



Finding & Taking

Advantage
of the
Opportunity

by Margaret C. Liu



Tapping Into Underserved Markets

It is a challenging time for housing in America—for homeowners, for consumers seeking to buy their first home, for people seeking quality affordable rental housing, and for those who depend on housing and the housing industry for their livelihood. Headlines from hometown newspapers to the Wall Street Journal remind us every day about softening home prices and rising foreclosures.

But, it is important to stay grounded in some fundamentals:

First, housing is still the bedrock of the U.S. economy. Housing remains the number one wealth builder for Americans across the country. In fact, surveys have shown that 82 percent of all Americans believe buying a home is a safe investment over the long term. And, beyond the financial aspect, people view their homes as a comfortable haven.

Second, the U.S. population continues to grow, fueled in large part by immigration and the growing non-white population. This will be one of the drivers in housing demand in the decades to come. Household growth will accelerate over the next decade, with immigrants accounting for one-third of this net growth—particularly Hispanics and Asians. One of the other forces that is having and will have a major impact on housing demand are the needs of aging baby boomers. This issue includes a separate article by Larry Weinstein taking a look at how the manufactured housing industry is serving the over-50 market.

Combine the current market challenges and the still strong fundamentals and we have a need that manufactured and modular housing are uniquely positioned to meet—the housing needs of an ever growing population of immigrants and minorities that were long underserved by the mainstream housing market. ■ ■ ■ ■



Household growth will accelerate over the next decade to include minority groups and aging baby boomers.

By the Numbers

The working title for this article had the term “emerging markets” in it. But, that is really off the mark. “Emerging” suggests that these consumer segments are in their infancy. These markets are here right now, and they are large and growing. True, these market segments were often underserved or ignored in the past, but success in the housing industry—today and tomorrow—relies on serving these markets.

Some Quick Facts:

- Minorities accounted for nearly 40 percent of growth in homeownership over the past five years.
- In the Northeast, nearly all of the net growth in households over the past decade has come from minorities.
- Even in the Midwest, where the minority share of growth is lowest, they accounted for about half of the net gain in households between 1996 and 2006.
- Minorities will account for nearly two-thirds growth in the number of households over the next decade.
- The fastest growing minority group in the U.S. is Asian Americans. Over the

next 50 years there is projected to be a 213 percent growth in the Asian-American population.

- By 2010, Hispanics will contribute 39 percent to the nation’s population and will add more people to the United States every year than all other groups combined.
- Hispanic households will account for about one-third of the 26-million increase in U.S. Households between 2000 and 2020.
- 80 percent of all Hispanics live in California, Texas, New York, Florida, Illinois, Arizona, New Jersey, New Mexico and Colorado. Additionally, the Hispanic populations in Oregon, Washington, Nevada, Georgia, North Carolina, Virginia and Massachusetts are growing rapidly.

The growth numbers are undeniable and the housing statistics for these population segments paint a clear picture of the market opportunity. None of these minority segments has attained yet a homeownership rate equal to the national homeownership rate of 69 percent:

- The African American homeownership rate is just below 50 percent, and
- The Hispanic and Asian-American homeownership rates each are hovering around 60 percent.

Additionally, minority attitudes about homeownership are at least as strong—if not stronger than those of the general public. A recent survey found 81 percent of African Americans and 78 percent of Hispanics see homeownership as the best possible investment.

Uncertain Times

The problem is translating the demand story that the data tells into a business reality in today’s challenging housing market. The U.S. housing market is experiencing an unprecedented combination of challenges: more and more people are finding quality affordable

housing out of reach; the “credit crunch” means that fewer people will qualify for fewer loan dollars; and talk of recession or an economic slowdown is constant.

Consumers across the board are reacting with more caution. When it comes to minority and immigrant populations, the impact may be even greater. Some studies suggest that minority consumers are being especially hard hit by the crisis in the subprime market as a disproportionate number of minority borrowers have ended up with subprime loans. A recent study of mortgage lending in California by the Consumer Federation of America found that in 2006, Latino and African American borrowers were three times more likely than white borrowers to receive subprime mortgages.

Additionally, low and moderate-income immigrant and minority consumers, who are often less familiar

with—and more suspicious of—banks and mainstream financial services, may view the current market with even greater trepidation. Fran Hirsch, Director of Public Affairs with Brandenburg, Staedler & Moore, which operates communities in San Jose, California, serving a significant Asian population, has seen a slowdown in sales—possibly a reflection of greater consumer concern and caution about taking on the financial obligation of owning a home.

Being Part of the Solution Means Understanding the Problem

Manufactured and modular housing have the affordability and quality to step into this breach. Buyers with good credit are still able to qualify for affordable financing; however, a move to more conservative underwriting means that

borrowers will be qualifying for smaller loans than they might have two or three years ago. This could drive up demand for manufactured and modular housing, as the affordability of manufactured and modular homes means that buyers can make each housing dollar go further. Nathan Smith of SSK Partners notes that business has been brisk, in part because customers who might have been drawn previously to more expensive site-built homes are now seeking the affordability and value of manufactured homes.

The Same goes for Renters

Manufactured home rental communities offer an affordable alternative to rental housing. In fact, in 2007, the rental market was booming. Chris Parrish, Vice President of Parrish Manor in Raleigh, North Carolina,

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expects that consumers who, five years earlier, might have bought larger site-built homes with the help of subprime loans will now be drawn to the affordability and stability of Parrish Manor's family-oriented community.

Consumers across the board are reacting with more caution. When it comes to minority and immigrant populations, the impact may be even greater.

Trust, Trust, Trust

Successfully tapping the housing demand presented by the ever-growing minority and immigrant population requires understanding the housing barriers that these consumers face and pursuing creative solutions. This may mean more of an up front investment in time and resources, but the long term benefit is undeniable.

Building trust is a priority. Either alone or in combination, language barriers and—unfortunately—a history of discrimination have made many immigrants and minorities uncomfortable with the mainstream of the housing industry and financial services. Instead, many place their confidence in the word of a trusted friend or organization. Research has shown low and moderate income minority consumers tend to rely more on recommendations from friends and family members and from organizations such as churches. Chris Parrish notes that word of mouth—from co-workers, friends and family—is his most important source of referrals.

One piece of building trust is educating consumers about manufactured housing. Chris Parrish, whose community is about 35 percent African-

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American and 54 percent Hispanic, talks of prospective residents arriving “expecting the worst and being pleasantly surprised.”

Removing the Language Barrier

Much has been written about the importance of bilingual marketing materials, contracts and staff. Many in the industry are starting to listen. Buying or renting a home is a significant transaction, and making as much of the information about this undertaking accessible is sure to engender trust and loyalty.

Furthermore, businesses committed to the long-term success of their customers and communities are adding bilingual staff to further improve customer communication. Additionally, community owners such as Chris Parrish and Nathan Smith take steps such as making community events and programs accessible to non-English speakers and publishing resident newsletters in Spanish. Continuing to embrace and support their Spanish-speaking residents strengthens the residents’ tie to the community, which can result not just in stability in the community, but also in all-important referral business.

New Partners

A touch point that the manufactured housing industry has underutilized are community and affordable housing groups whose mission is to help traditionally underserved populations. These organizations may have developed a level of trust in their communities as they help individuals through activities such as credit counseling, homeowner-ship education, and financial literacy.

There should be a natural alignment between manufactured housing and groups concerned about access to affordable, quality housing. In fact,

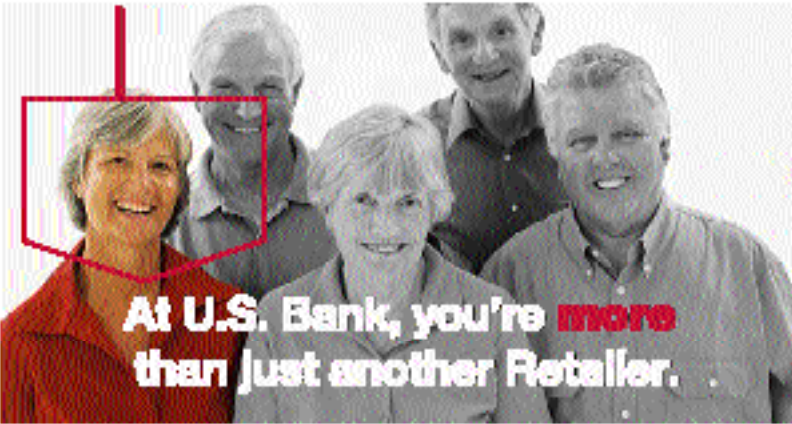
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affordable housing groups should be vocal advocates for manufactured housing. However, because many groups still have outdated perceptions of manufactured housing, they often need to be educated about today's manufactured homes. Retailers and community owners should follow the lead of other housing professionals—such as real estate agents, lenders and developers—and build relationships with such organizations in their communities.

A vital element of achieving homeownership is obtaining affordable financing. And, here, good credit is the key. African-American, Latino and Asian consumers who may be less familiar with traditional financial institutions will have had fewer—if any—opportunities to build what lenders generally view as a good credit record. While one result of the turmoil in the subprime market has been a general tightening of underwriting practices, lenders continue to look for ways to evaluate borrowers with non-traditional credit histories—to look at things such as rent and utility payments. Helping customers work their way through the process and identifying innovative programs and products may take more time, but a successful outcome can establish a relationship of trust that will pay off in future referrals.

Coming off of five years of unsustainable growth, the housing market is experiencing a painful correction. The fun isn't over—the next 12 months will be an interesting ride. But, frankly, the manufactured housing industry has already gone through its credit crunch and very painful correction. And now, is poised to be part of a key part of housing going forward. For the manufactured and modular housing industry, a focused effort on tapping into the demand from the Hispanic, Asian, and African American communities may very well be a productive path through the turmoil. ■

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