



Iowa Manufactured Housing Association

1400 Dean Ave, Des Moines, IA 50316-3938

515-265-1497

Fax: 515-265-6480

www.iamha.org

Email: Joe@iamha.org or Becky@iamha.org

Joanne Stevens
President

Joe M. Kelly
Executive Vice President

Becky Kinney
Office Manager

WEAK FIRST QUARTER FOR MANUFACTURED HOMES

June 2014

The weather was terrible in Iowa in the first quarter of 2014. It certainly showed in the number of manufactured homes ordered by Iowa retailers.

There were only 6 homes ordered in January. All the ordered homes were double sectioned homes. The first quarter in general is showing a change in the mix of homes ordered. For the past three years, single sectioned homes have had more than 50% of the orders. Last year, single sectioned homes accounted for 69% of the homes ordered. For the first quarter, single sectioned homes are 44% of the orders. It's probably still too early to know whether this is a real change in pattern.

For the first quarter, only 43 manufactured homes were ordered, down 15 homes, or 26% from the first quarter of 2013. Most of the losses for the quarter occurred in January when we had 12 fewer orders than in January 2013. There are 9 months left to make up the loss of 15 homes and show some steady growth for the year.

Modular Orders Also Down in First Quarter

Iowa was down 22 homes in the first quarter compared to the first quarter of 2013. Only four states out of the thirty four surveyed showed more of a numerical loss. However, of the twelve states in the north central region of the U.S., Iowa had the 3rd highest total of

orders, following North Dakota (179) and Illinois (124). Iowa retailer/builders ordered 73 modular homes, compared to 95 in last year's first quarter. Iowa lost its long held top ten status, falling to number 13 among the 34 states. Last year's 95 homes placed Iowa in 8th place. In 2013, Iowa ranked 7th among the states for modular homes. There is still time for Iowa to get back into the top ten by the end of the year.

There was one category where Iowa ranked very high: Iowa was 4th in percentage of modular in all residential construction permits for the first quarter. Top is North Dakota at 13.5%, followed by Maine at 10.3% and Montana at 5.8%. For the full year of 2013, Iowa ranked 12th in this category.

IMHA Board Meeting

The board met on June 12th and made a couple of important decisions. First, as we've noted earlier, the installation inspection program for mobile and manufactured housing is in jeopardy. The state of Iowa is losing in the range of \$150 to \$175 on each inspection it conducts on the installation of manufactured homes. The Department of Public Safety was holding off to see if IMHA could obtain funding of \$100,000 from the state legislature. IMHA was not able to get that job done. The state has options. Federal law does not require the inspection of

used homes. Iowa could merely drop that function and continue inspecting the installation of new homes, which is required in Iowa's role as the State Administrative Agent on behalf of the Department of Housing and Urban Development, HUD. Since shipments of new homes aren't that great in Iowa, the state could also get out of the business of being the SAA for HUD. Many states have done just that. The danger for the industry, if the state opts out, is that local governments would have free rein in doing the inspections, especially for used homes. It is assumed that HUD would someday hire contractors to do the installation inspections of new homes and that the price would not be cheap, not to mention the fact that the industry would have far less leverage with a hired contractor. The Building Code Commissioner, Dan Wood, and his deputy, Rich Bolten, along with Fire Marshal, Jeff Quiggle, believe that increasing the price of the installation seal is the proper method to raise the money to keep the installation program going. The current seal cost is \$25, and it's been that amount for many years. The IMHA Board of Directors approved a motion to raise the installation seal cost to \$125. We're not sure what amount the state will propose. For political reasons, the Commissioner may not want to have that large an increase. However, the purpose of the motion was to demonstrate to the

Commissioner that IMHA would not resist an amount up to \$125. The IMHA Board believes it's crucial to keep the state in the business and have uniform inspections. Furthermore, the IMHA board believes having a state inspection is important when there are charges by consumers that the work was not adequate. It is also important if a consumer filed a lawsuit over the installation work.

Board Action on IMHA Webpage

The IMHA Board has approved a budget not to exceed \$15,000 to completely revamp the IMHA webpage. The purposed of this move are many. First, the board wants the webpage appealing to consumers so that consumers can find members who sell homes and who provide great communities they might live. Part of the budget will be spent in assuring that the IMHA website is prominent in Google, and other search engine inquiries. Second, the Board wants the website to be more functional for member needs. Office Manager, Becky Kinney, has interviewed a couple of Des Moines companies, willing to work on a smaller account such as ours. Becky has made her decision, and within the next three months you'll see some very interesting changes on our website. We want to make it a site that you will check every day.

Danner Takes HUD Position

Many of you who have been in the industry for a few decades will remember Pam Banner. She came to at least two IMHA meetings as a speaker. She formerly worked for the federal Housing and Urban Development agency, HUD.

For the past twenty years, Pam has been the principal in her own law firm, with some manufactured housing businesses as clients. Pam has come back to HUD to become the first administrator of the office of Manufactured Housing Programs within HUD. The industry is encouraged to have someone with Pam's abilities and understanding of manufactured housing in this key position. IMHA Executive Vice President, Joe Kelly, recently attended a MHI meeting in Indianapolis where Pam was a key speaker. Pam gave the attendees some idea of how she intends to manage the department. She is encouraging employees to visit with industry members. Pam intends to work with FHA and other divisions within HUD to make sure that they recognize the value of manufactured housing in all programs offered by HUD. HUD has languished over the years from lack of leadership. That will no longer be a problem with Pam Danner in charge of manufactured housing.

What's Your Halftime Speech?

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June is now over. Are you heading into the locker room to slap everyone on the back and tell them to protect your lead, or are you about to give a fire-and-brimstone speech about digging deep and finding more?

We don't usually think of business in these terms, but just like halftime is a critical element in a football game, we can choose to make this halfway point equally important to our 2014 business outcomes.

One of the reasons halftime speeches work is because they only have 12 minutes. That's how long a regulation halftime lasts. There's no wiggle room or opportunity for a bullet pointed list of topics. Twelve minutes means you need to get to the point and you only get one point.

I think that's where we get into trouble, don't you? By now, your marketing plan (if you ever wrote one) has been blown out of the water by distractions, delays or determined opponents. Or ore likely, all three. If you aren't thrilled with the score at this halfway point in the year, I'd be willing to bet that you've allowed the distractions, delays and determined opponents to get in the way. You stopped playing your own game. It's time to get back to that singular focus on the 12-minute halftime speech. Here are some questions to ask yourself as you prepare.

How far behind are you? What are the tangible costs/ losses? You have to start by reassessing your situation and being realistic about what you've sacrificed. It also can be very motivating. You can't make up sales any better than you can make up sleep. You can do better, but it doesn't go back and replace what was lost. Are your original goals still viable, or do you need to set a new goal? You can't win every game. But that doesn't mean you can't gain something from it and still call it a win. It's like the football team that is losing by 30 or 40 points so they start rotating in their second string to give them playing time. That means the game can still provide value. You'll waste the whole year if you keep chasing a goal that's no longer viable.

What have you learned about the field of play, and do you need to change your game plan?