

COMPANY DEEP-DIVE

Director of Real Estate at Refresco Believes Pricing, Timing, and Quality Are Key in Selecting Roofing Contractors

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Summary

The client speaks with the Director of Real Estate at Refresco about the roofing industry. They discuss the utilization of roofing contractors for inspections, maintenance, and replacements. The lifespan of a roof is typically 20-30 years, but can be affected by neglect and environmental conditions. The Director explains that the lifespan of a roof in Florida versus surrounding states would be the same, but the materials attaching the roof to the building may have a shorter lifespan due to rain and water penetration. The cost of a full replacement is slightly less than the original roof, and the cost of maintenance is relatively low on a yearly basis. The Director also discusses the process of selecting roofing contractors, which involves bidding for new builds and obtaining three bids for repairs or replacements. They prefer to work with national or regional players, but in remote areas, local contractors may be more accessible. The scope of work is determined by the contractors based on the provided information, with the Director relying on their expertise for recommendations. The client also asks about the decision-making process for selecting contractors and the most important criteria for making that decision. The Director explains that pricing, timing, and quality are the three most important criteria. They also discuss the preference for working with roofing specialists and the importance of certifications and warranties. The client asks about additional services that could pair well with roofing contractors, and the Director mentions waterproofing and sealants. They also discuss the timeline for selecting a bid and completing a roofing project, which can range from 60 to 90 days. The conversation concludes with a discussion about the role of roofing consultants and the Director's experience with various roofing providers.

TABLE OF CONTENTS

Introduction And Expert Background

Roofing Utilization And Lifespan Factors

Cost Considerations For Roofing Projects

Contractor Selection And Decision Process

Contractor Criteria And Project Management

Feedback On Roofing Providers

EXPERT BIO

INTERVIEW TRANSCRIPT

Client ▶ 00:00:00

Thank you for taking the time today to speak about the roofing industry. We'd like to mostly focus on the Southeastern region of the United States, but also other areas to understand how the market differs within different regions. It would be amazing if you give us brief introduction of yourself and explain us your role at your company and anything as it pertains to the roofing industry in particular.

Expert ▶ 00:00:18

Sure. I've spent basically the last 30 years working in corporate real estate and facilities supporting large and small companies, Fortune 100 down to private equity-owned companies, smallest portfolio that I've managed is just over 1.5 million square feet. Current portfolio is just over 13 million square feet. I've worked globally. Current portfolio is North America-based consisting of manufacturing facilities, warehouses, some office, and some laboratories.

And as many of you know, any building typically has a roof. So, my responsibility has been in either maintenance or repair, replacement, development, and pricing. So, age of the asset typically dictates where it is in the roofing cycle. Age and longevity within the portfolio typically will determine what type of activity is required. Budgets dictate who we use and how much we spend.

Client ▶ 00:01:11

Thank you. When you mentioned portfolio, is this referring to the company's entire portfolio of assets or is this referring to being a consultant in the industry and helping out with multiple companies and their buildings?

Expert ▶ 00:01:22

So, current is my existing company's owned and leased portfolio of active properties, so 62 properties across North America.

Client ▶ 00:01:29

Okay. And could you start off by touching upon utilization of a roofing contractor? Do you use them for new builds, use them for reroofs? Just give me a broad overview of the actual utilization of them.

Expert ▶ 00:01:40

Combination of all three. I know some of my lease properties necessitate an annual roofing inspection as well as various items and maintenance largely because some of the roofs and plants have penetrations. Sometimes we have contractors that are up there that are doing work for HVAC or roofing or equipment that's on the roof. Sometimes there is an annual plan for partial replacement on some of the buildings that we've had for more than 20 years. So, it's a combination of each different food group, there isn't a one size fits all.

Client ▶ 00:02:09

How frequently do reroofs happen? And is there anything else that kind of affects the lifespan of a roof?

Expert ▶ 00:02:15

So, most roofs have a 20- to 30-year useful life. They can be prolonged with additional features on the installation, and they can be shortened by neglect and/or environmental conditions. In certain areas, there are natural conditions that tend to deteriorate a roof, whether it's sun or it's not really rain, but let's call it snow load and weight and non-removal and other things, people walking on it or animals or other things.

When a building has several different levels or separations, on those separations, there's typically a separate roof or a roof separation area where you've got flashing and other materials that connect to things that make the roof less solid.

Let's call them walls and chimneys and other penetrations. So, if there's something that attaches there, like a rubber coating or a sealant that sometimes deteriorates, water gets in underneath it, the material beneath the roof can then get wet, cause damage, leak, and deterioration before you even know that it's happening. So, that's where quarterly inspections and or routine maintenance come in handy.

Client ▶ 00:03:14

Okay. If you were to look at, call it, Florida, versus some of its surrounding states, would you expect one of those two to have a longer lifespan or a shorter lifespan for a roof and why?

Expert ▶ 00:03:24

I would expect that the roof itself would have the same lifespan. The materials that adjoin or attach the roof to the building would have a shorter lifespan because of either rain or water penetration on the seams or the seals.

If you put a single coat of material on and the sun corrodes it or the sun wears it down over time, then it likely could cause a failure to that component. And that just means you need to recaulk or reseal the seams every so often. It doesn't mean the roof goes bad. It's the nature of the attachment.

Client ▶ 00:03:53

Okay. I'm trying to understand is if we're looking at a full reroof versus which it sounds like that has to happen every 20 to 30 years. How much does that cost compared to, say, putting in a new roof? Or how much would you expect to spend to your roofing contractor then, relative to each other? Are they a similar amount or is one slightly higher, slightly lower than the other?

Expert ▶ 00:04:13

I think where there's a difference is in how much when you think of a roof, think of a membrane. And that's really where the crux of the detail is. If the membrane stays solid and all you're doing is an annual inspection and resealing and recaulking that roof should last for 30 years without any additional cost, a few hundred dollars a year for inspection.

And again, it depends on size. But a few hundred dollars a year in inspection and repair will help for the long run to get a roof, to keep a roof for 20 or 30 years. If you have a roof that has multiple penetrations and is not a solid there's always additional cost. And it too would be more expensive to replace in the long run because there's more time and more multiple membranes, not just a single membrane.

Client ▶ 00:04:55

Okay. So, in the case of a single seam membrane, let's say the cost is, say, \$1. you expect it to also cost \$1 or is there a different cost there for a full replacement?

Expert ▶ 00:05:07

The full replacement should be slightly less than the original roof because you don't need to put in a lot. You may not need to do the additional underdecking. You might not need to do any of the roof support issues.

Client ▶ 00:05:18

Is there additional work from having to take down parts of the old roof, though?

Expert ▶ 00:05:22

Not really. What you probably would do is just scrap and reroof. You take it down to the most stable component of the existing roof and then redo it. You don't have to repair and replace the roof downspouts and gutters, or you might have to replace all of them because they're affixed to the edge of the membrane or under the membrane so that everything has to come down. It just depends.

Client ▶ 00:05:42

And then, If we're spending \$1 for a new roof, \$1 for a reroof over the lifespan of that time in between so the time between putting it in and then needing to get a full reroof and say you are doing standard maintenance and keeping it in good condition. How much would you expect it to cost over that lifespan of the in between maintenance time? Is it also relative to that dollar? So, is it \$0.50 on the dollar less than that?

Expert ▶ 00:06:04

It's nickels on the dollar per year instead of \$0.50. It's a fraction on a per year basis.

Client ▶ 00:06:10

A fraction of the total. Is it 5% yearly? Because that seems high to me, but also it seems difficult for me to estimate the overall amount.

Expert ▶ 00:06:18

The easiest way to answer is it's pennies rather than a nickel yearly, although a nickel yearly is still a fraction of that 20-year life or 30-year life.

Client ▶ 00:06:26

Totally. And jumping over into trying to understand how you find these roofing contractors. Could you just at a high level walk me through the decision-making process that your company uses when initially selecting a roofing contractor to come in and do some work either on a reroof or a new build or to do service?

Expert ▶ 00:06:42

Typically, if you're building a building, you're going to rely on your contractor. Working with the best roofing contractors that can supply the 45 million TPO roof that they're putting onto your warehouse building, they're going to bid the roof as they would each one of the subcontracts, whether it's drywall or ceiling or flooring or painting, they're going to bid that contract.

So, if there are four roofing contractors in the area, they're going to bid that and that will be part of their new building. If it's for me, corporate guidelines dictate that I need to get three bids for a roof repair or replacement in excess of, let's call it \$50,000 as a floor.

So, I will need at least three contractors from the region, roofing contractors, if not substantive in size or well located in terms of the geography that I'm working in, I might be restricted or constrained to one that's within 100 miles. Otherwise, I'm calling in a regional player and they're going to charge me through the nose for the site visit and they won't be able to get the workers to do it. So, I'm often better with a local and holding them accountable for delivery when I can't get a regional player to come in or a national player to come in either.

Client ▶ 00:07:45

So, is there a preference to bring in a national player or a common one across all your plants?

Expert ▶ 00:07:50

For me, it's the specificity of having a national or regional player. I've already negotiated a pattern contract. I've already gotten a single blessing from my vendor team inside so that they're already an approved vendor.

All I need to do is get a scope two other bids and I can issue a PO for them to provide me the work. That's ease of use from my perspective, and I'd rather go that way so that I don't have to reinvent the wheel. Unfortunately, in the middle of nowhere, let's call it South Carolina or Mississippi. You might have a challenge getting a national player to come and play.

Client ▶ 00:08:23

Who's driving the scope of work? Is this something you're providing to the contractors who are bidding on it, or are the contractors who are bidding on it also driving the scope and kind of putting their own suggestions into it? And does that vary with a new build and a reroof versus servicing in any way?

Expert ▶ 00:08:37

So, a reroof typically will. I'm not a roofing expert. My familiarity is from doing it for many years and doing many projects over the years. But that doesn't mean I know exactly what needs to be done on each and every property that I own, or at least and therefore I'll provide them with the fact set. My roof is leaking. It's leaking in this area. I have issues with seals, I have issues with cracking, spalling, whatever.

And I'll let them walk the roof and provide me with a guidance of recommendation and pricing, suggested material, suggested cost, and do that once or twice to get the three bids. Unless there's some specificity that I want to use a certain roof or want to constrain their scope to exactly what the business team or operations team wants. And that's rare, but I'm going to put it in the hands of the expert to recommend the type of insulation, the type of thickness, the type of either tie downs or seals that they want and compare all three bids at that level.

Client ▶ 00:09:31

Who are the titles of the people who are helping review the scopes and helping make that decision on which contractor to select? And who would you consider to be the most important decision maker in that process?

Expert ▶ 00:09:40

Typically, it's me based on putting together all work and saying, here's what I'd recommend. Ultimately, the team that has the budget, and if they want an alternative that might be less expensive. And it provides the same useful life or same performance might be a little bit less expensive because it doesn't have as much insulation, and they'll take the additional risk for temperature control within the facility. And that's on them. Certainly, something that I steer away, but I'm not looking for a Rolls-Royce when a lesser car might do.

Client ▶ 00:10:09

And who's driving the budget? You mentioned somebody was driving the budget and it was also their decision as to who to pick. So, who is that party?

Expert ▶ 00:10:17

The way our company is aligned is based on the facility team. So, the operations team in production controls the budget for their plant and the leadership in the home office controls allocation of capital. So, on a replacement, it's capital. On a repair, it's expense. That's where it will vary on who ultimately controls the purse strings.

Client ▶ 00:10:36

That makes a lot of sense. When you're reviewing these scopes, if you could, in order of importance, walk me through maybe the three most important selection criteria you look for when deciding between these three bids?

Expert ▶ 00:10:47

Pricing is a pretty significant criteria. Timing quickly. And then third, would be quality. The team that's going to be installing it, how capable are they and how is their supervision. If it's a project that's going to take a couple of days or a week or two, I want to make sure that they're going to show up every day, because once they start ripping off decking, I'm at risk, and I can't afford to be at risk for too long, incompetence.

Client ▶ 00:11:11

And do you prefer to work with contractors who are roofing specialists? They come in just the roof, or do you prefer to work with contractors who have a specialized roofing division, but they might also have other divisions and they can help out with other systems as well? What's your input on that?

Expert ▶ 00:11:25

If I'm building a new building and the general contractor is giving me a warranty on the entire building, they're also going to pass along warranty for the roofer. They're contracting with a CentiMark or Southern or whomever to install the roof and pass it along with whatever warranty.

So, I'm going to want someone that is certified and approved by that installer or by that company to install that roof to minimize my risk of having an inappropriately installed or poorly installed roof from failing and then being denied a warranty claim three years from now.

I don't mind someone that does something in three different trades. I just want to make sure that they're not doing something in that vein to violate what likely would be a warranty from the manufacturer, especially on a roof membrane.

And the simplest example I can say is, look, when you have a refrigerator installed, you buy it at P.C. Richard, or you buy it at Best Buy. And Best Buy's people come and install it and they say, "Oh, we'll install the ice machine too, within the refrigerator." They do it wrong, and it violates your \$10,000 refrigerator's warranty because they didn't do it right. And yes, it's the right person, but they didn't do it the way you want it, and therefore you're at risk.

Client ▶ 00:12:34

You mentioned that sometimes there's work with the HVAC people on the roof and you might need to bring in and do some additional maintenance or repair work when they're doing work on the roof. So, I was thinking, "Hey, maybe this is a circumstance where it'd be great if a company could kind of handle those both at the same time." So, you do not have to call in your roofing contractor at the same time and coordinate that. Are there any services which you think would cross sell really well with the roofing contractor or pair really well and would be beneficial for you as a customer of these services?

Expert ▶ 00:13:02

The natural ones are, for me, waterproofing and sealants. I don't necessarily know that I want a roofing contractor to be also insulation and perhaps fireproofing, certainly not, my structural steel or masonry. I mean, it's roofing, and it's anything related to the water or the penetrations.

Client ▶ 00:13:19

Yes, the envelope solutions, I can understand that.

Expert ▶ 00:13:22

I mean sometimes the windows, too.

Client ▶ 00:13:24

I guess this reroofing because HVAC is on the roof is just on my mind now. If jumping back to we were talking about cost earlier, I guess how common and how much cost is associated with work needed to be done by roofing contractors coming in to handle that type of ad hoc work where there's call it the HVAC roof curbs. And we also need to call in the roofing contractor to make sure everything's sealed up afterwards and redone. Is that a significant amount of the servicing work, or could you just walk me through your mindset on that?

Expert ▶ 00:13:51

I don't know that there's more than, I mean, it's hard to say. I don't know the breakdown.

Client ▶ 00:13:56

So, pricing, quality, and timing were three categories you talked about. When you're working on bringing in one of these contractors, can you walk me through the timeline of how this happens? How you review bids, and then how long you select a bid until the actual reroof is taking place?

Expert ▶ 00:14:11

I would say, it depends on the size and scope, and I would say anywhere from 60 to 90 days for a large project, largely because it's ordering materials. It's going through pricing, bidding during a team, getting, and making sure that they have the capability of being on site.

Client ▶ 00:14:26

So, is that 60 to 90 days from selecting the scope, or is that just start to finish? From when you first reach out to when the project starts is 60 to 90 days.

Expert ▶ 00:14:35

It's typically from bid to completion. It's 60 to 90 days. Start to finish, you can get a roof done within 90 days, depending on the materials, the equipment, and the timing, and certainly the size. A much larger facility, a new roof, and starting from scratch could take a few months to get the materials. And you're bidding the roof and you're waiting for the infrastructure to be put up before you can actually install the roof.

Client ▶ 00:14:59

And then one other term we've heard a few times is a roofing consultant. And I was just wondering if you've come across roofing consultants and what role you've seen that they play if you've heard of them or used one in the past?

Expert ▶ 00:15:09

So, where I've seen a roof consultant has been in a number of different scenarios. Where I was tenant in a fund-owned building that was a triple net lease landlord had responsibility for roof

repair, replacement, and they had no boots on the ground.

So, they had no asset manager, they had no property manager. They basically hired a roof consultant who engaged the conversation with me based on what was needed and then engaged the conversation with the various roofing companies to provide them with a scope and a bid and then oversaw the project to completion. A third party hired gun to get the roofing issue.

Client ▶ 00:15:44

That makes sense. We're trying to understand how customers view some roofing providers in the U.S. So, out of curiosity, are there any providers that you're aware of or you've used in the past that you feel comfortable sharing your feedback on? Let's start with just name a few that you've worked with in the past, and then I have some pointed questions we can go into about them.

Expert ▶ 00:16:01

Let's start with CentiMark, I can give you some comments on them. I've worked with them at least a dozen times in the last couple of years. Most companies in the national scope, whether it's HVAC or roofing or plumbing supply or specialty contractors, grew through acquisition of smaller companies, and they acquired teams and local teams that had the expertise to install those kinds of roofs. And the quality of the CentiMark company is only as good as the regional management and the boots on the ground.

So, where I have had great successes, where you have had historically good, personal, familial-owned, managed company that still has resident leadership, ownership and involvement in the local branch, regional office of CentiMark. And where there's still some stake and reputation, their involvement and their commitment is outstanding. Where there isn't, there's a tremendous drop off.

Client ▶ 00:16:50

Okay. I pulled up this website top 10 roofing contracts in the U.S. If you could just name which ones either, first, if you've heard of them, and second, if you've used them in the past, that'd be helpful. The first one is Tecta America.

Expert ▶ 00:17:03

Yes. I've used them in at least three locations.

Client ▶ 00:17:06

And then, Flynn Group?

Expert ▶ 00:17:08

Yes.

Client ▶ 00:17:08

Baker Roofing?

Expert ▶ 00:17:09

The name is familiar. I'm not sure where I use them.

Client ▶ 00:17:12

Okay. Nations Roof?

Expert ▶ 00:17:14

Nations Roof, I have used.

Client ▶ 00:17:16

Kalkreuth Roofing and Sheet Metal?

Expert ▶ 00:17:18

No.

Client ▶ 00:17:18

Greenwood Industries?

Expert ▶ 00:17:20

Yes.

Client ▶ 00:17:20

Schreiber?

Expert ▶ 00:17:21

Schreiber, no.

Client ▶ 00:17:22

Latite Roofing?

Expert 00:17:23
No.

Client 00:17:23
Advanced Green Technologies?

Expert 00:17:25
No.

Client 00:17:26
Okay. I really appreciate you taking the time to speak with us today. Have a great day.