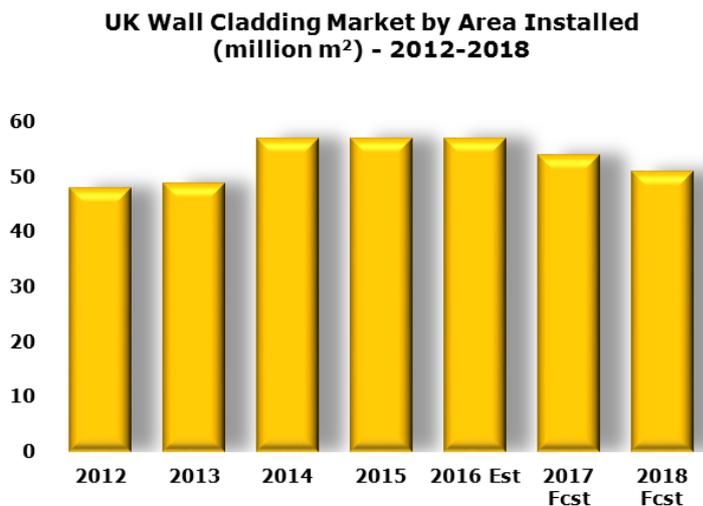




PRESS RELEASE

Modest forecast for the UK wall cladding market following Brexit decision

November 2016 – Cheltenham, UK



The UK market for wall cladding has increased by around 18% in total between 2012 and 2015/16, driven by strong growth in new build and major refurbishment activity in key sectors, such as housebuilding, offices, schools & higher education, hotels & leisure, transport buildings and online retail warehousing. The range of cladding types is broad and the supply chain diversified and fragmented, and demand for the various cladding types tends to vary depending on the relative buoyancy of their main end-use markets.

Construction output in 2013 and 2014 was helped by the relatively good summer weather, with private housebuilding, social housing refurbishment, waste management infrastructure and the Central London office development sub-sector all showing solid growth. With improving levels of housebuilding output, driven largely by the Help to Buy scheme and a shift back from flats to houses, demand for facing bricks outpaced supply, with imports needed to make up the shortfalls. However, by 2015, UK brick deliveries improved, so driving up completions.

Energy efficiency legislation and initiatives (e.g. ECO) and requirements of Part L of the Building Regulations have driven up demand for cladding products and systems with higher energy efficiency properties e.g. render coated external wall insulation systems and composite panels. The wetter than average weather in the summer of 2015 did, however, appear to hold back the overall rate of growth in demand for bricks and certain other cladding products. Overall, the market has not grown significantly in volume terms since 2014.

Clay facing bricks constitute the largest product group, with demand recently having been driven up by increasing housing output. Other main types of cladding used on housing included cast stone, timber/weatherboarding and render on blockwork and EWI. Clay facing bricks are also used on non-domestic applications, but demand in key areas, in particular out-of-town retail new build, has constrained growth rates here.

In the commercial sector, the return to growth in office development and high end apartment blocks in key city locations has largely underpinned demand for curtain wall and rainscreen cladding systems. In the industrial sector steel and aluminium profiled and composite wall panels typically dominate demand for cladding, key areas of use being warehousing, out-of-town retail 'sheds', waste management and utilities facilities and factories. The impact of the recession on the retail and industrial sectors had reduced demand for metal cladding, but demand has recovered driven by increasing demand for online retail warehousing, data centres and energy-from-waste plants.

"Forecasts for lower growth from 2017 are mainly driven by uncertainty following the 'Brexit' referendum" said Keith Taylor, Director of AMA Research. "Although modest annual growth levels are currently forecast to 2020, the medium-term outlook will be dependent upon the path taken to exit the EU and the type of trade and legislative deals formulated."

Over the period ending March 2019, when Britain is scheduled to leave the EU, at the very least, the uncertainty created by the situation is likely to create more volatility in the construction market at large. As a result, our view is that demand for cladding will decline modestly during this time in volume terms. Our reasons for this view are due to lack of confidence among property investors and business owners, a weakening of Sterling against the Euro and the US dollar and endemic problems concerning skills shortages in key areas. Other factors that are expected to contribute towards slower growth include the cutting or ending of subsidies for certain products and development programmes. For example, the government's Energy Company Obligation – to help with installing energy efficiency measures for the less well off – is to expire next April.

The '**Wall Cladding Market Report – UK 2016-2020 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson or Keith Taylor on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

AMA Research Ltd
Montpellier House
Montpellier Drive
Cheltenham
Gloucestershire GL50 1TY
Tel: +44 (0)1242 235724
Fax: +44 (0)1242 262948
E-mail: annaeriksson@amaresearch.co.uk
Website: www.amaresearch.co.uk