

UK Fireplace & Stove Industry



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Figure 1: Retail sales index - % change month-on-year



UK Heating Sector Overview

During the winter months, most UK residents keep warm using gas central heating. A 2019 survey conducted by the UK Department for Business Energy & Industrial Strategy (“BEIS”) found that 86% of respondents used this method of heating. The next most common heating source was electric, with a combined share of 6%.

The share of households in the UK with central heating systems has increased significantly since 1970, when just 30% of households had central heating. By 2005 this had increased to 95% and since then figures have remained relatively constant.



Electric Fireplace Market

Future Market Insights expects the electric fireplace market to grow at a healthy pace in the coming years due to the increasing adoption of electric fireplaces over conventional ones. The changing preference of customers from conventional to electric fireplaces is mainly due to the advantages electric fireplaces have to offer. They are more eco-friendly, portable, economical and safer to use, and their maintenance cost is lower compared to fireplaces that require wood and gas.

“Furthermore, the manufacturers of electric fireplaces offer innovative products such as freestanding, wall-mounted, table-top, wall or table inserts and stove style, which is also one of the key factors responsible for the healthy growth of the electric fireplace market during the forecast period. However, the higher cost of electric fireplaces may limit market growth,” stated the report.



Stove Market

The Stove Industry Alliance (“SIA”) estimates that wood burning stoves could account for 10% of the UK Government’s carbon reduction targets by 2020 with the potential to produce 25% of the government’s domestic renewable heat energy target by 2020.

Wood burning stoves have experienced a huge upsurge in popularity over the past decade. About 10% of UK homes (2.5 million) have an open fire or wood-burning stove. Between the predicted demand and the expected supply of fuel, it is estimated that wood burning stoves offer a potential reduction in UK carbon emissions of over two million tonnes per year.

SIA’s report explained, “Modern wood burning stoves are virtually carbon neutral when using current burn technology. High-quality wood emits less CO₂ when burned than it does with natural decay, so with correctly installed stoves producing emissions of only 0.008 kg CO₂ per kWh - compared to 0.198kg for gas, and 0.517kg for electricity - wood provides an attractive alternative to gas and electricity for heating the home.

Statistics from Kiwa GASTEC at CRE, the energy management and low carbon consultancy, confirm that replacing a decorative gas fire with a wood burning stove will reduce the carbon footprint of a house by 22%, a figure that rises to 36% when replacing an LPG decorative gas fire with a wood burning stove. The reduction in carbon, when replacing an open fire is 14%

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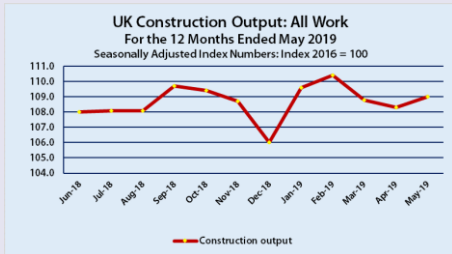


Figure 2: UK construction output: all work.

Environmental Legislation



Many parts of the UK are smoke control areas which means only authorised fuel can be burned with possible fines up to £1,000 for non-compliance. The Guardian recently reported that part of the government's 25-year plan to improve air quality will almost certainly focus on wood burners and fires, not least because they account for 38% of damaging particulate matter in the UK.

The article explained, "Experts say the burning of wet or unseasoned wood and smoky solid fuels is the main problem. Wet wood contains moisture that creates smoke and harmful particulates when burned. Properly seasoned wood should have a moisture content of 20% or less. One politically easy measure would be to ban the sale of wood that does not have the 'ready to burn' logo."

London officials are working to improve air quality, including possible measures to reduce wood/solid fuel burning. It is estimated that between a quarter and a third of all of London's particulate pollution comes from domestic fires. In January, during a period of high air pollution, it contributed half such emissions in some areas of the capital, according to King's College London research.

"Those whose stove has been approved for use in smoke control areas by Defra, or who have a clean-burning 'ecodesign ready' model, would still be able to use it. About 10% of existing stoves in homes conform, it is thought," the article stated.

According to the BEIS report, in a bid to lower UK carbon emissions, government advisors are looking to promote the use of renewable energy for central heating and have called for low carbon heating to replace gas in all new homes built after 2025.



Sector Growth and Outlook

The UK heating sales industry has seen significant change over the last five years as renewed confidence in the housebuilding and construction sector continues, and the focus shifts towards more eco-friendly and energy-efficient products. This momentum is expected to continue, although the impact of Brexit adds an element of uncertainty.

The Government's pledge to build an additional 300,000 homes, including social housing, on average each year by the mid-2020s is expected to add to the growing demand for cost-effective, sustainable and efficient heating options.

Design and technology advancements in gas & electric fireplaces and stoves have resulted in higher efficiencies, now typically greater than 70%; lower emissions, complying with DEFRA exemption for smoke control areas; an increased percentage output to water in boiler stoves, making it possible to heat whole homes and provide hot water off the stove; and the capacity to link up technologies with other renewable energy sources.



MARKET SECTOR INSIGHTS - JUNE 2019

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UK Economic Climate



UK Retail Sector

Data from the Office for National Statistics (“ONS”) showed sustained growth throughout the first three months of this year. In Quarter 1 2019, the quantity bought in retail sales increased by 1.6% when compared with Quarter 4 2018.

In April 2019, both the amount spent and quantity bought in the retail industry showed growth of 5.5% and 5.2%, respectively, when compared with a year earlier. Growth was seen across all sectors except household goods, which fell by 4.5%.

In the three months to May 2019, the quantity bought in retail sales increased by 1.6% when compared with the previous three months, with growth across all stores except department stores and household goods stores.

The quantity bought in May 2019 decreased by 0.5% when compared with the previous month, with a strong decline of 4.5% in clothing sales. The fall of 0.9% in the quantity bought in department stores in the three months to May 2019 was the eighth consecutive month of no positive growth in this sector.



Consumer Spending

Research from PwC indicates consumer spending should moderate to around 1.5% in 2019 as stronger real wage growth is offset by slower jobs growth, a gradual rise in interest rates and subdued house price growth.



Construction and Home Improvement Sectors

ONS figures revealed UK construction output growth was flat (0.0%) in the three-month on three-month all work series in May 2019 due to a fall in repair and maintenance of 0.5% being offset by a 0.3% increase in new work.

In new work, the increase in the three-month on three-month series in May 2019 was driven by growth in private commercial new work and public new housing, which saw growths of 2.2% and 8.4% respectively.

An April 2019 report from Euromonitor found that uncertainty in the housing market has boosted UK spending on home improvement as the home improvement sector continued to record positive growth in 2018. The report explained, “Larger projects have been put on hold by UK consumers, due to a lack of certainty on the UK’s economic status in the eventual post-EU environment.”

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Key contacts



GORDON TITLEY
Director

E: gtitley@eurovals.co.uk
M: 07734 388785



PETER BACHE, FRICS
Director

E: pbache@eurovals.co.uk
M: 07774 174811



DAN EGDAR
Director

E: dedgar@eurovals.co.uk
M: 07827 99332



JOHN LAWRENCE, MRICS
Director

E: jlawrence@Eurovals.co.uk
M: 07775 444796



ANDREW DUNBAR
Director

E: adunbar@eurovals.co.uk
M: 07967 302675



DAVID ROSS, MRICS
Director

E: dross@eurovals.co.uk
M: 07960 511733

LONDON OFFICE

5 Willoughby Street,
WC1A 1JD

0207 048 0184

BIRMINGHAM OFFICE

67 Newhall Street,
Birmingham, B3 1NQ

0121 236 9992

MUMBAI OFFICE

Centre Point Jb Nagar
Vijay Nagar Colony, J B Nagar,
Andheri East, Mumbai
Maharashtra 400047, India

Email address
info@eurovals.co.uk

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