Growth Strategy for Rapidly Growing Repainting Market in China

1. Growth opportunities and potentiality of repainting market in China

China’s property market has entered the era of stock housing. Under the influence of the “Domestic Non Speculate” policy, China’s Property Market has plateaued. In 2021, China’s property development investment made up 22.2% of total fixed asset investment, down by two percent points from 2020. In terms of construction scale, from 2005 to 2015, Compound Annual Growth Rate (CAGR) of property development investment was 28.8%, CAGR of project commencement was 8.5%, CAGR of housing transaction was 8.8%, and CAGR of project completion was 6.6%. From 2016 to 2021, these 4 indicators dropped respectively to 7.5%, 3.5%, 2.7% and 4.9%. It is estimated that in the next two decades, annual transaction volume of new property will drop to below 11B mt, down 40% from its current level.

Sustained policy control has led to a decline of new property transaction volume, and consequently increasing the proportion of stock housing gradually in the property market. It is estimated that stock property housing will reach 15M units by 2023, and 41M units by 2033. As a key indicator of the arrival of stock housing era, since 2015, Resale Housing has made up over 40% of China’s total housing transactions. In 2021, Resale Housing transactions was 41% of the total transaction.

China’s Tier 3 cities has crossed over into Era of Stock Housing, Beijing’s resale housing transactions are close to 70% of total property transactions, while in Shanghai it stands at 60%, while in Hangzhou and Guangzhou they are at approximately 50%. For Tier 2, 3 & 4 cities, resale housing transactions have made up over 30% of total property transactions and are also steadily increasing.

The 1998-2008 period was known as the Golden Decade of China’s property market. Judging from the repair and maintenance cycle of 10-15 years, a large amount of stock housing has reached or exceeded the ‘Renovation’ threshold. Repainting of stock housing is set to overtake new property to become the key support for demand for home decoration. By 2025, it is estimated that renovation of stock housing will make up 6% of total demand for housing renovation. By 2030, this ratio will rise to over 50% of total renovation.

Stock housing era, coupled with government policies, pushes repainting to highs

In 2020, China’s State House issued a Guide on Upgrading of Aged Housing Estates in Cities and Townships, which categorized the upgrading of aged housing estates into an initiative of social security housing and entitled it for subsidies from central government. The 14th 5 Year Plan, formulated in 2021, stipulates that housing estates completed before the end of 2020 will be upgraded within the 14th 5 Year Plan period. “City Upgrading” has been escalated to be a national strategy. The 210,000 housing estates targeted for upgrading are estimated to have 48M square meters in construction area and bring about investment of 4 trillion RMB. The resulting market potential for construction materials will amount to 208 BMB, of which 40B will be in construction paint and coatings.

Eric Chung
CEO, Nippon Paint China

PROFILE

Eric Chung is the CEO of Nippon Paint China, currently heading all its business units in Greater China. He held managerial roles in two subsidiary companies of Master Kong Holdings Co. Ltd. before joining Nippon Paint China in 2007. Armed with a clear business vision, he has spearheaded company-wide transformation in areas of corporate strategy, image, branding and product technologies. He has also executed Nippon Paint China’s move from paint manufacturer to a provider of overall coating solutions. Under his leadership, Nippon Paint China has achieved more than double digit growth for the past 10 consecutive years.
2. Business strategy that responds to the Chinese repainting market

Nippon Paint China adopts "Refresh and beautify the living spaces" as its corporate mission, and has a vision "To construct with technology a most valuable eco-system, to become the leader in paint and coating total solutions.

It is also in the value system of Nippon Paint China, to Enable Customer’s Achievements, to Lead through Innovation, to Cooperate for Winning, and to Encourage Drive to Succeed.

As the leader of China’s paint and coatings industry, Nippon Paint China is actively responding to China government’s 14th 5 Year Plan, and drive the contribution of paint and coatings industry in City Upgrading.