



# FOCAL POINT: CHINA EDITION

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## USCB LEADS 3RD ANNUAL CHINA SEMINAR SERIES AND SALES MISSION TO CHINA

**D**uring the week of September 13, US-China Build, with sponsorship from the Evergreen Building Products Association and the American Forest & Paper Association, will hold its third annual US Housing & Building Materials seminar series and sales mission. Geared toward Chinese developers and architects, the seminars offer a mix of technical information about using US building materials and construction methods and company specific presentations. Energy efficiency is a theme of this year's seminars. Mini-trade shows featuring products discussed by the participating US firms accompany each of the seminars.



The US Housing & Building Materials Seminars feature technical and product information and product displays

*(Housing & Building Materials Sales Mission continued on page 3)*

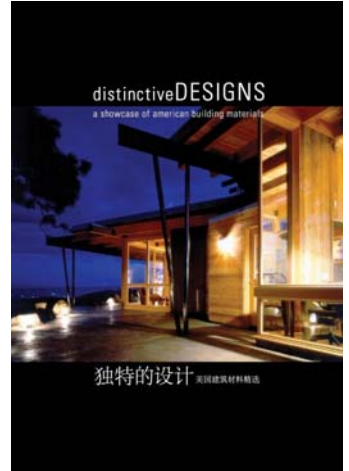
## US-CHINA BUILD PROGRAM

The US-China Build Program (USCB) was developed by Evergreen Building Products Association and the American Forest & Paper Association, with federal support from the US Dept. of Commerce Market Development Cooperator Program and USDA Foreign Agricultural Service, to promote exports of US building products and services to China's residential and light commercial construction market. USCB offices in the Pacific Northwest and Shanghai are available to assist US companies. For more information about how your company can participate in USCB and opportunities available to US exporters in China's housing market, contact Rose Braden at (206) 543-0700 or rbraden@uschinabuild.org.



## "DISTINCTIVE DESIGNS" BOOK RELEASED IN CHINA

**C**oinciding with the September sales mission to China, US-China Build released "Distinctive Designs – A Showcase of American Building Materials" in China. Produced with funds from The American Forest & Paper Association, APA-The Engineered Wood Association, The American Hardwood Export Council, The Softwood Export Council, and The Southern Pine Council, the book, features concepts and design ideas for use in residential and commercial construction projects in China. Intended to provide designers and end-users with ideas about how to integrate wood and non-wood U.S. building materials into projects in China, the full-color Chinese-English book highlights the design flexibility of U.S. made building materials in this showcase of innovative uses design in residential construction, auditoriums, libraries, museums, bridges, and interiors.



Most of the more than 50 projects featured in the book are less than 10 years old and have been built in a variety of countries and climates, with a diverse range of end-uses and material combinations. Descriptions that accompany each of projects highlight the key design goal and explain interesting features and materials used. Artfully designed project profiles also include project photos and floor plans. The projects selected show a wide range of American building materials and design styles used in

*(Distinctive Designs continued on page 4)*

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## Advice for Exporters: Lessons Learned from the US-China Build Research & Business Development Mission

*By Rose Braden, US-China Build and Charlie Barnes, APA-The Engineered Wood Association*

In May, US-China Build and twelve US building products suppliers spent a week in Shanghai meeting with Chinese developers and distributors, representatives from retail home centers, and US and Chinese government officials to learn about market trends and distribution channels for building materials, and to get advice about methods for selling products in China. These experts generously shared information about consumer preferences, how they source building materials, and issues that affect their businesses. They also advised the group about how to select a local distributor and ensure that the distributor diligently represents their product. While many lessons were learned, some prominent points taken away from the trip, including:

### **As demand for housing intensifies, developers are differentiating their projects with higher quality, Energy Efficient, and “Green” Building Materials**

The average living space per person in Shanghai is only about 50 square feet, lending to great pent up demand for housing. This is in addition to demand from speculators who have been buying up properties as investments and seeing their investments double or triple in value in a very short period of time. At the same time, developers are quickly replacing older housing with high-rise condominiums and expanding into the suburbs of Shanghai with single and multi-family developments. According to latest official figures, China's average commercial housing prices grew to US\$329 (RMB 2,701) per square meter during the first half of this year, up 11.6 percent over the same period of last year. According to the National Bureau of Statistics, a total of 110 million square meters of marketable housing units were sold during the first half of this year in China, up 26.3 percent. Sales revenues totaled 294.7 billion yuan (US\$35.9 billion), up 40.9 percent. By the end of June, commercial housing vacancy stood at 96.97 million square meters, up 0.2 percent.

As competition increases, developers are attempting to differentiate their projects by using higher quality finish materials, and energy efficient and green building materials. While a small percentage of the products used in these new projects are imported, the minimum standard is increasing and more upper income consumers are becoming aware of and are demanding imported kitchen cabinets, appliances, bathroom fixtures, and other products that they either see in the media or become familiar with as they work and travel overseas.

Energy efficiency has also become a central concern for the government, which is putting increased pres-

sure on developers and consumers to use energy efficient products and practices. Energy shortages throughout China are affecting the country's construction industry and its consumers and will lead to greater energy shortages if not addressed. China's minister of construction said energy consumption of buildings in China is double or triple that of developed countries of comparable climate. Experts estimate that if new buildings and existing buildings in China all conform to advanced energy conservation standards by 2020, their energy consumption would drop by an equivalent of 335 million tons of standard coal per year, compared with doing nothing at all. That is about one fifth of China's annual energy consumption. Some of China's largest cities are taking a role in encouraging the construction of energy efficient buildings. The Shanghai government now mandates that design and construction of new residential buildings and public buildings must comply with energy conservation standards as of 2006.

### **China's government is enacting policies to stabilize home prices and minimize the negative impacts of the housing boom**

Shanghai's government is also adopting policies to stabilize housing prices (current average housing prices are RMB 6,000 per square meter) and minimize negative impacts of the current housing boom. This includes disallowing farmland to be converted into housing developments and slowing the pace of approvals of permits in central urban areas. Developers and home owners are facing issues such as water infiltration, condensation, problems with plumbing, interior finishes and foundations, as well as noise, garbage, and security issues created when unfinished condominium units are finished by contractors. The Shanghai government has a number of projects underway to promote usage of sloped roofs to facilitate run-off/decrease roof leakage, to specify windows with better energy efficiency, and efforts to phase out the use of clay brick in construction.

### **The Phase out of “Shell” Homes will change the structure of China's distribution system and improve the quality the housing stock**

Demand for finished housing is outpacing supply. Currently, most housing is purchased as a shell with the homeowner responsible for contracting firms to install flooring, wall coverings, fixtures and appliances. However, faced with consumer complaints, poor business practices among a number of firms, and an unregulated industry, the government is mandating that finished condominiums be phased in. Response to finished housing has been huge and “finished residential construction” is expected to reach 247 million square feet (23 million square meters) in 2004, up 29 percent compared to last year, at a total investment of US\$7.9 to 8.5 billion (65 billion to 70 billion RMB). The phase out of unfinished or “shell” housing may have a large impact on the US\$2.4 billion (RMB 20 billion) (2003) to US\$3 billion (RMB 25 billion) (2004) interior finishing market. Unlike the current system, individual own-

*(Lessons Learned, continued from page 2)*

ers contract directly with small firms to finish their units. These small firms, in turn, purchase small amounts of materials from small distributors. Under the new system of providing finished dwellings upon building completion, developers will be responsible for including interior design. They will also be responsible for procuring building materials. Because of their scale, they may be able to centrally purchase building materials, reducing the number of intermediaries and lowering their costs. This, in turn, could have a large impact on the current building materials distribution system. According to the purchasing manager for OBI, a German-based home center retailer with nine stores throughout China, suppliers are severely cutting into home center sales, a segment aimed at the low- and middle- income consumer, because they focus on direct sales to developers for finished properties.

**Consistent contact and required deliverables are keys to ensure distributors diligently represent your company's products**

Another important segment of the building materials market is distributors. According to the distributors the US-China Build group met, most of their time is spent educating customers. Good distributors focus on three activities: 1) conducting market research on comparable products, prices, and competing manufacturers; 2) promoting products through ads and trade shows and 3) executing promotional and educational seminars. By developing expertise that they can use to educate their customers, the distributors make themselves an invaluable part of the design and construction process. In one case a company was able to leverage its knowledge about China's new wood frame building code and design of wood frame buildings to become recognized by architects as a leader in the field. This expertise has, in turn, helped them supply projects and develop a close working relationship with Chinese architects.

Several of the firms stressed that it is risky for foreign companies to sell directly into China and that it is also difficult due to large, yet very fragmented markets. A local distributor can play a crucial role on behalf of U.S. manufacturers to create demand for products and a distribution network to market them.

Foreign firms should be careful to research the credibility of a potential distributor and diligent in their follow up work as they continue to work with distributors in export markets. One firm interviewed requires all new distributors to contact all design companies in their area, bring in six new contacts per day, and determine which designers are the most suitable for the company's portfolio of products. The company requires their local distributors to continue to show sales results after their introductory period and works with them to conduct seminars in their local areas. A distributor cannot be viewed as a firm that will, unchecked, represent your product.

*(Sales Mission continued from page 1)*

Twelve US suppliers of building materials will be participating in the seminars held in Shanghai, Ningbo, and Beijing. The companies represent products ranging from windows to insulation, to wood and non-wood building materials.

**Mission Participants**

<b>Company</b>	<b>Product</b>
Hurd Millwork Co. Inc.	Windows
Weather Shield Windows	Windows
Marvin Windows	Windows
CGI Silvercote	Fiberglass Insulation
Boise Cascade	Lumber
HMI Worldwide	Cellulose Insulation
LightConcrete	Lightweight Concrete
North Pacific Lumber	Lumber Wholesaler
Vanport International	Lumber Wholesaler
Tominaga Group	Exterior Coatings
APA-The Engineered Wood Association	Trade Association

Over 400 Chinese construction professionals are expected at the seminars, in keeping with last year's attendance numbers. For more information about this mission and other USCB promotion activities in China, contact Rose Braden.

**Trade Mission Schedule**

- Arrive in Shanghai: September 12
- Shanghai Seminar & Mini-Trade Show: September 13
- Ningbo & Mini-Trade Show: September 15
- Beijing Seminar & Mini-Trade Show: September 17

**Results from the 2003 Sales Mission:**

- Six companies reported a combined projected 12 month sales from the 2003 sales mission to be \$1.6 million.
- As of March 2003 one participant reported \$480,000 in sales as a result of their participation in the mission.
- 430 Developers, architects, and construction professionals attended the three seminars and mini-trade shows.
- 91% of the audience survey respondents rated the seminar as good or excellent.

(Distinctive Designs continued from page 1)

ways to suit local, or sometimes historic, contexts. These projects and uses include:

- Wood and non-wood hybrid structural systems
- Single- and multi-family residences in contemporary, eclectic and traditional designs
- Wood building materials used in public buildings, bridges and outdoor projects
- Finish materials and products for interior applications

The book is designed as an educational tool in China, but could also be used by American firms to demonstrate the variety of ways that



their products could be used. Copies of the book will be distributed at the USCB September 13-17 Seminars in Shanghai, Ningbo, and Beijing and will be available through the US-China Build Offices in Shanghai and the US. The cost per book in the US will be \$15 to cover shipping and handling.

### GUANGZHOU WINS BID FOR 2010 ASIAN GAMES

On July 1, the Executive Committee of the 42nd Asian Games Executive Committee awarded the 2010 Asian Games to the city of Guangzhou, China. The proposed date of the 42<sup>nd</sup> Asian Games is November 12-27, 2010.

To accommodate the games, the city of Guangzhou will use 44 sports competition venues and 44 training facilities, with will include construction of 10 new venues.

The renovation will follow the Beijing Olympic venue standards, and will be carried out under the supervision of the Asian Games Committee. The almost 300 acre athletes' village, which will be located within 30 minutes of most of the competition sites, will accommodate 10,000 athletes and officials. The cost of the new construction and renovation work needed to accommodate the Games, such as the Asian Games Village, is expected to reach US\$1.2 billion, which will be generated by public and private sources..

(Source: CSII Focus Newsletter Issue # 7 register via: <http://newsletter.csiibeijing.com>)

## GATEWAY WELCOMES FOUR ASIAN DELEGATIONS

On August 30, Evergreen Building Products Association (EBPA) and the US-China Build Program welcomed delegations of developers and building materials professionals from China, Taiwan, Japan, and Korea to the Seattle area for site visits, seminars, and a mini-trade show featuring the companies who are members of the EBPA.

The groups participated in tours ranging in length from 2-5 days that were tailored to their specific interests. Shanghai CIIC International Business Co., a quasi-government organization that encourages international information exchange organized a group of developers and building materials manufacturers to attend Gateway. The group learned about how the design, land use planning, and marketing of master planned communities through meetings with the City of Issaquah's



The delegation from China poses during a visit to Talus, a master planned community near Seattle.

land planning division, a seminar with Roger Williams, president of Roger Williams Architecture, Design, and Photography, spoke with the group about design considerations for various climates and the process developers to through to determine the housing makeup of a development. The group also toured Talus, a master planned community under development where they toured finished homes and homes in the framing stage to learn about wood frame technology.



The delegation from Taiwan visited the Beaverton Library, a model of innovative design with glulams structural members.

The Gateway program also hosted a delegation of 14 from Taiwan for a week-long tour focusing on green building practices and materials and glulam building materials. The group visited an environmental building materials training center, manufacturers, and the REI flagship store and Beaverton, Oregon city library, award winning designs that used green building ma-

(Gateway Tour continued on page 6)

## Modern Kitchen Trends in Chengdu

By Jane Zhang— Hong Kong Trade Development Council

*Chengdu, the capital of Sichuan in southwestern China, is one of China's fastest growing and increasingly affluent cities. Designated by the government in 1993 as a regional center of science and technology, the city is also a regional leader in commerce, trade and finance, and is a hub of transportation and communications for southwest China. In 1997, the city's GDP reached 101 billion yuan (US \$12 billion), double the GDP in 1980.*

*Chengdu's educated and increasingly affluent population, drawn to the areas science and technology sectors, is demanding higher quality housing and interior décor.*



Besides satisfying people's culinary needs, the modern kitchen is also a statement of personal style and preference. According to local home furnishing and kitchen cabinet companies, most property owners in Chengdu spend about 30% of their total home decorating expenses on the kitchen.

Kitchens in households in Chengdu are generally not large, constituting approximately 10% of the total floor area typical units. When designing kitchen cabinets for their clients, professional kitchen cabinet companies try to maximize available space and take the personal needs and preferences of owners into consideration in the choice of styles and colors.

Simplicity and convenience are the key words in design, and care is taken to highlight personality, as required by the client. Catering to the needs of young property owners who aspire to a more "open plan" lifestyle, about 30% of commodity housing units in Chengdu have open kitchen designs. The absence of partitioning between the sitting room, dining room and kitchen makes the apartment look more spacious. This is especially true for smaller units. However, most Chengdu residents still stick to their old lifestyle, and their kitchen is enclosed to isolate fumes and oil from the rest of the house.

Most property owners prefer soft colors for their kitchens, such as light-colored wall and floor tiles or a few patterned tiles. Glass mosaics with their attractive visual impact are also very popular among young people. The trendy set prefers colors of greater contrast.

Cabinets are the focal point of most kitchens. Cabinets with light-colored man-made stone countertops and water-proof panels of various colors dominate the market, but stainless steel products have become increasingly popular among young people in recent years.

Prices differ greatly according to brand and the quality of countertops. For example, upmarket kitchen cabinets of different foreign brands, such as Alno, Nobilia and Panasonic, are priced at hundreds of dollars per foot.

Mid-range kitchen cabinets by Haier, Toten Boga and other brands mostly come from Shanghai and Guangdong. There are also a few local brands in the market, such as Yiyou and Bainianhao, which are priced at around Rmb1,000 per metre (US\$37 per foot). Salaried workers prefer local brands priced at around Rmb700 per metre (US\$26 per foot).



Kitchens in China typically represent only 10% of the total floor area, thus residents look for compact fixtures and appliances

Faucets and handles are indispensable hardware for kitchen decoration. Ordinary and high-end hardware differs substantially not only in price but also in appearance and quality. However, as market feedback suggests, medium-to-low end products still account for the bulk of sales.

There are more than 300 kitchen cabinet manufacturers in Chengdu, but only 10% of them are makers of mid- to high-end goods. Most companies have poor design and manufacturing standards. The market share of mid-range to high-end products is bound to steadily grow, as living standards improve, so providing ample opportunities for well-informed Hong Kong manufacturers expert in design requirements.