

# Manufactured Housing






## Occupancy Spikes, Investment Activity on the Rise

### Highlights

- > The national manufactured housing market closed 2019 on an upswing, with occupancy rates rising, rents continuing to tick higher and investment activity strengthening.
- > Occupancy spiked in the fourth quarter, reaching 93.8 percent, up 110 basis points for the year. The South region recorded the greatest annual improvement, while the Pacific region had the highest overall occupancy rate.
- > Manufactured housing rents posted a 3.6 percent gain in 2019, reaching an average of \$547 per month. In 2018, rents posted a similar rise, increasing 3.5 percent.
- > Investment activity accelerated in 2019, with the fourth quarter recording the highest sales velocity of the year. Prices rose in 2019, with the median price reaching \$39,400 per space, up 10 percent from the 2018 median price. Cap rates have averaged approximately 6.3 percent for the year, down 60 basis points from the average in 2018.

### Manufactured Housing Overview

The national manufactured housing market posted improving operating fundamentals during the fourth quarter, capping off a strong 2019. Occupancy rates were stable for most of the year but rose significantly in the final few months of 2019. Rent growth was more consistent, rising in each quarter. Rents are trending higher as occupancy rates improve across most geographic regions and the economy continues to expand. While demand remains healthy, the pace of supply growth slowed for the first time in a decade in 2019, and with some parks being acquired for redevelopment, supply-side pressures are easing.

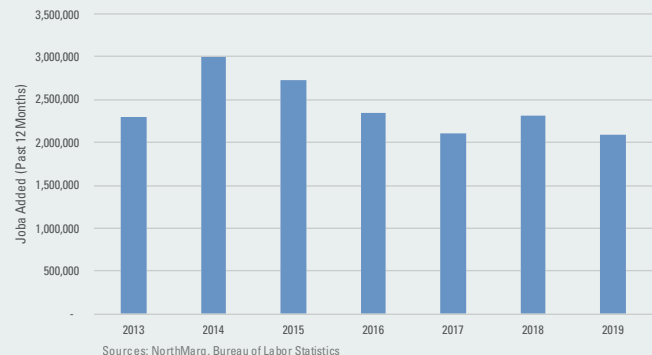
Q4 Snapshot	Manufactured Housing
	<b>Market Fundamentals</b>
	Occupancy ..... <b>93.8%</b>
	- Change from 4Q 2018 (bps) ..... <b>+110</b>
	Average Rents ..... <b>\$547</b>
	- Change from 4Q 2018 ..... <b>+3.6%</b>
	<b>Transaction Activity</b>
	Median Sales Price Per Space (YTD) ..... <b>\$39,400</b>
	Average Cap Rates (YTD) ..... <b>6.3%</b>
	<b>Inventory Growth</b>
	Units Shipped (YTD) ..... <b>94,000</b>
	- Change from 2018 ..... <b>-2.7%</b>

Sales velocity in manufactured housing accelerated throughout 2019, with sales in the second half outpacing levels in the first half. The fourth quarter proved to be the most active period in the year. The rise in activity reflects the strong investor demand for manufactured housing present in the marketplace, something that is forecast to continue in the coming year. As investor demand has gained momentum, prices have risen and cap rates have compressed. In 2019, the median price rose 10 percent nationally, while cap rates compressed by approximately 60 basis points into the low-6-percent range.

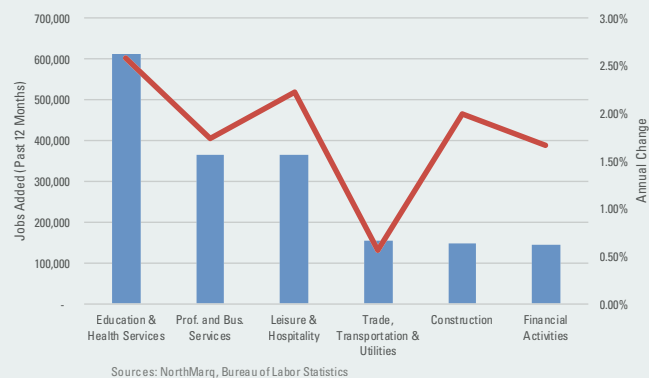
## Employment

- > **National employment growth** accelerated in the second half of 2019. During the second half of the year, approximately 1.2 million net new jobs were created, up more than 30 percent from gains recorded during the first half. More than 590,000 jobs were added in the fourth quarter of 2019, up from 517,000 jobs one year earlier.
- > In 2019, employers added approximately 2.1 million jobs, a 1.4 percent pace of expansion. This lagged the pace of gains from 2018, when 2.3 million jobs were added. Some of the slowdown in hiring in 2019 was the result of greater uncertainty in the early part of the year.
- > While the labor market continues to expand, growth is concentrated in only a few industries after being more widespread in 2018. More than 600,000 jobs were added in the **education and health services sector** in 2019, up from 460,000 new jobs in that sector in 2018.
- > Another industry that is posting an accelerating pace of growth is **leisure and hospitality**, which is generally an indicator of the overall health of the economy. The leisure and hospitality sector expanded by 2.2 percent in 2019, adding 365,000 jobs, up from 225,000 new positions in 2018.
- > Growth slowed in the country's blue-collar industries. Gains in the **construction and manufacturing sectors** in 2019 were trimmed in half from 2018 to 2019. Fewer than 150,000 construction jobs were added in the past year, while only 58,000 manufacturing jobs were created. In 2018, these sectors combined to add more than 560,000 net new jobs.
- > **Retail employment** contracted slightly in 2019—the third straight year the sector recorded net job losses—but there were some positive signs late in the year. Retailers added 53,000 new jobs during the fourth quarter, setting the stage for what could be the sector's first year of employment expansion since 2016.
- > **Texas** led the country for most jobs added for the second straight year. In 2019, payrolls in Texas expanded by more than 342,000 workers, up 19 percent from the number of jobs added in the previous year. More than 125,000 jobs were added in the Dallas-Fort Worth area, which led all metro areas in 2019.
- > Growth accelerated in **California** in 2019, with employers adding more than 310,000 jobs. During the past three years, employers in California have added nearly 1 million net new jobs.
- > The **Southeast** has been in growth mode for the past few years, and expansion picked up in 2019. During the past year, Florida and North Carolina were among the top states for job growth, with payrolls in both states expanding by more than 2 percent. Employers in Florida added 212,000 workers, businesses in North Carolina added 94,000 jobs, and employment rosters in Georgia grew by 66,000 positions.
- > Gains in the **Midwest** remained slow, but Illinois led the region with 45,000 new jobs in 2019. Job growth in the largest Midwest states averaged approximately 0.5 percent in the past year.

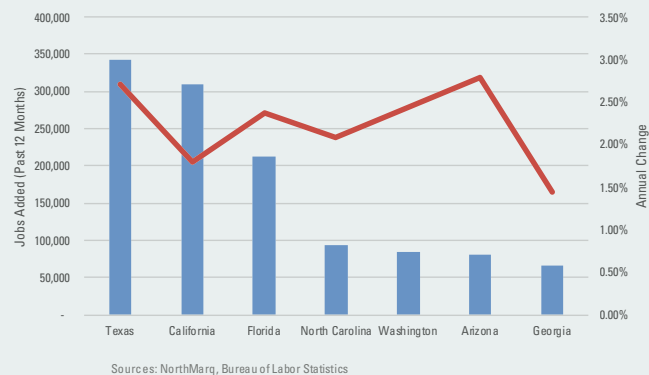
## U.S. Employment Trends



## Top Employment Growth Sectors



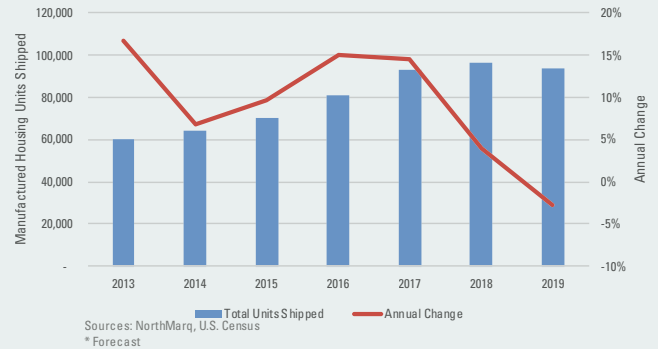
## Top States For Employment Growth



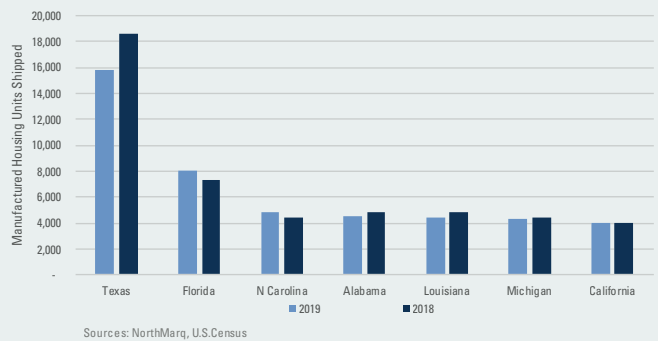
## Supply Growth

- > Approximately 94,000 manufactured housing units shipped nationally in 2019, down from 96,600 units in 2018. The annual decline, while modest, was the first annual dip in manufactured housing units since 2009.
- > During the fourth quarter, approximately 23,500 units were shipped, up 6 percent from the same period in 2018. Shipments in the fourth quarter were nearly identical to the total for the third quarter.
- > Texas once again led the way for most shipments of manufactured housing, but the state recorded a steep decline in activity in 2019. Shipments to Texas declined 15 percent from 2018 to 2019, one of the steepest declines recorded in any state in the country in 2019.
- > The South region had the most units shipped in 2019, with approximately 37,500 units, or 39 percent of all units shipped in the country. This was nearly identical to the number of units shipped to the South region in 2018. Florida had the most units shipped in the South region this year, with approximately 8,000 units.
- > North Carolina, Alabama, and Louisiana all recorded shipments between 4,500 units and 5,000 units of manufactured housing in 2019. These states combined for shipments of approximately 13,900 units in 2019, a slight decline from activity levels in 2018.
- > The Midwest region recorded a 6 percent increase in shipments in 2019, led by double-digit increases in Indiana, Missouri, and Minnesota.

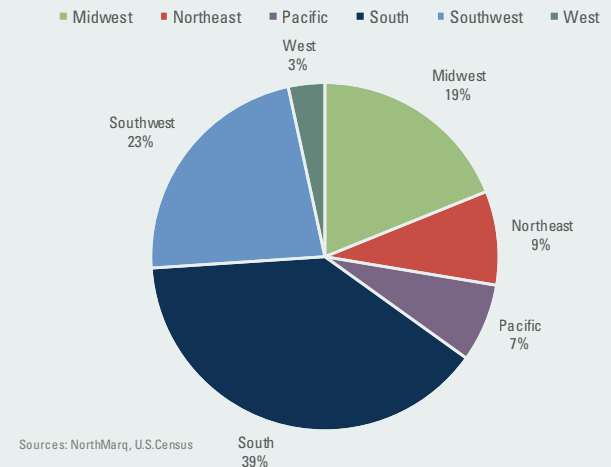
## U.S. Manufactured Housing Shipments



## Manufactured Housing Shipments by State



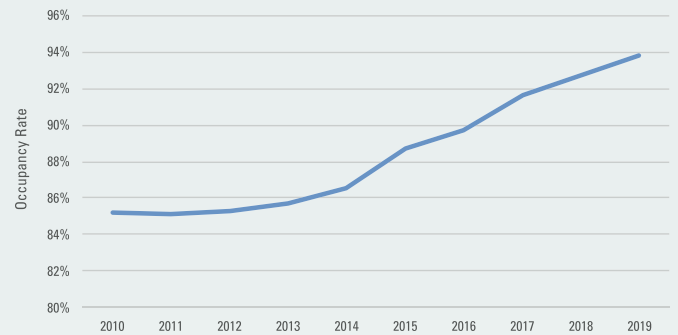
## Manufactured Housing Shipments by Region



## Occupancy

- > After holding largely steady throughout much of 2019, occupancy in manufactured housing communities spiked in the fourth quarter. The national occupancy rate rose to 93.8 percent in the fourth quarter.
- > For the full year, the national occupancy rate rose 110 basis points. This marked the eighth consecutive year where the rate improved, and this was the second straight year where the rate rose 110 basis points.
- > The tightest conditions are in the Pacific region, where affordability is a significant challenge and land prices are elevated.

## Occupancy Overview



Sources: NorthMarq, JLT Datacomp

*For the full year, the national occupancy rate rose 110 basis points*

### Pacific

- > Tightest conditions
- > Occupancy is 98.6 percent – 60 bps higher than a year ago

### Midwest

- > Occupancy held steady at 86.3 percent
- > Rate improved in Ohio and Indiana; ticked lower in Michigan

### Southwest

- > Occupancy rose to 94.5 percent, up 50 bps in 2019 following a 100-bps increase in 2018
- > Texas ended the year at 95.8 percent, up 30 bps YOY
- > Arizona reached 94.7 percent, up from 94.2 percent at YE 2018

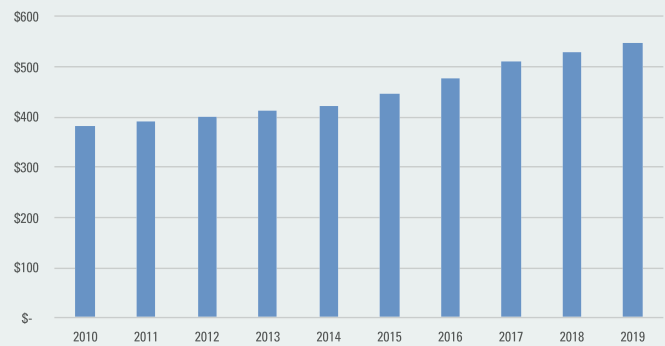
### South

- > Strongest improvement
- > Occupancy rose 340 bps to 97.1 percent
- > Florida's rate rose nearly 400 bps in 2019

## Rents

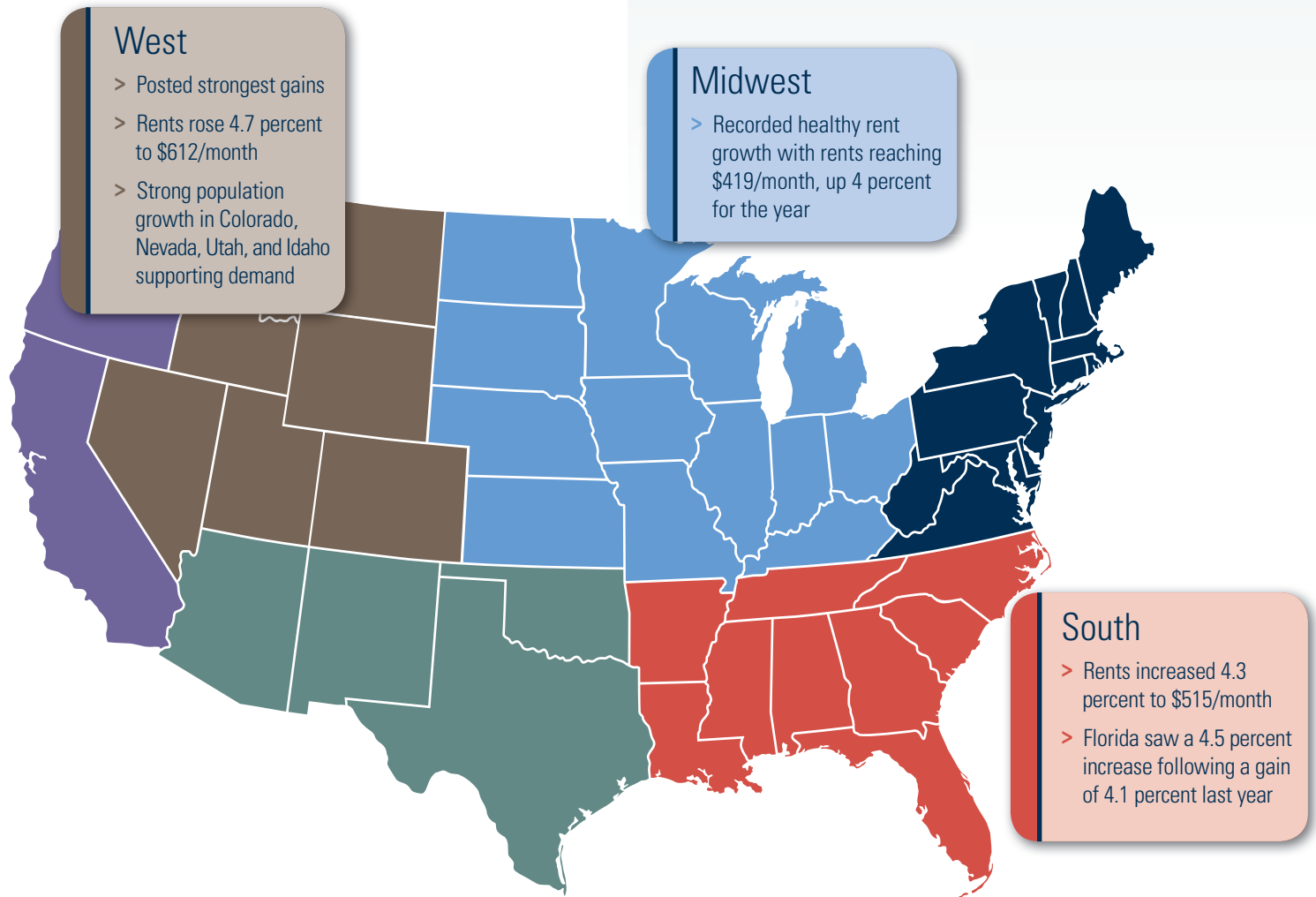
- > Rents for manufactured housing rose 3.6 percent nationally in 2019, reaching an average of \$547 per month. This follows an annual increase of 3.5 percent in 2018.
- > Each of the major geographic regions recorded annual rent gains in 2019. With occupancy rates stable or improving across most areas, the economy strengthening and housing affordability continuing to present challenges, rents for manufactured housing should continue to trend higher.

### Rents Overview



Sources: NorthMarq, JLT Data comp

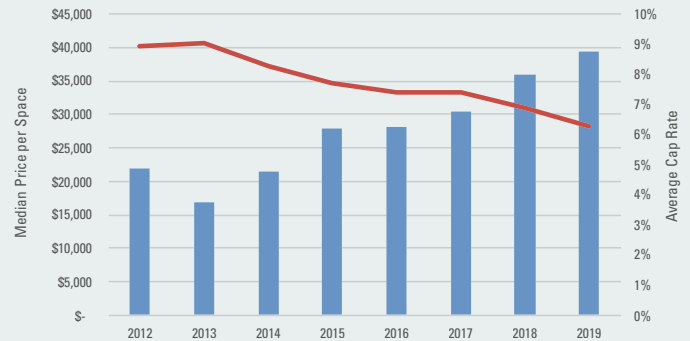
*Each of the major geographic regions recorded annual rent gains in 2019*



## Manufactured Housing Sales

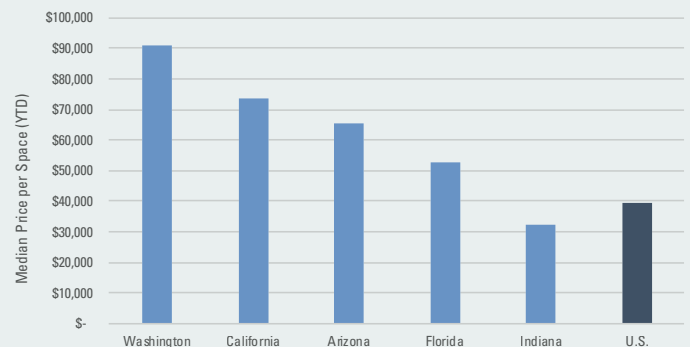
- > Sales of manufactured housing communities rose 10 percent from the third quarter to the fourth quarter. At the state level, Texas had the most property sales during the fourth quarter, followed by Florida and Arizona.
- > Sales activity gained momentum in 2019, rising 18 percent from levels recorded in 2018. Nationally, sales velocity in the second half of the year was up 6 percent from the first half of 2019, suggesting the momentum could carry over into the year ahead.
- > The median price in 2019 was approximately \$39,400 per space, up 10 percent from the median price in the previous year. Prices for manufactured housing have been on a steady upward climb since 2014.
- > The average cap rate in transactions that closed in 2019 was approximately 6.3 percent, 60 basis points lower than the 2018 average. Cap rates varied widely across regions of the country.
- > The highest per-space prices were recorded along the West Coast in 2019. The median price in Washington was nearly \$91,000 per space, followed by California, where the median price was \$73,400 per space. Cap rates in these states were generally below 6 percent on average.
- > In Florida—the state with the most sales in 2019—the median price was approximately \$52,600 per space for the year, up from \$41,000 per space in 2018.
- > In the Midwest region, the most sales volume was recorded in Indiana. The median transaction price for manufactured housing parks in Indiana was \$32,100 per space in 2019, with cap rates averaging 6.4 percent.
- > Prices spiked nearly 50 percent in Arizona from 2018 to 2019, with the median price rising to \$65,300 per space and the average cap rate settling in at 5.8 percent.

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



Sources: NorthMarq, CoStar

## Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

*Sales activity gained momentum in 2019, rising 18 percent from levels recorded in 2018*

## 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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