PRESS RELEASE – May 2005

Housebuilders Focus On Doors, Windows & Roofline Products Market – UK 2005

AMA Research have published their latest review of the "**Housebuilders Focus On Doors, Windows & Roofline Products Market – UK 2005**" report. The report is informed, comprehensive and up-to-date, and represents an invaluable aid to sales and marketing professionals involved in the industry.

The report analyses the principle product sectors, market size, key trends and influences, product mix, market shares, and distribution channels.

Emphasis is given to both quantitative and qualitative assessments of market developments - with interpretation of relevant data to support key trends and to provide a basis for extrapolating future prospects.

This 90+ page report is available now and is priced to give excellent value at £595.

Editor's Note:

Enclosed is a summary of the report. Please use brief extracts if you wish, **but we would request that references to company market shares 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.

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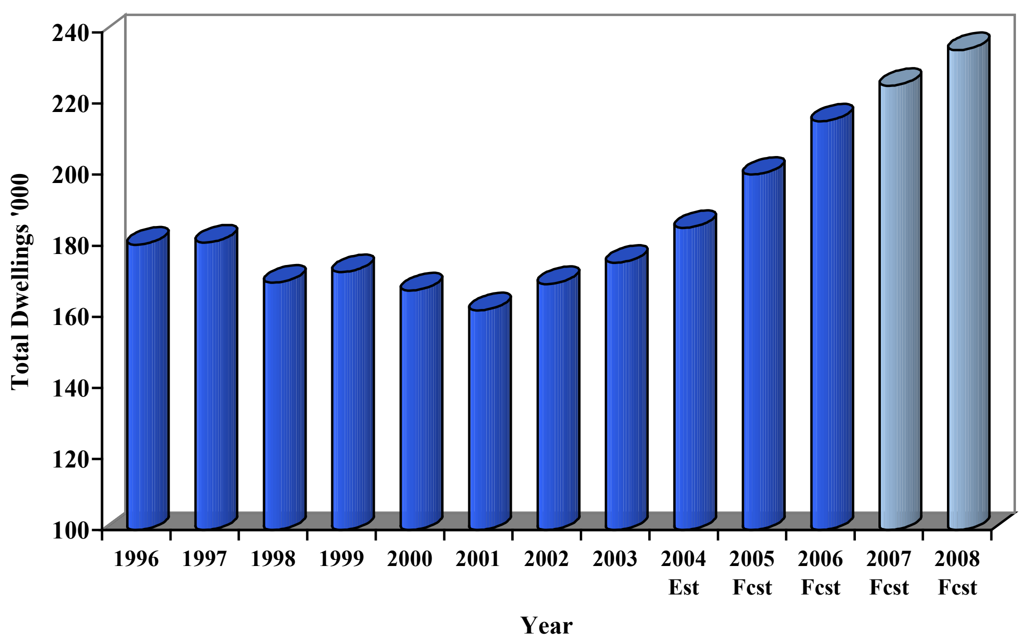
SUMMARY

The new housing market represents a major application area for windows, entrance and patio door systems. Throughout the 1990's, housebuilders witnessed major changes, not only in the structure of the housebuilding market, but also in the types of frame materials used for window and door applications. 2000-02 was a flat period for the sector, but 2003-04 have proved more buoyant, though growth has been extremely modest given the general demand and underlying strength of the housing market.

Traditionally, the new housebuilding sector has always been volatile, with levels of housing starts and completions affected by the general level of economic and consumer confidence. The trend in the volume of housing completions is illustrated in the chart below: -

Chart 1: Housebuilding Completions 1996-2008



Source: ODPM

Latest official figures show that the number of new house completions in Great Britain rose by 3% during 2003 to reach 175,000 and a further 4% in 2004 to around 185,000, with the private housing sector dominant. A key trend over recent years has been the rapid switch to apartments which, in 2004, are estimated to account for over 40% of housing starts in the UK.

Current forecasts are that completions will continue to increase by around 5-7% per annum between 2005 - 08, particularly following recommendations of the Barker report, though there are major changes emerging in terms of construction trends. Factors such as the limited availability and the increasing price of land, lengthy planning approvals process and increasing focus on RMI (repair, maintenance and improvement), are all likely to impact on the overall completions level, while trends to MMC/OSM (Modern methods of construction and Offsite Manufacturing) will impact heavily on the construction process.

Government emphasis on MMC is resulting in a significant trend towards pre-fabricated housing (timber/steel frame etc.) which is initially impacting on social housing, but will inevitably feed into private sector housing – timber frame housing already accounts for 15% of completions in the UK in 2004, and rising strongly.

During 2004, the number of registered housebuilders was recorded at approximately 20,000. The increasing concentration of the housebuilders market has continued during 2001-2004 with a greater proportion of companies now building in excess of 2000 houses per year.

In 2004, the top 20 national housebuilders accounted for just over 48% of total new housing completions. The leading national housebuilders are **Barratt Developments, George Wimpey** and **Persimmon**, which together accounted for an estimated 23% of the market in terms of completions. In recent years, the industry has lost a considerable number of smaller housebuilders as a result of mergers, takeovers and acquisitions. For example **George Wimpey's** acquisition of **Laing Homes, Taylor Woodrow** acquired **Wilson Connolly** and **Bryant Homes etc**.

Throughout the past 15 years, there have been some areas of considerable change within the new build windows and doors market. PVCu's share of material usage rose dramatically, while aluminium has also increased within the last few years, but on a much smaller scale than PVCu and primarily in large-scale, waterfront-type developments. The share of PVCu and aluminium has been primarily at the expense of timber windows and door.

In terms of entrance doors, steel/composites continue to dominate the market accounting for an estimated 79% share of the sector by volume. The share gain by steel/composites has been at the expense of timber which now only accounts for just 7% of the sector, being primarily in the higher value, or conservation sectors. Since the previous edition of this report in 2001, PVCu has declined currently accounting for just 4% of the sector - its limited aesthetic appeal not being widely accepted by housebuilders.

In 2004/5, housebuilders continue to install a patio door in around 65% of their homes. The number of patio doors being installed in new build homes has declined slightly due to the increase in flats currently being built, compared to a few years ago. In the lower cost housing sector, patio doors are increasingly being used as the main rear entrance to the house instead of installing a back entrance door. In 2004, approximately 88% of all patio doors installed were French style with just 12% being sliding doors. French doors have dominated the market now for over 15 years and will continue to do so in response to consumer demand for a more traditional style.

Current estimates indicate that conservatory installations in new build homes account for 1% of overall completions (approximately 2-3,000 units). Housebuilders are experiencing growing pressure to increase housing densities which inevitably restricts the available space for gardens, which in turn affects the amount of space available for conservatories. Due to these factors, the growth rate for conservatories within the new build sector is expected to be extremely low.

The widespread use of national and regional purchase agreements meant that the majority of housebuilders now buy window and door systems direct from the manufacturer, mostly on a "supply and fit" basis. This trend is likely to continue as housebuilders continue to gain economies of scale from larger orders. Additional benefits, accruing from reduced costs in terms of logistics and directly employed "on-site" labour, also indicate national and regional purchase agreements will continue into the medium term future.

In terms of specification, indications are that there is an increasing trend for the decision regarding the technical and brand specification of windows, doors and roofline products to be taken at head office / group level, albeit with input from regional offices. This is mainly due to increasingly onerous legislative and product standards, with the emphasis placed upon the housebuilders to ensure compliance.

The overall prospects of windows, doors and roofline products within the new housebuilding sector are good with the market forecast to experience moderate growth of around 12% over the next four years. The short-term future for the housebuilders market appears to be positive with relatively high levels of growth forecast through until 2008, with housing completions expected to increase to 235,000 in 2008. The counterbalance to this projected growth in housing completions is the rapid switch to apartments from detached housing, which obviously require a lower number of windows per dwelling.