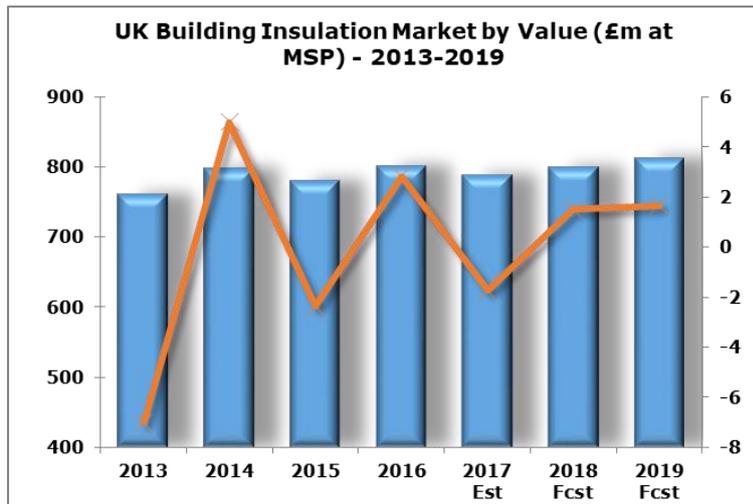


## Modest growth forecast in the UK building insulation market

November 2017 – Cheltenham, UK



The market for building insulation products in the UK has been fairly flat over the last couple of years following substantial volatility in the preceding years. The fall in government subsidised retrofitted installation activity drove some of the decline in the market in 2015 for example. Although there was a growth in demand for insulation products from increasing levels of newbuild housing and in non-domestic building, the total market fell by around 2% in 2015, before recovering in 2016, as construction output and

housebuilding levels continued to rise. Forecast growth will be subject to any further Government subsidies, though growth rates are forecast to be modest over the next 2-3 years.

Key market influences include changes to building regulations, such as the amendments to Part L in 2013, and energy prices. Government subsidy schemes also drive growth in the domestic market, however, domestic installations have been at a significantly lower level since the Green Deal was scrapped in 2015 and the funding to deliver the Energy Company Obligation (ECO) was reduced.

PUR / PIR products now have the largest market share in the insulation products market, accounting for around 40% by value in 2016. That said the current shortage in PUR raw materials may well result in share shifting away from this sector in the short-term future. The market value of mineral wool products has fallen due to the fall in demand for such products under the Green Deal and ECO, but they still account for a significant share of the UK market. Although installations have fallen in recent years, domestic retrofit remains an important market sector in the building insulation market, with cavity walls and lofts key application areas.

The key supply route for insulation products is the specialist (interiors) distributor channel. Builders merchants account for just below 20% of the market, the remainder being split between direct sales to installers, direct sales to external wall insulation systems companies, converters and DIY stores. The installation market for insulation is polarised between a small number of national companies and many regional and local independent firms, with the leading contractors typically provide additional energy efficiency services.

Keith Taylor, Director of AMA Research commented: "Looking forward, the market for building insulation products is likely to be comparatively less volatile, though a modest decline is forecast for 2017. Overall, modest growth of 1-2% per year is expected over the next few years, in value terms."

Key trends over the next few years include; a decline in output for key non-domestic construction sectors, slower growth in new housebuilding compared to 2016, limitations in Government funding and new schemes to support installation, reduced levels of consumer and business confidence due to uncertainty regarding the EU exit situation.

That said, the potential for growth through retrofitted insulation to Britain's existing housing stock is substantial, with an estimated ~7.8 million uninsulated dwellings with solid walls, and significant numbers of lofts and uninsulated cavity walls. In addition, there is also a substantial area of non-domestic flat roofs that have no or inadequate insulation.

Added value solutions will also potentially add substance to the market, with the introduction and growth of certain products with claimed high thermal insulation values creating growth in some sectors. There may be an impact from the increased awareness of fire retardancy properties amongst building products and materials.

Although industrial energy costs have fallen recently, over the longer-term energy prices are forecast to rise, which is likely to result in higher end-product prices for insulation products, something that may be exacerbated by the falling value of the pound, leading to increased import prices for many materials.

The '**Building Insulation Products Market Report – UK 2017-2021 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience in the construction and home improvement markets. The report is available now and can be ordered online at [www.amaresearch.co.uk](http://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.

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