

Press Article

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Temperature Rises as Products Compete in the Heat Market

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BSRIA have recently completed a worldwide study analysing the world heating market. The report covers the latest trends in thirty countries by product sector. The full report is a powerful tool, which provides the latest market value, and volume and makes forecasts for the market and product types based on the market trends and identifies the key drivers for the changes in the market. In addition new changes in Legislation are also covered and the impact these have had on products.

Research conducted by BSRIA has shown that commercial premix gas condensing boilers (wall hung and floor standing) are very popular in Europe representing a market share of 53.6%; simultaneously Europe has seen the introduction of new legislations that affect the boiler market.

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Moreover despite the renewable market providing strong competition for boilers there are still a high number of boilers still being sold. Interestingly following the recent turn in the economy there is now more positive news as our research indicates that in some countries the governments are investing more money into the manufacturing sector therefore next year we anticipate an increase in commercial and residential building projects.

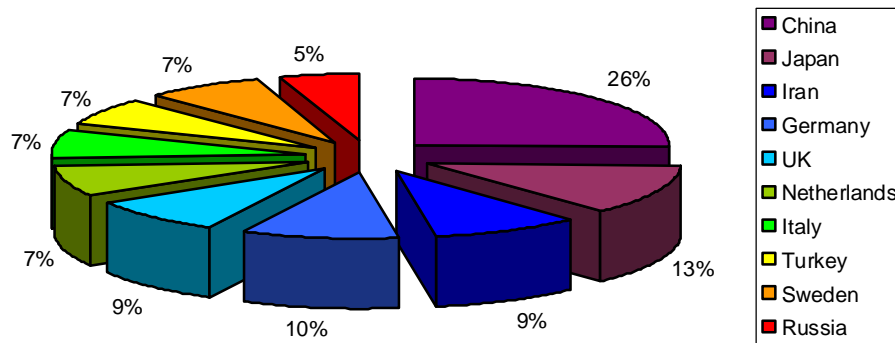
Commercial Boilers

Europe has the largest market share of commercial boilers representing a total of 54% and the market has been growing however it has been hit by the recession as it has seen a fall of 7.7% overall. It does however look set to recover by 2012.

Asia Pacific represents a segment of 36.6%, it has seen a small gradual fall in market size. America and Africa appear to have the smallest market share at only 5.27% and 3.7%. The market in these two areas has been rather uncertain, as it has not seen any particular growth or decline.

China by far has the largest volume of sales in comparison to any other country in the commercial boiler market. However sales are decreasing and are forecasted to fall further in the next three years. Japan, Iran, Germany and the UK all have fairly high number of sales however all these four countries had experienced a drop in sales after 2008 but this is forecasted to pick up after 2010 and to achieve the 2008 level of sales in 2012.

Total Worldwide Sales for Commercial Boilers 2009



Source: BSRIA

In the commercial sector there is increasing awareness to be more environmentally friendly especially with new government licences in the EU. In Germany to meet the Kyoto agreement and improve energy efficiency in buildings, the European Union implemented 'The Energy Performance of Buildings Directive' (EPBD), which requires all EU countries to have new building regulations by the beginning of 2006 to reduce energy consumption in buildings for heating, air conditioning, hot water and lighting purposes.

Condensing Boilers

Condensing boilers seem to be the most popular in the UK since it has the highest number of sales compared to the other countries BSRIA studied and they are forecast to increase steadily in a similar percentage growth to Germany. However in the Netherlands and Turkey there is a very small amount of percentage growth forecast with Belgium in decline.

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Wall hung cascade gas boilers are very popular in the Netherlands with steady growth forecasted. The UK shows promising figures; after a fall in sales in 2009 sales are anticipated to increase rapidly by 2012. China also shows steady growth; whereas in Poland and Russia there has been very slow growth.

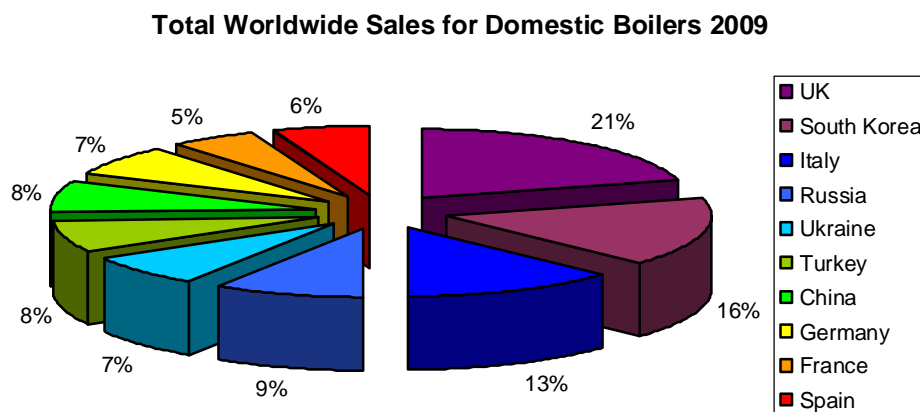
Russia is a country with a cold climate and extensive hydronic heating systems. With a population of 141 million and covering 9 time zones, Russia already has one of the largest heating products market in the world, although the potential for growth is huge in the longer term. Russia is developing to become a major heating market and could be considered as attractive when comparing growth levels to West European markets. The average output of Russian boilers is high compared to Western Europe, mainly due to higher heat demand in long and often severe winters. There are also a higher proportion of boilers sold in higher outputs particularly for jet oil burner boilers and to some extent floor standing gas.

Domestic Boilers

All of Europe represents a grand 76% market share for domestic boilers with Asia being the next biggest share at 18%. Asia seems to be rather unaffected by the economy crisis and is showing gradual growth. Although America and the Middle East have a very small share it has seen an increase of approximately 5% from previous years although it looks to remain consistent for the next 2-3 years. Africa on the other hand does not represent a lucrative market as its total share is 0.65% and its forecast to increase to 1% by 2012.

The market for domestic boilers is the biggest in the UK although recently sales have been decreasing however the lowest point will be hit in 2010. However by 2012 sales are forecast to grow by 10% and recover in a similar pattern to Italy and Ukraine.

Russia saw sales at its peak in 2008 with a sharp decrease in sales thereafter and the market is not looking to recover until 2011. China is showing a steady increase in growth where Japan on the other hand has seen a steady decline in sales from previous years. Germany and America have remained fairly consistent in terms of sales from one year to the next.



Source: BSRIA

Wall Hung Condensing Domestic Boiler

The UK is by far the market leader in terms of sales for Wall Hung boilers; Europe has a 94.5% market share and the UK represents 51% of it. After dropping in 2005, the domestic boiler market in the UK recovered in 2006. In 2007 the entire market grew mainly driven by the growing wall-hung condensing gas boiler market. In 2008, condensing wall-hung boilers accounted for almost 99% of the entire wall-hung gas boiler market. As mentioned previously they are also popular in the rest of Europe as it is moving through a legislation that is more inclined to wall hung condensing boilers. However in most European Countries sales are only one third of the sales in the UK. In particular 2008 has not been a good year for the Italian domestic boiler market. Floor standing gas systems are a declining market in Italy. Floor standing units are generally considered bulky, cumbersome and not easy to install compared to wall

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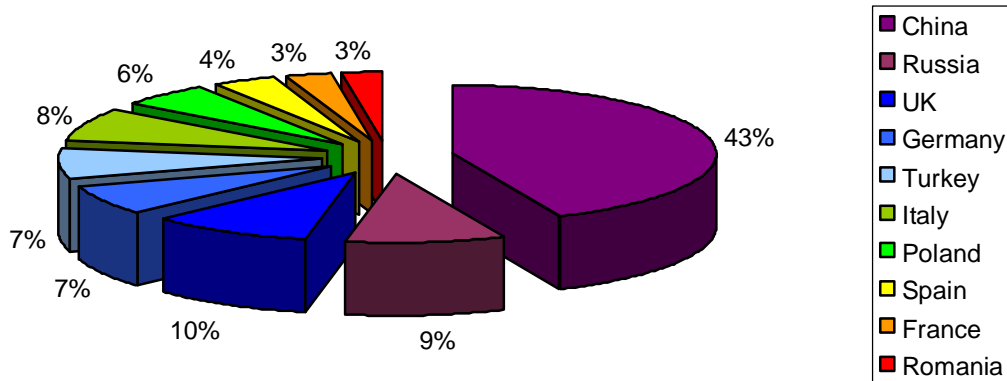
hung units. For this reason these types of boilers are often used where the installation of a wall-hung system would imply excessive work of refurbishing and structural changes to a building. Nevertheless in Europe sales are on the increase whereas in the UK sales have been more affected by the recession and they don't look to recover until 2011. In comparison these boilers have a very small market in Asia but they are not very popular in USA at all as it only represents 0.4% of the world market.

Radiators & Under Floor Heating

Europe has a market share of 65% and has recently experienced the greatest fall of 4%. This will take some time to recover back to its original market share although from 2010 onwards the market will start to show small growth. America (0.48%), Africa (0.7%) and the Middle East (2%) are expected to have fairly consistent market share for the next 3 years. On the other hand Asia Pacific is showing sound growth for the future, with its present market share being 30.8% it has been rising steadily for the past couple of years.

The greatest market for radiators is in China with a high volume of sales, which is forecast to continue growing in comparison to any other countries BSRIA has studied. China is the one of the few countries that has not seen a decrease in sales since 2007. Russia and the UK on the other hand have very similar levels of sales; which decreased in recent years, however will remain along similar lines in the coming 2-3 years.

Total Worldwide Sales for Radiators & UFH 2009



Source: BSRIA

There is however a continuing shift towards under floor heating systems, which account for approximately 83% of all new buildings in Switzerland and are rapidly penetrating into the refurbishment market as well. The other possible reason is growth of renewable energy heating systems in compliance with the “*Minergie*” standard, which opts for a high degree of living comfort at low energy consumption in line with clearly defined technical specifications. The third one is a better insulation of houses in Switzerland.

In the United States under floor heating is considered a luxury item. It is very common in Europe, and is catching on quickly in the States. In the Eastern region of the U.S., it is very common for homes to have radiant heating systems on the roof or driveway to melt snow. Currently under floor heating is aimed more at the upper end home market.

The luxury and comfort that hydronic heating systems bring to a home is another reason for its increasing popularity. In an effort to add comfort to their home, many consumers are adding radiant heating systems

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to their kitchen and bathrooms. This is due largely to the fact that kitchen and bathroom remodelling are seeing an upward trend. Radiators are typically not used very often in the U.S., although recently, designers are integrating them into a home's décor.

Cast iron radiators

China has the biggest market for cast iron radiators representing a whopping 70% of the total world market; with a steady increase forecast for the next 2/3 years. Although Russia also has a high level of sales it has decreased significantly at a rate of 22% since 2008 but is thought to remain constant until 2012.

Steel Panel Radiators

The most popular radiator types in the UK are steel panel radiators, closely followed by towel warmers. There is anecdotal evidence that some house owners are choosing to invest in their current property rather than save with banks, given the much lower interest rates.

Imports in the UK radiator market still account for less than 50%. This is because all major radiator suppliers have production facilities in the UK. However, imports grew dramatically in recent years. This reflects the entry of low cost competitors, particularly from Turkey and Italy and the relocation of some established suppliers' production facilities to low cost locations or their acquisition of low cost competitors. However, the main sources of imported steel panel radiators have traditionally been West European countries such as Ireland, Belgium, Holland and Germany.

The German steel radiator market captured in our study is mostly dominated by steel panel radiators, which account for about 87% of the total steel radiator segment. Due to the growing market penetration of UFH systems in Germany throughout the last couple of years, numerous new entrants have been attracted, including boiler and radiator manufacturers as well as some renewable manufacturers. The bargaining power of UFH customers is also considered high, but has not yet reached the stage of the

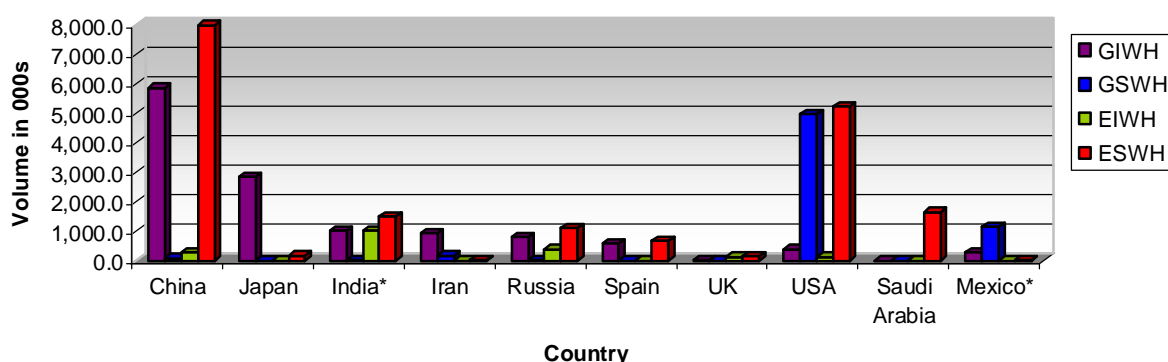
radiator market yet. However, this is expected to happen in the long-term due to an increasing number of UFH suppliers. Nevertheless, the UFH segment still has potential for growth and product differentiations (e.g. combined hydronic heating and cooling applications etc.).

Water Heaters

Electric Storage Water Heaters (ESWH) are the most popular type of water heaters in the world although popularity differs from one country to the next. Asia Pacific has the largest market share of ESWH at 36% closely followed by Europe at 31%. The market for water heaters looks rather strong with only Europe experiencing a slight drop in sales in 2009.

The water heater market in China is quite strong with ESWH being the dominant type of water heater and gas instantaneous heaters being the second choice. On the otherhand in the US gas storage and electric storage water heaters dominate the market with electric instantaneous water heaters being an unpopular choice. Interestingly in comparison, the UK has a very small water heater market; however this could be due to the type of installed systems, with an in-direct hot water cylinder being connected to a boiler.

Water Heater Market, volume '000s, 2008 by World



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The Saudi water heater market is completely dominated by electric storage water heaters. No indirect cylinders are used because there are no central heating systems in the country, due to its hot climate. Gas water heaters are also not used, even though Saudi Arabia possesses vast reserves of natural gas.



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