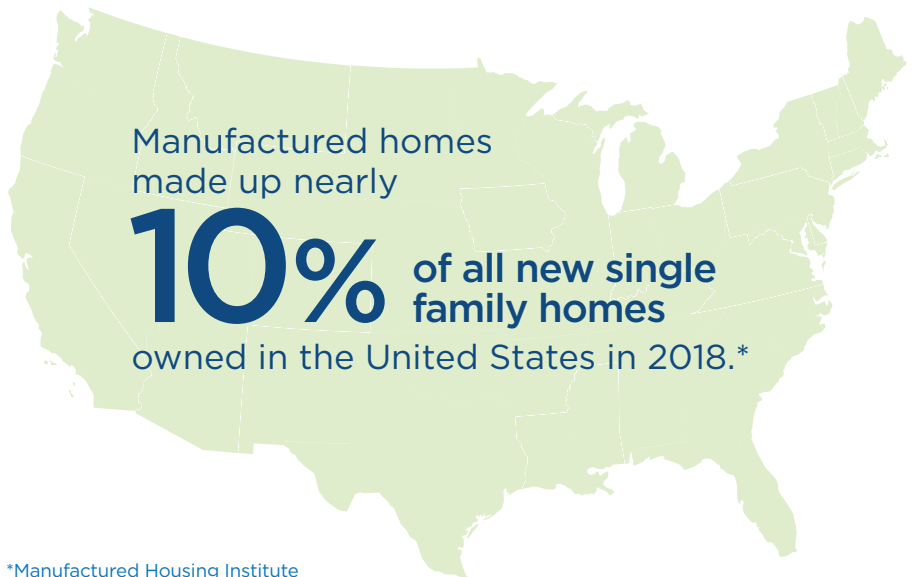




OFF-SITE BUILT HOMES: An Evolving Industry that Meets Today's Affordable Housing Needs

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While the dream of homeownership is still alive, today's affordable housing crisis has kept this dream from becoming a reality for many hardworking people across the nation. With new site-built homes often financially out of reach, off-site built homes (also known as manufactured homes) can provide a more affordable, quality housing option with many features and aesthetics similar to traditional homes. As this evolving industry continues to challenge common misperceptions related to zoning, finance, and performance, off-site built homes are growing as an affordable homeownership solution.



*Manufactured Housing Institute

Manufactured Homes*



Mobile Homes

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The Evolution of Off-Site Built Housing

Following World War II, homes constructed in a factory, sized between six to eight feet wide, were built for – and marketed to – those seeking a more transient lifestyle. As such, they were taxed as personal property, similar to vehicles. The term “mobile home” was coined in the 1950s, when many of these structures were expanded to 10 feet wide and placed on permanent foundations for longer-term use. In 1976, Congress passed the National Manufactured Housing Construction and Safety Act (42 U.S.C. 5401-5426) to require that these homes meet stricter national safety and construction standards, and, in 1980, approved the name change from “mobile home” to “manufactured home.” Mobile homes have not been built since this time, though today the industry is still burdened with this label and the stigma associated with it.

Since that time, off-site built homes have been constructed to increasingly stringent safety and construction guidelines, with improved aesthetics and materials to keep pace with contemporary design trends. With innovations in the construction process and energy efficiency features offered, these homes are using less energy for heating, cooling, and hot water systems to help improve monthly utility costs. Custom design features for off-site built homes have evolved over the years, which can now include

open floor plans, smart thermostats, keyless entry, covered porches, garages, oversized closets, outdoor living spaces and a variety of floor plans to match each homeowner's unique lifestyle.

But even as the quality and aesthetics of off-site built homes have come to match that of site-built homes, these homes are still working at differentiating themselves from the older "mobile homes" that many Americans still remember from decades ago.

As city councils and homeowners increasingly realize that off-site built housing offers a sustainable solution to the affordable housing crisis, the industry has expanded its reach as a mainstay across the U.S.

The Changing Homebuilding Landscape

As the U.S. population swells, its demographic makeup is shifting – directly impacting the home building landscape. The industry has responded to these shifts with creativity and innovation to reach customers across generations and offer housing that optimizes various lifestyle needs.

20% of the total US population
will be over 65 years old by 2029

with the older generation outnumbering the younger generation for the first time in history.

*US Department of Commerce



Baby Boomers' lifestyles are different than those of past generations, as those 65 and older prefer to stay active and live independently. As such, many are looking to "age in place" in homes with non-traditional floor plans offering features and conveniences that suit their future needs, such as smaller, single-story floor plans; home offices; open kitchens and separated master bedroom suites. However, they don't want to exchange their freedom for increased costs, preferring instead to spend their retirement years living in more affordable homes.

Millennials are also changing the home buying landscape. They are entering the home buying phase of life with greater financial responsibilities – including education and healthcare – than that of previous generations. The annual spending of those who were privately insured hit an all-time high at \$5,641 per person, as the [Health Care Cost Institute](#) reported in 2017. Off-site built homes provide a smart option for this cash-strapped generation in search of their first homes that would otherwise become stuck in the cycle of renting. Off-site built homes provide affordable, durable, customizable and environmentally friendly solutions – lowering financial stress and increasing peace of mind.

Nearly **70%**
of 2018 college graduates
took out student loans and graduated
with an average debt of \$29,800

*[Student Loan Hero](#)



Gentrification is also changing the makeup of cities. Over many decades, cities have experienced residential segregation. As a response to the demand from higher-income homeowners who want to move back to urban cores, low- and middle-income housing is being rehabilitated and upgraded to luxury apartments and residential high-rises in many U.S. markets. As a result, many locals can no longer afford to live in the city, leaving behind distressed neighborhoods. This creates an opportunity for affordable infill housing that off-site built homes can provide.

With more home buyers than homes for sale at an affordable price point, the market has become more competitive – driving up prices, creating bidding wars and pushing attainable homeownership even further out of reach for many Americans.

Affordable Housing Crisis

The [Federal Reserve Bank of Kansas City](#) reports that home construction remains at one of its lowest levels in 60 years due to decreasing housing inventory and skilled labor, and rapidly increasing land and construction costs. The challenge is exacerbated by rising home prices and generally stagnated wages. In less than 10 years, median home prices have risen 76 percent while wages have risen only 17 percent as reported by [ATTOM Data Solutions](#).

In the last year, the number of homes priced above \$750,000 grew by 11 percent, according to [Realtor.com](#), and the number of homes below \$200,000 declined by eight percent – a trend that is expected to continue into 2020. That leaves the average price of a new single-family, site-built home with land quickly approaching \$400,000 across the U.S., reports the [United States Census Bureau](#), exceeding prices predating the 2007 housing crisis.



A Sustainable Solution

As the challenges surrounding affordable housing deepen, off-site built homes have offered a smarter, more efficient solution to costly traditional home construction. The off-site built construction model utilizes a network of home building facilities across the nation to efficiently construct homes indoors, away from weather damage or the seasonal delays that affect more traditional building methods. Homes are constructed in stages along a production line, ensuring each step is in alignment with federally mandated inspections and monitoring.

Use of robotics and conveyance drives cost down



The use of robotics and material conveyance in each facility creates a faster and more precise building process, with quality materials purchased in bulk to drive down costs. This model allows new homes to be offered at an attainable price range and an improved build speed while not sacrificing quality – which can be impossible for traditional site-builders to match.



The lack of so-called “starter homes” is preventing many from making the transition from rental to homeownership. [Freddie Mac's January 2019 survey](#) of renters reported that two-thirds of renters intend to continue renting because of financial reasons, up from 59 percent two years ago – with 11 million Americans spending more than half of their paycheck on rent according to the Home1 advocacy campaign, as [Forbes](#) reported. This means many individuals are delaying their first home purchase longer than usual, even when faced with growing family sizes.

While many will agree there is a need for a long-term solution for affordable housing, there is often organized vocal opposition against such measures – expressing that housing for lower-income homeowners is needed, just “not in my backyard.” This “NIMBY” mentality is grounded in a fear of how affordable housing will affect a community, pointing to possible negative impacts including increased crime, traffic congestion, decreased property values and school overcrowding. Opponents often derail affordable housing developments by pushing for zoning restrictions, challenging policy and regulations, implementing moratoriums, and citing city budget restraints. However, these concerns are often rooted more in fear than factual evidence. [HUD](#) reports that there isn't a relationship between supportive housing and lower property values – in fact, there is often an increase in property values due to the stabilization of the neighborhood.



Photo credit NPHS

CrossMod™: A New Class of Manufactured Homes

In response to the growing gap in new homes offered within an affordable price range, new financing programs have been developed by Government Sponsored Enterprises Fannie Mae and Freddie Mac that treat this new class of manufactured homes like traditional site-built homes when specific criteria are met. The industry is expanding on reliable, durable and stylish homes to explore a new definition of off-site home construction. CrossMod homes include a permanent foundation, elevated roof pitch, energy efficient features, drywall interiors, enhanced cabinets and exterior upgrades like a garage, covered porch and/or carport.

For the first time ever, HUD-code homes that meet the new criteria for this category can be appraised and financed similarly to traditional site-built housing. By meeting the construction and aesthetic requirements of this new category of homes, homeowners have the potential to increase property value over time and place these homes in even more communities.

Beyond the Rural Roots

While manufactured homes have long been an affordable solution for rural areas, this new class of HUD-code homes is gaining traction in larger metropolitan areas – and challenging zoning ordinances that have limited manufactured housing in the past. Planned neighborhoods and properties that include these homes are popping up across the country – beautiful communities that can include landscaping, sidewalks, driveways and more. These homes are available at a smart, attainable price-point, around \$200,000 with land in most markets.

National homebuilder [Clayton®](#) has several projects underway across the country bringing the CrossMod homes to consumers, including a community in Knoxville, Tennessee. These homes are available around \$200,000 and are attached to land at the time of purchase.

CrossMod is a trademark of the Manufactured Housing Institute

As cities across the nation grapple with affordable housing challenges, off-site built homes provide a realistic and needed solution that is positioned to scale.

Additionally, off-site built homes play an important role in disaster recovery. Following a natural disaster like a hurricane or wild fire, homeowners are anxious to move back into a home. But, as the influx of demand for homes causes a supply shortage, traditional homes become more expensive and difficult to acquire. However, off-site built homes can be constructed and delivered quickly, at attainable prices. This sustainable, long-term solution allows families to regain normalcy quickly – and with confidence in the future. Off-site built homes are subject to federal building codes and stringent quality assurance regulations that monitor for quality and [ability to withstand the elements](#).

In fact, a 2014 test from the [Insurance Institute for Business & Home Safety](#) found that off-site built homes performed better at high winds than site-built homes when any attached structures are properly installed.

[The Urban Institute](#) reported that off-site built homes can appreciate at nearly the same rate as onsite-built homes, with the national home price index experiencing an average annual growth rate of 3.8 percent, in comparison with the off-site built homes index at 3.4 percent.



A Home is a Home

Everyone deserves the chance at homeownership, and there are many paths to achieving success. Today's off-site built homes offer beautiful, stylish floor plans at an attainable price range for homeowners of all walks of life – first-time

homebuyers, Baby Boomers, Millennials, and more. They are a smart investment that utilizes efficiency alongside innovation to drive the housing industry forward, challenge norms, and democratize housing for more individuals and families across America.

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