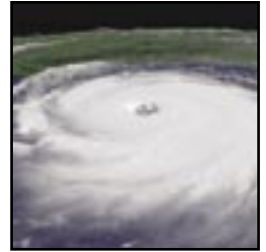




History will record 2005 as a year in which Mother Nature wreaked havoc, affecting us in an unprecedented way. Southern California experienced record rainfall. On the other side of the world, we witnessed the unimaginable fallout of the December 2004 tsunami. Then, in September, we watched in horror as Hurricane Katrina destroyed major cities in the South.

This is partially because petroleum products and much of the materials for roofing and other trades within the building industry are manufactured in the South. It is also due to supply and demand. The demand for materials is very high, and the cost of roofing materials historically rises when the market is strong. In over 20 years, I have never witnessed such drastic increases as we have seen this year. Within weeks



HOW KATRINA IS AFFECTING THE ROOFING INDUSTRY

Not only did the devastation caused by Hurricane Katrina affect the local population of New Orleans, but the residual affects of the storm are now being felt throughout the country. We may not be frantically trying to rebuild, putting new roofs on our houses or treating mold, like the residents of the South. But we are all affected by the hurricane's impact on the building industry, which equates to substantial higher costs for reroofing. Several factors go into these higher costs

MATERIALS

Perhaps the most notable change in the roofing industry caused by Katrina is increasing material costs

of the disaster, we received letters from most of our major suppliers notifying us of immediate cost increases from 7 to 25 percent. Initially, plywood and substrate sheeting increased by as much as 300 percent.



By Charles Antis

INSURANCE

After the World Trade Center was destroyed in 2001, the building industry absorbed an unexpected after-

Not only did the devastation caused by Hurricane Katrina affect the local population of New Orleans, but the residual affects of the storm are now being felt throughout the country.

CONTINUED ON PAGE 10





shock. Within two years liability insurance shot up more than 400 percent. While insurance costs previously equated to 1.5 percent of our company's gross sales, they shot up to more than 8 percent, with greater restrictions. It has settled down to about 5 percent now, but we have been told to expect substantial increases again from the effects of Katrina. This cost is already being passed onto consumers.

LABOR

Labor costs seem to mimic other cost factors. The demand for labor is high in the South, which drains workers from other areas. In Southern California, we are also experiencing more work than normal due to last year's wet winter, and labor costs have gone up more than 10 percent over the past year.

MARKET SATURATION

Those of us in the roofing industry are having record years. For example, sales at my company have more than doubled since 2004. Contractors tend to increase their margins when the demand is high, as a way of managing sales and enabling their firms to provide the same level of service. This means that in addition to paying for higher labor, material and insurance costs, the consumer must also pay the contractor a higher profit margin than normal.

Devastation in the Gulf after Katrina.



Given the current conditions of the roofing industry, it is clear that if you reroof now you will be paying more than you would have at virtually any time in the past, and probably more than you will in the near future. It is crucial that you determine the usable life of your existing roof before deciding to begin a reroofing project.

If you absolutely need to reroof now due to accelerated degradation, then you must pay the price and proceed. However, if the roofs are failing at specific locations, which can be diagnosed and effectively repaired, then it would be wise to postpone reroofing in favor of repair and roof reconditioning. The savings to the HOA could be substantial. When consulting with representatives from roofing companies, keep in mind that it is in their interest to sell you a new roof because that is where they make their highest profits.

A CASE STUDY

In the early summer of 2005, we provided a reroofing proposal to Villamira Homeowners Association in Laguna Niguel, Calif. During the negotiations, Hurricane Katrina hit New Orleans, and then we signed a contract. As we proceeded to set up delivery of the materials, we discovered that the plywood costs for the project had

nearly tripled. This meant a substantial increase in the total job costs, which would be passed onto the homeowners. After discussions with the manager and board of directors, we decided to postpone reroofing until the summer. In lieu of reroofing, we agreed to provide a one-year service contract with a comprehensive maintenance package, which would guarantee the entire postponed portion of the roofs against leaking. The cost for maintenance was below the average cost per year for the new roof. It is likely that the expected reduced cost in plywood alone this summer will compensate for most of the maintenance costs.

We will inevitably experience disasters that affect the roofing industry in the future. Chances are very slim that the impact in terms of cost will be as substantial as Hurricane Katrina. The good news is that prices will come down in the coming years, as costs of materials, insurance, labor and margins are reduced.

Charles Antis is the president of Antis Roofing and Waterproofing. He also currently serves on the Community Leadership Training committee for the Orange County Chapter of Community Associations Institute.