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# **INNOVATE project**

**WP2 D2.1: Market Gap Analysis**

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**Gemeente Heerlen**

**Final Version**

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# INTRODUCTION

This Market Gap Analysis aims at creating insight in the market for single houses in Heerlen. This insight should inform us on the possibilities of a one-stop shop in Heerlen. It becomes clear that the market is pretty opaque, with a (too) many parties involved. Furthermore it becomes clear that the market situation in Heerlen differs from the rest of the Netherlands are comparably low when considering the rest of the Netherlands. Prices for insulation or solar panels are the same however. This makes any return on investment for private house owners problematic.

This MGA does not offer a complete view or strategy on how to 'handle' the market. Still it gives a sense of direction that is closely related to accompanying projects such as PALET in Parkstad, or the approach of KAW Reimarkt. During the course of the INNOVATE project the strategies will be much more fixed on the goals to be achieved.

Dr. Luc Peters

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## STEP 1: THE TOPIC

Heerlen will focus on renovating 5 individual houses.

## STEP 2: THE CURRENT STATE

Heerlen is a municipality in the south of the Netherlands and is part of a larger region called Parkstad. Parkstad consists of 8 municipalities of which Heerlen is the largest with some 87.000 inhabitants and a building stock of 45.659 units.

63.4% of these are individual houses. This means that a little less than 30.000 are individual houses, most of which are built before 1970. 46% are individually owned, which is some: 13.500. Of these owners almost 70% is older than 46 years.

The value of the houses has an average of € 180.000 and a median of € 140.000

This is considerably lower than the rest of the Netherlands and is problematic considering that the average price for deep renovation is currently: € 50.000.

From an economic point of view this is a serious bottleneck.

All houses have energy labels of which some 50% have label E, F or G

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Some 40% have label C and D, while some 10% have A and B. When looking at the map of Heerlen it is however noticeable that these labels are evenly distributed and concentrated, which makes them approachable and marketable for renovation.

There is no clear insight on the state of the houses in relation to possibilities for renovation. For this further research is needed. This should be combined with a marketing/promotional campaign that informs house-owners on the options and the benefits of deep renovation.

An important advantage is PALET (Parkstad Limburg Energie Transitie), a project and cooperation between the 8 cities of Parkstad. Palet has conducted a very thorough research on the possibilities of Energy Transformation in Parkstad. This means that there are extensive data on the energy consumption in the various sectors, and extensive ideas how alternatives for this consumption can be generated. This is part of a broader policy on sustainability that consists also of the elements: Healthy City and Circular Economy. Another important aspect is the fact that now € 500 million are spent on energy in Parkstad. For Heerlen this is € 193 million. Successful energy transformation would save these € 500 million, and make them available for investment in the Parkstad region in order to strengthen its economic or social potency.

The downside is that PALET uses a different kind of segmentation that is not sufficient enough for actions towards the renovation of individual houses.

Nevertheless INNOVATE Heerlen will cooperate intensively with PALET, as well as with other relevant partners, in order to achieve its goal of one-stop-shop, or as we like to refer to: a 'market-place'.

## 2.1 Interpretation of segmentation

The segmentation reveals that the chances for deep renovation are pretty small, as the prices of the individual houses are too low, to conduct an economically prosperous renovation.

There is not enough insight in relevant data. Many data are available but not the ones that can be helpful when targeting individual house owners. Whether the gathering of data is really necessary is yet unclear, as there are different routes to the goal of renovation. Probably a different approach than gathering data is needed to achieve the desired results.

# STEP 3: IDENTIFY THE MARKET FAILURE: THE GAP

When looking at the barriers and drivers we notice a similar opaqueness as with data. Although there are various opinions, it is yet unclear whether individual house owners are open or motivated for renovation. From a technical point of view there is a lack of knowledge on the possibilities at hand. Furthermore the market of supply and demand is not transparent. In other words, house owners have difficulties finding their way towards renovation. Considering the age of the houses and the various neighbourhoods which strongly need revitalization and resocialization the desire to renovate gets seriously hampered. Nevertheless there is a motivation for the idea of sustainability and people are willing to contribute, however on the other hand there is a big difference between action and words. This is fuelled by the negative return on investment when comparing renovation to what the houses are actually worth on the market.

Considering social behaviour it can be noticed that the awareness needs to be strengthened, in which PALET can be very helpful. Furthermore awareness in itself is insufficient, as there is also the need for a clear view on what the opportunities for EE are. This again requests the one-stop-shop as this can be shaped through the market place.

There are various projects concerned with the revitalization of urban areas that have a strong potency and that can cooperate with INNOVATE.

On the other hand the insecure economic situation and position of individual house owners, who are still coming out of the financial crisis, stands in the way of renovation. However no EE action fuels the segregation between those who have the means for EE, and those who have not. It will enlarge the gap between rich and poor.

## 3.1 Interpretation of barriers and drivers

Barriers and drivers now have a negative impact on the possibilities for renovation. Awareness should be created as well as a clear and transparent market place in which supply and demand can meet each other in prosperous economic condition. There is an opaque market in which supply and demand confuse consumers and suppliers. Furthermore there is a wide variety in tax benefits and loans, that furthermore hamper an effective strategy towards deep renovation. The cooperation in Parkstad, with the help of PALET can give a strong boost to the market, just like cooperation with parties like KAW Reimarkt, or Klimaatverbond Nederland.

# STEP 4: HOW THE GAP SHOULD BE FILLED

The gap should be filled through the creation of a market-place between supply and demand. It should shape a level playing field in which customer demands should be clear and should find the best options for renovation. On the other hand suppliers should get a clear picture of what the options in the market are, so they can conduct their business in the most productive and economically profitable way. Furthermore the market-place should contain expertise, and should shape the conditions needed in order to further extend the expertise knowledge, create practical experiences on EE, and look for ways to make these productive and crucial for individual house owners.

## 4.1 Interpretation of the gap filled

Drivers should be strengthened and barriers removed. Now we are confronted with a combination of the various technical, social and financial barriers and drivers that hamper actual action towards renovation. The benefits are not clear (enough) or are not yet strong enough to create a level playing field. Therefore a transparent market-place is strongly needed. Furthermore there should be a steady investment in technical possibilities and improvements. What is also a serious barrier is the return on investment. This is due to the social condition of a large part of the house owners and the low average house prices. It is thus not only economically unattractive to invest in renovation, but there is also the notion of so-called multi-problems, which refer to social problems, financial problems etc. Heerlen is working on strategies to deal with this situation, and INNOVATE Heerlen will look for ways to cooperate or co-create in order to remove barriers and strengthen drivers.

## 4.2 Actors mapping

The Excel file shows a small number of participants. On the diffused EE market in Heerlen there are many more players. However, these absent players play a part which is still obscure. Further research into these various players and their actions is needed in order to create a productive market-place.

The actors in the Excel file are in various ways connected in partnerships, mostly informal. There is a combination of local, regional, and national partners. INNOVATE Heerlen will also look for ways to enhance this network and maybe shape new connections.

An important partner is obviously KAW Reimarkt.

## 4.3 Interpretation of the actors mapping

There is a huge number of various actors playing in the field of EE. Therefore the market is opaque or obscure. The large number of actors and their shady roles hamper an effective EE strategy. The network of actors, in the associated spreadsheet, is deliberately kept small, in order to create a strong and sustainable network for EE. These are the actors that can lay a solid foundation for a strong and sustainable EE network. Considering the economic and social situation in Heerlen the network should be enhanced by those actors who, through their activities in fields (in)directly connected to deep renovation, deliver those goods and services that make actual renovation possible. So it is not *just* about renovation in Heerlen, but about creating new economic and social possibilities in which renovation becomes a serious possibility. This is strongly needed in order to prevent a further segregation between social groups.

The actors also include ZUYD University who are specialized in urbanization and new ways of sustainable architecture and renovation.

## 4.4 Services mapping

The Excel file shows that there is an absence of any focused service towards inhabitants or home owners. There are (too) many services and these create a diffused and opaque market, resulting in a situation where inhabitants get basically no constructive service. What is badly needed is a one-stop-shop as a market-place for services towards supply and demand.

## 4.5 Interpretation of the services mapping

There is no one-stop shop, but multi-stop shop that hampers any actions of individual home owners towards deep renovation. Therefore a one-stop-shop market-place is badly needed. This includes economic, social, technical or financial services in any possible way or combination. Furthermore a focused communication and marketing strategy is strongly needed, and needs to be developed in order to inform those supplying and demanding. This should shape an open, transparent and effective market-place.

# STEP 5 GENERAL CONCLUSIONS

## 1. Market-Place

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What is strongly needed is a market-place in which one-stop shopping is realized and in which a level playing field between supply and demand is constructed. This also involves a strategy towards home owners in order to really research their drives and wishes. It involves economic, social, technical and financial partners.

## **2. Network**

The network as it is of now is too dispersed. It is also not clear who is involved and who is not, and too what extent. As the market is blurry, the actors on the market all act in their own way, and for their own benefits. Palet has constructed goals or objectives, but they have to be translated into operational goals, and the actors on the market, including citizens have to be informed on the strategy and the goals to be achieved. In other words, although there is a lot of movement from the various partners, the direction is pretty absent. Therefore the (possible) network has to be researched and constructed properly and sustainable, and focused on EE and renovation. This should lead to co-creation with INNOVATE and the achievement of goals.

## **3. Marketing & Communication**

What is strongly needed is focused strategy on marketing and communication in order to create a robust, flexible and sustainable market-place. Now we are confronted with a situation where it is unclear for the various actors what the market, as it is now, has to offer. This strategy should focus on economic, social, and financial drivers.

## **4. Architecture**

This also involves the various actors dealing with new strategies towards renovation and researching new techniques of building and renovating.

## **5. Situation Heerlen**

In Heerlen various projects are conducted that deal with the economic and social situation of homeowners, and which are beneficial for INNOVATE Heerlen. It can result in a broader, more robust approach towards home owners. This has to be worked out in a network strategy for INNOVATE Heerlen.

# STEP 6 CHECK YOUR ACTION

## 6.1 SWOT analysis

The SWOT analysis as presented in the Excel gives an impression of the situation in Heerlen.

## 6.2 Strong points

- Bonding of various parties dedicated to EE in Heerlen & Parkstad
- Document Palet 3.0
- Extensive knowledge and experience on urban transformation and revitalization with ZUYD university Heerlen
- Show-model TIORC of EE house in Heerlen
- Show model of urban EE planning 'Wijk van Morgen'
- Project 'Beter Leven'

## 6.3 Weak points

- Dispersed market for supply & demand
- Insufficient insight in data, black box, of building stock
- Quality of the materials used for renovation, solar panels, fiberglass insulation etc.
- Knowledge gap of EE by civilians
- Opaque knowledge of economic drivers for civilians and businesses
- No focused EE marketing and communication

## 6.4 SWOT conclusions

The SWOT for INNOVATE Heerlen shows that there is a potency for EE renovation for individual houses. It shows opportunities as there is a lot of willingness of homeowners for EE. This is fuelled by the plans of the new government in which sustainability is a key policy issue. The motivation is high. Many partners are active on the market in Heerlen and Parkstad and with PALET 3.0 a strong policy document has been produced. However the market is dispersed and opaque with (too) many players on the market whose role is unclear or shady. Therefore a EE

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policy has to be constructed as well as a focused marketing and communication campaign. The end-result should be a 'market' place for EE in Heerlen.