



2016 Top Markets Report **Building Products and Sustainable Construction** Country Case Study

Australia

U.S. building products generally enjoy duty-free market access in Australia under the bilateral free trade agreement, and a common language eases the operational environment for U.S. exporters. The world's 12th largest economy boasts a mature green building market, and its per-capita GDP of over 51,000 USD is among the highest in the world. Australians are accustomed to sourcing products internationally, and U.S. building products have strong brand recognition and a reputation for quality. Competition, however, is fierce in the geographically vast market with access to low cost manufacturers in the region.

Overall Rank 8	HVACR 8	Lighting 11	Plumbing Products 9
Wood Products 9	Insulation 6	Windows & Doors 4	Glass 8

Shielded from many effects of the global financial crisis by its booming resources sector, Australia experienced a period of high construction growth from 2004 to 2012. The strength of the Australian Dollar relative to other world currencies during roughly 2009 to 2011 also played a role in facilitating increased Australian imports during this period.

Global commodity price declines, along with a decline in the strength of Australia's currency, mean that overall economic prospects in Australia are tempered looking toward 2018.

Australia Construction Market

Looking forward, construction industry output in Australia is expected to increase at a rate of 4.7 percent annually through 2018,¹ slightly lower than

the 5.2 percent rate achieved during 2009 to 2013. Much of the anticipated growth is attributable to government investments in infrastructure improvement and increases in the office building segment due to higher yields on asset prices and better leasing conditions. Low interest rates, a low unemployment rate, and increased investor and consumer confidence also are factors supporting growth. Slowing is expected across residential construction and manufacturing facility construction market segments.

Commitment to Green Building

At 7 to 8 percent of GDP, construction is a key component of Australia's economy. The importance of making the country's building sector more sustainable has been recognized by the public and private sector throughout Australia for decades.

The Australian government seeks to harness the recognized potential of the building sector to address important national priorities of resource conservation and emissions reductions, among other key sustainable development goals. Policies to date have focused mainly on improving the energy efficiency of the building stock and spanning new construction, renovation and retrofit of existing buildings.

In 2009, the Council of Australian Governments launched the 10-year National Strategy on Energy Efficiency² to accelerate energy efficiency across all sectors of the economy. With regard to energy efficiency in buildings, the Australian government has relied on three key areas of approach: minimum standards, information disclosure requirements and incentives to utilize new energy savings technologies. The Energy Efficiency in Government Operations (EEGO) Policy³ focuses on building energy efficiency among its measures to reduce energy consumption among public sector operations.

The private sector has been an active driver of green building in Australia also. In 2002, the Green Building Council of Australia launched the Green Star voluntary rating system for design and construction of buildings, and this system has seen strong market uptake. Green Star evaluates nine categories of building characteristics (energy, indoor air quality, water, materials, emissions, management, transport, land use and ecology and innovation) to determine an environmental impact score. The system is relied upon across the construction industry as a signature measure of projected building performance.

In addition, the Housing Industry of Australia (HIA), an industry organization, operates the Green Smart accreditation program for builders and designers.

A 2015 survey of construction industry stakeholders in Australia found a strong commitment to green building, reflecting a stable and mature green building industry.⁴ Survey responses also indicated:

- The top sectors for expected green building growth in Australia are low-rise residential construction, followed by retrofits of existing buildings and institutional construction.
- Environmental regulations and the desire for healthier neighborhoods are the top triggers for green building in Australia.

- The top challenge to green building in Australia is the perception that green building is not affordable and is intended for high-end projects only.

There are no specific federal government policies to advance smart buildings, smart cities, net-zero energy buildings or healthy buildings in Australia. But advocacy groups focused on these types of projects and initiatives are active in Australia's private sector, and demonstration projects are being built throughout Australia.

Challenges & Barriers to Sector Exports

U.S. building products enjoy strong brand recognition and a reputation for high quality in Australia. The U.S.-Australia Free Trade Agreement (FTA), which has been in force since 2005, has been helpful to building product exporters. U.S. exports across the seven subsectors have increased dramatically since the FTA went into effect, buoyed also by Australia's overall economic growth and periods in which the nation's currency enjoyed relative strength.

U.S. construction-related service exports, namely design and construction services, have not experienced the Australian market as equally inviting. Local Australian companies dominate the architectural services market, with international services accounting for only 1 to 1.5 percent of domestic demand today.

Trans-Pacific Partnership

Australia is a party to the Trans Pacific Partnership (TPP) Agreement, a free trade agreement among the United States and 11 other countries that, when it enters into force, will provide important market access benefits to U.S. exporters. Information about TPP benefits to U.S. building product exporters and other information on how TPP will make it easier to sell made-in-America products can be found at <http://trade.gov/fta/tpp/industries/building.asp>.

The types of barriers and challenges U.S. building product exporters have reported facing in Australia are noted below.

Regulatory environment

The Building Code of Australia (BCA) requires that products and materials used in building construction comply with a variety of Australian standards.

Detailed knowledge of the product standard and conformity assessment process is important to building product exporters. Australia’s National Construction Code (NCC), which includes the BCA, is publicly available at <http://www.abcb.gov.au>.

Highly competitive market environment

While the U.S.- Australia FTA and a common language provide important advantages to U.S. exporters, the competitiveness of Australia’s commercial environment should not be underestimated. Product prices matter in Australia. The country stands in close proximity to lower-cost Asian producers of building products and has access to global suppliers of the highest-quality building products. While enjoying the tariff elimination benefits of the U.S.-Australia FTA, U.S. suppliers still must overcome transport costs and deliver on product performance and post-sales service requirements to compete in Australia. Winning sales often requires regular direct engagement with buyers to distinguish specific product performance from competitors. To provide needed sales follow-up support, U.S. exporters are well-served by an in-country presence.

Business customs

While having the English language in common provides enormous benefit, it does not equate to the same business customs and procedures. A capable in-country partner may be needed to help U.S. companies navigate the local markets to understand sales channels, the competitive state of play, applicable regulations and standards, as well as other aspects of the Australian commercial landscape. A key component of an Australia market entry strategy is providing ongoing support to the local partner.

Geographic size and diversity

Market information on Australia is best tailored to specific locations and product categories to be of greatest use. The country is vast geographically. This poses challenges in terms of deciding where trade promotion events will be of greatest impact and how to make such determinations. Australia’s sheer size also creates a challenge in terms of finding distributors that cover all of the more relevant areas of the market and in terms of selecting one or more locations to establish a local presence. That said, 80 percent of Australia’s population is situated along

the country’s east coast, in cities like Sydney, Melbourne and Brisbane.

Australian companies emphasize the need for local support and service, and the expectation is that U.S. companies will visit Australia to meet with partners and demonstrate ongoing support.

Know Your Buyer

For building product exports, the importance of specific sales channels and buyer categories varies depending on the target export market. In Australia, ITA experience supporting U.S. building products exporters indicates the following assignment of priority among relevant sales channels:

Figure 1:

<u>Sales Channels</u>	<u>Priority</u>		
	<u>Low</u>	<u>Medium</u>	<u>High</u>
Government entities	X		
Architects			X
Design and build companies		X	
Trade contractors		X	
Building facility managers	X		
Distributors		X	
Showroom dealers	X		
Retailers			X

Opportunities for U.S. Companies

Australia imported \$7.9 billion in HVACR, lighting, plumbing, wood products, insulation, windows and doors and glass from the world in 2014.⁵ This reflects an 8.7 percent compound annual growth rate of building products from 2009 to 2014. For this sector as a whole, the United States is the second largest source of Australia’s imports after China, with a 10.5 percent import market share. Australia imported \$824 million in building products from the United States in 2014.

Addressing the types of barriers described above may help U.S. exporters improve their share of the Australian market. This section provides a review of the current state of play and competitive landscape, suggesting where there may be the greatest room for growth.

Figure 2: Australia's Import Market

Sector	Imports (2014, USD)	U.S. Rank as Import Source	U.S. Import Market Share
HVACR	\$4.3 bil.	2	14.6%
Lighting	\$1.9 bil.	3	4.8%
Plumbing	\$596 mil.	4	4.9%
Wood products	\$1.6 bil.	5	6.0%
Insulation	\$89 mil.	3	13.2%
Windows & Doors	\$215 mil.	4	5.1%
Glass	\$98 mil.	7	3.9%

HVACR

In 2014, Australia imported \$623 million in HVACR products from the United States. Imports sourced in the United States hold the second largest share of Australia HVACR product import market at 14.6 percent. Australia's imports of HVACR products from the U.S. grew at an 8.3 percent CAGR over the 2009 through 2014 period, factoring in an 11 percent year-on-year decline in 2013 and 2014. The competitive landscape features products from China in the lead position. The U.S. share of the market decreased slightly from 11.6 percent to 10.6 percent from 2009 to 2014.

Top 5 Import Sources and Market Share:

1. China (28.2%)
2. U.S. (10.6%)
3. Italy (8.4%)
4. Thailand (6.6%)
5. Korea (5.4%)

Lighting

In 2014, Australia imported \$48.4 million in lighting products from the United States. The U.S. is Australia's third largest source of lighting products, with a 4.8 percent market share. Australia's imports of lighting products from the U.S. grew at a 6.7 percent CAGR from 2009 to 2014, but they showed a 3.1 percent decline over 2013 and 2014. China claims a resounding 66 percent of Australia's lighting

import market, followed by Germany at 5%. The U.S. share of the market decreased from 6% in 2009 to 4.8% in 2014.

Top 5 Import Sources and Market Share:

1. China (65.8%)
2. Germany (4.9%)
3. U.S. (4.8%)
4. Italy (2.5%)
5. UK (2.2%)

Plumbing Products

In 2014, Australia imported 29.3 million USD in plumbing products from the United States. Imports of plumbing products from the U.S. grew at a rate of 6.8 percent from 2009 through 2014. During the same period, U.S. market share declined slightly, from 5.6 to 4.9 percent. Again, it is China that dominates the competitive landscape in this subsector.

Top 5 Import Sources and Market Share:

1. China (54.5%)
2. Korea (7.5%)
3. Germany (5.3%)
4. U.S. (4.9%)
5. Malaysia (3.8%)

Wood Products

In 2014, Australia imported \$96.2 million in wood products from the United States. U.S.-sourced wood products enjoyed a healthy 13.4 percent compound annual growth rate into Australia during 2009 to 2013. U.S. wood products are the fifth largest source of Australia's imports, holding 6.0% import market share. The U.S. share of the market grew from 5.3% to its current level over a 5-year period.

Top 5 Import Sources and Market Share:

1. China (25.0%)
2. New Zealand (19.0%)
3. Indonesia (14.7%)
4. Malaysia (8.4%)
5. U.S. (6.0%)

Insulation

In 2014, Australia imported \$11.8 million in insulation from the United States. The U.S. share of

Australia's insulation market decreased considerably during 2009 to 2014, from 26.8 to 13.2 percent. The U.S. is Australia's third largest source of insulation imports.

Top 5 Import Sources and Market Share:

1. China (27.3%)
2. Areas, N.E.S.⁶ (15.2%)
3. U.S. (13.2%)
4. Germany (8.4%)
5. Malaysia (5.6%)

Windows and Doors

In 2014, Australia imported \$11 million in windows and doors from the United States. Australia's imports of windows and doors from the U.S. grew at a 7.2 percent compound annual growth rate during 2009 to 2014, and U.S. products held a 5.1 percent share of the country's import market at the end of that period. The U.S. is the country's fourth largest source of subsector imports. U.S. market share is down slightly from 2009, when it stood at 5.8 percent. China dominates Australia's window and door import market, holding a 56 percent share.

Resources for U.S. Exporters

Please visit www.export.gov/australia for information from U.S. Commercial Service (CS) Australia, including:

- Market research
- Trade events
- Trade leads
- Services available to U.S. companies
- Contact information for CS offices in Australia
- Info on subscribing to regular updates or connecting on social media
- Other information to assist U.S. exporters with Australia export market development

Top 5 Import Sources and Market Share:

1. China (56%)
2. Malaysia (9.6%)
3. Indonesia (8.1%)
4. U.S. (5.1%)
5. New Zealand (4.3%)

Glass

In 2014, Australia imported 3.8 million USD in glass for construction from the United States. Imports of glass from the U.S. declined at a rate of -26.3 percent during the 2009 to 2014 period, with U.S. subsector imports dropping from nearly 20 percent of the market at the beginning of the same period to 3.8 percent at the end.

Glass imports from the U.S. now hold the seventh largest share of Australia's glass import market. As in many other areas, China dominates Australia import market for construction glass.

Top 5 Import Sources and Market Share:

1. China (55.1%)
2. Indonesia (13.4%)
3. Areas, N.E.S. (4.6%)
4. United Arab Emirates (4.1%)
5. Thailand (3.9%)

¹ Projected compound annual growth rate, *Construction in Australia – Key Trends and Opportunities to 2018*, Timetric (2016)

² Australian Government, Department of Industry, Innovation and Science, <http://www.industry.gov.au/ENERGY/ENERGYEFFICIENCY/Pages/NationalStrategyEnergyEfficiency.aspx>

³ Australian Government, Department of Industry, Innovation and Science, <http://www.industry.gov.au/energy/energyefficiency/non-residentialbuildings/governmentbuildings/energyefficiencyoperations/Pages/default.aspx>

⁴ Dodge Data and Analytics, *World Green Building Trends 2016, Developing Markets Accelerate Global Green Growth*, February 2016

⁵ United Nations HS Merchandise Trade data, Importing country reporting

⁶ United Nations, International Trade Statistics. The partner "Areas NES (not elsewhere specified)" is used (a) for low value trade and (b) if the partner designation was unknown to the country or if an error was made in the partner assignment. The reporting country does not provide the details of the trading partner in these specific cases. Sometimes reporters do this to protect company information.