NATIONAL REPORT

Marcus & Millichap

MANUFACTURED HOME COMMUNITIES

1H24

Federal Agencies Update Manufactured Housing Policies to Improve Attainability, Contributing to Long-Term Low Vacancy

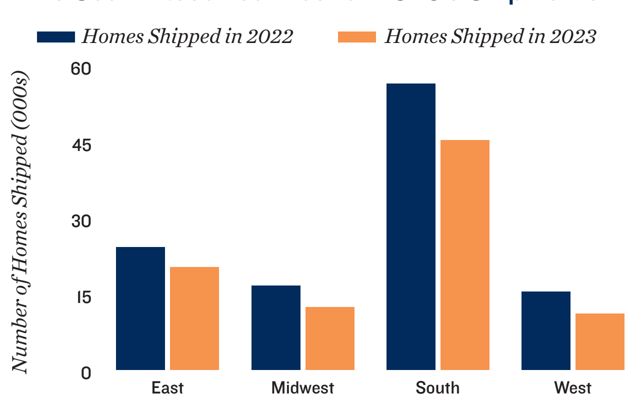
HUD launches funding for community revitalization. Over 22 million U.S. residents live in manufactured homes. At the end of February 2024, the U.S. Department of Housing and Urban Development announced the PRICE* program, which is $225 million in financial resources to help preserve and revitalize existing manufactured homes and communities. Grants are available to individuals to rehabilitate homes, and also community owners for infrastructure updates like water, sewer, utilities or extreme weather protection. As new manufactured home communities are complicated and often challenging to zone, improvements to existing sites will likely draw new, or retain existing, residents.

Barriers to manufactured homeownership ease. As HUD provides funds to improve manufactured home communities, the Federal Housing Administration (FHA) and Ginnie Mae are also implementing plans to make manufactured homeownership more attainable. FHA announced new methodologies for calculating the loan limits allowed under the Title I Manufactured Home Loan Program, so that they align with current market pricing for these properties. Ginnie Mae also re-examined its program, a source of capital for lenders to support the supply of manufactured housing. By revising its financial eligibility requirements for Title I issuers, Ginnie Mae has reduced the barriers to entry for lenders to participate in its securitization program for Title I loans. These changes will increase the feasibility of personal property loans to purchase a home and occupy space in a community.

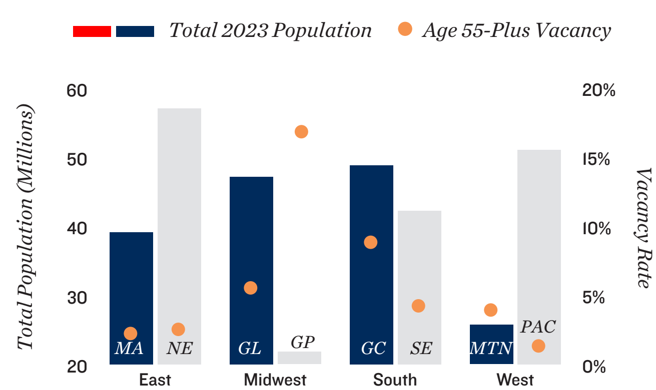
Limited land supply and zoning laws keep conditions tight. Policy changes from HUD, FHA and Ginnie Mae will take time to show their full effects, but long-term manufactured housing demand is likely to increase as a result. Elevated single-family home costs and a 3.8 million housing unit shortfall have placed a national spotlight on manufactured housing as a viable ownership option. Subsequently, demand for lot space in manufactured housing communities will stay strong this year, particularly in regions with warmer climates and more costly single and multifamily housing. The re-purposing of open land, combined with decreasing lot availability at existing communities, contribute to tight conditions.

Population growth tied to lower vacancy. Southern, mid-Atlantic and Mountain states led population growth in the first half of 2023, placing Texas, Florida, North Carolina, Georgia, South Carolina, Tennessee and Arizona among the top 10 states by absolute population growth last year. Areas of high in-migration have logged increasing housing costs over the last three years, leading many residents to seek lower-cost options and lowering manufactured home lot vacancies in these regions. Those states are also home to 13 of the 15 fastest-growing age 55-plus cohorts. Elevated inflation levels in recent years have eaten away at retirement savings, leading aging populations to consider lower-cost housing options. The Southeast and Pacific subregions exemplify this trend. The areas account for three-fourths of age-restricted supply, with respective vacancy rates of 4.2 and 1.3 percent amid rising home costs.

The South Received Most of 2023's Shipments



Vacancy is Lower in Warmer, Populated Areas



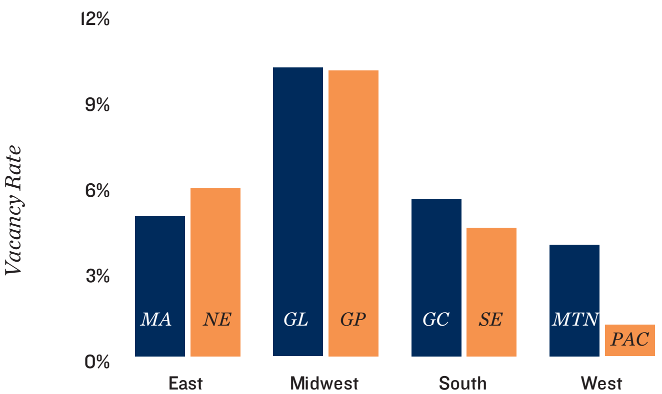
*PRICE - Preservation and Reinvestment Initiative for Community Enhancement Program

Sources: Federal Reserve; CoStar Group, Inc.; U.S. Census Bureau; Department of Housing and Urban Development; Ginnie Mae; Federal Housing Administration

Vacancy

Vacancy benefits from long-term tailwinds. Overall lot vacancy sat at 5.4 percent entering 2024. The rate is pulled up by the elevated Midwest metric, but aided by the nationally low rate in the Pacific subregion. Rezoning for new manufactured home communities remains difficult, aiding vacancy across the country. Manufactured homes are also notably more affordable than single-family homes. In October 2023, the average sale price of a new manufactured home was $120,000, relative to the median single-family home price of nearly $400,000. Improving loan standards will also make purchasing a manufactured home more attainable in 2024, further generating demand for community lot space.

2023 Vacancy Rate



Regions:
East: *Mid-Atlantic, Northeast* **Midwest:** *Great Lakes, Great Plains* **South:** *Gulf Coast, Southeast* **West:** *Mountain, Pacific*

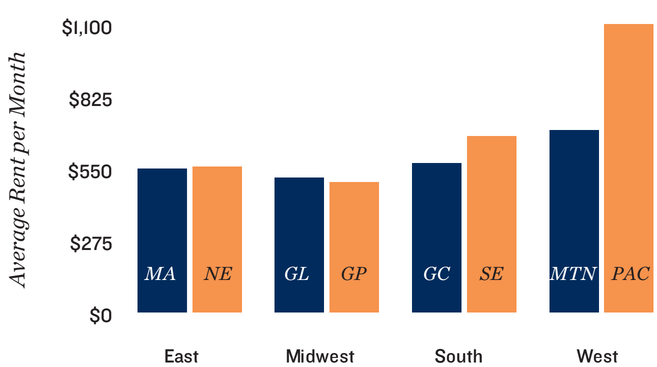
Highlights

- Manufactured home shipments peaked in 2022 as supply chain issues cleared and demand resurfaced after pandemic disruptions. Shipments did fall in 2023, but over one-third of houses delivered were placed on rented lots, a year-over-year increase. Southern states received the most home shipments, lowering vacancy here.
- Vacancy in the Midwest remained elevated last year at 10.1 percent, but was starkly contrasted by the West's 2.1 percent rate. Many communities in the Great Lakes and Great Plains regions are older and require updated amenities. Together with minimal population growth in the region, these factors are impacting vacancy.
- Orange County has one of the largest rentable lot tallies in the U.S., but is also home to the sixth-lowest vacancy rate nationally. Nearly all of California's markets are home to sub-1 percent vacancy, leaving few rentable lot options for new owners to place a home.

Rent

Population growth and single-family home costs drive up lot rates. Some municipalities have enacted rent control regulations that tie community rent increases to inflation; however, this is not yet a widespread practice and proposals can take a significant amount of time to move through legal channels before becoming law. Population growth, rising single-family home costs and tightening vacancy place upward pressure on the average lot rent in the Southeast and Gulf Coast regions. The Pacific and Mountain states, however, continue to hold the highest average lot rents in the country. California markets, in particular, noted strong rent growth in 2023, as metros here claimed all 10 of the highest average lot rents in the U.S.

2023 Average Rent



Regions:
East: *Mid-Atlantic, Northeast* **Midwest:** *Great Lakes, Great Plains* **South:** *Gulf Coast, Southeast* **West:** *Mountain, Pacific*

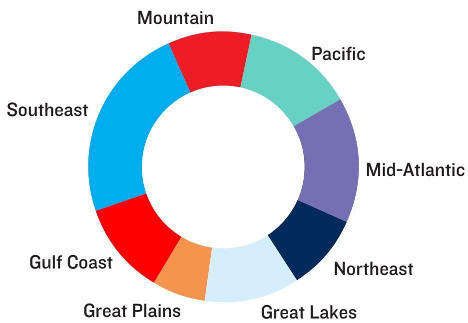
Highlights

- Communities in California, New Jersey and Massachusetts have enacted rent control policies, while Colorado has a proposed statewide law. Oregon and Delaware have similar rent protections. Still, many metros in these states hold nationally high mean lot rents, like the Bay Area, Denver and Portland, despite regulations.
- The average lot rent in the U.S. nearly reached $700 in 2023. While most regions hold mean rates in the mid-$500 to high-$600 zone, the Pacific West is largely responsible for a higher national average as the subregion claimed an average lot rent of $1,100 in 2023.
- Excluding Pacific metros, Denver, Fort Myers and Fort Lauderdale had the highest mean lot rents nationally, highlighting the impact of rising shelter costs in Mountain and Southeast markets.

Sales

Investors closely follow policy updates. Government policy changes aimed at modernizing manufactured home communities could motivate investors with the time, resources and eligibility to pursue grant funds to seek communities with upside potential. While this funding may come with stipulations on rent increases, improvements will still make the community more attractive to future renters. However, there could also be an uptick in resident-owned communities. The FHA is finalizing a program that will expand loan access to resident cooperatives and similar borrowers to purchase communities from current owners. While there will be no immediate impacts, this could limit buyer options long-term.

2023 Transactions By Subregion



Percent of Total Transactions

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

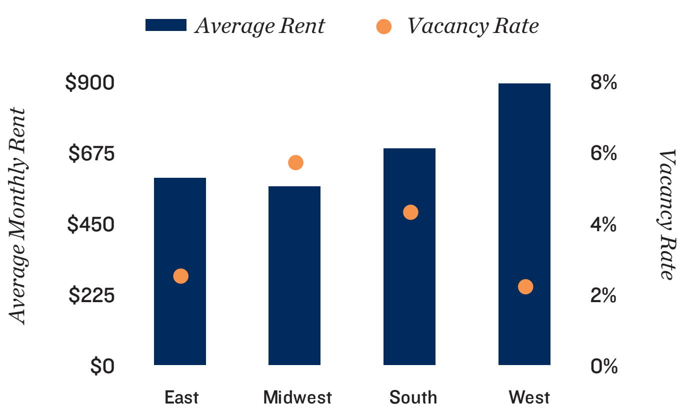
Highlights

- Similar to most other property types, transaction velocity slowed last year relative to 2021 and 2022. The Northeast, mid-Atlantic and Southeast regions had the smallest year-over-year adjustments. Trades could pick back up this year as buyers anticipate interest rate cuts from the Federal Reverse some time in 2024.
- Most of 2023's transactions were in lower price brackets, resulting in a slight decrease in the overall price per unit year-over-year. The South and West regions logged most of this dip, while the Northeast and Midwest averages inched up. The national mean cap rate also rose above 7 percent, more in-line with historical standards.
- Several manufactured home communities were sold last year with the buyer intending to repurpose the land. As communities age and require more maintenance, this trend has emerged, limiting supply.

Age-Restricted Communities

As older cohorts migrate, vacancy compression will likely follow. Vacancy in age-restricted communities was 3.4 percent in 2023, sitting 200 basis points below the overall national rate. Roughly one-third of manufactured home communities are restricted to the age 55-plus demographic. Limited inventory contributes to these tighter conditions. Chicago, Los Angeles, New York, Dallas-Fort Worth and Philadelphia are home to the largest share of residents over the age of 55 in the country, corresponding with age-restricted vacancy sitting 1.5 percent or lower in four of the five markets. Areas like Austin and Orlando with rapidly growing older populations are likely to post similarly high demand in coming years.

2023 Age-Restricted Vacancy and Rent



Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Datacomp-JLT

Highlights

- As persistently high inflation and rising housing costs impact retirement savings, people age 55-plus could seek out alternative housing options. Age-restricted manufactured home communities offer a lower cost-of-living than maintaining a single-family home or an independent seniors' living home.
- The Southeast and Pacific regions account for most of the age-restricted manufactured home communities in the country. Mountain and Northeast states claim 18 percent of the remaining inventory, and have respective 2.5 and 3.9 percent vacancy rates.
- The Great Plains has the fewest age 55-plus communities, limiting the impact of the area's high vacancy. The Midwest overall holds a 5.7 percent vacancy rate, reflecting the Great Lakes region's rate.

Manufactured Housing Communities: Regions and Subregions

East

Mid-Atlantic
Northeast

Midwest

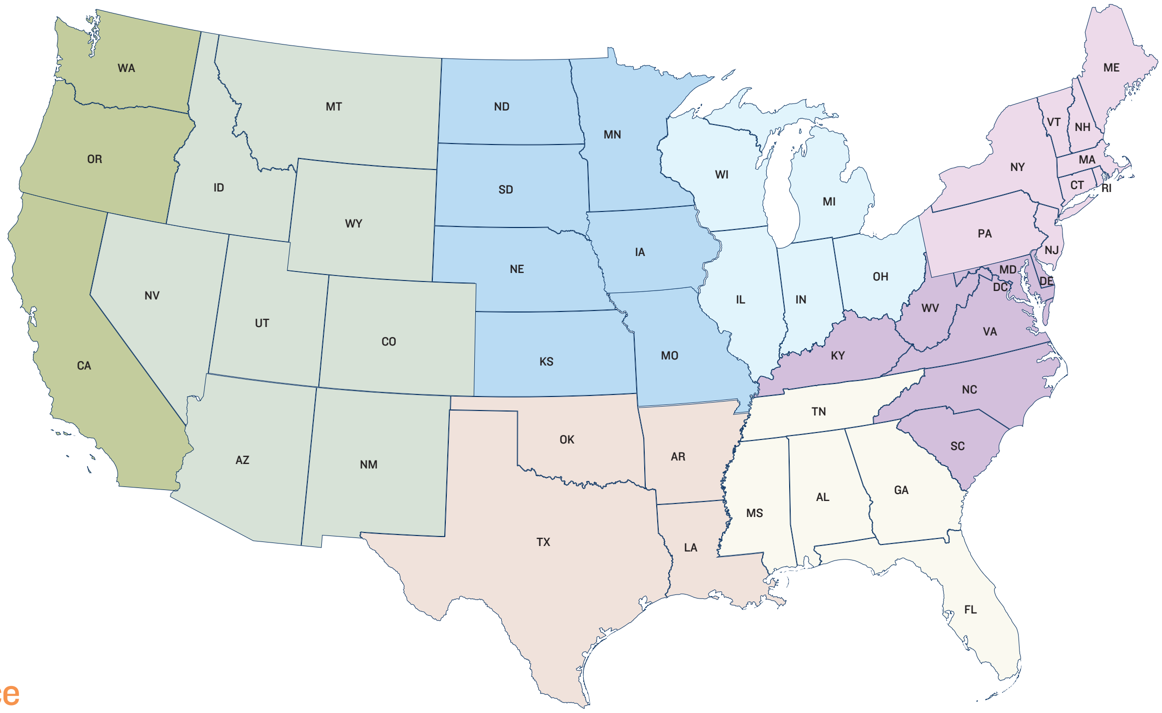
Great Lakes
Great Plains

South

Southeast
Gulf Coast

West

Mountain
Pacific



Metro Performance

Metro	2023 Vacancy	Y-O-Y Basis Point Change	2023 Average Lot Rent	Y-O-Y Change
Oakland	0.4%	0	$1,058	15.8%
Baltimore	1.3%	30	$822	6.6%
Sacramento	1.5%	-10	$840	5.4%
Fort Lauderdale	2.0%	-10	$872	7.8%
Houston	2.4%	60	$564	9.1%
Riverside-San Bernardino	2.6%	-60	$831	3.4%
Minneapolis-St. Paul	3.0%	-50	$553	5.7%
Philadelphia	3.7%	-50	$624	7.4%
Chicago	3.7%	-60	$788	6.2%
Austin	4.1%	70	$709	7.1%
Daytona Beach	4.7%	100	$708	8.9%
Tucson	6.7%	30	$521	8.1%
Cleveland	6.8%	-100	$490	7.7%
Fort Myers	7.2%	350	$898	18.5%
Las Vegas	8.4%	-190	$706	5.2%
Sussex	9.7%	-50	$700	7.7%
Detroit	9.8%	0	$556	4.3%
St. Louis	9.8%	70	$457	10.7%
Atlanta	9.8%	-20	$543	-5.7%
Indianapolis	10.0%	-230	$424	6.8%

Manufactured Housing Communities

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Price: $500

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Datacomp-JLT; CoStar Group, Inc.; Institute for Building Technology and Safety; Manufactured Housing Institute; U.S. Census Bureau; White House; U.S. Department of Housing and Urban Development; Ginnie Mae; Federal Housing Administration