



Frank Rolfe

Can 2012 Be A New Beginning for the Industry- Or Just Another Year of Lost Opportunity?

It's unbelievable that another year has passed, and the retail/ manufacturing slump that began in 2000 has entered its second decade. I remember in 2001 when people told me that 400,000 units per year sales would return by no later than 2003. I think I heard that every year thereafter.

After over a decade, you'd think that

people would stop waiting for the cavalry to come over the hill and start taking proactive steps themselves. Of course, none of us really can. For the retail/ manufacturing end of manufactured housing to return to strength, it requires some fundamental shifts at the highest levels of the business to make a meaningful comeback. With so few manufacturers left there's probably only ten people who can turn things around. In case one or more of you are reading this article, then I'll lay out the steps.

Keep cutting the cost

The sweet spot for demand is at the lower-priced end of the spectrum. Just ask any community owner. We get an average of 40 calls per week to *each* of our communities (we have 70 of them) from customers looking for a manufactured home to buy or rent. Their budget is normally \$495 to \$595 per month including lot rent. If you take out an average lot rent of \$250, then there's a total payment of \$250 to \$350 per month that could go towards a mortgage. That's going to require a very inexpensive home – something around \$20,000 or less. The industry has made great strides in producing homes that are near this price point, and nobody can fault the manufacturers for what they have accomplished to date. But can we get a little more radical in design to get it even lower? Maybe smaller room sizes? Smaller homes? Is there a way to shave another \$5,000 off? How?

Reduce dealer mark-up

Sure, dealers have to make a living. But could a business model that is built on volume and less mark-up work? Sam Walton made that happen for everyday items, and now it may be time to experiment with some radical ideas in manufactured housing. Everyone's heard about the impact that the "factory direct" model has had. Is it possible to have a happy co-existence between dealers who offer full service and "factory direct" dealers who sell over the internet? Clothing companies have already struck this balance successfully (the outlet mall "Polo Store" versus the full-price "Polo Store"). Think about it.

Bring back rational financing that's win/win

It comes as no surprise to anyone that many customers for manufactured housing have less than satisfactory credit scores. However, many of these people pay their housing costs like clockwork, and have bad credit due to such issues as uninsured hospital stays and poor choices in consumer purchases on credit cards. But if they can pay their housing without missing a beat, isn't there some structure to ex-

tend credit despite the lower credit score. I can't count how many times a resident has made an application and their entire credit debacle relates to a \$50,000 hospital bill for an operation that they could never possibly pay for. Can we separate this group from those that don't pay any bills and bounce around from eviction to eviction? Community owners make this decision every day, and have been the sole source of housing for these people since the industry stopped making real loans in 2000. But they're growing tired of it – not to mention exhausted of operating capital to buy homes. With a reasonable amount down – and a short amortization – is it not possible to write good loans to this demographic? How about just a test to see what happens?

Kudos on the current product's appearance

One item that needs no attention is the appearance of the current manufactured home product. I think all community owners like the current color palate and siding materials. I never hear any negative feedback on the homes anymore. The rooms are well-sized (especially the master bedroom) and the flow is fine. In fact, I think most community owners are fairly impressed with the designer's choices on carpet colors and finish out. And, when combined with new vinyl skirting and decent stairs and decks, the product has probably reached the pinnacle of design – I'm not sure how you can improve on it for the dollar. Way to go design folks!

And don't worry about a marketing program

The demand in the "affordable" housing segment is gigantic and needs no stimulation. If you can offer homes in the \$500 to \$600 price point, the customers are already waiting in abundance. I know that people keep pushing to devote large resources to advertising campaigns. While the upper end may need such efforts to make sales, the lower end product does not. People already fully understand and appreciate the "value" of the manufactured home, and are ready to buy if you can just show them how.

Summary

I'm tired of the same old thoughts on the future of manufactured housing. The demand for this product is giant. We've just got to fine-tune the business model to meet this demand. I can't do it. But I'm hoping somebody who reads this column is a decision-maker at one of the manufacturing/ financing giants, and can start the process. That's the only way shipments are ever going to go back up.



Frank Rolf is regarded as one of the leading Manufactured Housing Industry experts. Frank is involved with leading websites on [Mobile Home Parks](#) and [Mobile Homes for Sale](#).