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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

The Northwest Report

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For Owners, Operator's, and Investors in Manufactured Housing Communities Nationwide

Interest Rate Fluctuations Affect Manufactured Housing Industry

Buyers, sellers, and renters are in for more twists and turns as mortgage rates and stubborn inflation signal belt tightening ahead, and everyone is feeling the squeeze.

"Mortgage rates are high, prices are sky high, and there is no inventory" states Moody's Analytics. "The housing market just doesn't make any sense". Between rising prices and rising interest rates the typical home buyer may pay as much as 77% more per month for a home than they did just 12 months ago, according to Realtor.com. From a traditional realtor's point of view, home sales contract signings fell for the 5th straight month in October, down 30% from October 2021. At the same time, search interest in the phrase "U.S. Housing Bubble" reached a 15-year high, according to Google trends data. The searches were most popular in Idaho, where the median site-built home price in Boise was $549,000, an eye-popping 51 percent increase over October 2021.

The days of record low interest rates may be over (for now) but juiced-up home prices have not fallen in kind. And sales seem to be stalling, as both buyers and sellers wait for the "other shoe" to drop. To make sense of the current housing market, economists, mortgage brokers and real estate agents plot the course ahead. Much can change, especially with economic headwinds on the horizon, but they all agree that the market is cooling. Housing prices may drop a bit but not to the extent some buyers will hope for. Renters may finally get a reprieve from surging prices, even as prices will remain well above pre-pandemic levels.

For site-built housing, most analysts don't expect home prices to free fall as they did after the subprime mortgage crisis in 2008, in part because of stricter underwriting practices and a big bump in home price appreciation, but some markets may sting a little, especially those that saw the most appreciation over the past few years, specifically the Mountain West region and the South.

All of this news can bode very well for the manufactured housing industry. In past economic cycles, when interest rates rise, many home buyers are priced out of the site-built market yet they are ideally suited for a new manufactured home. Our prices remain at 40-50% under comparable site-built homes and in many cases, we offer superior construction and energy efficiency, which is very attractive to first time home buyers and those who are downsizing.

Additionally, manufactured home builders have seen their record-long backlog of pre-sold home orders all but dry up, so getting a new custom-built manufactured home is now miraculously faster than it was just 4-5 months ago.

Manufactured Housing Demand Is Strong Regionally and Nationally

Manufactured homes are attractive, energy efficient, safe, and comfortable homes that stand up well to natural events including inclement weather and fire, as they must comply with the U.S. Department of Housing and Urban Development strict standards. Our homes provide an average cost savings of up to 50 percent compared to their stick-built counterparts, up to $55 per square foot excluding land versus $114 per square foot. Construction is precise and efficient thanks to technology and large sale, factory-based work, and onsite work is less disruptive to the neighborhood as it's shorty than stick-built homes. Our homes are environmentally friendly, as minimal waste remains after construction of a factory built, manufactured home.

Manufactured housing currently makes up 9 percent of single-family new home starts, a figure that has steadily declined since its peak of 25 percent in 1996, according to U.S. Census data. While several factors are driving that downward trend, a portion is related to zoning regulations at the state and local level, and even homeowners' associations which affect the location and number of homes that can be built in an certain area. If manufactured homes were more widely accepted, they could play a bigger role in chipping away at the 308 million unit housing deficit, shrinking the affordability gap, and promoting a more equitable housing landscape.

FHA Proposes More Manufactured Home Loans

Under a proposed rule change, manufactured home loans could operate similarly to all other home loans, providing ownership is titled as personal property.

The Federal Housing Administration (FHA) proposed a rule in the Federal Register that will increase and index loan limits under its Title 1 Manufactured Home Loan Program. The program ensures loans are used to finance manufactured homes that are titled as personal property.

FHA proposes a "data-driven methodology to calculate loan limits for the program on an annual basis." It's currently seeking public comment. The change was first proposed in the Biden Administration's May 2022 Housing Supply Action Plan. Manufactured housing is considered one of the tools that can alleviate the U.S. shortage of affordable housing. "Adjusting loan limits to current market conditions will make Title 1 a much more useful source of affordable loan financing for manufactured homes," says Federal Housing Commissioner Julia Gordon. "This proposal is the next step in FHA's ongoing work to support manufactured housing as an affordable and attractive option in a challenging housing market."

Title 1 Manufactured Home Loan Program loan limits haven't been updated since the Housing and Economic Recovery Act of 2008.

According to FHA's plan, it will use indexes to annually calculate and adjust loan limits using sale prices, like the way conforming loan limits for existing home mortgages rise every year. In the manufactured home version, these limits would include separate indexes for single section manufactured homes and multi-section manufactured homes. The types of loans under the Title 1 Manufactured Home Loan Program include loans used for the purchase or refinance of a manufactured home only, or for the purchase or refinance of a manufactured home and land where the manufactured home is to be installed.

Department of Energy Proposes Extensive Energy Standards For HUD Code Manufactured Housing

(From Published Industry Reports and MHARR):
The Manufactured Housing Association for Regulatory Reform (MHARR) has filed written comments with the Manufactured Housing Consensus Committee (MHCC) opposing the incorporation or summary "alignment" of U.S. Department of Energy (DOE) manufactured housing "energy conservation" standards within the Federal Manufactured Housing Construction and Safety Standards (FMHCSS) maintained by the U.S. Department of Housing and Urban Development.

Both the excessive cost of the DOE energy rule and its complete unsuitability for manufactured housing and the manufactured housing market, as well as the legal mangle now facing HUD (and DOE) with respect to the enforcement of the standards, could have been avoided if DOE had properly consulted with HUD and the MHCC – as required by section 413 of the Energy Independence and Security Act of 2007 (EISA) – from the very start. Instead, DOE unlawfully relegated such "consultation" to meaningless after-the-fact activity, while MHI urged and supported the sham "negotiated rulemaking" used by DOE and its energy/climate special interest allies to sidestep the type of real and legitimate consultation that could have avoided the current morass. Now, the industry faces the consequences of that instinct to "go along," as the DOE energy standards are slated to go into effect on May 31, 2023.

While MHARR has called for MHI to lead an industry lawsuit to obtain an injunction against the DOE standards as the only available remedy that could be secured in time to stop those baseless and unlawful standards, MHI, instead, is stubbornly pursuing corrective legislation as part of a so-called "multi-pronged" strategy. In the wake of the November 8, 2022 election, however, it is – or should be – obvious that a legislative remedy is simply not in the cards, with razor-thin results in both houses guaranteeing that a presidential veto would be all but impossible to overturn (even if such legislation could ever be secured in the first place). As a result, litigation remains the only potential remedy that could stop the DOE standards before they begin doing severe damage to the industry.

Consistent with this approach, MHARR's comments strongly oppose the wholesale incorporation of the DOE standards within the HUD Code, or the incorporation of any "aligned" variant of the DOE standards without full notice and comment rulemaking as required by federal MH housing law.

MHARR will continue its consistent and aggressive opposition to the implementation of the excessively costly and destructive DOE manufactured housing energy standards and will continue to urge MHI-led industry legal action to enjoin those standards prior to their scheduled May 31, 2023, implementation date.

Industry Production Through September 2022

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and verified by the Manufactured Housing Association for Regulatory Reform (MHARR), HUD Code manufactured home year-over year production increased once again in September of 2022 according to just released statistics. Current data indicates that HUD Code manufacturers produced 9,381 new homes in September 2022, a nominal 3.9% increase over the 9,025 new HUD Code homes produced during September 2021.

On a cumulative basis, industry production for 2022 now totals 89,812 HUD Code homes, as compared to the 79,435 homes produced over the same period in 2021, a year-to-date increase of 13.0%. This is good news for the industry, considering higher than expected interest rates and inflation plaguing economic growth.

The top ten shipment states from the beginning of the industry production rebound in August 2011 through September 2022, with cumulative, monthly, current year (2022) and prior year (2021) shipments per category as indicated are:

1). Texas 2). Florida 3). Louisiana 4). North Carolina 5). Alabama 6). Mississippi 7). Michigan 8). California 9). Kentucky, and 10). Tennessee. The September production data results in no changes to the cumulative top-ten list.

Even with these positive numbers, Manufactured housing production and shipments continue to be obstructed by the lack of manufacturing capacity needed to match consumer demand for manufactured homes, and persistent post-production issues which the industry has failed to resolve, including parity with financing and baseless constraints on energy efficiency, zoning, and placement.

Upcoming Events

2023 Louisville Manufactured Home Show
The Nation's Largest Indoor Product Show for
Manufactured Home Professionals
65 Homes on Display
January 18-20, 2022
Kentucky Expo Center, Louisville, KY

2023 MHI Winter Meeting
February 6-8, 2023
The Westin Oaks – Houston, TX

Workshops & Seminars Include:
National Communities Council * Financial Services Division * National Retailers Council
Suppliers Division * Manufacturers Division

2023 Manufactured Housing Congress & Expo
April 19-21, 2023
MGM Grand, Las Vegas, NV

2023 National Communities Council Spring Forum
April 19, 2023
MGM Grand, Las Vegas, NV

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