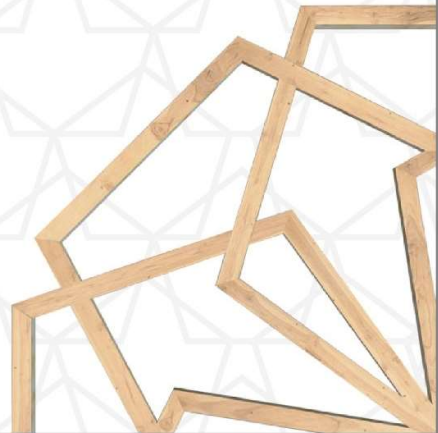




# **MTC AMERICAS REPORT ON MARKET VISIT TO FLORIDA, USA**

**(9 – 11 April 2022)**





## MARKET RESEARCH

MTC Americas conducted a market visit to Florida, USA from April 9-11, 2022 in conjunction with International Wood Product Association (IWPA)'s World of Wood Convention 2022 and National Wood Flooring Association (NWFA)'s Wood Flooring Expo 2022.

The objectives of the Market Visit to Florida are as follows:

- a) To touch base and network with the local industry-relevant players in Florida
- b) To observe the market trend and development of Florida
- c) To identify the market potential for Malaysia's timber and timber products

### Meeting with Maxstar International

Maxstar International Inc is the marketing and customer service team for Maxstar International Sdn Bhd, located in Orlando, Florida. It was established in 2019 and specializes in the manufacture of American style kitchen cabinets. The company found in Malaysia because of the convenient of land transportation and shipping services.

A meeting was held with Mr Kwan Tan, the director of the company. He shared the main reason of the company started their production in Malaysia because they see high potential for Malaysia to produce kitchen cabinet for the U.S. market as Malaysia has a reasonable proximity to raw materials. The company mainly works with developers and their projects are not just in Florida, but they serve the whole U.S. market, partnering with their distributors. One of the portfolios that the company was involved in the past was building kitchen cabinets for the Disneyland.

Kwan Tan informed that their factory has been using Rubberwood for cabinet making because he believed the best resources should be obtained domestically, vicinity to the raw materials help to reduce the cost of logistics. He added that he is very interested in trying different Malaysian timber species in his kitchen cabinet products for the U.S. market.

Kwan Tan also noted that the current shortages of raw materials, especially Russian Birch. Russian Birch plywood is one of the best and commonly used raw materials for cabinet making. Many of his clients highlighted their concerns on the origins of the raw materials and emphasized that they will not accept any products that has Russian's content. Also, MTC Americas took the

opportunity to introduce MWE 2022 and Kwan Tan expressed interests in visiting the show.



*Meeting with Mr Kwan Tan.*



*Display of cabinet shakers.*



*Display of marble/granite tops.*



*Warehouse of Maxstar International*

## Decks and Docks Lumber Company

Decks and Docks Lumber Company supplies to the marine construction industry across Florida and the Southeast U.S., the company opened its flagship store in St. Petersburg, FL in 1991. Decks and Docks Lumber Company has grown to serve the entire East Coast, from the Florida Keys all the way up to New York, comprising 22 stores including their headquarter in Clearwater, Florida.

A meeting was held with Mr Steve Kern, the sales manager of Decks and Docks Lumber Company. Steve Kern briefed about the company's business that the company mainly in composite decking products, lumber, piling, seawall, floating docks, railing, marina & dock accessories and hardware. He informed that their products range has now leaned towards composite decking products due to the quality consistency and availability, as well as price stability. Undeniably, the unavailability of wood has caused some level of business disruption, coupled with many unfavorable factors and uncertainties, major manufacturers/ importers/



retailers are shunning away from wood-based flooring products and shifting their direction towards non-wood-based flooring materials.

As for lumber, he explained that Southern Yellow Pine (SYP) is traditionally used for marine decking, and they have to be treated with either copper chromium arsenate (CCA) or arsenic treatment. The SYP supplies commonly found in East of Mississippi and some are imported from Canada.

According to Steve Kern, the shift to composite decking products is also related to the quality of SYP that has been supplied in the market lately. As the SYP harvested today are mostly young tree, the strength properties are not as good as in the past. Although the demand of lumber decking is no longer high, the company still carry some SYP products sourced from the treaters. In terms of price, the average price of SYP is around USD3 per sqft while composite is USD5 per sqft. Even though the price is lower for SYP, most consumer would choose composite over wood due to its strength and durability.

The company works directly with builders, he noticed that home buildings material has gone up by 20% now. Although the company did not involve directly on imports, he confirmed that the shipment issues have caused a massive disruption for their products to be delivered on time, especially when it comes to wood products with factors more than just logistics, that could affect the timeline. He also added that most of the shipments for their company's products are coming from the Savannah, Miami, Charleston ports.



*Mr Kern explained about the products that they carry.*



*Decks & Docks Lumber Company in Clearwater, Florida.*



*Decks and Docks Lumber Company's Showroom*



*Treated SYP for marine decking.*

## Hurst Hardwood

Hurst Hardwoods has been selling and installing hardwood and laminate flooring, along with stairs, since 1992. The company carries a wide range of products including domestics and exotics in solid and engineered, vinyl, prefinished and unfinished flooring, stairs and moldings.

A meeting was held with Mr Craig Hurst, the owner and purchasing manager of Hurst Hardwoods. According to Craig Hurst, Hurst Hardwoods is the authorized dealer of popular name brand hardwood flooring from around the world. The company also own their private label on some wooden flooring products which are manufactured in Vietnam.

Craig Hurst proudly informed MTC Americas that the company business has been thriving ever since they started their online business. Expanding their business to online platform and COVID-19 pandemic have further driven their revenue to a new height. In 2020, Hurst Hardwood made to the top 50 U.S. Specialty Flooring Retailer with annual sales of USD33.3 million. By enabling their business online, they managed to diversify their buyer groups and is now serving different groups of consumers including homeowners, contractors, interior designers, and home décor experts.

Craig Hurst noted that many companies in the industry faced issues such as logistics, inventory, etc. due to the pandemic, as well as supply disruption and U.S.-China trade war. At the moment, he informed that Hurst Hardwoods has been coping well and in fact, their inventory level is very high. They have also started to expand the products range and exploring stone polymer composite (SPC) flooring.

Hurst Hardwoods carries brands such as Johnson Hardwood, Nuvelle, Lifecore, Anderson Turtex, Mullican Flooring, BellaCera Somerset, etc., as well as some

tropical hardwood flooring brands like Indusparquet and Ark Floors. On average, the solid and engineered flooring are ranged from USD3.00 to USD6.00 per sqft depending on the brand, finish or style.

Below is list of some products under Hurst Hardwoods:

No.	Products
1	European French Oak (wide plank 7 1/2" x 5/8" prefinished engineered in 12 colors, as well as unfinished)
2	Riviera French Oak (wide plank 7 1/2" x 1/2" prefinished engineered in 7 colors, as well as unfinished)
3	Grande Tradition French Oak (super wide plank 10 1/4" x 5/8" prefinished engineered in 6 colors, as well as unfinished)
4	Hand Scraped Hickory Solid (5" x 3/4" prefinished solid Hickory flooring in 4 colors)
5	South American Solid (5" x 3/4" prefinished solid in Brazilian Cherry, Brazilian Teak, Brazilian Walnut, and Tigerwood)
6	Domestic & Exotic Prefinished Engineered w/4mm Wear Layer (5" x 5/8" in Red Oak, White Oak, American Walnut, Maple and Brazilian Cherry)
7	Domestic & Exotic Prefinished Engineered w/3mm Wear Layer (5" x 1/2" in American Cherry, Brazilian Cherry, Brazilian Teak, Brazilian Walnut, Hickory, Santos Mahogany and Tigerwood)
8	Domestic & Exotic Prefinished Engineered w/2mm Wear Layer (5" x 1/2" in Acacia, Amendoim, American Walnut, Hickory and Sapele)

Besides wooden flooring, he added that Hurst Hardwoods also offer robust selection of stair components (treads and risers, stair nosing), transition pieces, moldings, accessories, underlayment and glues. Species that they offer are American Cherry, Maple, Walnut, Red Oak, Hickory, White Oak, Brazilian Cherry, Brazilian Teak, Brazilian Walnut, Tigerwood, Ipe, Santos and Chestnut.

Craig Hurst informed that he would be interested to learn more about Malaysia's engineered wooden flooring, as well as staircase components. He also expressed interest to attend MWE 2022 and requested for more information about the show.





*Hurst Hardwoods' Headquarters in Tampa, Florida*



*Mr Hurst introduced his products in the showroom*



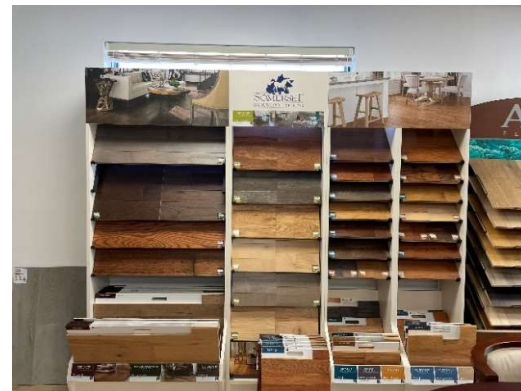
*Staircase components section in the warehouse*



*Warehouse*



*Inventory on shoe, reducer, nose and cove*



*Flooring samples in the showroom*

## Intercity Lumber

Intercity Lumber is a locally owned lumber store that sell lumber, plywood, molding and trim, as well as some hardware supplies, home building materials and hardwood flooring. The company started since 1962, serving the Tampa Bay area, as well as central Florida. The lumber store also manufactures and pre-cut lumber and plywood in their workshop, as well as provide millwork services for materials purchased from Intercity Lumber. The prices on plywood change frequently, depending on the plywood market conditions.

### Lumber

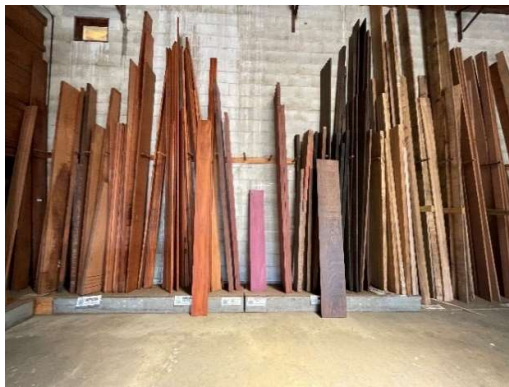
Species	Price (Board Foot) Rough cut – less than 100bf
Ash	4/4" - USD5.25 8/4" – USD6.25
Cherry	4/4" – USD6.75 8/4" – USD7.25
Mahogany	4/4" – USD7.65 8/4" – USD7.65
Maple (Hard)	4/4" – USD6.75 8/4" – USD6.85
Maple (Soft)	4/4" – USD6.50 8/4" – USD6.50
Poplar	4/4" – USD4.95 5/4" – USD5.50 8/4" – USD6.45
Red Oak	4/4" – USD5.50 5/4" – USD6.45 8/4" – USD6.45
Spanish Cedar	4/4" – USD8.50
Teak (Asian)	4/4" – USD36.00 8/4" – USD36.00
Walnut	4/4" – USD12.50 8/4" – USD14.50
White Oak	4/4" – USD9.00 8/4" – USD12.50
Basswood Block	USD8.00
Jatoba	4/4" – USD9.00 8/4" – USD8.95
Lacewood	4/4" – USD24.00
Padouk	4/4" – USD9.00 8/4" – USD9.00
Zebrawood	4/4" – USD24.00
Purpleheart	4/4" – USD10.00 8/4" – USD12.75



Sapele	4/4" – USD8.00 8/4" – USD8.00
Cumaru	4/4" – USD9.00
Birds' Eye Maple	4/4" – USD11.00
Wenge	4/4" – USD24.00 8/4" – USD24.00
Goncalo Alves	4/4" – USD11.50

## Panel Products

1/4" Marine 2-sided Grade AB	USD109.00
3/8" Marine 2-sided Grade AB	USD115.00
1/2" Marine 2-sided Grade AB	USD145.00
5/8" Marine 2-sided Grade AB	USD149.00
3/4" Marine 2-sided Grade AB	USD159.00
1" Marine 2-sided Grade AB	USD189.00
1/8" Hardboard	USD13.98
1/4" 4x8 MDF	USD32.00
1/2" 4x8 MDF	USD45.80
5/8" 4x8 MDF	USD49.50
3/4" 4x8 MDF	USD63.50



*Tropical lumber*  
*Jatoba (Hymenaea courbaril)*  
*Goncalo Alves (Astronium spp.)*  
*Purple Heart (Peltogyne spp.)*



*Temperate lumber*  
*Spruce*  
*Radiata Pine*  
*Poplar*



*Plywood species*  
Okoume  
Baltic Birch  
Ash



*Western Red Cedar*



*Novelty siding - Tongue & Grooves*



*Display for Hard Maple, Red Oak, White Oak, Teak, Jatoba, Padouk*





*White priming*



*Tropical lumber*



*Mahogany lumber*



*Teak lumber*

## At Home

At Home (*stylized in lowercase*) is a chain of home decor stores based in Plano, Texas and currently operates 225 stores in 40 states. The average store is 110,000 sqft. Each store offers up to 50,000 home products that range from furniture, mirrors, rugs, art and housewares to tabletop, patio and seasonal decor.

Originally named Garden Ridge and filed for bankruptcy protection in 2004, the company reorganized. After acquired by AEA Investors in 2011, At Home underwent a rebranding project that included the previously stated name change and a store redesign. The rebranding project changed the use of orange color for advertising to a soft grey and blue. A house symbol stands in for the “o” in At Home. In August 2016, the company went public. In July 2021, the company was acquired by Hellman & Friedman. The chain emphasized their business with the slogan of ‘Home Furniture for Every Budget’.



It was noticed that most of the furniture are made in Vietnam. Most of the furniture at At Home are averagely priced around USD50 to USD300, consider low to lower medium price for furniture in the U.S.



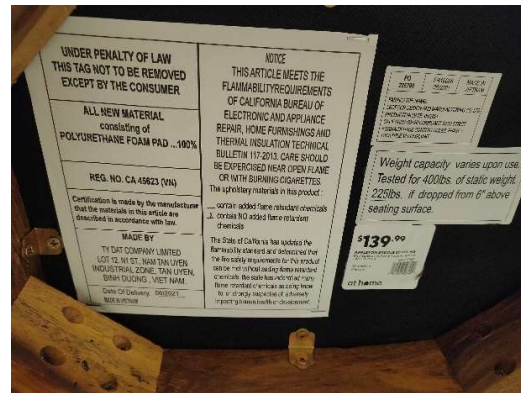
Barstools



Providing buying guide for the customer to ensure they select the right size of furniture



Furniture displays at At Home store



Multiple labelling requirements for furniture products



*Upholstered wooden chair display*



*Upholstered wooden chair display*



*Contemporary desk display*



*Wood cabinets/sideboards display*

The State of Florida is located in the far southeastern region of the U.S. Florida shares its land border with the State of Alabama in the northwest, and with the State of Georgia in the north. Florida has the largest coastline in the contiguous U.S. and is surrounded by the Gulf of Mexico to the West; by the Atlantic Ocean to the east and by the Straits of Florida to the south. Located in Leon County, in the heart of the state's northern panhandle region is Tallahassee - the capital city of Florida.





Florida, popularly known as the Sunshine state is the 3<sup>rd</sup> largest state in the United States of America with the total area of 170,312 sq. km and a population of 21 million in 2020. The State of Florida is divided into 67 counties. These counties are: Alachua, Baker, Bay, Bradford, Brevard, Broward, Calhoun, Charlotte, Citrus, Clay, Collier, Columbia, DeSoto, Dixie, Duval, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lafayette, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Martin, Miami-Dade, Monroe, Nassau, Okaloosa, Okeechobee, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Putnam, Saint Johns, Saint Lucie, Santa Rosa, Sarasota, Seminole, Sumter, Suwannee, Taylor, Union, Volusia, Wakulla, Walton and Washington.



## MARKET VISIT

Major Cities	Population
Miami	6,122,134
Tampa-St. Petersburg	2,877,274
Orlando	1,963,879
Jacksonville	1,280,209
Cape Coral	851,360
Sarasota-Bradenton	736,184
Kissimmee	527,793
Port St. Lucie	520,605
Palm Bay-Melbourne	518,673
Daytona Beach-Port Orange	475,592
Bonita Springs-Naples	433,860
Pensacola	355,041
Lakeland	344,399



The four largest metro areas in Florida are Miami-Fort Lauderdale-West Palm Beach, Tampa-St. Petersburg-Clearwater, Orlando-Kissimmee-Sanford, and Jacksonville.



Forests cover about half of Florida's land area, with most of the timberlands lying north of Orlando. Statewide, there are more than 17 million acres of forests; the vast majority of those timberlands are working forests. Most are privately owned; the rest is owned by state local, state and federal governments.

Based on an economic impact study conducted by Florida Forestry Association, 64% of the Florida's forestland ownership is privately-owned, 17% belongs to state government, 16% are federal government and 3% are county, municipal and local government.

Forestry production accounted revenues of USD719 million. Wood and paper product manufacturing recorded USD8.986 billion while allied industries contributed USD2.85 billion. In 2016, there were 74 primary wood-using mills in Florida. Most of those are sawmills. Other types of mills include mulch, pulp/paper, chip-n-saw, chips, post, animal bedding, biomass power, firewood, pole, pallet, pellet, plywood, strand board and veneer. The forestry industry employs more than 124,000 Floridians and infuses USD25 billion into the state's economy.

Being at a coastal area, Florida is the southeasternmost U.S. state, with the Atlantic on one side and the Gulf of Mexico on the other. It has hundreds of miles of beaches, and it has almost similar land size and shape as Peninsular Malaysia, surrounded by the sea. Florida's ports are crucial gateways to the Caribbean, Central and South

America as well as Europe and Asia due to the proximity to the Panama Canal, moving a hundred million tons of cargo or millions of passengers every year.

In 2020, measured by imports of TEUs (Twenty-foot Equivalent), Florida boasts six of the country's 30 busiest ports, more than any other state. California has five, Washington has three, Pennsylvania and Texas have two apiece and no other state has more than one in the top 30.



Florida offers many container ports and supply chain options and choices to retailers, manufacturers, 3PLs and ocean carriers. The Florida Seaports authority highlighted their availability as an alternative to the congestion and backlogs at the primary seaports in California and increasingly also the U.S. East Coast. Instead of waiting off the coast of California, cargo vessels can offload and move their product to Florida and other discretionary markets at the same time it takes to find space in an increasingly congested California. With their port system too, the Florida highway system will see less trucks from out of state, and long-range empty back-hauls will also decline. Increasing the capacities and capabilities of Florida's Seaports and overall freight network strengthens the state's ability to attract and grow large-scale and broad-based manufacturing activity.

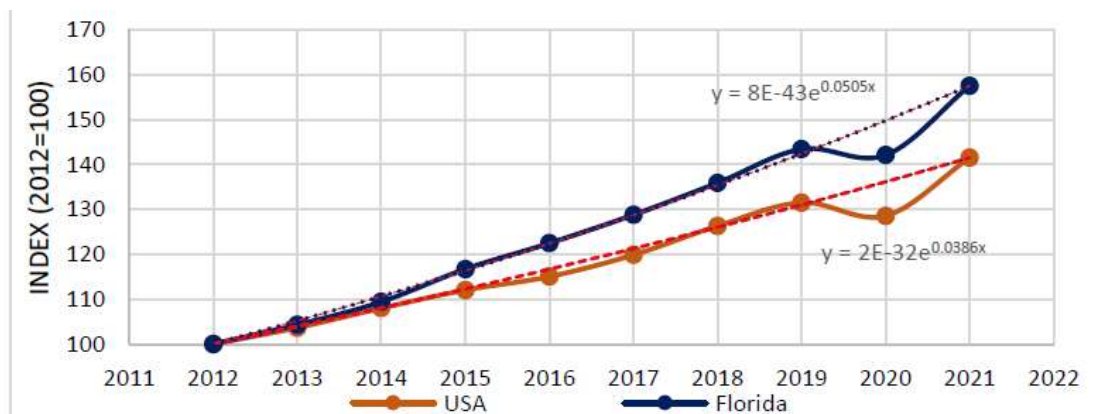


Florida is also distinctively known for its large Cuban expatriate community. The state economy relies mainly on tourism, agriculture and transportation, which were developed in the late 19<sup>th</sup> century. Additionally, Florida is also known for amusement parks, orange crops, the Kennedy Space Centre and as a popular destination for retirees. Many beach towns are popular tourist destinations especially during winter and spring break. Amusement parks like Greater Orlando area, Walt Disney World Resort make up significant portion of tourism with over 50 million visitors annually. Agriculture is the second largest industry in the state. Florida produces the majority of citrus fruit grown in the U.S. Other products include sugarcane, tomatoes, strawberries and celery. Florida is also the leading state for the sales of power boats; phosphate mining is the state third largest industry with its concentration in the Bone valley.

Based on a report published by the Florida Department of Financial Services, from 2012-2021, Florida's gross domestic product (GDP) growth outperforms the U.S. Florida's Finance, Insurance and Real Estate sector outperforms the U.S. economy and it remained unharmed by the negative economic forces present during the pandemic.

Delving into the COVID-19 pandemic, each state in the U.S. implemented varying pandemic response protocols, which yielded diverse economic consequences. Florida has made a bold pivotal pandemic response protocol by refusing to implement statewide lockdowns and fared better economically than other states.

Figure 1. Index Gross Domestic Product (GDP) All Industry Total, USA and Florida, 2012 through 2021.



Source: BEA

The overall calculated GDP indices for 2021 (base 2012 = 100) is 141.48 and 157.51 for the U.S. and the State of Florida, respectively. These figures can be used to calculate the annual mean (compounded) growth rate (shown by the dashed lines). The compounded growth rate per annum of 3.9% and 5.2% for the U.S. and Florida,

respectively. From these compounded growth rates, a divergence in GDP growth of 1.25% per annum may be derived between Florida and the national economy.

The growth divergence started in 2015 and continued in the following years until present. Even the economic setback, due to the COVID-19 pandemic in 2020, was less severe for Florida (at -0.9%) than it was for the U.S. at large (-2.2%). Subsequently, the pre-pandemic market dynamics in Florida continued to exist into and through the pandemic. Presently, the GDP index gap between Florida and the U.S. stands at 16.03, with Florida outperforming the U.S. at large. Certain industries over others contributed to this rise and sustained economic growth in Florida.

*Table 1: Gross Domestic Product (GDP) Top 10 Industries USA – Florida, Indexed (2012=100)*

Description	FLORIDA			RANK	USA		
	Growth Rate	Size (or share)	C+S		Growth Rate	Size (or share)	C+S
All industry total	5.2%	1.000	5.2%		3.9%	1.000	3.9%
Private industries	5.6%	0.902	5.0%		4.1%	0.879	3.6%
Agriculture, forestry, fishing and hunting	0.7%	0.006	0.0%	18	3.6%	0.011	0.0%
Mining, quarrying, and oil and gas extraction	3.3%	0.002	0.0%	17	-2.6%	0.012	0.0%
Utilities	2.8%	0.017	0.0%	16	3.4%	0.017	0.1%
Construction	9.6%	0.054	0.5%	5	6.3%	0.042	0.3%
Manufacturing	6.4%	0.052	0.3%	9	3.2%	0.111	0.4%
Durable goods manufacturing	6.5%	0.032	0.2%	11	3.0%	0.060	0.2%
Nondurable goods manufacturing	6.2%	0.020	0.1%	13	3.4%	0.051	0.2%
Wholesale trade	5.2%	0.071	0.4%	7	3.7%	0.060	0.2%
Retail trade	5.7%	0.077	0.4%	6	4.8%	0.060	0.3%
Transportation and warehousing	3.4%	0.026	0.1%	14	3.5%	0.028	0.1%
Information	4.3%	0.039	0.2%	12	6.1%	0.057	0.3%
Finance, insurance, real estate, rental, and leasing	6.6%	0.254	1.7%	1	4.5%	0.212	1.0%
Finance and insurance	8.1%	0.069	0.6%	4	5.8%	0.085	0.5%
Real estate and rental and leasing	6.1%	0.185	1.1%	2	3.7%	0.128	0.5%
Professional and business services	6.1%	0.134	0.8%	3	4.7%	0.129	0.6%
Educational services, health care, and social assistance	4.1%	0.090	0.4%	8	3.6%	0.084	0.3%
Arts, entertainment, recreation, accommodation, and food services	4.0%	0.057	0.2%	10	3.4%	0.037	0.1%
Other services (except government and government enterprises)	3.5%	0.023	0.1%	15	2.8%	0.019	0.1%
Private goods-producing industries <sup>2</sup>	7.3%	0.115	0.8%		3.3%	0.176	0.6%
Private services-providing industries <sup>1</sup>	5.3%	0.787	4.2%		4.3%	0.703	3.0%
Trade	5.5%	0.147	0.8%		4.2%	0.120	0.5%

Source: Bureau of Economic Analysis

Florida's Finance, Insurance and Real Estate sector remained stable and did not suffer economically during the COVID-19 pandemic. This particular sector outperformed that of the U.S. as a whole in both growth and share. The Finance and Insurance sub-



industry is higher in growth but makes up a smaller share overall in the Finance, Insurance and Real Estate sector than Real Estate sector.

Construction sector has a compound growth rate of 9.6% per annum. Combined with its share, the Construction sector adds  $\frac{1}{2}$  a percentage point to Florida's overall GDP growth, while the same sector nationally adds only 0.2% to the U.S. GDP growth. It is noted that Florida's in-migration is likely a contributing factor to this fact.

Florida's Trade sector shows a higher-than-average growth rate and increase in share, All Industries Total, and growth rates stand at 5.5% and 4.2% per annum. Therefore, Trade is more important for Florida than Trade is for the U.S. economy at large; adding 0.81 percentage points to Florida's GDP versus 0.51 percentage points nationally. The remainder of industry categories in Florida score mostly marginally higher in contributions to Florida's economic growth than their national counterparts do for the U.S. economic growth.

As COVID-19 enters its third year, according to Florida Taxwatch Research Institute, Florida's economic outlook is settling into a new normal - one defined by advancing job growth, punctuated by lingering challenges with labor shortages, supply chains, and inflation. For Floridians making sense of the future uncertainty, the issue is no longer just about returning to pre-pandemic trends and traditions, but rather adapting and settling into a new normal way of life.

For the overall Florida economy, real Gross State Product (GSP) is steadily rising due to higher levels of economic activity. Official state estimates forecast that GSP will reach a 4.5% annual growth rate in 2022 before tempering down to a more characteristic 2.5% over the subsequent years. The higher-than-average GSP growth for 2022 speaks to the tremendous decline in economic activity that occurred early on, pent-up demand among consumers, and Florida's "open for business" strategy.

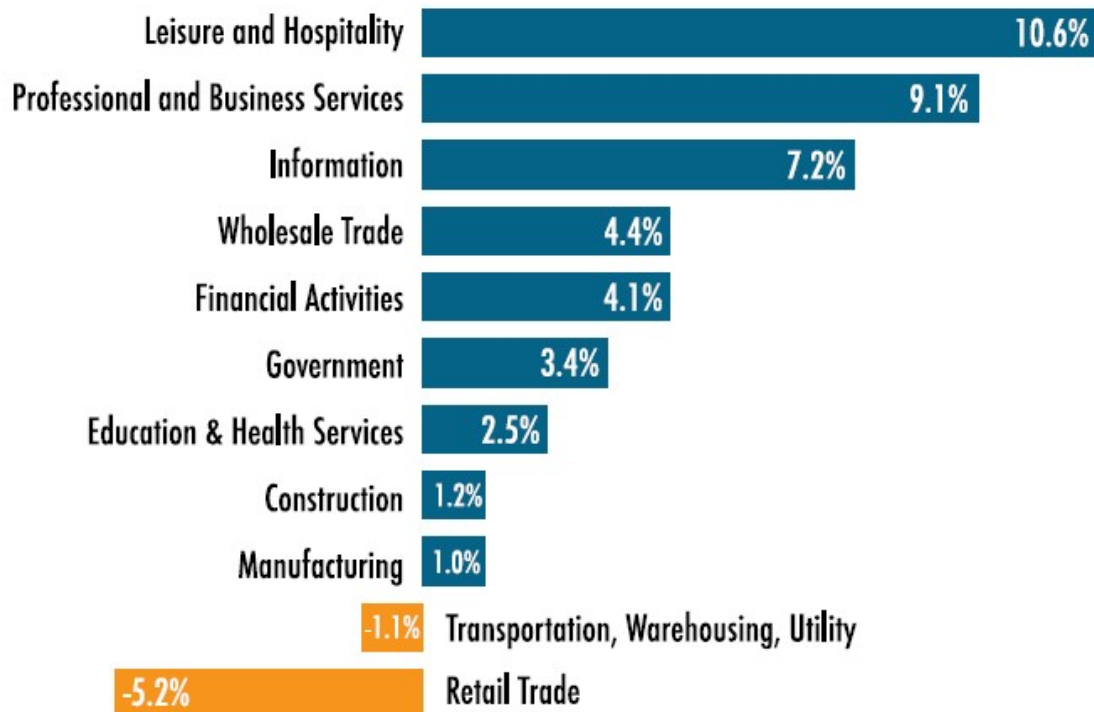
Reflecting general labor market conditions, Florida's unemployment rate is anticipated to fall to 3.5% in 2022, somewhat approaching the pre-pandemic record of 3.1% set in 2019. Since some individuals may inevitably leave the labor force and therefore are not reflected in official unemployment rates, it is also worth looking at figures describing labor force participation. Based on estimates, Florida's labor force is expected to climb by 2.9% in 2022 as more individuals gradually return to the labor force.

Anecdotally, the general improvements in the broader economy as leisure travel picks back up, spurring attendance at concerts, sporting events, and other gatherings across the state. Rebounding tourism has also brought many people back to the Sunshine State's natural amenities and theme parks. Many regional real estate markets are



attracting new residents to the state due to increased remote work. In response, many local businesses are capitalizing on the twin benefit of returning tourists and new residents.

For Florida's economic outlook in 2022, projections are that employment will rise by 4.3% or about 379,500 additional jobs, and the state unemployment rate will decline to 3.5%. Job growth will lead in areas like leisure & hospitality but lag behind in retail trade. Personal income growth is also projected to rise by 1.5% next year; however, how this translates into increased consumer spending will be affected by how much inflation undermines consumer confidence. Inflation is expected to rise by around 2.2% if supply chain and labor issues turn out to be truly transitory.



**Source: Florida Taxwatch Research Institute**

Florida's construction industry is weathering the COVID-19 pandemic with surprising strength. While Florida's tourism and hospitality industries have been hard hit, with many projects delayed or canceled, the residential construction industry is showing strength as people continue to flock to Florida. Factors such as the ease of remote working, a good climate for outdoor activities, low mortgage rates, and a favorable cost of living have combined to maintain the demand for new housing in a state that was already experiencing steady population growth. This market situation has drove the rent and value of homes in Florida higher in the past recent years. The large

number of out-of-state investors that purchased homes and apartment complexes in Florida especially area like Jacksonville is good for local economy but at the same time, pricing families out of the market.

Like most growth markets, inward migration is driving the construction trend. Between 2010 and 2020, Florida's population grew by 2.7 million residents, according to U.S. Census data. The pandemic accelerated this growth with an estimated 329,717 new residents settling in Florida between April 2020 and April 2021. Increasing demand for commercial space as companies follow the population trends and relocate to Florida or establish a regional headquarters here. Another reason is the increase of people who resided in colder climates choose to migrate to, and shelter in place in Florida.

Home sale prices keep going up, but the available inventory is down - at least according to Florida Realtors' latest study of the housing market in the Sunshine State. The median cost of home purchases in Florida for the 2021 third quarter was about USD355,000. Buyers looking for condos instead of houses paid around USD254,900. Across both segments, cash payments were up.

Metropolitan Area	Single-family home Median Sale Price	Percent Change YTY	Townhouse and Condo Median Sale Price	Percent Change YTY
Homosassa Springs	\$308,675	19.6%	\$152,900	11.2%
Lakeland-Winter Haven	\$280,560	20.9%	\$185,000	21.7%
North Port-Sarasota-Bradenton	\$415,000	22.4%	\$299,900	25.5%
Sebring	\$218,000	20.8%	\$118,000	11.1%
Tampa-St. Petersburg-Clearwater	\$340,990	21.8%	\$225,000	15.8%
State of Florida	\$355,000	18.4%	\$254,900	18.6%

Source: Florida Realtors

Residential construction volume has been rising across the Sunshine state. For single-family homes, the number of filed building permits has been on the rise since 2009, after it hit its lowest point during the recession. Between 2015 and 2020, Florida saw

over 800,000 permits issued, according to a U.S. Census Bureau Building Permits Survey - and it continues to rank among the top states with requested permits in 2021.



## Observations & Recommendations

Based on MTC Americas' participation in both International Wood Products Association's World of Wood Convention, National Wood Flooring Association's Wood Flooring Expo and meetings with various levels of consumers, one of the main findings is the overall supply chain structure in the U.S. is very mature, at the same time it is traditional. Majority of the consumer prefers to stay in their own lane, each level of professionals to run their roles in making sure that they work within their scope of expertise and not disrupting the current supply chain structure. However, this could also mean that the market is very insubstantial, each level of consumers is very dependable on their upper level of supply chain and any hiccups will lead to major disruption.

It is evidenced when some lumber & wood products stores informed that they have considered importing wood materials directly, however, COVID-19, shipment delays, lack of manpower has further delayed their plan to do so. Non-importers like retailers, dealers, etc., refrain from direct import as there are too many uncertainties, and it would be too risky to lock in their cash flow by direct importing. Financial liquidity is one of the main concerns to imports, as well as it requires a lot of import knowledges.





Also, when it comes to wood and wood products, the U.S. market now emphasizes more on compliance and are placing more scrutiny on each and every product entering the States with more policies and regulations added into the list, including AD/CVD, forced labor, Section 301 tariffs, EAPA, etc. The source of wood products is getting more attention and not be limited to only lumber and plywood but also products from the higher value chain such as furniture. For instances, Brazil and some Southeast Asian countries such as Malaysia and Vietnam are often being put under the spotlight for their products import into the U.S., Custom Border Protection officers tend to request more documentation and evidence for a cargo to be released.

Furthermore, the U.S. also set duties on Canadian softwood lumber with punitive tariffs on most Canadian softwood lumber producers, average preliminary anti-dumping and countervailing duties of nearly 12% will be levied on Canadian softwood lumber producers. This unprecedented rally lifted prices to record highs during a pandemic-fueled home-building and renovation boom have massive impacts across the U.S.

Builders will have to continue to grapple with building material production bottlenecks and labor shortages that limit the pace of construction and keep upward pressure on home prices. It was also noticed that the inventory levels for all kind of wood products are low. This will continually impact on the existing home inventory and strong buyer demand will keep housing moving forward in 2022. Building material costs are evidently up 20% compared to a year ago. Higher mortgage rates combined with rising construction costs and a lack of construction workers will increase affordability headwinds in the year ahead.

Since wood materials has become expensive, other building materials such as wood-plastic composites (WPC), fiber cement products, etc. are riding on this market opportunities to poise and influence regular wood user in making a switch. If lumber prices stay elevated, on a cost-effective perspective, substitution by other materials could take place and inevitably seize the market in the long-term.

Even more complicated import procedure and inconsistent requirement for wood products, coupled with supply chain issues, will gradually propel the market into non-wood products as the suppliers that sells to the market may slowly phase out wood products.

Optimistically speaking, more construction activities would mean more wood materials. It was noticed that Florida has been one of the top destinations for retirement folks, as well as the new generation moving there for work purposes, many chosen Florida due to several reasons i.e., weather and no state tax, as well as the beautiful beaches. The scarcity of wood materials could drive up the price of wood, especially exotic wood in the U.S. market due to its increasing scarcity of materials.

On the flip side, there will be a massive shift to other alternatives and lead to decrease in wood market share. This will create a huge market void for other alternatives to replace wood products. Nevertheless, continuous and collective efforts are needed to promote the sustainability and availability of Malaysian wood and wood products in this market.

## Information of Company Visited

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3.	<p>Decks and Docks Lumber  Contact Person: Steve Kern  Address: 1281 Court St, Clearwater, Florida 33756  Phone: +1 727 466 9663</p>
4.	<p>Intercity Lumber  Address: 5301 Causeway Blvd, Tampa, FL 33619  Phone: +1 813 626 5232</p>
5.	<p>At Home  Address: 2160 Grand Cypress Dr, Lutz, FL 33559  Phone: +1 813 345 3775</p>

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