




Finding & Taking

*Advantage*  
of the *Opportunity*



**Editor's Note:** One of the key challenges facing the manufactured housing industry is the value proposition confronting manufactured home buyers. Will purchasing and owning a manufactured home prove to be a good economic decision? Will it provide a housing experience that buyers are expecting? Answering these and other questions relating to increasing the value of manufactured housing in the marketplace offer the industry the opportunity to position itself competitively with other forms of housing.

## *Three Ways to Add Value to Manufactured Homes*

### **Better Information, Consistent Service and a Vibrant Resale Market are the Keys**

Increasing the value of manufactured homes is a worthy goal, and one that the Manufactured Housing Institute (MHI) has heavily promoted. Increasing the value proposition for our customers is crucial to the industry if it ever intends to recapture the title of, “Serving the Affordable Housing Market” title it rightfully deserves.

The Roper Report and The J.D. Powers Consumer Satisfaction Study were the first tools the industry has used to proactively tackle the challenge of improving the value of the home, both perceived and in dollars.

However, there are many things that must be considered as the industry continues to mature toward a more consumer-centric model. That means transforming our industry to meet and exceed the expectations of the end-user: the consumer. Instead, the focus for too long has been on the expectations and needs of the retail seller.

Don't get me wrong. The retailer is extremely important in the overall model, but if the consumer is not satisfied, everyone loses. It will require a complex combination of many factors to reach this goal, but I am starting with the top three that I believe would lead to an immediate and dramatic shift in consumer satisfaction, which in turn would drive demand for the homes that we build, sell, finance and insure, along with the communities in which many are located. ■ ■ ■ ■

by **Dick Ernst**

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## Close the Loop with Complete Information

In the site-built industry, Realtors, lenders and other professionals have access to a wealth of data that help them make informed business decisions about the sale of a home. Within the Multiple Listing System (MLS), one can find out when the home was built, who built it, how much was paid, how much was paid by each subsequent owner and a myriad of other details about the home.

In the manufactured housing industry it is more of a challenge to track this information since a home is not built on-site, and in the case of a new home, it is sometimes unknown where it will be located after the sale.

However, the need for complete information, both for the sake of the consumer, and ultimately for the stability of the industry, should not be brushed aside. While providing complete information might have some drawbacks in relation to how business is currently conducted, its long-term implications far outweighs the current costs and inconvenience in setting up such a system. By creating an invoice database and a retail sales database, and tying them together with an MLS system, the industry could track a complete history for each of its homes.

### Creating an Invoice Database

More than anything, lenders need accurate information to make good decisions and to take calculated risks. If lenders had access to what a pre-owned home cost when it was sold new, they would have a much better basis for determining what they would finance on the resale. This information is readily found on the manufacturer's invoice, and if kept confidentially, with the record of future sales, would provide important information for lenders.

Additionally, lenders need information on the home's condition, location, the land-lease community, additional amenities and improvements. More

information or data leads to smarter lending decisions and improved values.

### Embrace the MHI CAS Sales Database

MHI's Community Attributes System (CAS) contains over 2,500,000 closed manufactured home sales transactions, most of which are for homes in manufactured home communities. The site-built industry relies on the MLS for data when new homes are sold, which helps to form the basis of value for the future. The manufactured housing industry does not utilize the wealth of data contained in the MHI CAS when making market value considerations.

Integrating the MHI CAS with an invoice database would give the industry a complete history of a given home, beginning with the invoice data, continuing to the first retail sale and then onto each subsequent resale.

So, with such a compelling case, why hasn't it been done? For one, there is the cost, and second, there are propri-

etary concerns. However, without more complete information, the industry will never completely mature and stabilize.

### Streamline the Responsibility for Installation Warranties

With the implementation of the Manufactured Housing Improvement Act underway, and its provisions to improve installation in every state, it may seem as if all the work is done in this area. However, installation, above almost any other consideration, is a top concern when it comes to customer satisfaction.

The industry has to develop a reliable, uniform approach to home installation. This will require a significant paradigm shift, primarily from the manufacturers. The manufacturer has to become the responsible party on the warranty. Unless and until they know through inspection that homes are being installed properly, which will reduce their liability for warranty issues caused by poor installation, our industry will suffer the consequences

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of higher than necessary warranty expense, unhappy customers and finger pointing as to the cause of the problem.

Moreover, it is the name of the manufacturer that suffers the most when a customer is unhappy, regardless of who the retailer and installer are. It will always be that “insert company name here” house that was a “bunch of junk.”

To be sure, the retailer and the installer play an important role, but not only is it the responsibility of the manufacturer, their reputation and bottom-line depend on making sure the installation was done properly.

### **Make it Easy for Homeowners to Sell their Home**

Over the past few years, it has become apparent that the resale market for manufactured homes is critical to maintaining a healthy and vibrant industry. When a buyer can be reasonably sure that they will be able to sell their home at some later date, they will be much more comfortable buying a new home.

Moreover, it lends stability to the market...prices don't fluctuate wildly, consumers don't walk away from homes, lenders don't over lend, consumers can build equity and easily and quickly sell their homes when they want to move. With a ready and efficient market to sell pre-owned homes, new homes become even more attractive and new home sales also improve.

We ignore the resale market at our own peril. This year, the industry sold fewer than 120,000 homes, while in the *Modern Homes* November/December 2006 issue, Marty Lavin estimated in his article, “Manufactured Housing an Estimated \$30 Billion Industry,” that 675,000 homes were sold last year in the manufactured housing resale market.

### **Offer a Multiple Listing Service**

One of the most direct ways to foster a healthy resale market is to offer homeowners and buyers an easy mechanism to

list, buy and sell property. The site-built housing industry long ago organized itself to meet this need in its market with a Multiple Listing Services (MLS) in every community. MHVillage, which is endorsed by MHI, currently has a national listing service for manufactured homes in communities. This service, which isn't the only one out there but which carries the lion-share of the listings, has gone a long way to initiate a place where homeowners and brokers can easily list and sell homes. At the current time, MHVillage has over 16,000 listings, which is still a far cry from the estimated number of homes sold every year.

As an industry, we need to come together and support initiatives that are implemented that have been proven to work in related housing markets.

### **Offer the Same Advantages as Site-Built Homes**

Additionally, it would be advantageous to make available a warranty product offer-

ing that will give the homebuyer confidence. Such a product, which is standard in the site-built market, helps to ensure a buyer wouldn't face an unknown financial landmine that could destroy his equity or make him incapable of making his payments, leading to the repossession of his home. Unfortunately, no such product existed, at least on a widespread basis, for manufactured homes in land-lease communities.

In that spirit, Finmark has partnered with MHVillage and American Modern Insurance Group to create MHVillage Home Guard. This type of warranty, purchased by the seller for the benefit of the buyer, provides the cost of replacement or unexpected repairs for major systems or built-in appliances that break due to normal wear and tear and are not generally covered under the standard manufactured home insurance policy.

These two steps, a vibrant MLS and a stop-gap safety value for the homebuyer,

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Morningstar



The Morningstar incorporates a high-roof pitch and a number of different elevations from which to choose. The special truss systems allows for a 6/12 roof pitch extending over 36 feet. The home also features 9' ceilings, tall passage doors and large panels of glass.

several factors, including competing with site-built homes in today's fast-growing home market. This home's exterior view will rival any site-built construction with its open courtyard entry, providing instant curb appeal.

The Pacifica comes either as a four-



Pacifica



**Manufactured Production Home Over 1800 SF**  
**Clayton Homes**  
 "Pacifica"

The Pacifica can range from 2116 to 2400 square feet, depending on options, and was developed to meet

bedroom, two-bath, or four-bedroom, three-bath with guest suite, home. The gourmet kitchen transforms your entire lifestyle to compliment your personality. The variety of amenities that include a dishwasher, wine rack, wall oven, and downdraft cook top and walk-in pantry makes this kitchen a hub of the home.

With options of coffered ceilings, raised sidewalls, and even deluxe rubbed-oil lighting fixtures, this look will seamlessly coordinate every space in every room to compliment your personal style.

The versatility of optional rooms in this home is key to any family. The optional game room makes this home a feature attraction for entertaining. ■

**OPPORTUNITIES**

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will result in homes selling faster and for more money, and will give buyers the protection they need. It further professionalizes and stabilizes the market and adds home value.

It also provides an opportunity for industry professionals. Since fewer people would sell their own home, but instead use a professional to appropriately price and market their home for a reasonable fee, the result would be more professional brokers with better profit margins. Since the market and home values would be better understood and stable, loans would carry less risk, which would lower rates, bring in more lenders, and spur more sales of both new and pre-owned homes.

**It Isn't Easy...But It's Worth It**

The three steps outlined in this article are not easy to accomplish, but together, they would form the basis of a stable, healthy industry and the foundation for satisfied customers. By making it easy for homeowners to sell their home, closing the loop by providing complete information, and streamlining the responsibility for installation warranties, we can revolutionize the manufactured home industry.

We would have to overcome some touchy political concerns and make the investments to realize the returns, but by making the hard decisions now, we could ensure a healthier future. ■

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