

AHEC JAPAN MARKET REPORT



November
&
December 2021

HIGHLIGHTS



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encouraged to
participate at overseas
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News flash

New housing starts remain strong going into the year end

Monthly new housing starts continued to top 70,000 units in October and November, maintaining the growth trend that began in March. Government statistics show that there were 78,004 new homes started in October and 73,414 in November—increases of 10.4% and 3.7%, respectively, from the same months last year.

Owner-initiated new housing has been particularly strong. Growing by double digits since May, new construction in this category hit a monthly record of 26,840 units in October (an increase of 16.6% year on year). Single-unit tract homes also continued a growth spurt that is now seven months long. Totals in this category grew 11.5% and 10.0% YoY, respectively, in October and November to more than 12,000 units in both months.

Visitors disappeared from show homes when COVID-19 began to spread in Japan in the spring of 2020. But as case counts began to fall following the second peak in May 2021, activity resumed. Likewise, developers stopped scouting new properties for redevelopment in spring 2020, but project pipelines recovered to normal levels in summer 2021.

On the other hand, housing production has been constrained by the sharp increase in lumber prices, driven by strong demand in many countries amid supply constraints. Also, shipping backlogs are still affecting products made in Southeast Asia—such as plumbing fixtures and wood parts and fittings for interior applications—as reported in our previous issue.

A further difficulty for the construction industry is the labor shortage. Although negative effects are not apparent in overall housing statistics, 2x4 construction fell by 0.4% YoY in November, the first decline in eight months, while prefabricated housing has continued to grow.

Industry Opinion

Japanese furniture makers look beyond familiar hardwood species

Among furniture manufacturers, particularly those making high-end furniture, walnut and white oak have been the most popular species of American hardwoods for over a decade. But because prices and availability are the foremost concerns, the recent price increases and supply shortages are pushing manufacturers to consider alternative species. Already, two users we have spoken to are considering hickory and red oak, the species that were the focus of AHEC Japan's project for IFFT/Interior Lifestyle Living in October.

One manufacturer sees hickory as a possible alternative for walnut, and the other furniture maker is considering red oak in the place of the white oak they have been using. Both companies intend to verify the market response and may consider other species as well. For its part, AHEC Japan is considering promotional efforts for other less utilized species, such as cherry and hard maple, in the coming year.

Event Report

American Hardwood Discussion Meeting in Shizuoka

date: **November 25, 2021**

venue: Hotel Associa Shizuoka

With COVID-19 infections declining, we were able to meet with the representatives of seven wood-related companies: three importer/wholesalers and four manufacturers of furniture and other wood products. All have headquarters or district offices in Shizuoka, a region that is a historic hub for woodworking companies and the lumber trade. Below is an edited summary of the attendees' comments.

Lumber importer/wholesaler A: Our head office is in Hokkaido, and we started out using Russian hardwoods. We now source our hardwoods mainly from the U.S., but we have been having difficulty securing American white oak for over a year now, and it is an ongoing headache.

Lumber importer/wholesaler B: We also have our head office in Hokkaido, and mainly sourced hardwoods from Russia. But their exports declined after Russia decided to prioritize development of their domestic processing industry in 2006, and set a high export tax on logs. We handle almost no Russian hardwood logs now, and our main business is American hardwood lumber.

Lumber importer/wholesaler C: We imported tropical hardwoods for many years, but trade in Lauan has really declined. So we are shifting to sawn hardwood lumber from the U.S. because supplies are stable.

Furniture manufacturer A: With more people working from home because of the pandemic, inexpensive desks and such have been racking up sales online. But we make high quality furniture, and saw our sales drop by about 20% in 2020 from the prior year. Sales have picked up a bit lately, though. Now that we are hearing some good news—infections are going down, and so on—people are no longer in a hunkering down mentality and are starting to spend again.

Furniture manufacturer B: We use mainly American hard maple and cherry. Since we do not use white oak or walnut, we have been spared any cost increase. Also, our main market is in the EU, where our high-end furniture is doing well.

Importer/wholesaler of lumber and wood parts and fittings: We import interior doors and window frames from North America, and supply these products to housing manufacturers here in Japan. We are seeing the prices for wood products go up, and there have also been huge delays because of the wait for shipping containers.

Lumber importer/wholesaler A: We have also been affected by shipping delays, from containers being unavailable. Our orders for logs and sawn lumber have not been arriving on schedule, and this has been a big problem for our customers.

Furniture manufacturer A: We have been sourcing American walnut for over 20 years, but we are now considering other species. White oak has become too expensive for us to use. We are going to try hickory, which AHEC Japan has been

promoting this year. One of our customers, a home builder, has also put in an order for chairs made using American cherry.

Furniture manufacturer B: Red oak is not quite right for our designs, and hard maple is difficult to glue. So we are planning to give hickory a try.

Lumber importer/wholesaler C: Hickory is used to make musical instruments, and it is the most popular species for making drumsticks. It's strong and suitable for furniture, but most U.S. suppliers make sawn hickory only in 4/4", not the 5/4" and 6/4" thicknesses you would need for furniture.

Lumber importer/wholesaler B: Now that the Tokyo Olympics are over, we are not seeing as many large scale projects. But we are seeing more work for smaller stores—especially boutiques—that call for wood parts and fittings. Those are the kinds of projects we are focusing on now.

From these comments, we estimate that there are many manufacturers of wood products who are seeking less costly alternatives to white oak and walnut. The importer/wholesalers at our discussion meeting were also drawn to alternative species for which supplies are plentiful and stable. The work of promoting less-known species has just begun, and the attendees anticipate that shipping will continue to be a concern for some time. Still, there is demand in Japan for quality furniture, and users anticipate demand for American hardwoods over the long term.

Coming up

American Hardwood Discussion Meeting in Hiroshima

date: late February or early March 2022

venue: to be arranged in either Hiroshima or Fukuyama

outline: AHEC Japan representatives would like to meet with users in Hiroshima Prefecture, where there are many furniture makers. We will ask about the outlook for their respective businesses, and hope to gather information that will help us pursue an effective promotional program in 2022.

American Hardwood Seminar for Architects in Shimane**date: early summer 2022**

venue: Izumo Royal Hotel

outline: AHEC Japan had made arrangements to host this seminar in December, but we have pushed the date to next summer due to the lingering uncertainty over COVID-19 and onerous procedures and quarantines required of incoming visitors to Japan.

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 holding an American hardwood seminar for the first time 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: early summer 2022****venue: ANA Crowne Plaza, Kanazawa**

outline: As with our seminar in Shimane, this gathering has been re-rescheduled to be held early next summer.

The city of Kanazawa is a key city of the Hokuriku region, rich in traditional arts and culture. There is no change to our seminar program: it will 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.