



Housing's impact on woodworker spending

Exclusive look at construction market trends and investment plans by woodworking firms.

As the industry emerges from the pandemic, what challenges await those involved in the construction-based sectors?

For perspective, the total value of private construction (residential and nonresidential) put in place in the United States was slightly over a trillion dollars (\$1,081 billion) in 2020, up from \$1,031 billion in 2019. Spending in all residential categories increased in 2020, including 7.9% for single family, 6.6% for multi-family, and 20.3% for residential improvements. Spending on nonresidential construction however declined by 2.9%.

Single-family starts approached 1 million units in 2020. The 990,500 starts were an increase of 11.6% from 2019 and the ninth consecutive increase since 2011. The last time starts were above 1 million was in 2007, according to U.S. Census Bureau

figures. The increases in residential construction spending and housing starts came despite the COVID-19 pandemic, which caused numerous production and supply chain disruptions in 2020.

Against this backdrop, the 12th annual housing market study was conducted in early 2021 to assess market conditions for secondary woodworking manufacturers involved in construction-based and related sectors. Did the woodworking industry realize sales volume declines associated with the pandemic? What investments are being planned to improve capabilities?

Information is provided on the status and current activities of U.S. manufacturers, as well as analysis of changes since last year. This study is a joint effort by Virginia Tech, the USDA Forest Service, and *Woodworking Network/FDMC* (see “About the Survey” page 26).

Sales performance & market trends

Analysis of year-over-year sales performance has revealed a somewhat stable environment for secondary manufacturers in recent years, but a relatively large decline was evident in this year's study. Nearly 45% of companies reported a decline in sales volume compared to 27% in 2019 and 21% in 2018. This likely was due, in large part, to the COVID-19 pandemic that affected the industry in 2020, especially in the first half of the year. Still, as shown in **Figure 1**, the impacts of COVID-19 on the secondary industry seem lower overall than those experienced during the housing crisis associated with 2009's Great Recession.

It is interesting that the two highest-scoring categories for sales volume performance in 2020 were the Much Better (sales up by 20% or more) and Much Worse (sales off by 20% or more) categories,

suggesting that COVID's impacts varied greatly among individual firms. Similarly, in a related question, 50% of respondents indicated that the pandemic had a negative effect on their firm's ability to be profitable in 2020, 44% said it had a positive effect, and just 6% said that the pandemic had no effect. As one respondent noted, it was "baffling" that "people were buying products like never before" given the pandemic.

Meanwhile, more respondents indicated a heavier reliance on repair and remodeling compared to 2018 and 2019, possibly reflecting the increased demand from COVID-related work/stay-at-home activities. For 2020, 64% of respondents reported that a substantial portion of their production (more than 20% of production volume) was associated with the repair and remodeling market, which was slightly higher than the same measure for single family housing construction (57%). Fewer respondents reported substantial production volume in nonresidential construction (37%) and multi-family housing (20%).

Product demand & price points

There continues to be little to no consumer demand – or willingness to pay extra – for green products. Although this year saw a slight rise, with 29% reporting an increase compared to 22% last year, most respondents indicate they had not seen an increase (56%), with 15% uncertain.

However, demand for batch one production continues to be a factor, with 57% indicating more than 80% of their overall product mix can be classified as made-to-order. The industry also continues to target higher price-points, with 56% reporting operations at medium-

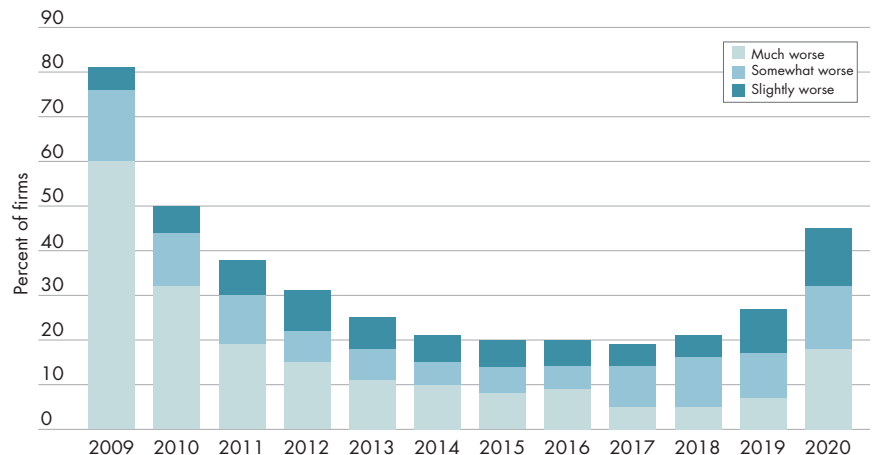


Figure 1. Percentage of firms reporting sales volume declines by year

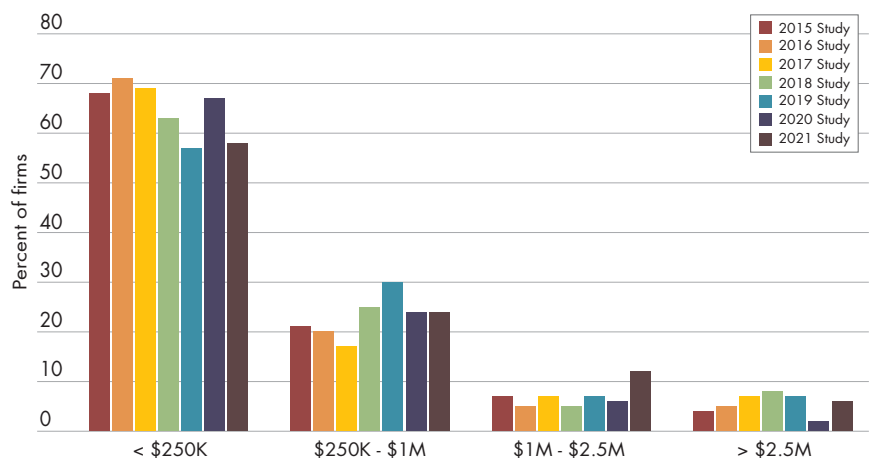


Figure 2. Over the next three years, about how much does your company plan to spend on investments to improve productivity or capabilities?

high to high price-points in 2021.

Lastly, respondents continued to be domestically focused, with 73% indicating that more than 60% of their sales in 2021 would result from domestically produced and/or sourced products, although this was the lowest percentage to date in the study series. In line with this observation, 41% indicated they had increased the use of wood imports in their respective product lines over the past five years, which also was the highest figure to date. Of those reporting increased use of imports, 31% imported components

or lumber, 15% finished products, and 54% imported both finished products and lumber or components.

Planned investment activities

Nearly 44% of respondents indicated that their respective firms planned to spend more in 2021 compared to 2020, which was similar to previous years. When asked about their firms' investment plans over the next three years, 58% indicated they would spend less than \$250,000, which is among the

Continued...

lowest figures in the series (Figure 2). Conversely, 18% indicated they planned to spend \$1 million or more.

In what areas will they invest? (Figure 3) Panel processing, solid wood processing, training, assembly, and design/manufacturing software were mentioned most frequently, although training has dropped several percentage points the last two years. Advertising/marketing also has dropped, suggesting many companies are receiving sufficient orders without the need for major efforts to generate sales.

Lastly, respondents were asked if their firms had increased the use of computerization over the last three years. A majority of firms indicated increased usage in design (61%) as well as collaborating with customers (53%). Almost half increased use in manufacturing (47%) and accounting (45%) while fewer increased use in supply chain management (35%) and inventory tracking (31%).

About the survey

This is the 12th consecutive year for the Housing Market survey. The 2021 study was conducted in February/March/April via e-mail invitations sent by Woodworking Network/FDMC to their subscribers. A total of 95 usable responses were received.

Similar to past years, kitchen/bath cabinet producers comprised the largest percentage, representing 47% of respondents. Eleven percent of respondents, respectively, were household furniture and molding/millwork producers, 10% were architectural fixtures firms, 6% were producers of dimension or components, and 4% manufactured

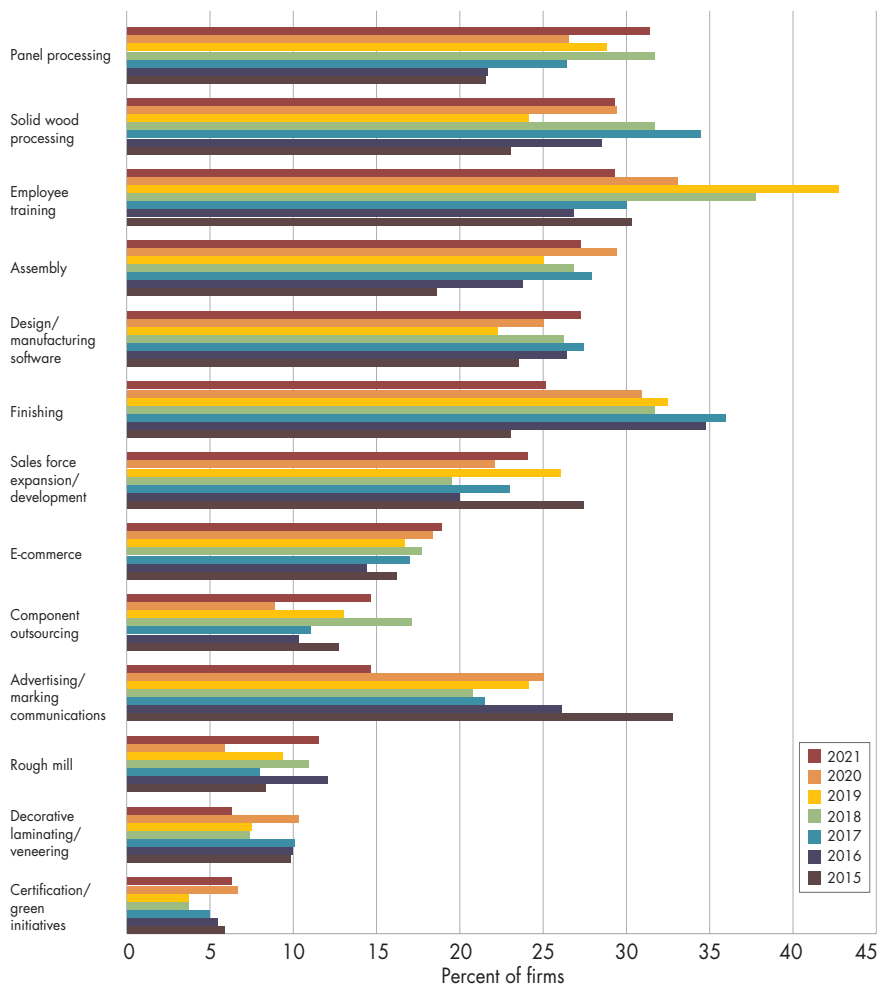


Figure 3. Areas where respondents will invest significantly within the next three years

office/hospitality/contract furniture. While an additional 11% indicated their production was in “other” categories, most could reasonably be classified into one of the aforementioned categories. Similar to past years, most responding firms were small, with 39% having sales of less than \$1 million in 2020, and another 32% having sales of \$1-\$10 million. Furthermore, 55% of respondents had 1-19 employees and another 18% had 20-49 employees.

A majority of respondents (65%) held management positions or were owners. Responses were received from 35 states and provinces, with CA, FL, IL, MI, MN,

NY, OH, ON, OR, PA, and TX each accounting for at least 4% of the total responses. Geographic markets ranged from a high of 50% doing regular business in the Midwest to a low of 23% doing regular business in the Southwest and California. Business conducted by respondents in all other U.S. regions (eight total) fell within this range. 

About the authors: Matt Bumgardner is with the Northern Research Station, USDA Forest Service in Delaware, Ohio. Urs Buehlmann is with the Department of Sustainable Biomaterials at Virginia Tech, Blacksburg, Virginia. Karen Koenig is an editor at Woodworking Network.