

## **PRESS RELEASE**

### **Contract Furniture Market – UK 2006**

AMA Research has recently published the 3rd Edition of the "**UK Contract Furniture Market 2006**". The report is comprehensive, informed and up-to-date and represents an invaluable aid to sales and marketing professionals within the contract furniture industry.

The report analyses the market for furniture used in **non-domestic** end use applications. Key sectors of the contract furniture market analysed include the product mix, identification of supply and distribution structure and future prospects for each market sector.

Emphasis is given to both quantitative and qualitative assessments of both primary and secondary source data. Interpretation of relevant data has been undertaken to explore and support trends within the contract furniture market and to provide a basis for forecasts of future prospects. The report comprises **120+** pages and **50** tables and charts and is available now, priced to give excellent value for money at **£595**.

#### **Editors Note:**

Enclosed is a summary of the report. Please use brief extracts if you wish, **but we would request that references to company market share are not published without our prior permission.**

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- It would be appreciated if a copy of the review could be forwarded to AMA Research.

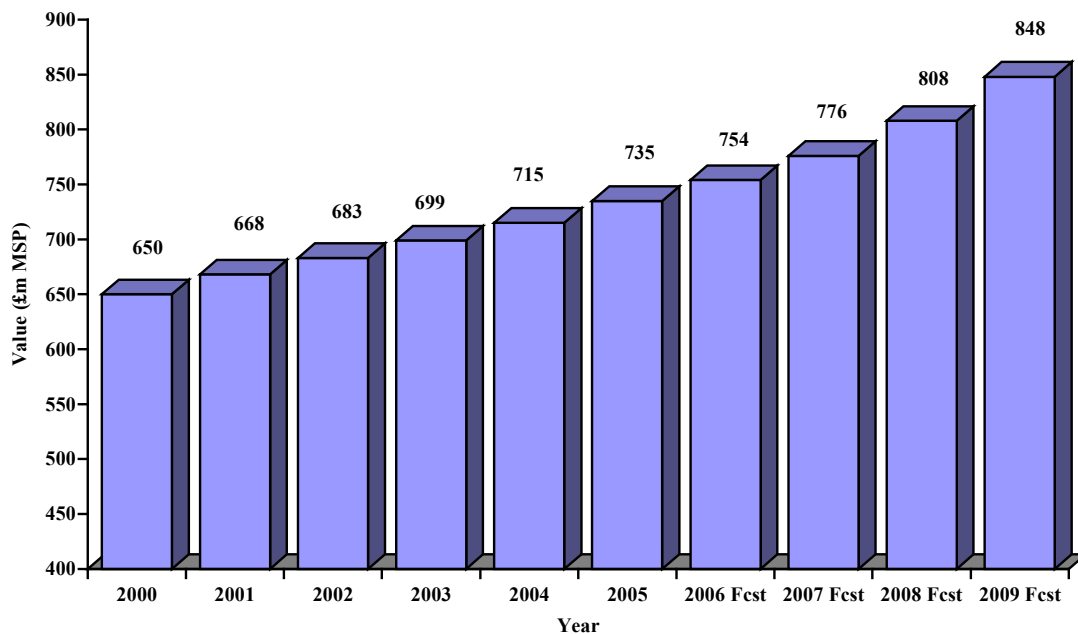
Thank you.

## Contract Furniture Market - UK 2006

### SUMMARY

The contract furniture sector is primarily influenced by the level of commercial and construction activity within the economy and is subject to general levels of business and consumer confidence. The following table indicates the recent performance of the contract furniture market, with forecasts through to 2009: -

**Contract Furniture Market 2000-2009 by Value (£ million)**



*Source: AMA Research/Trade Estimates*

The contract furniture market was worth an estimated £735m in 2005 and current forecasts indicate growth levels of 3-5% per annum, with the market expected to reach an estimated £848 m in 2009.

The contract sector is less volatile than the domestic furniture sector but is still susceptible to downturns in economic activity and influenced by overall levels of commercial and industrial growth.

A series of economic and political events including 9/11, SARS and the Iraq conflict affected certain sectors of the contract furniture market in recent years. The leisure sector, particularly **hotels** were affected by these events, which resulted in lower levels of confidence from the operators and reduced levels of investment. Consequently, a proportion of new build and refurbishment projects were postponed, reducing demand for contract furniture and restricting growth of the market. In addition, over the same period there were signs of high levels of competition in the **health club** sector, which again resulted in lower levels of investment.

Higher levels of investment in the **health** and **education** sectors have been major drivers in the contract sector in recent years, in particular the growth of student accommodation. Another factor supporting the growth of the contract furniture market is the **MOD's** SLAM (Single Living Accommodation Modernisation) Project.

Prospects for the contract furniture market are modestly optimistic. The market is expected to achieve growth rates of 3-5%, between 2006 and 2009 as the uncertainties of previous years' performances are overcome. The high level of expenditure in health and education is expected to continue in the medium term, along with higher levels of refurbishment and new build in the hotel sector, thereby motivating the market somewhat.

In addition, the **Olympic construction** programme is also expected to provide opportunities in the contract furniture market. Although there are no definitive figures on likely construction output resulting from the successful Olympic bid for 2012, estimates range from £2.5bn to £10bn, with the latter figure including much of the infrastructure work which will be required to facilitate the Olympics, i.e. roads, rail, park and ride etc, along with other committed expenditure on the Thames Gateway for example.

However, the demand for contract furniture is only expected to gather pace in the latter stages of construction, e.g. 2009 onwards, when the initial focus on developing infrastructure and buildings etc, is completed.

In 2005, the contract dining and upholstered furniture sectors accounted for the largest share of the market with 27% and 18% respectively. The upholstery sector has lost share, albeit marginally since 2003. However, one sector that has shown relatively significant growth since 2003 is the Educational furniture sector, increasing from 16% to 18%. This sector has continued to achieve high levels of growth since 2001, when educational furniture accounted for just 13% of the overall contract furniture market. This can largely be explained by the substantial increases in government spending on education over the past few years.

The contract beds and bedroom furniture sectors have retained a stable market share since 2003 of 10% and 13% respectively, which has largely been kept buoyant by expenditure in the healthcare and higher education sectors.

The remainder of the market is comprised of 'other furniture' sector (Reception Areas, Lobbies, Communal Areas, Hotel Rooms), which accounts for approximately 14% and in general the products are used in all end-use sectors, therefore the market responds in a similar fashion to the overall contract furniture market.

In terms of key suppliers, the structure tends to differ between the major product sectors. The contract market for beds and upholstered furniture is similar to that of the domestic market, with a number of manufacturers supplying both sectors. In the bedroom and dining furniture market, the supply structure is highly fragmented, while educational furniture suppliers tend to be more specialised.

In terms of end-use applications, the **leisure sector** is dominant accounting for approximately 37% of the market. This sector has experienced some decline over the past 2 years due to a chain of economic and political events. However, investment levels showed a slight upturn in 2005 with prospects relatively positive in the foreseeable future.

**Education** has gained share and accounts for approximately 32% of the market due to increased government spending, substantial increases in student numbers and accommodation requirements, in addition to growing competition within the sector. The **health** sector has also benefited from the government's commitment to improve the health service and accounted for 20% of the market in 2005.

Finally the 'others' sector accounts for 11% of the market and has gained share in recent years supported by the investment in the MOD sector.

Overall, the distribution of furniture within the contract sector is dominated by **direct supply** to end-users. However, depending on the end-user, the distribution channel is likely to change accordingly. For example, the leisure industry is more likely to use architects, interior designers, contract furnishers and hotel buying groups. Conversely, the healthcare sector tends to use a central buying group as the market is highly fragmented. In the education sector, the individual schools are taking greater control of budgets and are determining their own requirements etc.