

Housing Outlook

VA Loggers Meeting

The Inn
Blacksburg, VA
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**SUSTAINABLE
BIOMATERIALS**

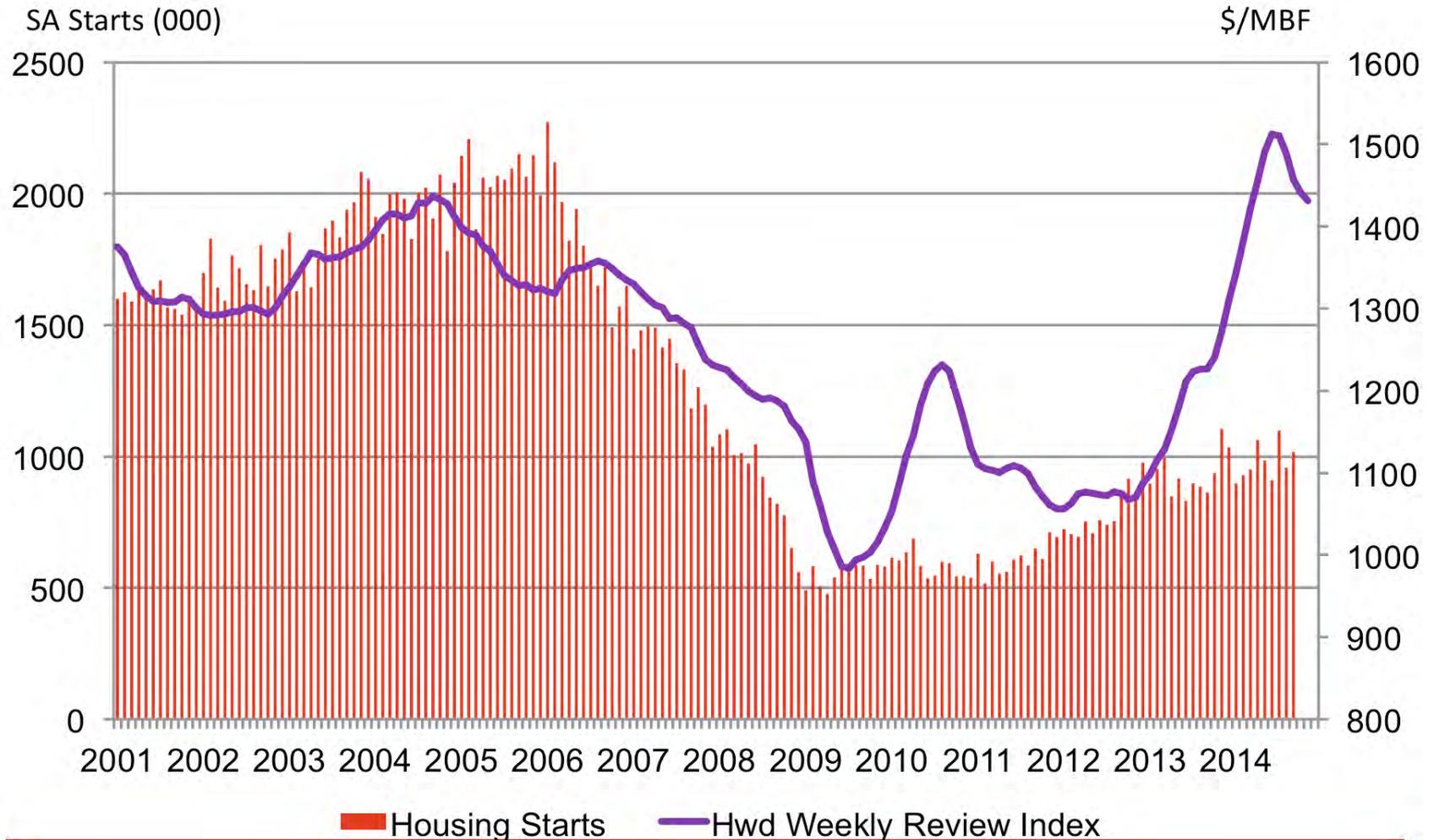
Agenda

- U.S. housing
- U.S. forest products industry
- Opportunities
- Questions / Comments

I. U.S. Housing



Housing Starts and Hardwood Prices

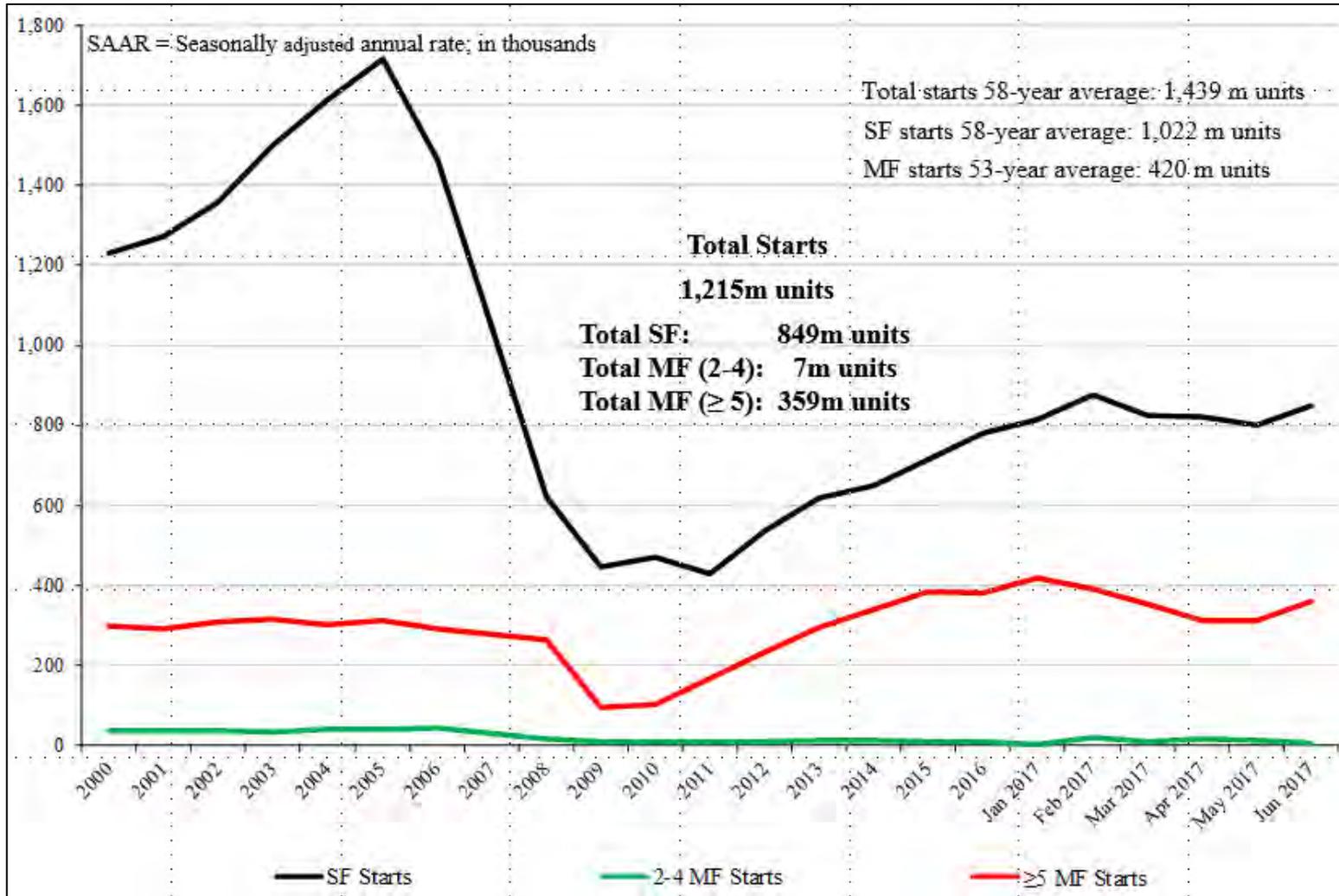


June 2017 Housing Scorecard

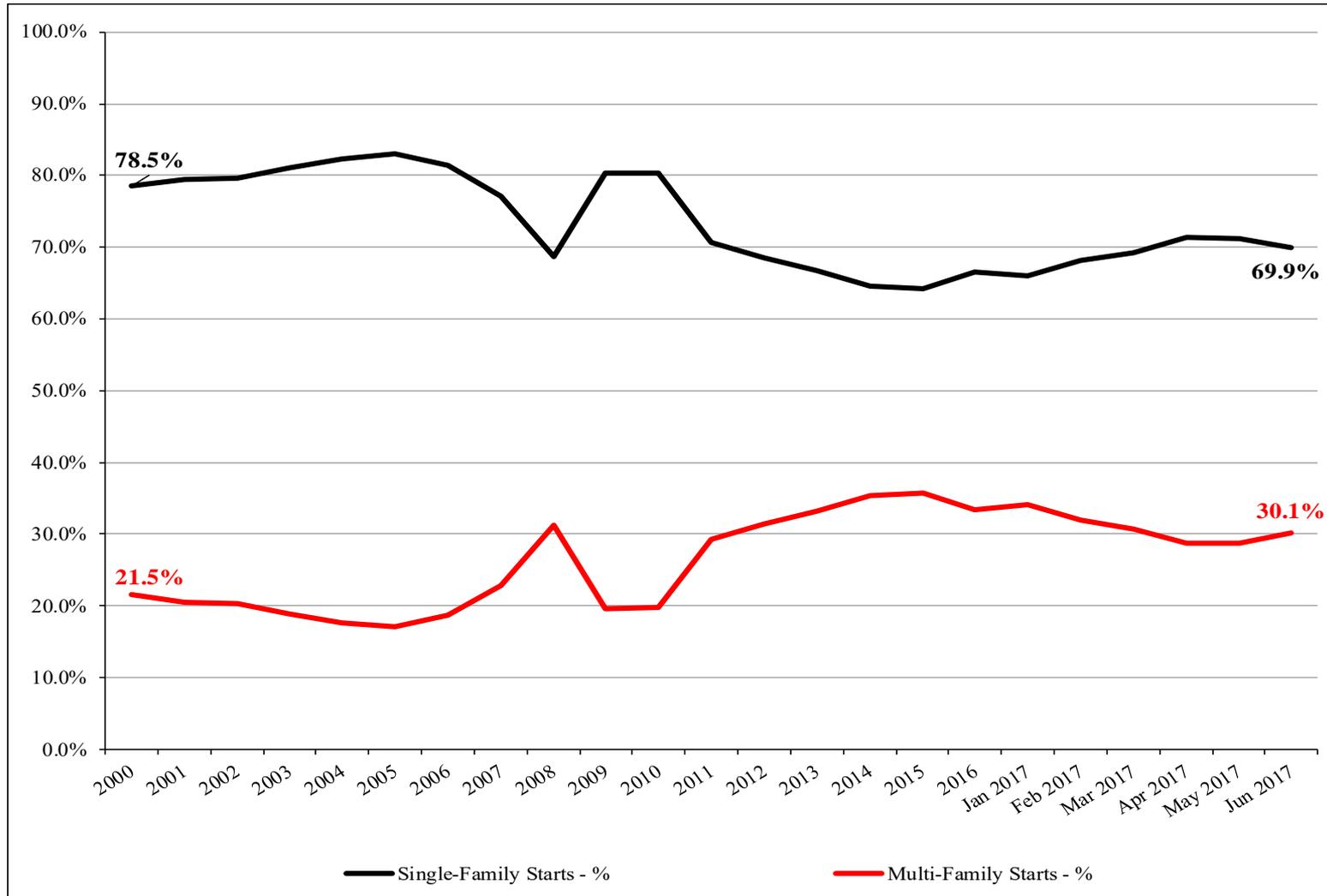
	M/M		Y/Y	
Housing Starts	△	8.3%	△	2.1%
Single-Family Starts	△	6.3%	△	10.3%
Housing Permits	△	7.4%	△	5.1%
Single-Family Permits	△	4.1%	△	9.2%
Housing Completions	△	5.2%	△	8.1%
New Single-Family House Sales	△	0.8%	△	9.1%
Private Residential Construction Spending	▽	0.2%	△	9.2%
Single-Family Construction Spending	△	0.3%	△	9.0%
Existing House Sales ¹	▽	1.8%	△	0.7%

M/M = month-over-month; Y/Y = year-over-year; NC = no change

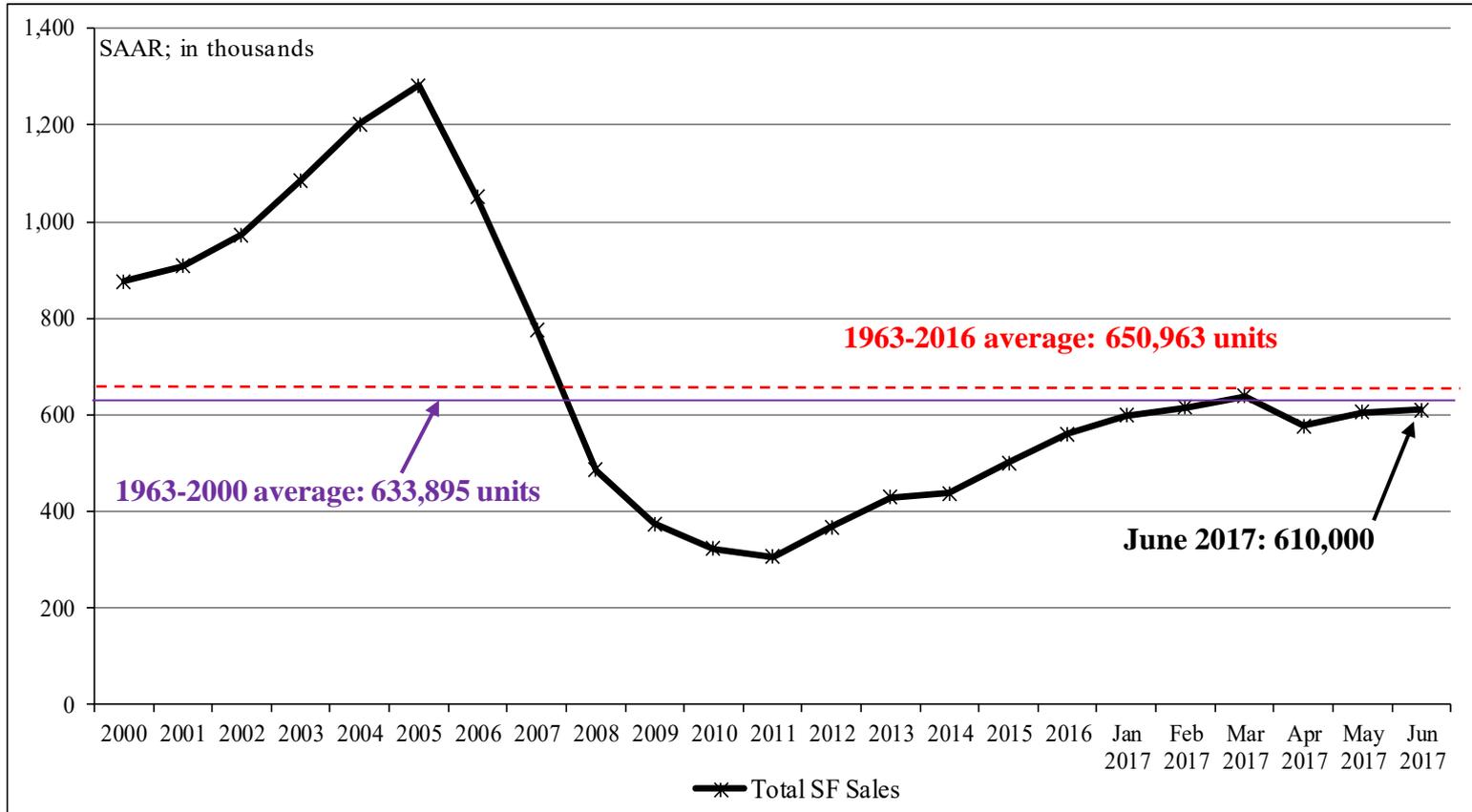
United States Total Housing Starts



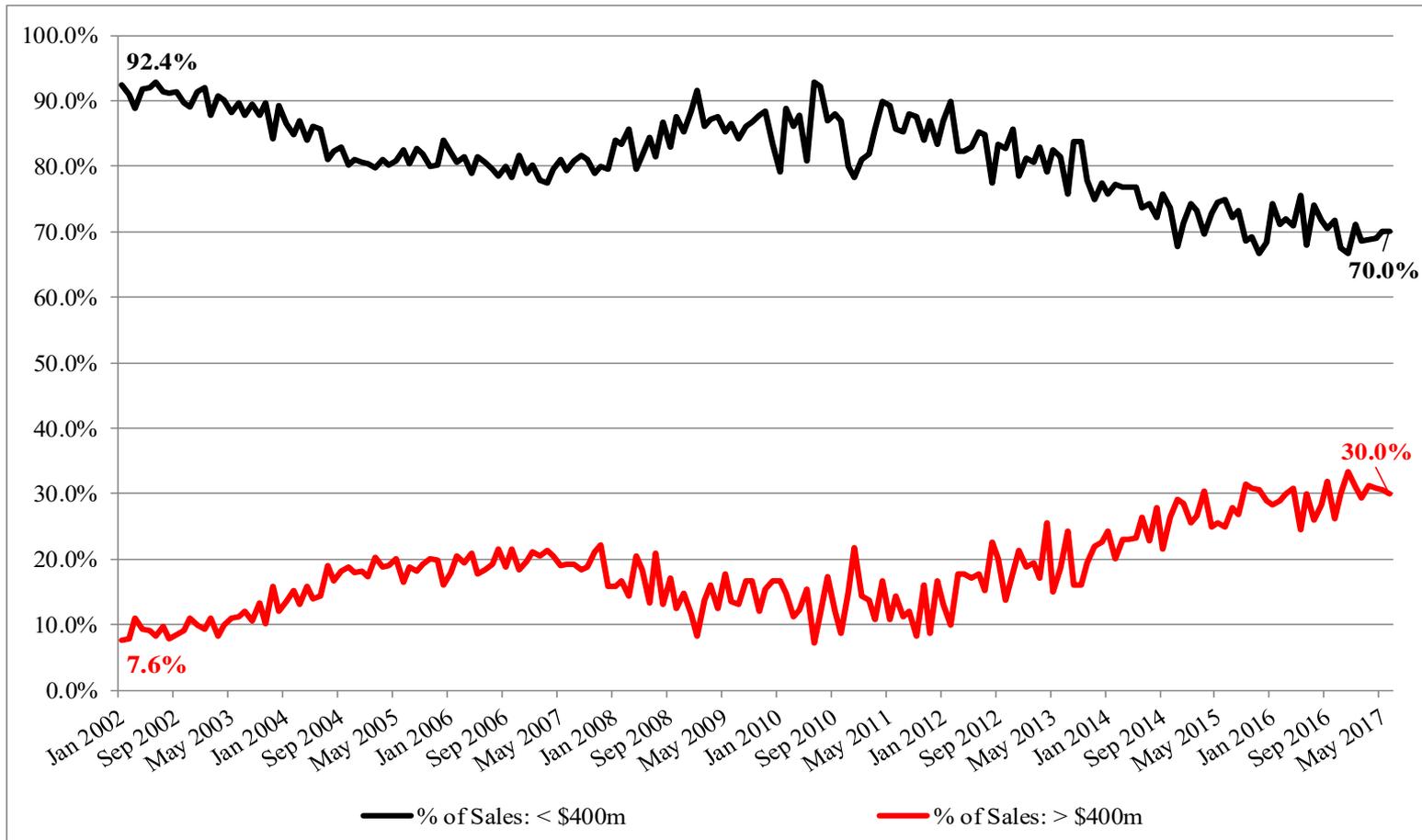
SF & MF Housing Starts (%)



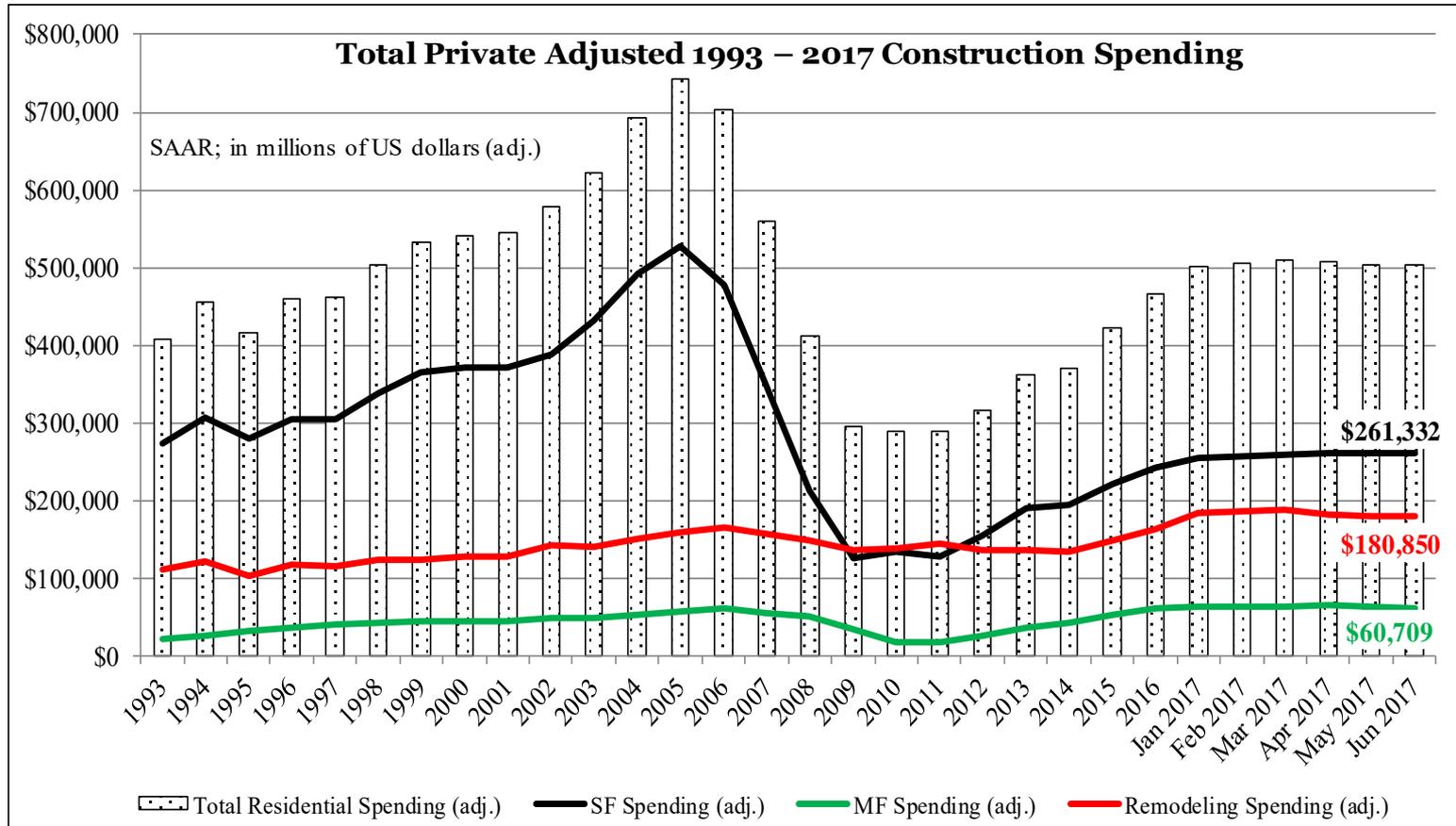
New SF House Sales



New SF House Sales

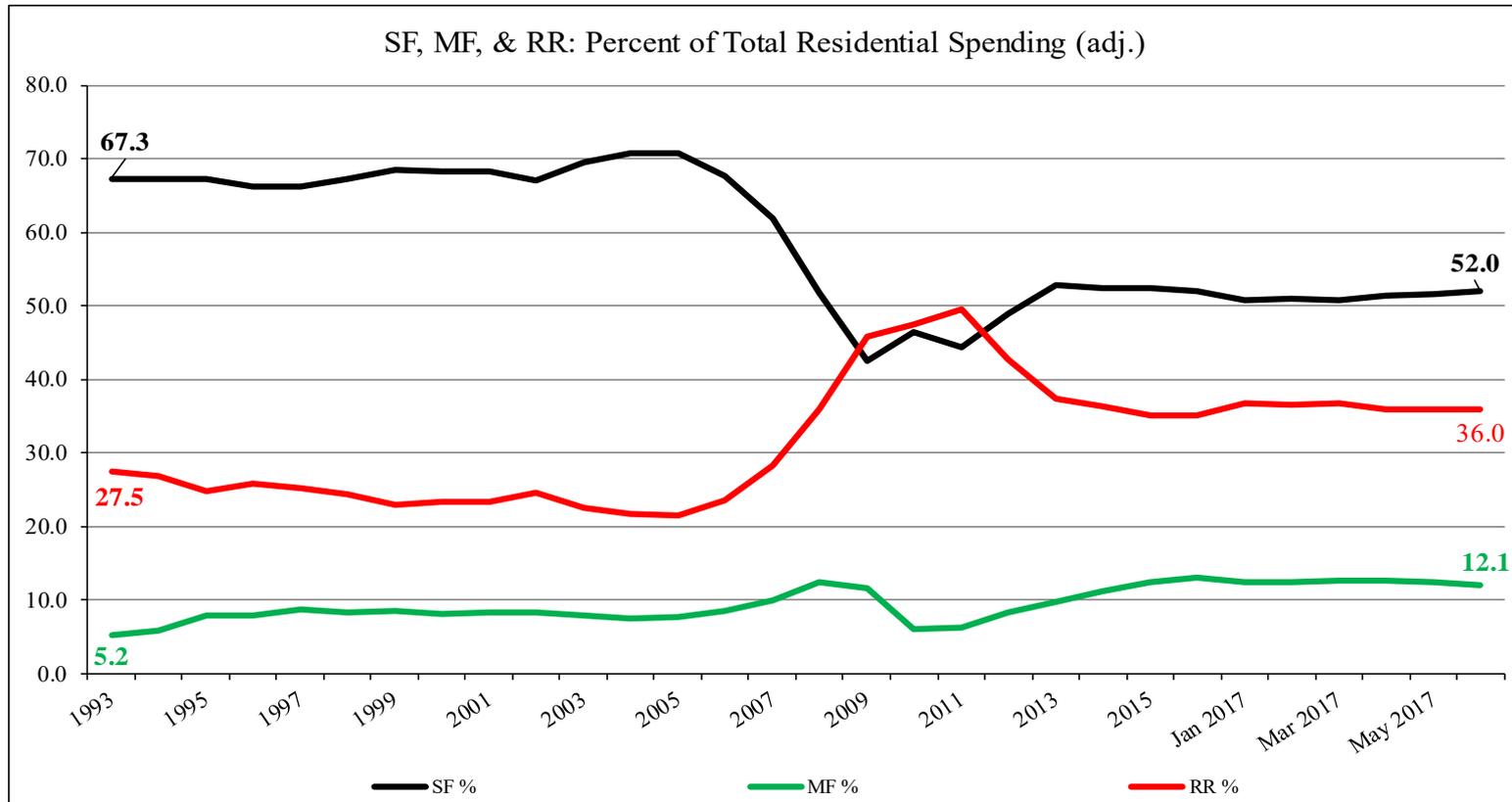


Total Construction Spending (adjusted): 1993-2017*



Reported in adjusted US\$: 1993 – 2016 (adjusted for inflation, BEA Table 1.1.9); *January-June 2017 reported in nominal US\$.

Construction Spending Shares: 1993 to June 2017



Total Residential Spending: 1993 through 2006

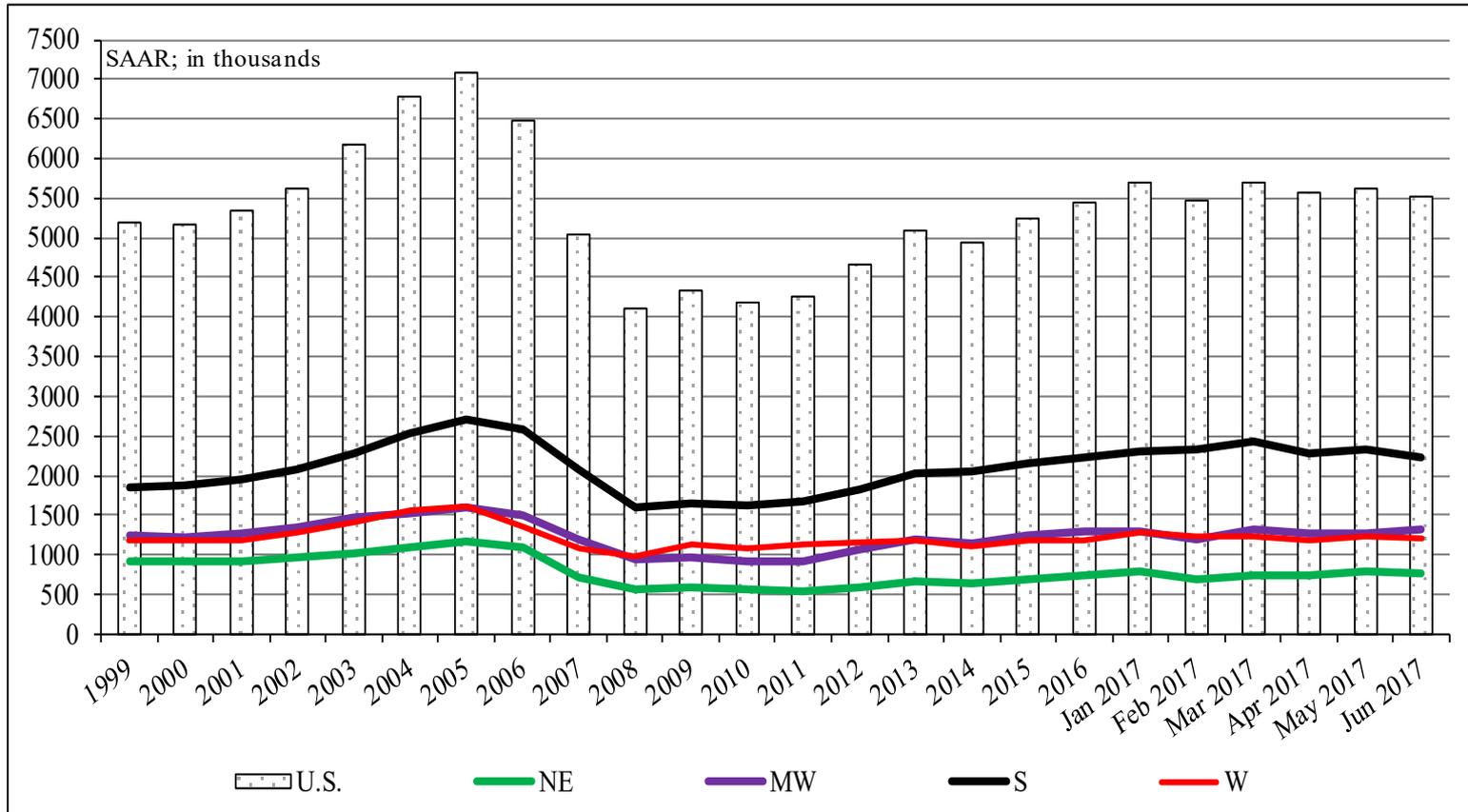
SF spending average: 69.2%

MF spending average: 7.5 %;

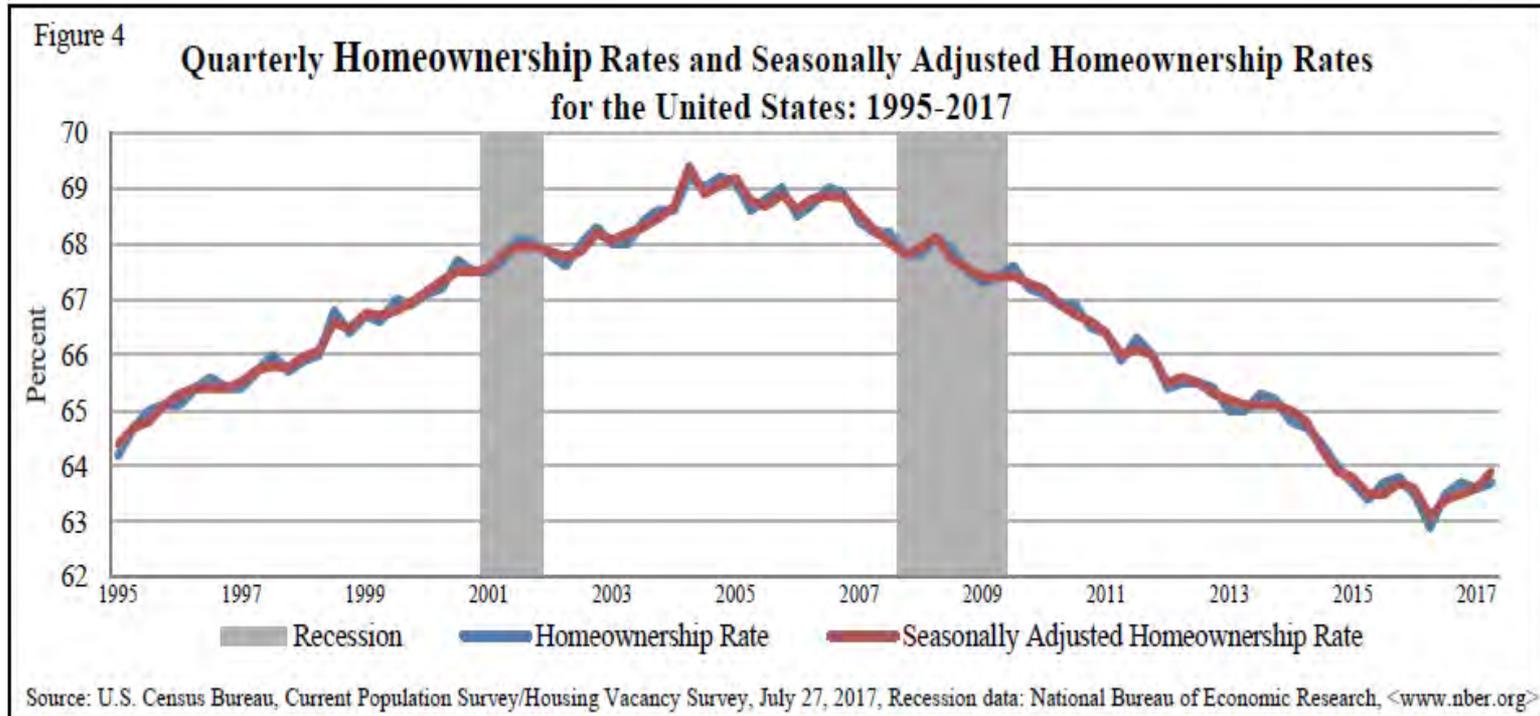
Residential remodeling (RR) spending average: 23.3 % (SAAR).

Note: 1993 to 2016 (adjusted for inflation, BEA Table 1.1.9); January-June 2017 reported in nominal US\$.

Total Existing House Sales



Home Ownership



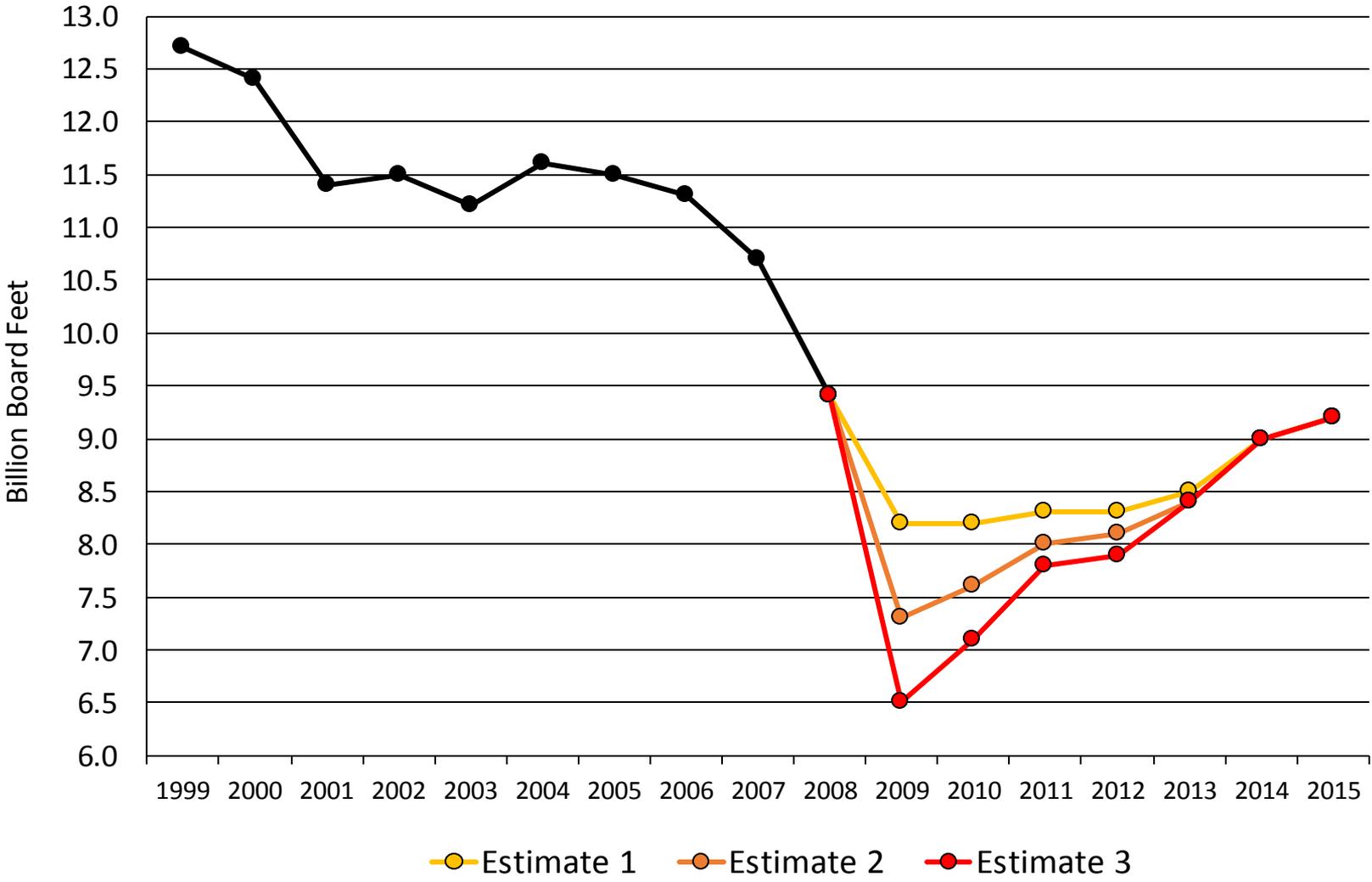
Quarterly Residential Vacancies and Homeownership, Second Quarter 2017

The homeownership rate of 63.7 percent was 0.8 percentage points higher than the rate in the second quarter 2016 (62.9 percent) and not statistically different from the rate in the first quarter 2017 (63.6 percent).” – Robert Callis and Melissa Kresin, Social, Economic & Housing Statistics Division, US Census

II. Forest Products Industry

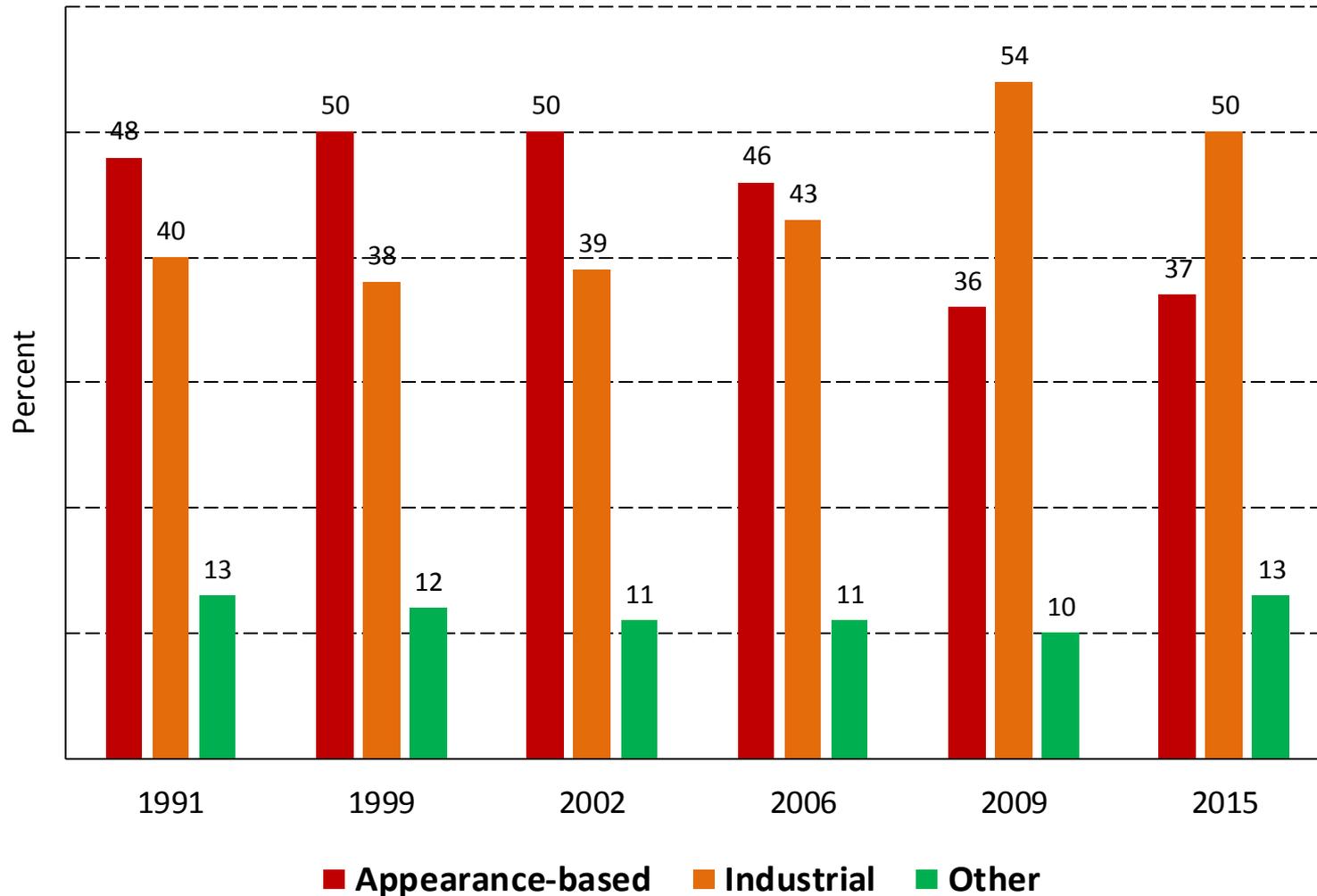


Eastern U.S. hardwood lumber production



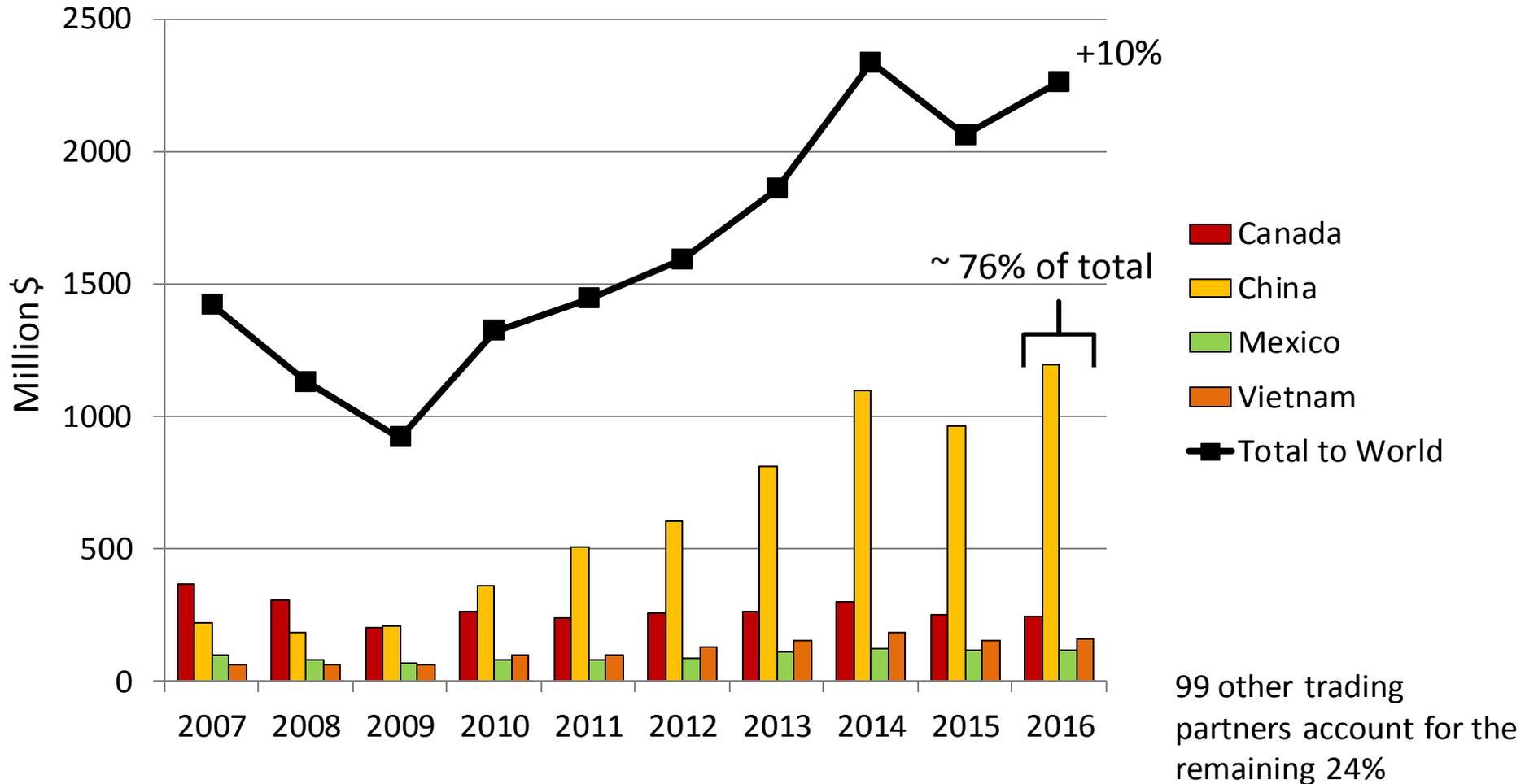
Source: Luppold and Bumgardner

U.S. hardwood lumber consumption by market segment*

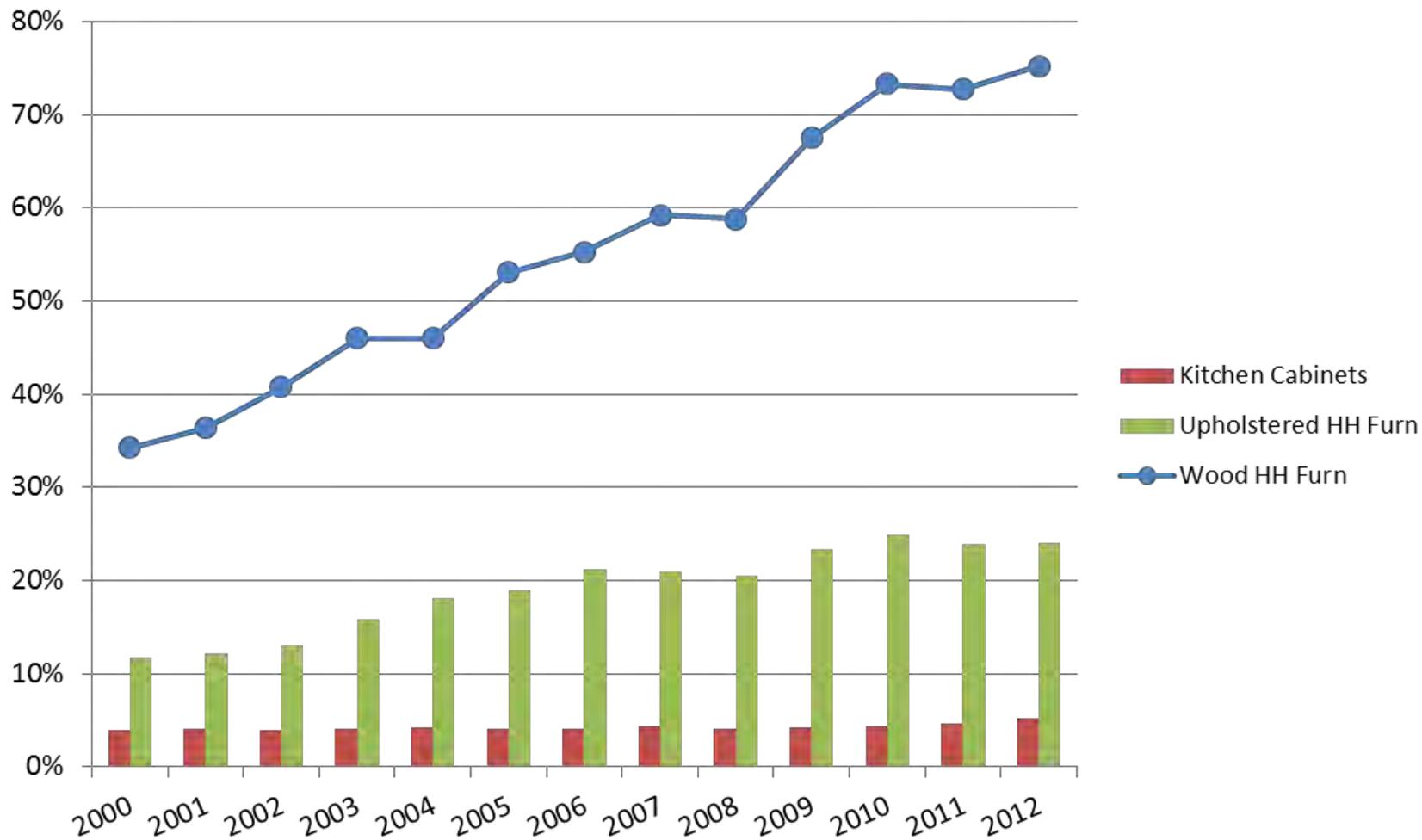


* Exports excluded

U.S. hardwood lumber exports (Top 4 destinations)



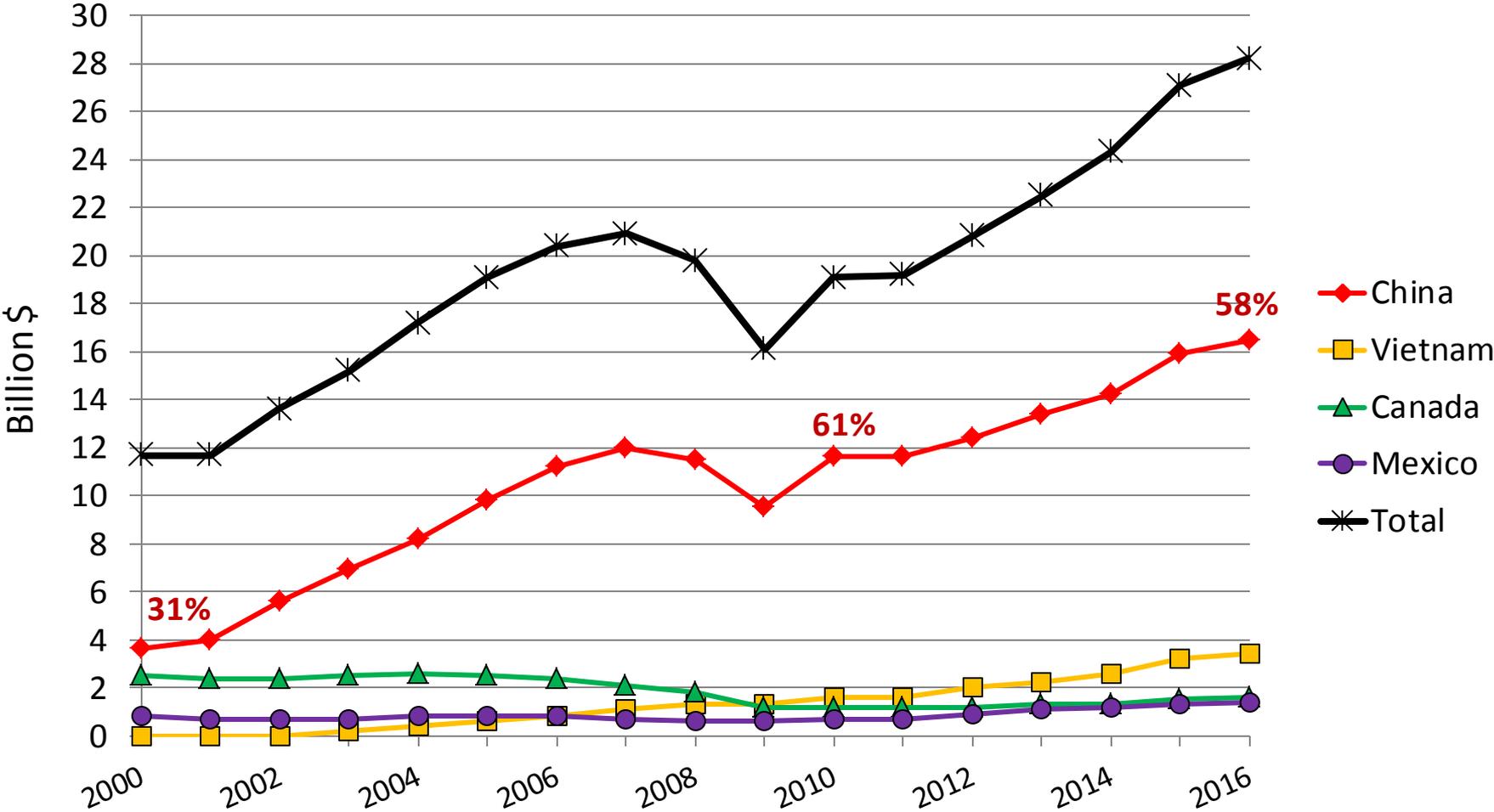
Market share estimates of imports in the U.S.



Consumption = value of shipments + imports – exports

Import share = imports/consumption

Major U.S. import sources: Household & Institutional Furniture & Cabinets (NAICS 3371)



Data source: International Trade Administration



**Made in the
U.S.**

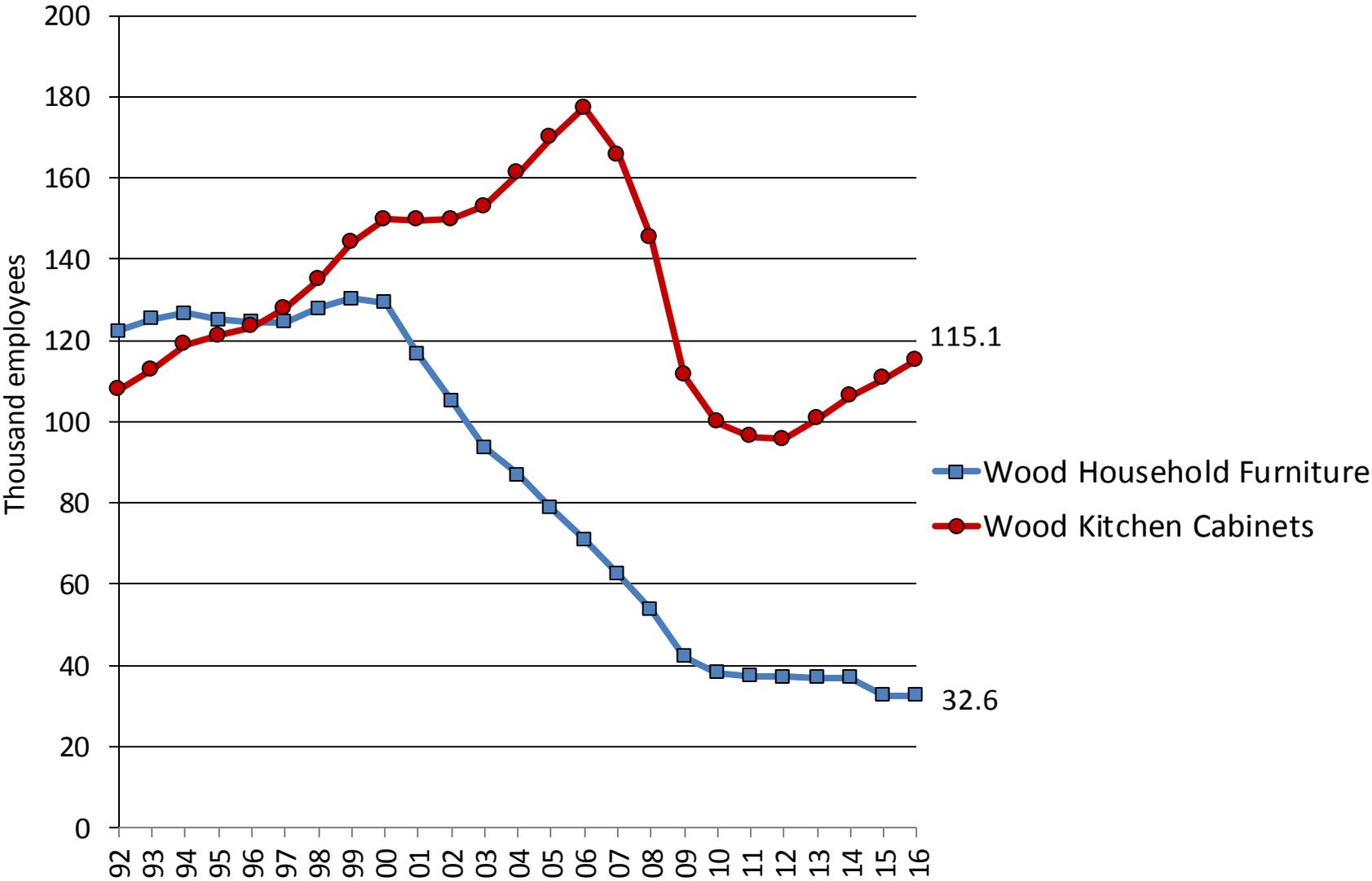
**Production
Cost:
US\$ 42.25**



**Made in
India**

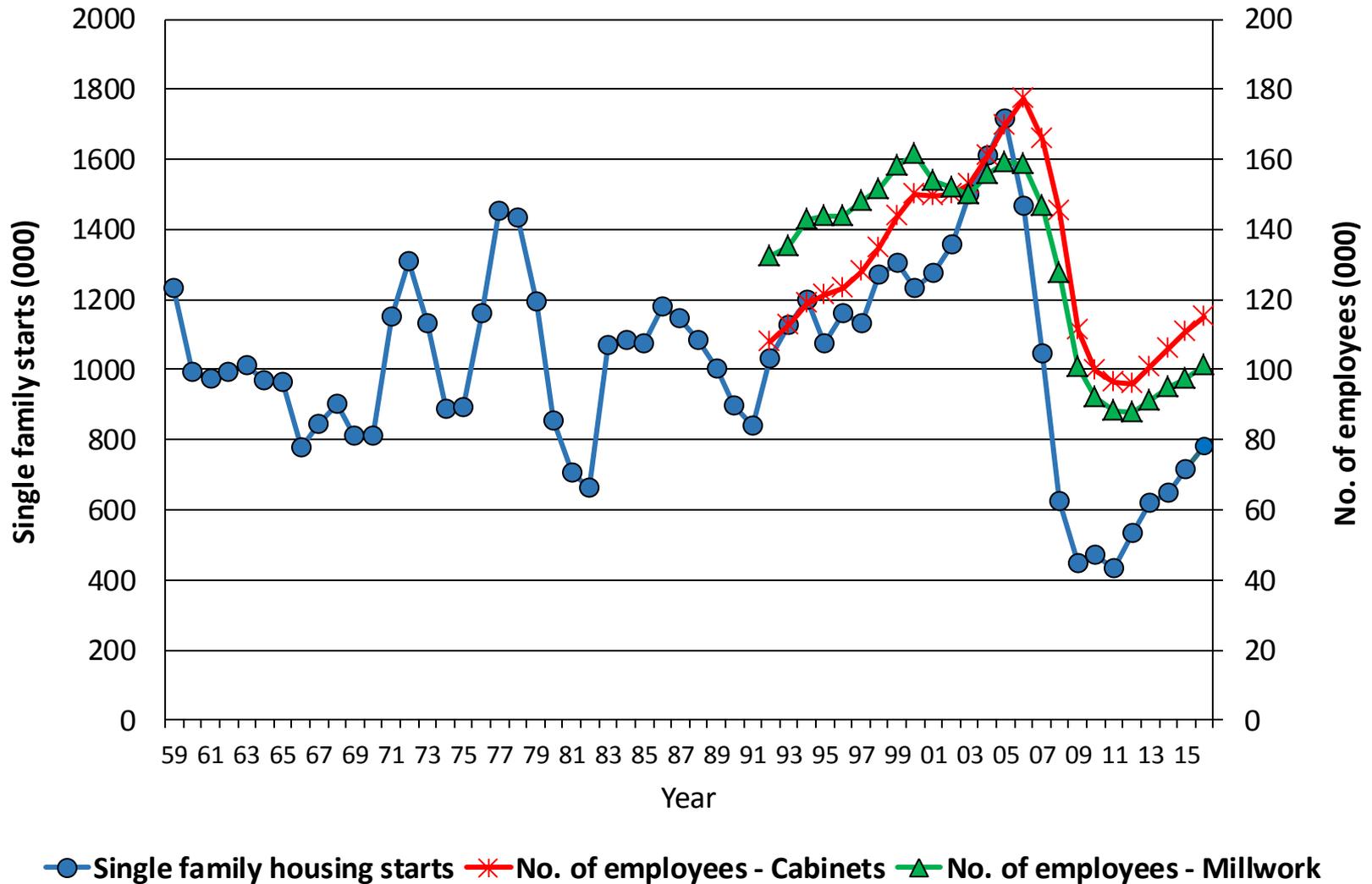
**Sales Price
in U.S.:
US\$ 4.50**

Employment trends – wood furniture vs. cabinets

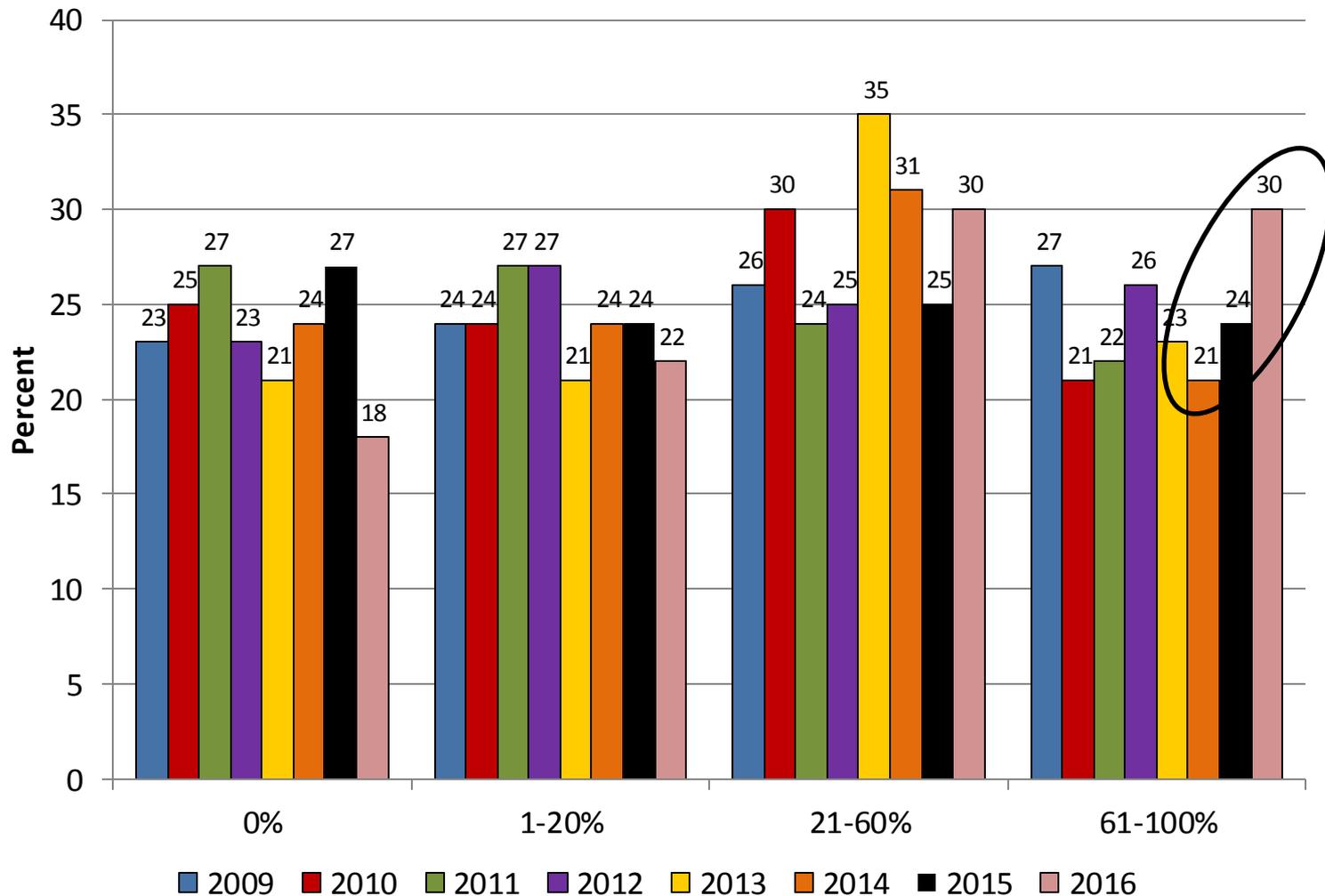


Data source: Bureau of Labor Statistics

Housing market's importance to woodworking employment



Proportion of production volume associated with the single family housing construction market



III. Opportunities/Outlook



Housing

- Bigger homes for those who can afford them, though the average size of houses has declined some since Q1 2016
- We may see smaller homes?
- Affordability for the average American - stock houses with limited amenities?
- If this occurs – how will producers position their products?
- What products will be offered?
- Manufactured housing could possibly make a comeback

The U.S. Economy

- Strong employment numbers, but lack of high paying jobs with benefits.
- Mostly positive housing numbers, however, at levels far below “normal” – with the exception of July’s new SF sales.
- Median household income numbers rise slowly, but they rise at last...
- Challenges with our debt (national, state, student, & auto).
- Will the falling US dollar exchange rate improve our exports?

The World Economy

- China's potential fiber supply gap (difference between demand and domestic supply) is estimated to be $150 \times 10^6 \text{ m}^3$, yet China is slowing and demand is cooling.
- Japan's 2011 triple disaster created replacement demand, but Japan is still stuck in its “lost decade.”
- Europe is a “mixed” bag:
 - The Euro and the migrant crisis
 - Scandinavia, Germany, Benelux and France are doing OK
 - Spain, Portugal, Greece, and some Eastern European countries are facing challenges
- South America is struggling, Brazil is in a deep recession
- Australia is, due to lackluster commodity markets, facing challenges

The Challenge



Thank you



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