

Flooring market faces dire short-term future

THE contract flooring market, along with residential, fell further in the second half of 2008 with volumes plunging, compared to the same period a year earlier.

The Flooring Market Index measures the percentage of flooring contractors reporting a rise in sales compared to the same period the previous year, minus the percentage reporting a decrease.

Consequently the index is a good indicator of total market volume. The interviews were carried out by **LEADING EDGE**, market research specialists in the flooring sector.

In the contract market, for the second survey running, the commercial flooring market index was negative with most flooring contractors saying their sales were down compared to a year ago.

The index was positive through 2007 and early 2008. A quarter of respondents who installed contract flooring said sales rose, compared to 33% saying sales fell – for the remainder sales were similar to the previous year.

The residential flooring market index has been negative every quarter since the survey started in June 2007. However, the last half of 2008 reached new lows with the index at -36, its lowest ever, with 56% of contractors who installed residential flooring saying their volume was down year on year.

The only robust areas for the flooring market were health and education, fuelled by public spending. Housing and private commercial, in particular offices, were both significantly down.

■ **Recruitment:** This is a good indicator of market conditions. The number of flooring contractors looking to take on extra fitters in the second half of 2008 was 31%, slightly lower than the previous survey, but way down on 2007 and early 2008.

This recruitment indicator has been relatively consistent during 2007 and early 2008 with 44–53% of firms looking to recruit. This therefore demonstrates a major drop in recruitment activity and backs up earlier findings on the market conditions.

At -38 the recruitment index was the lowest it's been since the survey began.

Flooring contractors reported volume of sales						
	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Dec 2008
% increased	24	24	28	27	22	20
% about same	37	45	39	43	35	24
% decreased	39	31	33	30	43	56
TOTAL	100	100	100	100	100	100
Market index(1)	-15	-7	-5	-3	-21	-36

(1) Percentage of businesses saying sales had increased less percentage saying sales had decreased (Source: Leading Edge Market Research)

Changing recruitment position for flooring contractors						
	Apr-Jun 2007	Jul-Sep 2007	Oct-Dec 2007	Jan-Mar 2008	Apr-Jun 2008	Jul-Dec 2008
Our business has looked to recruit sub contractors or direct employees in last three months	52	44	53	53	35	31
Our business has taken on flooring installers before, but not in the last three months	48	56	47	47	65	69
TOTAL	100	100	100	100	100	100
Recruitment index (1)	+4	-12	+6	+6	-30	-38

(1) Excludes sole traders; (2) Percentage of businesses saying they had been looking to recruit less percentage saying they had not recruited (Source: Leading Edge Market Research)

■ Leading Edge works with manufacturers, distributors and contractors in the flooring sector and has recently expanded its in house research team with the addition of two new telephone interviewers. If you want to find out more about the flooring or construction surveys or have market research requirements in the flooring sector, contact Mel Budd at Leading Edge: **T: 01189 797800**
E: leadingedge@lead-edge.co.uk **www.lead-edge.co.uk**

Down 10% in 2009, but up 2-4% from 2010 to 2012

LEADING EDGE predicts a fall in total construction industry output of 10.2% in 2009 compared to 2008. However, it expects an upwards move by mid 2010 when growth will return although output will still be at a pre-2003 level.

Total construction output is then forecast to grow by 2–4% each year from 2010 to 2012.

The new-build private sectors, especially industrial and housing, were hit hard in 2008. Housing will continue to be one of the worst hit sectors in 2009 with completions down by 54%, according to Leading Edge. Private and public sector starts will reach 80,000, the lowest since World War II. This will impact on new housing and, unusually, will also reign back RMI housing spend, it says.

In the commercial and industrial sectors, lack of funding has come at a time of fading confidence.

Bright spots include the public

Construction

sector and infrastructure, the latter building on a strong performance in 2008, further driven by the Chancellor's £3bn stimulus. The public sector will also benefit from a continued rise in education and health spending and the promised fast-tracking of major projects.

However, the burden of the stimulus package and the Olympic spend will have to be met by less spending in future years, it says.

■ **Flooring manufacturers and distributors** will have shifted their marketing emphasis because of the sectors moving at different speeds.

Stalling commercial and industrial markets and the impact of the credit crunch on property development, especially housing, will be more keenly felt on flooring materials where sales are skewed towards these depressed sectors, concludes Leading Edge.

Business in brief

Forbo sales increase

Forbo reports a rise in linoleum sales in 2008, up by £4.8m to £38m. Its biggest customer continues to be the National Health Service and healthcare sector.

Allied snapped up

Allied Carpets, the UK's second largest flooring retailer with 218 stores, has reportedly been acquired by Sigma Capital Investments, an offshore investment fund, said to be backed by wealthy US investors. Some stores are expected to close.

Carpet firm closes

The last carpet factory in Halifax is closing. A liquidator has been appointed for Avena Carpets, which was run Nick Crossley, whose family set up Crossley's Carpets at Dean Clough, Halifax, in the 1800s.

Headlam squeezed

Floorcoverings distributor Headlam reports an 11.2% fall in pre-tax profits in 2008, down to £40.12m from £45.17m in 2007. However, revenue was up from £544.7m in 2007 to £557.3m last year.

3M acquisition

3M has acquired EMFI of France, manufacturer of polyurethane, silicone and hybrid sealants and adhesives for parquet flooring, gripper and panels. These products will enhance 3M's industrial tapes and adhesives.
www.3Mconstruction.co.uk

Boost for wood flooring

Engineered wood products will bounce back strongly after the downturn, says a new survey covering Europe and the Pacific Rim. It forecasts that consumption of engineered wood products will reach new peaks by 2013.

Fewer fit-out projects

The number of office fit-out projects in central London fell by almost half in the past year, according to Metropolis Property Research.

Money saving tip from CFJ

Flooring contractors and other company owners who use their home for business purposes can, since last month, claim tax relief for a proportion of the costs – even for only one room of the house for part of the time.

You can claim for mortgage interest as well as rental, council tax, home insurance, repairs and energy bills.