

Beyond the build: Woodworkers adapt to housing market swings

An exclusive report on housing trends and the impact on woodworkers' spending.

What are some of the key market drivers for woodworkers in the construction-based sectors, and what investments are being made to advance their capabilities?

For perspective, the total value of private construction (residential and nonresidential) put in place in the United States was nearly \$1.7 trillion in 2024 (\$1,663,000 million), up 5.7% from 2023 based on U.S. Census Bureau figures. This increase was driven by gains in all sectors except multi-family construction. Specifically, spending increased for single-family housing (7.2%), residential improvements (9.8%), and nonresidential construction (5.5%) in 2024. In contrast, spending on multi-family construction decreased by 6.9%, which was the first decrease in spending in this sector since 2011.

The number of single-family housing units started in 2024 was 1,012,900, which was a 6.9% increase from 2023 and marked a gain after declines the two previous years. Single-family starts are still well below the peak of nearly 1,716,000 units in 2005. Multi-family starts were 354,200 in 2024, down 25.0% from 2023.

Against this backdrop, the 16th annual housing market study was conducted in early 2025 to assess market conditions for secondary woodworking manufacturers involved in construction-based and related sectors. Information is provided on the status and current activities of manufacturers, as well as analysis of what has changed since last year.

This study is a joint effort by Virginia Tech, the USDA Forest Service, and Woodworking Network/FDMC. (See "About the survey" for details and respondent characteristics.)

Changes in sales & markets served

The number of firms reporting an annual decline in sales volume increased steadily from 2021 to 2023 as the industry moved further from the market recovery associated with the easing of COVID-related disruptions (**Figure 1**). For 2024, there was a decrease in the number of firms reporting a sales volume decline, with 30% of respondents reporting that sales were worse



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(compared to 42% last year). However, this percentage remains elevated from the relatively low levels seen from 2014 to 2018, which were closer to 20% annually.

Respondents largely attributed their loss of sales volume in 2024 to a downturn in the housing market and a decline in remodeling markets, followed closely by perceptions of the state of the overall economy (**Figure 2**). This was the third consecutive year that downturns in housing and remodeling scored relatively high as reasons for sales volume declines. Offshore competition and competition from non-wood substitutes were rated somewhat low as causes for sales declines. Respondents also indicated that there were not more domestic competitors entering the market and causing sales volume declines, suggesting that market conditions were not conducive to attracting new entrants.

Even though 30% of respondents lost sales volume in 2024, another 52% reported increases (18% were unchanged). They attributed their success in large part to growing with the overall economy and gains in market share. While these forces are broad and suggest that respondents tend to feel they move in the same direction as the overall economy, many also were taking specific actions. For example, there were large increases in

firms that offered new services and product lines. Productivity improvements also continued to be highly rated as a reason for sales volume increases in 2024 (**Figure 3**).

For the 2024 study, 30% of respondents had most of their production volume (61%-100%) associated with repair and remodeling. In the other markets, this percentage was 28% for single-family housing, 10% for nonresidential construction, and 8% for multi-family. This underlines the relative importance of repair and remodeling and single-family housing construction to the secondary woodworking industry. As shown in **Figure 4**, just 14% and 10% of respondents had no (0%) business activity in the single-family housing and the repair and remodeling markets, respectively, in 2024. There has also been a declining trend in the percentage of firms with no (0%) business activity in the multi-family sector, dropping to 22% in 2024.

Green building products are another possibility for secondary woodworkers to leverage sales volume. This year, 27% reported they had seen increased interest from customers, although most (53%) indicated they had not, with 20% uncertain.

Demand for made-to-order (MTO) production continues to be important. For 2025, 61% of respondents indicated that MTO production was greater than four-fifths of their overall product mix, up from 47% in 2023 and compared to 60% in 2024.

Respondents are also domestically focused, with 72% indicating that more than 60% of their sales in 2025 would result from domestically produced and/or sourced products. Conversely, 35% indicated they had increased the use of wood imports in their product lines over the past five years. The industry also continues to target higher price-points, with 65% reporting they operated at medium-high to high price-points in 2025.

Planned investment activities

Similar to last year, 50% of respondents planned to spend more on investments in productivity and capability improvements in 2025 than in 2024, whereas 22% planned to spend less. Another 28% were uncertain, which is similar to past years (**Figure 5**). When asked about their firms' investment plans over the next three years, 44% indicated they would spend less than \$250,000, which was the lowest for that category since 2015.

The study also assessed the general categories and areas where investments were planned over the next three years (**Figure 6**). As in recent years, several manufacturing-based invest-

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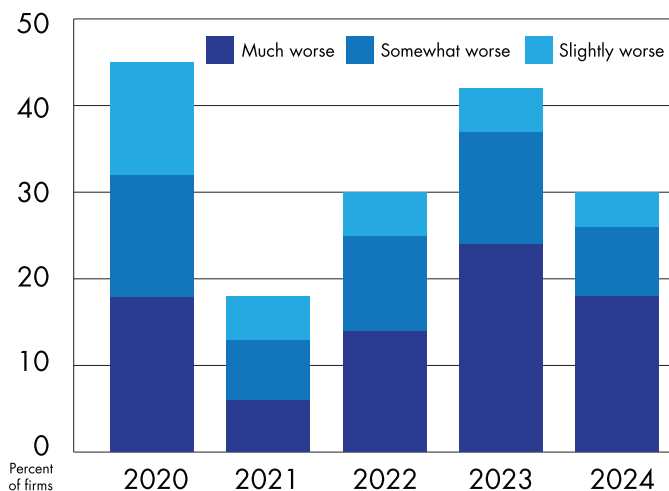


Figure 1. Percentage of firms reporting sales volume declines by year

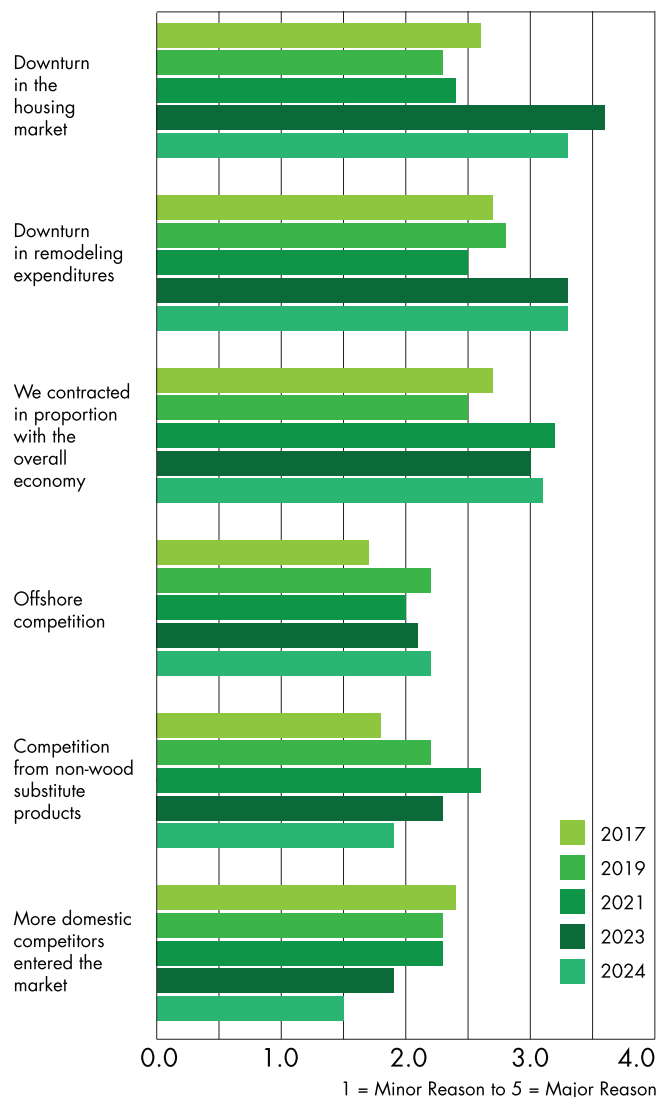


Figure 2. Causes responsible for lower sales in selected years, ranked by 2024 average

ments remain near the top of the list. In addition, employee training continues to be a critical need for manufacturing firms. For this year's study, employee training (40%), panel processing (34%), and solid wood processing (30%) scored highest, along with sales force expansion/development (32%). The latter showed a large increase from previous years and could indicate that firms need to work harder in the current environment to generate sales. Even though solid wood processing scored relatively high, it was still off by 7 percentage points from last year. Another notable area of growth was e-commerce, which realized its highest rating yet at 24% in this year's study.

Respondents were asked if their firms increased the use of computerization over the past three years in several functional areas. Most areas saw an increase from last year, especially design (78%), manufacturing processes (72%), and accounting (60%), all of which realized the highest percentages on record. Inventory tracking has trended down since 2022, but it has still shown an increase since the earlier years of the study.

Summary

Fewer secondary woodworking firms reported a decline in sales volume for 2024, which was consistent with increased spending in most construction markets and an increase in single-family housing starts. It was interesting that while the most firms yet in the study reported activity in the multi-family sector, multi-family spending and starts declined in 2024. Historically, multi-family spending has grown every year since 2012, so companies might be looking to this sector more as single-family markets fluctuate. Still, respondents continued to focus mostly on single-family housing and remodeling, as only 14% and 10% of respondents, respectively, had no activity in these markets in 2024.

Other than employee training, the main area for planned investments over the next three years was panel processing. Solid wood processing also scored relatively high (30%) but was off by 7 percentage points from last year, so the overall increase in industry activity might not necessarily be contributing to an increase in hardwood lumber demand. E-commerce also showed a large increase in planned investment activity, which is timely given that non-store retailers have seen over a 500% increase in retail sales from 2000 to 2021 in the overall U.S. economy (based on U.S. Census Bureau figures).

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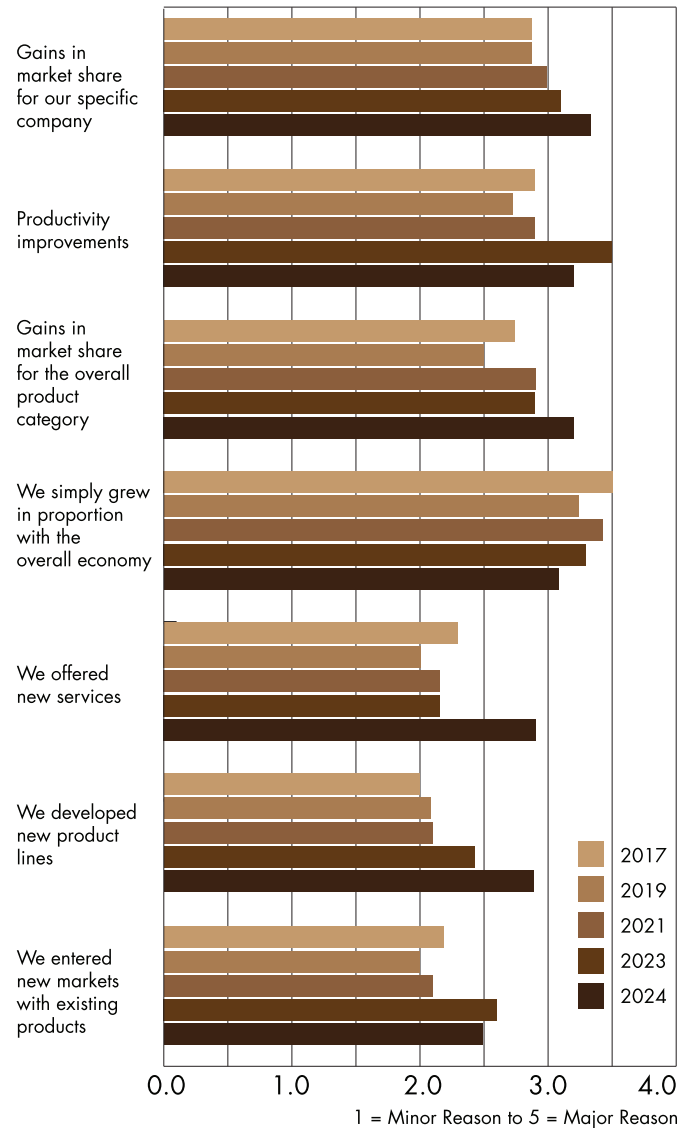


Figure 3. Causes responsible for higher sales in selected years, ranked by 2024 average

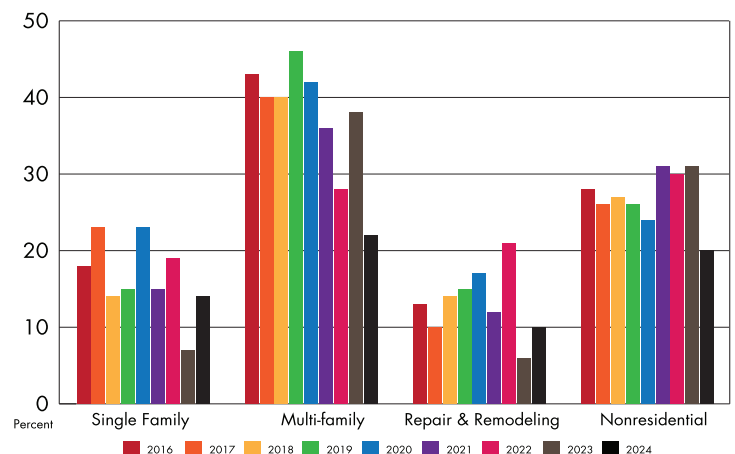


Figure 4. Proportion of respondents with no production volume (0%) in each major construction sector

There were several actions that respondents were taking to increase their competitiveness. Offering new services and developing new product lines saw relatively large increases from previous years. Increasing computerization also was evident among respondents; nearly 8 in 10 had increased computerization in design activities over the last three years and over 7 in 10 had increased computerization of their manufacturing processes.

About the survey

Now in its 16th year, the 2025 study was conducted from February to April via e-mail invitations sent by Woodworking Network/FDMC to subscribers. Fewer (50 usable) responses were received than in past studies, even though similar methods were employed.

As in past years, kitchen/bath cabinet producers comprised the largest percentage of the sample, representing 48% of respondents. Eight percent were household furniture producers, 8% were moulding/millwork producers, and 8% produced office/hospitality/contract furniture. Other types of producers included architectural fixtures (6%), and dimension and components (4%). An additional 18% indicated their production was in “other” categories, with several producing closet or drawer products.

Most responding firms were relatively small, with 24% having sales of less than \$1 million, and another 44% having sales of \$1-\$10 million. However, this was the third consecutive time that there were more respondents in the \$1-\$10 million sales category than in the below \$1 million sales category, perhaps reflecting continued inflation in product prices and/or improved productivity. Furthermore, 52% of respondents had 1-19 employees, and another 18% had 20-49 employees, which was a similar pattern to past years but reflected a decrease in the 1-19 category.

Most respondents (66%) held positions in corporate or operating management or were owners of their firms. Responses were received from 27 states and provinces, with CA, MN, IN, NC, FL, MI, OH, PA, as well as ON and AB, each accounting for at least 4% of the total responses. Geographic markets served ranged from a high of 50% doing regular business in the Midwest to a low of 18% doing regular business in the Northwest.

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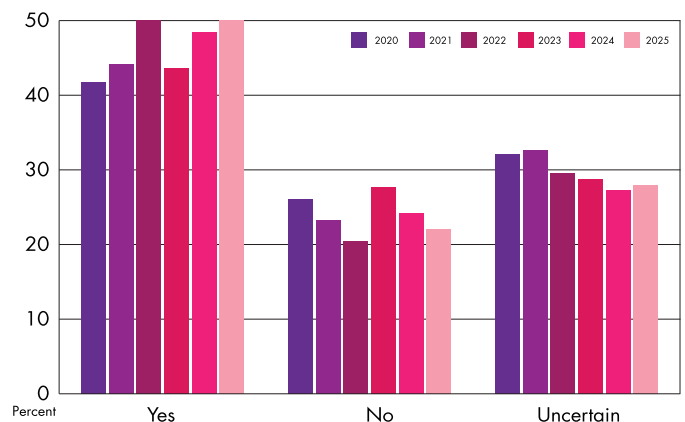


Figure 5. Does your company plan to invest more in productivity and capability improvements this year than it did last year?

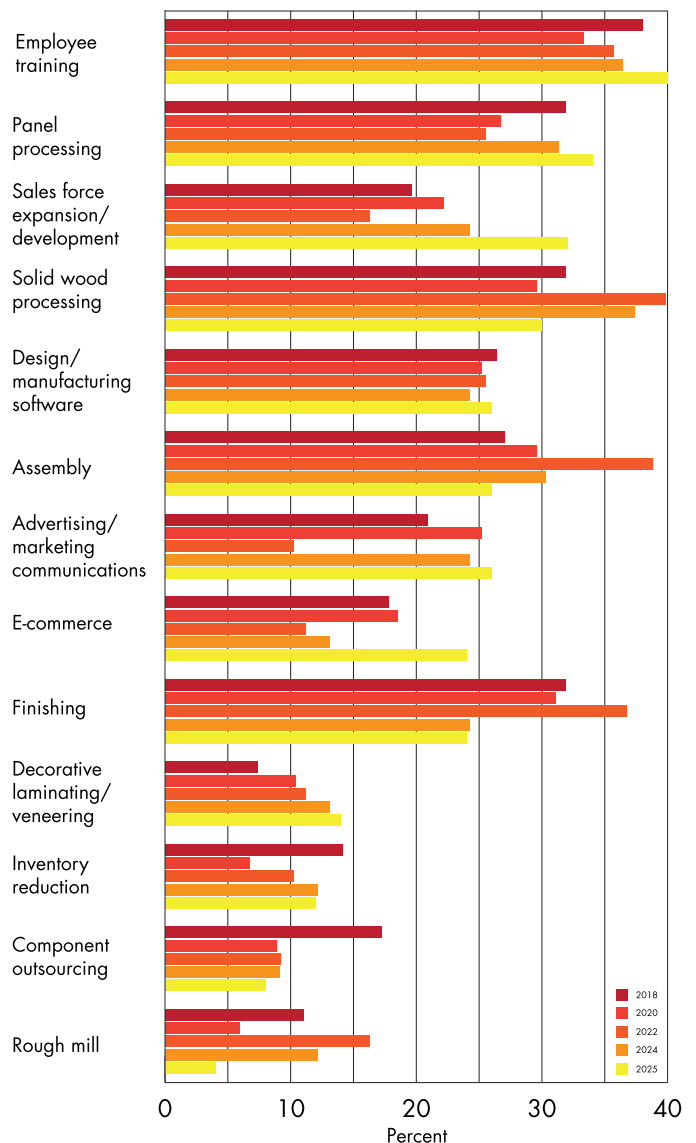


Figure 6. Areas where respondents will invest significantly within the next three years in selected years, ranked by 2025 percentage