



The developers we spoke with pointed out that by the time the land is being developed, it's too late to switch to modular. Builders need to know ahead of time what products they will be building and at what costs.

Do You Want to Sell to Developers?

Offsite factories and builders still have some obstacles to overcome if they want to win developers' business.

by Larry Bernstein

- **While many property developers are interested in modular construction and understand its advantages, few actually use its.**
- **They complain that builders and manufacturers don't take the time to understand the developer's needs.**
- **Relationship-building and a long-term outlook are keys to winning in this market.**

Lots of people in the home building industry can cite the benefits of modular construction. Of course, market share growth for modular and panelized homes has been slow, but many believe that the pace is about to pick up. For instance, a study by Allied

Market Research projects a compound annual growth rate of 6.4%, from \$49.4 billion today to \$80.8 billion by 2031.

But when you consider that \$1.6 trillion was spent on new construction in 2021, and \$2 trillion is projected for 2025, the above still represents a

minor fraction of the total spend.

Why isn't modular growing at an even greater rate? We asked developers for their insights and thoughts on the issue and what they believe needs to occur for the industry to take off even further.



A second mod is lowered by crane onto an already set mod, completing this home's second story. The home is located in Quartz at Poncha Meadows, Poncha Springs, Colorado.

The Positive

The good news is that these developers do indeed recognize that modular homes offer many benefits.

One is waste reduction. “We generate so much waste as an industry, but in the modular factories there’s almost zero waste. That makes it an effective use of natural resources, which is important to me as a sustainable builder/developer,” says Rob Howard, President of Howard Building Science in Granite Falls, NC.

Then there is the faster schedule. “A big benefit is time savings during the build,” says Joanna Schwartz, CEO and founding partner of Quartz Properties, a modular-centric homebuilder that develops communities of attainably priced, modern residences in growth markets.

Schwartz appreciates that home design and planning are completed at the factory while land development is in process. “We can time our home ordering to coincide with the completion of land

development so that we can set homes immediately when land development is done.” This parallel process saves a lot of time compared to stick built.

Other benefits include potential cost savings and the more consistent/reliable schedule provided by modular factories when compared with site builders.

Knowledge Gaps

Given these advantages, why has growth not been faster? One problem is that there are still gaps in knowledge. Many developers and homebuyers still need to be educated about this building method.

“There needs to be further education of the market to help people understand what modular construction is and what it isn’t,” says Jad Buckman, business development director at Epcon Franchising, which builds 55-plus communities across the US using a franchise model.

Buckman stick builds but says that Epcon is interested in modular. However, if they

make the move, they will have to educate their customers. “Many don’t realize homes built inside a factory are good homes. They think traditionally-built homes are superior.”

However, the main reason the company still stick builds is that its communities consist of ranch-style homes on concrete slabs. The modular builders and manufacturers they’ve spoken with can’t develop a home this way. “To move away from slab homes would require massive shifts in the way we do business,” Buckman says.

Other Challenges

What other challenges need to be overcome if offsite building is going to cross the Rubicon to become a top choice for more developers?

Schwartz and her partners formed Quartz in 2017. She says they were initially “enamored with modular.” Their goal was to provide financing to existing builders who wanted to expand their footprint using modular construction. But, after spending a year looking for such a builder, they hadn’t found the right partner. As a result, they pivoted the business and became the builder themselves.

Howard also wanted his first project to be modular, but ended up using Structural Insulated Panels instead.



A new three-bedroom, two-bath, 1,500 square foot modular home in Quartz's Padgett Place community in Black Mountain, N.C.

have specific architectural and structural requirements that need to be accounted for in product design," says the anonymous source. "Their sales guys should approach the higher levels of development companies and say, 'here are the costs, here are my deliverables, and here's what we can and can't do.' They need to be candid."

The fact is that by the time most developers buy a piece of land, they already know what they will be building. The decision of stick build versus modular needs to occur before this — when the developer is looking for land to buy. Therefore, the anonymous source adds, modular companies can't expect an immediate transaction process.

"The banks I've worked with on construction lending were not comfortable with the payment schedule modular companies work on," says Howard.

Another issue Howard encountered was that there are few modular plants in the area where his project is being built. And those that are in the area have a two-year backlog.

Chances are that developers would be more open to modular if factories made a more serious effort to understand the demands that developers face. "For offsite manufacturers to get into a developer's good graces, they need to be on the spot and keep up with demand, they need the ability to produce and deliver units needed consistently over multiple years, potentially," says an anonymous source, a purchasing manager at a large private homebuilder based in the Southwest.

Gaining Further Traction

Of course, there are steps the modular industry can take to continue growing its market share. As with most things, the key lies in the building of long-term relationships.

"Manufacturers need to get involved earlier in the process because developers



The roof and other final elements are completed on-site once the modular home is set. Located in Quartz at Poncha Meadows, Poncha Springs, Colorado.



A new three-bedroom, two-bath modular home in Quartz's Cascade Ridge community in Fairview, N.C.

To raise the chances of establishing good relationships with developers, manufacturers need to get developers into their factories.

Howard says he will only consider working with a manufacturer whose factory he has visited. That will help him understand the level of craftsmanship that the factory offers. In fact, his visits to factories have helped him better understand the advantages of modular, including its quality control.

Schwartz also visited several factories during a fact-finding mission. These visits helped her understand how modular could be effective.

Howard offers other suggestions on how to grow modular construction's footprint. "We need more factories that serve smaller regions. That will make the shipping costs work."

Ultimately, all the people we spoke with focused on speed. If manufacturers and their builders can complete structures more quickly than site builders, they will convince developers to keep them in mind moving forward. Of course, quicker development means quicker occupancy and greater profit margins. In addition, there are other attractive benefits, such as less waste and a controlled manufacturing process.

The bottom line is that while most developers are aware of the benefits of modular, uncertainty has prevented many from taking the leap. The modular industry still has work to do to convince developers to give it a try.

Larry Bernstein is a freelance writer based in northern New Jersey. Photos courtesy of Quartz Properties and used with permission. They are not available for any other use without the express permission of Quartz.