

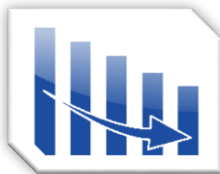
AHEC JAPAN MARKET REPORT



AMERICAN
HARDWOOD
EXPORT
COUNCIL

July
&
August 2020

HIGHLIGHTS



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Upcoming events

2020

AHEC members are
encouraged to
participate at overseas
activities

News flash

New housing construction in June down by 12.8%

Government statistics released at the end of July show that new housing starts in June totaled just over 71,100 units, representing a drop of 12.8% from the same month last year. Year-over-year new housing starts have trended downward for a year, but June marked the third consecutive month of double digit declines.

The current slump is the worst since the financial meltdown that began in 2007. A breakdown of the data for June shows that pre-built single unit homes, a category that was growing this spring, declined by 11.0% to 11,658 units. Single-unit homes employing 2x4 construction were down 27.4% to 7,280 units. A potentially bright spot amid this gloom is that, with many leisure activities restricted due to the pandemic, many people have turned to home touring. The Japanese government did not impose a hard lockdown in response to COVID-19, only asking that

people stay home as much as possible. As infections continue to rise, the recent O-Bon holidays left many in a quandary. It is usually a time when residents of metropolitan areas visit family in their home towns—a mass migration that fills bullet trains to capacity and causes mile-long traffic jams on highways.

This year, however, rural prefectures urged urbanites not to come, pleading that their hospitals could not cope with more infections. So visiting new home design centers emerged as a fun, low-risk activity.

Home design centers in cities such as Tokyo and Osaka are typically exhibition sites that feature multiple model homes built by various big-name builders. AHEC Japan hopes that some of these visits will lead to building contracts this fall or later.

Another promising development is that construction work is resuming. Major builders halted work in April in response to the government's declaration of a state of emergency. But even large corporations grew concerned over how much loss they could absorb,

and many subcontractors and the self-employed lost their livelihoods altogether.

Work has resumed with mask-wearing and other protocols, allowing residential projects in the pipeline to be completed. New housing completions in the Greater Tokyo area for July topped year-earlier levels by 7.8%.

People who have been teleworking have begun to look for more spacious homes, since many companies that introduced teleworking say they will continue even after the current pandemic is under control. Although condominium prices remain high, contract rates in July topped 70%—the threshold for what is considered a healthy buyer's market—in areas surrounding major cities such as Tokyo and Yokohama.

Industry News

Shifts in the market for wood flooring

Wood flooring is now ubiquitous in Japanese homes. The market has bifurcated in the past decade, with less expensive laminates claiming the largest share, but solid wood flooring is a popular choice in the high end of the market.

American hardwoods are used in many laminated flooring products. Manufacturers in Japan supply veneer made with popular species such as walnut and white oak, and their production skills and increasingly sophisticated machinery allow veneer to be as thin as 0.2mm. However, laminates faced with hardwood veneer is facing growing competition from synthetics with a similar appearance.

Synthetic laminates feature wood prints that are increasingly hard to differentiate from natural wood, and are marketed as durable and pocket-friendly. A veneer supplier interviewed by AHEC Japan expressed concern that the company will have to reduce its imports of white oak and walnut logs

from October onwards.

At the high end of the market, solid wood flooring is facing competition from higher-priced laminates that are faced with 2mm veneer, again in highly desired species such as walnut. Wood features prominently in Western-style as well as contemporary Japanese decors, both of which are popular in Japan. AHEC Japan will continue to network with architects and designers through seminars and other events, to introduce them to various American hardwood products.

Industry opinion

Outlook for hardwood users in Japan

Japan is thought to be experiencing a second wave of COVID-19 infections. With community transmission accounting for an increasing number of new cases, AHEC Japan postponed its American Hardwood Discussion Meeting in Osaka (see below). We spoke with our scheduled participants by phone to ask about the impact on their operations and near-term outlook. All responded that until June, their imports of American hardwood logs and lumber were at levels similar to last year. As the pandemic continues, however, consumer sentiment has deteriorated, and all anticipate negative effects on demand for housing and furniture. They say that scaling down imports, particularly of logs, will be unavoidable. Businesses are hoping that new infections will begin to decline or that enough progress will be made on treatment that economic activity can be resumed. AHEC Japan looks forward to meeting with industry representatives in September.

Coming up

American Hardwood Discussion Meeting in Osaka

date: **September 8, 2020**

venue: ANA Crowne Plaza Osaka

outline: Representatives of eight wood-related companies (lumber wholesalers and manufacturers of veneer and building materials) were initially invited to gather for a round table in mid-July. All have headquarters or offices in Osaka, where infections began to climb just before the scheduled date. We now hope to meet in September to discuss the market for hardwoods and possible business initiatives when the coronavirus epidemic is brought under control.

American Hardwood Seminar for Architects in Shimane

date: **December 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 in Kanazawa

date: December 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.