

Positive Industry Forecast Includes Growth, Consolidation, and Demands

By Anne W. West

Across the deck building industry, there's great optimism about the future. Growing demand for construction, heightened consumer awareness of products, more intricate design, and a greater focus on outdoor living are among the predictions that drive that optimism. Deck building experts agree that the forecast for this industry over the next several years is very positive.

Deck builders know the economy plays a role in the industry's growth. They keep an eye on new residential construction starts, remodeling and renovation trends, and interest rates. They study forecasts by groups like the National Association of Home Builders (NAHB), which predicts that fixed mortgage rates will increase from 5.9 percent in 2005 before rising to 7.1 percent in 2006. NAHB predicts single-family housing starts will decline 4.4 percent in 2005 and another 3.5 percent in 2006. They pay attention to the 29th annual CIT Construction Industry Forecast, an independent survey of U.S. construction executives. It shows that residential construction is viewed as the most promising business opportunity in 2005 by 62 percent of builders, down slightly from 64 percent in 2004. The

survey reports that this is the first time in at least six years that more non-builders (those contractors who use equipment to perform underground construction or site development) see the prospects for residential building as being more promising than the commercial parts of the construction business.

Even with a predicted decrease in new housing starts and an increase in interest rates, the news is good for the deck builder. This typically means heightened renovation and remodeling activity. "If the economy were to slow down, we have an aging population with a growing mass of money and they are saying, 'I can go on vacation or I can increase the value and enjoyment of my home,'" commented Tim Gillis, marketing manager, FastenMaster Division, OMG, Inc., Agawam, Massachusetts. "The deck is one of the main places they consider when making that investment."

Demand Continues

Experts from the various segments of the deck building industry agree that demand for decks will continue to grow, although many see more growth in remodeling and renovation than

in new construction. "The decking industry is in its infancy, even though decks have been built for years," said Darrin Haugan, brand manager, Deck-orators, St. Louis, Missouri. "At this point consumers don't associate decks and their components with brands but rather with various species of wood, all of which are not branded. This situation will be evolving to where consumers will be choosing decking materials based on the perceived value a branded product offers."

Many predict that the continued focus on outdoor living will be a major driver in the deck industry's growth. "People are spending more time in the backyard and they aren't just throwing a football around," said Cees de Jager, marketing consultant, Western Red Cedar Lumber Association, Vancouver, British Columbia. "They want an area where they can relax, entertain, and cook, and this lifestyle will increase the demand for decking and yardscape-type products. They want to spend more time at home."

Some deck professionals are more cautious. They predict that the industry's explosive growth in the past decade will level off although the demand for decking products will continue. "As

the economy tightens, people will focus more on what they can do to make their deck prettier, be more functional, or have greater structural integrity," said Michael G. Morse, president, Morse Technologies, LLC, Brookeville, Maryland.

Every segment of the industry experienced growth in sales from 2003 to 2004 and that trend is expected to continue. Each segment except pressure treated wood predicts strong growth. "We had most all of the market except in some Western states where naturally durable species such as redwood and western red cedar are common," said Huck DeVenzio, manager of marketing communication, Arch Wood Protection, Smyrna, Georgia. "Now the influx of artificial woods, both composite and plastic, and the influx of tropical hardwoods such as ipe and mahogany that don't require chemical treatment, will erode some of our market share. Even with that, there hasn't been a great bailout from pressure treated wood, and most decking alternatives require preserved lumber for their support."

Treated lumber's transition at the end of 2003 from chromated copper arsenate (CCA) to alkaline copper quaternary (ACQ) and copper azole (CBA) based preservatives to treat wood intended for most residential settings hasn't resulted in a decline in treated



wood sales as some had predicted. Experts say treated wood will continue to perform well and be the preferred option for decking applications. "In addition to the transition away from CCA, we've responded to consumer demands for higher quality wood with both structural and appearance qualities," said Dave Fowlie, vice president of sales and busi-

ness development, Chemical Specialties, Charlotte, North Carolina. "We've also seen the advent of water repellents in the treating process to improve the weathering properties of treated wood."

Consolidation Coming

Experts agree that there is consolidation ahead in certain segments of the industry. Many compare the deck industry to the revolution of the automobile industry in the early 1900s. There were hundreds of automobile manufacturers and thousands of patents, but in the end there were only three major automobile manufacturers. "You get an infusion of entrepreneurs in infancy, then there's consolidation to strategically position organizations as leaders who offer differentiated experiences," pointed out Haugan. "If we see an opportunity where we can leverage our brand and bring the consumers a greater value, then that is where we'll move."

Many cite the composite segment of the deck industry as the most likely area for future consolidation. The driving force may be economies of scale, as smaller companies are unable to obtain volume discounts for raw materials that larger manufacturers benefit from. It may be innovation, as larger companies acquire smaller competitors that bring a unique product differentiation and new leverage in the market. It will be difficult for smaller companies to keep up with the demands and volume of a growing market. They may opt to merge with a larger company that has a well-orchestrated distribution system or capital to invest in more efficient production techniques and equipment.

The quality of alternative materials is another factor related to consolidation. There's agreement that the leading composite manufacturers have enhanced the market with consistent levels of product quality and integrity and will continue to do so through product expansion. "The big challenge for the major players is differentiating the aesthetics and performance of products from similar basic colors, surfaces, configurations and railing systems," said Roger Gilley, national

product manager, Composite Decking and Insulation, Weyerhaeuser, Federal Way, Washington. "The challenge is how to technologically make your product better than the rest. How you make it look different may come more on the accessory side of the deck."

Customer and Demands Changing

Some segments of the deck building industry clearly define their customer as the lumber supplier or the contractor. Yet, there is a growing trend toward including the homeowner as the ultimate customer. "For us, the whole market is our customer, from the distributor who makes the product available and the contractor who is using the product to the homeowner who may request the product by name," said Glenn Eberle, vice president, Blue Heron Enterprises, LLC, manufacturers of EB-TY® Hidden Deck-Fastening Systems™, Califon, New Jersey. "They all ask for the best fastener for the decking they chose so they can be sure that this \$20,000 investment will be durable, beautiful, and safe. We are shifting toward the end user because they are the ones demanding the best product since it impacts the resale value of their house."

Many cite the composite industry as the reason behind this shift toward the homeowner as the ultimate customer. The composite segment has generated a more informed consumer through advertising in mainstream media, product displays at consumer home shows, displays in retail home improvement stores, and greater product knowledge among contractors. "Historically, the deck contractor or even the retail employee was able to have a strong influence on the buying decision, but today we're seeing that the homeowner in the vast majority of cases is much more knowledgeable about what they want, and they make the final decision," added de Jager. Consumers may not necessarily cite brand names but they are very aware of the types of products and what each offers.

Changing consumer demands will



continue to impact the deck industry mainly as it relates to appearance, safety, and maintenance of the deck. “The Southern Pine manufacturers realized in the early 1990s that treated markets were appearance-based, especially the top boards so we created a Prime dimension grade,” said Wade Camp, director of information services, Southern Forest Products Association, Kenner, Louisiana. “Going forward, different decking products will be compared on appearance, texture, color, and feel. Wood-fiber or wood-plastic decking will establish the ‘new’ standards with color and texture choices.”

“The consumer is definitely more educated and their expectations for warranties and quality are far greater than in the past, but that’s a good thing for the industry as a whole,” said Matt Sherstad, vice president and general manager, Fortress Iron, Dallas Texas. “We have to make sure that on the production side we are constantly improving our products and eliminating any concerns about maintenance.” He predicted that consumers will continue to ask more questions about what goes into making products truly maintenance free rather than simply accepting the claim as they have in the past. This new level of educated and inquisitive customer will strengthen the industry as it forces manufacturers to take steps to

constantly improve their products.

Consumer demand for affordable, low- or no-maintenance decking products points to a need for more education on the variety of products on the market. Some companies supply their contractors with educational materials, photographs, and product samples that can then be used to help the homeowner make an educated decision. Others are beginning to market directly to the homeowner. “The consumer has made the deck industry look at themselves more as a consumer product rather than just a wood product,” said de Jager. “It adds a different dynamic to our planning because the consumer can change their expectations quickly. You can’t assume that your strategy and ideas of a year ago are going to be effective in meeting those expectations five years from now.”

Consumer purchasing trends are expected to shift as homeowners become more educated about the options and as they demand more in terms of both performance and aesthetics. Rather than looking at just deck boards or railings, homeowners will look for a complete deck package that provides an overall consistent look and feel in their backyard. “They have very specific ideas about colors, maintenance, longevity, comfort, and now they are adding to that basic list the elimination of risk,” said Morse, referring to the rising num-

ber of deaths and injuries due to deck collapses that are the result of improper deck construction or attachment to the home.

Industry Issues Looming

Deck experts cite the need for a manufacturer’s trade association to help set standards and code applications for composite materials. “We really need a common way to talk to building code evaluation agencies regarding code approval issues and a clear industry voice would help us do that,” said Mick Whelan, vice president, sales/marketing/product development, Epoch Composite Products, Lamar, Missouri.

Fasteners will likely get more attention in the future. “Over time, as natural wood becomes scarce, there will be more demand for better-looking and longer-lasting composites. We’re gearing up to make sure we have fasteners for all the composites available,” said Eberle.

As contractors demand a more effective fastener that is easier to use, products will evolve. “We’re looking at how the fastener performs with the new preservatives and with composites, we’re focusing on the best way to attach the ledger board,” Gillis added. “The industry said we have to figure out a better and easier way to do it, and we’re responding to that.”

There may be a greater focus on the railing as the focal point of the deck. “What truly differentiates the homeowner’s experience on their deck is the rail,” said Haugan. “We are developing products that embrace the homeowner’s desire to extend their home’s decorating outside. By utilizing various shapes, textures, and compositions we are increasing the freedom people have when designing their outdoor living spaces. People want options.”

Although there’s not much speculation of new wood preservatives in the near future, the current preservatives are not the ultimate product. New products are closer than many realize.

An all organic preservative was tested three years ago in southern California. "It's not futuristic to talk about a preservative with no metals in it. I would expect a new treatment to be on the market within the year. The current copper-based preservatives are going to have several years run, but they aren't going to have the 30 year run that CCA had," DeVenzio pointed out.

The explosion of products that have been developed in response to consumer demands for low maintenance, design options, color choice, and surface style has been a driving force. That will change as the deck is viewed as a whole, rather than looking at each element in a vacuum. "We are going to have to regroup and respond to what happens with code requirements. In the next decade, we've got to focus on the reasonable expectation of the homeowner to enjoy the deck space and not be at risk of injury," added Morse.

Safety issues will continue to be in the forefront, and product testing will continue to be an important component of the deck industry. Testing will include current products and new product development as well as competing products. "We are constantly testing to find the right levels of preservatives so that we can reduce the amount and make our product cheaper. We have more than 50,000 treated wood stakes in the ground all over the world to test different preservatives on different woods in different environments," DeVenzio said. Testing also will become more prevalent around safety issues such as deck connections, causes of deck failures, corrosion resistance, and overall product strength.

The influx of composite decking materials raises the need for consistent standards in the future. "In our industry, we have well established technologies with most warranties and building codes requiring a third party inspection for treated wood," said Fowlie. "The newer plastic composites don't have third party standards or testing to ensure the consumer is getting a product that will perform in the long term. We need consistent codes that are based on performance and testing, not on what the manufacturer is telling the consumer."

Trends on Horizon

"People are going to invest in the outdoor living concept rather than just adding a deck," predicted Whelan. "They will become more aware of composites, and they will want a product that looks good and services their needs. Some products may or may not be able to do that."

There will be more craftsmanship in deck building as consumers demand more than the standard rectangular deck. They will want more levels, fancier railings, and more overhead structures such as pergolas or sunscreens. "Baby boomers are much more health and environmentally conscious, and they will want the deck to be a healthy area that meets their lifestyle. That might mean using naturally durable materials such as Western Red Cedar and incorporating more protection from the sun or an exercise area into the deck," said de Jager.

Deck builders will likely benefit from the continued hectic work schedule and lifestyle of many Americans. "We're starting to see a slight shift away from the do-it-yourself market in favor of the contractor," noted Fowlie. "People are counting on a contractor to get the project done quickly rather than spending their free time weekend after weekend to do it themselves."

To meet that trend, contractors will look for



stronger fasteners, more durable products, and easier installation methods that require less labor. They will expect greater product information and support to help them make a more professional presentation to the homeowner. They will offer deck facelifts that help the homeowner put pride back into the deck.

More contractors will realize the benefit of using deck design software packages. This computer aided design tool will give contractors a competitive advantage as decks grow larger and homeowners demand more creativity in the design. "Without formal architectural skill, they can present something out of the ordinary to the homeowner and give them the options of how the deck might look with those various options," Gilley added.

Most industry experts classify the majority of deck builders as good at their trade. However, they agree that the small percentage of builders who aren't concerned with quality or safety can give the industry a less than stellar reputation. That group doesn't realize the critical nature of properly attaching the ledger to the home or the importance of using the right fastener for a particular product. The successful deck builders will continue to be those who are constantly looking for new information, new ways of doing the job even better, and how they can keep abreast of products, regulations, and codes.

Some suggest offering more and better regional and national continuing education programs through industry associations during the slower winter months. The Western Red Cedar Association focuses much energy on its online training program and is producing a DVD on deck installation, product selection, finishing, and maintenance

Photo courtesy Hickory Dickory Decks



in three languages. Others advocate a registration and licensing system with continuing education credits, much like the American Institute of Architects. "The mechanism to take courses and maintain a current license will help separate the good deck builder from the guy in the truck that just jumps in because the market is hot," said DeVenzio.

Crystal Ball Glows

Looking five to 10 years ahead in the deck industry brings much excitement and anticipation. Many predict few huge differences. Rather, they see a continuation of what the industry has experienced over the past few years. All agree that more decks will be built, they will be larger

with more creative spaces, and more will be built with artificial wood products, although treated wood will continue to be the primary

structural material for all decks. "Decks will become the standard on most homes, with some types of lighting and furniture built into the deck. There will be new maintenance products, with



longer lasting sealers and different types of mold inhibitors. Decking materials will also be available in more colors," predicted Eberle.

"Deck builders need to have as much knowledge as possible about the new products, and they will need to look at those companies that have experts in the field who can assist them," said Gilley. Companies that make this type of investment in educating and supporting the contractor will likely see their share of the market grow. More competition will lead to more aggressive marketing toward the consumer. Messages will help clarify contractor and consumer misperceptions and provide greater product knowledge. This will drive the entire deck category forward.

"We'll be looking at the integration of these innovative deck products into the deck as a whole and their impact on safety. Building a safer deck is not something to be forced on us by governing bodies, it is a goal that is being pursued by our entire industry," said Morse.

Some predict that composites may expand to other applications such as fencing, siding, or roofing. "People will come up with creative ways to combine wood waste with various polymers and develop a usable product that is affordable and performs well," Gilley commented. Those alternate applications may be more prevalent in non-residen-

tial construction.

The deck industry's move toward forming a united front also speaks well for its future. "The deck industry will continue to come together, and we're off to a good start with the new trade association [NADRA], DeckExpo, and this magazine," said Sherstad. "I don't think there will be any big breakthroughs like the ones we've seen with maintenance-free decking. It will be more about perfecting the maintenance-free side of our industry."

"Anything that lowers the cost of material or installation will be tested, although deck materials and building procedures will change little," said Camp, adding that producers will respond to changing consumer demands.

Those consumer demands will be hard to predict and even harder to meet. Yet, the professional deck builder who is constantly monitoring products, trends, and research will be well positioned to meet and even exceed those demands in an industry that has a very bright forecast in its future. ■

About the Author

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