HIA predictions regarding kitchen installations

How many slabs will be required?

While the HIA reports that very few kitchen installations require a separate building approval, there are nevertheless a lot of building industry statistics, surveys and informed assumptions available to make estimates of the volume of work done annually.

In 2011, the HIA undertook a thorough review of the processes used to create their report, and declared that they are “satisfied with the integrity of the forecast methodology used in forecasting the kitchens and bathrooms work in new homes.”

However, the HIA no longer predicts actual numbers of renovations, due to a decline in the quality of the available information. This has been replaced by estimates of notional demand for kitchen renovations, which is based on what the HIA regards as reliable estimates of the useful lifespan of a kitchen. This is gauged by looking back at historic records of dwelling completions, and estimating the number of dwellings where kitchens and bathrooms are likely to be reaching an age where the home owners will consider significant upgrades.

While notional demand is largely based on what will happen in ideal circumstances, actual demand is affected by a variety of factors, such as house prices, interest rates, consumer confidence, and events like the forthcoming general election which may make developers, government bodies and consumers hesitant when it comes to spending.

The 9.6 per cent decline in kitchen installations in 2011/12 reflects the general inclination to save rather than spend. The general accuracy of the HIA’s predictions is reflected by their original forecasts for this period which tipped a 10.4 per cent decline.

The total number of new home kitchen installations was 142,300. There have only been four years in the last two decades when fewer installations were completed.

Why these figures matter

Poor figures were recorded in 2008/09 when the Global Financial Crisis loomed large, and in 2000/01 following the introduction of the GST.

During the current 2012/13 term, recorded figures indicate a modest 2.6 per cent increase in kitchen installations which will take the number to 145,900.

A fairly strong decline has been recorded in Victoria, but it is expected to come to a halt in 2013/14. The HIA expects broad-based improvements in new home building in 2014/15, which should produce a 4.9 per cent rise in the number of kitchens installed in new homes.

These figures matter for a variety of reasons. Importers, processors, retailers and installers of natural and engineered stone materials can estimate the number of benchtops they are likely to buy, sell or install.

Retailers of ceramic tiles and glass mosaics, products which are typically used on kitchen splashbacks, can also estimate their future sales of ceramic floor tiles and other hard surface finishes.

Figure 1 reveals how many new kitchens were installed from 1994/95 to 2011/12 and provides forecasts for the periods between 2012/13 and 2014/15.
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but the modest improvement we forecast in the recent string of consecutive quarterly contractions, December quarter of 2012 being the last in the with a degree of optimism that we forecast the negatively on the kitchen renovations sector. It is optimists.

most of this period the pessimists outnumbered the debt, they prefer to save rather than spend and for sentiment – households are less inclined to take on consumers painted by indicators of consumer last six quarters is consistent with the image of The weak profile of renovations investment over the quarters. The last increase was recorded in the June 2011 quarter. This decline taken place despite interest rate cuts. 2011/12 financial year. The decline in notional

The notional demand for kitchen renovations indicates that there is a potential pool of around 145,900 kitchen renovations in the 2012/13 financial year. The decline in notional year. This is a modest decline relative to the 145,900 kitchen renovations in the 2012/13 financial year. This figure is highlighted by Figure 2 which shows a fairly sharp recovery in 2013/14, which continues into 2014/15. The HIA anticipates that the number of kitchen renovations

Figure 1. Number of kitchens installed in new homes, Australia

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<table>
<thead>
<tr>
<th>Year</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>NT</th>
<th>SA</th>
<th>WA</th>
<th>TAS</th>
<th>ACT</th>
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<td>2009/10</td>
<td>32,000</td>
<td>54,700</td>
<td>34,200</td>
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<td>12,000</td>
<td>25,100</td>
<td>3,100</td>
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<td>10,500</td>
<td>20,800</td>
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<td>50,300</td>
<td>27,400</td>
<td>1,300</td>
<td>8,800</td>
<td>17,700</td>
<td>2,200</td>
<td>4,700</td>
</tr>
<tr>
<td>2012/13 (F)</td>
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<td>46,600</td>
<td>26,500</td>
<td>1,500</td>
<td>8,000</td>
<td>22,500</td>
<td>2,100</td>
<td>3,400</td>
</tr>
<tr>
<td>2013/14 (F)</td>
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<td>40,500</td>
<td>30,100</td>
<td>1,600</td>
<td>9,000</td>
<td>23,500</td>
<td>2,100</td>
<td>3,200</td>
</tr>
<tr>
<td>2014/15 (F)</td>
<td>36,200</td>
<td>40,900</td>
<td>34,200</td>
<td>1,600</td>
<td>10,000</td>
<td>24,900</td>
<td>2,200</td>
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(F) = Forecast

Notional and total demand

This figure is highlighted by Figure 2 which shows a fairly sharp recovery in 2015/14, which continues into 2014/15. The HIA anticipates that the number of kitchen renovations will be approximately 138,000.

If their forecast of 153,200 new kitchens installed in 2014/15 is correct and their notional estimate of 138,000 proves to be close to the mark we are looking at 291,200 kitchens being installed around Australia.

When we last reviewed the HIAs predictions for kitchen installations (Discovering Stone, Issue 8 – The Counter Revolutionaries) discussions with a variety of companies engaged in the supply of natural and engineered benchtop materials indicated that there were 2.7 slabs per kitchen. Since then it has become apparent that the number of pace.
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Fax: +61 3 9314 7200

Perth
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Oconnor WA-6163
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Bringing Nature to Homes
slabs installed in apartments is less than in new homes and general renovations. This makes it difficult to accurately calculate the volume of benchtop space. However, according to the HIA report, respondents who were questioned about the size of the renovations they worked on reported as follows:

- 55 per cent enlarged the area of the kitchen
- 45 per cent worked within the existing footprint
- 0 per cent made the area smaller

So while new kitchens in apartments may be smaller, renovated kitchens in private homes appear to be either the same size or larger, which probably indicates more benchtop space.

To play safe we have used the figure of 2.5 slabs per installation. The question is what percentage of home owners select natural or engineered materials versus laminate, timber or alternative materials like ceramic tile.

In the aforementioned article in issue 8 we concluded that 65 per cent of benchtop installations were non-stone. We arrived at this figure following discussions with Andrew Dixon, the sales and marketing manager of CaesarStone, and acknowledged industry authorities at a variety of companies including CDK Stone.

Current perceptions indicate that the continued popularity of engineered stone, and a minor resurgence of interest in natural stone, has accounted for further erosion of the popularity of laminate materials. As a consequence we feel confident in assuming that at least 45 per cent of all kitchen benchtops feature natural or engineered stone.

If our estimate is correct we can calculate the following:

HIA prediction for new and renovated kitchens total benchtop space in 2014/15 = 291,200 x 2.5 slabs = 728,000 slabs or alternative surface finishes.

This begs the question, what proportion of this figure represents natural versus engineered stone? Discussions held with leading fabricators and suppliers of both products vary between 10 and 20 per cent. For the purpose of our calculations we will adopt the lower figure of 10 per cent.

If 45 per cent of the estimated 728,000 benchtops are exclusively distributed by CDK Stone
Every day I live the challenge to teach high-level cooking to my clients. It’s a dialogue with them and the ingredients, with the cooking tools and with the kitchen itself. It’s tension and satisfaction. That’s Authentic Life.

Alain P. Guillard
(Chef. Gold Trophy International Catering Cup 2013)
covered with engineered or natural stone, the total number of slabs required is 327,600.

If 10 per cent of that figure is natural stone the breakdown is as follows:

- Natural Stone: 32,760 slabs (*13,104 kitchens)
- Engineered Stone: 294,840 slabs (*117,936 kitchens)

*Based on 2.5 slabs per kitchen

These figures only relate to kitchens in private residences, they do not account for commercial kitchens, reception desks, bar-tops or other commercial locations where natural stone is still highly favoured.

Material trends

Digital inkjet printing processes are revolutionising the ceramic tile industry, by permitting manufacturers to accurately reproduce increasingly impressive replications of natural stone and hard surface finishes like timber. Leading producers of engineered stone are going down the same path. Adoption of similar technologies allows engineered stone producers to provide clients with slabs that have subtle differences in appearance, enhancing their appeal to end users who appreciate the variances which appear in natural stone.

This is new territory for engineered stone suppliers that previously promoted the product’s consistent appearance as a key benefit to builders who were building multiple dwellings.

When visitors to Cersaie, Italy’s major ceramic tile exhibition make their annual pilgrimage to Bologna, they regularly report that the ceramic tile imitations of stone are utterly convincing, but when some of them journey on to the stone show, Marmomacc in Verona, they come away with a different point of view.

In reality it is impossible to accurately mimic the aesthetics of a totally natural product. For this reason alone engineered stone producers will largely stick to their core strengths.

Natural stone devotees will be encouraged by growing evidence that designers and consumers are using alternatives to granite, in particular marbles like Calacatta. The wide availability of effective sealers and maintenance products has reduced the risks of stained benchtop surfaces. Coating products which effectively protect against staining and etching in restaurants and bars are encouraging specifiers to use marble on bar tops in casinos and hotels.

While natural stone retains its status as the prestige benchtop hard surface, the fact is that engineered stone continues to surge ahead in the broad popularity stakes.

Major players like CaesarStone and Cosentino are probably going to raise the bar a notch by introducing a range of slim (thin) slab materials while manufacturers of thin ceramic panels and tiles are working on lightweight, impervious ceramic products that will colour match or contrast the chosen floor tile.

The battle for hearts and minds will intensify when the economy finally turns the corner.

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