxes associated with it. This data is collected utilizing our extensive network of building material suppliers, labor organizations and automatic data feeds.

CoreLogic utilizes third-party sources to expand the number of labor data points to augment this

research and validate our findings. Triple sourcing of prices across the U.S and Canada are used to establish the most appropriate cost likely to be utilized by a restoration contractor in any given region. The frequency of the collection process is dynamic depending on the material, volatility, and the weighted impact on the total estimate value. No single source is used to determine our pricing.

## **How does CoreLogic localize the costs?**

Localization is managed to best fit each product's intended use. For our partial loss claims estimating solutions, the focus is primarily on how material costs and labor rates are localized. For our insurance underwriting tools or our assessor and appraisal tools that aggregate materials and labor into complex assemblies, it becomes necessary to localize based on how specific structures are built.

For residential construction, CoreLogic localizes how a building is constructed based on the International Residential Code (IRC) which contains information and regulations applying to residential construction, including both new construction practices as well as remodeling practices. For commercial buildings, CoreLogic localizes based on the International Building Code (IBC) which contains information and rules about methods used in commercial construction.

CoreLogic uses the IRC and the IBC to pick the appropriate building components based on seismic zones, wind speeds, frost penetration, insulation requirements, snow loads, and the average heating and cooling days for each structure in any location. Conditions directly impact the overall cost of a structure and components used in its construction.

To localize our material costs and labor rates, we collect data daily in select cities across the U.S. and Canada that support large box retailers and specialty stores such as electrical, plumbing, and roofing supply houses doing business in these markets. Monitoring costs in these locations allows us to triple source supplier cost for our database materials and ensure consistent, reliable data in our monthly updates.

Between our material and labor localization process and the localization that recognizes IBC and IRC requirements, CoreLogic can provide localization data and estimates at the ZIP code or postal code level of granularity. CoreLogic also fulfills specific industry requirements that specify the data be aggregated and based on regional, county, or city levels.

## **How often does CoreLogic update its pricing database?**

Our claim databases, construction indexes, and government products are released monthly. Our building estimating tools such as RCT Express® or Commercial Express® datasets are released quarterly.

## **What type of building components does the CoreLogic database contain?**

Through our component-based estimating approach, CoreLogic can create building valuations for residential, mobile homes, agricultural, commercial, institutional, and light industrial buildings. Our claims estimating tools incorporate the components necessary to value these structures.

## **How do the components used in your claims database differ from the ones used in the CoreLogic residential or commercial underwriting tools?**

Most building components can be broken down into five elements: labor costs, labor productivity, equipment costs, material costs, and material waste. Whether the work is for commercial or residential projects or due to a partial loss, it creates variances with the five elements. In a typical situation, reconstructing a building from the ground up as a total package is less expensive than

pricing out those same individual pieces due to a partial loss.

Our claims estimating tool uses different productivity rates, labor costs, and waste factors to recognize this difference. We also identify a difference in labor costs between residential and commercial construction. The difference will vary based on the trade used in the line item; however, this is especially noticeable in heavily unionized, non-right to work states.

### **Besides the five elements mentioned above, what other costs are considered in a CoreLogic component and unit cost?**

CoreLogic also recognizes subcontractor overhead and profit as part of the billing rate used in its components. Billing rates are comprised of base wages paid to the employee and those costs incurred by the employer. The employer incurred costs include fringe benefits, workers compensation, social health and welfare programs, business overhead, job site overhead, and profit. Most of our tools will automatically include general contractor overhead and profit, however, in our claims tools, this is a user defined field that can be added based on individual company guidelines.

### **How is contractor overhead and profit calculated in the CoreLogic billing rate?**

Contractor overhead and profit is incorporated into our estimating tool and partial loss claims reports on the individual component level.

Location and profession can affect how profit is calculated. We recognize this at CoreLogic and take all factors into consideration when calculating the percentages required for a particular labor function. Reviewing actual contractors' records, CoreLogic has developed a methodology that considers the different needs of running a business in all our pricing source cities. In addition to the base rate profit allowance, our estimating tool can allow additional contractor profit as a flat percentage to the overall amount, such as 10/10, which is customary in the industry.

At CoreLogic, we use all associated costs to calculate the rate at which a contractor will bill for any given labor function. Our published rates within the claims tools use standard wage rates that include labor burden, fringe benefits, direct and indirect expenses and average profit for contractor specific trades.

### **Does each construction action use a unique trade rate?**

Crews and crew composition is another feature of our data granularity. CoreLogic recognizes that many tasks in the construction process are best suited for a single person, while a team of varying skilled workers may be appropriate for another. For those tasks that have been assigned a single worker, the billing rate is set at the journeyman level. If a crew is put together, then the labor rate will be based on the average billing rate of the crew. Productivity rates are different for a team compared to a single worker. Productivity is based on the amount of work that a crew can do in a given amount of time. Pulling wires on an electrical job is more efficient per hour with two people working instead of one person, however, there would be no productivity advantage for a crew to wire a fan or hang a light fixture. This task would be best accomplished using a single-person billing rate.

### **Do Occupational Safety and Health Administration (OSHA) compliance requirements factor into pricing?**

Yes, CoreLogic does consider OSHA compliance requirements in pricing. Although OSHA does not have any regulations that apply to residential properties, they do have regulations that apply to the safety and health of employees while engaged in construction operations which apply to all construction operations, including residential construction. These requirements affect the pricing



in two places. First, OSHA requirements can affect the cost of the component being installed directly. For example, we recognize the new fall protection requirements within our productivity rates. These requirements include the additional time required to install safety equipment and harness systems and restrictions on the workers' movement. We also recognize the hard cost of the safety equipment itself. These hard costs would be considered part of the "Jobsite Overhead" mentioned in the formula above.

### **Why is waste considered at the unit level? Does this mean there is the same waste factor on material and labor?**

Waste is considered at the unit level; for example, assume a box of laminate flooring contains ten pieces. A waste factor of 10 percent doesn't simply throw away 10 percent of material when the package is opened. Instead, the waste is formed because ends are cut to spec, or pieces ripped to fit the room. Users may remove or adjust the waste factor depending on the application, or as defined by any specific company guidelines. Complex designs often create more waste. When used, waste factors are applied to the unit price, which includes the material and the labor associated with that material. Labor itself does not produce waste.

### **Are minimum charges recognized by CoreLogic?**

Yes, CoreLogic recognizes that in a partial loss claim, work can include small jobs, and therefore, we include minimum charges in our claims tools. Minimum charges typically consist of an allowance of time for performing the actual repair work, downtime (e.g. allowance for drying time in the case of a drywall repair), travel, and small sums for materials. Each minimum charge describes what it includes, so that users can make accurate determinations on minimum charge utilization. Flexibility is built-in so that users can either automatically apply minimum charges, modify charges, or turn off minimum charges.

### **Does CoreLogic provide different methods of depreciation? If so, how are these methods of depreciation researched or determined?**

Yes, CoreLogic provides several methods for depreciating an asset. The approach made available to the user will depend on the product being used. The CoreLogic claims tools calculate depreciation quickly using our integrated "Useful Life Tables". A user entering an item's age and condition triggers the claims tools to calculate a straight-line depreciation factor based on useful life. The application of depreciation can also be customized at the company level, on a state-by-state basis, to account for state specific legislation, case law, and internal guidelines through the claims tools based on each company's research and guidelines. This allows material, labor, equipment, overhead and profit, and sales tax to be depreciated or not depreciated on a line-item level based on a company's specifically defined settings. Additionally, users can select other methods of depreciation, such as the percentage of the value, flat amount, and the percentage per year.

"Useful Life Tables" are based on multiple sources. These sources encompass data from the National Association of Home Builders (NAHB), American Appraisal Company, various manufacturers, and studies performed by independent companies testing the durability of products used in the concentration. The CoreLogic "Useful Life Table" is a result of the analysis of multiple data points and does not attempt to correlate results with the quality of the materials or installation.

CoreLogic has created a series of depreciation life-cycle tables for our residential, agricultural and commercial underwriting estimating tools. These tables are embedded within our estimating tools and allow the user to enter the building's effective age to determine the actual cash value of the building. These tools also enable users to enter the percentage of depreciation they feel best fits

the structure. Definitions of tables are as follows:

- **Useful Life:** The period during which an asset or property is expected to be usable for the purpose it was acquired. It may or may not correspond with the item's actual physical or economic life. (Source: [www.businessdictionary.com/definition/useful-life](http://www.businessdictionary.com/definition/useful-life))
- **Lifecycle:** These depreciation tables are based on the individual building components used to create specific structures. Each building component was provided with an effective age and was weighted for its contribution to the overall cost. As the building's components depreciated value reaches 80 percent, they are replaced, and the overall life expectancy of the building is increased. The effective age of the component's expected life is adjusted to establish the difference in quality.
- **Effective Age:** The age which reflects a true remaining life for the property, considering the typical life expectancy of buildings or equipment of its class and its usage.

If you have any questions, please reach out to us.

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