

# Manufactured Housing






## Stability Prevails in Manufactured Housing

### Highlights

- > The national manufactured housing market was stable in the first quarter in the period leading up to the coronavirus outbreak. The sector is expected to be less affected by the COVID-19 fallout than most other commercial property sectors.
- > Occupancy held steady at 93.8 percent during the first quarter, matching the level from the end of 2019. Occupancy is up 110 basis points year over year.
- > Rent growth leveled off to start the year. The average rent inched up only a few dollars to \$539 per space in the first quarter; annual rent growth has totaled 3.2 percent.
- > The investment market was mixed in the first quarter. Transaction activity outpaced levels from one year ago, even after slowing in March, but volume was down from the fourth quarter of 2019. Prices dipped and cap rates rose as investors exercised greater caution.

### Manufactured Housing Overview

After several consecutive years of strengthening, the national manufactured housing market leveled off during the first quarter of 2020. Occupancy held steady from the end of last year to the first quarter, although the rate has improved year over year. Looking ahead, rents are likely to remain essentially flat, although occupancy rates could dip a bit as the economy contracts. The manufactured housing market should outperform most property sectors during the downturn, as housing affordability remains a challenge in many parts of the country.

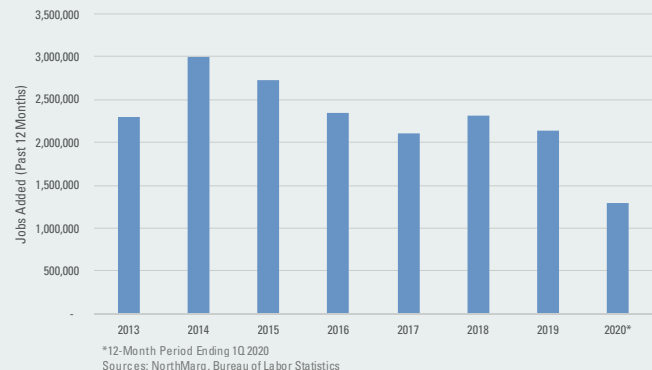
Q1 Snapshot	Manufactured Housing
	<b>Market Fundamentals</b>
	Occupancy ..... <b>93.8%</b>
	- Change from 1Q 2019 (bps) ..... <b>+110</b>
	Average Rents ..... <b>\$549</b>
	- Change from 1Q 2019 ..... <b>+3.2%</b>
	<b>Transaction Activity</b>
	Median Sales Price Per Space (YTD) ..... <b>\$35,100</b>
	Average Cap Rates (YTD) ..... <b>8.7%</b>
	<b>Inventory Growth</b>
	Units Shipped (YTD) ..... <b>25,200</b>
	- Change from 2019 ..... <b>+12.5%</b>

Investment activity for manufactured housing got off to a healthy start in 2020, before slowing in March as the economy entered into a period of great uncertainty. National transaction activity in March lagged average velocity from the first two months of the year by approximately 50 percent. Despite the drop-off in volume at the end of the period, transaction counts in the first quarter were ahead of the pace recorded one year earlier. The median price contracted slightly and cap rates rose in the first quarter, reflecting a more cautious investor outlook.

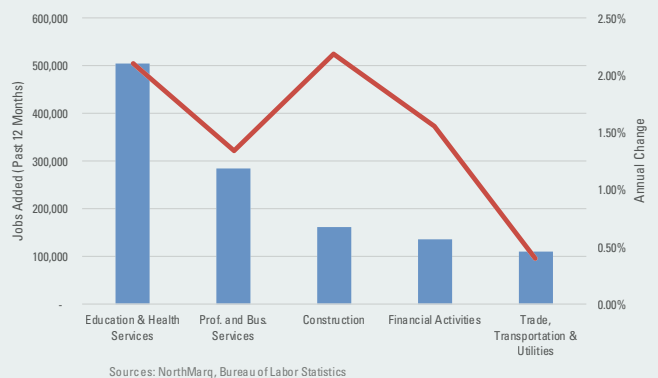
## Employment

- > The national employment market had been in a cycle of steady growth before being derailed by the COVID-19 outbreak. Employers had been adding approximately 200,000 net new jobs per month leading up to the economic shutdown.
- > Payrolls began to contract in March before the record-setting job losses recorded in April. In March, employers slashed 870,000 jobs, bringing the employment loss for the first quarter to 426,000 jobs.
- > Year over year through the first quarter, employers had added nearly 1.3 million jobs, an increase of 0.9 percent. One year earlier, job growth had averaged 1.4 percent.
- > Through the first quarter, job growth was mixed across industries. Approximately half of the primary employment sectors expanded, while the other half contracted. The sector that added the most jobs was education and health services, which expanded by 2.1 percent with the addition of 504,000 jobs.
- > The **leisure and hospitality sector** recorded declines in March and then shed millions of jobs in April, as restaurants, bars, hotels, and casinos temporarily closed during the economic shutdown.
- > **Retail** employment was also hard-hit late in the first quarter and early in the second quarter. While many industries contracted during the COVID-19 shutdown, leisure and hospitality, and retail were the two sectors that slashed the greatest number of jobs.
- > Year over year through the first quarter, most states had expanded payrolls. **Texas** added the most jobs during the period, expanding by nearly 2 percent with 251,000 new jobs.
- > Annual growth in **California** totaled 0.9 percent in the 12-month period ending in the first quarter. Employers in the state had added 150,400 jobs.
- > **Florida** was the third state that added more than 100,000 jobs year over year through the first quarter. Employment in Florida grew 1.4 percent annually, expanding by 126,000 positions.
- > **Arizona** posted one of the fastest rates of employment growth year over year through the first quarter. Employers in Arizona expanded payrolls by 2.2 percent, adding 65,000 jobs.
- > Job losses will be concentrated in the second quarter, with a rebound forecast for the second half of the year.

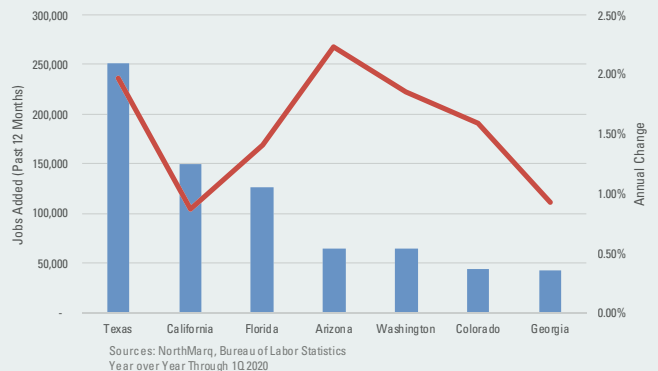
### U.S. Employment Trends



### Top Employment Growth Sectors



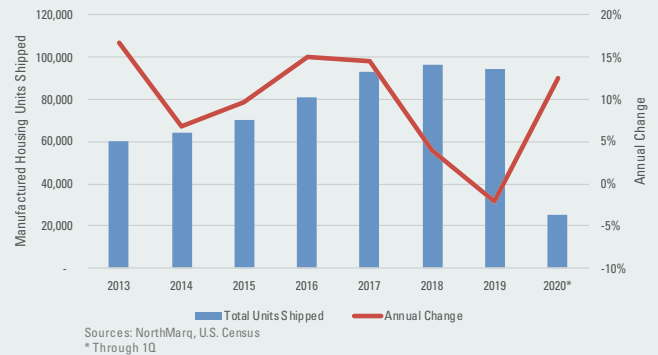
### Top States For Employment Growth



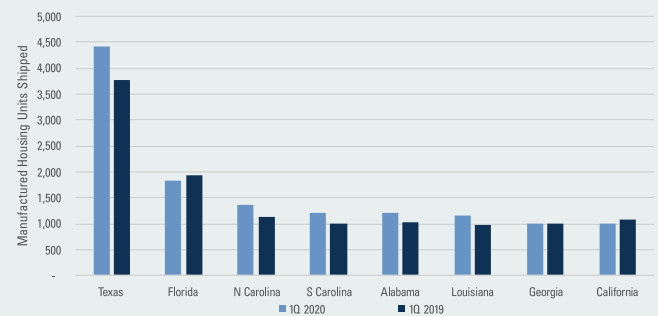
## Supply Growth

- > National shipments of manufactured housing units have been very consistent in recent years, ranging between 93,000 units and 97,000 units from 2017 to 2019. During the first quarter, shipments maintained this pace, but the economic shutdown may slow shipments in the second and third quarters as demand slows and the supply chain is disrupted.
- > During the first quarter, shipments totaled 25,200 units, up 12.5 percent from the same period one year earlier.
- > Texas recorded the most shipped units during the first quarter, with a total of 4,400 units, up 17 percent from one year ago.
- > Of the 10 states that recorded the largest number of shipments during the first quarter, seven states posted increases compared with the same period one year earlier. North Carolina and South Carolina recorded annual increases of approximately 20 percent in the first quarter.
- > The South region led the way for inventory growth, recording shipments totaling nearly 10,000 units in the first quarter, up 13 percent from the first quarter 2019.
- > Shipments to the Northeast region are generally modest, but the Northeast did post the largest year-over-year increase during the first quarter. Shipments to the Northeast topped 2,000 units in the first quarter, up 17 percent from one year earlier.

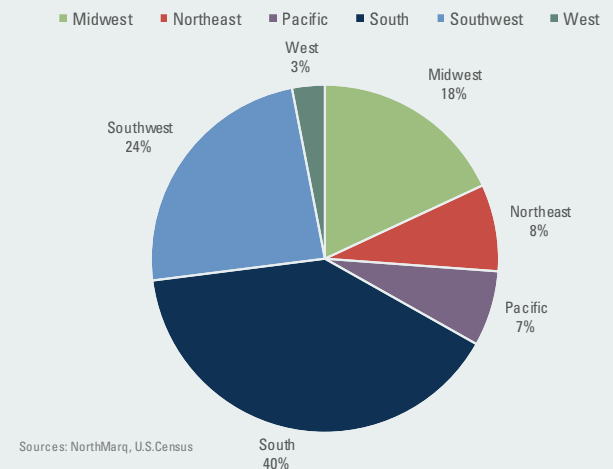
## U.S. Manufactured Housing Shipments



## Manufactured Housing Shipments by State



## Manufactured Housing Shipments by Region

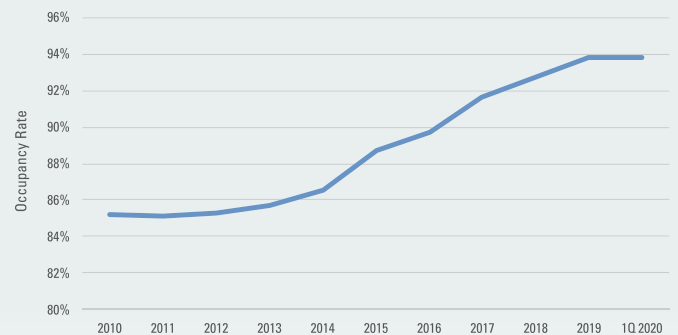


## Occupancy

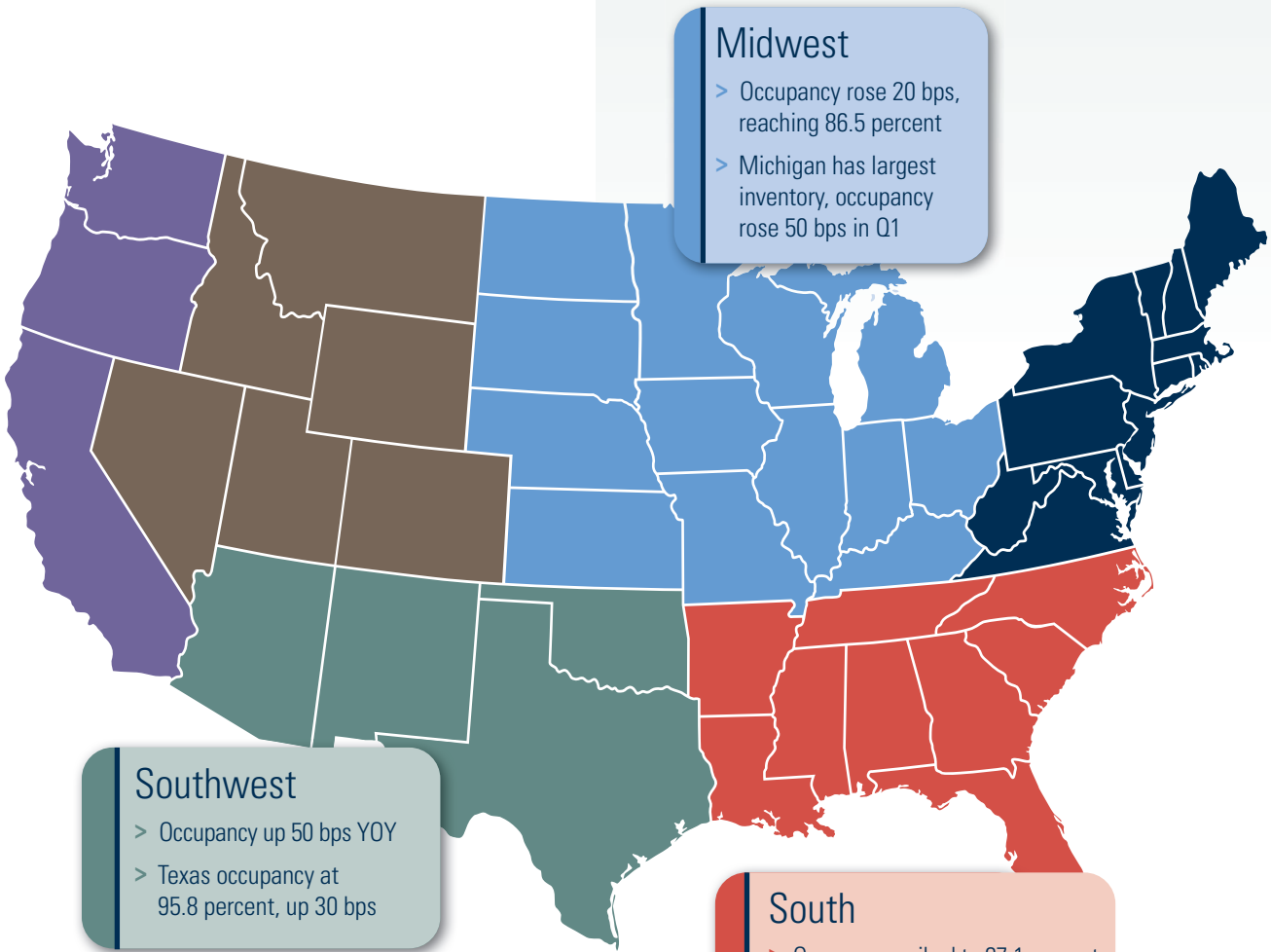
- > Following a spike at the end of last year, the national occupancy rate held steady at 93.8 percent in the first quarter of 2020.
- > Year over year, national occupancy improved 110 basis points, building on an occupancy gain of 90 basis points one year ago. Occupancy has been steadily trending higher for the past several years.

*Occupancy has been steadily trending higher for the past several years*

### Occupancy Overview



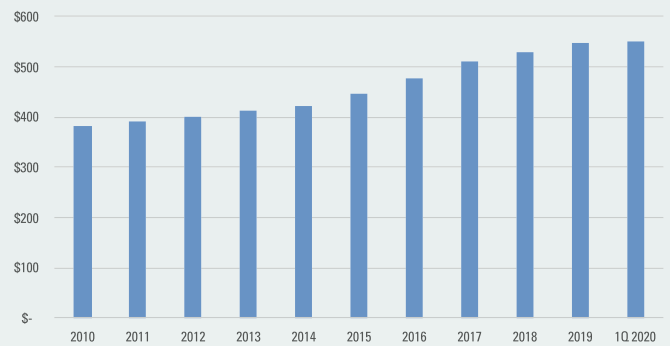
Sources: NorthMarq, JLT Datacomp



## Rents

- > Rental rates for manufactured housing inched higher in the first quarter. The average rent rose to \$549 per month in the first quarter, up from \$547 per month at the end of last year.
- > Year over year, manufactured housing rents have increased 3.2 percent. Annual rent increases have averaged 3.6 percent since the end of 2018.
- > Each of the major geographic regions recorded year-over-year rent gains through the first quarter. Rent increases were generally strongest in the South and the Southwest, and less significant in the Midwest and Northeast regions.

### Rents Overview



Sources: NorthMarq, JLT Data comp

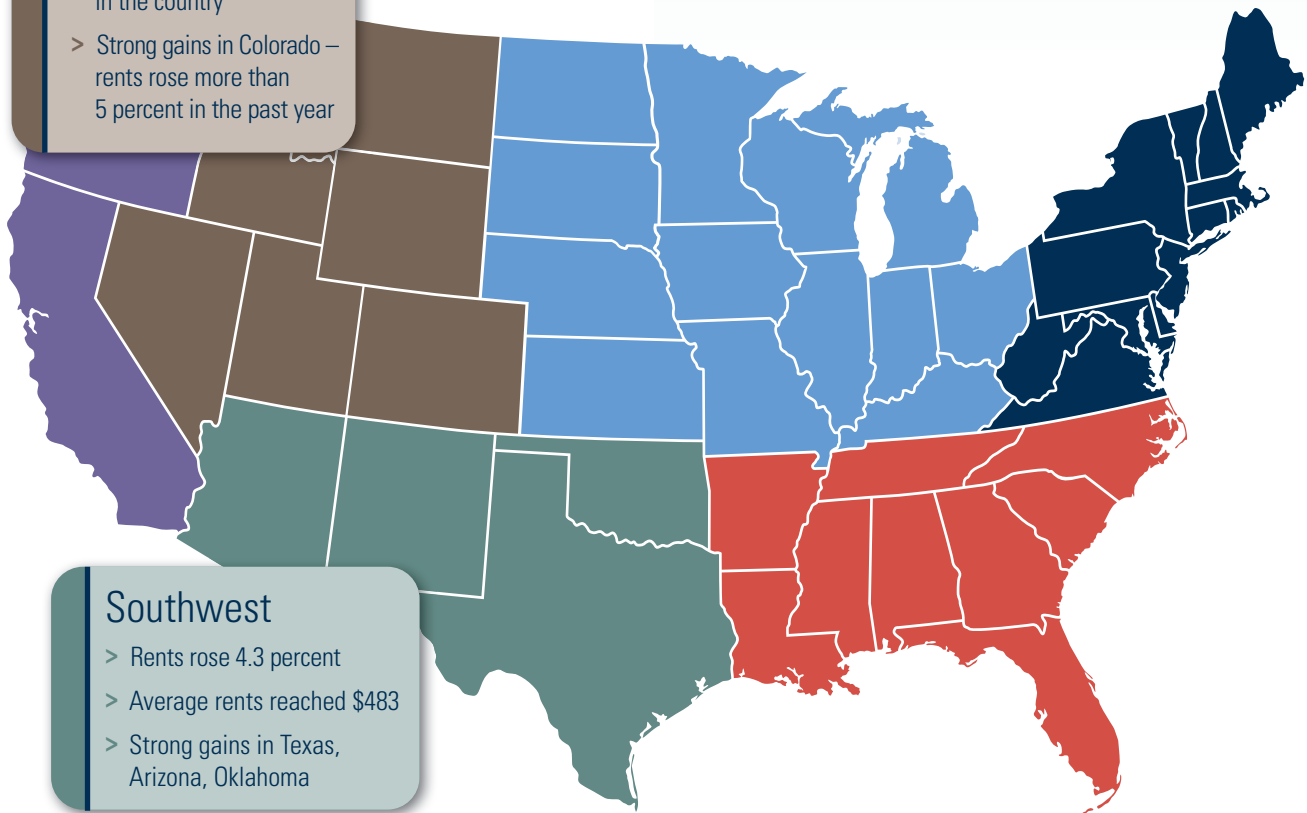
*Year over year, manufactured housing rents have increased 3.2 percent*

#### West

- > Rents rose 4.8 percent YOY to \$613 per month
- > One of the highest rates in the country
- > Strong gains in Colorado – rents rose more than 5 percent in the past year

#### Southwest

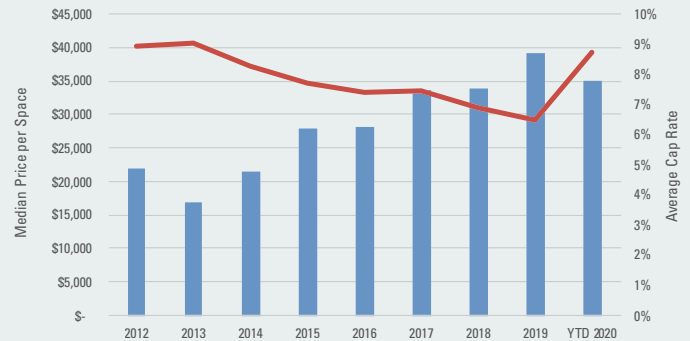
- > Rents rose 4.3 percent
- > Average rents reached \$483
- > Strong gains in Texas, Arizona, Oklahoma



## Manufactured Housing Sales

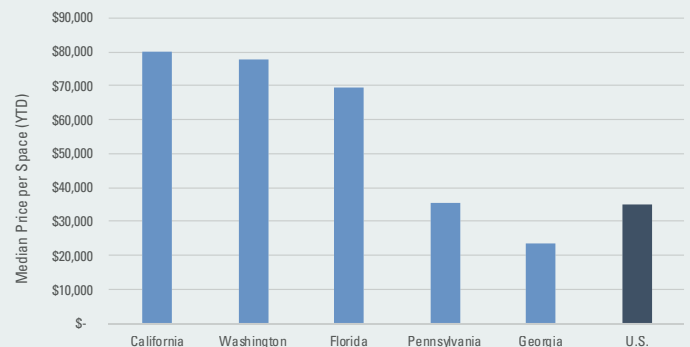
- > **Sales velocity** for manufactured housing communities in the first quarter slowed from levels recorded at the end of last year by approximately 20 percent. When compared to the first quarter of 2019, transaction activity was up 15 percent in 2020.
- > Sales activity was strong in the first two months of the year before cooling slightly in March. Nearly 80 percent of the total transactions in the first quarter occurred in January or February.
- > After rising in 2019, prices for manufactured housing communities dipped to start this year. The median price during the first quarter was approximately \$35,100 per space, down 10 percent from the median price in the previous year.
- > **Cap rates** averaged approximately 7 percent in 2019 but generally trended higher in the first quarter. The average cap rate in the first quarter was approximately 8.7 percent. While a handful of properties traded with cap rates around 6 percent, several projects sold with cap rates at 10 percent or higher.
- > The **Pacific region** recorded the highest per-space prices in the country at the start of 2020, continuing trends recorded in recent years. The median price in California during the first quarter was approximately \$79,900 per space, while the median price in Washington was \$77,600 per space.
- > More properties sold in **Florida** than in any other state in 2019, and that trend continued during the first quarter. The median price in Florida during the first quarter spiked to \$69,500 per space, up from approximately \$52,600 in 2019.
- > In the **Midwest region**, the median price during the first quarter was approximately \$18,100 per space, with an average cap rate of nearly 12 percent.

### U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

### Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

*When compared to the first quarter of 2019, transaction activity was up 15 percent in 2020*

## About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of more than \$14 billion, loan servicing portfolio of more than \$61 billion and the multi-year tenure of our nearly 600 people.

### For more information, contact:

**Don Vedeen**

VICE PRESIDENT – INVESTMENT SALES

602.952.4043

dvedeen@northmarq.com

**Jared Bosch**

SENIOR ASSOCIATE – INVESTMENT SALES

602.952.4049

jbosch@northmarq.com

**Chris Michl**

SENIOR ASSOCIATE – INVESTMENT SALES

602.952.4051

cmichl@northmarq.com

**Pete O'Neil**

DIRECTOR OF RESEARCH

602.508.2212

poneil@northmarq.com

Copyright © 2020 NorthMarq Multifamily, LLC.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

