

## Construction and forest products

### Construction

#### Overview

The construction industry has lost its trendsetting pace in the German economy. For 1996, German industry analysts predict a decline of 3.3% in German construction compared to 1995. After a longer phase of recession, growth is expected to continue in 1998. In eastern Germany, the focus on residential construction has shifted from multi-storey and high-rise buildings to single-family, two-family homes and town houses. However, regarding housing and in particular wood-frame construction, wood trade and industry associations are quite optimistic. Polls and

*" A shortage of 2.5 million housing units "*

analyses assume that the market share of prefabricated homes in the west will double by the year 2000. (1996: approx. 7%) In eastern Germany, more than one out of four new homes is built by using wood for structural assemblies. Currently, some 15,000 to 25,000 prefabricated timber frame homes (one and two family) are being erected in Germany annually: 50% in the eastern and 50% in the western states. Germany will continue to have an accumulated deficit of some 2. - 2.5 million new units over the next five years.

#### Major companies

Major companies such as Strabag, Bilfinger & Berger, Hoch-Tief or Holzmann have little or no interest in cooperating with comparatively small Canadian companies. Medium-sized companies such as Radmer Bau AG, Kesting Bau or Trapp AG, which operate nationwide, and regional and local players including developers, construction companies and engineering offices are the best contacts for firms seeking German partners. Approximately 30 German prefabricated home manufacturers, all members of the Federal Association of German Prefab-Home Manufacturers, account for up to 90% of the prefab-home market. The largest foreign suppliers of prefabricated homes are Poland (with sales concentrated in the new German States) and the Czech Republic (with sales focussed in Bavaria). Better known but in reality less significant are imports from Sweden and Denmark.

#### Opportunities and constraints

Germans have started to look more closely at the benefits of affordable wood-frame construction in the private and public sector. Motivated by severe budget cuts, the government, communities and building authorities are beginning to appreciate the cost advantages and have become very receptive to this method. For example a pilot project using North-American timber-frame construction technologies was initiated in Bavaria. This project was to prove that timber frame multi-story buildings can be erected at a reasonable cost - a fact shown to be the case years ago with

respect to single family homes. Canadian companies should be competitive when their turnkey building costs are less than DM 1,800.-/m<sup>2</sup> living space (\$165/ft<sup>2</sup>—excluding cost of land, foundation and development—) or if they can sell owner-occupied apartments for less than DM 4,000.-/m<sup>2</sup> depending on regional differences. The shortage of building land makes home ownership far more expensive.

Canadians are strongly advised to cooperate with a local partner. German construction norms and regulations are the most obvious obstacles facing Canadians seeking business in Germany. In particular, social housing is affected by numerous DIN-standards. Canadians may need certifications/approvals for building products and materials new to the German construction market. There may be additional difficulties because of language.

Alliances with German construction and engineering firms could be instrumental in gaining access into developing countries' markets. It may reduce the risks associated with projects in emerging economies and facilitate the necessary project financing that developers and builders are expected to bring along to the growing world market of privatized infrastructure projects.

#### Objectives for next five years

- to promote Canadian housing technologies;
- to increase awareness among Canadian developers and prefab home builders of opportunities in Germany
- to overcome problems related to standards and approvals
- to expand high-level support for prefab-home construction in Germany
- to establish close relationships between Canadian and German companies

#### Activities

Construction seminars	13-16 May 1997 Halle-Leipzig, Chemnitz, Nürnberg, Kassel Seminar on Canadian housing technology with CMHC
Bau Leipzig	22 - 26 October, 1997, International construction fair, Leipzig Information stand and individual meetings with local companies Organized in cooperation with the CMHC
Bautec	11-15 February, 1998, Berlin Large construction and building products fair
Market Intelligence	Annual report on prefab housing, doors, windows and kitchen cabinets.

