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The decision to purchase a manufactured home: a nested logit model of determinants

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Abstract

This paper attempts to identify the drivers behind households' decision to purchase a manufactured home rather than buy a traditional house or rent. A nested logit model is estimated using recent movers' data from the national sample of the American Housing Survey 1985–2003. Explanatory factors include both housing choice attributes and movers' characteristics. The results suggest that lowering the user cost of owning a manufactured home increases the probability of choosing that type of dwelling. Compared to their high-income counterparts, low- and medium-income households are more likely to choose owning manufactured homes as a transitional stage between renting and traditional home ownership. The recent movers who previously lived in manufactured homes are more inclined to own manufactured homes. Recent movers from older age groups, who are married, from a bigger family, or from a white family, are less likely to own manufactured homes.

Keywords:

manufactured housing

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Notes

¹Manufactured housing could take the following types in terms of ownership: own both the structure and land, own the structure but rent land, rent both the structure and land, and rent the structure but own land. The first two types are common, while the latter two are rare. In my study, I focus only on manufactured housing where both the structure and land are owned. Among all owner-occupied manufactured homes in my sample, rented land cases comprise 47%–56% in each AHS survey.

²The AHS data do not tell whether manufactured units are wheeled or nonwheeled. In some areas, if wheels are present, the manufactured homes are treated as personal property rather than real property.

³The nested logit is better than the multinomial logit because the latter might not satisfy the independence of irrelevant alternatives assumption.

⁴Brownstone and Small ([1989](#)) study a similar model applied to the arrival time patterns of commuters in the San Francisco Bay area.

⁵Only Year 2003 AHS survey is used to estimate depreciation rate. Up to the third order of property ages are included.

⁶The main drive of appreciation of manufactured homes is from the land appreciation. The selected AHS sample finds very high land leverage for manufactured homes (the ratio of land value to overall property value). On an average, the land leverage for a manufactured home is about 47%.

⁷Log real home value and log real yearly rent could be an alternative. When the log alternative is used instead, R-Sq improves slightly to 0.35 for owner-occupied traditional home regression and rises to 0.29 for owner-occupied manufactured home regression, while deteriorates a little to 0.24 for rental regression.

⁸In the actual model estimation, the log user cost (LogUCOST) is used.

⁹Detailed explanation can be requested from the author.

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