

By James E. Houck

We can't foresee the future; we can only look at the past to project what the future might be.

The Future of Fireplaces

Fireplace sales are down – way down. This is surely no surprise to anyone in the business, and no one should debate how critical the future of fireplace sales is to the health of the hearth industry. What's particularly troublesome is that, not only have the direct sales of new factory-built wood and gas fireplaces traditionally been a considerable part of the hearth industry, but many other fireplace-related businesses are affected.

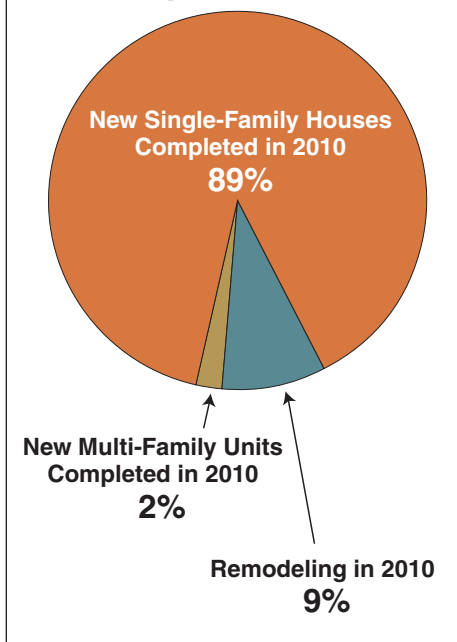
They depend either directly on the demand for new fireplaces, or indirectly through new fireplace sales keeping a robust number of fireplaces in homes which in turn support long-term sales of other hearth products and services.

We don't have a crystal ball nor have we employed a psychic, but we can offer some insight on the range of new sales that can reasonably be expected based on recent trends.

Single-Family Houses

They say for the success of a restaurant what's important is location, location, location. The analogous mantra for fireplace-related businesses should be: single-family housing starts, single-family housing starts, single-family housing starts. Yes, there are some new fireplaces installed during remodeling, and some are installed in new multi-family units, but U.S. Census Bureau data and HPBA's consumer surveys have shown unequivocally that single-family housing is where it's at. For example, in 2010, 89 percent of fireplaces went into new single-family houses that were completed.

2010 Fireplace Market



The Trend

Again U.S. Census Bureau data tell the story. In the last two decades there was a steady rise in new single-family houses completed, until 2006 when it plummeted. (Housing starts peaked in 2005 with the number of houses completed lagging a year.) In 2006 the highest number of new single-family houses was completed in any given year in the two decades between 1991 and 2010.

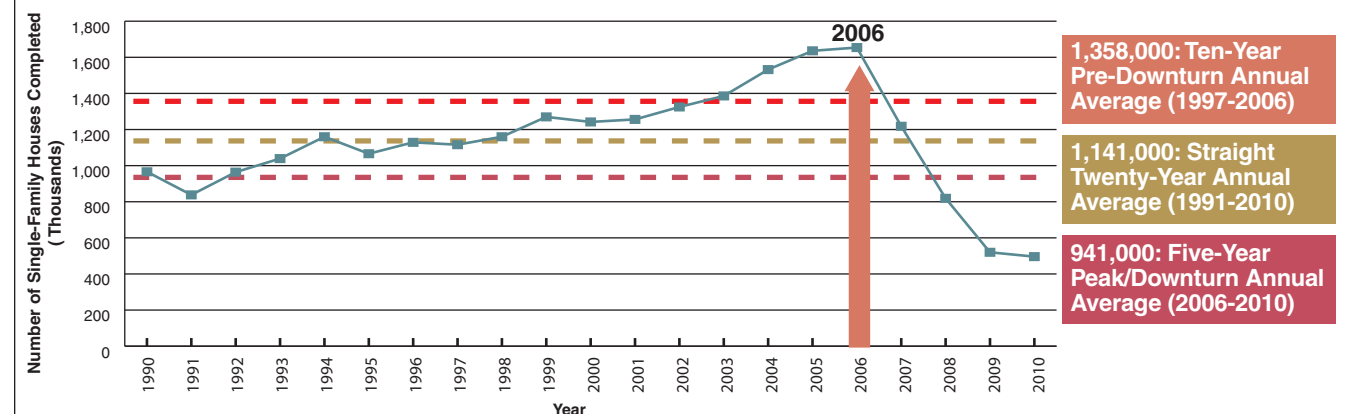
A total of 1,654,000 new single-family houses were completed in 2006. In contrast, the lowest number of new single-family houses was completed in 2010 – 496,000. Not surprisingly, the number of new fireplaces followed the trend of new housing construction, although the peak was very slightly higher in 2005 than 2006, probably due to fireplace sales being more closely related to housing starts than houses completed. As with the number of sin-

gle-family houses completed, the lowest number of fireplaces was in 2010.

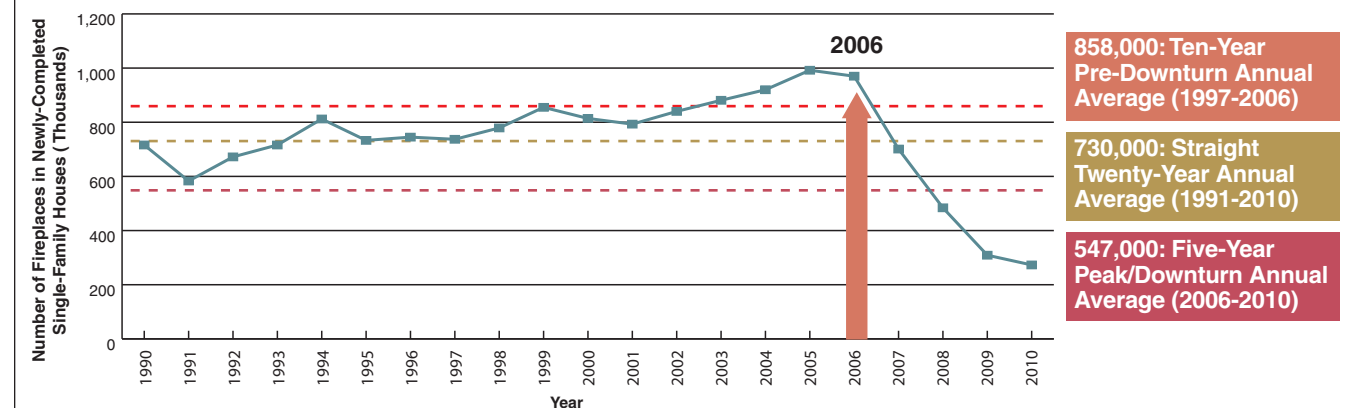
The Players

Sometimes it's easy to forget that it's not just the manufacturers, distributors and retailers of wood and gas fireplaces who are impacted by the number of new single-family houses constructed. A host of fireplace-related products with their infrastructure of manufacturing and sales networks are also tied to that trend.

Annual Single-Family Houses Completed



Annual Number of Fireplaces in Single-Family Houses Completed



At the peak in 2005 there were 992,000 fireplaces installed in new single-family houses. In 2010 it had fallen to 273,000.

So what does the future hold? Of course, any one who could say with certainty what the state of the future economy will be would be very rich and working on Wall Street not in the hearth industry, but looking at some averages we can bracket what can be expected.

Again, at the peak in 2005 there were 992,000 fireplaces put into new-single-family houses. The 10-year housing pre-downturn average (1997-2006) was 858,000 fireplaces annually. So if you're an optimist and believe the economy will rebound to the way it once was, then you would expect somewhere between 850,000 on average and one million, at best, fireplaces per year to be installed in new housing sometime in the future.

In contrast, again, at the lowest point in 2010 there were 273,000 fireplaces put into new-single family houses, and the five-year post-peak average (2006-2010) was 547,000 fireplaces. So, if you are a pessimist and you believe the economy will stay in the doldrums, you might expect somewhere between 250,000 at the worst and 550,000 on average new fireplaces per year in the near future.

Finally, the straight 20-year average (1991-2010) was 730,000 fireplaces annually. If you believe that, over the long-term, things will average out, then that would be the number you would expect.

A final note: These numbers represent the sum of fireplaces of all kinds, i.e., gas, electric, wood, site-built, factory-built, vent-free and even, probably, a small number of "EPA" fireplaces.

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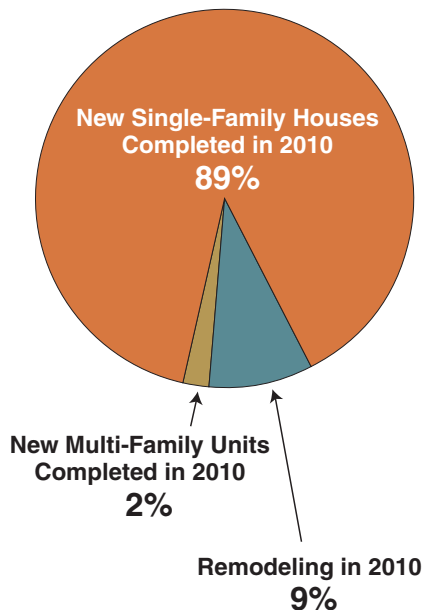
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For example, as sales of fireplaces go, so go sales of venting systems, dampers, chimney caps, glass doors, decorative/protective screens, fireplace toolsets, grates, andirons, mantels, bellows, wood racks/baskets, etc.

It has also been estimated that about 20 percent of cordwood fireplaces are site-built units in contrast to factory-built units. Therefore masons and the suppliers of materials for site-built fireplaces are also in the fray, as are manufacturers and merchants associated with gas log sets (both for unvented fireboxes and for installation into existing cordwood fireplaces), electric fire-

places, newly emerging low-emission fireplace retrofit devices, and heater-type fireplace inserts (cordwood-, propane-, natural gas-, pellet-, electric- and coal-fueled).

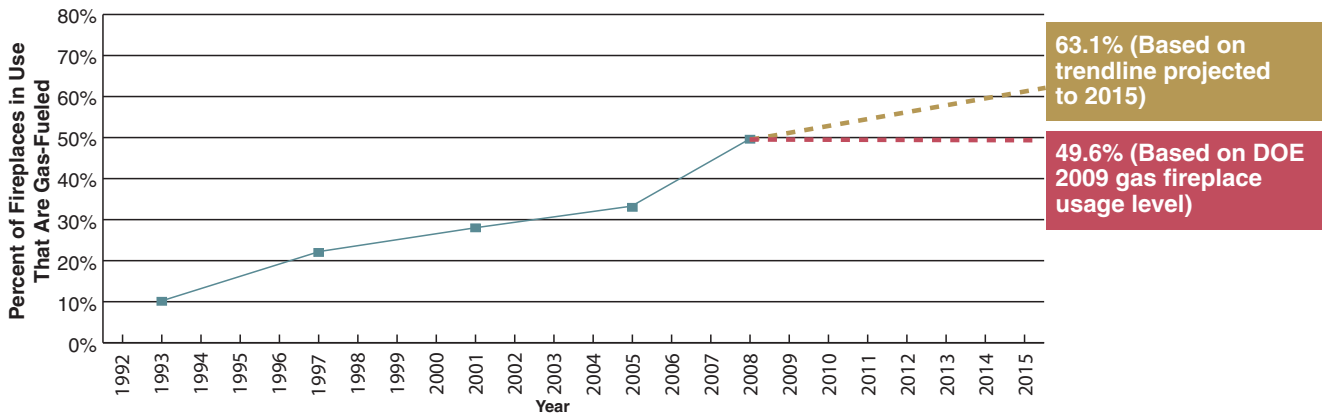
Let's not forget wood dealers, wood/wax firelog manufacturers and their retail outlets, propane suppliers, safety and emission testing laboratories, chimney sweeps and HPBA itself. Many of these interests may not be related to the initial installation of a fireplace, but their success is subject to having a large population of functioning fireplaces in homes maintained by continued fireplace sales.

Gas Fireplaces

When reviewing trends in the effort to predict the future of fireplaces, the increase in the percentage of fireplaces that is gas-fueled compared to cordwood is striking. In the last two decades it has gone from less than 10 percent gas-fueled to about 50 percent now. The increase is due to both the increased sales of new gas fireplaces and the retrofit of existing cordwood fireplaces with gas log sets.

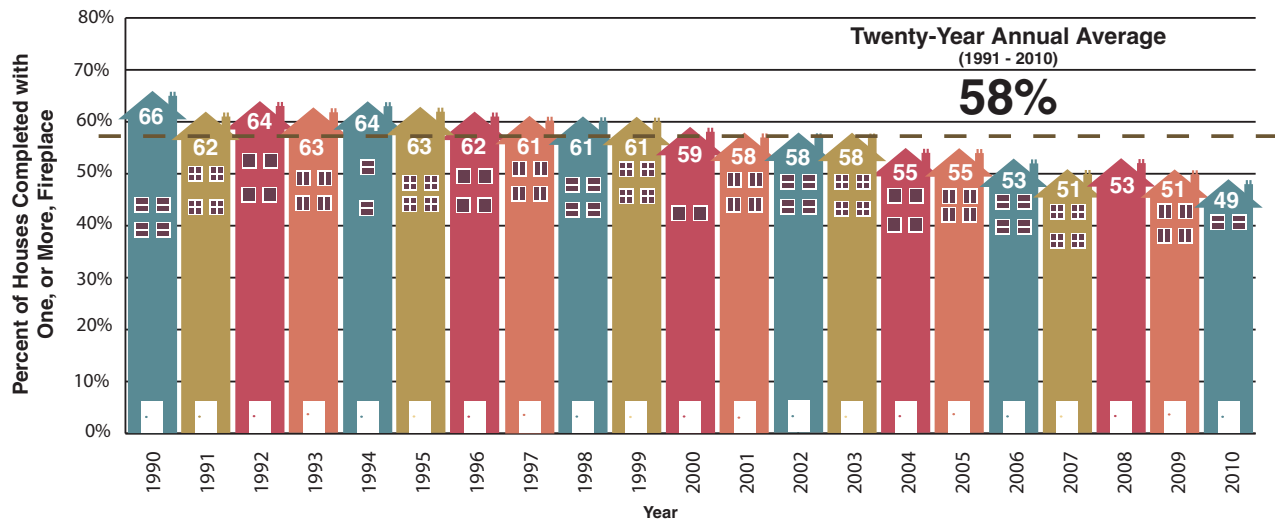
The HPBA 2010 Consumer Survey also reports that six percent of fireplaces are now electric. If the trends hold, the traditional wood-burning fireplace

Possible Future Scenarios - Percent of Fireplaces That Are Gas-Fueled



If the increasing trend in the percentage of fireplaces that are gas-fueled is maintained, 63.1 percent of fireplaces will be gas-fueled in 2015. If the status quo is maintained, the number will be 49.6 percent. It's possible that the impact of the DOE rule may slow or even reverse the increase in gas units.

Houses Completed With One, or More, Fireplace



Much Ado About Nothing

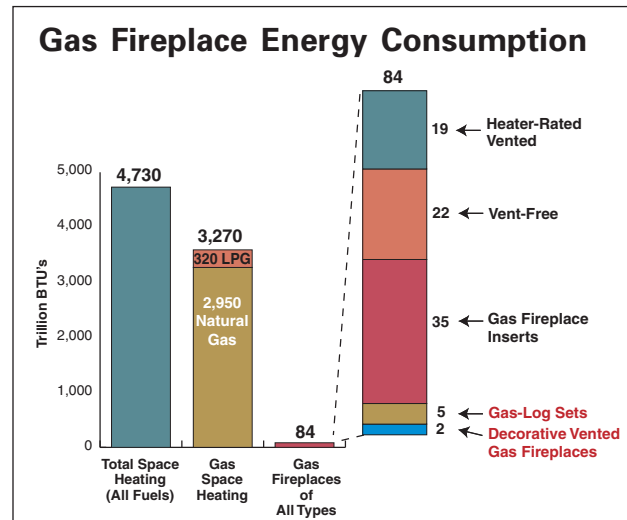
Most readers have heard about the DOE's rule and its potential impact on decorative vented gas fireplaces and perhaps gas log sets as well. The rule's purpose is energy conservation. Using very sound data, it can be shown that decorative vented gas fireplaces use only 0.06 percent of the total gas used for residential space heating in the U.S., and gas log sets use about 0.15 percent – together that's 0.21 percent.

Now, if somehow successful, the DOE rule would not do away with all that energy, but would only increase average efficiency by maybe 20 percent. The energy at stake then becomes about (20% of 0.21%) = 0.042% of the total amount of gas energy used for residential space heating.

Further, the DOE rule would only apply to new units, and HPBA's 2010 Consumer Survey found that the average age of a gas fireplace is 11 years; so it would take quite a while to get the full 0.042% gas savings as the old fireplaces wear out and are replaced by new ones. By the way, arguably the average lifetime of a gas fireplace is more than 11 years as that age reflects not only attrition but the fact that gas fireplaces are relatively new to the scene and most of them in use now are just simply new.

The unrealistic efficiency requirements of the DOE rule may severely reduce the number of decorative vented gas fireplaces and gas log sets available, or may even effectively do away with them completely. History has shown that consumer demand for the aesthetics and warmth of a fireplace is unlikely to disappear, suggesting that solid fuel fireplaces, electric fireplaces, or the inappropriate use of heater-rated gas fireplaces will fill the void – all using roughly equivalent or even more energy than a typical decorative vented gas fireplace or a gas log set.

All this is at the very time when the industry that will be impacted by the rule is reeling from the downturn in the economy and, more specifically, the attendant downturn in housing starts. Manufacturers, distributors and retailers alike may suffer. Not stimulation of the economy or conservation of energy appears to be the likely outcome of the DOE rule – quite the opposite. Development, promulgation, application, enforcement and litigation associated with the rule undoubtedly have and will cost a lot of taxpayers' dollars. Too bad Sen. William Proxmire (D-WI) with his Golden Fleece Awards for wasteful government spending is no longer with us. We could certainly nominate a certain government agency as this year's recipient.



Comparison of Energy Consumption by Decorative Vented Gas Fireplaces with Energy Consumption from Residential Space Heating and by Other Gas Fireplace Categories – 2005.

will continue to become less common. However, there is a wildcard here – about 73 percent of all gas fireplaces sold (2009 data) are vented and about 70 percent of those, according to manufacturers, are decorative units.

So about 51 percent (70% of 73%) of all gas fireplaces sold were decorative vented units. The Department of Energy's (DOE) rule promulgated in April 2010, which is being vigorously challenged by HPBA, may effectively ban decorative gas fireplaces and may have an impact on gas log sets as well. (See the *HPBA Journal* in *Hearth & Home*, December, 2011, for a detailed update.) If the DOE's rule prevails, the growth in gas fireplaces relative to cordwood fireplaces may slow or even reverse.

The Future

Although down slightly, the percentage of new homes with one or more fireplaces has remained high throughout the

current economic downturn. It has averaged 58 percent in the last two decades, with highs at the mid-60 percent level, now down to just under 50 percent. Traditionally, lower value homes have had fewer fireplaces and, with the economic downturn, a lower percentage of upscale homes have been built, which is more likely the cause of the modest decrease in new homes with fireplaces than consumer preference.

While housing starts are now down, U.S. population growth continues. Between the period of July 1, 2005 (about the time of the start of the housing downturn) and July 1, 2011, the U.S. population has increased by over 16 million. One must assume that at some time in the future housing starts will catch up with the population increase. Considered in light of a National Association of Homebuilders (NAHB) study of a few years go that showed fireplaces are the third most popular household amenity after a two car garage and air condition-

ing, smart money would predict fireplace sales will pick up again. Of course, the million dollar question is how much and when?

Footnote

The author would like to acknowledge *Hearth, Patio & Barbecue Association* sponsorship of research to document the negligible future air quality emissions from new wood fireplaces for consideration by the U.S. EPA as part of their *New Source Performance Standards (NSPS)* review. Information obtained through that research has been used in part in preparation of this article.

About the Author

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