

Traditional vs. manufactured homes



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Q: My husband and I just looked at a house that is in the perfect location for us. We haven't seen anything similar within our price range. The catch is that it's a manufactured home in a park, on a rented space.

We are debating whether living in our ideal location is worth purchasing a home under these conditions, particularly if that home will require rental payments for the land for as long as we own the home. Some people have said that manufactured homes depreciate over time, while others say that they can actually appreciate. All homes in our area seem to at least hold their value. Would this be a truly bad investment?

A: I don't think we can tell you from here whether an investment in a manufactured home would be a good or bad investment. The reality is that you have to live somewhere and your home is first and foremost a place to live. That place to live should be in a good location for you and where you can thrive in a community.

A couple of things we'd like to see in

your purchase would be that the manufactured home be a newer home and that the home complies with the Housing and Urban Development (HUD) Code. In part, this code requires that the home be permanently installed on a foundation. We'd also like to make sure that the home was built after 1976 and complies with all HUD standards.

A manufactured home is quite different from a traditional home. In a traditional home, the owner will hold title to the home and land. The mechanism for conveying title to the home is usually via a warranty deed (or other similar document) that gets recorded with the office that is in charge of land records in the county in which you buy the home.

On the other hand a manufactured home is more akin to a car or boat. The home has a title and that title is transferred in the same way that a car or boat title might be transferred. The secretary of state office in the location in which the manufactured home is located would issue a new title to the home when you purchase that home.

The market for manufactured homes is quite limited when you compare it to the general real estate market and the availability of lenders willing to lend

you money to buy a manufactured home is a fraction of the size of the overall real estate market. Where you might find hundreds of lenders and mortgage brokers willing to offer you financing on a traditional single family home, you might only have a handful or less willing to offer you financing in the manufactured home.

Frequently, the operator or manager of the facilities or development in which the manufactured home is situated has one or more lenders that can offer financing for the purchase of the manufactured home. However, as you have observed, one thing is to pay for the manufactured home -- that's only part of the cost -- the other part, is paying the rent on the land. That rent might be high or might push you to consider a single family community over the manufactured home community.

We can't tell you what to do, but you need to look at the costs of owning the manufactured home along with the costs of renting the land. Then you can make a side by side comparison as to what the costs are and what you get for those costs, and see what it would cost you to live in each community over the next five years.

We won't assume that either a

traditional home or the manufactured home will be a "good" investment; we are trying to get you to look at the costs over the next several years. If you were to live in the manufactured home, what would your costs be for the first five years, including repairs to the home? What would that cost be for a traditional home? With that information, you can then try to determine if the cost of either changes your decision in any way.

If you can get any information on how the prices of manufactured homes in that development performed over the last 10 years, how did that compare with single family homes? The single home got battered during the Great Recession and you'd do well to compare it with the development you're considering. If the prices didn't change much, you might assume that the prices might not change much in the future either. But if it's cheaper for you to live in the manufactured home and it's in a better location and development, it might not be the best investment, but it might be the right home solution for you.

Finally, one last thing to consider is how quickly do homes in the manufactured housing development sell? Have they sold quickly for the last several years? Do people have trouble selling them? The answers to these questions can also influence your decision to buy. If manufactured homes in this "subdivision" have always sold briskly, you know that if this turns out not to be the right place for you, you should be able to sell and move elsewhere. But if these homes don't sell easily, having a manufactured home for sale will tie you down.

We suggest taking out a piece of paper and a pen and writing down the pros and cons, as you know them today, doing some research to fill out the list. Then make a decision. Good luck.

(Ilyce Glink is the creator of an 18-part webinar+ebook series called "The Intentional Investor: How to be wildly successful in real estate," as well as the author of many books on real estate. She also hosts the "Real Estate Minute," on her YouTube channel. Samuel J. Tamkin is a Chicago-based real estate attorney. Contact Ilyce and Sam through her website, ThinkGlink.com.)