

Manufactured Housing






Rents and Occupancies Rise, Particularly in High-Growth Regions

Highlights

- > The manufactured housing market strengthened at the start of 2021. Occupancies rose and rents continued to push higher. Supply growth has been consistent in recent years, and shipments closely tracked levels from the same period in 2020.
- > The national occupancy rate ended the first quarter at 93.7 percent, down 10 basis points from one year earlier. The rate rose 30 basis points during the first quarter but declined slightly in 2020 after several years of improvement.
- > After rising in each quarter in 2020, rents gained ground during the first quarter. Rents reached \$571 per month as of the first quarter, up 4 percent year over year.
- > After investment activity for manufactured housing surged in 2020, sales velocity slowed to start this year. The median price during the first quarter was \$35,900 per space, while cap rates averaged approximately 6.5 percent.

Manufactured Housing Overview

The national manufactured housing market started 2021 on an improving trajectory. Occupancies rose throughout most regions in the country, with particularly strong gains recorded in the Midwest and the Southwest regions. The pace of supply growth was steady, only slightly slower than the pre-COVID levels recorded during the first quarter of last year. Rents also crept higher and are up 4 percent compared to one year ago. Rent growth has been strongest in regions where population growth has been the most robust. The Southwest and South regions recorded above-average annual rent gains, while the pace of increases lagged in the Midwest and in the Northeast.

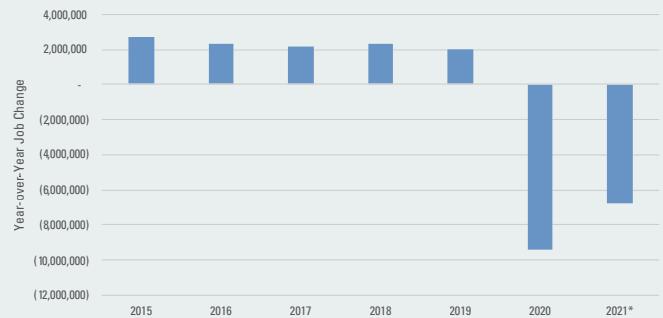
Q1 Snapshot	Manufactured Housing										
<div style="display: flex; align-items: center;">  <h4 style="margin: 0;">Market Fundamentals</h4> </div>											
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Investment in manufactured housing communities was active throughout 2020, but the pace cooled at the beginning of this year. While fewer properties have changed hands at the start of the year, prices remained fairly steady, and cap rates compressed. Sales velocity cooled in states where transaction volume is often very active including Florida, Texas, and Michigan. This is expected to be a short-term trend in these key markets. In other states, led by California, transaction activity to this point in 2021 is ahead of the 2020 pace. Investor demand remains elevated, and cap rates compressed during the first quarter.

Employment

- > After the pace of recovery in the national labor market slowed at the end of 2020, hiring picked up a bit in the first quarter. Employers added more than 1.5 million jobs in the first quarter, after fewer than 640,000 net new jobs were created during the fourth quarter.
- > March was the strongest month of job growth during the first quarter. Employers hired 770,000 workers in March, or roughly half the total additions for the quarter.
- > Year over year through the first quarter, national employment is down 4.5 percent. The current employment total is down 6.8 million jobs compared to one year earlier.
- > The construction and manufacturing sectors recorded steady increases during the first quarter, reflecting the general strengthening in the economy.
- > Leisure and hospitality employment was hit the hardest by the downturn, and the sector will be the source of the greatest gains in 2021. During the first quarter, employers added more than 600,000 jobs in the leisure and hospitality sector.
- > The national unemployment rate ended the first quarter at 6 percent, down 70 basis points from the end of 2020. The unemployment rate is forecast to remain fairly close to the current level for the next few quarters. Employers are likely to continue to add workers, but the labor force is forecast to grow as people who had stopped looking for work renew job searches.
- > During the first quarter, employers in California added more than 195,000 jobs, the most of any state to start the year. California recorded steep job losses in 2020, and the state has reopened more slowly than many others. California is forecast to add more jobs than any other state in 2021.
- > Texas has consistently been the strongest labor market in recent years, and the state recorded a healthy pace of gains to start the year. During the first quarter, the Texas economy added 135,000 jobs, after nearly 220,000 jobs were created in the state during the fourth quarter of 2020.
- > Continued in-migration is supporting economic conditions in Arizona. Employers in the state expanded payrolls by 28,000 jobs in the first three months of the year, after growth of 22,200 jobs in the fourth quarter of last year.
- > Employment conditions are improving in Florida, although at a more uneven pace than in many other states. Florida reopened earlier than many states, and strong gains were recorded in the third quarter before more modest additions at the end of last year. During the first quarter of 2021, the pace of growth accelerated, with employers adding nearly 62,000 jobs.

U.S. Employment Trends



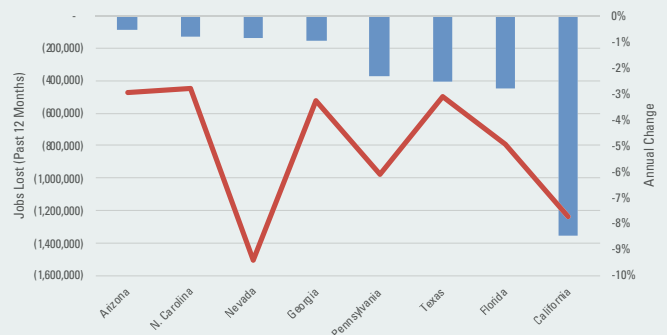
* 12-Month Period Ending 1Q 2021
Sources: NorthMarq, Bureau of Labor Statistics

Sector Employment Trends



Sources: NorthMarq, Bureau of Labor Statistics

Employment Trends by State

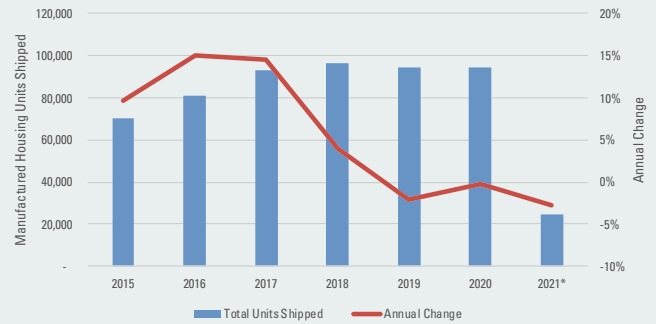


Sources: NorthMarq, Bureau of Labor Statistics
Year over Year Through 1Q 2021

Supply Growth

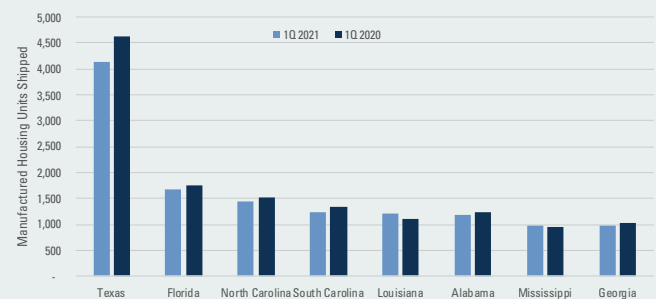
- > Shipments of manufactured housing slowed a bit during the first quarter. Shipments totaled 24,500 units during the first quarter, down 3 percent from the same period in 2020. Shipments in the first quarter were nearly identical to totals from the fourth quarter of last year.
- > Annual shipments have recorded minimal fluctuations since 2017. Shipments have averaged 94,600 units per year since 2017, never dipping below 90,000 units or rising above 95,000 units in any year in that span. Supply growth will likely remain within that range in 2021.
- > The South region accounted for 41 percent of total shipped units during the first quarter, matching the region's share from 2020. Shipments to the South region topped 10,000 units during the first quarter, down 2.5 percent from the first quarter of last year.
- > Florida was the state in the South region with the greatest number of shipments in the first quarter. Nearly 1,700 units were shipped to Florida during the first quarter. Shipments to North Carolina reached 1,450 units in the first quarter, followed by 1,250 units shipped to South Carolina.
- > Texas topped the country with approximately 4,100 units shipped during the first quarter. Shipments of manufactured housing to Texas declined 11 percent from the total recorded during the first quarter of last year.
- > While shipments to Texas declined, the two other prominent states in the Southwest region recorded steady performance. Shipments to Oklahoma and Arizona both totaled approximately 600 units during the first quarter, nearly identical to levels from one year earlier.
- > Shipments to the Northeast region recorded the most significant year-over-year increase during the first quarter, rising 9 percent. West Virginia, New York, and Maine were states in the Northeast region that recorded the most significant increases.
- > Shipments of manufactured housing units to California fell 20 percent in the first quarter, totaling just 750 units. Population growth in California has been slowing in recent years, and the cooling pace of expansion may be one reason for the drop in shipments to the state.
- > Shipments to the Midwest region rose 2 percent in the first quarter. Minnesota and Wisconsin both recorded year-over-year increases of more than 25 percent. Michigan and Kentucky led the way for most units shipped to the Midwest during the first quarter, with each state recording nearly 950 units.

U.S. Manufactured Housing Shipments



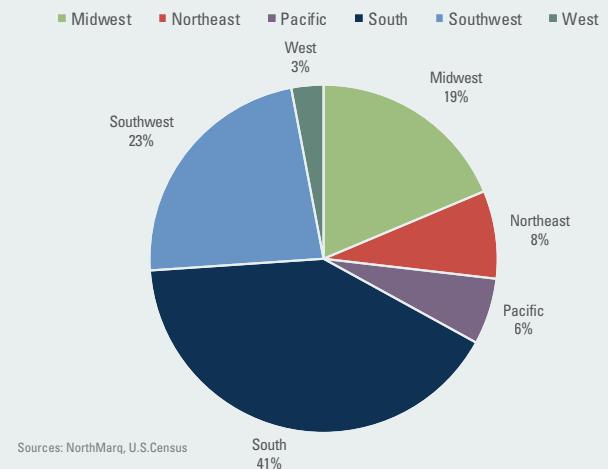
Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by State



Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by Region



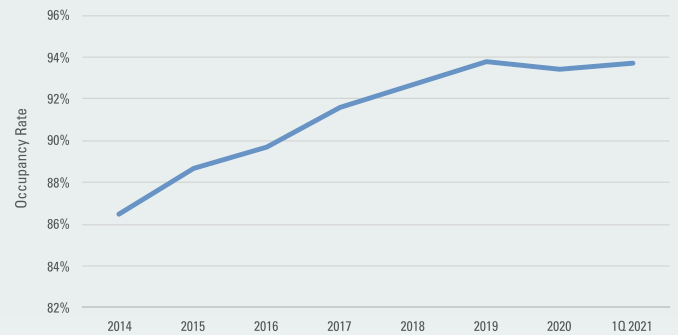
Sources: NorthMarq, U.S. Census

Occupancy

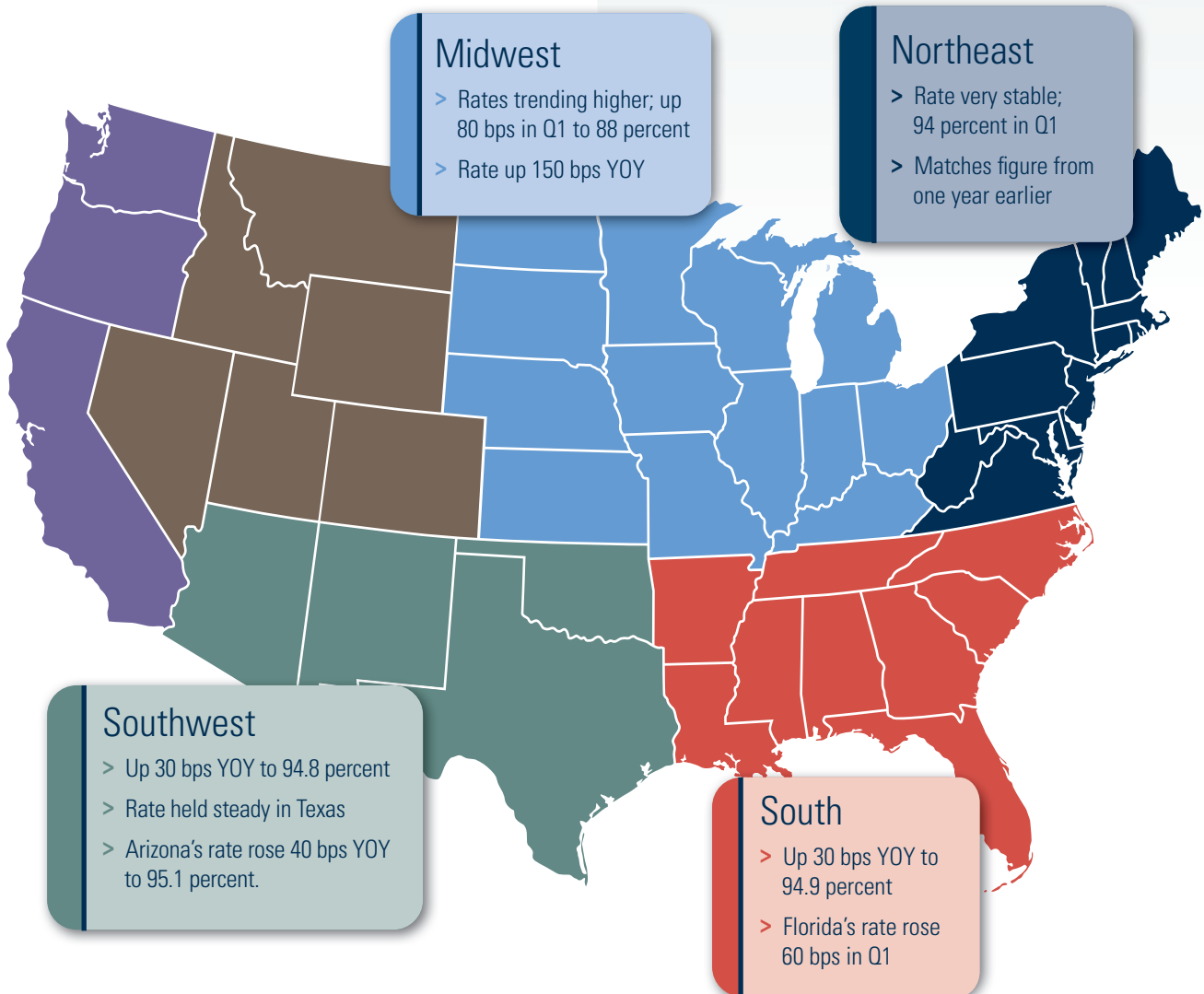
- > The national occupancy rate rose 30 basis points during the first quarter, reaching 93.7 percent. The current occupancy rate is just 10 basis points lower than the cyclical high recorded in late 2019 and early 2020.
- > Year over year through the first quarter, the national occupancy rate is down 10 basis points. Occupancy was rising at a pace of more than 100 basis points per year from 2013 to 2019 before the rate dipped 40 basis points in 2020.

The national occupancy rate rose 30 basis points during the first quarter, reaching 93.7 percent

Occupancy Overview



Sources: NorthMarq, JLT Datacomp

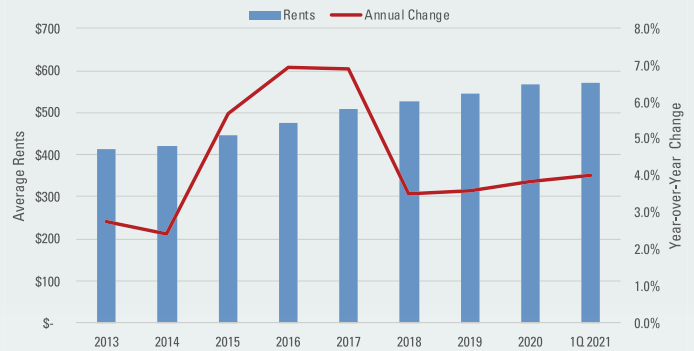


Rents

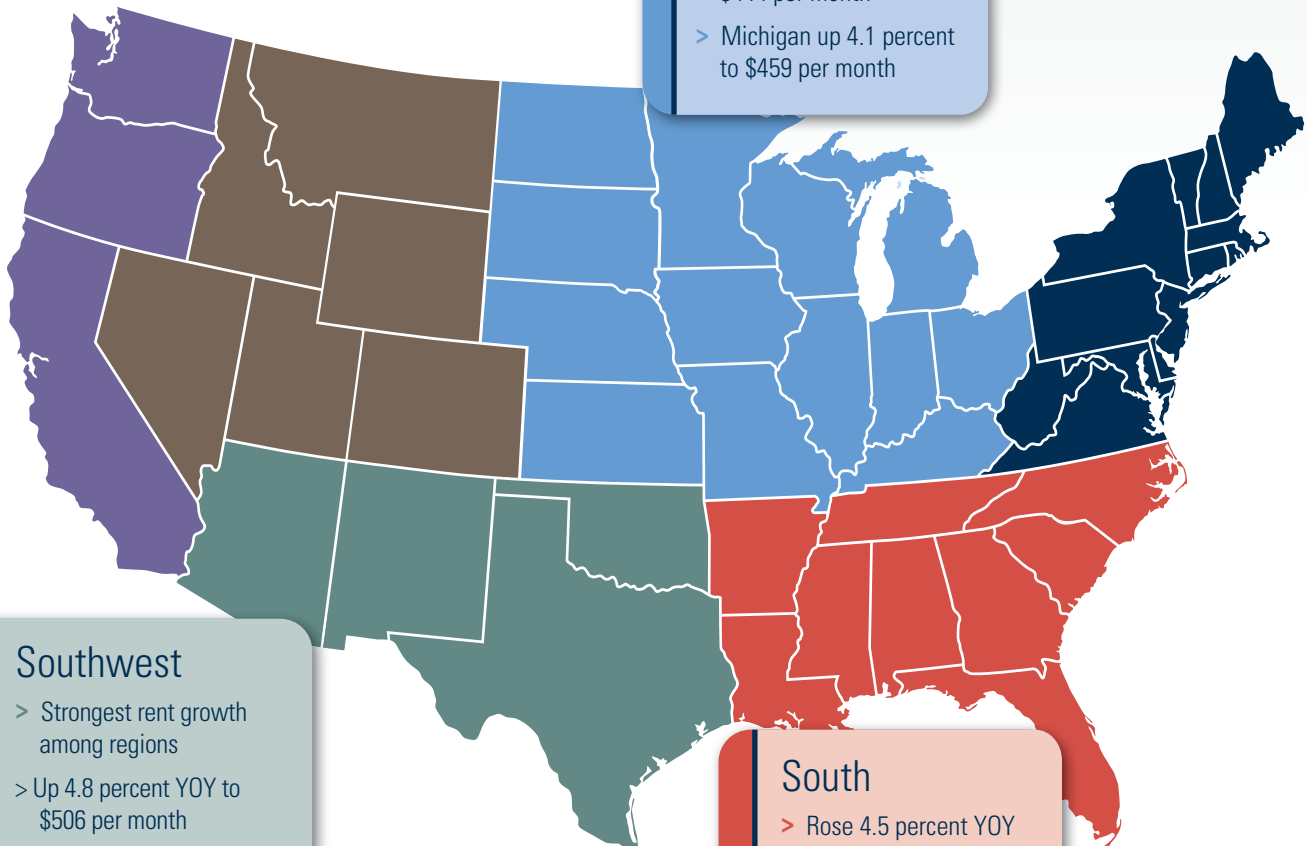
- > Rents rose to start 2021, although the pace of increase was more modest than in 2020. The average rent rose 0.5 percent during the first quarter, reaching \$571 per month.
- > Year over year, rents have increased 4 percent nationally. Rents posted strong gains in the second half of last year.

Year over year, rents have increased 4 percent nationally

Rents Overview



Sources: NorthMarq, JLT Datacomp



Midwest

- > Up 3.7 percent YOY to \$444 per month
- > Michigan up 4.1 percent to \$459 per month

Southwest

- > Strongest rent growth among regions
- > Up 4.8 percent YOY to \$506 per month
- > Texas up 4.8 percent YOY to \$499 per month

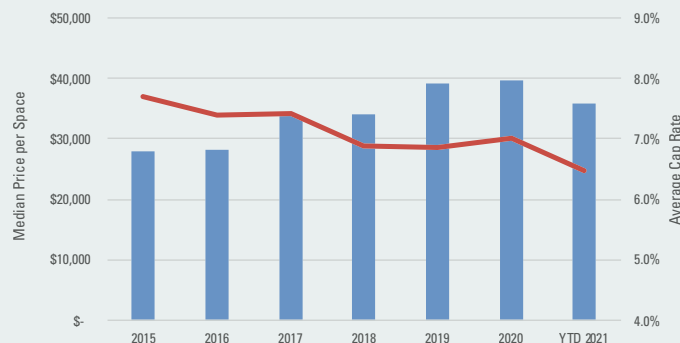
South

- > Rose 4.5 percent YOY to \$534 per month
- > Florida up 4.6 percent YOY to \$564 per month

Manufactured Housing Sales

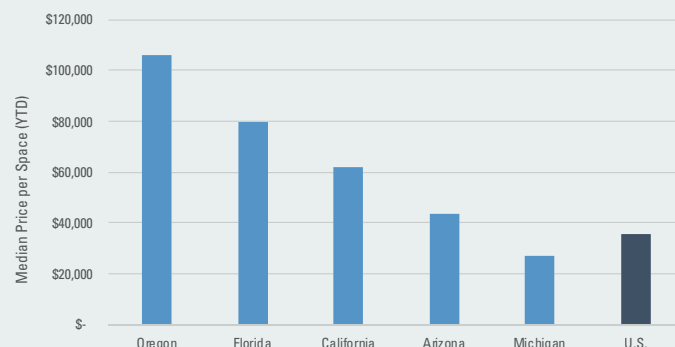
- > After accelerating during the second half of 2020, sales activity was more measured during the first quarter of this year. Total transaction activity was down approximately 40 percent from the end of last year to the first quarter.
- > Sales activity during the first quarter was down 33 percent when compared to transaction levels from one year earlier. While several large transactions occurred during the first quarter, the decline in activity was most notable in mid-tier transactions; sales velocity between \$5 million and \$10 million was down nearly 65 percent from one year ago.
- > The median price in sales during the first quarter was \$35,900 per space, 9 percent lower than the median price in 2020. In larger deals in primary markets, prices are considerably higher. The median price in transactions from \$10 million to \$40 million was nearly \$85,000 per space.
- > Cap rates averaged approximately 6.5 percent during the first quarter, 50 basis points lower than the average cap rate for 2020. Cap rates compressed in the second half of 2020.
- > California recorded the most transaction activity during the first quarter, with several properties selling in Southern California areas surrounding the Inland Empire. The median price in California at the start of 2021 was \$62,100 per space, while cap rates averaged approximately 5 percent.
- > Transaction activity picked up in Oregon to start the year, and properties commanded some of the top prices in the country. The median price in Oregon during the first quarter was nearly \$106,000 per space.
- > Prices in Florida rose in the first quarter, but the total sales velocity lagged 2020 levels. The median price in sales in Florida during the first quarter was \$79,500 per space.
- > In the Midwest, the greatest transaction activity occurred in Michigan and in Indiana. The median price in Michigan was \$27,300 per space, while the median price in Indiana was \$31,700 per space. Cap rates in the Midwest averaged between 7 percent and 7.5 percent at the start of the year.
- > Sales velocity picked up in Nevada, with transactions concentrated near Las Vegas and Reno. The median price in sales of properties in Nevada reached nearly \$69,000 per space during the first quarter.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

The median price in sales during the first quarter was \$35,900 per space

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 \$16 billion, loan servicing portfolio of more than \$65 billion and the multi-year tenure of our nearly 600 people.

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