

Manufactured Housing



Cap Rates Compress as Investor Demand Intensifies

Highlights

- > The manufactured housing market continued to demonstrate signs of strength in the second quarter. Occupancies and rents rose, shipments are ahead of the pace recorded in recent years, and transaction activity accelerated.
- > The national occupancy rate rose 10 basis points during the second quarter, reaching 93.8 percent. Occupancy is up 60 basis points year over year, and the rate has matched the cyclical high last reached in late 2019 and early 2020.
- > Rents have been on the rise for the past several quarters. Rents gained more than 1 percent during the second quarter, reaching \$578 per month. Current rents are up 4 percent from one year ago.
- > Sales velocity rose approximately 10 percent in the second quarter, reflecting the accelerating pace of investor demand for manufactured housing communities. Cap rates have compressed to 6.25 percent on average, while the median price in sales year to date is \$38,300 per space, similar to the median price in 2020.

Q2 Snapshot

Manufactured Housing



Market Fundamentals

Occupancy.....	93.8%
- Change from 2Q 2020 (bps).....	+60
Average Rents.....	\$578
- Change from 2Q 2020.....	+4.0%



Transaction Activity

Median Sales Price (Per Space YTD)	\$38,300
Average Cap Rates (YTD).....	6.25%



Inventory Growth

Units Shipped (YTD).....	53,700
- Change from 2020	+16.7%

Manufactured Housing Overview

The national manufactured housing market continued to strengthen in the first half of the year. Demand is being reflected in the accelerated pace of shipments of new homes. During the first half, shipments totaled nearly 54,000 units, putting the market on pace for its strongest year of inventory growth in 15 years. Occupancies rose in the second quarter, bringing current levels back to cyclical highs recorded about 18 months ago. Rents are rising, but at a steady pace across most regions. The high-growth parts of the country, particularly in the South and the Southwest, are recording rent growth of approximately 5 percent, outpacing the national rate of growth by nearly 100 basis points.

Investor demand for manufactured housing communities gained momentum during the second quarter, and sales velocity is ahead of the pace established during the first half of last year. While per-space pricing trends at the national level are closely tracking levels from 2020, cap rates have compressed to approximately 6.25 percent on average. Some of this cap rate compression is the result of an increased presence of institutional buyers in the market. In addition, several Midwestern markets have recorded significant cap rate compression. States in the Midwest, where some properties had been trading with cap rates in the double digits in recent years, are now posting sales with cap rates ranging from 5.5 percent to 7.5 percent.

Employment

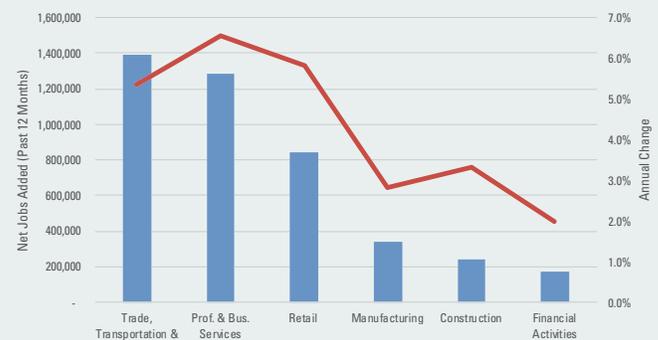
- > The national employment market posted healthy growth in the first half of 2021, as the pace of recovery accelerated in the second quarter. Employers added back more than 1.8 million jobs in the second quarter, after a gain of nearly 1.6 million jobs in the first three months of the year.
- > June was the strongest month of job growth during the second quarter. Approximately 938,000 jobs were added during the month, a total that accounted for more than half of all the jobs added during the second quarter. The gains recorded in June were the strongest for a single month since August of last year.
- > National employment grew by more than 8 million workers year over year through the second quarter, as the economy continues to bounce back from the pandemic-related losses. Total employment has expanded 5.8 percent during the past 12 months.
- > The manufacturing and trade, transportation, and utilities sectors recorded strong additions during the second quarter. Annual growth in trade, transportation, and utilities topped 5 percent as of the second quarter, while manufacturing employment expanded at a nearly 3 percent pace.
- > After losing more than 4.6 million jobs in the first half of 2020, the leisure and hospitality sector posted significant job growth in recent months. This industry added more than 1 million jobs during the second quarter, as the leisure and hospitality sector moves closer toward a full recovery.
- > Employers in California added back more than 270,000 jobs during the second quarter, the largest quarterly job growth in the nation. For the first half, total employment in California has increased by nearly 500,000 jobs. Current employment totals in California remain down about 1 million jobs from the pre-COVID peak, suggesting additional recovery is likely for the next several quarters.
- > The employment market in Texas has consistently outperformed most other states during the past several years. Employers in Texas added back more than 112,000 jobs during the second quarter, though the pace of job growth has slowed in recent months.
- > Job growth in Arizona accelerated during the second quarter, as employers added nearly 60,000 jobs in this period. Prior to the second quarter, gains in Arizona were averaging 28,000 additions per quarter.
- > Employment additions in Florida accelerated in the second quarter, as roughly 146,000 jobs were added, building on a gain of 60,000 workers at the beginning of the year.
- > Following a strong second half of 2020, employment in North Carolina reported fairly steady job growth in the first half of 2021. During the second quarter, employers in North Carolina added back nearly 37,000 jobs.

U.S. Employment Trends



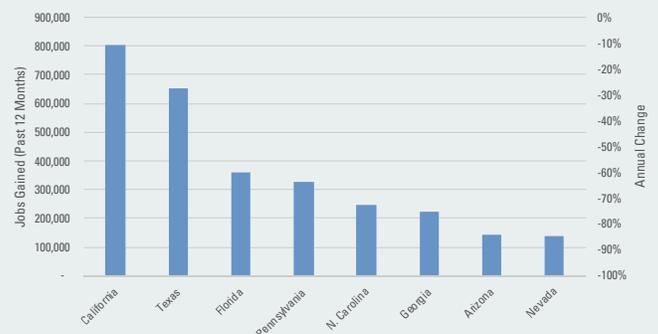
* 12-Month Period Ending 2Q 2021
Sources: NorthMarq, Bureau of Labor Statistics

Sector Employment Trends



Sources: NorthMarq, Bureau of Labor Statistics

Employment Trends by State

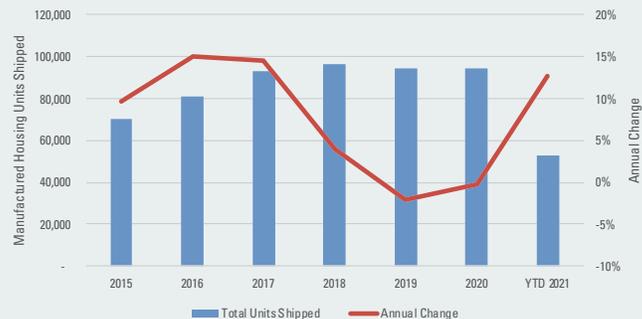


Sources: NorthMarq, Bureau of Labor Statistics
Year over Year Through 2Q 2021

Supply Growth

- > The second quarter was an active period of supply growth for manufactured housing. More than 27,000 units were shipped during the second quarter, bringing the total for the first half of the year to approximately 53,700 units, up more than 16 percent from the same period in 2020. This is the most active first half of manufactured housing shipments since 2006.
- > After rising on a fairly steady trajectory from 2010 to 2017, shipments had been very consistent in the past three years, averaging 95,000 units annually. Current levels are up more than 10 percent from the pace established in recent years.
- > Three states in the top 10 for supply growth recorded increases of more than 30 percent when comparing shipments through the first half of this year to the first half of 2020. Louisiana and Mississippi each posted increases of 33 percent, followed by South Carolina, where the pace of shipments spiked by 32 percent.
- > Out of the top 10 states for manufactured housing, only one posted a decline in shipments when comparing the first half of 2021 to figures from the same period one year ago. Florida had approximately 3,700 units shipped over the first two quarters, 7 percent lower than during the first half of 2020.
- > Seven of the top 10 states for shipments during the first half of this year were located in the South region. Florida led the way, followed by North Carolina, Louisiana, South Carolina, Alabama, Mississippi, and Georgia.
- > Shipments to the Southwest region have been on the rise so far in 2021. Approximately 12,500 units have been shipped to the Southwest, up 17 percent from the first half of 2020. Texas and Oklahoma led the way for shipments in the Southwest region.
- > Texas consistently ranks as the top state for shipments, and that trend has been maintained to this point in 2021. During the first half, approximately 9,200 units were shipped to Texas, up 19 percent when compared to the first half of 2020.
- > California traditionally is one of the more active markets for inventory growth, but the pace has slowed to this point in 2021. During the first half, fewer than 1,700 units were shipped to California, down 22 percent from levels recorded one year earlier.

U.S. Manufactured Housing Shipments



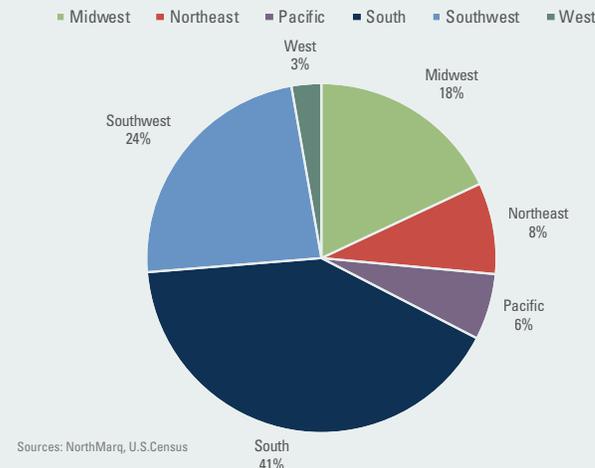
Sources: NorthMarq, U.S. Census

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 ticked up 10 basis points during the second quarter, building on a gain of 30 basis points recorded at the start of the year. The occupancy rate reached 93.8 percent at midyear, matching the cyclical high recorded in late 2019 and early 2020.
- > Year over year through the second quarter, occupancy has increased 60 basis points. The rate had been steadily improving for several consecutive years before trending lower in the middle of last year. Nearly all regions in the country are recording year-over-year occupancy gains.

The national occupancy rate ticked up 10 basis points during the second quarter

Occupancy Overview



Sources: NorthMarq, JLT Datacomp

Pacific

- > Occupancy is highest among regions at 98.4 percent
- > Rate inched up 10 bps year to date
- > California occupancy at 98.4 percent, down 30 bps YOY

Midwest

- > Recorded most improvement; occupancy up 140 bps in the past year
- > Rate reached 87.9 percent

Southwest

- > Steadily trending upward; up 30 bps from one year ago
- > Occupancy is 94.8 percent
- > Texas reported strong performance ending Q2 at 95.9 percent

South

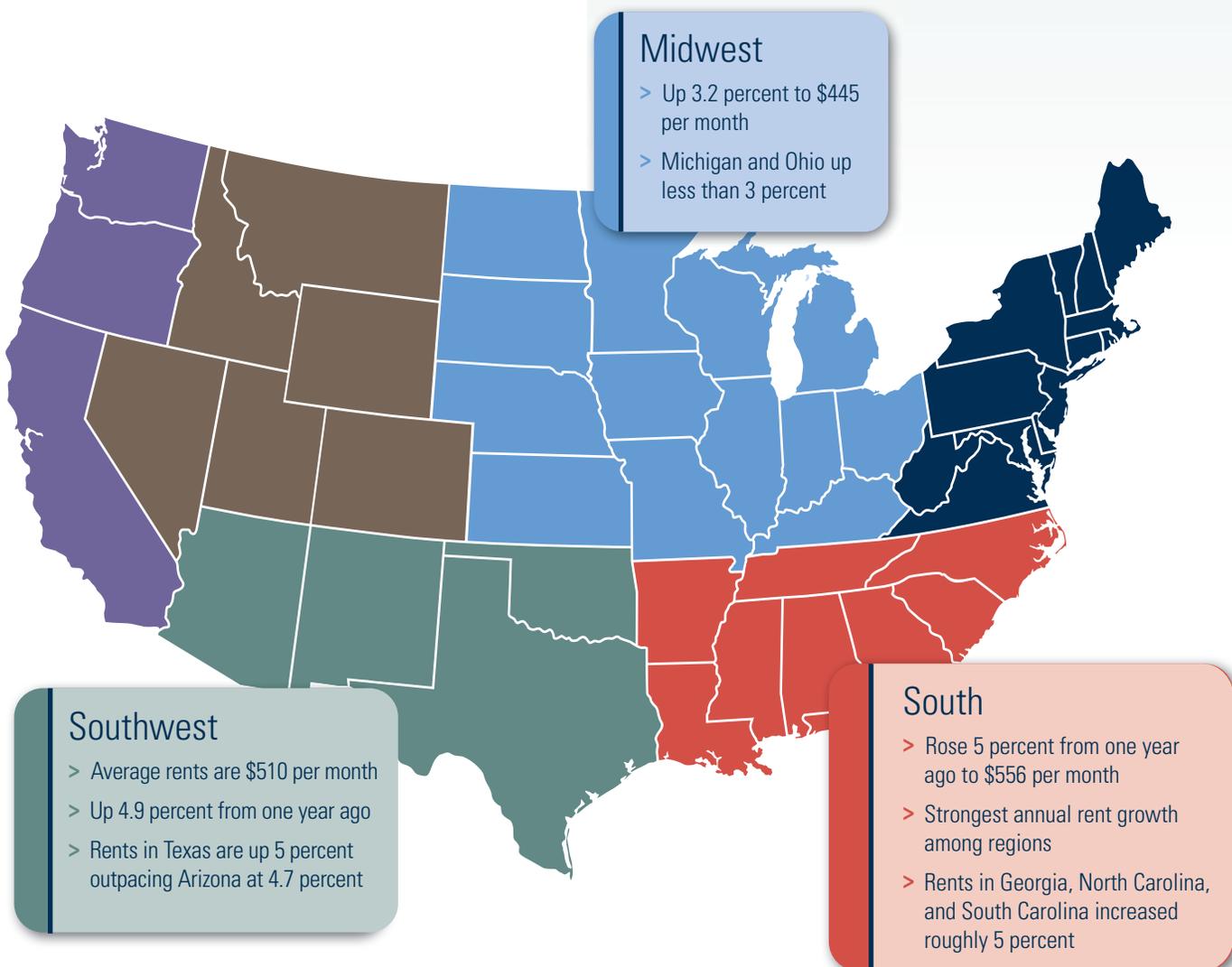
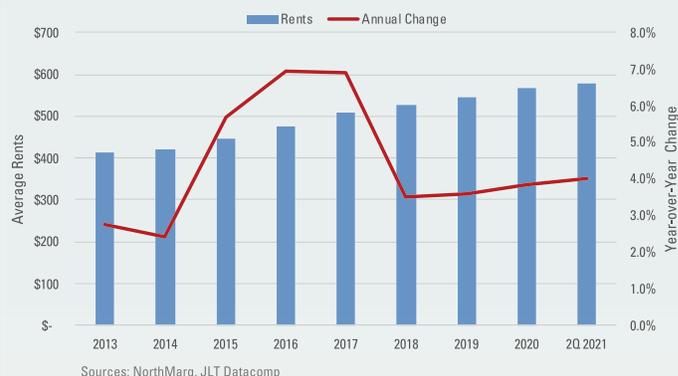
- > Up 40 bps to 95.3 percent
- > Florida's rate increased 100 bps to 95.8 percent

Rents

- > After a bit of a slow start to the year, rents increased at an accelerating pace during the second quarter. Rents rose 1.2 percent in the second quarter, reaching \$578 per month. Rent growth of 1.8 percent in the first half of 2021 is slightly ahead of the pace recorded during the same period in 2020.
- > Year over year, rents have increased 4 percent, matching the annual pace of growth recorded as of the first quarter. Rent growth has been very consistent for the past few years, ranging between 3.5 percent and 4.2 percent since late 2018.

Rents rose 1.2 percent in the second quarter, reaching \$578 per month

Rents Overview



Manufactured Housing Sales

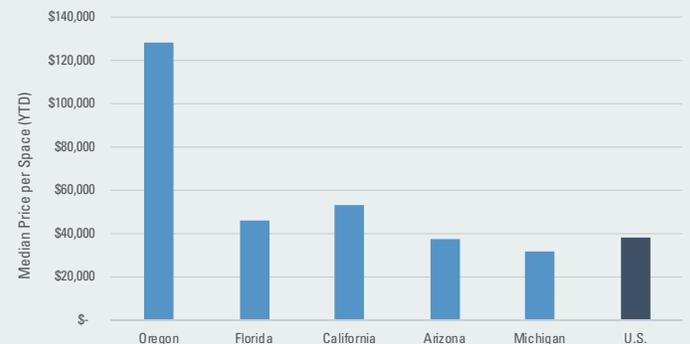
- > Sales of manufactured housing communities accelerated during the second quarter. Transaction activity in the second quarter was up 10 percent compared to levels recorded in the first three months of the year.
- > Sales velocity during the first half of 2021 increased by over 11 percent when compared to transaction levels from the same period one year earlier.
- > The median price in sales during the first half of 2021 was approximately \$38,300 per space, 4 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 \$50 million was over \$91,000 per space.
- > Cap rates trended lower in the first half of 2021, fueled by healthy demand and low financing costs. Cap rates have averaged 6.25 percent in sales year to date, down from an average of 7 percent in 2020.
- > Florida recorded the most transaction activity of any state throughout the first two quarters, with several properties selling in the Lakeland area near Tampa Bay. The median price in Florida through the first half of 2021 was nearly \$46,000 per space, while cap rates averaged approximately 5.8 percent.
- > Arizona has been an active state for manufactured housing sales in the past several years, a trend that continued in the first half of 2021. The median price in transactions in Arizona was \$37,200 per space in the first half, while cap rates averaged about 6 percent.
- > Several properties sold in California during the first half, and there was a fairly wide disparity in pricing across the state. The median price in California during the first half of the year was approximately \$57,000 per unit, but several transactions closed at over \$150,000 per space.
- > Property sales in Oregon continue to command elevated prices. The median price in sales in Oregon to this point in 2021 was approximately \$125,000 per space.
- > Two states in the Midwest posted significant levels of transaction activity in the first half of the year. Michigan led the way, followed by Indiana. The median price in Michigan was nearly \$32,000 per space, with cap rates near 6 percent. In Indiana, the median price was \$27,700 per space, while cap rates averaged 5.5 percent.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

Cap rates have averaged 6.25 percent year to date

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.

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