

Housing's impact on woodworking trends

This exclusive survey looks at market conditions and woodworkers' investment plans.

What challenges await woodworkers involved in the construction-based sectors and what investments are being planned to improve their capabilities?

For an industry perspective, the total value of private construction (residential and non-residential) put in place in the United States was more than \$978 billion in 2019, down from more than \$1,000 billion in 2018. Although spending for multi-family housing and nonresidential construction increased slightly (2.9% and 0.5%, respectively), the value of single family construction declined by 6.0% and residential improvements declined by 4.4%. Even though spending on single family housing construction declined, the number of single family housing starts was 887,700 units in 2019, an increase of 1.4% from 2018 and the eighth consecu-

tive increase since 2011, according to the U.S. Census Bureau.

Against this backdrop, the eleventh annual housing market study was conducted in early 2020 to assess market conditions for secondary woodworking manufacturers involved in construction-based and other related sectors. The studies are a joint effort by Virginia Tech, the U.S. Forest Service, and *Woodworking Network/FDMC* (see "About the Survey" page 32). Unique to this year's study was the emergence of market disruptions associated with the coronavirus pandemic as data collection was occurring.

Sales & market trends

Analysis of year-over-year sales performance has revealed a somewhat stable environment for secondary manufacturers in recent years, but a decline was evident in this year's study. Nearly 27% of companies reported a decline in sales volume for

2019; by comparison, sales declines were reported by 21% and 19% for 2018 and 2017. The percentages of respondents in the Slightly Worse (sales off by 5%) and Slightly Better (sales up by 5%) categories both increased, while the Somewhat Better (sales up by 10%) and Much Better (sales up by 20% or more) categories both realized declines. (**Figure 1**).

Single family housing continues to be a top market, with 35% of respondents indicating at least 61% of their production volume was directly associated with this segment, the highest percentage recorded to date. For 2019, 64% of respondents reported that a substantial portion of their production (more than 20% of production volume) was associated with single family housing construction, followed by the repair and remodeling market (58%), non-residential construction (27%), and

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multi-family housing (20%).

Product demand & price points

Customer interest in green products continues to decline, with just 22% of firms reporting they had seen an increase – the lowest percentage to date – and 20% of respondents uncertain.

Meanwhile, demand for batch one/custom production continues to be important, with 64% of respondents indicating that more than 80% of their overall product mix could be classified as made-to-order. The industry also continues to target higher price-points, with 56% reporting they operated at medium-high to high price-points in 2020.

Lastly, respondents to this year’s survey continued to be domestically focused, with 81% indicating more than 60% of their 2020 sales would result from domestically produced and/or sourced products. However, 30% indicated they had increased the use of wood imports in their product lines over the past five years, similar to recent studies. Of those reporting increases, 38% imported components or lumber (the lowest percentage to date), 20% imported finished products, and 42% imported both.

Planned investment activities

Nearly 42% indicated their firms planned to spend more in 2020 compared to 2019, which was slightly less than the previous three years. An additional 32% were uncertain of the amount.

When queried on the amount, 67% indicated they would spend less than \$250,000, which is somewhat higher than last year’s result (Figure 2). Accordingly, there was a decline in those firms

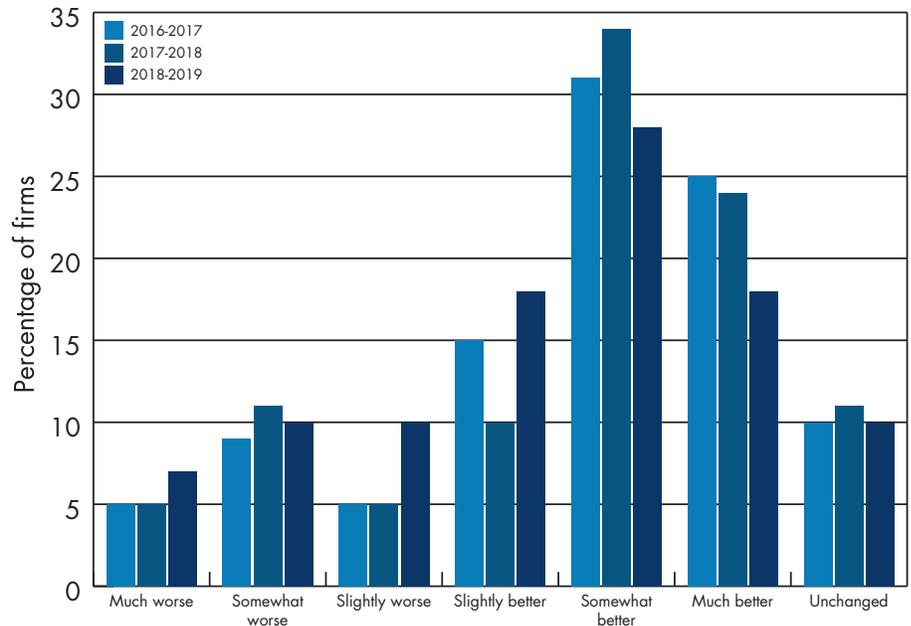


Figure 1. Compared to the previous year, last year’s sales volume was . . .

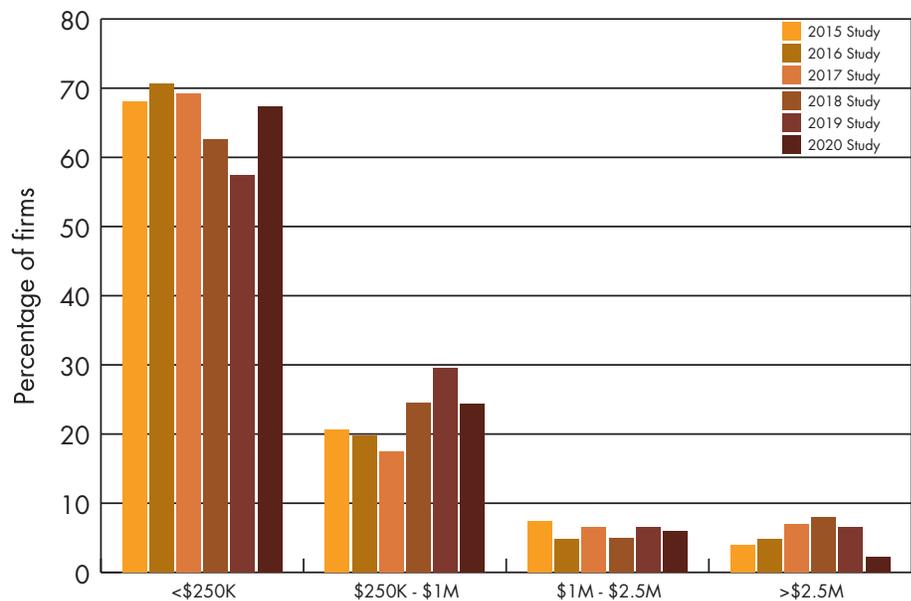


Figure 2. Over the next three years, about how much does your company plan to spend on investments to improve productivity or capabilities?

reporting they would spend between \$250,000 and \$1 million on investments (24%). Few companies planned more than \$1 million in investments (8%), which was a large drop from last year (14%), but likely a partial result of fewer large companies responding this year due to COVID-19’s impact.

Some respondents also cited the coronavirus when it came to the type of planned investments (Figure 3). That said, employee training, finishing, assembly, solid wood and panel processing continue to be mentioned relatively frequently, although training dropped

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several percentage points.

Lastly, a majority of firms indicated they increased computerization to collaborate with customers in design activities, in manufacturing processes, and in accounting. Around 30% increased computer usage for inventory tracking and supply chain management. Trends to watch regarding computerization will be digital communications (video conferencing, e-commerce, etc.) and data-driven manufacturing.

About the survey

This is the eleventh consecutive year for the Housing Market survey. While several of the questions have remained the same from year to year to help track industry trends, more recent studies also have included questions related to investment and computerization activities. The 2020 study was conducted in February/March/April via e-mail invitations sent by *Woodworking Network/FDMC* to their subscribers. A total of 135 usable responses were received, with later respondents perhaps impacted more by coronavirus disruptions as state-level restrictions were beginning in many areas.

Similar to past years, cabinet producers comprised the largest percentage, representing 47% of respondents. Eleven percent of respondents were molding/millwork producers, 10% each were household furniture and architectural fixtures firms, 5% were producers of office/hospitality/contract furniture, and 4% manufactured dimension or components. While an additional 13% indicated their production was in “other” categories, most could reasonably be classified into one of the aforemen-

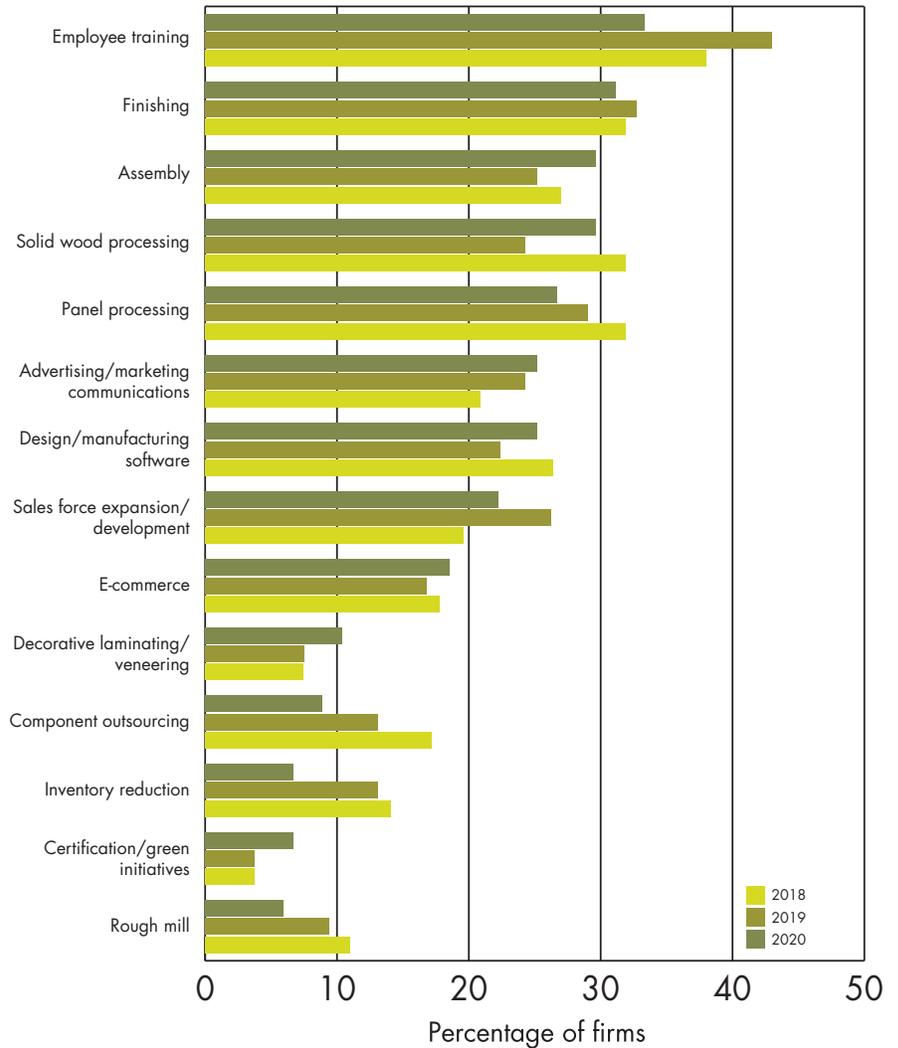


Figure 3. Areas where respondents will invest significantly within the next three years.

tioned categories or the manufacture of closet systems. Similar to past years, most responding firms were small, with 56% having sales of less than \$1 million in 2019, and another 31% having sales of \$1-\$10 million. Furthermore, 70% of respondents had 1-19 employees and another 16% had 20-49 employees. Only 14% had 50 or more employees, which was the smallest percentage to date.

A majority of respondents (76%) held management positions. Responses were received from 38 states and provinces, with CA, FL, GA, IL, MN, OH, ON, PA, and TX each accounting for at least 4%

of the total responses. Geographic markets served ranged from a high of 33% doing regular business in the Midwest to a low of 19% doing regular business in the Northwest. Business conducted by respondents in all other U.S. regions fell within this relatively narrow range. **+**

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