Wall Coverings

US Industry Study with Forecasts for 2015 & 2020

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Table of Contents

EXECUTIVE SUMMARY

MARKET ENVIRONMENT
General ........................................ 4
Macroeconomic Environment ............ 4
Demographic Trends ..................................... 8
Consumer Spending Outlook ............ 12
Consumer Financing Overview ........ 15
Building Construction Overview ...... 18
Residential........................................ 21
Housing Outlook .......................... 23
Housing Stock ............................. 28
Residential Improvements & Repairs ...... 32
Nonresidential ............................ 33
Nonresidential Improvements & Repairs .......... 36
Nonresidential Building Space Trends .......... 37
Historical Market Trends .............. 39
Pricing ........................................ 43
Environmental & Regulatory Issues ...... 45
Manufacturing Issues ..................... 46
Indoor Air Quality Issues ............. 48
World Overview .......................... 51
Foreign Trade ............................ 54
Imports ..................................... 55
Exports ..................................... 57
Competitive Wall Coverings Outlook . 58

PRODUCTS
General ........................................ 62
Wall Panels .................................... 66
Products ..................................... 68
Laminate Panels .......................... 70
Sheet Panels .............................. 72
Finished Gypsum Board ............ 76
Solid Wood Panels ................. 78
Other Wall Panels .................. 80
Markets ..................................... 82
Suppliers .................................... 85
Wallpaper .................................... 87
Products ..................................... 91
Paper-Backed Vinyl ............... 96
Fabric-Backed Vinyl .............. 97

MARKETS
General ........................................ 118
Residential Markets ..................... 121
New Housing .............................. 124
Residential Improvement & Repair ...... 126
Demand by Housing Type .......... 130
Single-Family ............................. 132
Multifamily .................................... 134
Manufactured Housing ............ 136
Nonresidential Markets ................ 138
New Building ............................. 142
Improvement & Repair ................ 144
Demand by Building Type .......... 147
Office & Commercial ............... 148
Institutional ............................. 150
Industrial .................................... 153
Other Nonresidential .................. 155

REGIONS
General ........................................ 157
Regional Demographic & Economic Trends ........ 159
Economic Outlook ...................... 159
Population Patterns .................... 161
Construction Activity ................ 163
Housing Trends .......................... 165
Regional Demand for Wall Coverings . 167
Northeast ................................. 170
New England ............................ 172
Middle Atlantic ........................ 173
Midwest .................................... 174
East North Central .................... 176
West North Central .................. 177

South ........................................ 178
South Atlantic ............................ 181
East South Central ...................... 182
West South Central ..................... 183
West ......................................... 184
Mountain .................................... 187
Pacific ....................................... 188

INDUSTRY STRUCTURE
General ........................................ 189
Industry Composition ................ 192
Market Share ............................. 193
Acquisitions & Divestitures ........... 195
Cooperative Agreements .............. 196
Competitive Strategies ................ 199
Manufacturing ......................... 202
Marketing ................................. 203
Distribution ............................... 204

COMPANY PROFILES
ACCRA Fine Wood Products .......... 208
Armstrong World Industries .......... 209
Blonder Company ................. 211
Blue Mountain Wallcoverings .. 212
Brewster Home Fashions .......... 213
Corporacion Empresarial Roca .. 215
Crane Company ......................... 217
Crossville Incorporated .......... 219
Decorative Panels International .. 221
Fletcher Building ...................... 223
Foss Manufacturing ............... 226
Illinois Tool Works ............... 227
Jacaranda Incorporated .......... 229
Josephson (J.) Incorporated .. 230
K.I. .......................... 231
Koch Industries ................. 233
Len-Tex Corporation .......... 236
Marazzi Group ....................... 238
Mohawk Industries .................. 240
National Gypsum ................. 243
OMNOVA Solutions ................ 245
Owens Corning .......... 248
Panariagroup Industrie Ceramiche .. 250
Patrick Industries ........... 252
RJ Millwork Solutions .... 254

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Table of Contents
(continued from previous page)

RJF International ........................................... 255
Roysons Corporation ................................. 258
RPM International ........................................... 259
Saint-Gobain .............................................. 260
Schumacher (F.) & Company ......................... 263
Seabrook Wallcoverings ............................... 264
Sellers & Josephson ...................................... 265
Steelcase Incorporated ................................. 266
US Vinyl Manufacturing ................................ 267
Vescom BV ................................................ 269
Wallquest Incorporated ............................... 270
York Wallcoverings ..................................... 271
Additional Companies
Mentioned in the Study ............................. 273

List of Tables/Charts

EXECUTIVE SUMMARY

1 Summary Table ........................................ 3

MARKET ENVIRONMENT

1 Macroeconomic Indicators .............. 8
2 Population & Households ............... 12
3 Personal Consumption
   Expenditures .................................. 15
4 Consumer Financing
   Environment, 2000-2010 ................ 18
5 Building Construction
   Expenditures .................................. 21
6 Residential Building
   Construction Expenditures ............ 23
7 New Housing Indicators ................. 28
8 Housing Stock by Type ................. 31
Cht Year of Construction of
   Housing Stock, 2010 ..................... 31
9 Residential Improvement
   & Repair Expenditures ................. 33
10 Nonresidential Building
    Construction Expenditures ........... 36
11 Nonresidential Building
    Improvement & Repair
    Expenditures .............................. 37
12 Nonresidential Building
    Floor Space ............................... 39
13 Wall Coverings Market,
    2000-2010 ..................................... 42
Cht Wall Coverings Demand,
    2000-2010 ..................................... 43
14 Wall Coverings Pricing Trends .... 45
15 Wall Coverings Foreign Trade ....... 55
16 Wall Space Coverings Comparison61

PRODUCTS

1 Wall Coverings Demand
   by Product ....................................... 65
Cht Wall Coverings Demand
   by Product, 2010 ............................. 66
2 Wall Panels Supply & Demand .... 68
3 Wall Panels Demand by Product . 70
4 Laminate Wall Panels Demand ... 72
5 Solid Wood Panels Demand ...... 80
6 Other Wall Panels Demand ....... 82
7 Wall Panels Demand by Market .. 84
8 Wallpaper Supply & Demand ..... 91
9 Wallpaper Demand by Product .. 95
10 Wallpaper Demand by Market.... 103
11 Decorative Tile Supply
   & Demand ..................................... 106
12 Decorative Tile Demand
   by Product ................................... 108
13 Decorative Tile Demand
   by Market ................................... 116

MARKETS

1 Wall Coverings Demand
   by Market ................................. 120
Cht Wall Coverings Demand
   by Market, 2010 ............................. 121
2 Residential Wall
   Coverings Demand .......................... 124
3 New Residential Wall
   Coverings Demand .......................... 126
4 Residential Improvement &
   Repair Wall Coverings Demand ..... 130
5 Residential Wall Coverings
   Demand by Housing Type ...... 132
6 Single-Family Wall
   Coverings Demand ......................... 134
7 Multifamily Wall
   Coverings Demand ....................... 136
8 Manufactured Housing Wall
   Coverings Demand ....................... 138
9 Nonresidential Wall
   Coverings Demand ........................ 141
10 New Nonresidential Wall
    Coverings Demand ..................... 144
11 Nonresidential Improvement &
    Repair Wall Coverings Demand 146
12 Nonresidential Wall Coverings
   Demand by Building Type .......... 148
13 Office & Commercial Wall
    Coverings Demand ..................... 150
14 Institutional Wall
    Coverings Demand .................... 152
15 Industrial Wall Coverings
    Demand ................................ 154
16 Other Nonresidential
    Wall Coverings Demand ........... 156

REGIONS

1 Gross Domestic Product
   by Region ..................................... 161
2 Population by Region ...................... 163
3 Construction Expenditures
   by Region ..................................... 165
4 Regional Housing Indicators .... 167
5 Wall Coverings Demand
   by Region ..................................... 169
Cht Wall Coverings Demand
   by Region, 2010 ............................. 170
6 Northeast Wall Coverings
   Demand ................................ 172
7 Midwest Wall Coverings Demand .... 176
8 South Wall Coverings Demand ....... 181
9 West Wall Coverings Demand ....... 187

INDUSTRY STRUCTURE

1 Wall Coverings Sales
   by Company, 2010 ....................... 191
Cht Wall Coverings Market Share
   by Company, 2010 ....................... 195
2 Selected Cooperative
   Agreements ................................... 198
Gains will be driven by a recovery in construction activity -- especially the residential sector -- and by a turn-around in wallpaper, which has suffered from negative consumer perceptions.

US demand to rise 8.2% annually through 2015

Demand for wall coverings is projected to advance 8.2 percent annually from a weak 2010 base to $2.2 billion in 2015. Gains will be driven by a recovery in construction activity, especially in the residential sector. Demand for wall coverings will also benefit from the turn-around in the prospects for wallpaper, which has suffered from negative consumer perceptions and stiff competition from paint and coatings.

Dominant wall panels segment to also be fastest growing

Wall panel products will be the fastest growing wall coverings type through 2015. Sales of wall panel products will benefit from the expected recovery in residential construction activity, coupled with improving prospects in nonresidential construction markets. Laminate panels, in particular sheet panels, will continue to dominate demand, but greater growth prospects will emerge for several products at opposite ends of the value spectrum. For example, demand for low cost finished gypsum board panels will benefit from the long anticipated recovery in manufactured housing; while sales of higher-end solid wood panels will benefit from growth in new single family housing.

Wallpaper products is projected to be the second fastest growing wall coverings segment through 2015. Sales of wallpaper products have been in decline for more than a decade, reflecting changes in consumer preferences away from wallpaper in favor of paint and coatings. However, the development of products such as wallpaper borders, custom wallpaper and textured wallpaper is expected to breathe new life into a previously depressed product category. Also, advances in wallpaper technology, which make these products easier to apply and remove, will expand sales opportunities. In addition, the more positive prospects for building construction in both residential and nonresidential markets through 2015 will benefit demand for wallpaper.

Demand for decorative tile wall coverings is projected to increase at a slightly slower rate than wallpaper products through 2015. Gains will derive primarily from a recovery in new housing construction, although consumption will also benefit from accelerating new nonresidential construction. In addition, the recovery in construction markets will also lead to growth in improvement and repair spending in both residential and nonresidential markets, supporting increased demand for ceramic tile in bathroom and kitchen renovations. Higher-end products, such as glass tile, will provide outsized niche growth prospects.

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Demand for wallpaper is projected to increase 7.3 percent annually from a weak 2010 base to $480 million in 2015. This represents a considerable improvement over the 2000-2010 time frame, when demand dropped continuously. Actual declines in demand have been even longer, as the difficulty in properly installing or replacing wallpaper, coupled with changing consumer preferences (which tend to benefit paint) have combined to reduce the use of wallpaper. The decline in wallpaper demand has trickled down to the retail level, where big box retailers such as Lowe’s and Home Depot no longer sell wallpaper in their stores, although they do still offer it online. There have also been several bankruptcies in this segment, including Blue Mountain Wallcoverings and Imperial Home Décor Group.

Growth opportunities through 2015 will be sparked by recovery in both residential and nonresidential building markets, and strengthening prospects in improvement and repair markets. In addition, some niche products, such as wallpaper borders and custom wallpaper products, continue to offer greater growth potential than conventional wallpaper. For conventional wallpaper products, the opportunity for a comeback will be supported by the strong expansion in new construction, with the greatest gains in residential markets.

Imports and exports of wallpaper are also significant. Imports of wallpaper have been steadily declining for years, reflecting the weakening market environment for wallpaper in the US, as paints have by far the primary method of wall decoration. Recovery in US markets and generally more favorable market conditions will lead to an increase in wallpaper imports through 2015, although imports will not return to the levels seen in the past. Exports are also forecast to increase primarily to emerging markets like China, where growth in the middle class is spurring demand for home décor products.
Sample Profile, Table & Forecast

TABLE IV-9
NONRESIDENTIAL WALL COVERINGS DEMAND
(million dollars)

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<td>Nonresidential Bldg Floor Space (bil sq ft)</td>
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<td>10.9</td>
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<td>Nonresidential Wall Coverings Demand</td>
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<td>By Market Segment:</td>
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<td>New Building</td>
<td>50</td>
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<td>Improvement &amp; Repair</td>
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<td>By Product:</td>
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<td>Wall Paneling</td>
<td>100</td>
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<td>Wallpaper</td>
<td>20</td>
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<td>20</td>
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<tr>
<td>Decorative Tile</td>
<td>75</td>
<td>75</td>
<td>75</td>
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<td>75</td>
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<tr>
<td>% nonresidential</td>
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<td>Wall Coverings Demand</td>
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“Demand for wallpaper in nonresidential markets is projected to expand 5.8 percent annually to $250 million in 2015. Wallpaper is the second most widely used wall covering product in nonresidential markets, after wall paneling. Demand for wallpaper in nonresidential buildings will benefit from the improving resistance to mold formation exhibited by the latest generations of wallpaper, coupled with its other favorable performance characteristics, such as stain resistance and high durability. In addition ...”

--Section IV, pg. 140
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**Title ________________________________**

**Company ________________________________**

**Division ________________________________**

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[ ] (No PO Box please)

**City/State/Zip ________________________________**

**Country ________________________________**

**Phone ________________________________**

**Fax ________________________________**

**Email ________________________________**

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