



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

## Canada

Canada is the highest ranked export market for U.S. building product manufacturers due to its proximity, its duty-free status under NAFTA, the relative lack of non-tariff trade barriers and ease of commercial relationship establishment. The country has a large, stable construction market with a robust green building segment driven by market forces and government policies. Commodity price declines and a weak Canadian dollar may impact some near-term opportunities, but the Canada market remains attractive for all seven subsectors.

<b>Overall Rank</b> <b>1</b>	<b>HVACR</b> <b>1</b>	<b>Lighting</b> <b>1</b>	<b>Plumbing Products</b> <b>2</b>
<b>Wood Products</b> <b>2</b>	<b>Insulation</b> <b>2</b>	<b>Windows &amp; Doors</b> <b>1</b>	<b>Glass</b> <b>2</b>

Canada ranks in the top five countries globally in terms of construction market output, and its built environment increasingly reflects its broad societal commitment to environmental sustainability. While strong construction growth is not projected for the market through 2018, Canada is an advanced economy with a stable construction environment that welcomes U.S. building products.

### Green Building in Canada

Canada has a well-established green building market. Federal, provincial and large city government initiatives mandating increased sustainability in government buildings paved the way, and the past decade has seen Canada’s private sector embrace green building. Regulatory requirements in building codes and voluntary rating systems both have had important roles in advancing Canada’s green building market.

In the code arena, the federal government in Canada leads the development of model building codes, which then are adopted, modified, and enforced by provincial and territorial governments. The model National Building Code of Canada, National Fire Code, National Plumbing Code, and National Energy Code already embody a number of green elements among them: energy conservation, water conservation, materials conservation, indoor air quality, and others.

A variety of voluntary rating systems also drive Canada’s green building market, recognizing varying levels of projected building performance. These include EnergyStar, GreenGlobes, Leadership in Energy and Environmental Design (LEED) Canada, Building Research Establishment Environmental Assessment Methodology (BREEAM) Canada, Building Owners and Managers Association (BOMA) Building Environmental Standards (BEST) and others.

## Trends in Canada's Construction Market

### Net-Zero Energy Buildings

The Government of Canada has a strong interest in net-zero energy buildings (NZEB) and seeks widespread adoption of optimized NZEB design and operation concepts by 2030.<sup>1</sup> These types of buildings are seen as well suited to Canada's construction practices and climatic conditions. In support of this goal, a coalition of industry and government partners has together formed the Smart Net-Zero Energy Buildings Strategic Network (SNEBSN) to focus on the following priorities:

1. Integrated solar and HVAC systems for buildings;
2. Active building envelope systems and passive solar technologies;
3. Mid- to long-term thermal storage for buildings and communities;
4. Smart building operating strategies; and
5. Technology transfer, design tools and input to national policy.

### Healthy Buildings

Canada's private sector has begun embracing the healthy building concept. In 2015, the Canada Green Building Council (CaGBC) announced it would be working with Green Business Certification Inc. (GBCI) to promote and advance the WELL Building Standard in Canada.<sup>2</sup> Projects can earn WELL Certification by achieving features in seven categories of building performance – air, water, light, nourishment, fitness, comfort, and mind. Each WELL Feature is designed to address issues that impact the health, comfort or knowledge of occupants through design, operations and behavior.

### Smart Buildings and Smart Cities

There is strong municipality interest in intelligent buildings and intelligent communities across Canada. Since 2007, a number of cities across Canada, ranging in size, have received recognition in international forums for their advances in intelligent community development.

### **Challenges & Barriers to Sector Exports**

The advanced development and size of the Canadian construction market, and the established trend toward increasingly sustainable construction in that market, suggests good continuing prospects for U.S. building product exporters. U.S. building product

exports are dominant in Canada's import market. They enter duty-free and enjoy excellent brand recognition and a reputation for quality performance and strong product support. Addressing the following types of barriers may help U.S. companies across the sector expand their market share in Canada or enter the market for the first time.

### Standards, conformity assessment and labeling

Conformance to the relevant Canadian standard is a requirement for all products shipped to Canada. Building product exporters must be aware of the Canadian standard and make sure to have proof of conformance. For this sector, many product standards are similar to U.S. standards, and products designed to conform to U.S. standards often will also comply with the Canadian standard. The exporter must still have knowledge of the standard, the tests required to prove conformance, and how and by what organization the testing can be done. The full suite of USG tools that can assist exporters with standards and conformance issues is detailed in the Executive Summary and Findings section of this report. Exporters also must be aware of Canadian federal law requirements regarding product labeling.

### Exchange rate sensitivity

Canadian buyers are highly price sensitive, and fluctuations in the Canadian-U.S. dollar exchange rate impact the ability of U.S. building product exporters to make sales on what already can be low-margin product segments. Financing available via USG resources may be of assistance in structuring competitive sales offers.

### Highly competitive market environment

U.S. sector exporters compete in the Canadian market against leading global manufacturers renowned for product quality and innovation. Winning sales requires regular direct engagement with buyers to distinguish specific product performance vs. competitors. U.S. companies must find ways to differentiate themselves from their global competition, possibly by offering specialized after-sales support or via training of sales agents and distributors, as examples.

To maximize impacts, USG trade promotion events (e.g., trade shows, trade missions, reverse trade missions and technical exchanges) should be undertaken on a subsector-specific basis to ensure focused engagement with potential buyers and

specific discussion of a product’s performance attributes in areas such as energy and water savings. For wood product exporters, this includes sharing fundamental information about wood’s green properties and relevance to sustainable construction, including Life Cycle Assessment (LCA) impacts and other sustainability data.

Geographic size and diversity

Commodity price declines are expected to have varying impact on construction markets in different regions across Canada. This is one example of the need for U.S. companies to determine how to best devote time and market development resources. Similarly, there may be important geographic distinctions in the types of building projects with greatest opportunity, among other factors. Market information is best tailored to specific locations and product types to be of real use. Specific types of opportunity leads are needed.

Doing business in Canada

As accessible as Canada is to U.S. companies, doing business in Canada requires knowledge of specific market requirements and procedures, such as Canadian Customs documentation, bilingual labeling and packaging requirements.

Growth of the green construction segment

For U.S. exporters highly competitive in green building products and technologies, it is worthwhile to share information with Canadian authorities and construction industry professionals that may help them expand the green segment of Canada’s overall construction market. In multilateral discussions, Canadian officials have underscored the need for improved workforce capacity and better understanding of green financing models.

Trans Pacific Partnership

Canada 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>.

**Know Your Buyer**

For building product exports, the importance of specific sales channels and buyer categories varies depending on the target export market. In Canada, 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>		
	Low	Medium	High
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**

Addressing the types of challenges noted above may help U.S. exporters improve their already impressive share of the Canadian 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.

For the combined sector, U.S. products hold a 61.9 percent share of Canada’s import market. The United States is the leading source of imports for all subsectors, with the exception of lighting. A look at each of the subsectors provides a more informed perspective on the U.S. competitive position.

**Figure 2: Canada's Import Market**

Sector	Imports (2014, USD)	U.S. Rank as Import Source	U.S. Import Market Share
HVACR	\$6.3 bil	1	63.8%
Lighting	\$1.9 bil.	2	33.7%
Plumbing	\$819 mil.	1	41.4%
Wood products	\$2.5 bil.	1	70.7%
Insulation	\$367 mil.	1	83.0%
Windows & Doors	\$587 mil.	1	75.5%
Glass	\$465 mil.	1	84.3%

### HVACR

U.S. HVACR products hold the dominant share of Canada's import market at nearly 64 percent. Canada's imports of HVACR products from the U.S. grew at a compound annual growth rate of 6.3 percent over 2009 through 2014, while year-on-year exports dropped 2.1 percent in 2014. The five year period saw U.S. subsector market share in Canada drop from 66.9 percent to 63.8 percent.

Top 5 Import Sources and Market Share:

1. U.S. (63.8%)
2. China (10.7%)
3. Mexico (7.6%)
4. Germany (3.3%)
5. Japan (2.4%)

### Lighting

Canada increased its imports of U.S. lighting products at a 3.7 percent compound annual growth rate during 2009-2014. But during the same period U.S. import market share declined from 40.7 percent to 33.7 percent. China has surpassed the U.S. as the leader in this import subsector.

Top 5 Import Sources and Market Share:

1. China (42.5%)
2. U.S. (33.7%)
3. Mexico (9.8%)
4. Germany (3.3%)
5. Italy (2.3%)

### Plumbing

The U.S. is the largest provider of plumbing products into Canada's import market. Although the U.S. share of that market has seen a slight decline trend, Canada's imports from the U.S. grew at a compound annual growth rate of 3.5 percent during 2009 through 2014.

Top 5 Import Sources and Market Share:

1. U.S. (41.4%)
2. China (29.7%)
3. Mexico (8.7%)
4. Vietnam (4.7%)
5. Taiwan (2.4%)

### Wood

Canada is the top ranked market for U.S. wood product exporters, and U.S.-sourced wood products hold the leading share of Canada's subsector imports. Imports from the U.S. have grown at a rate of 7.6 percent annually during 2009 to 2014. The U.S. product share of Canada's import market is 70.7 percent, up from 67.8 percent in 2009.

Top 5 Import Sources and Market Share:

1. U.S. (70.7%)
2. China (15.6%)
3. Germany (1.9%)
4. Chile (1.4%)
5. Austria (1.2%)

### Insulation

U.S. insulation products enjoy strong dominance in Canada's import market. Market share has decreased slightly from 2009 to 2014, but still stands at 83 percent. The closest competing import source, China, claims less than 5 percent of Canada's insulation import market.

Top 5 Import Sources and Market Share:

1. U.S. (83%)
2. China (4.6%)
3. Mexico (2.7%)
4. Denmark (1.3%)
5. UK (1.3%)

## Windows and Doors

Canada imports more than three quarters of its windows and doors from the United States. U.S. products have long dominated this subsector and enjoy strong brand recognition and reputation for quality. While the U.S. has ceded some market share to competitors in recent years, the amount is modest and imports from the U.S. grew at a rate of 5.2 percent annually during 2009 to 2014.

### Top 5 Import Sources and Market Share:

1. U.S. (75.5%)
2. China (12.8%)
3. Mexico (2.0%)
4. Korea (1.7%)

5. Taiwan (1.1%)

## Glass

U.S.-sourced glass holds the overwhelming share of Canada's subsector import market at 84 percent. During the five year period of 2009 to 2014, Canada's imports of U.S. glass products grew at a compound annual growth rate of 6 percent and posted 7.9 percent growth year-on-year in 2014.

### Top 5 Import Sources and Market Share

1. U.S. (84.3%)
2. China (9.4%)
3. Germany (2.8%)
4. Mexico (0.87%)
5. Japan (0.76%)

## **Resources for U.S. Exporters**

Please visit [www.export.gov/canada](http://www.export.gov/canada) for information from U.S. Commercial Service (CS) Canada, including

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

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<sup>1</sup> Natural Sciences and Engineering Research Council of Canada

<sup>2</sup> <https://www.cagbc.org>