

AHEC JAPAN MARKET REPORT



September
&
October 2020

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encouraged to
participate at overseas
activities

News flash

New housing construction in August down by 9.1%

Government statistics released at the end of September show that new housing starts in August totaled 69,101 units, representing a drop of 9.1% from the same month last year and the 14th consecutive month of year-on-year declines. This was also the first time in 11 years that new housing starts in August have fallen below 70,000 units.

The housing slump of August 2009 reflected the recession brought on by the global financial crisis. With the Japanese economy in a sharp downturn, total new housing starts that month were down 27.9% YoY.

This year, however, the decline in housing is not as steep. Construction companies halted work after the Japanese government declared a state of emergency in early April. But after idling workers through May, many resumed construction in June, particularly on spec homes and residential projects already in the pipeline.

New contracts have increased for the major builders of custom housing in July and August, which means that construction work will increase from November. AHEC Japan will continue to monitor data on the economy.

Industry News

Home renovation market gets a lift from the shift to telework

As mentioned above, the growing number of COVID-19 cases in Japan prompted the government to announce a state of emergency in early April. It was far from the type of penalty-enforced lockdown declared in parts of Europe and the People's Republic of China, and controls were lifted in stages in the latter half of May.

Yet, contagion fears brought many business activities—including home renovation—to a standstill. The government's request that everyone refrain from contact with people outside their own households and postpone "nonessential and non-urgent" activities made it difficult for builders to drum up new business or send employees to worksites.

But teleworking is now proving to be a boon for builders that can do renovation work. A survey in June found that over 80% of large Japanese

corporations and about half of smaller companies have introduced at least some degree of teleworking. Their workers need to set up a home workspace, and some are even going so far as to buy a larger home further from metropolitan centers.

In an online seminar hosted by a trade journal in early September, a participant based in Nagano Prefecture said his remodeling contracts are up 130-150% over the previous year, including projects for homeowners who have recently moved from the Tokyo area. Another participant said his online store initially saw an uptick in easily installed products such as lighting, but is now handling custom orders for work desks and tables. It is unclear whether telework will become an established workstyle for businesses and government employees, but AHEC Japan has focused on renovations for its potential to promote demand for American hardwood

products. Remodeling is growing ever more popular, not just for practical maintenance and energy efficiency, but as a chance to personalize a home and get more enjoyment out of it. The core market in Japan for home renovations is people in their 50's and 60's. With the children of Japan's baby boom generation approaching this age level, demand for renovation work could trend up.

Event report

American Hardwood Discussion Meeting in Osaka

date: September 8, 2020

venue: ANA Crowne Plaza, Osaka

Six representatives of wood-related companies (three lumber wholesalers, a manufacturer of veneer, a manufacturer of high-end interior materials, and a representative from Northwest Hardwoods Japan) gathered for a round table meeting to discuss prospects for American hardwoods in Japan.

For the majority of Japanese companies, the fiscal year begins in April. So the business year was just starting when COVID-19 cases began to increase, but as we enter the second half of FY2020, the situation appears to be stabilizing. The three lumber wholesalers report that their import volumes of American hardwood lumber in H1 were similar to the same period last year. They would like to do the same in H2 if their U.S. suppliers can ship. The main species they handle are White Oak and Walnut. They voiced some concern

about supplies of American white oak lumber. The veneer manufacturer expects demand for its products to fall in H2. One reason is that the construction boom in luxury hotels and other projects calling for fancy plywood has come to a close. The company said that demand for hardwood veneer in laminated flooring could fall sharply, losing market share to lower-priced flooring products faced with printed wood grain designs. The representative expects imports of American hardwood logs to decline quite substantially from October. Another problem he cited was that, with the significant number of COVID-19 infections in the U.S., it was not possible to travel there to inspect logs for purchase.

On the other hand, the manufacturer of high-end interior materials is finding that there is a fairly firm baseline of demand for high-end solid wood fittings. The company rep says they have not been affected

significantly by the pandemic.

AHEC Japan looks forward to a similar meeting with industry representatives in Tokyo in November (see below) to inquire about prospects for hardwood-related businesses this winter and beyond.



Coming up

American Hardwood Discussion Meeting in Tokyo

date: November 16, 2020

venue: The Okura Tokyo

outline: AHEC Japan has invited representatives of five wood-related companies (including a lumber supplier, a veneer manufacturer, and an importer of wood interior materials), all headquartered in Tokyo, for a round table meeting. They will be joined by a representative from Zenmokuren (Japan Federation of Wood Industry Associations) to discuss the market for hardwoods and impacts of the coronavirus epidemic.

American Hardwood Seminar for Architects in
Shimane

date: June 2021

venue: Izumo Royal Hotel

outline: AHEC Japan had planned to host this to the latter half of June 2021 due to the continuing uncertainty over the coronavirus, a decision supported by our local participants. There will be no change to the program: the presenters will be 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.

We look forward to gathering in Izumo, near one of Japan's oldest and most sacred shrines. The area provides the backdrop for the country's origin myths and its oldest written histories.

American Hardwood Seminar for Architects in
Kanazawa

date: June 2021

venue: ANA Crowne Plaza, Kanazawa

outline: As with our seminar in Shimane, this gathering has been rescheduled for the latter half of next June.

The city of Kanazawa is a key city of the Hokuriku region, rich in traditional arts and culture. Our seminar will still feature NHLA chief inspector Dana Spessert, acclaimed architect and designer Mitsuru Senda, and Ryoichi Nagasawa. Mitsuru Senda is a former chair of the Japan Institute of Architects.