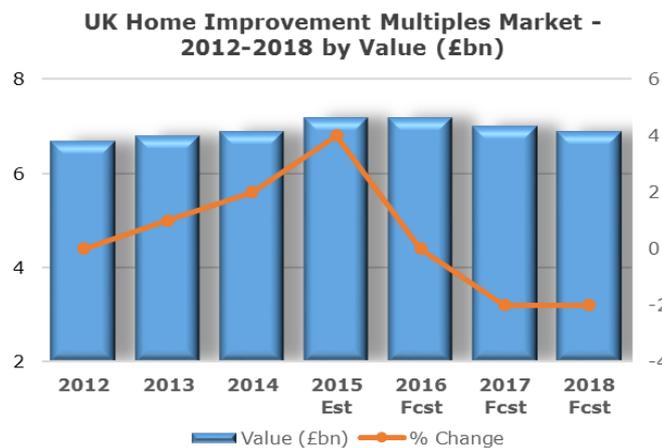




PRESS RELEASE

4% growth in the UK Home Improvement Multiples Market in 2015

September 2016 – Cheltenham, UK



The UK home improvement multiples market was worth around £7.2bn in value terms (RSP) in 2015, following an increase of around 4% in 2015. Overall market conditions have improved in recent years following a period of falling incomes, rising household expenses and employment insecurities, with sales in the home improvement multiples sector having increased steadily since 2012, a year when particularly poor weather had a marked impact on demand for products used outdoors.

The largest product category in the home improvement multiples sector is garden, domestic landscaping & leisure, which accounts for over 20% of total sales. Other major product groups include building supplies, lighting & electrical, tools, hardware & PPE and decorating products. Underpinning the market over the last few years has been a combination of factors; growth in the general economy, rising incomes, growth in online shopping, a strong housing market and much better summer weather in 2013 and 2014.

However, growth has largely been constrained by a shift away from householders doing DIY jobs towards using tradesmen. This has been most noticeable among the under 35s, where a general lack of skills / aptitude and a preference for spending money and time on other things has developed over the last few years. Also, the ongoing housing shortage and accompanying rises in house prices and mortgage deposits has made it harder for potential first time buyers to buy a home, forcing them to rent from private landlords.

Affluent, and often older, homeowners have also been generally more likely to use tradesmen to work on extensions, loft & basement conversions and garden landscaping. This influx of skilled workers from other EU countries has led to tradesmen offering highly competitive prices. However, there is widespread concern about skills shortages, and whether this situation will continue post the decision to leave the EU remains to be seen.

Tradesmen typically use trade suppliers such as builders' merchants, trade counters and specialist distributors, and this trend to GSI (Get Someone In) has contributed towards some loss of share for the home improvement multiples in certain product markets, although some of the leading multiples are also significant trade suppliers.

"In response to increasing competition in the core product markets in recent years from general merchandise multiples, specialist online home improvement products retailers, grocery multiples, discount chains and catalogue stores, the traditional home improvement multiples have been implementing major changes, including undertaking store rationalisation programmes and introducing new formats" said Keith Taylor, Director of AMA Research. "Other strategies have included expanding product lines into non-DIY offerings such as homewares, electronic security equipment, lighting and kitchens and bathrooms".

Demographics changes, digital technology and developments in consumer behaviour have fundamentally changed the nature of home improvement retail in recent years, and companies will need to ensure they keep pace with consumer demands. In response to this, some retailers have invested extensively in online retail and 'click and collect' services. As consumer shopping habits evolve, home improvement retailing may become even more price-driven, with continued growth in own brand sales. Even though the general economy and consumer confidence have improved between 2012 and 2016, many consumers have not reverted to 'trading up', since becoming generally aware of the quality the less familiar brands stocked by retailers.

Following the EU referendum, there is considerable uncertainty as to how the UK economy will fare over the next few years, with many experts forecasting a recession in the building and construction industry. As with the market for building materials in general, it is expected there will be a marked impact on home improvement retailing, as householders cut back on spending on major projects. Banks may also be even more wary of lending money for significant home improvement projects, especially if lack of consumer confidence leads to a fall in house prices. Since many home improvement products are imported, a weak pound is likely to drive up prices of commodities from overseas and may impact on suppliers and retailers' margins. As a result of this uncertainty, our forecasts indicate that growth rates will fall from 2016 onwards.

The '**Home Improvement Multiples Market Report – UK 2016-2020 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services 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.

Editor's Note:

If you would like to receive further information or would like to speak to an author of this report, 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.

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