



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

United Kingdom

Green building is well established in the United Kingdom (UK) and is embraced by government and private industry alike. The UK construction market is growing, and boosting sustainable construction is a core component of the UK's strategy to address climate change. U.S. building products enjoy a strong reputation for quality and reliability in the UK, while import tariffs and regulatory requirements pose challenges. Conducting sales promotion at focused trade events may boost the competitive position of U.S. building product exporters in traditional and green building markets.

Overall Rank 5	HVACR 6	Lighting 8	Plumbing Products 6
Wood Products 6	Insulation 4	Windows & Doors 7	Glass 63

UK Construction Market

The UK construction market is expected to show moderate growth through 2018, as investments flow under the National Infrastructure Plan¹ and a period of policy continuity ensues after the 2015 elections. The largest section of the UK construction market is residential construction at 40 percent of market value. This segment is expected to maintain its share in a growth environment, based in part on government initiatives to alleviate the shortage of housing units. The second largest market segment, commercial construction at 26 percent of the market, also is expected to see continuing growth, driven by increases in consumer spending and business investments with growing demand for office space.

Green Building in the United Kingdom

Green building has a well-established history in the UK and is embraced by both the public and private sectors. The voluntary Building Research Establishment Environmental Assessment Method (BREEAM) system for rating the sustainability of non-residential building designs arose two decades ago, and although BREEAM is a voluntary scheme, the majority of local planning authorities require that new buildings in the UK are certified and achieve high BREEAM ratings.

More recently, public policies have placed sustainable construction at the heart of the UK's efforts to address climate change and reduce greenhouse gas emissions 80 percent by 2050. The 2011 UK Carbon Plan acknowledges that improving energy efficiency across sectors will be required to achieve national goals.

The UK industry has embraced sustainable construction. A recent industry survey of construction stakeholders in the UK showed a 14 percent gain in the number of companies that expect to do more than 60 percent of their projects in green projects by 2018.² Interestingly, the same survey also showed a small enduring segment of the industry that currently do no green projects and do not envision doing green projects by 2018. To move this small segment of the industry may require new types of measures or incentives.

The top sectors in which respondents in the above mentioned survey plan to do green projects by 2018 include:

- Retrofits of existing buildings (44%)
- New low-rise residential buildings (40%)
- New institutional buildings (37%)

Specific initiatives within the policy environment surrounding green building continue to evolve. In 2015, the new UK government eliminated the Green Deal policy, as it had failed to deliver its objectives, along with the Zero Carbon Homes policy, to reduce net regulations on house builders. Still, the current Home Energy Efficiency Scheme stays rigorous and requires high green standards from building products. The government will heavily support building of new homes in 2016 through 2017, which is expected to further increase UK construction activity, as above noted.

In support of intelligent buildings, smart meters will be rolled out as standard across the country by 2020. The UK government also is working to advance building performance from a perspective of resilience. By 2021, the UK government has pledged to spend £2.3 billion for over 1,500 flood defense schemes across the country.

UK and EU Regulations Affecting Building Product Exporters

The UK is a member state of the European Union (EU), and building products tested and certified in the United States to American standards typically need to be re-tested and re-certified to EU requirements. The EU Construction Product Regulation underpins trade in construction products, and U.S. building product exporters must comply with its requirements in order to export to the UK market. As an EU member, the UK is currently implementing the EU's Procurement Directives.

These have been developed to provide for fair, transparent and competitive procurement across the member states. The first of the UK's implementing regulations, the Public Contracts Regulations 2015,³ took effect on February 26, 2015.

EU Construction Product Regulation (CPR)

The CPR establishes harmonized rules for the marketing of construction products in the EU and provides a common technical language to assess the performance of construction products. It is relevant to any construction product covered by a European harmonized standard or for which a European Technical Assessment has been issued. Complying with the CPR involves a multi-step process, including establishing an EU Declaration of Conformity for the product and affixing the CE marking to a product.

In June 2016, there will be a referendum in the UK to decide whether the UK will remain a member state of the EU or leave the EU. The outcome of this "Brexit referendum" and its impacts remain uncertain. If the UK elects to leave the EU, it is unclear what will occur with respect to EU regulations that have been adopted in the UK.

Challenges & Barriers to Sector Exports

U.S. building products enjoy strong brand recognition and a reputation for high quality in the UK, but challenges remain for expansion of the U.S. building product's competitive position. Below, commonly experienced barriers to building product exports are summarized. The challenges common to all building product exporters suggest a focus on subsector specific trade promotion targeted to highlight product performance attributes and that buyer matchmaking is essential. At the same time, engagement to improve exporters' understanding of the local regulatory and business environment can be crucial.

Tariffs

U.S. products compete well in the UK in the current WTO tariff environment, but tariffs place a burden on U.S. exporters compared with products that enter the UK duty-free, such as those from EU member states.

Highly competitive market environment

The UK has close proximity to European producers of high-quality building products, as well as access to global suppliers of competitively priced building

products. U.S. suppliers must overcome transport costs and deliver on product performance and post-sales service requirements to compete in the UK. Winning sales often requires regular direct engagement with buyers to distinguish specific product performance versus that of competitors.

Regulatory environment – UK and EU regulations

Exporters may experience complexity in determining which EU regulations apply to their products on top of any UK requirements. As noted above, the EU Construction Products Regulation and associated Declaration of Performance and CE marking requirements are among the most important EU regulations affecting this sector.

Detailed knowledge of the product standard and conformity assessment process is important to all building product exporters. Uncertainty about the outcome of the June 2016 “Brexit referendum” adds complexity to the regulatory arena.

Business customs

The commonality of the English language does not translate to an instantly understandable business environment in the United Kingdom.

Know Your Buyer

As the UK is a mature and sophisticated market, U.S. companies are recommended to build a local presence through local business contacts and partners. Many companies also choose to become a member of one or more relevant industry associations in the UK. These often lobby on behalf of the companies with the government and also provide networking opportunities.

Overall, ITA’s experience supporting U.S. building products exporters in the UK indicates the following assignment of priority among relevant sales channels:

Sales Channels	Priority		
	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	
Other	X	

Opportunities for U.S. Companies

The UK imported \$17.7 billion in building products from the world in 2014. Tackling the above types of barriers with the tools named may help U.S. exports increase their position in the UK’s import market for building products. For the sector as a whole, the United States is currently the third largest source of the UK’s imports, claiming 6.5 percent of the market after products from Germany and China. A look at each of the subsectors provides a more informed perspective on the U.S. competitive position.

Figure 2: UK’s Import Market

Sector	Imports (2014, USD)	U.S. Rank as Import Source	U.S. Import Market Share
HVACR	\$7.1 billion	2	10.7%
Lighting	\$2.5 billion	7	3.3%
Plumbing	\$1.4 billion	14	1.7%
Wood products	\$5.3 billion	7	3.3%
Insulation	\$286 mil.	1	27.0%
Windows & Doors	\$926 mil.	17	1.4%
Glass	\$154 mil.	5	7.0%

HVACR

U.S. HVACR products are highly competitive in the UK, holding the second largest share of the import market after Germany. The UK’s HVACR imports from the world grew at a compound annual growth rate of 6.7 percent during 2009 to 2014, while its

imports of subsector products from the United States grew 9.3 percent annually during the same period. U.S. market share was slightly higher in 2014 at 10.7 percent in comparison to 9.5 percent in 2009.

Top 5 Import Sources and Market Share:

1. Germany (17.8%)
2. United States (10.7%)
3. Italy (10%)
4. France (7.7%)
5. China (6.6%)

Lighting

In the lighting subsector, while the UK import market grew at a rate of nearly 9 percent annually from 2009 to 2014, U.S. products fare relatively poorly. The import market is dominated by China, with nearly 37 percent market share, as well as European rivals. While lighting imports from the U.S. grew at a compound annual growth rate of 4.3 percent during 2009 to 2014, market share has declined slightly to 3.3 percent.

Top 5 Import Sources and Market Share:

1. China (38.5%)
2. Germany (9.8%)
3. France (6.5%)
4. Netherlands (5.9%)
5. Italy (4.7%)

Plumbing

U.S. products claim a modest 1.7 percent share of the UK plumbing import market and rank 14th in terms of overall competitive position.

Top 5 Import Sources and Market Share:

1. Germany (23%)
2. China (19.8%)
3. Italy (6.7%)
4. Greece (5.3%)
5. France (4.4%)

Wood

The \$5.3 billion UK wood product import market has been growing steadily, posting nearly 14 percent compound annual growth during 2009 to 2014. Wood products from the United States claim a modest 3.3 percent of the UK's import market,

growing at a rate of just 1.8 percent during the same five year period.

Top 5 Import Sources and Market Share:

1. Sweden (17.6%)
2. China (13%)
3. Germany (9.7%)
4. Ireland (7.1%)
5. Finland (6.8%)

Insulation

U.S. insulation products are strongly competitive in the UK. Insulation imports from the United States have grown at an impressive 26 percent compound annual growth rate during 2009 to 2014, claiming the leading share of the subsector import market at 26.8 percent. The U.S. product share has more than doubled since 2009, rising to 27 percent from just under 12 percent in five years.

Top 5 Import Sources and Market Share:

1. United States (28.8%)
2. Germany (20.5%)
3. Netherlands (8.9%)
4. Belgium (7.9%)
5. France (6.2%)

Windows and Doors

Ranked 17th as an import source, U.S. windows and doors claim only 1.4 percent of the UK's import market for subsector products.

Top 5 Import Sources and Market Share:

1. Poland (18.6%)
2. China (10.5%)
3. Germany (8.9%)
4. Indonesia (7.9%)
5. Ireland (7.7%)

Glass

The UK's glass import market decreased at a rate of -1.9 percent during the 2009 to 2014 period. The United States is the fifth largest source of glass imports in the UK, and glass products shipped from the United States claim a 7 percent share of the import market. U.S. market share in 2014 was down to 7 percent from 8.8 percent in 2009.

Top 5 Import Sources and Market Share:

1. German (25.4%)
2. Belgium (12.1%)
3. China (8.7%)
4. France (7.3%)
5. United States (7.0%)

Resources for U.S. Exporters

Please visit www.export.gov/unitedkingdom for information from U.S. Commercial Service (CS) United Kingdom, including

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

Upcoming Building Sector Trade Events for U.S. Exporters Interested in the United Kingdom

- Homebuilding and Renovating Show 2016 - <http://www.homebuildingshow.co.uk/>
- UK Construction Week 2016 - <http://www.ukconstructionweek.com/>
- Ecobuild 2017 - <http://www.ecobuild.co.uk>

¹ <https://www.gov.uk/government/collections/national-infrastructure-plan>

² Dodge Data and Analytics, [World Green Building Trends 2016, Developing Markets Accelerate Global Green Growth](#), February 2016

³ <http://www.legislation.gov.uk/uksi/2015/102/contents/made>