

PVC and Capstocks Compete With Composites

In its report *Residential Decking and Railing, 2011*, Philadelphia-based Principia Partners predicts that decking and railing product sales will increase an average of 8 percent a year through 2013, as measured in dollars and based on manufacturer prices. Principia found that industry numbers rose only “slightly” in 2010 over 2009, but are on track to increase by more than 5 percent in 2011, to \$3.4 billion, thanks in part to improving sales of PVC and capstocks.

The projected increase in dollar volume does not correspond to an 8 percent annual increase in the number of decks that will be built. Rather, much of the increase is anticipated to come from rising prices for plastic-based products and a shift in market share toward more expensive products.

That shift has already begun. Capped composites and PVC decking, both of which cost more than noncapped composites, are increasingly popular with consumers. From 2009 to 2010, capstock sales increased by almost 600 percent, noted Steve Van Kouteren of Principia Partners in connection with the report, and new variegated darker hues bumped sales of PVC decking up by almost 40 percent. For the same period, sales of noncapped composite decking decreased by 25 percent. The result is that capstocks and PVC now make up about 45 percent of the synthetic decking market, compared with 15 percent in 2008.

TimberTech’s senior vice president of sales and marketing, Kevin Brennan, told *PDB* that darker colors have indeed been selling well: “In the cellular-PVC products, consumers and deck builders alike are responding very positively to the darker and variegated products. Just this spring, we came out with our latest entrants: walnut grove and harbor stone. Harvest bronze is our most popular color right now, but we anticipate the newest colors will be quickly challenging that.”

Comparing sales of TimberTech’s capstocks with sales of its PVC products, Brennan said, “PVC is still more popular due to the fact that the capped composites have only recently become available and not everyone is fully informed of the differences and benefits they present. Capped composites will definitely start to take their place as one of the, if not the, top-selling products.”

Principia’s report also points to consolidation in the industry: Just four suppliers, Azek, Fiberon, TimberTech, and Trex, together command more than 75 percent of the synthetic decking market. — *Laurie Elden*

Close Call for Copper Naphthenate

Many deck builders use copper naphthenate to protect the cut ends of pressure-treated wood because the treating chemicals often don’t penetrate all the way through the lumber, especially in incised Western species. On March 23, global chemical supplier Merichem sent a few ripples through the industry when it announced it was getting out of the copper naphthenate business.

For a short time, it was uncertain whether the U.S. end-cut market would have a source for the chemical, as an EPA Data Call-In meant that producers would need to conduct expensive studies to provide the EPA with the required information.

Then on June 16, Rockford, Tenn.-based Nisus Corporation announced that it had worked with the EPA to meet the agency’s requirements, and that it was taking on production of copper naphthenate. According to a company statement, “EPA management has indicated they will process the Nisus applications expeditiously so that there is not an interruption in the supply of copper naphthenate.” — *L.E.*

OSHA Fall-Protection Regs Postponed

On June 9, OSHA announced that rather than requiring residential builders and subcontractors to comply with its new fall-protection directive by the target date of June 16, the agency would offer a three-month phase-in period. Thus through September 15, OSHA will issue “hazard alert letters” instead of citations, as long as the employer is at least in compliance with the old directive.

Fall protection is generally required by OSHA when workers are 6 feet or more above lower levels. In the past, residential builders were allowed to use alternative methods of fall protection (slide guards or safety monitor systems) in place of the required guardrails, safety nets, or personal fall arrest systems. Now in order to use alternative methods, builders have to prove that conventional fall protection is “infeasible” or creates a “greater hazard” and write up a site-specific fall-protection plan.

For more information and specific details, go to osha.gov/doc/residential_fall_protection.html. — *L.E.*

Still Waiting for Home Buyers to Show Up

The annual *State of the Nation's Housing* report has just been released by the Joint Center for Housing Studies (JCHS) of Harvard University (www.jchs.harvard.edu), and unfortunately but not surprisingly, it reads a lot like last year's. The authors write that the housing recovery continues to be hampered by record-level inventories of foreclosed properties, high unemployment, strict loan requirements, low consumer confidence, and a large number of homeowners who bought when prices were high and have been losing equity as prices continue to drop.

On the supply side of the economics equation, foreclosures have been looming large, though according to the Mortgage Bankers Association, foreclosure rates are down somewhat this year and the number of seriously delinquent loans has come down as well.

Still, there are a large number of properties that have already been through the foreclosure process but remain unsold, according to a report released in June by RealtyTrac, an online marketplace for foreclosure properties. James J. Saccacio, chief executive officer of the company, said, "While the inventory of properties in the foreclosure process has declined steadily over the past six months — thanks in large part to 16 consecutive months of year-over-year declines in new default notices — the inventory of unsold bank-owned REOs [real estate owned by a lender] increased in April and May."

Foreclosed properties have not only inflated the supply of homes for sale, they're also often sold at a discount, both of which have been helping to push down prices, especially in states like Florida, Arizona, and Nevada. Falling prices are making homes more affordable, along with historically low mortgage interest rates, but the demand isn't there to take advantage of them.

May's housing numbers bear this out. The inventory of new homes hit a record low in May and not because of fire-hot sales — the current sales pace is so slow, it would still take about six months to clear the supply. If demand were to pick up, though, we'd quickly face a shortage of new housing. May's existing-home sales numbers also continued to be weak, with inventory at about a nine-month supply at the current sales rate.

It's this lack of demand that the JCHS authors see as the main challenge to recovery.

So-called "trade-up demand" is stunted by homeowners being stuck in homes with negative equity, which means

they don't have the resources to sell their current home and buy another. Foreclosures and short sales have damaged the credit ratings of other potential homebuyers. The authors point to first-time home buyers as "key to a strong recovery," but suggest that some are waiting to see if prices drop further, and that many others who want to buy can't because they don't meet ramped up income, downpayment, or credit-score loan requirements. Also keeping many out of the home-buying market is stubbornly high unemployment (9.1 percent in early June) and sluggish job creation. That has driven young adults to live at home with parents rather than form separate households, and the report soberly notes that "regaining the jobs lost during the recession will take at least five years in most areas."

Looking forward, the JCHS authors point to a couple of factors in housing's favor. One is simply that even as home sales sputter, population keeps growing, creating pent-up demand. Another is that old housing stock will continue to be retired, helping to keep a lid on supply. (In fact, Bob Nielsen, chairman of the NAHB and a home builder from Reno, Nev., noted in June that "housing production continues to bounce along the bottom near historic lows, and is only running at a level necessary to replace dilapidated or destroyed units.") Also, when foreclosed and neglected housing stock finally does find buyers, deferred maintenance may help fuel a recovery in the remodeling industry. — L.E.

Most warranties offered by decking manufacturers cover defective material but specifically exclude the labor required to remove and replace it. Since the cost of the labor can easily exceed the cost of the decking, this exclusion has irked many homeowners and not a small number of deck builders who have given away valuable time to correct problems not of their making. In June, Guardian Building Products took a step toward reducing that financial frustration and announced that it is now offering a 10-year labor warranty on GuarDeck Prestige composite decking products used in residential projects. GAF (DuraLife decking) and Tamko Building Products (EverGrain decking) are two other companies that extend warranty coverage to labor (though for five years). Could this be the beginning of a trend?