



Beyond the Box

To survive the housing recession, the factory-built housing industry explores new business lines and expands energy-efficient offerings.

BY ALISON RICE

WITH THE SINGLE-FAMILY MARKET IN SHAMBLES, THE FACTORY-BUILT HOUSING industry turned to new markets and a growing interest in green to survive a difficult 2008.

"We're not trying to get out of the single-family business—that's our mainstay," says John Colucci, vice president of sales and marketing at Westchester Modular Homes in Wingdale, N.Y., which manufactured 230 single-family modular homes in 2008.

But with manufactured-home shipments down more than 30 percent to 81,900 units in 2008, according to the U.S. Census Bureau, companies such as Westchester have been forced to diversify. Westchester now fabricates a growing number of multifamily and commercial structures, which currently represent 25 percent of its business.

A company can't afford to be complacent in a downturn, explains Colucci. "You've got to go after markets that you wouldn't have gone after before because they were too complicated."

NEW MARKETS

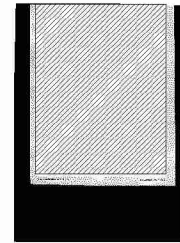
For many factory-built companies, those markets include multifamily, commercial, and resort buildings. "Generally, 10 percent of our business is multifamily," says Steve Scharnhorst, CEO of Camp Hill, Pa.-based Excel Homes, where multifamily represented between 15 percent and 17 percent of its business in 2008. "It will be higher in 2009," he predicts. "That's where the money is still flowing."

The same trend is emerging at Genesis Homes, the modular division of (see page 106)

| THE 2008 TOP 20 MODULAR/WHOLE-HOUSE PANEL BUILDERS | | | | | 1-4 |
|--|---|--|--|---|-----|
| RANK (07 rank) | COMPANY/CEO | ADDRESS | 2008 HOMES SHIPPED (vs. 07 shipments) | 2008 GROSS REVENUE* (vs. 07 revenue) | |
| 1 (1) | CHAMPION ENTERPRISES (p) William C. Griffiths | 755 W. Big Beaver Rd., Suite 1000, Troy, MI 48084 • 248-614-8200 • www.championhomes.com | 2,507 -32% | \$1,033 -19% | |
| 2 (2) | CLAYTON HOMES (p) Kevin Clayton | 5000 Clayton Rd., Knoxville, TN 37804 • 865-380-3000 • www.claytonhomes.com | 1,766 -25% | | |
| 3 (1) | FLEETWOOD ENTERPRISES (p) Elden L. Smith | 3125 Myers St., Riverside, CA 92503 • 951-351-3500 • www.fleetwoodhomes.com | 1,300 +40% | \$450 -76% | |
| 4 (-) | CAVCO INDUSTRIES (p) Joseph H. Stegmayer | 1001 N. Central Ave., Suite 800, Phoenix, AZ 85004 • 602-256-6263 • www.cavco.com | 1,221 n/a | \$121 n/a | |

*In millions

◆ = Declined to share revenue numbers





Champion Enterprises in Troy, Mich., which produced 8,900 manufactured and modular homes for the U.S. market last year. "Our core market has certainly gotten tighter, and a lot of our builders are seeing the need for multifamily and rental buildings," says Kevin Flaherty, vice president of sales and marketing for Genesis. That includes specialty developments such as military housing. Genesis, for example, is building modular homes for soldiers and their families at Fort Lewis in Washington state under a multi-year contract.

Genesis is also pursuing the resort market, building hotels in the mountains of Wyoming and workforce housing for service employees on Catalina Island, located off the coast of Southern California. It's been a learning experience for the company, which has found that it must be more involved in site services with these physically larger structures than it traditionally has been with its modular single-family business.

But those are lessons that Genesis is happy to learn, seeing it as an investment in the company's short-term revenue and its long-term prospects. "The more markets you're spread across, the more you spread your risk," Flaherty says.

Not all manufactured-housing companies have been successful at risk reduction, however. Fleetwood Enterprises, one of the country's largest factory-built housing suppliers, filed for Chapter 11 bankruptcy in March 2009.

BALANCING ENERGY EFFICIENCY AND ECONOMICS

In addition to diversifying their product (see page 108)

| THE 2008 TOP 20 MODULAR/WHOLE-HOUSE PANEL BUILDERS | | | | 5-20 |
|--|--|--|--|---|
| RANK (07/rank) | COMPANY/CEO | ADDRESS | 2008 HOMES SHIPPED (vs. 07 shipments) | 2008 GROSS REVENUE* (vs. 07 revenue) |
| 5 (-) | AUTOMATED DIVISION 6 BUILDERS Beverly Clevenger | P.O. Box 640083, El Paso, TX 79904 • 915-751-3868 | 1,071 n/a | \$11 n/a |
| 6 (4) | WAUSAU HOMES Tom Schuette; Jay Schuette | P.O. Box 8005, Wausau, WI 54402 • 715-359-7272 • www.wausauhomes.com | 929 -49% | \$85 -65% |
| 7 (12) | AMERICAN HOMESTAR CORP. (p) Finis F. Teeter | 2450 S. Shore Blvd., Suite 300, League City, TX 77573 • 281-334-9700 • www.americanhomestar.com | 898 69% ▲ | \$153 122% ▲ |
| 8 (5) | MUNCY HOMES Thomas Saltgiver | 1567 Route 442 Hwy., Muncy, PA 17756 • 570-546-5444 • www.muncy homesinc.com | 815 -19% ▼ | 48 n/a |
| 9 (6) | EXCEL HOMES Steve Scharnhorst | 300 Corporate Center Dr., Suite 602, Camp Hill, PA 17011 • 717-761-7650 • www.excelhomes.com | 800 -7% ▼ | \$80 -13% ▼ |
| 10 (8) | NATIONWIDE CUSTOM HOMES (p) Andy Miller | 1100 Rives Rd., Martinsville, VA 24115 • 276-632-7100 • www.nationwide- homes.com | 541 -22% ▼ | \$46 -37% ▼ |
| 11 (9) | PROFESSIONAL BUILDING SYSTEMS William D. French | 72 E. Market St., Middleburg, PA 17842 • 570-837-1424 • www.pbsmodular.com | 499 -23% ▼ | \$43 -27% ▼ |
| 12 (7) | RITZ-CRAFT CORP. Paul D. John | 15 Industrial Park Rd., Mifflinburg, PA 17844 • 570-966-1053 • www.ritz- craft.com | 460 -33% ▼ | \$54 -28% ▼ |
| 13 (20) | PENN LYON HOMES CORP. David W. Reed | 195 Airport Rd., P.O. Box 27, Selinsgrove, PA 17870 • 800-788-4754 • www. pennlyon.com | 279 40% ▲ | \$19 -37% ▼ |
| 14 (14) | SIMPLEX INDUSTRIES Patrick Fricchione Jr. | 1 Simplex Dr., Keyser Valley Industrial Park, Scranton, PA 18504 • 800-233-4233 • www.simplexhomes.com | 260 -27% ▼ | \$29 -12% ▼ |
| 15 (17) | WESTCHESTER MODULAR HOMES Charles W. Hatcher | 30 Reagans Mill Rd., Wingdale, NY 12594 • 845-832-9400 • www.west- chestermodular.com | 230 0% — | ◆ |
| 16 (18) | BARDEN BUILDING SYSTEMS Mark Barden | 2192 Thomas Albert Dr., P.O. Box 55, Tully, NY 13159 • 315-295-2800 • www.bardenhomes.com | 175 -17% ▼ | \$17 n/a |
| 17 (15) | HANDCRAFTED HOMES William A. Murray III | 101 Eastern Minerals Rd., Henderson, NC 27537 • 252-436-0001 • www. handcraftedhomes.com | 159 -38% ▼ | \$14 -42% ▼ |
| 17 (-) | HHHUNT CORP. David E. Reemsnyder II | 800 Hethwood Blvd., Blacksburg, VA 24060 • 540-552-3515 • www. hhhunt.com | 159 n/a | \$117 n/a |
| 19 (-) | SIGNATURE BUILDING SYSTEMS OF PA Victor DePhillips | 1004 Springbrook Ave., Moosic, PA 18507 • 570-774-1000 • www.signaturecustom homes.com | 156 n/a | \$19 n/a |
| 20 (-) | NEW ENGLAND HOMES Daniel J. Donahue | 270 Ocean Rd., Greenland, NH 03840 • 603-436-8830 • www.newengland homes.net | 117 n/a | \$12 n/a |

*In millions ◆ = Declined to share revenue numbers



lines, many major factory-built firms say they are improving their homes' energy efficiency and expanding their offerings to better serve their builders and their green-oriented customers.

That's more complicated than one might expect for modular homes, where the factory manufactures the home but a builder installs it. As a result, many homes have factory certification for Energy Star or another program but not for the installed home itself, which often requires additional testing or careful site selection. That's an undeniable hassle for modular builders, who are often constructing not a subdivision but homes on scattered sites.

To address that issue, Excel recently introduced a service program that allows builders to offer buyers a fully certified Energy Star home and helps builders take advantage of a \$2,000 federal tax credit for each energy-efficient home they build. For an additional cost of \$1,000 to \$1,500 per home, Excel will follow the home through its design, manufacturing, installation, and energy rater's evaluation to obtain the certification. "We take the burden off the builder," says Scharnhorst, whose firm

"Generally, 10 percent of our business is multifamily. It will be higher in 2009. That's where the money is still flowing."—Steve Scharnhorst, CEO, Excel Homes

expects to produce 850 homes in 2009. "Not every home they do is an Energy Star home."

And not every modular customer cares about obtaining such a certification. They're more concerned with perfor-

| THE 2008 TOP 8 MANUFACTURED HOUSE BUILDERS | | | | |
|--|--|---|--|---|
| RANK (07 rank) | COMPANY/CEO | ADDRESS | 2008 HOMES SHIPPED (vs. 07 shipments) | 2008 GROSS REVENUE* (vs. 07 revenue) |
| 1 (1) | CLAYTON HOMES (p) Kevin Clayton | 5000 Clayton Rd., Knoxville, TN 37804 • 865-380-3000 • www.claytonhomes.com | 29,893 0% | ◆ |
| 2 (2) | FLEETWOOD ENTERPRISES (p) Elden L. Smith | 3125 Myers St., Riverside, CA 92503 • 951-351-3500 • www.fleetwoodhomes.com | 9,602 -26% | ▼ \$376 -80% |
| 3 (3) | CHAMPION ENTERPRISES (p) William C. Griffiths | 755 W. Big Beaver Rd., Suite 1000, Troy, MI 48084 • 248-614-8200 • www.championhomes.com | 6,399 -36% | ▼ \$1,033 -19% |
| 4 (-) | CAVCO INDUSTRIES (p) Joseph H. Stegmayer | 1001 N. Central Ave., Suite 800, Phoenix, AZ 85004 • 602-256-6263 • www.cavco.com | 1,865 n/a | ▼ \$121 n/a |
| 5 (5) | AMERICAN HOMESTAR CORP. (p) Finis F. Teeter | 2450 S. Shore Blvd., Suite 300, League City, TX 77573 • 281-334-9700 • www.americanhomestar.com | 1,708 -2% | ▼ \$153 122% |
| 6 (7) | JACOBSEN MANUFACTURING W.R. Jacobsen | 600 Packard Ct., Safety Harbor, FL 34695 • 727-726-1138 • www.jachomes.com | 461 -18% | ▼ \$30 -21% |
| 7 (10) | MANUFACTURED HOUSING ENTERPRISES James L. Newman Sr. | 09302 State Route 6, Bryan, OH 43506 • 419-636-4511 • www.mheinc.com | 232 6% | ▲ \$7 -13% |
| 8 (9) | RITZ-CRAFT CORP. Paul D. John | 15 Industrial Park Rd., Mifflinburg, PA 17844 • 570-966-1053 • www.ritzcraft.com | 113 -53% | ▼ \$54 -28% |

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mance. "What I'm finding is that most consumers don't understand all the facets of green [such as sustainably sourced materials or water-saving features],"

says Westchester's Colucci. "They are more focused on energy efficiency."

For example, Westchester can build to the more rigorous requirements of LEED or the NAHB's new green building

standard, but Colucci says most of Westchester's customers aren't interested in paying 6 percent to 10 percent more on a \$100,000 house to achieve those standards. By contrast, 60 percent of the company's homes are built to meet Energy Star, which promises lower monthly utility costs in exchange for an additional charge of perhaps \$1,000 to the home's sale price.

Of course, the uncertain economy is also affecting such decisions. At Genesis, a typical house used to run between 2,000 and 2,500 square feet, Flaherty says, but now buyers want homes between 1,400 and 2,000 square feet. So Genesis,

like conventional single-family builder KB Home and others, is rolling out smaller homes to capture today's budget-minded buyers. Kitchens and baths are being simplified. The modular-home manufacturer is also evaluating everything from its delivery strategy to installation in the interest of cutting costs for itself and its builders and buyers. "There's a real eye on affordability right now," Flaherty says.

Statistics support Flaherty's assertions. According to Census Bureau data, in 2008, the average sales price for a manufactured home dropped 4.5 percent to \$62,200.