CoreLogic®

# Construction Pricing Database Methodology

# Introduction

CoreLogic's claims estimation solutions utilize the CoreLogic Construction Database, which stores cost data for different resources and services relevant to the construction industry. To generate this data, CoreLogic's team of contractors, estimators, custom builders, architects, engineers, adjusters, and appraisers conduct ground truth collection and monitoring from more than 2,600 areas across the US and Canada.

## About CoreLogic

With more than 5,000 team members globally, CoreLogic operates with a singular focus: to help millions of people find, buy, and protect the homes they love. CoreLogic is a leading provider of gold standard data, analytics and platforms that enable real estate professionals, financial institutions, insurance carriers, government agencies and other members of the housing market industry to help people make their dream of home ownership – as well as safety and stability within their homes – a reality.

CoreLogic provides unrivaled property industry intelligence resulting from an unmatched network of trusted relationships, technical innovations, insights, and foresight that comes with deep experience and collaboration.  Connections between these critical touch points allow CoreLogic to offer a seamless and superior home-ownership journey powered by accurate, comprehensive, and up-to-date data.

The CoreLogic team of experts regularly and independently research, collect, analyze, and curate thousands of construction material costs and industry trends to produce and maintain a comprehensive construction cost database. The CoreLogic Construction Database is the foundation of all CoreLogic's customer estimation solutions.  Individual product solutions tailor the core database elements to meet the specific needs of CoreLogic underwriting, claims and residential/ government product lines across both personal and commercial applications.

# Material Costs

Material costs within the CoreLogic Construction Database are compiled from surveys of suppliers throughout the US and Canada.  Prices for some materials – such as clay tile, building stone and hardwood stock – vary significantly from region to region.

For example, clay tile production plants are located near naturally occurring clay sources. Because clay tiles are heavy, the further the tiles are shipped, the more expensive the tiles will be to customers.  Commonly sourced materials are priced based on standard rates for local delivery, which is normally defined as less than 20 miles away from the source. The cost of materials not commonly available in a local market – such as hand-carved moldings or historical wallpaper – will include applicable shipping costs. It is important to note that estimators in Hawaii, Alaska and remote areas of Canada should consider adding additional shipping costs when purchasing items originating in the continental US.

Material waste is often included with items in the CoreLogic Construction Database, but estimators should confirm inclusion for specific items within the item details and adjust as needed. Waste is defined as material that is discarded during a typical installation. Waste does not include that which is produced as a result of installer error, such as missed cuts or excessive jobsite spillage. Common occurrences where estimators may consider additional waste include scenarios in which minimum quantities must be purchased.

As an example, some trim components must be purchased in eight-foot lengths – even if the estimated need equals a lesser amount. In these cases, estimators should consider adding an additional 'material only' line item – or if additional waste is warranted.

# Labor Costs

Labor costs are compiled and updated at regular intervals utilizing surveys, internal and external market participants, and third-party vendor data. Crew labor rates are an average hourly rate for each member of the crew, collectively.

Separation of labor in renovation and insurance repair work is more complex than the separation of labor on large commercial construction or residential replacement projects. On a typical repair or renovation job, a carpenter or other tradesperson may participate in other activities such as material removal, framing of walls or setting doors. It is also important to note that material removal may be selective, potentially requiring a more skilled worker to ensure that additional damage is not incurred to adjacent materials.  For this reason, the CoreLogic pricing selections commonly allow for removal or tear-out options, respectively. This option allows estimators to select the appropriate action when creating an estimate.

Contractors may elect to have skilled workers participate in all phases of construction. These realities are reflected in the labor costs used in the CoreLogic Construction Database. Detailed cost breakdowns are located within the details of each line item. When necessary, specific labor trades can be customized by the estimator. Estimators can also review these details and adjust as needed based on the requirements of each specific loss.

Labor productivity is based on an observation of work performed during renovation and repair situations. Conditions in these scenarios differ from new construction in many ways, but a few of the most common differences during renovation and repair projects are:

- Difficulty matching existing work
- Site access constraints
- Multiple trips, investigation activity, or increased effort to source materials

Labor productivity is based on a clean job site, where tools are placed in storage and secured at the end of each day. Depending on the respective trade, 20 to 30 minutes for every eight hours is allowed for the securing and general clean-up of the jobsite.

Labor productivity includes typical non-working functions such as planning, lay-out, unpacking and staging materials, taking allotted breaks throughout the day, mobilization, and infrequent travel to pick up forgotten materials or tools.

Jobsite supervision is not included in these labor costs because each crew includes a skilled tradesperson who normally would not require supervision beyond the normal dispatch and mobilization discussed above. Estimators should analyze repair scenarios to determine when there are unique circumstances that warrant additional labor.

# Equipment Costs

Equipment costs are included only for equipment not typically used by most renovation or repair contractors. For example, each carpenter should have circular and/or miter saws, a compressor, nail guns, etc. These types of tools are not included in the equipment costs. However, equipment including cranes, backhoes, concrete saws, and jack hammers are not tools owned by a typical renovation or repair contractor. As a result, when these items are needed, equipment rental rates are included in the unit price. It is recommended that estimators review the item details for any heavy or specialty equipment line item that may be required.

Equipment costs include the typical cost of renting the equipment from a local equipment rental shop. When applicable, they also include fuel or blade costs. Estimators should further consider minimum costs and rental duration when equipment rental is needed.
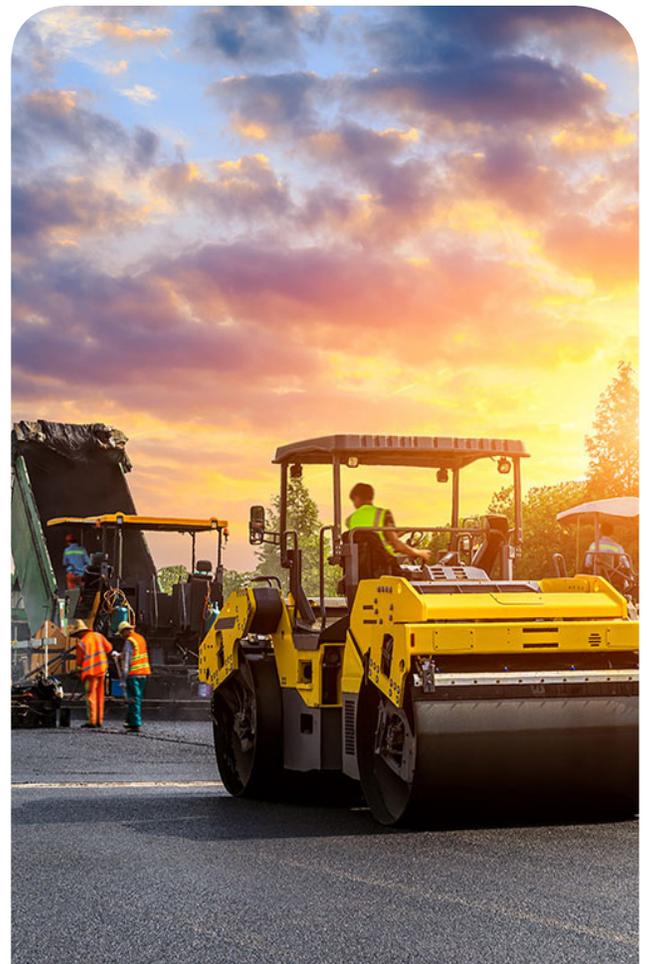
# Material Markup

Where applicable, material prices in the CoreLogic Construction Database include appropriate markup amounts based on job type. Markups consider labor and equipment costs for jobsite delivery, material placement, and movement of material using the relevant labor rate. Markup costs of material also include the carrying costs of inventory and accounting float, as a relative percentage of the overall material cost. Finally, markup costs include a reasonable amount of sourcing and matching/material selection.

# Jobsite Overhead & Profit

Overhead and profit within individual line items take into consideration applicable reasonable and customary subcontractor and general contractor margins consistent with current market conditions. Labor prices for the CoreLogic Construction Database line items include costs associated with subcontractor overhead and profit.

Subcontractor overhead and profit is incorporated into our estimating tools on an individual component level. The overhead percentage factor can vary, depending on the trade and geography. Subcontractor profit is included at a flat percentage and does not vary by location or trade. CoreLogic recognizes that a simple percentage markup for the profit and overhead is not a realistic margin for a subcontractor billing rate.

CoreLogic has established a dynamic formula that includes a review of subcontractor records. It also takes into account the various logistics and dynamics of operating a business in both primary and secondary markets. Each part of the CoreLogic formula may fluctuate based on changing local economic and market conditions. To help provide insight into how these costs are built, the formula below illustrates the calculation for these line items within the Claims Construction Database.

$$(A*C) + B = (D + (E+F+G)) = H$$

| Wage Rate (A) | Fringe Benefits (B) | Insurance Burden (C) | Burdened Rate (D) | Business Overhead (E) | Jobsite Overhead (F) | Profit (G) | Billing Rate (H) |
|---|---|---|---|---|---|---|---|
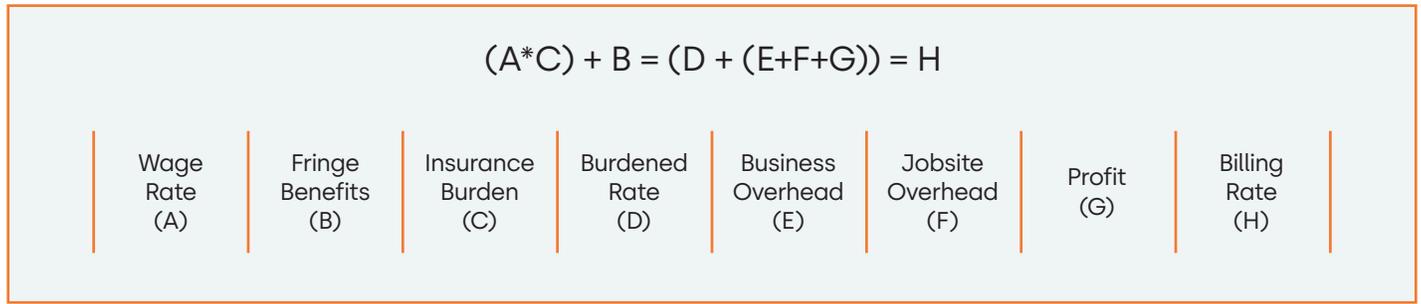
## Formula Definitions

**Wage Rate:**  The hourly wage paid to the employee performing the work.

**Fringe Benefits:** Company-paid benefits provided to the employee above their base wage, including paid vacations, health insurance, pensions and any paid training or professional association dues.

**Insurance Burden:** Government controlled fees/taxes, Social Security, Medicare, state and federal disability insurance, unemployment, or other social health and welfare programs.

**Business Overhead:** The accepted cost of doing business in a certain area. These costs may include building expenses, rent, mortgage, utilities, taxes, and services performed by general employees that are not billable to a specific job such as those of accountants, legal counsel, sales, marketing, and office personnel. Work trucks, trailers, office furniture and general supplies are also considered part of business overhead.

**Jobsite Overhead:** Any cost(s) that can be billed directly to a job. Examples of such costs would include expedited labor, engineering review expenses, work performed by jobsite managers, perishable tools, temporary electricity, lost productivity, transportation to/from a job site, snow removal, basic jobsite safety and security, and specific jobsite bonding.

**Profit:** Profit associated with any subcontractors, but not including General Overhead & Profit (Referenced further below).

## General Overhead & Profit

General Overhead & Profit may be added to a CoreLogic estimate to provide additional allowances for a General Contractor to support business operations. These amounts are determined by individual estimators and can be determined based on multiple factors, including, but not limited to, job complexity, coordination, number of trades required, or other conditions or requirements that may impact the planning and execution of an individual job.

If these additional factors exist, estimators may consider including General Overhead & Profit. The inclusion, omission or amount of General Overhead & Profit is defined by the estimator based on the specific circumstances of the job under estimation and are not defined by CoreLogic.

# OSHA Requirements

First, OSHA requirements can affect the cost of the component being directly installed. For example, within our productivity rates, we recognize fall protection requirements. These requirements include the extra time required to install safety equipment and/or harness systems and restrictions on the workers' movement. The CoreLogic Construction Database also accounts for the costs of required safety equipment. These hard costs would be considered part of the "Jobsite Overhead" outlined in the formula above.

# Line Item Details

Line items generally include material, labor and equipment details and can be found within the line-item properties.

These details are designed to identify the materials used, waste amounts, labor rates, labor productivity and equipment included. Although not routinely required, these components are editable, allowing estimators to customize pricing details.

Material details show the material description, the material cost priced per typical unit purchased, the gross coverage, the typical waste, the net coverage after waste has been subtracted, and the resulting materials price.

Labor costs are displayed as fully burdened billing rates. These rates include the base wage and the additional related costs. Labor productivity descriptions include an explanation of the work as well as specifying the laborer or crew expected to perform the work. These descriptions will also state the average cost per hour, define the expected productivity, and will also quote the resulting cost per unit.

Equipment details show the cost to rent equipment, the amount of work that can be performed with the equipment in a defined period, and the resulting unit price.

# Regional Differences

Construction techniques vary from region to region. Different climates and varying local customs provide a variety of unique regional methodologies. For example, in Southern Florida, it is common to build the first floor of a home from concrete block capped with a grade beam. On the other hand, in other parts of the country, this type of construction is not customary. Many other regional differences are found throughout the US and Canada and should be considered when structuring an estimate repair scope. It should be understood that estimating and planning for projects in different areas may require customization of pricing items.

# Inflation / Recession Cost Accountability

CoreLogic collects ground truth costs monthly. Most, if not all, inflationary costs are inherently included in the material costs gathered. Similarly, labor costs are monitored monthly and therefore any inflationary changes are reflected in our pricing data as they are current.

CoreLogic pricing assumes the same localized jobsite overhead and profit rates regardless of the economic environment unless extreme circumstances justify a modification. CoreLogic pricing presents an informed reflection of estimated expected retail construction material costs in any given region.

CoreLogic pricing does not consider temporary sale prices, contractor discounts or other individual source anomalies that may not be available to all construction material consumers. Historically, CoreLogic construction material pricing aligns with Producer Price Indices (PPI) with an expected one- to three-month lag for producer cost changes to be reflected at the retail level. CoreLogic price estimates are not intended to reflect temporary material price surges or declines, but instead strive to reflect the impact of price surges over a three- to six-month period.

If these additional factors exist, estimators may consider including General Overhead & Profit. The inclusion, omission or amount of General Overhead & Profit is defined by the estimator based on the specific circumstances of the job under estimation and are not defined by CoreLogic.

# Fuel Costs

The CoreLogic Construction Database includes consideration for fuel costs to account for scenarios that, for example, require transport vehicles to collect or deliver materials to jobsites, or that involve equipment requiring fuel such as generators, commercial air compressors, forklifts, etc. CoreLogic monitors and updates IRS changes to the mileage rate annually. Mileage allowance is an all-inclusive item for fuel and regular maintenance on a vehicle and is the most widely used method for companies and carriers.

CoreLogic recognizes that fuel prices can be volatile. In this vein, additional or adequate compensation may be required for mileage line items such as 'FEE - Permits & Fees' and/or 'FEE - Mileage Charge, Per Mile.' To enable compensation for higher fuel costs, CoreLogic's estimating solution provides a 'FEE - Fuel Surcharge, (ea.)' line item, which allows users to input additional cost considerations.

## Pricing Database Identification

For every CoreLogic estimate that is created, several pricing database parameters are specified by the company originating the claim. Examples of some parameters include the applicable version of the database, O&P values, and other variables. Typically, estimates that originate from an insurance carrier will continue to reflect their profile/settings even when that estimate is reassigned to another entity like a service provider or independent adjuster.

Items like those in the Pricing Database will typically automatically populate with the original assignment based on the property address and will not need to be updated. If any updates are needed, any of these components may be adjusted by the estimator and all changes will be recorded and available for review.

## Claims Pricing Feedback

CoreLogic is committed to continually improving the content within our pricing database. Feedback may be submitted as a new item request, price review of existing items, clarification on existing items, suggested changes, or other suggestions relevant to the pricing database.

When feedback is submitted, our team of experts will review and respond to the request. They may ask for further clarification as needed. Updates will be provided to the reporter as the feedback is reviewed and processed for update into a future release of the pricing database, if applicable.

**To submit Claims Pricing Feedback, please visit our online portal at:**

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