

# Market jitters may last until **2011**, says Palmer



Robert Palmer

*Writing exclusively for CFJ, Robert Palmer says the period of sustained growth in the contract sector in the last four years has given way to a 'stuttering' performance which could well last until 2011:*

SINCE our last report in 2004, the market has performed relatively well in the period up until 2008. In fact, the actual rate of growth was higher than predicted in 2004. However, the indications are that this diverse sector looks set to see a decline with uncertainty in the private sector, in particular, leading to less activity.

This rather pessimistic forecast is principally due to the recent turbulence in the financial markets casting a baleful shadow over the future of the contract floorcovering market.

In particular, we forecast that the biggest sector – commercial offices – will be the hardest hit. Already, there are signs of a cutback, and this will worsen in 2009. Other private sector work will not be immune as the financial problems spread to the wider economy.

The total contract floorcovering market in Great Britain in 2007 hit 78.4m sq m, a record high, 14% higher than 2003. It outperformed predictions in the previous report, when it was expected that the market would reach 74.3m sq m.

The floorcovering market (which excludes retail products bought by homeowners) is divided into three areas: Resilient; carpet and other (ceramic tiles, wood, laminates, seamless resin terrazzo, etc.)

■ **Resilient:** The report found that resilient sheet grew by an

impressive 38% between 2003 and 2007, to 16.5m sq m, which represented a new record high.

However, slip resistant sheet notched up an even more spectacular growth of 47% to 6.5m sq m, amounting to a 58% share of this market.

The two biggest sectors for sheet – health and education – experienced growth rates of 49% (3.9m sq m) and 39% (3.2m sq m) respectively. There were also above market increases in the shops and care homes sectors.

There was a more modest growth for resilient tiles with an 18% increase over the four-year period; but this was still above that of the total contract market.

In 2007, 7.9m sq m were installed, the highest level since 1995. Most of this rise was in prestige, laminated tiles (LVTs) which now account for 42% of the market.

Shops are the biggest sector for tiles and the sector saw growth of 24% between 2003 and 2007. Commercial offices and education also witnessed above market increases.

■ **Carpet:** The contract market for carpet rolls fell by 8% between 2003 and 2007 to 21.1m sq m. This was the lowest level since 1985 with the leisure sector being the greatest casualty. Nevertheless, the biggest sector for rolls, offices, also saw a 2% fall. Another move was a

The Contract Floorcovering Market in Great Britain, Vols 1 & 2 2008 Edition is published by Palmer Market Research and the research programme is based on 568 structured interviews with contractors, specifiers and manufacturers; a full desk research programme of official and privately collected statistics and past data on the market held in its database. Volume 2 of the report is devoted to trends in the decision making process and an attitude study into the major carpet and resilient manufacturers. The two volume report is available direct from Palmer Market Research at £6,500 + VAT. This includes: The report in hard copy (3 copies) or pdf format; a personal presentation of the findings by Robert Palmer at the subscribing company's offices; CD of charts shown at the presentation; and 24 Month telephone consultancy service to deal with any queries about the report findings

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discernible shift away from roll carpets in the health and care home sectors.

There was welcome news in the carpet tile market with dynamic growth up by 24% over the four-year period to 17.8m sq m; a new record high.

Carpet tile growth in commercial offices, previously one of its most buoyant, was more modest. Its share grew from 51% to 59% (65% if public sector offices are included).

#### ■ **Other:**

■ **Seamless resin** is the biggest of all the non-carpet and non-resilient floorcoverings. We found that between 2003 and 2007, the market expanded by 21%; well above the rate for the total market (15%).

Perhaps surprisingly, resin saw a 2% drop in the industrial building sector. The main growth areas were shops, education and leisure.

■ **Wood** is the second biggest of the other categories, but it had a comparatively disappointing performance, growing by only 4% over the four-year period to 2.7m sq m, although this was still a record high. Our report concludes that this result was because of a switch to other products in the leisure, commercial offices and shops sectors; the three biggest for wood.

■ **Ceramic tiles**, the third biggest in the others category, increased by 17% between 2003 and 2007 to 2.5m sq m, the highest recorded level since 1989. A strong rise in demand from the shops (now the biggest for ceramic tiles) was the main reason for this increase.

■ **Laminates** were the only product category in the contract market to witness a drop between 2003 and 2007. In this case, the fall was just 1%, to 0.88m sq m and it should be pointed out that in the two main sectors, there was sustained growth. The main causes for the overall decline were fall in contract housing and commercial offices.

■ **Rubber** (classified separately rather than with resilient), actually outperformed all the other products, with a very creditable 46% rise to 0.84m sq m. Most of the rise was down to growth in the leisure sector.

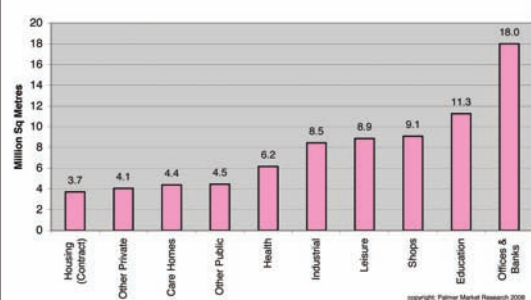
The terrazzo market grew by 20% between 2003 and 2007 to 0.59m sq m where most of growth was in the shops sector. Other floorcoverings (stone, granolithic, asphalt) collectively grew by 12% to 0.57m sq m.

**FORECASTS:** As stated above, the acute problems in the financial markets have caused a pessimistic prediction for the future of the contract floorcovering market.

Even allowing for the public sector remaining relatively strong, a 2% drop in the overall market is forecast for the whole of 2008, followed by 4% next year before stabilisation occurs in 2010.

It will not be until 2011, helped by the 'Olympic Effect' that growth will resume. Even then, by the time we reach the end of the forecast period of 2012, the market is only predicted to be more or less back where it was in 2007. **CFJ**

Forecast of the Market for Contract Floorcoverings 2012 by Sector



Contract Floorcovering Market in Great Britain 1981 to 2007 by Main Product

