The Importance of Modular Housing in Pennsylvania

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Preface and acknowledgments

In response to a request from Mr. Steve Snyder of the Mid-Atlantic Building Systems Council (MABSC), the Pennsylvania Housing Research Center (PHRC) conducted a project to develop and document data on the nature, scale and significance of the modular housing industry in Pennsylvania. The MABSC is a trade association that represents the modular building industry. The MABSC is a leadership member of the PHRC. The MABSC and the PHRC collaborated in the development of this project.

This report is one of four projects on modular housing that have recently been conducted by the Pennsylvania Housing Research Center (PHRC). Financial support has been provided by:

- The Pennsylvania Department of Community and Economic Development (DCED);
- The Pennsylvania Builders Association (PBA);
- The individuals, associations, and corporations that are members of the PHRC; and
- The Pennsylvania State University.

This project was intended to generate data on the modular housing industry in Pennsylvania and thereby:

- document the size, nature, and relative importance of this industry; and
- identify needs and establish a basis for initiating and, possibly, conducting R and D and generally for providing assistance to the modular industry.

The survey and this report were developed by Kenneth L. Balliet, President of K. L. Balliet Associates and Eric Burnett of the Pennsylvania Housing Research Center. John Boyer, Chief of the Manufactured Housing Division of DCED, not only provided information but also gave willingly of his time to provide both advice and assistance. The support and cooperation of DCED, specifically that of John Boyer and Larry Segal, the Director of the Office of Community Development and Housing, is gratefully acknowledged. The contributions of Steve Snyder were also very important. The assistance of Michelle McMullen and Angela Burnett in producing the final version of this report is appreciated.

Thanks are extended to those members of the modular industry who responded to the survey, and a special thank you to those manufacturers who initially reviewed the questionnaire. Finally, we are indebted to Mr. Charles Mogish of Haven Homes whose letter in support of the survey was sent out ahead of the questionnaire.

The PHRC is responsible for initiating and producing this report. As a third-party agency, the PHRC is uniquely situated to gather, assess, document and provide housing related data. Two of our more general objectives are to stimulate discussion about housing and to promote the development of housing in Pennsylvania. We therefore welcome questions or other feedback regarding the report.

E.F.P. Burnett
Director

Executive Summary

Currently 23 manufacturers of modular housing are known to be located in Pennsylvania. Little is known about the size of the modular housing industry, its make-up, or even its product. Two frequently asked questions are: how important is the modular industry, and what is its impact on the Commonwealth of Pennsylvania? Unfortunately, precise answers are hard to come by.

In response to a request from the MABSC, the PHRC initiated and conducted a project to develop and document data on the nature, scale, and significance of the modular housing industry in Pennsylvania. A confidential survey of all modular manufacturers in the state was carried out.

Pennsylvania's manufacturers of modular units generated about $290 million in sales of units in 1996. In total, 6,455 units were sold. Of these totals, 2,128 housing units (33%) valued at some $97 million (33%) were shipped to locations within Pennsylvania. Out-of-state business amounted to 4,327 units (about two-thirds of all modular production in Pennsylvania), valued at $193 million. Of the total production, about 86% of sales were single-family houses, 11% were multi-family units, and 3% of the sales were for commercial purposes.

Pennsylvania modular manufacturers employ more than 3,500 persons. About 3,000 are employed in plant production.

Manufacturers also provided services worth over $11.6 million over the 1996 year. The total value of all modular housing products and related services from all Pennsylvania manufacturers for 1996 was approximately $300 million.

Modular accounts for about 6% of the new housing built in Pennsylvania each year. With 1,700 units going to New York and 911 to New Jersey, Pennsylvania provides 4.7% and 3.7% of all the new housing units (including multi-family) in those states respectively. Within the Commonwealth of Pennsylvania, the modular industry produces 11% more housing units than the entire multi-family sector and, in dollar terms,

considerably more than this proportion. Given the obstacles and constraints to trade that the modular industry has to face, its performance is quite remarkable, and the statistics given here attest to the economic importance of the industry to the Commonwealth of Pennsylvania.

The factors that hinder growth were clearly identified by survey respondents. The modular housing industry faces a number of difficulties that could adversely affect all aspects of the business:

· The paper and regulatory burdens, especially in New York and Ohio, are considered to be excessive.

· Inconsistencies and differences in the rules and procedures between states continue to be a major obstacle.

· Because of the nature of prefabrication, some building code issues have a more significant impact on modular houses than on traditional housing.

In many respects modular housing in the state is a mature market. Companies, however, need not only to maintain but also to expand market share. It is the out-of-state markets that hold the most promise for the Pennsylvania modular industry.