

# bigger & better

HIA is predicting the value of K&B installations and renovations will hit a record 12 billion by 2012. Nassim Khadem reports.

The *HIA Kitchens and Bathrooms Report* for 2009/10 highlights the amount of money Australians spend each year on kitchen and bathroom renovations and the state of industry activity.

The report found the past financial year was tough for the K&B industry. In value terms, the kitchen industry was worth \$5.6 billion in 2008/09, which represented a fall of 5.1 per cent. But now, Australians are demanding bigger kitchens and bathrooms,

HIA's chief economist, Dr Harley Dale, says that despite evidence to suggest that detached houses in Australia may be gradually declining in size, there has been a clear trend towards larger kitchens in Australia for some time now.

'The intense competition amongst kitchen installers is likely to see the trend towards better quality kitchens continue for the foreseeable future,' he says. 'This precedent will be a key driver in an increase in the total value of kitchen installations through to 2011/12.'

The report predicts the value of kitchens will rise to almost \$6 billion in 2009/10 and almost \$7 billion by 2011/12.

The bathroom industry also suffered last financial year. The report found it was worth \$3.9 billion in 2008/09, which represents a 6 per cent contraction from a year earlier.

Harley Dale says that, fortunately, the worst appears over, and 2009/10 is expected to feature a lift in housing starts as well as overall renovations activity, which is good news for bathroom installations.

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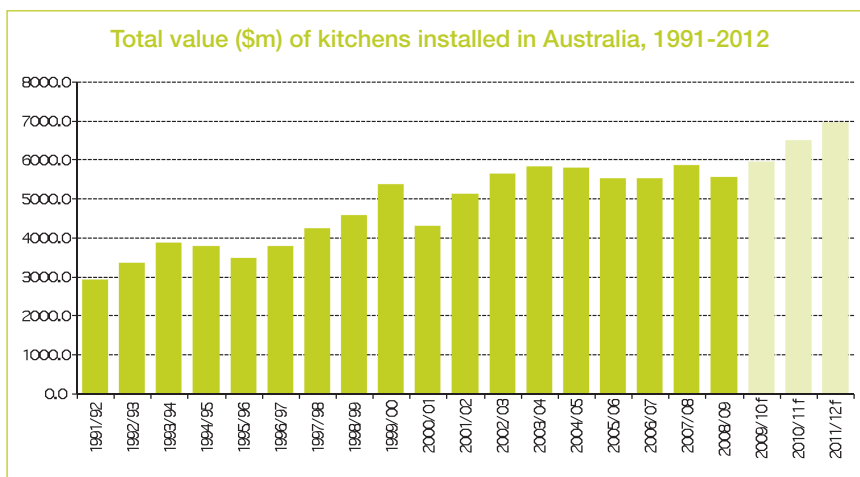
The value of the industry is expected to climb by 25 per cent – that's over \$1 billion – over the next three years. By 2011/12 Australians are forecast to be spending almost \$4.9 billion on bathroom renovations alone.

Hettich Managing Director Richard Abela says increasing consumer confidence as well as the latest demand for housing will hold the industry in good stead into 2012.

'In recent months conditions have also improved in the renovation sector,' he says. 'While interest rates have increased in recent times, affordability is also the best it has been for some years. Coupled with house price corrections during the recent recession, this supports the HIA forecast. Conditions have never been better.'

### Consumer trends

The report also included survey responses from hundreds of small-to-large businesses in the K&B industry, detailing the average cost of new installations and the types of materials and appliances consumers are demanding in their kitchens and bathrooms.





### Most popular items

The most popular items and materials in new and renovated kitchens and bathrooms in recent years are:

- high-end hardware and storage solutions
- soft closing drawers
- lift-up door operating systems
- touch opening door and drawer systems
- wine cooler/fridges
- LCD/plasma TVs
- European freestanding stoves
- dishwasher drawers
- semi-frameless shower screens
- multiple basins and showerheads
- under-mount sinks
- engineered stone, solid surface and granite bench tops
- glass and engineered stone splashbacks
- corner drawer systems
- water filtration systems
- lighting in cabinets.

Photo courtesy MMM Interiors

In 2008/09 there were 130,650 new dwellings started in Australia, valued at \$34.03 billion, and at an average value of around \$260,489. The average value for both a kitchen or bathroom installation was around \$14,000.

One of the strongest growth categories within the kitchen and bathroom sector in recent years has been the use of high-end hardware and storage solutions, says Harley Dale.

‘The fastest growth was for soft closing drawers. Lift-up door operating systems and touch opening door and drawer systems also grew in popularity.’

In terms of kitchen appliances, the greatest increase was for wine cooler/fridges, LCD/plasma TVs, and European freestanding stoves and dishwasher drawers.

The survey found the most popular components replaced in a bathroom makeover were basins, vanity units, tapware, and tiling. There was also a large increase in semi-frameless shower screens, multiple basins, and multiple showerheads compared to previous surveys. Under-mount sinks continue to be the fastest growing sink.

The 2009 survey also asked respondents about various materials types and their usage.

‘Engineered stone, solid surface and granite bench tops were all in high demand. But there was a decline in usage rates for stainless steel, concrete, and timber bench tops,’ says Harley. ‘Glass and engineered stone splashbacks are on the rise, but there’s a decline for granite and tiled splashbacks.’

### By 2011/12 Australians are forecast be spending almost \$4.9 billion on bathroom renovations alone

In the miscellaneous survey category corner drawer systems and water filtration systems were a hit.

‘The saying that the kitchen is the heart of the home has never been truer,’ says Richard Abela. ‘Kitchens are becoming more and more integrated into living spaces and as such the desire for the kitchen to include quality fittings is increasing.’

‘In respect to the cabinet hardware segment where Hettich is a major player, the major trend is that consumers are better informed than ever before and products such as Innotech soft close

drawer systems and Sensys Soft close hinges are almost standard features these days.

‘The other trend is the inclusion of lighting into cabinets, so that the kitchen takes on different personalities depending on the occasion.’

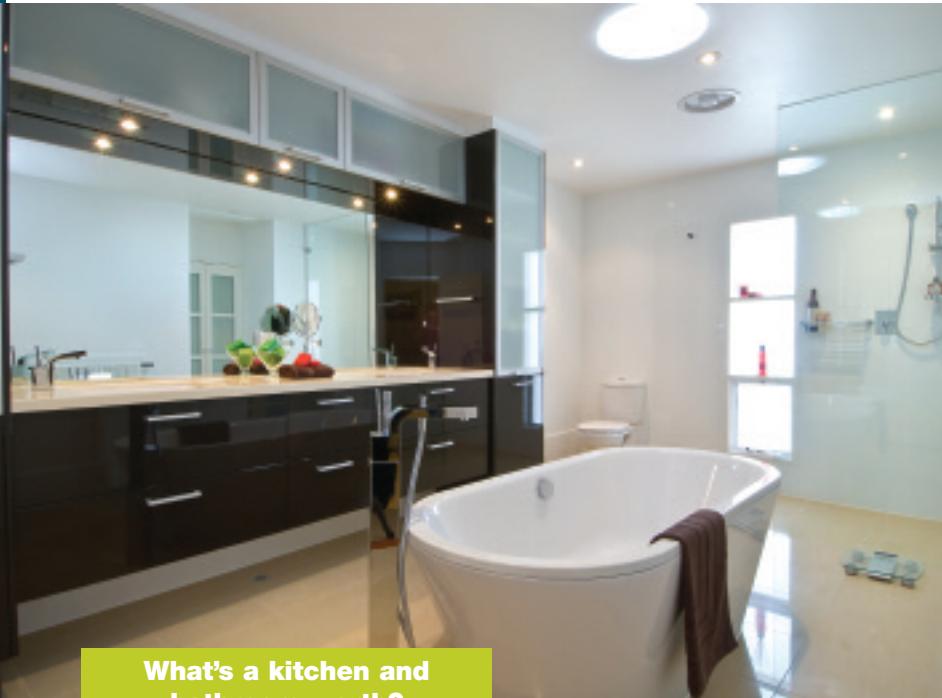


Photo courtesy Innovations in Bathrooms

efforts on stressing the importance of using Australian Standard-compliant products and its superior quality.

‘To encourage consumers to buy local, some businesses are only designing or manufacturing high end custom kitchens, offering clients a higher standard of finish and a 10-year warranty, or highlighting superior after sales service for Australian made product to customers.’

### ‘I encourage all suppliers to get behind Australian-made’

Richard Abela sees the increase of imported kitchens as a major issue. ‘Some players feel that imported kitchens are often seen as a natural evolution of supply,’ he says. ‘I don’t see it this way.

‘All importers must understand that even with a strong Australian dollar, that the end-to-end cost and lead times must be included in cost calculations and not just the unit cost.

‘End-to-end costs, including freight, minimum order quantities and stock holding often outweigh the unit price benefit which appears so seductive. Hettich fully supports the local industry with training programs, product information and other support services so that local business can clearly articulate the differences between locally made product and imported products. This is a very important issue for all of us and I encourage all suppliers to get behind Australian-made.’ **H**

### What’s a kitchen and bathroom worth?

Survey results in the HIA report found the average value of each kitchen replacement was \$13,772, higher than the \$10,775 figure found for 2008, but down moderately on the average of \$14,392 found mid-decade.

The average age of a renovated kitchen was found to be 15.2 years, compared to 15.4 years in the 2008 survey and 14.7 years in the 2006 survey.

Within the respondents that undertook full bathroom removal and/or new installations, the average value of each job was \$14,204, down on the figure of \$17,460 found in 2008 but still significantly higher than the average value of \$10,146 reported for the 2006 survey.

The average age of a renovated bathroom was found to be 17.5 years old, lower than the finding of 18.6 years for the 2008 survey.

The average value of a bathroom makeover in which only select items were replaced was \$4071, higher than the average found in both 2008 (\$2741) and 2006 (\$3359).

### Imports hitting the industry

The survey also asked respondents to estimate the degree to which imports had increased over the past two years.

Almost all said that they had seen an increase in this time (only 6 per cent said they had not seen an increase).

Nearly two-thirds of survey respondents (65 per cent) said that they used imported products. When asked which imported products they used, the most nominated category was tapware, followed by tiles, vanity units, and timber products.

Harley Dale says many businesses in the industry are spending their marketing

Total value (\$m) of bathrooms installed in Australia, 1991-2012

