

# AHEC JAPAN MARKET REPORT



January  
&  
February 2020

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[www.ahec-japan.org](http://www.ahec-japan.org)

**Upcoming events**

**2020**

AHEC members are  
encouraged to  
participate at overseas  
activities

## News flash

### New housing construction down 4.0% in 2019 to 905,000 units

Government data released in January shows that new housing starts in 2019 (January through December) totaled 905,123 units, declining by 4.0% from the previous year.

A breakdown shows that 2x4 construction decreased by 6.3% year on year to 109,625 units, but construction of pre-built single unit homes increased 3.6% y-o-y to just over 147,500 units. Construction of apartment units designated for rental totaled almost 342,300 over the year, a 13.7% decline y-o-y.

As reported throughout last year, a supply glut continues to drive down construction of rental apartments. Particularly after tax laws were revised in 2015, developers pitched apartments to landowners as a way to reduce the inheritance tax that is assessed on undeveloped land. Financial firms were also eager to finance real estate projects, as it has been difficult to grow business lending in Japan's low-growth economy

and fiscal policies have kept interest rates extremely low. Rental apartments were also promoted to investors as a durable asset that will provide an additional revenue stream. The boom was further fueled by public policies that keep real estate taxes low for the first few years. But now, vacancies have reached double digits, and the slowdown in construction for this segment is expected to continue this year.

The good news for home builders is that Japanese homebuyers still prefer to buy new. Although demand for renovation work is also expected to rise, construction of inventory housing has now increased for four consecutive years. One remaining concern is the effect of the consumption tax, which increased to 10% last October.

## Industry News

### Coronavirus slows production of building materials in Japan

Manufacturers of building materials in Japan have been following the news on the new coronavirus epidemic with concern. Following the outbreak of COVID-19, which is believed to have originated in the industrial heart of the People's Republic of China, many factories that closed during the Lunar New Year holiday remain shuttered. Some workers are still under quarantine, and industrial production is expected to remain slow until supply chains and shipping are functioning smoothly again.

The interruption is affecting makers of wood products in Japan, particularly the major manufacturers of construction and building materials that rely on the PRC for dimension and semi-finished products. From March, a few companies have had to halt production of product lines such as interior doors and stairs.

The consumption tax hike last fall has already dampened consumer sentiment. Sales of big ticket items such as cars increased and there was some stockpiling of non-perishable goods before the tax rose from 8% to 10% on October 1. This pushed up consumer spending by 0.5% in July-September from the previous quarter, but various economic indexes fell in October. Manufacturers in Japan are concerned that slow sales and the current production snags will erode their profits.

## Industry opinion

### A maker of cabinet doors in Hiroshima

AHEC Japan Director visited this small manufacturer in the city of Fukuyama, Hiroshima Prefecture, for the first time. The company makes cabinet doors in solid wood for a major manufacturer of kitchen units. The modular kitchens are available in a variety of styles, and the mass produced product lines are made by the big-name manufacturer. However, its high-end lines feature solid wood, which requires woodworking expertise. The doors and front panels for these units are therefore outsourced to this smaller company.

The manufacturer in Hiroshima has the necessary expertise in construction and finishing to make framed cabinet doors in solid hardwoods such as walnut, red oak and white ash for the high-end kitchen units. The company serves a niche market, and seeks to promote its products further. AHEC

Japan has suggested that one way to reach end consumers is to join forces with furniture makers. The company will also participate in our Red Oak and Hickory Project for this year's IFFT (see below).

## Coming up

### American Hardwood Seminar for Architects

date: July 1, 2020

venue: Izumo Royal Hotel

outline: The city of Izumo, on the northern coast of Shimane Prefecture, is home to one of Japan's oldest and most sacred shrines, and figures in the legends about the country's spiritual origins. AHEC Japan will host a seminar there, inviting Dana Spessert, chief inspector at the National Hardwood Lumber Association, and Mikio Koshihara, a renowned architect who is currently with the Institute of Industrial Science at the University of Tokyo. The third presenter will be Ryoichi Nagasawa, an expert on finishes for wood products.

### American Hardwood Seminar for Architects

date: July 3, 2020

venue: ANA Crowne Plaza, Kanazawa

outline: The city of Kanazawa is a key city of the Hokuriku region and rich in traditional arts and culture. AHEC Japan will host a seminar there with NHLA chief inspector Dana Spessert, acclaimed architect and designer Mitsuru Senda, and Ryoichi Nagasawa as the main speakers. Mitsuru Senda is a former chair of the Japan Institute of Architects.

American Hardwood Project for Red Oak and Hickory

date: October 28-30, 2020

venue: Tokyo Big Sight

outline: The overwhelming favorites for both interior fittings and furniture in Japan are walnut and white oak. While both are beautiful, AHEC Japan would like to introduce lesser-known species such as red oak and hickory at this year's International Furniture Fair Tokyo. We will show furniture as well as interior doors, flooring and window frames, and hope to expand the market for American hardwoods by introducing users and consumers to these attractive alternatives.

We are also planning a seminar during the IFFT, featuring a Japanese designer who participated in AHEC Europe's LEGACY Project in American red oak.