

# ANOTHER STRONG YEAR FOR THE INDUSTRY

## NRCA'S 1998-99 ANNUAL MARKET SURVEY SHOWS THAT THE ROOFING INDUSTRY PERFORMED WELL IN 1998

BY KAREN KANE

**D**uring 1998, the U.S. economy was one of the healthiest in recent memory. Consumer spending rose while the economy managed to endure turbulent foreign markets. And according to NRCA's 1998-99 Annual Market Survey, the roofing industry benefited from the prosperous year, as well.

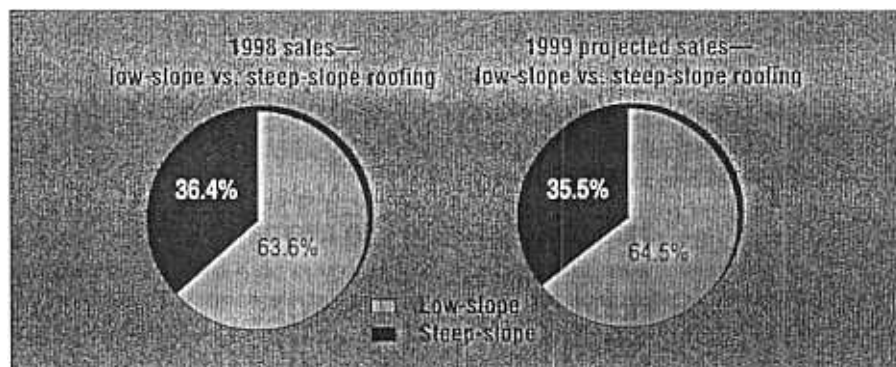


Figure 1: Low- and steep-slope roofing sales

### SURVEY BACKGROUND

NRCA's findings for the 1998 U.S. roofing market and projections for 1999 are based on about 450 responses to a questionnaire that was mailed to 2,000 roofing contractors throughout the United States, including NRCA members and non-members. This reflects a response rate of 22.5 percent.

Roofing professionals should note that individual responses to each

question were tabulated and reported as averages. Because of the nature of the responses (i.e., some participants did not respond to all questions or provide complete information), some results may be slightly misleading.

To conduct the survey, NRCA hired Richard Day Research Inc., Evanston, Ill. The company studied NRCA's database of members and nonmembers to determine sample groups based on reported sales volume, region and type of business.

The company evaluated survey respondents and determined that they closely reflected the sample groups in terms of business type (i.e., low- or steep-slope) and region. For the survey, low-slope roofing refers to roofs with slopes of 3-in-12 (25 percent) or less, and steep-slope roofing refers to roofs with slopes greater than 3-in-12 (25 percent).

The responses then were weighted statistically to achieve reliable results. Because of changes in this year's questionnaire (e.g., some questions were eliminated or added) and the research company that evaluated the data, it may be difficult to compare the 1998-99 Annual Market Survey with previous NRCA market surveys.

## THE RESULTS

NRCA's 1998-99 Annual Market Survey reports that the total roofing industry sales volume for 1998 was \$26.2 billion, with responding contractors having average sales volumes of \$2.35 million. (Sales volume includes roofing, roof deck, waterproofing, sheet-metal, insulation, repair and maintenance work.)

For 1999, roofing contractors predict a \$28.2 billion market, which is about a 9 percent increase. The average sales volume forecast for 1999 is \$2.62 million. Although many contractors had expected growth in the industry to slow during 1998, strong demand for construction has continued into 1999.

Expected average sales growth for

1999 varies significantly by U.S. region. For example, contractors in the East South Central region expect sales volume increases of about 12.9 percent, and those in the Mountain region estimate 15.5 percent increases. The Northeast and East North Central regions predict smaller increases of 3.2 percent and 3.5 percent, respectively. The anticipated growth is partly because several regions report backlogs of 18 to 24 months.

## LOW-SLOPE ARENA

The low-slope roofing market accounted for 63.6 percent (\$16.7 billion) of the total roofing market during 1998 (see Figure 1). Average sales in the low-slope roofing market weighed in at \$1,494,600. For 1999,

contractors predict that 64.5 percent of their roofing sales will be in the low-slope market.

As shown in Figure 2, survey respondents report that single-ply roof systems captured 38.5 percent

Type	New construction	Reroofing
Built-up roofing—asphalt	17.5	19.4
Built-up roofing—coal tar	2.3	2.8
EPDM	25.3	18.4
CSPE/Hypalon	1.3	1.1
PVC	4.3	4.2
TPO	2.3	1.3
Other single-ply	4.3	3
Sprayed polyurethane foam	2.4	2.3
Liquid-applied	1.5	2.8
Metal—structural	1.4	1.5
Metal—architectural	6.8	2.6
APP-modified bitumen	7.8	12.4
SBS-modified bitumen	10.6	11.1
Clay tile	0.3	0.6
Concrete tile	0.7	0.7
Other tile	0.1	0.1
Fiberglass asphalt shingle	7.8	10.2
Organic asphalt shingle	1	2.1
Cement-based shingle	0.2	—
Wood shingle/shake	0.1	0.3
Slate	0.2	1
Composite/synthetic	—	—
Other	0.9	1.4
Total	100	100

Figure 2: Average percentages of 1998 low-slope roofing sales by material type.

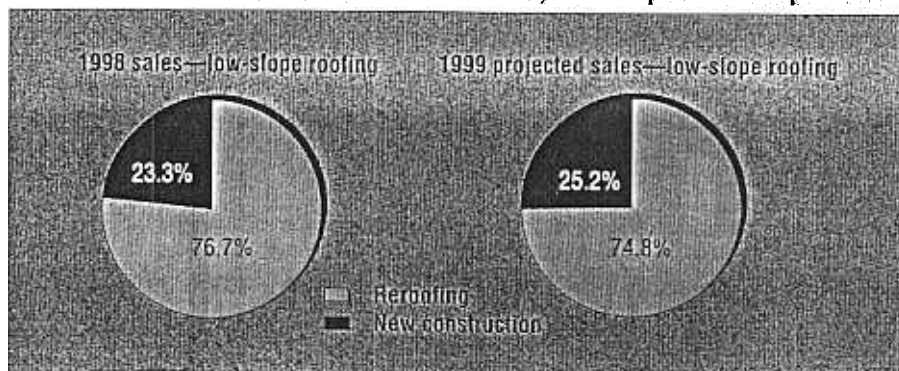


Figure 3: Reroofing and new construction sales for low-slope roofing.



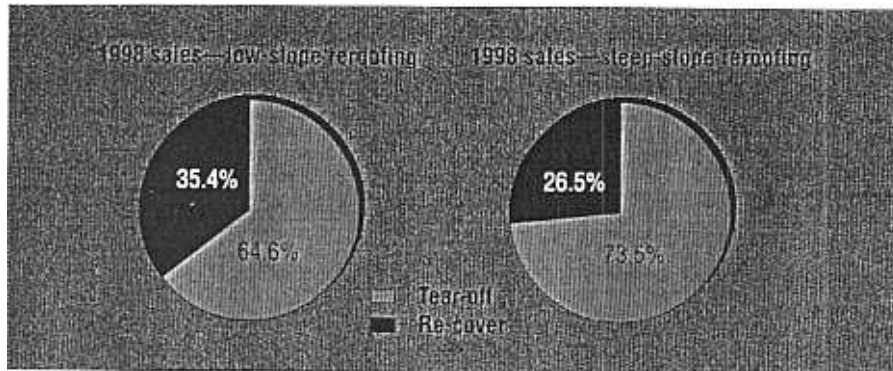


Figure 4: Reroofing methods used for low- and steep-slope roofing.

of the new construction market, followed by built-up roofing (BUR) (19.8 percent) and modified bitumen (18.4 percent). For reroofing, single plies accounted for 28.5 percent, followed closely by modified bitumen (23.5 percent) and BUR (22.2 percent).

Reroofing dominated the

low-slope sector with a 76.7 percent (\$12.8 billion) market share (see Figure 3). The other 23.3 percent (\$3.9 billion) was new construction. Of the reroofing work performed, tear-off and replacement was the reroofing method used 64.6 percent of the time, with the remaining 35.4 percent being re-cover work (see Figure 4). Survey

respondents say they expect reroofing to account for 74.8 percent of their low-slope work in 1999.

The Mid-Atlantic region reports the largest margin of difference between the percentage of reroofing and new construction

work performed (84.2 percent reroofing vs. 15.8 percent new construction). The West North Central region, however, had the smallest margin of difference between reroofing and new construction (70.2 percent reroofing vs. 29.8 percent new construction).

It also was reported that 77.7 percent of all low-slope roofing work was warranted; 22.3 percent of roofing work was nonwarranted in 1998.

## STEEP-SLOPE MARKET

The steep-slope roofing market accounted for 36.4 percent (\$9.5 billion) of the total roofing market during 1998. Average annual contractor sales in the steep-slope market was \$855,400. For 1999, respondents predict that steep-slope roofing will account for 35.5 percent of the market.

As shown in Figure 5, fiberglass asphalt shingles were used most often by contractors in steep-slope reroofing (48.8 percent) and new construction (47.1 percent). Architectural metal accounted for 17.3 percent of the new construction market and 8.4 percent of the reroofing market.

Similar to previous years, reroofing captured 72.3 percent (\$6.9 billion) of the steep-slope market with new construction representing 27.7 percent or \$2.6 billion (see Figure 6). Of the reroofing work completed in 1998, tear-off and replacement was the most common method at 73.5 percent. Re-cover work accounted

Type	New construction	Reroofing
Built-up roofing—asphalt	1.1%	2.6%
Built-up roofing—modified bitumen	0.5	0.3
EPDM	2.5	4
GSPE/Hypalon	0.1	0.1
PVC	0.1	0.4
TPO	0.3	0.2
Other single plies	0.3	0.4
Sprayed polyurethane foam	0.3	1.1
Liquid-applied	0.4	0.9
Metal—structural	2.7	1.8
Metal—architectural	17.3	8.4
APP-modified bitumen	1.7	1.7
SBS-modified bitumen	3.1	3.1
Clay tile	3.2	2.3
Concrete tile	5	3.6
Other tile	0.2	0.3
Fiberglass asphalt shingle	47.1	48.8
Organic asphalt shingle	11.2	14
Cement-based shingle	0.3	0.4
Wood shingle/shake	2	2.5
Slate	2.7	1.2
Composite/synthetic	0.3	0.2
Other	0.1	0.7
Total	100	100

Figure 5: Average percentages of 1998 steep-slope roofing sales by material type.

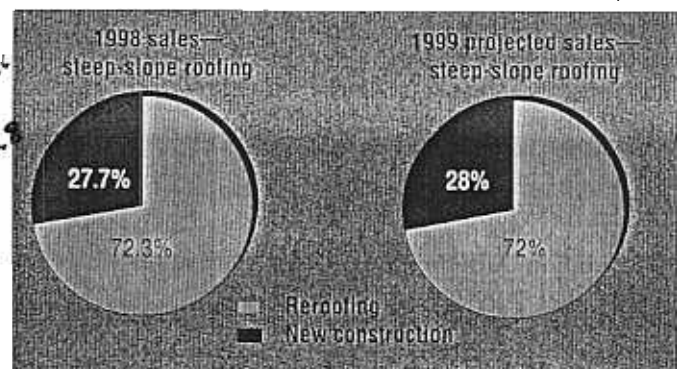


Figure 6: Reroofing and new construction sales for steep-slope roofing.

for 26.5 percent of reroofing activity. Contractors expect reroofing to account for 72 percent of steep-slope work in 1999.

The East South Central region reports the largest margin of difference between the percentage of reroofing and new construction work performed (86.1 percent reroofing vs. 13.9 percent new construction). The West South Central region had the smallest margin of difference between reroofing and new construction (51.7 percent reroofing vs. 48.3 percent new construction).

Survey respondents report that 75.5 percent of all 1998 steep-slope roofing work was warranted; 24.5 percent was nonwarranted in 1998.

## INSULATION

NRCA's market survey also asked roofing contractors about the types of insulation they use most often in roof systems.

Polyisocyanurate insulation was the low-slope market leader, garnering 44.3 percent of the market share during 1998. Perlite (17.8 percent) and wood fiberboard (15.8 percent) were the next most commonly used low-slope insulation types.

In the steep-slope arena, polyisocyanurate insulation again was the leader with 38.5 percent of the market. Glass fiber (13.1 percent), composite (11.6 percent) and wood fiberboard (11.5 percent) captured most of the remaining shares in the steep-slope market. Insulation usage is detailed in Figure 8.

According to the survey, low- and steep-slope insulation markets are expected to remain relatively unchanged in 1999.

## BUYING DECISIONS

The market survey also revealed that the people who decide which roof system type to install and specific manufacturer to use depends on whether a project involves

new construction or reroofing work.

For new construction, architects or specifiers typically decided the roof system used. When it came to selecting which manufacturer's roof system to use, roofing contractors usually were the ones who decided.

For reroofing, roofing contractors overwhelmingly made buying decisions for system type and which manufacturer's system was used.

This year, the survey also asked contractors how they decide which roofing materials to use. The top two considerations were material performance and level of manufacturer service. Warranty and price were the next most important considerations for roofing contractors.

## SUMMARY

Forecasting the roofing industry's sales growth for 1999 is a challenge. Although the economy is vulnerable to foreign instability, inflation-adjusted growth is expected to continue. Despite the possibility that interest rates may increase and slow growth, evidence indicates the U.S.

### Regions surveyed

Regions surveyed	
Responses were categorized by the following U.S. regions:	
New England:	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont
Mid-Atlantic:	New Jersey, New York and Pennsylvania
South Atlantic:	Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, Washington, D.C., and West Virginia
East North Central:	Illinois, Indiana, Michigan, Ohio and Wisconsin
East South Central:	Alabama, Kentucky, Mississippi and Tennessee
West North Central:	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota
West South Central:	Arkansas, Louisiana, Oklahoma and Texas
Mountain:	Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming
Pacific:	California, Oregon and Washington
Alaska and Hawaii	
Puerto Rico and U.S. Virgin Islands	

Figure 7: Regions surveyed.

roofing market will continue to be strong.

**Editor's note:** To purchase a complete copy of NRCA's 1998-99 Annual Market Survey, roofing professionals should contact NRCA's Marketing Services Department at 10255 W. Higgins Road, Suite 600, Rosemont, IL 60018-5607; telephone (847) 299-9070; fax (847) 299-1183.

Karen Kane is NRCA's director of contractor management programs.

### Percentages of 1998 insulation installations

Type	Low-slope	Steep-slope
Expanded polystyrene (EPS)	10.1	7.9
Extruded polystyrene (XPS)	5.2	4.1
Glass fiber	3.5	13.1
Cellular glass	0.2	0.5
Mineral fiber	0.4	0.5
Perlite	17.8	5.4
Polyisocyanurate	44.3	38.5
Composite	2.7	11.6
Wood fiberboard	15.8	11.5
Other	2	6.9
Total	100	100

Figure 8: Average percentages of 1998 insulation installations.