Growth in US demand for heat pumps will be supported by their greater energy efficiency compared to many other types of HVAC equipment. The prolonged period of sales declines that occurred in recent years will be alleviated as building owners replace their existing units as they reach the end of their lifecycle.

Air source to maintain dominance over geothermal types

Air source heat pumps are expected to record faster gains in demand than geothermal heat pumps through 2021. Air source heat pumps have easier installation requirements and compete more directly with other HVAC equipment, because of their similar functionality to unitary air conditioners. Also, the total installed cost of air source heat pumps, which is a key purchasing criterion for many consumers, is well below that of geothermal. In addition, the federal tax credit for geothermal heat pumps was significantly higher in value than that for air source, and as a result, the current lack of a tax credit will have a more adverse effect on geothermal heat pump sales.

Residential market to offer faster demand gains

Faster anticipated increases in residential building construction spending will bolster heat pump demand in residential buildings, but this market will still account for a smaller share of demand than commercial applications. The majority of these increases will be accounted for by replacement sales. Demand gains in single-family residential installations are expected to be faster than those for multifamily installations, a reversal of recent trends.

South to remain dominant region

The South has a climate that is tailor made for heat pump use, with warm summers and mild winters. As a result, this region accounts for the vast majority of US demand for heat pumps, which can provide all of the necessary comfort cooling, as well as heating when required. In addition, nearly two-thirds of all new heat pump demand through 2021 will occur in the South. However, the fastest increases in heat pump sales will be in the West, a region that has experienced a strong uptick in heat pump installations in recent years.

Study coverage

This Freedonia industry study analyzes the US heat pump market, presenting historical demand data and forecasts for 2021 with growth rates by product (air source, such as air-to-air and air-to-water; and geothermal, such as closed loop and open loop), market (residential and commercial, new and replacement), and US region (South, Northeast, Midwest, West), energy source (electricity and natural gas). The study also evaluates company market share data and analyzes industry players such as AAON, Daikin Industries, Electrolux, GD Midea, Ingersoll-Rand, Johnson Controls, Lennox, Melrose Industries, NIBE Industrier, Paloma, and United Technologies.
Commercial

Demand for heat pumps installed in commercial buildings is forecast to advance 1.6% per year through 2021 to $1.7 billion. Although demand will rebound from the declines registered during the 2011-2016 period, increases will be well below those in the residential market. Opportunities for growth will be slower in part due to more moderate expected increases in construction spending relative to the residential market. Additionally, overall market increases will be limited by the fact that commercial building owners are more likely to perform routine maintenance on their heat pump systems, increasing the average life of the product and extending replacement cycles.

Despite the slower growth, the commercial market will remain the larger market due to the fact that many commercial buildings require the use of more than one heat pump to effectively cool the entire building, boosting the total number of units installed. In addition, overall demand will be supported by the higher price of commercial heat pumps, which boosts sales in dollar terms.

Demand for heat pumps installed in new commercial buildings is expected to grow 1.1% yearly to $360 million in 2021, rebounding from recent declines but continuing to account for a significantly smaller share of demand than replacement sales. The level of new commercial buildings constructed in a given year is generally modest, which limits potential sales opportunities. In addition, contractors often select the type of HVAC system used through a bidding system, leading to greater use of other types of HVAC equipment with lower installation costs, restraining overall value gains.

Heat pumps installed in existing commercial buildings will rise 1.7% per year to $1.3 billion in 2021. Sales for installation in existing commercial buildings will rise from $1.2 billion in 2016 to $1.3 billion in 2021. Despite the slower growth, the commercial market will remain the larger market due to the fact that many commercial buildings require the use of more than one heat pump to effectively cool the entire building, boosting the total number of units installed. In addition, overall demand will be supported by the higher price of commercial heat pumps, which boosts sales in dollar terms.
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• Establishing consistent economic & market forecasts
• Using input/output ratios, flow charts & other economic methods to quantify data
• Employing in-house analysts who meet stringent quality standards
• Interviewing key industry participants, experts & end users
• Researching a proprietary database that includes trade publications, government reports & corporate literature

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