



URBAN INSTITUTE'S 6TH HOUSING FINANCE SYMPOSIUM

Reimagining Housing: Closing the Equity and Supply Gaps

#InnovateHousing



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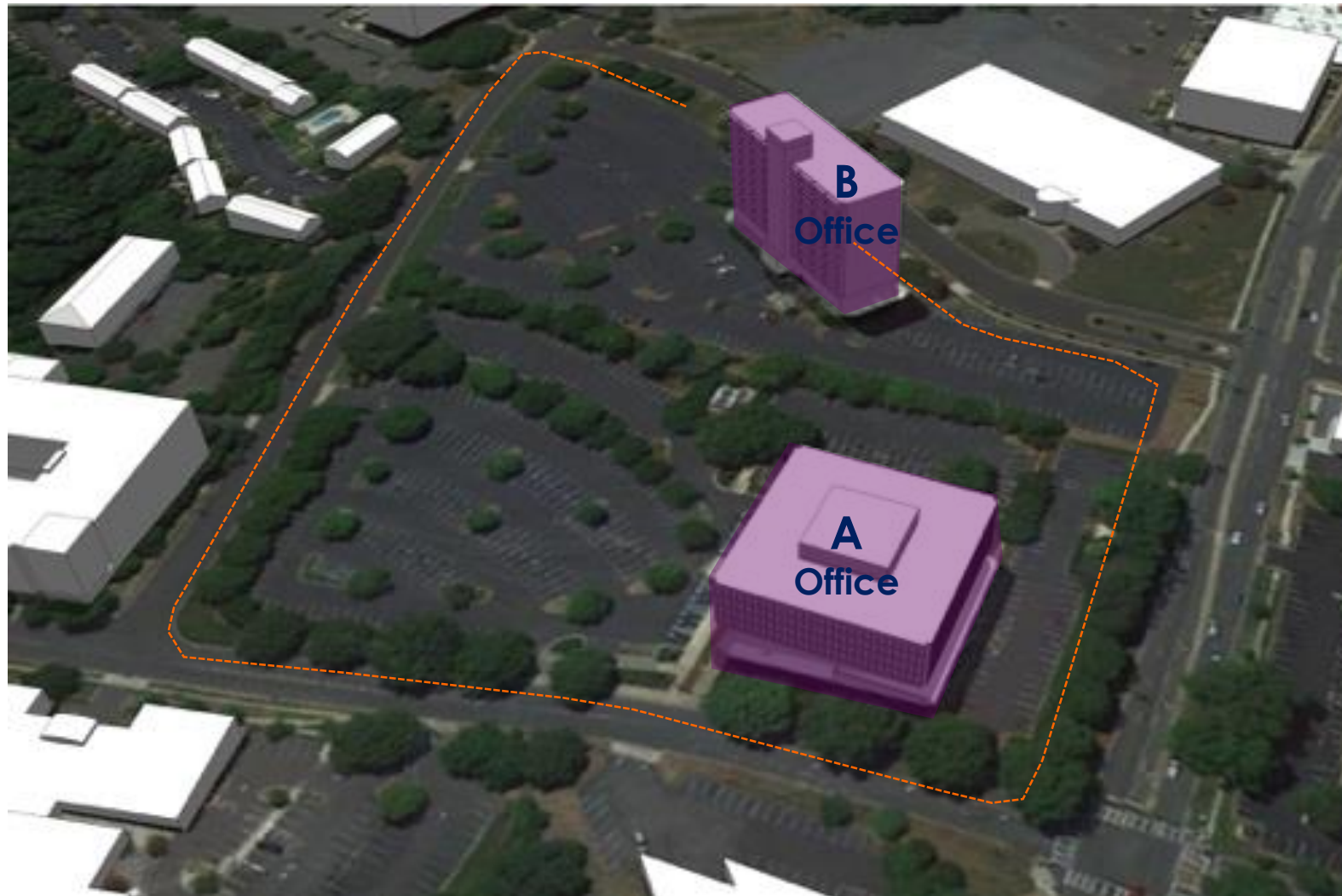
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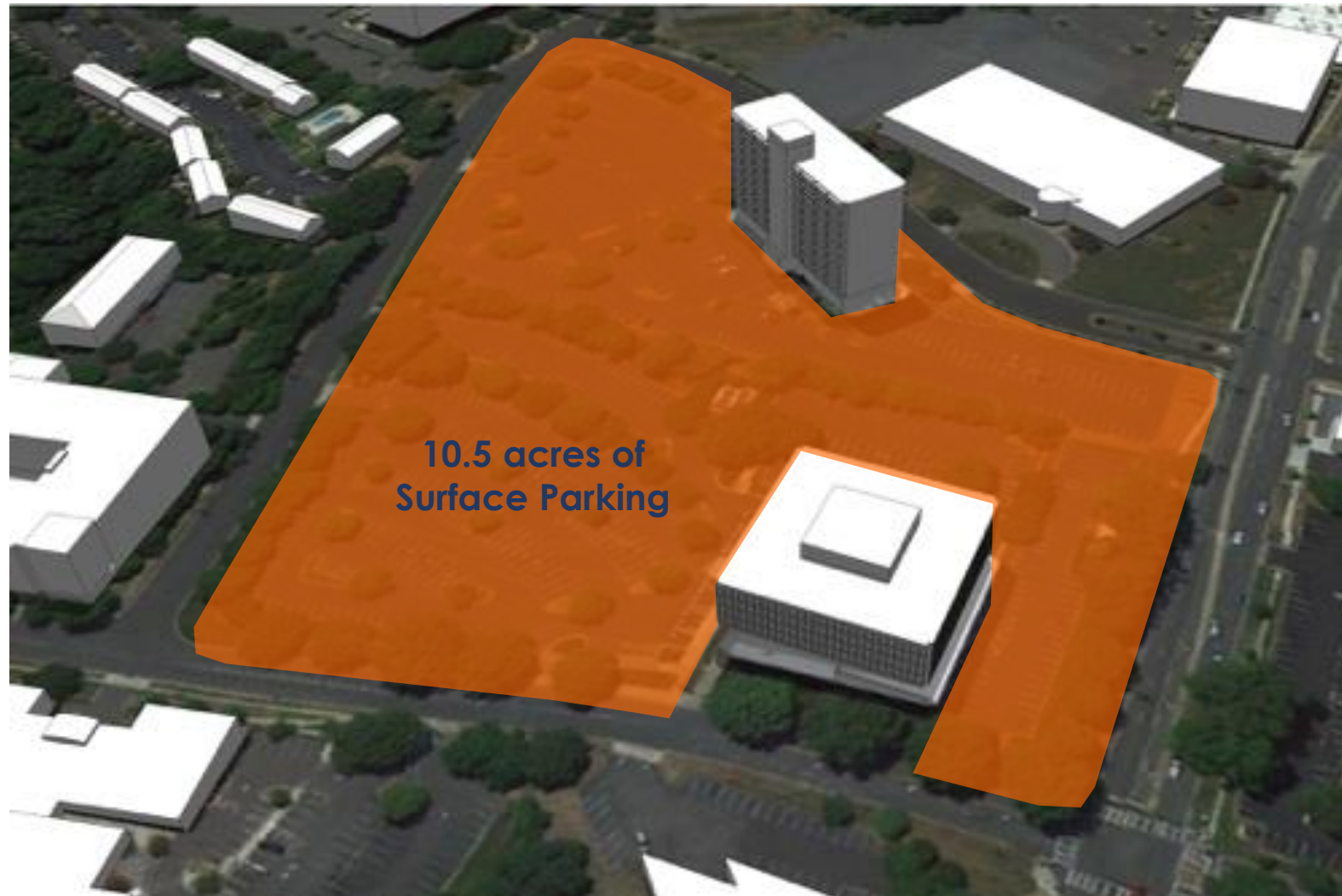
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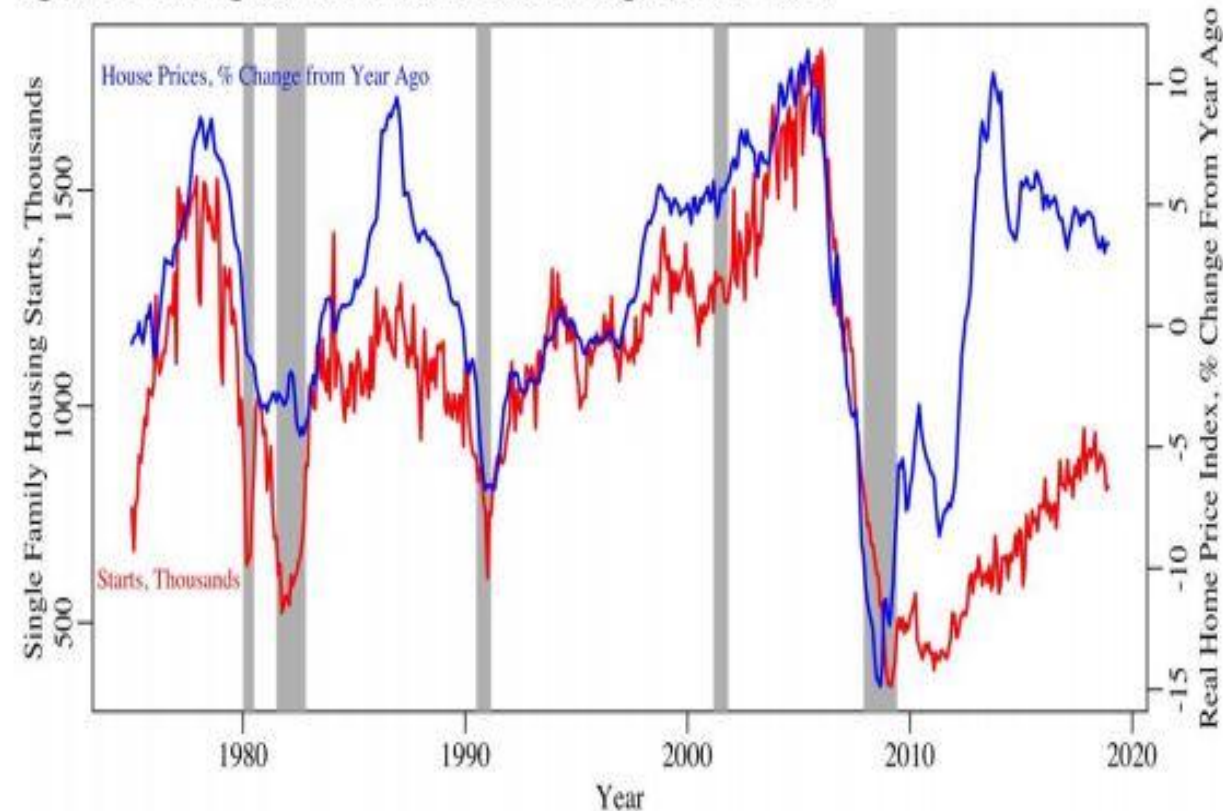
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Will Homebuilding Finally Evolve?

Lessons from the American Experience with Factory-Built Housing

Figure 1. Housing Starts and Home Price Changes, 1975–2018



Note: Recessions are shaded.

Source: Shiller (2015); US Census Bureau, "New Residential Construction"; and authors' calculations.

Some Definitions

The following terms are used throughout the report.

Manufactured Homes. These have a chassis and wheels for over-road travel and are built to conform to the national Housing and Urban Development building code first effective in 1976.

Mobile Homes. These generally refer to the class of homes built on trailers that predate 1976.

Prefabricated Housing. These are at least partially built in a factory setting but must meet state and local building codes. We distinguish between panelized and modular housing as two main types of prefab. Other factory-built housing types that are often included with prefab contain sectional, precut, and log homes.

Panelized Housing. These are usually shipped from the factory as components—floor systems, wall panels, and trusses—to be assembled and completed on-site.

Modular Housing. These typically involve a greater degree of preassembly and are shipped in three-dimensional sections connected together at the site.



New Building Technologies

Modern MH: A New Era for Affordable Housing

Lesli Gooch, Ph.D. | Executive Vice President



Today's Manufactured Homes

General Profile

22 million

 people live in manufactured homes

10%

of new single-family home starts

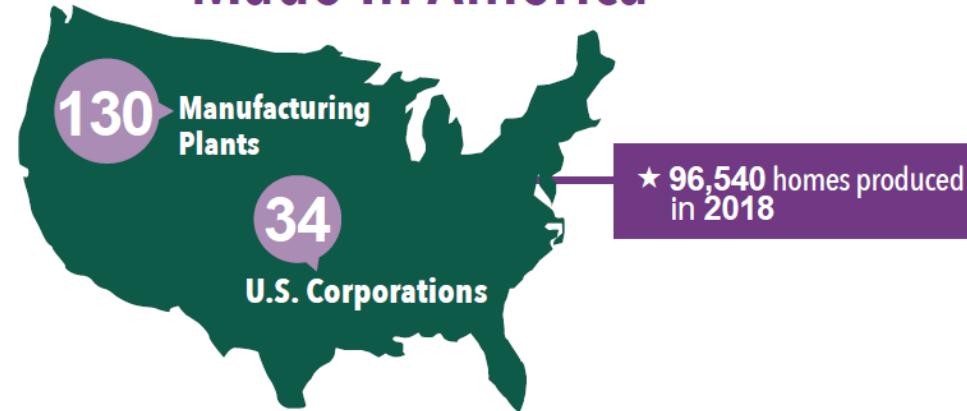
\$71,900

average new home sales price

76%

of new manufactured homes titled as personal property (chattel)

Made In America



Manufactured Home Communities



Almost 40,000 land-lease communities

4.2 million estimated home sites

32% of **new homes** are placed in communities

Average annual **site rent increase** of 3%

Affordable Homeownership

Site-Built Home

\$111

average price per square foot

Manufactured Home

\$50

average price per square foot

Profile of Manufactured Housing Residents

WOMEN

- 64% of owners
- 70% of renters

AGE

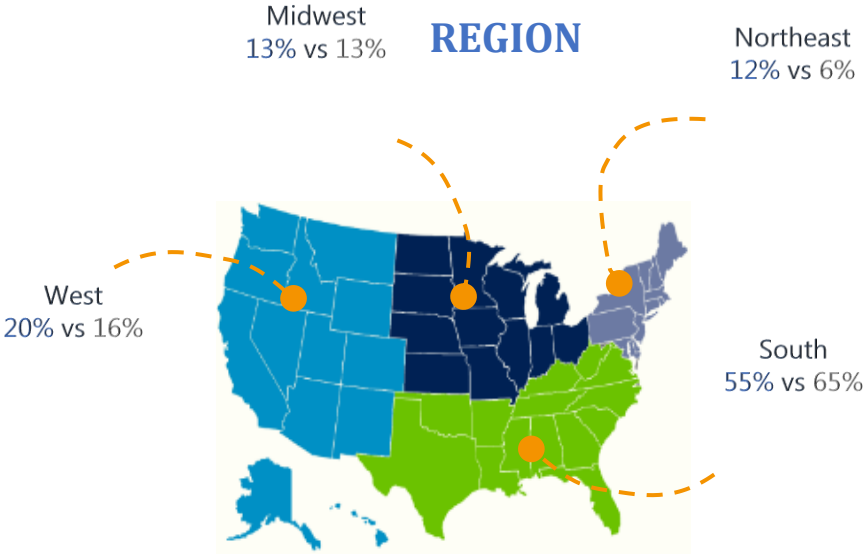
- | 18-39 | 40-59 | 60+ |
|--|--|--|
| <ul style="list-style-type: none">• 23% owners• 34% renters | <ul style="list-style-type: none">• 28% owners• 37% renters | <ul style="list-style-type: none">• 48% owners• 29% renters |

Mean Age: Owners 56 Years, Non-owners 49

MINORITIES

- 9% of owners
- 18% of renters

REGION



Existing Manufactured Housing Residents Highly Satisfied

Resident Satisfaction

90%

of people are satisfied with their homes

71%

of residents cite affordability as a key driver for choosing manufactured housing

62%

of all residents anticipate living in their homes for more than 10 years

38%

don't anticipate ever selling their home

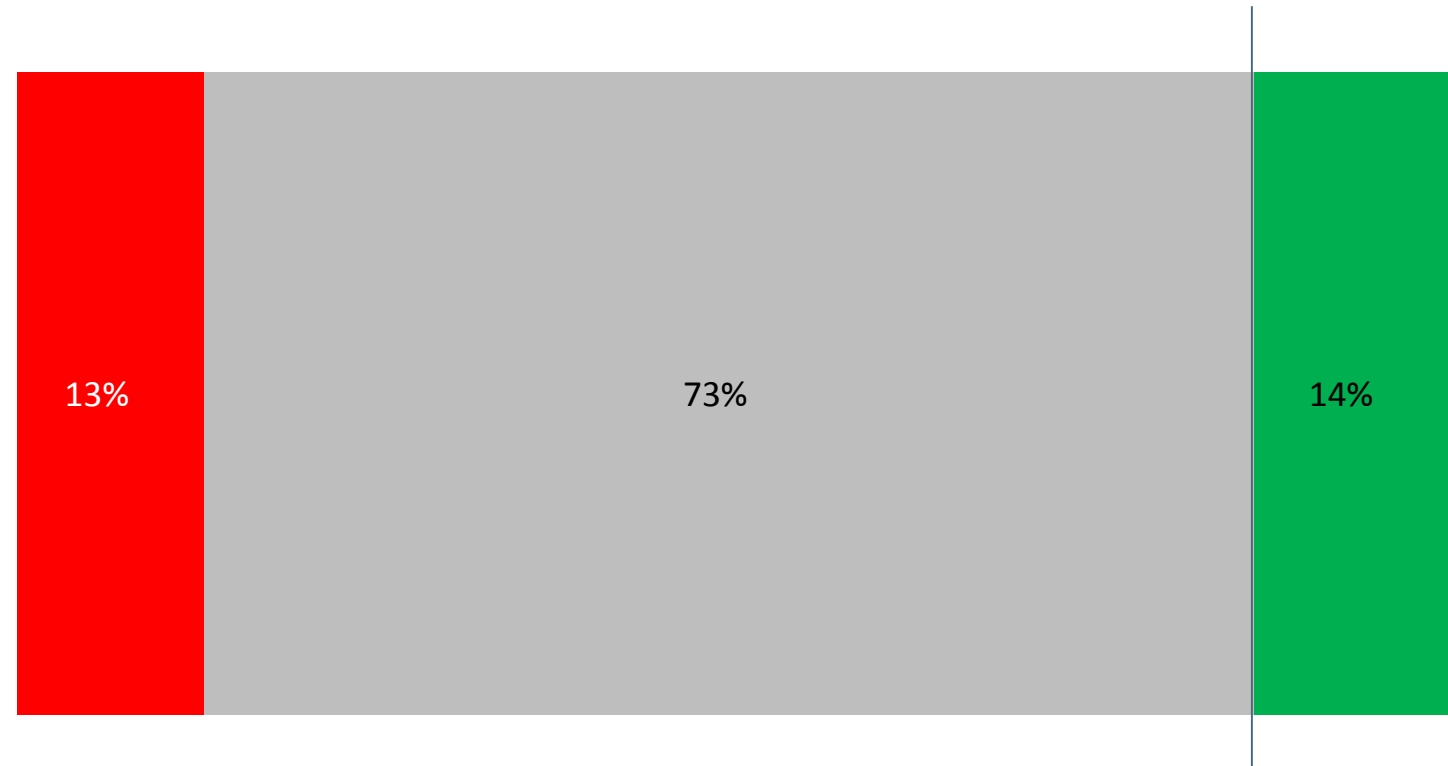


Familiarity with Manufactured Housing

Overall Current Familiarity with Manufactured Homes

- % of Respondents - (Overall)

Immigrants are least aware of manufactured homes



■ Never Hear of This ■ Slightly/ Somewhat Familiar ■ Moderately/ Extremely Familiar

Acceptance and Appeal

Millennials

NOT APPEALING

The look of MH is not appealing. Would rather wait to save up enough to buy a site-built home.

"I don't think the MH home is for me; I want a front porch or very inviting doorstep. I don't like the layout, it's a strange rectangular shape that I'm not a fan of... I would prefer a more structurally sound house, brick house."

Immigrants

APPEALING WITH FLEXIBILITY OF LAND/CHANGES AND AFFORDABILITY

Like the idea of being able to have a home on an open plot of land. Appealing with flexibility to change

"If I found a plot of land, then that's the consideration. There's also the idea that this is an affordable home, so you can tailor it to the neighborhood."

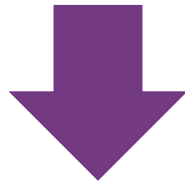
Baby Boomers

NOT APPEALING

Does not fit in with their view of what they would downsize to. Not the type of community they would live in.

"That's a manufactured home, no garage, no. Doesn't fit our lifestyle. It looks like a manufactured home. It's not luxurious enough."

Shifting Perceptions



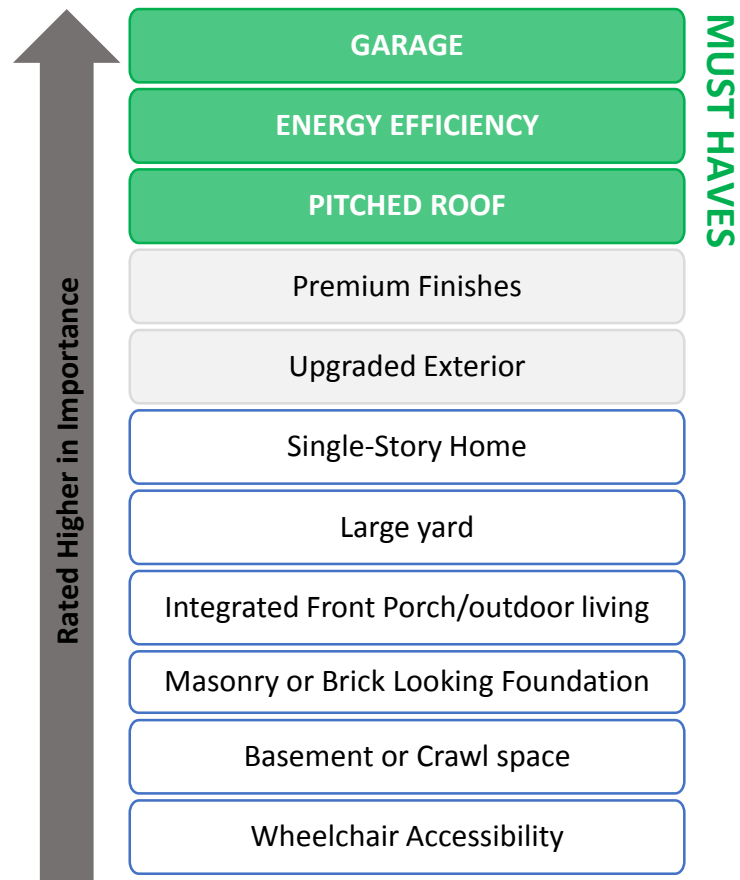
Generally, the stereotypical *image* of a manufactured home is not positive.

But, the simple addition of an inviting front porch and extra rooms to the image of a manufactured home elicits a more positive response due to the increased character, custom appearance, and durability.

Education is needed to address stereotypes and concerns, and to disseminate the fact that manufacturers are already upgrading single- & multi-section homes.

Filling the Gap

Home Features: Hierarchy of Importance



Today's manufactured homes:

- Provide the features consumers want the most;
- Are indistinguishable from site-built visually and in quality; and
- Are significantly more affordable.

Today's Manufactured Homes



Today's Manufactured Homes



Today's Manufactured Homes



The Market Gap that Manufactured Housing Can Fill

Baby Boomers



Top 5 Factors when Deciding to Move

1. Affordability
2. Have amenities needed
3. Less maintenance
4. Proximity to family
5. Carefree/Maintenance free

54% of Baby Boomers want to downsize

The Market Gap that Manufactured Housing Can Fill

Millennials



Down Payment and Financing Challenges

- 80% of Millennial renters view down payments and closing costs as an obstacle.
- Average student loan debt is \$25,000.
- 67% of those under 30 have a FICO credit score of 680 or less.

Top 5 Reasons Millennials Choose a Home

1. Financial Reasons
2. Size of Home
3. Layout/Design
4. Neighborhood
5. Construction Quality

Population =
92 million

63% Don't
own a Home

93% Want to
Own a Home

The Market Gap that Manufactured Housing Can Fill



Immigrants

- Immigrants are included in both the Baby Boomer and Millennial generations
 - 15% of Millennials are immigrants or children of immigrants
- 56% of immigrants say purchasing a home is not considered an affordable option.
- Demographic expressed a strong desire for homeownership.
- Regarding “New Class” homes, the majority of immigrant respondents reported that the homes are
 - High quality;
 - Appealing;
 - That they would be likely to purchase a “New Class” home.



Gerard McCaughey

How New Building Technologies Might Ease Housing Challenges

A Long History of Stick Framing



A Global Perspective



Japan



The Netherlands



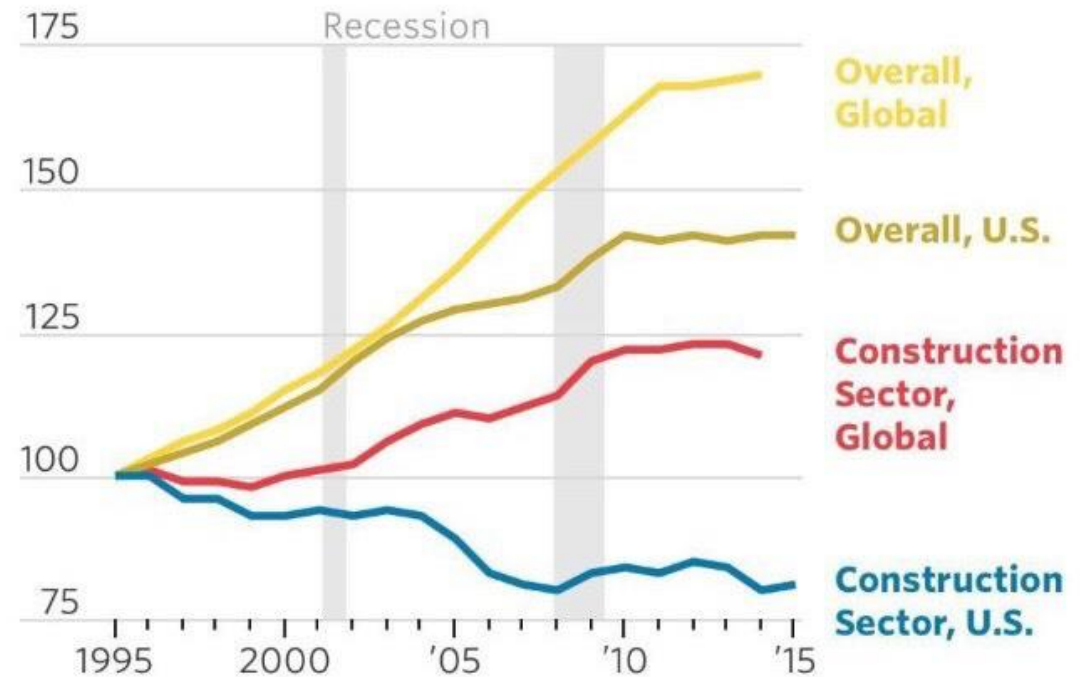
Germany

Lagging Productivity

McKinsey
& Company

Weak Foundation

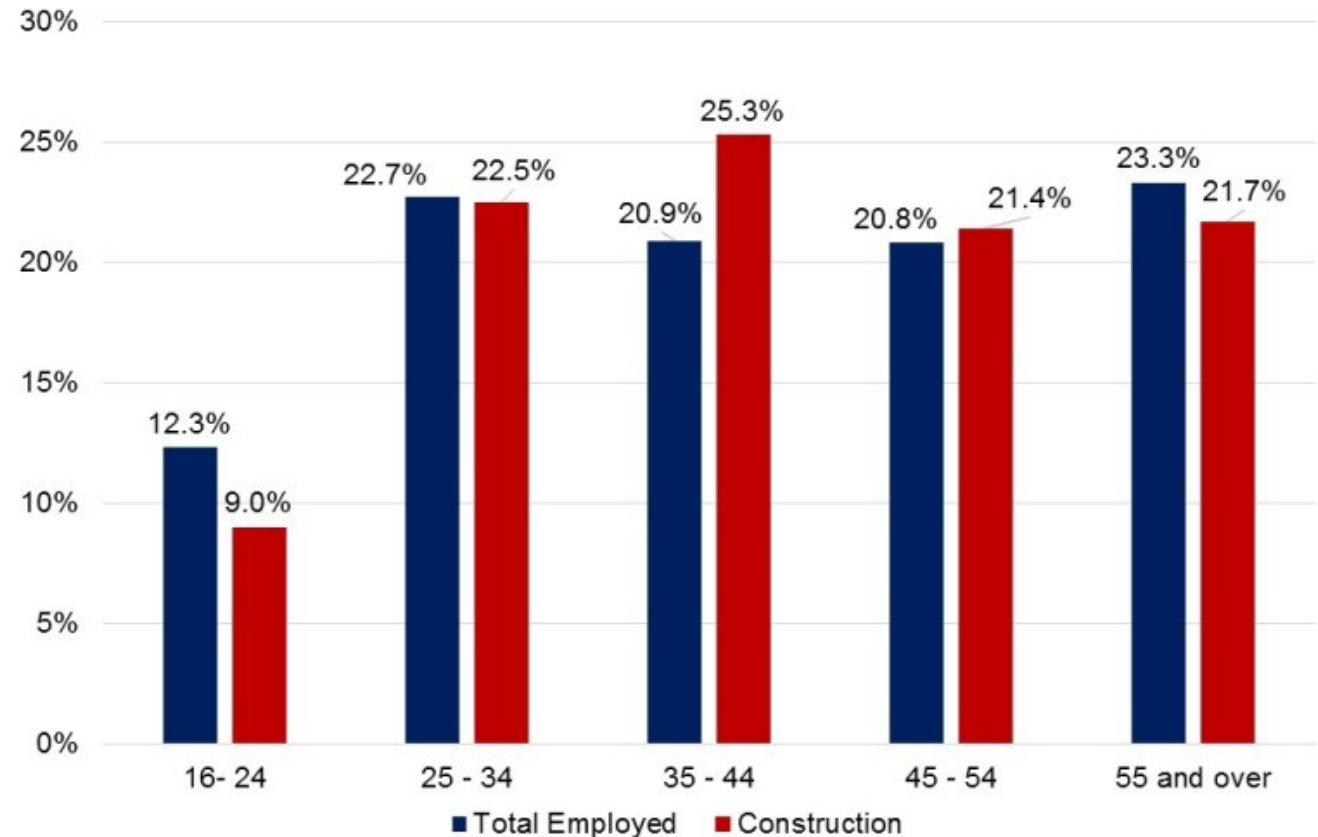
Change in labor productivity in the construction sector and overall for the U.S. and the world (1995=100)



A Looming Labor Issue

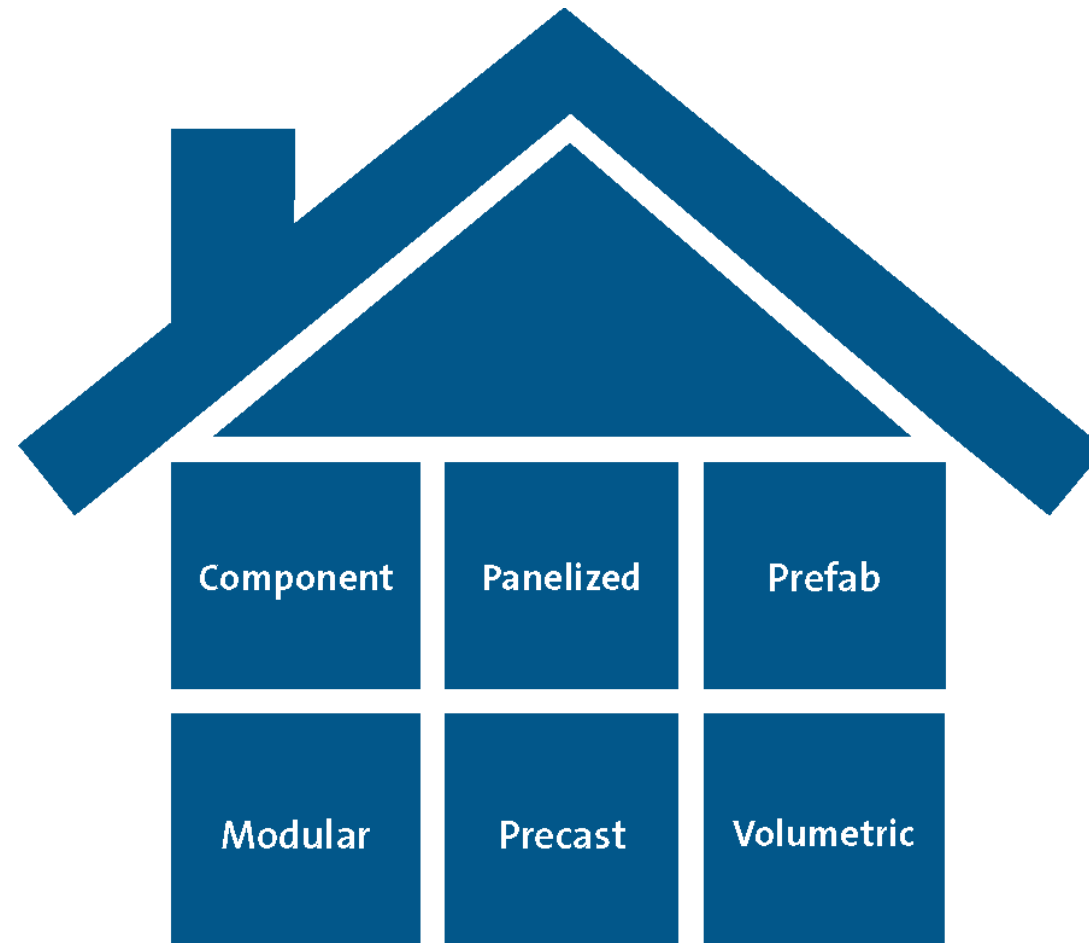


Age Breakdown: Construction Industry vs All Industries
2018

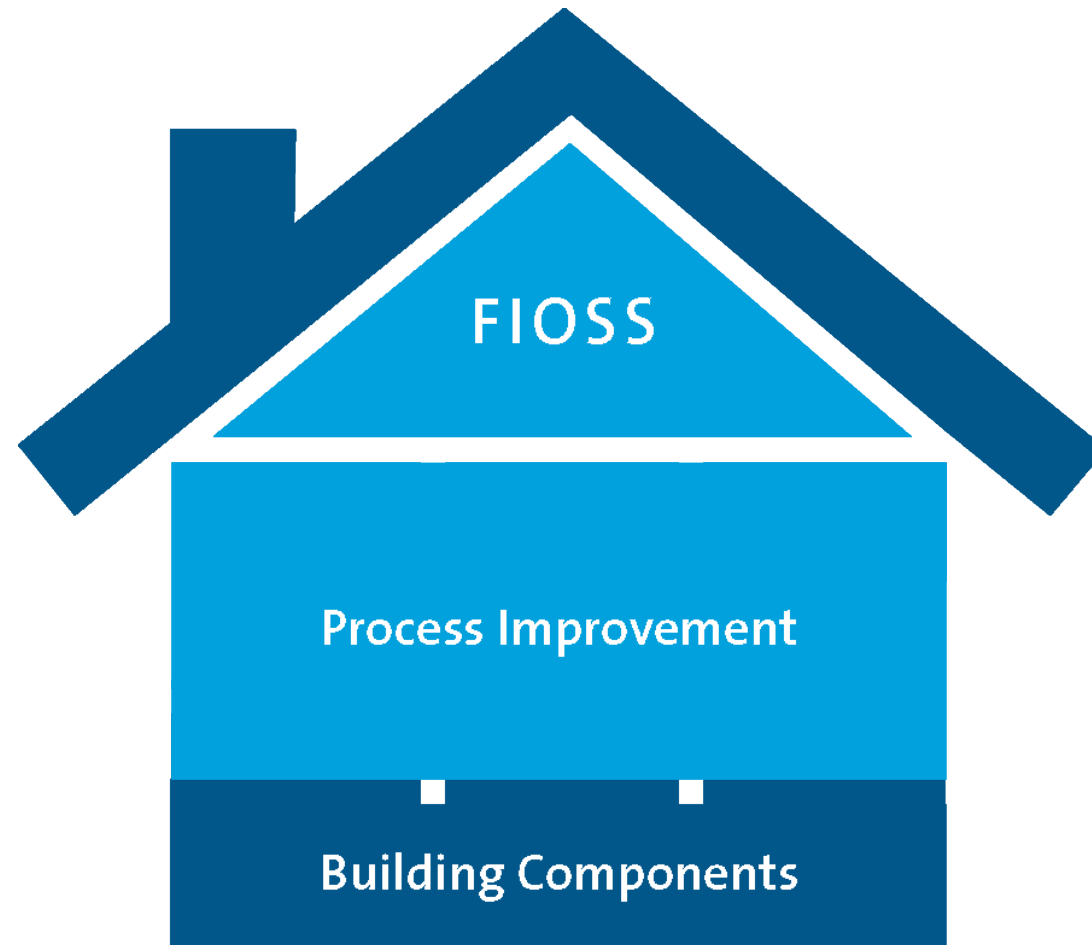


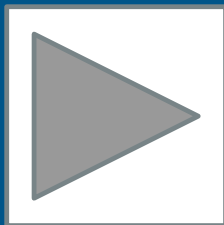
Source: 2018 Current Population Survey

Types of Off-Site Construction



Types of Off-Site Construction





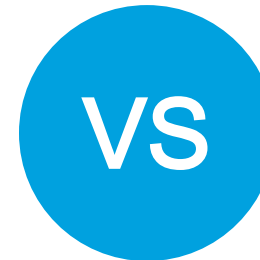
Productivity – Stick Framing versus Off-Site



Stick Framing



15 Days
or 71 Man-Days



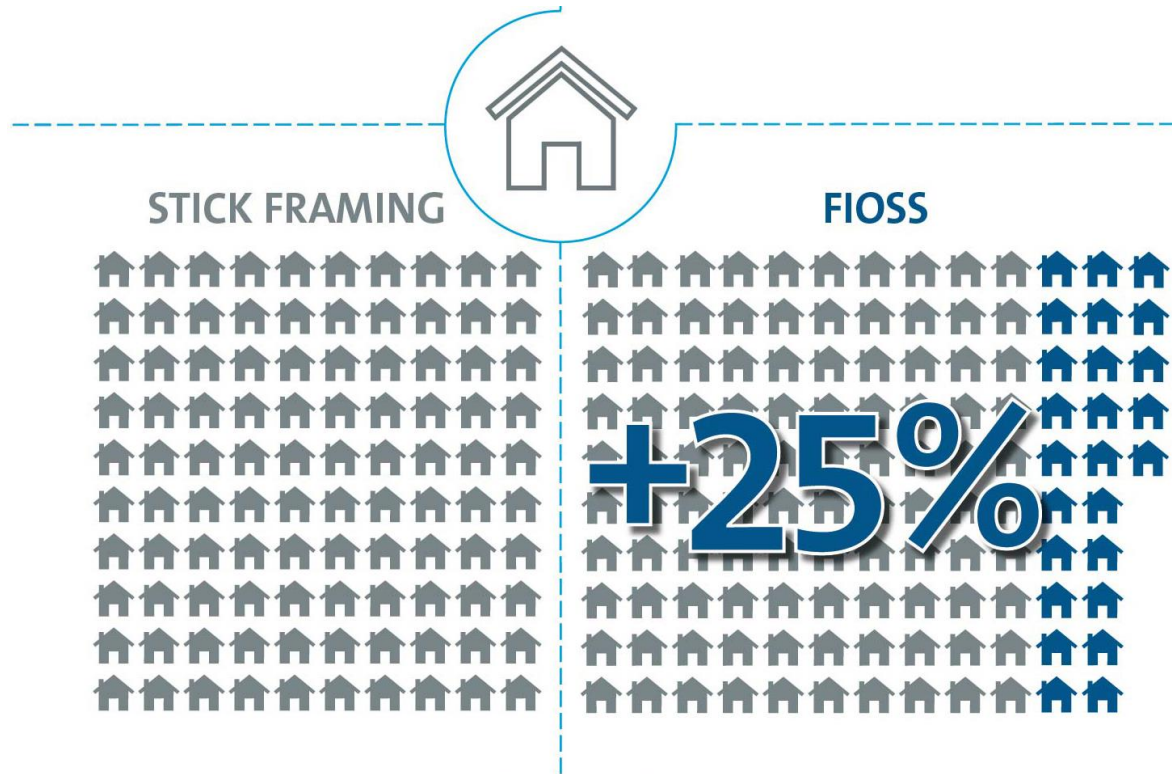
FIOSS



4 Days
or 14 Man-Days

**Productivity Increase
of 500+%**

Productivity – Increased Volume



Building Technologies ► Regulations



Building Technologies ➤ Education



Building Technologies ➤ Labor Issues



Building Technologies ➤ Labor Issues





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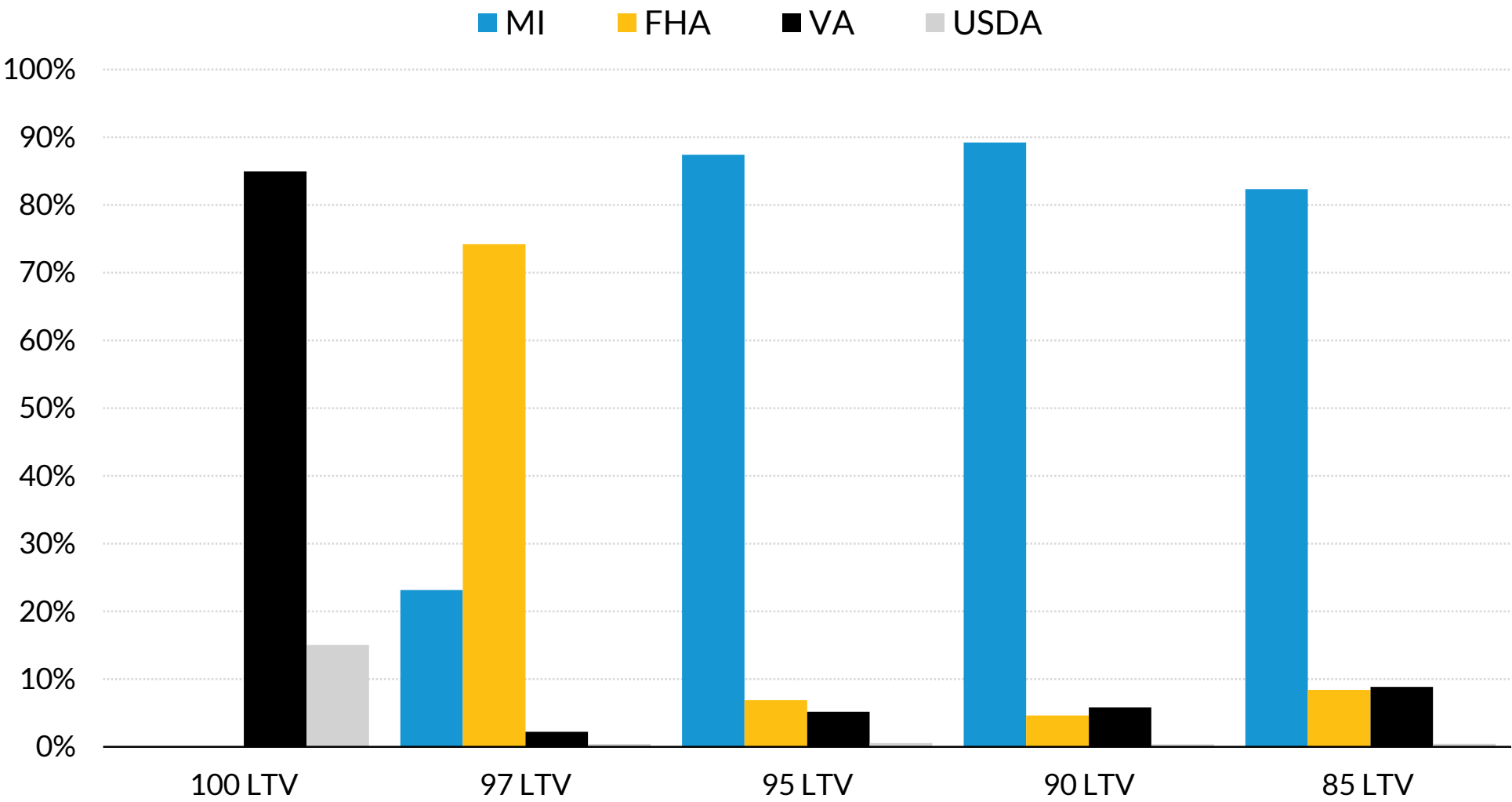
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What do FHA and the GSEs do?

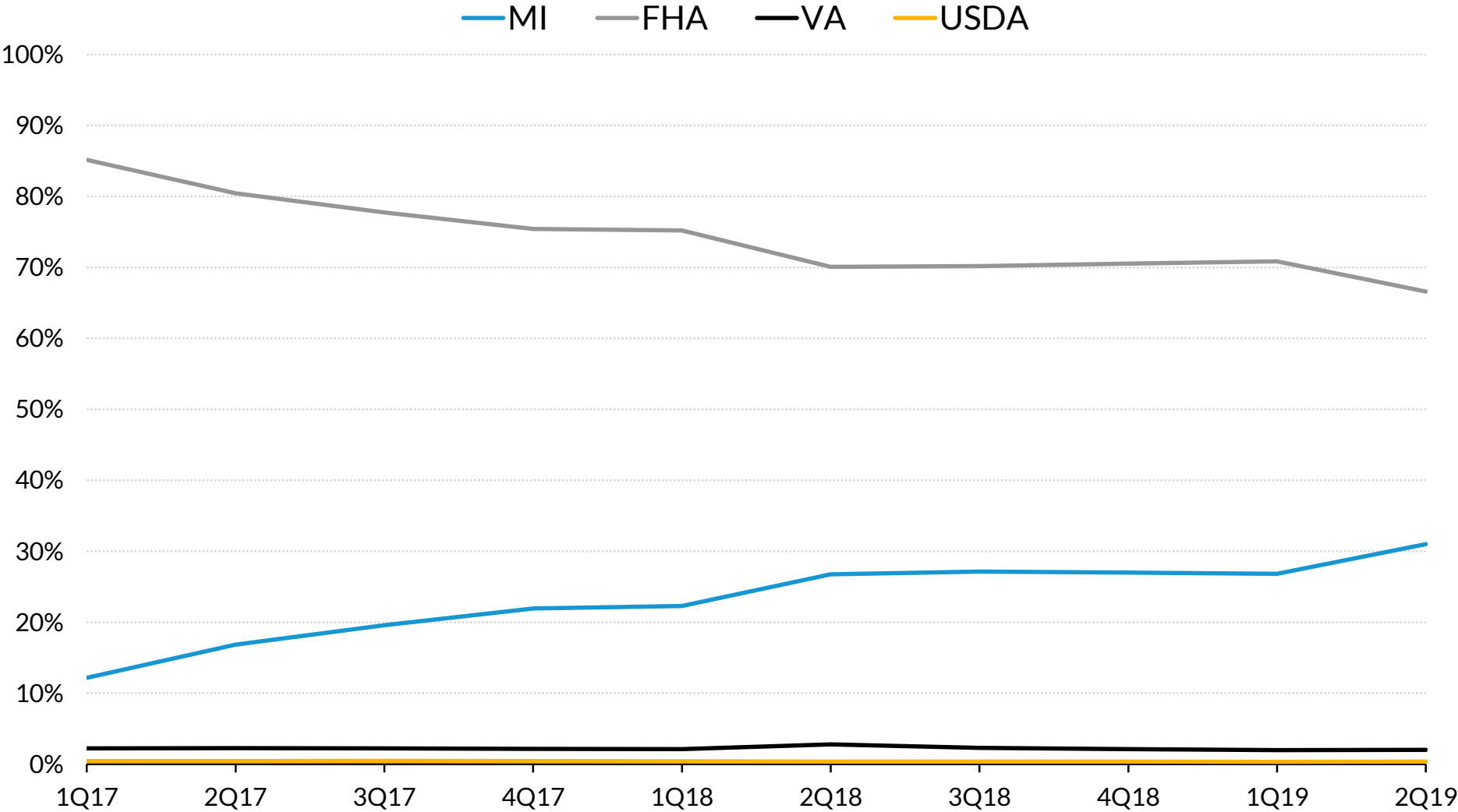
- FHA
 - Created in 1934, FHA's original function was to create national lending standards and revolutionize the mortgage market by providing insurance against default to lenders who (1) offered fixed-rate, long-term, fully amortizing mortgages, and (2) ensured that mortgages and borrowers met national underwriting and construction standards.
 - Over the 80+ years of its existence, FHA has helped American families purchase their first homes, has made mortgages available in periods of market disruption when other housing finance sources pulled back and—in recent years and after some sorry history, FHA mortgages have been the product of choice—and in some cases, necessity—for many low- and moderate-income and minority families.
- The GSEs' charters, as amended in 1992, state that their functions are, among other things, to
 - Provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
 - Promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing

Average Purchase Origination Volume by LTV



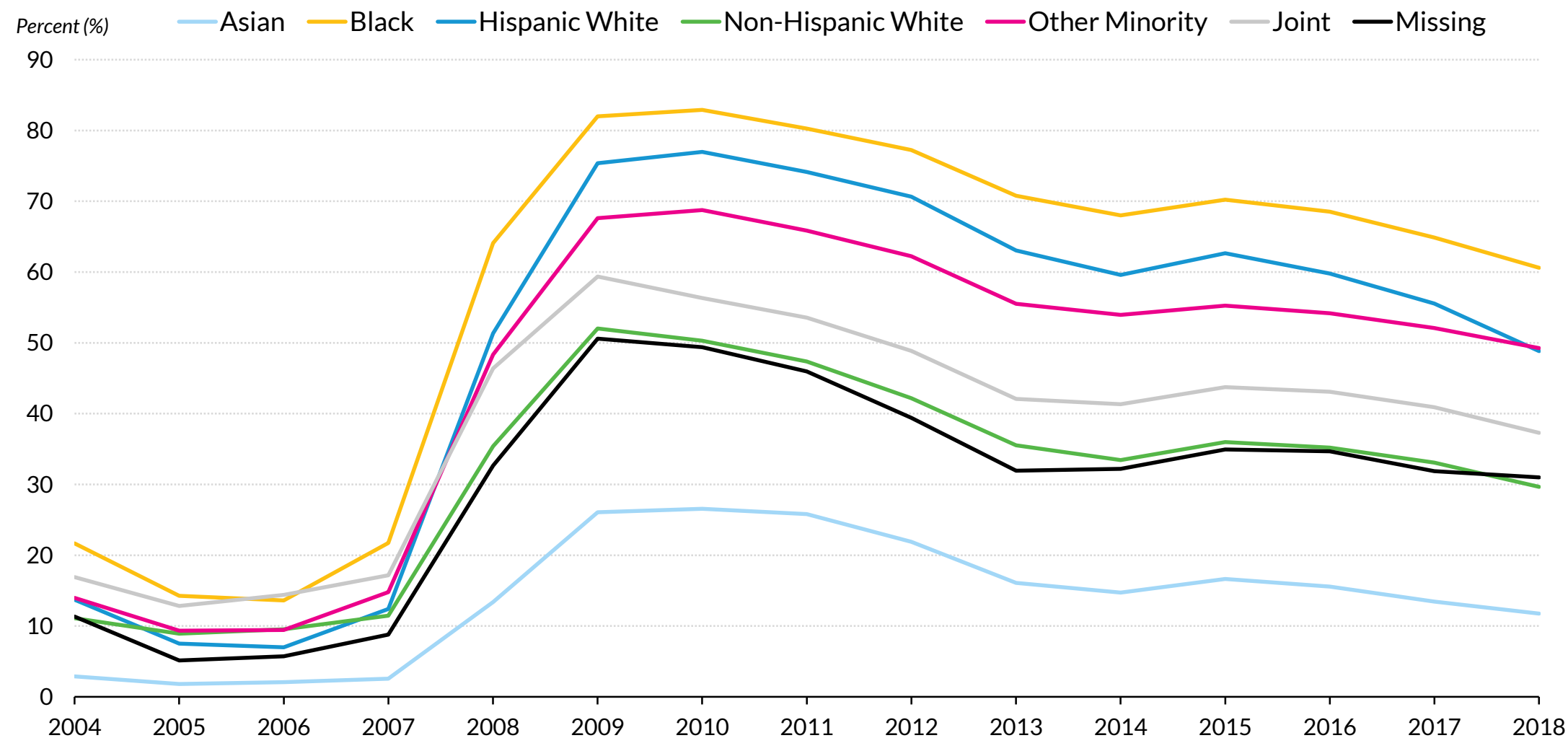
Source: Genworth Financial.

97 LTV Purchase Originations by Market (1Q17 – 2Q19)



Source: Genworth Financial.

Non-Conventional Share of Home Purchase Loans by Race



Source: CFPB Data Point: 2018 Mortgage Market Activity and Trends, Table 4.



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