



OFF-SITE BUILT HOMES PROVEN TO APPRECIATE IN VALUE:

Providing Equity Building Opportunities & Reshaping Today's Housing Market

The U.S. housing market is facing a unique set of challenges, and many people, seeking to reap the benefits of homeownership, find themselves on the outside looking in. A combination of current and historical factors has created a market where affordable housing supply is at record lows, home prices are high, and demand for homeownership is strong.

Fortunately, there is a growing recognition of the need to rethink how we can make the housing market work for more people in the U.S. The off-site built housing industry, which refers to manufactured and modular homes, can present a ready-made, scalable solution that can help move the needle and give more people the opportunity to become homeowners. These modern homes can bridge the affordability gap for entry-level and middle-tier housing by merging the best of both on-site features and off-site construction efficiencies.

Home appreciation is a key way for homeowners to build wealth. A growing body of research shows that off-site built housing can appreciate at nearly the same rate as site-built housing, making it a smart investment for an individual's future.

[A new study from LendingTree](#) shows off-site built homes are generally more affordable than site-built homes, and they have appreciated in value at the same rate as site-built homes from 2016 to 2021. Furthermore, an analysis of the Federal Housing Finance Agency's MH index by the Urban Institute [shows the same appreciation pattern](#).

This appreciation has real benefits for families across the country, like the Woody Family of Western North Carolina.

Helping the Woody Family Find the American Dream

In 2015, Robert and Chasity purchased a Clayton off-site built home and land parcel outside of Asheville, North Carolina for \$179,500. Since then, the home and property have appreciated an estimated additional \$135,500 to \$315,000 in July 2022.

Clayton and Next Step recently [revisited the Woody family](#) and learned how their home has become an investment in their family's lives and future.

The Challenges of Today's Market

The lack of current affordable housing has made it nearly impossible for many people to realize the American dream of homeownership. [Research from Freddie Mac](#) shows a housing supply gap of 3.8 million housing units, and construction of entry-level homes is at a 50-year low. Traditional home builders have largely abandoned the construction of entry-level, or “starter homes,” that historically allow more first-time buyers to enter the market and begin to create equity.

The share of entry-level homes in overall construction declined from

40% in the early 1980s to **7%** in 2019

[The median sales price of a newly constructed home](#) in September 2022 was \$470,600. Meanwhile, [the real U.S. median household income](#) in 2021 was \$70,784. Housing affordability is typically defined by limiting housing costs to 30 percent of income. Based on an annual income of \$70,784, a typical household can afford a \$244,000 home (a little more than half that of today's median home cost). As of January 2021, an estimated 41.1 million potential borrowers aged 45 and younger are considered “mortgage ready” but struggle to find a home due to limited supply at their price point.

30% of Housing Cost by Household Income Levels

	VERY LOW HOUSEHOLD INCOME	LOW HOUSEHOLD INCOME	MEDIAN HOUSEHOLD INCOME
Annual Income	\$35,392	\$56,627	\$70,784
Max Home Price w/o Additional Subsidy	\$77,000	\$155,500	\$244,000

Why Homeownership Still Matters

In addition to the long-term financial gains that a household can make through homeownership, there are other benefits to individuals and families who own as opposed to renting.

[According to a research summary prepared by Habitat for Humanity International](#), homeownership leads to improvements in graduation rates, children's health, and overall net family wealth. Research shows marked decreases in behavioral problems in children, less reliance on government assistance, and reduction in asthma-related illnesses.



So how can we create more housing supply, but keep costs affordable for hard working Americans?

The Benefits of Off-Site Built Construction

Off-site built homes are uniquely positioned to bridge the affordability gap for entry-level and middle-tier housing. They can be more affordable for both housing developers and buyers for a variety of reasons:

- They are built inside climate-controlled home building facilities where construction is not impacted by weather that can cause delays.
- Sustainable building practices reduce the impact on the planet as energy use can be monitored, waste diverted, and materials recycled whenever possible, resulting in better efficiencies and lower home costs.
- Building materials and name brand appliances are purchased in bulk and distributed to the builder's network of facilities nationwide, utilizing economies of scale to reduce costs.
- Close monitoring of building efficiencies inside the facilities, such as production line assembly and resource management, also aid in driving down the overall cost of construction.
- These homes are precision built with home energy efficiency in mind and typically include energy-saving features and appliances. This attention to detail translates to lower utility costs for the homeowner.



Builders of off-site housing have had a long-term focus on improving the efficiencies around constructing homes inside a facility environment. Today, innovations in building technologies, home quality, and floor plan options have continued to showcase these homes as a stylish and smart housing option for today's buyer.

CrossMod® Homes: A New Path to Filling the Housing Gap

[CrossMod homes are built to HUD-code](#) and blend off-site construction and on-site features to produce an affordable home that looks, performs, and can be financed and appraised like a site-built home. CrossMod homes include many site-built features, such as an elevated roof pitch; drywall interior;

permanent foundation; and garage, porch, or carport. CrossMod homes offer forward-thinking designs, energy-efficient features, and high-end materials without sacrificing the efficiency, quality, and construction speed that comes with off-site home construction.



The price of a CrossMod home is dependent on the market, homebuilding facility, and other factors. With the current average cost of a CrossMod home at approximately \$300,000 nationwide, including the cost of land, they typically cost significantly less than traditional new home construction. At this price point, CrossMod homes are an attractive solution for both developers and home buyers.

For developers, it adds another housing tool in their toolbox. With a CrossMod home, an off-site home builder constructs the home inside a facility, relieving some of a developer's labor pressure (e.g., a smaller developer that builds 10-30 homes a year could add

5-10 more homes per year with CrossMod). For home buyers, this style of home offers all the same features, amenities, and styles of new site-built homes, but one that they can better afford.

Types of Off-Site Built Construction

Off-site built homes can refer to a variety of distinct housing categories, including manufactured homes, modular homes, CrossMod® homes and more.

MOBILE HOMES: Homes constructed before 1976 which were not built to HUD standards.** Mobile homes are no longer in production.

MANUFACTURED HOMES: Built to federal HUD Code standards, these homes are built inside a climate-controlled building facility and can be placed on rented land or on a permanent foundation on owned land.

MODULAR HOMES: Modular homes are built to conform to all state, local and/or regional codes that apply based on the final location of the home, just like site-built homes. These homes are built inside a climate-controlled building facility and must be set on a permanent foundation on owned land.

CROSSMOD® HOMES: These homes are built to federal HUD Code standards. They combine site-built features and off-site built building practices. This new category of HUD-code homes are built inside a climate-controlled building facility and must be set on a permanent foundation on owned land eligible for CrossMod financing. They include aesthetics and features typically expected in traditional site-built construction, such as an elevated roof pitch, drywall interior and garage, porch or carport.

**The HUD Code went into effect in 1976, and the Housing Act of 1980 mandated that the term "manufactured" be used in place of "mobile" in all federal laws and literature that referenced homes built after 1976. The new terminology gave rise to an advanced era of homes due to the homes being built to new safety standards.

Wealth and Equity Building Opportunities for Buyers

For decades, homeownership has been the quintessential path to prosperity and upward mobility for millions of American families. However, [the U.S. homeownership rate](#) was only 65.8 percent in Q2 2022. In addition to the challenges in the current housing market, there have also been recent historical barriers that have hindered homeownership, such as rising student loan

debt, inflation, and a lack of affordable housing developers. But, despite these hurdles, appreciation still remains one of the most important paths toward long-term wealth building for families across the U.S. Buying an off-site built home and placing it on a permanent foundation is arguably the most attainable option to start that journey - especially in today's current market.

This is partly due to newer and enhanced financing options for CrossMod homes. Mortgage finance options from Fannie Mae and Freddie Mac (MH Advantage™ and CHOICEHome® respectively) offer conventional site-built financing for real-property facility-built homes, that are built to the HUD Code and have the features of a site-built home. These mortgage options also allow for site-built comps, meaning that when appraisers are assessing home value, they can get a better estimate of a home's value based on the surrounding neighborhood or community.



Appreciation is also driven by homeowners themselves. As with site-built homes, regular care and maintenance are more likely to increase any home's resale value, as will desirable enhancements or additions made to a home.

About 15 years ago, the Kentucky-based nonprofit organization Frontier Housing partnered with Clayton and the Ford Foundation to undertake a demonstration of high-quality manufactured homes, comparable to today's CrossMod homes. The Community of Edgewood, a wholly new subdivision, featured a collection of ENERGY STAR®-rated homes. All the homes in the neighborhood were



placed on permanent foundations that met Federal Housing Authority Title II standards and financed with mortgage loans. Particular attention was paid to creating curb appeal and modern aesthetics identical to those of nearby site-built homes. These homes also included universal design features for improved accessibility, ensuring that homeowners can age in place comfortably. Over time, these homes have appreciated in value and blended into the neighborhood with site-built homes.

Both estimates and public data provided from the real estate website Zillow show that these homes have, in fact, appreciated comparably in value to other homes in the market. As an example, Zillow estimates that two homes in the Edgewood neighborhood that originally sold for [\\$115,000](#) and [\\$116,000](#) have increased in value to \$164,200 and \$172,500 respectively (a more than 40% increase). Zillow's estimating tool shows the homes placed in Edgewood in 2007-2008 remain comparable in value to homes in that same market.

Building at Scale: The Possibilities for Off-Site Built Homes

One could pose the question: if all signs point to the potential for off-site built homes to help correct the affordable homeownership market, why hasn't it already?

Exclusionary Zoning

The largest barriers that stifle expanded use of off-site built homes are restrictive zoning and outdated land-use policies.

Zoning is an inherently local issue, and many jurisdictions specifically exclude homes constructed in a facility (often using outdated terminology like “mobile homes” or “trailers”). [According to Freddie Mac](#), local jurisdictions can also discourage use of off-site built homes in several other ways, including lot-size and parking-space minimums; architectural design standards; requirements around building materials; and onerous approval processes, permitting, and fees.

However, some states, like California and Oregon, have taken proactive steps to encourage the use of off-site built homes by superseding local zoning restrictions. Zoning for manufactured homes in California is governed by the state’s Department of Housing and Community Development. Additionally, the California State Senate convenes a Select Committee on Manufactured Home Communities that studies the needs for legislative changes as necessary. Similar to California, Oregon law requires that local regulations permit manufactured homes in zones where single-family dwellings are permitted.



While there may be no unifying answer to this question, there are some factors that can be readily identified.



Federal agencies are also beginning to take notice of the possibilities presented by off-site built homes. In May 2022, the White House released an action plan to help close the housing supply gap, and the use of manufactured housing solutions features prominently in the plan.

Additionally, the Department of Housing and Urban Development has been more proactive in educating policymakers and the public on the quality and advantages of off-site built homes, hosting a showcase of off-site built homes on the National Mall during the summer tourist season.

Developer Adoption

Currently, very few housing developers leverage off-site built construction as a method for their housing and neighborhood development projects. Multiple CrossMod® homes can be delivered to a developer site at one time. This means a developer can have multiple foundations ready and rent a crane for only one day. This saves time and money for a developer and helps increase the supply of affordable housing in an area.

As an example, [Clayton](#) strives to make CrossMod a supplemental option for lower volume developers. Clayton gives developers a PE certified foundation plan, and provides set-up contractor options and materials to complete the project. This hands-on approach is designed to remove any barriers for a developer to work with manufactured housing and more specifically, CrossMod.

Existing Stigma and NIMBYism

[As Next Step and Clayton have explored in a previous publication](#), outdated perceptions of off-site built homes are still prevalent. Additionally, housing and community development efforts frequently encounter NIMBY-ism (which stands for Not-In-My-Backyard) with some community members and groups viewing most forms of more affordable housing as a negative.

Education is critical for helping the public and government leaders understand the facts about off-site built housing and making these homes more broadly available to American communities throughout the U.S.



Learn More:

To learn more about how off-site built homes are a solution for affordable homeownership and community development efforts, visit Next Step's website at nextstepus.org.

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