The Economic & Financial Performance of
RELOCATABLE BUILDINGS
in the U.S. Modular Building Industry

Prepared by:
Sage Policy Group

On behalf of:
Modular Building Institute
Educational Foundation

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Sage Policy Group, Inc.
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About the Author

Anirban Basu is Chairman & CEO of Sage Policy Group, Inc., an economic and policy consulting firm in Baltimore, Maryland. Mr. Basu is one of the Mid-Atlantic region’s most recognizable economists, in part because of his consulting work on behalf of numerous clients, including prominent developers, bankers, brokerage houses, energy suppliers and law firms. On behalf of government agencies and non-profit organizations, Mr. Basu has written several high-profile economic development strategies.

In recent years, he has focused upon health economics, the economics of education and economic development. He currently lectures at Johns Hopkins University in micro-, macro-, international and urban economics.

In 2007, Mr. Basu was selected by the Daily Record newspaper as one of Maryland’s 50 most influential people. The Baltimore Business Journal named him one of the region’s 20 most powerful business leaders in 2010.

Mr. Basu is involved with numerous organizations in a voluntary capacity, including serving as a Baltimore City Public School System board member and as a board member to the Baltimore Children's Museum and to the Baltimore School for the Arts. Mr. Basu is also on the board of First Mariner Bank. He is also chairman of the Baltimore County Economic Advisory Committee and economic advisor to the Baltimore-Washington Corridor Chamber of Commerce.

Mr. Basu earned his B.S. in Foreign Service at Georgetown University in 1990. He earned his Master’s in Public Policy from Harvard University’s John F. Kennedy School of Government, and his Master’s in Economics from the University of Maryland, College Park. His Juris Doctor was earned at the University of Maryland School of Law in 2003.

About Accu Val Associates, Inc.

AccuVal Associates, Inc provides valuation and advisory services that enable corporations to make strategic business decisions. The company offers its services for financing, financial reporting, tax management, litigation support, risk management, asset management, and business planning. It also provides its services for completing a merger or acquisition; coping with bankruptcy or reorganization; consolidating operations; managing risk of business interruption; and planning for succession. The company serves its clients in accommodation and food services; administrative and support services; agriculture, forestry, and fishing; arts, entertainment, and recreation; construction; education; finance and insurance; healthcare and social assistance; information; and manufacturing industries. It also serves its clients in mining, quarrying, and oil and gas extraction; professional, scientific, and technical services; public administration; real estate; rental and leasing; retail; transportation and warehousing; utilities; waste management and remediation services; and wholesale industries. The company was founded in 1988 and is headquartered in Mequon, Wisconsin with additional offices in Los Angeles, California; Boca Raton, Florida; Atlanta, Georgia; Chicago, Illinois; Lexington, Kentucky; Coram and Carle Place, New York; Providence, Rhode Island; Dallas, Austin, and Houston, Texas; Toronto, Canada; and Singapore.
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The Economic & Financial Performance of Relocatable Buildings in the U.S. Modular Building Industry

Sage Policy Group, Inc.
Executive Summary

INTRODUCTION

The U.S. modular building industry may be characterized as the stealth segment within the U.S. construction industry. Many economic stakeholders appear not to be aware of the industry's presence except perhaps in its role as suppliers of temporary classrooms and storage units at various construction sites.

However, the industry has evolved into a leading-edge segment. It is clearly positioned to be at the vanguard of the nation's construction industry because of a set of easily identifiable advantages. While traditional building is subject to the vagaries of weather, site conditions, and other uncontrollable factors that can and often present builders with a constantly changing series of problems to solve before actual construction work can proceed, modular construction operates in controlled, predictable settings. Outdoor building sites are subject to theft of expensive materials, weather damage, and to waste from the inability to use materials in a most effective manner.

Modular construction can eliminate many of the basic problems of traditional construction by transforming the building process from a one-at-a-trade-time, totally on-site method to one that applies lessons from industrial production. Modular construction moves from 60 percent to 90 percent of building activity to an enclosed space. By building in modules, this construction process allows for simultaneous work on individual modules and the components of these modules, saving time by eliminating the need to build sequentially. Building at this scale affords economies in purchasing, greater control over materials and building techniques, and preserves materials, which bolsters profitability. Quality control opportunities are substantially expanded, which limits liability and is more consistent with customer satisfaction.

Permanent and relocatable modular buildings serve the needs of diverse customers in many different settings. For most markets, the industry can supply either permanent or relocatable buildings to meet distinct requirements. Examples of markets and the different ways in which the industry can support their operations include education, general office, retail, hospitality, healthcare, storage, security and control, and industrial.

PURPOSE OF THIS STUDY & KEY ANALYTICAL FINDINGS

The objective of this Sage Policy Group, Inc. (Sage) study is to provide stakeholders with an appreciation of how the U.S. modular building industry has performed in recent years, including during a period of severe retrenchment within the U.S. construction sector. By analyzing the performance of more than 14,000 relocatable modular units between 2004 and 2010 in terms of utilization, rental income and sales income, the study team was able to generate the following key analytical findings.