



WHITE PAPER

Material Pricing Volatility

MATERIAL PRICING VOLATILITY

Due to supply, demand, and other economic factors, there may be instances when certain material pricing becomes volatile and changes rapidly—even daily. A prime example of this is the lumber pricing increases the market endured during the latter part of 2020 and the beginning of 2021. During this time, the industry experienced unprecedented volatility in lumber material pricing. Price changes were drastic and frequent. In some cases, pricing changed daily and product availability was impacted.

Xactware publishes pricing on a monthly cadence. This helps our customers receive frequent and updated pricing with each publication. Generally, this monthly cadence is sufficient to keep pace with material pricing changes. When drastic material pricing volatility exists, Xactimate’s “open for inspection” pricing method enables users to quickly validate costs and make any warranted changes within an estimate.

For example, imagine a scenario where a user is aware of higher than normal volatility in regional lumber pricing. An estimate is written in the last part of March and the work and materials being purchased will not be realized until the end of April. That user would be well served to take some time to validate the lumber material pricing in the estimate by going to the component list, reviewing costs, and making any warranted changes based on current material costs.

In the example below (in the component list of an estimate in Xactimate), the user can see that ½” OSB is at \$33.89 per sheet in their estimate (circled in blue). Here they can validate and change the material price based on their current purchase price and make any warranted changes. For example, in the previous scenario if the user finds the current price at time of purchase is \$37.25, they can modify the price and add a note explaining the change.

Code	Description	Tax Status	Contractor Supplied	Quantity	Unit	Unit Price	Total
Materials \$252.70							
FRM2X10	Fir/Larch, 2" x 10" #2 & better	Taxable	Yes	2.30	LF	\$2.104	4.85*
FRM2X4P	Fir/Larch, 2" x 4" x 16' #2 & be	Taxable	Yes	31.60	LF	\$1.018	32.17
FRM2X4S	Fir/Larch, 2" x 4" x 8' #2 & bett	Taxable	Yes	11.54	EA	\$7.929	91.49*
FRMSHW1/2	Sheathing - OSB - 1/2"	Taxable	Yes	3.48	SH	\$33.890	117.81*
NAIL16D	16d nails for nail gun - 2000 cc	Taxable	Yes	0.08	BX	\$53.351	4.19*
NAIL8D	8d smooth box nails, (based or	Taxable	Yes	1.74	LB	\$1.260	2.19
							\$252.70
Retail Labor \$324.40							
CARP-FRM	Carpenter - General Framer	Taxable	Yes	3.07	HR	\$82.64	253.80*
DMO	Demolition Laborer	Taxable	Yes	1.62	HR	\$43.67	70.60*
							\$324.40

This open for inspection method allows users to quickly adjust their estimate in the uncommon situations where certain material pricing is experiencing abnormal volatility within the industry.



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