

Residential Windows and Doors: Inc Impact of COVID-19 - UK - July 2020

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“The residential windows and doors market was already displaying maturity in the replacement sector with demand challenged by the economic uncertainties created by Brexit. Consumer uncertainty has been significantly further challenged by COVID-19, but housing and home improvements are seen as critical areas to stimulate the wider economy.”

– Terry Leggett, Senior Analyst

This report looks at the following areas:

What you need to know

There are two fundamentally different sectors of the residential windows and doors market: The element serving the new house builds market and the replacement market serving the repair and maintenance market. These sectors are also very different in terms of suppliers and their needs. New build estates require large volumes of product to be delivered and installed at a time, while the individual requirements of homeowners for the replacement market are more varied and require much lower quantities – typically 10 windows in an average house, assuming the order is for a full house project.

The element of the market serving the new house build sector has been relatively buoyant in the last few years with strong house construction activity compared with the recent past, though still significantly below levels achieved in the longer term past.

The replacement industry has a few, very large national suppliers which have invested strongly in their brands, accompanied by a plethora of local companies which source products from alternative national and international suppliers. This has the effect of increasing the competitiveness of the sector. It is a highly competitive market, which has to cope with raw material price changes, as well as the rising cost of labour and major changes in sales lead generation. The sector is reliant on a complex mix of market influences including consumer confidence which has been adversely affected over the past two years by the economic uncertainties introduced through Brexit and now the impact of COVID-19.

The issue of saturation in the replacement market has long been rumoured, but evidence suggests that the penetration of double glazing continues to rise, reaching some 85% of residential properties. However, an element of the market is sustained by the product life cycle, with the double glazed replacement industry emerging in the 1960s with products only designed to last 20 years. These early products are very dated in appearance, often using very wide frames, which are no longer necessary as technology has moved on. The disposal of early installed products is now providing a source of raw material for recycling, which has been increasingly attractive to the industry amid raw material price increases and environmental concerns. Those raw material price changes have now been challenged amid oil price reductions in the wake of the international impact of COVID-19. Recycling continues to provide a significant marketing opportunity in a market increasingly aware of issues associated with plastic waste.

Key issues covered in this Report

- **The impact of COVID-19 on the UK residential windows and doors market and key sub-sectors**
- **Opportunities and threats arising from COVID-19 across the key sectors of the residential windows and doors market**

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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- How the market is expected to develop over the next five years in light of the COVID-19 crisis
- Trends in residential windows and doors activity.

Covered in this Report

This Report covers the UK market for double and secondary glazing. Triple glazing is also included but remains a small sector of the market. Double glazing normally involves the removal and replacement of existing windows and frames, while secondary glazing can usually be fitted to existing frames. Because of the nature of supply it is not possible to eliminate installation charges.

Sales to the building trade and commercial, industrial public non-residential sectors are excluded.

There are a variety of materials used in the construction of window and door frames. Traditional timber still dominates the new installation market, while the use of steel window frames is largely out of fashion but is more widely used outside of the residential sector. PVCu is widely used in the retro-fit double glazing sector and aluminium has also retained a significant role in this sector. In the latter case, much of the total market is again accounted for by commercial applications, especially retail properties.

This Report looks at both the direct sell and builders/contract sector.

The direct sell sector includes all companies which offer windows and (other products) directly to the public on a sell and install basis, including door to door, retailers, garden centres, showrooms. These companies have traditionally been known as 'double glazing' or 'replacement windows' companies. The windows and doors are normally for replacement, although some first-time installation is also carried out. The selling tends to be on a local basis, or as the name suggests door to door or through a local showroom.

COVID-19: Market context

This update on the impact that COVID-19 is having on UK commercial property market was prepared on 13 July 2020 and include the impact of the Chancellor's Summer Statement.

The first COVID-19 cases were confirmed in the UK at the end of January, with a small number of cases in February. The government focused on the 'contain' stage of its strategy, with the country continuing to operate much as normal. As the case level rose, the government ordered the closure of non-essential stores on 20 March.

A wider lockdown requiring people to stay at home except for essential shopping, exercise and work 'if absolutely necessary' followed on 23 March. Initially, a three-week timeframe was put on the measures, which was extended in mid-April for another three weeks.

On 10 May 2020, the Prime Minister announced revised guidance, recommending that people who could not work from home should return to the workplace, and giving people more scope to spend time out of the home. Further relaxations to lockdown rules were announced in the week of the 23 May, including gradual re-opening of non-essential retailers, and increased opportunities for social interaction across households. Hospitality businesses were allowed to reopen in England on 4 July.

Economic and other assumptions

Our economic assumptions are based on the illustrative scenario included in the Bank of England's Monetary Policy Report, released on 7 May 2020. The scenario suggests that UK GDP could fall by 14% in 2020, recovering by 15% in 2021, and that unemployment will reach 8% by the end of the year, easing slightly to 7% by the end of 2021. The current uncertainty means that there is wide variation on the range of forecasts, however, and the numbers presented in the BoE's illustrative scenario are at the more pessimistic end of the spectrum.

We are working on the assumption that a vaccine will be available by mid-2021, but that there will be continued disruption to both domestic and global markets for some time after that.

As long as there is not a second wave of infections, social distancing measures should be gradually relaxed over the course of 2020, but we don't expect industries such as hospitality, travel and live entertainment to return to any kind of normality until a vaccine is introduced.

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