Open doors for Canadian manufacturers

U.K. housing and building product sector

Canada's commercial relationship with the United Kingdom is, by every measure, its most extensive in Europe — and second only to the U.S. The U.K. is also Canada's fastest-growing export market after the U.S. Over one quarter of Canada's exports to the European Union are sold in the U.K., which is now ranked as Canada's third-largest export market. This translates into major market potential for Canadian manufacturers of housing and building products.

Market overview

The construction industry was valued at almost £60 billion in 2000, of which the housing sector accounted for 40% or £24 billion. This sector grew 34% between 1996 and 2000, and is forecast to grow 11% over the next five years.

The housing sector can be further split into the new housing and renovation/refurbishment sectors. New housing was valued at £8.4 billion in 2000. Housing starts have remained somewhat static — between 180,000 and 190,000 per year for the last five years — and forecasts suggest this will not change significantly.

The renovation and refurbishment sector, on the other hand, is poised for growth given that the U.K. is home to one of Europe's oldest housing stocks. One half of the country's 23 million dwellings are between 50 and 100 years old — or older. Between 1996 and 2000, this sector grew 11% and was valued at £16 billion in 2000. Forecasts predict growth of 11% over the next five years as government-funded refurbishment of more than 1.5 million properties gets underway.

Both commercial and industrial construction have shown positive growth over the last five years. Performance in the infrastructure sector has been poor. Forecasts suggest that this sector will continue to cool, largely due to reduced government spending.

In 1999, the U.K. reported a £2-billion international trade deficit in building materials. While the U.K. satisfies most of its needs for aggregates domestically, the country imports 80% of the wood it requires. Timber imports now amount to roughly £1 billion per annum — 20% of all building material imports.

EUROPE

Opportunities

The domestic U.K. construction industry is experiencing a period of rapid change, most evident in the new housing market. A shortage of skills, rising construction costs, defects associated with on-site wet trades and new building regulations that stipulate increased thermal insulation have all contributed to a shortage of new homes.

This has, in turn, created a trend toward off-site production and a demand for new, innovative products that "de-skill" the construction site yet meet the new standards. Framing systems, particularly wood frames, are becoming more accepted.

In the short-term, Canadian manufacturers will be well positioned to supply this market while domestic manufacturers are gearing up to meet demand. Long-term success, however, depends on developing supply partnerships with small to medium-sized homebuilders that lack their own manufacturing capabilities.

A number of other opportunities are worth exploring: lightweight cladding and roofing systems, mechanical systems, prefabricated and panelized components as well as value-added wood products such as windows, doors and flooring.

Market access considerations

While certain large retailers, merchants and builders are willing to buy goods directly from an offshore manufacturer, conducting business in the U.K. often requires a local partner. Such partners provide vital insight into British business practices, market characteristics and strategies, as well as legal, financial and importation procedures. Companies must be prepared to invest time (2 to 3 years) and resources to build contacts and product awareness.

Canadian firms must ensure that their products conform to European, or, if not available, British standards.

To become regular suppliers to leading DIY outlets, timber exporters must have their products certified by the Forest Stewardship Council or equivalent.

Major competition

Many domestic and international manufacturing firms with integrated distribution operations are well-established in the U.K., and competition between them is fierce.

Canadian wood products face intense competition from softwoods originating in Scotland, Scandinavia and the Baltic States, and hardwoods from the Far East and South America.

Many wood promotion agencies maintain well-funded and active representative offices in the U.K., but a similar marketing presence by Canadian wood associations is noticeably absent.

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