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Major Report on the UK House-building Market 2004 – Focus on Heating and Electrical Products

AMA Research has recently published the **2nd Edition** of the **UK House-building Market 2004 – Focus on Heating and Electrical Products** report. The report should be of particular interest to individuals and institutional investors, and provides a comprehensive and easy to use review of the rapidly evolving new-build housing market and associated domestic heating and electrical sectors.

Recent corporate activity has renewed interest in the **housebuilding market**, and this report focuses on the major organisations within the housebuilding market and provides a comprehensive review of the key aspects of the new housebuilding sector including housing starts, completions a review of the major housebuilders in terms of volume completions, key housebuilding indicators, recent corporate activity and forecasts of major trends. The Report also reviews the total **domestic heating and electrical** market, with analysis of the central and water heating, wiring and lighting sectors.

The report analyses the **new housebuilding market for heating and electrical products** in terms of market size, key sector trends, product mixes and distribution channels, and is based upon data received from a survey undertaken by AMA Research. Key personnel from national, regional and local housebuilders were interviewed as to their companies' activities regarding product choice and sustainability, specification, installation and purchasing practices

Analysis of market developments has been based upon 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 housebuilding heating and electrical market and to provide a basis for forecasts of future prospects. The report comprises of 130 pages and 42 tables and charts and is available now, priced to give excellent value, for money at **£695.**

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 with our prior permission. If you require further information please consult our website, or contact: **-**

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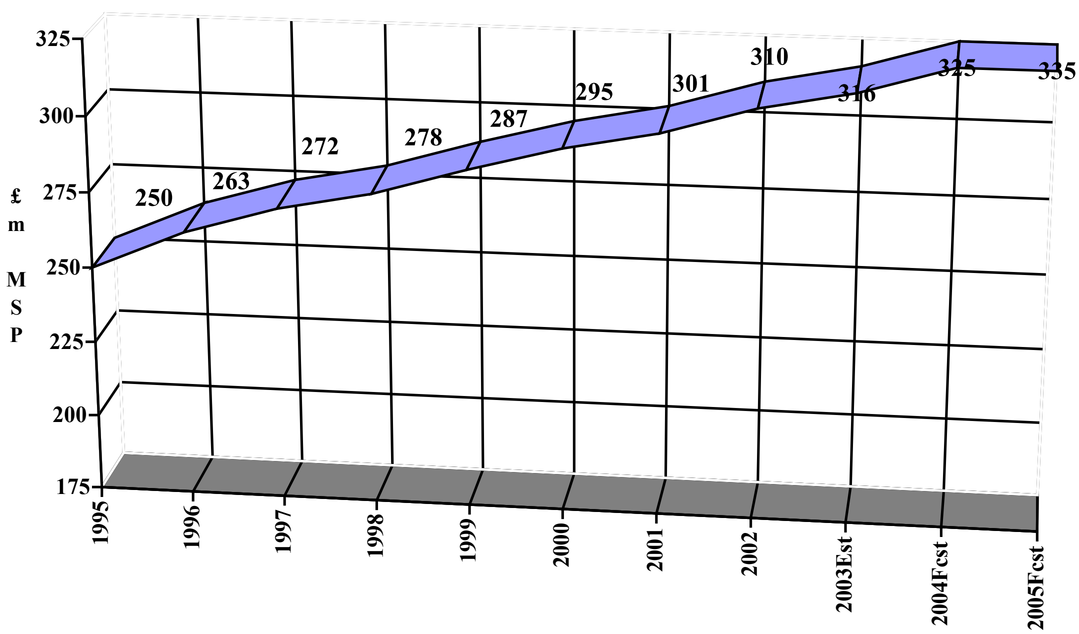
NB: It would be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

SUMMARY

The new build market for heating and electrical systems was worth approximately £325 million during 2003, showing moderate value growth of between 2-3% between 1999 and 2003. Estimates indicate that the new build market represents approximately 15% of the total domestic heating market, approximately 26% of the total UK lighting market, and approximately 13% of the total UK wiring accessories market.

The following chart illustrated the value growth of the new build heating and electrical sectors from 1995, with forecast to 2005:-

Chart 1: Value of the New Build Market for Heating and Electrical Installations 1995-2005 (£m) MSP



Source: AMA Research

In 2003, the new house-building market was one of the leading sectors within the UK **construction industry**, contributing just over 31% in terms of output value. Output in the overall housing sector now stands at over £15 billion, compared with £12 billion during 2002, reflecting the general buoyancy of the market during the year.

Private sector new housebuilding levels have remained relatively low against rising house prices, and although completion levels increased marginally in 2003 there are no indications of any significant upturn in output. The issue of housebuilding volumes has continued to rise up the political agenda with the publication of the **Barker Review** in March 2004, which highlights current problems in planning, brown-field developments, land banks and lack of skilled labour, which are all restricting the potential to increase volume output.

Despite initial reservations by the house-building industry at the beginning of 2003, it was a relatively healthy year for house prices and the house-building sector in general, characterised by housing growth in the regions away from the South East. Levels of housing **completions** were maintained during 2003 and rose by 2% to reach 175,000. Forecasts for the completions sector indicate estimated growth levels of between 2-3% per annum between 2004/7. Factors underpinning this growth include the relatively low level of interest rates and the forecast levels of spending on social housing committed by the government in its Sustainable Communities Plan, which aims to provide 200,000 homes by 2016 in the four growth areas in the South East. Housing **Starts** increased by around 3% from 2002 to reach 187,000 in 2003, with levels reported to be up 4% in March 2004 on the same period in 2003.

In recent years the new housebuilding market has changed considerably with the number of **housebuilders** greatly reduced due to consolidation witnessed within the market. There are around 20 quoted housebuilders in the UK with a market capitalisation of between £20 million and £1.5 billion. The largest player by volume is **Barratt Developments** with 7.8% of the market, closely followed by **George Wimpey** and **Persimmon** with 7.6% and 7.2% respectively. These three firms continue to dominate in terms of unit completions and together accounted for an estimated 22% of the market during 2003. **Taylor Woodrow** has continued to prove itself a key player in the housebuilding market with the acquisitions of Bryant Homes for £540m in 2001 and Wilson Connolly for £499m in October 2003 – the largest corporate acquisition in the housebuilding market during the year.

In 2003 the total UK **domestic market for heating and electrical systems** was estimated to be worth around £1.8 billion with forecasts indicating annual growth of around 3% to reach an estimated total of almost £2 billion in 2006. The overall domestic **heating** market was estimated to be worth over £1.1 billion at manufacturers selling prices, with the **central heating sector,** composed of boilers, radiators, pumps and controls representing 65% of the market and worth around £733m (MSP).

In 2003, the total **domestic electrical systems market** was estimated to be worth around £689m in manufacturer's selling prices, an increase of 2% on the previous year. Within this market, the **domestic wiring accessories** market was worth an estimated £268m (MSP) in 2003 and the **domestic lighting sector** an estimated £421m (MSP), representing around 33% of the market in 2003.

In 2003 the **new build market** for heating installations were estimated to be worth £169 million and new build electrical systems had an approximate value of £147 million. During 1999, the new build market for wiring accessories was estimated to be worth £35 million, while new build lighting was valued at approximately £112 million.

Developments within the new build domestic heating and electrical markets are driven by a number of regulatory, environmental, technical and social factors, with the main trends in the market focussed on changes to the **Building Regulations**, an increasing use of **sustainable** and renewable forms of energy and fuel efficient appliances and technological advances in **smart home technology.**

Within the **electrical systems** sector, there have been a number of trends emerging including an increase in the number and type of domestic appliance, the growth of home entertainment systems and an increase in personal computer ownership and home-working practices. Future demands on electrical installation equipment may see the introduction of compulsory low energy lighting, home security systems linked by broadband, increased use of air-conditioning systems due to climate change, heating and lighting controlled remotely via the internet or mobile phone and smart cabling solutions to control security, lighting and home entertainment.

The AMA survey conducted including a cross section of local, regional and national house-builders confirmed a number of key trends, which have taken place over the last four years since the previous survey.

Over the last four years there has been an increase in the general understanding about the **SAP ratings**, with all of the house-builders questioned certain as to the percentages of their new build homes that achieved the recommended rating of 80 or more and that more private house-builders are adopting the Building Research Establishment's **Eco-Homes** scheme as measurement of the environmental credentials of their developments.

The survey also revealed that although **central heating** is still a very popular heating choice installed within new build homes during 2003, other types of system such as **storage heating** are becoming more popular with house-builders. Traditional **boilers** have become less popular and are now being replaced by combination boilers, especially in smaller homes and flats and condensing boilers, which achieve higher levels of energy efficiency.

Recent trends in the new build sector characterised by a demand for larger, executive homes, increased Internet penetration and personal computer ownership has led to most house-builders now fitting a higher proportion of **power points** into each room, on average four or more. Many developers are now reporting increased consumer demand to fit four or more power points per room as standard, citing increased computer and home entertainment usage as the primary reasons. The survey also revealed that an increasing number of products are now being fitted 'as standard' by house-builders in new homes including **shaver sockets**, **dimmer switches for lights, alarm systems** and **security lighting.**

Technical and **brand specification** for heating and electrical products are still mainly the preserve of the house-builder themselves, although an increasing number of architects, either 'in-house' or external, are now performing this function. **Purchasing** and **installation** responsibility is still overwhelmingly undertaken by a sub-contractor, and an increasing number of house-builders now have a national agreement purchase in place for the procurement of products, usually undertaken as a centralised, head office activity.

Important **considerations** when specifying and purchasing heating and electrical products in new build homes include product specification, product value and price, product availability and distribution, manufacturer quality assurance and after sales service. These criteria where deemed as essential to ensure that systems continued to perform to specification, meet environmental criteria and offer best value for the consumer.