



MARKET INSIGHTS

Occupancies elevated, rents on the rise

INVENTORY GROWTH



UNITS SHIPPED (2022) **112,900**

CHANGE FROM 2021 **+6.7%**

MARKET FUNDAMENTALS



OCCUPANCY RATE **94.4%**

CHANGE FROM Q4 2021 **+40bps**

AVERAGE RENTS **\$633**

CHANGE FROM Q4 2021 **+6.7%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER SPACE **\$57,600**

AVERAGE CAP RATE **6.0%**

HIGHLIGHTS

- Both supply and demand growth for manufactured housing slowed somewhat during the fourth quarter, offsetting an otherwise strong year of performance in the sector. Despite some slowing late in the year, most property performance metrics ended 2022 in healthier positions than they were at the beginning of the year.
- Occupancy in the fourth quarter ticked up 10 basis points to 94.4 percent. The rate rose 40 basis points in 2022, ticking higher across all major regions in the country.
- With conditions tight, rents surged 6.7 percent in 2022, reaching \$633 per month. The pace of rent growth accelerated in the past year; rents advanced 4.4 percent in 2021.
- After a decline in the third quarter, transaction activity slowed again to close out 2022. Rising financing costs are offsetting strong operational performance, although cap rates have begun to rise in response to the new capital markets environment. Prices still advanced in 2022, reaching \$57,600 per space.

MANUFACTURED HOUSING MARKET OVERVIEW

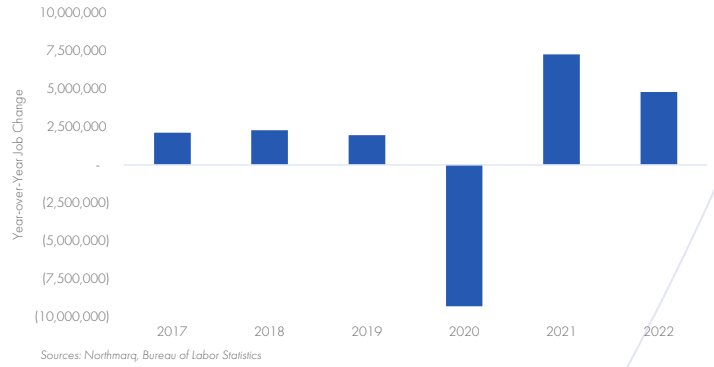
The national manufactured housing market reached new heights in 2022, although there were some signs of slowing as the year came to a close. After a strong start to the year, shipment volumes declined in both the third and fourth quarters, and supply growth in the second half of 2022 lagged levels from the same period in the previous year. While shipments cooled a bit as economic uncertainty trended higher, operating conditions in manufactured housing communities strengthened throughout the year. The occupancy rate trended higher, ticking up to 94.4 percent by the end of 2022; this marked the ninth time in the past 10 years when occupancy levels have improved. The tighter conditions and rising costs of all forms of housing supported rent growth. Average rents advance by 6.7 percent in 2022, with particularly strong gains recorded in the Southwest, West, and Midwest regions.

While operational performance in manufactured housing communities remained on sound footing throughout 2022, the rising costs of capital dragged on transaction activity, particularly during the final few months of the year. Fewer properties changed hands in 2022 than in 2021, the first annual decline in sales velocity in five years. Investors seemed to target properties in states that continue to attract in-migration, with Arizona and Nevada showing annual increases in transaction activity in 2022. While overall transaction volume slowed, prices edged higher; the median price in 2022 was up 26 percent from levels in the preceding year. Cap rates edged higher, particularly in the second half of the year, but the trading range expanded. The bulk of the transactions during the fourth quarter closed with cap rates between 6 percent and 8 percent, but there were a few transactions—generally in coastal states—where sales closed with cap rates near 5 percent.

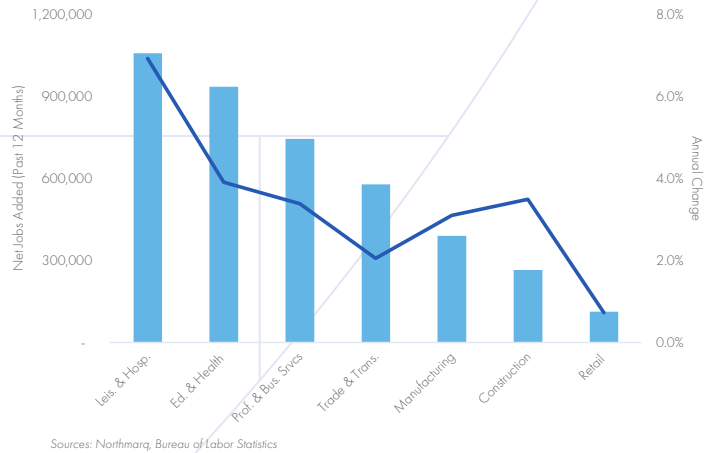
EMPLOYMENT

- The pace of growth in the national employment market slowed during the fourth quarter. Employers added approximately 850,000 jobs in the final three months of the year, down from nearly 1.3 million jobs added in the third quarter. December was the weakest month for gains in 2022; fewer than 240,000 positions were created in December.
- In 2022, total employment growth was nearly 4.8 million new jobs, a 3.2 percent rate of expansion. Employment levels surpassed the pre-COVID peak at midyear, and there are currently about 2.2 million more jobs in the market than a few years ago.
- The leisure and hospitality sector added back more than 1 million jobs in 2022. Even after the additions made in the past year, total employment in the sector remains about 3.5 percent lower than 2020 levels, allowing for additional gains by the peak summer travel season in the second or third quarter of 2023.
- The manufacturing sector should continue to expand as more companies on-shore jobs, following supply-chain disruptions and elevated transportation costs. Nearly 400,000 manufacturing jobs were created in the past year, a 3.1 percent expansion.
- The pace of retail employment growth has slowed as the economic outlook has softened. Employers added only 112,000 retail jobs in the past year, representing growth of just 0.7 percent. Recent gains have only been about half of the sector’s longer-term growth rate.
- Texas posted the largest annual additions to payrolls in 2022 with nearly 630,000 net new jobs created. Total employment in the state grew by 4.8 percent in the past year, a far faster rate than the national average.
- After recording rapid gains in the first several months of the year, payroll growth in California slowed in the fourth quarter. Still, employers added more than 530,000 jobs in the state in 2022, although the gain was limited to 63,000 positions in the fourth quarter.
- Florida continues to benefit from rapid in-migration from states throughout the Northeast, spurring employment growth. In 2022, the statewide labor totals expanded by 4.9 percent with the addition of nearly 450,000 jobs.
- Nevada posted the most rapid pace of economic recovery in 2022, as business and leisure travel showed significant signs of recovery. Total employment in the state grew 5.9 percent in 2022, as more than 85,000 jobs were added. Las Vegas accounted for 62,000 jobs out of the statewide total.

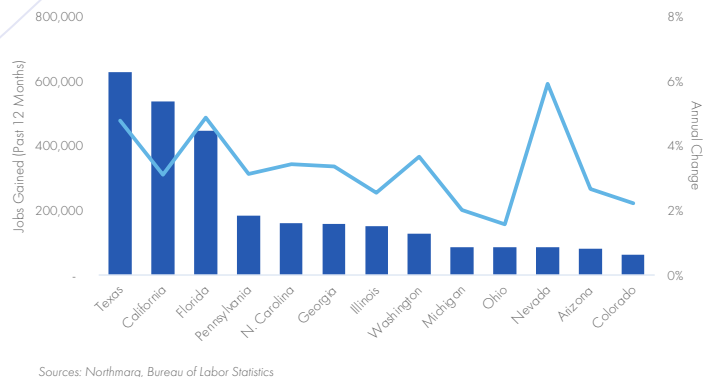
U.S. EMPLOYMENT TRENDS



SECTOR EMPLOYMENT TRENDS



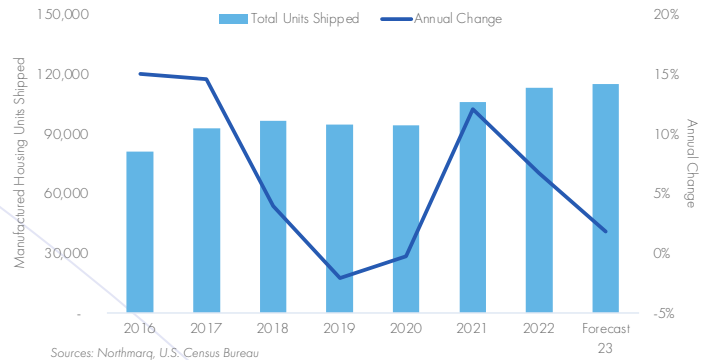
EMPLOYMENT TRENDS BY STATE



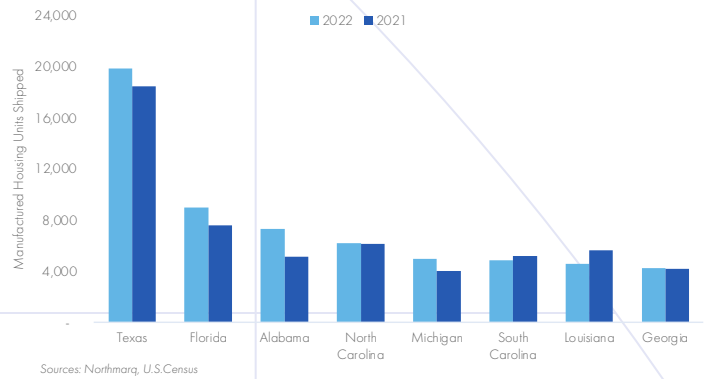
SUPPLY GROWTH

- During the fourth quarter, shipments of manufactured housing totaled 23,100 units, the lowest quarterly figure of the year. Total shipment volume in the fourth quarter was down 12 percent from the same period one year earlier.
- Despite the slowdown in the fourth quarter, shipment volume in 2022 was ahead of the 2021 pace. Approximately 112,900 units shipped in the past 12 months, up 6.7 percent from the prior year. Shipments averaged about 92,000 units per year from 2017 to 2020, before topping 100,000 units in 2021.
- Each of the six regions in the country recorded annual shipment increases in 2022, with the West region posting a 20 percent spike to lead the way. Additionally, shipment volume to the Pacific region surged by 10 percent.
- The South region accounted for the greatest volume of new inventory, with nearly 45,000 units shipped in 2022. Despite the elevated unit count, volumes to the South region inched up just 2 percent from 2021 to 2022.
- Nearly 20,000 units were shipped to Texas in 2022, more than doubling the total of the next-highest state. Shipment volume to Texas rose 7 percent from the 2021 total. Activity slowed a bit at the end of the year, with fewer than 3,800 units shipped to Texas in the fourth quarter.
- The rapid population growth being recorded in Florida is highlighted by elevated shipment activity. Approximately 9,000 manufactured housing units were shipped to Florida in 2022, up from 7,600 units in the prior year.
- Alabama recorded one of the fastest rates of year-over-year supply growth in the country in 2022. More than 7,300 units were shipped to Alabama in the past year, up more than 40 percent from 2021 levels.
- Michigan was the top state for activity levels in the Midwest in 2022. Nearly 5,000 units were shipped to the state in the past year, a 23 percent spike from the 2021 total. Other states in the Midwest to record significant increases in inventory growth in 2022 included Indiana, Ohio, and Kansas.
- With the statewide economy bouncing back, demand rebounded in California. More than 4,000 manufactured housing units were shipped to California in 2022, up from 3,350 units the prior year. percent year over year.

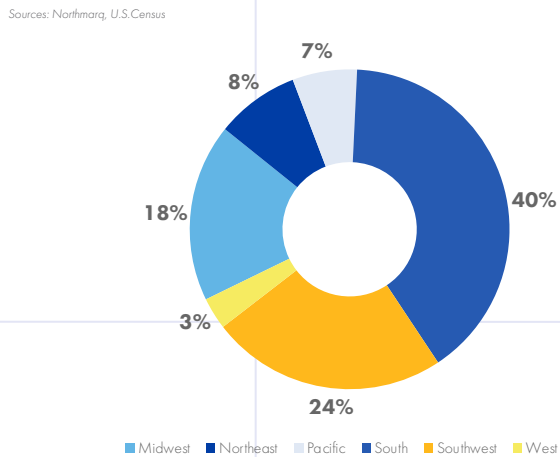
U.S. MANUFACTURED HOUSING SHIPMENTS



MANUFACTURED HOUSING SHIPMENTS BY STATE



MANUFACTURED HOUSING SHIPMENTS BY REGION

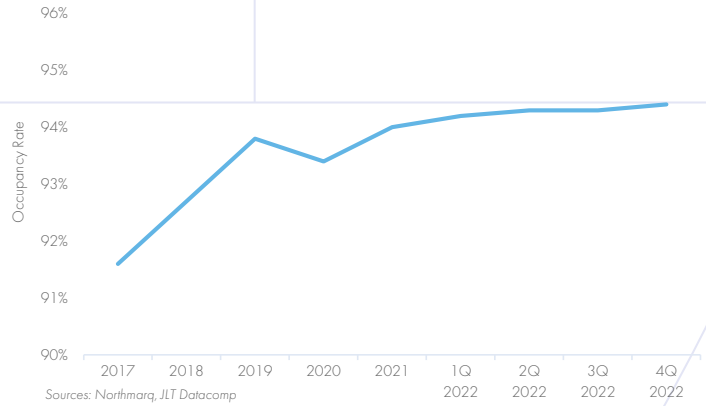


Approximately 112,900 units shipped in the past 12 months, up 6.7 percent from the prior year.

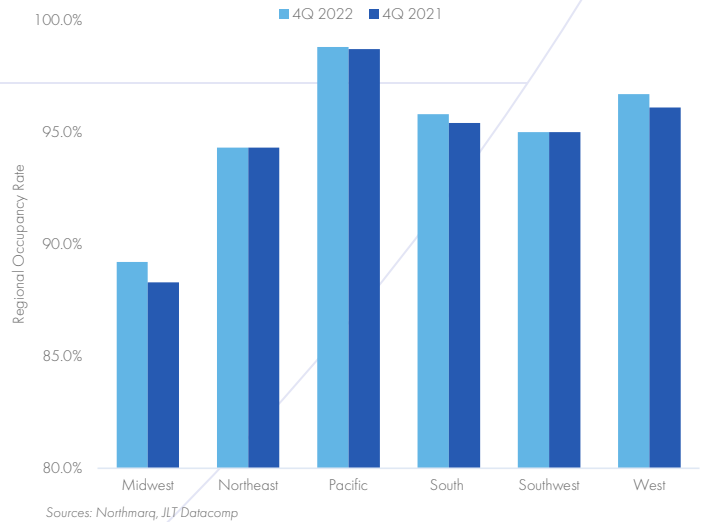
OCCUPANCY

- After holding steady throughout the middle part of the year, the national occupancy rate inched up 10 basis points in the fourth quarter, ending 2022 at 94.4 percent.
- Occupancy rose 40 basis points in 2022, building on a 60-basis point gain in the preceding year. National occupancy rates have trended higher in nine of the past 10 years, advancing by more than 900 basis points during that time.
- Occupancy trends in the South region largely tracked conditions at the national level in 2022. The region's occupancy rate inched up 10 basis points in the fourth quarter and rose 40 basis points for the full year, ending 2022 at 95.8 percent. In Florida, occupancy reached 96.2 percent.
- The Midwest recorded the strongest annual occupancy improvement in 2022. The rate rose 90 basis points to 89.2 percent during the course of the year. Since the end of 2020, the regional occupancy rate has jumped 200 basis points.
- After inching lower in the previous period, occupancy levels in the Southwest region rebounded in the fourth quarter. Occupancy in the Southwest ended 2022 at 95 percent, identical to the year-earlier figure. For the full year, occupancy rose 30 basis points in Arizona, but the rate dipped 20 basis points in Texas.
- Extremely tight conditions in California continued to fuel performance in the Pacific region. Occupancy in California rose 10 basis points in 2022 to 98.8 percent. Occupancy in the Pacific region has remained above 98 percent since 2018.

OCCUPANCY OVERVIEW



MANUFACTURED HOUSING OCCUPANCY BY REGION



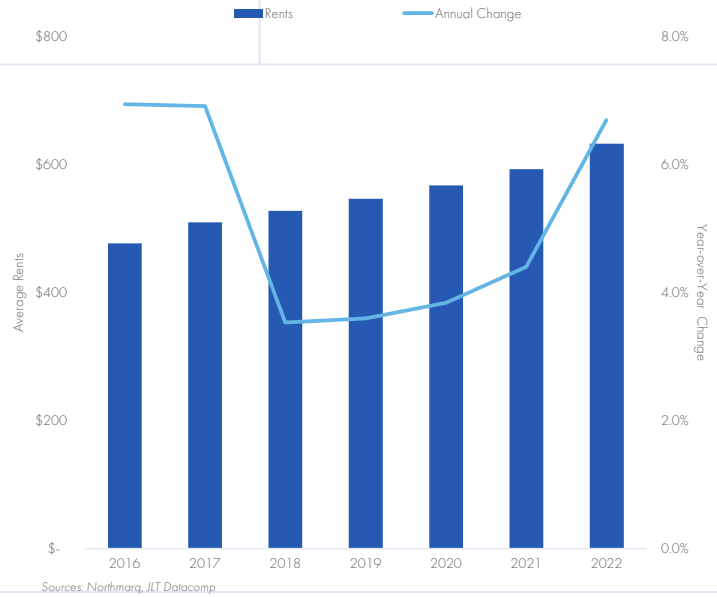
National occupancies have trended higher in each of the past eight quarters.

RENTS

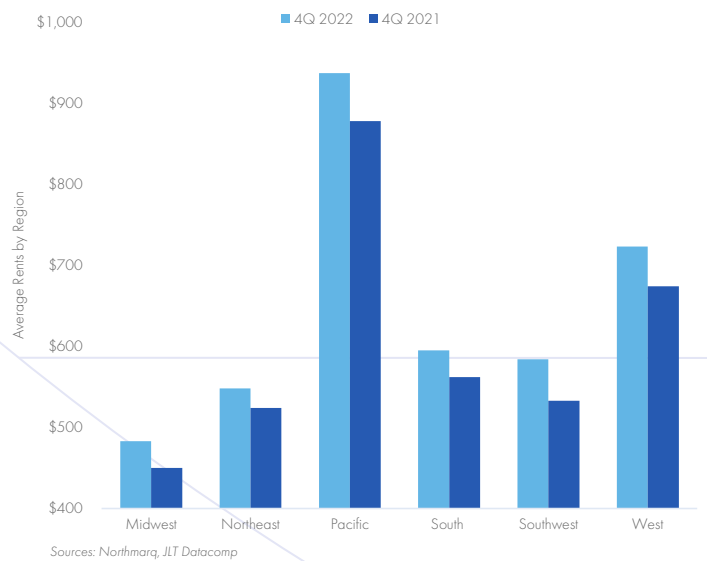
- Rents rose 1.3 percent in the final three months of the year, somewhat slower than the quarterly gains in the middle part of 2022. The average rent ended the fourth quarter at \$633 per month. Quarterly rents have advanced by more than 1 percent in six of the past seven quarters.
- The national pace of rent growth totaled 6.7 percent in 2022, up from a 4.4 percent gain in 2021. Rent spikes have averaged more than 5 percent per year since 2015.
- Rent growth in the Southwest was particularly rapid in 2022. The average rent in the Southwest spiked 8.7 percent in the past year, reaching \$584 per month. Rents in Arizona rose 8.9 percent, matching the gain recorded in Texas in 2022. In Oklahoma, rents advanced 9.2 percent.
- In the South region, rents advanced 5.9 percent in the past year, rising to \$595 per month. Florida, the state with the most manufactured housing communities in the region, posted an increase of 5.6 percent in 2022, with rents reaching \$621 per month.
- The Midwest region has the lowest average rents, but the pace of growth is more rapid than the national rate. Rents in the Midwest surged 7.3 percent in 2022, reaching \$483 per month. Each state in the region recorded an annual rent gain of at least 5 percent in the past year.

The average rent ended the fourth quarter at \$633 per month.

RENTS OVERVIEW



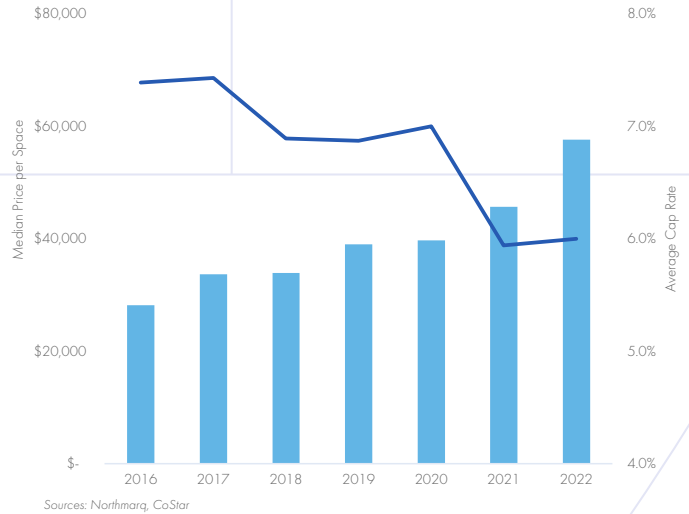
MANUFACTURED HOUSING RENTS BY REGION



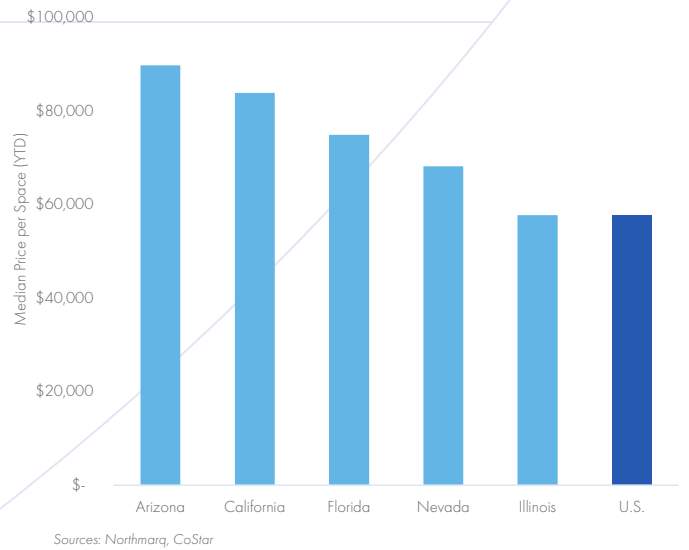
MANUFACTURED HOUSING SALES

- Sales velocity slowed in the last three months of 2022, as elevated interest rates hindered sales. Total sales fell 14 percent from the third quarter to the fourth quarter.
- Transaction volume in 2022 was down 33 percent from levels recorded in 2021. National sales velocity edged higher in each year from 2017 through 2021, before declining in the past 12 months.
- The national median price was \$57,600 per space in 2022, up 26 percent from the median price in 2021. While fewer properties sold during the course of the year, the volume of transactions of \$30 million or more increased from 2021 to 2022. The increase in larger transactions likely influenced the per-space price.
- Cap rate trends were mixed during the fourth quarter. Several properties changed hands with cap rates ranging between 6 percent and 8 percent during the final three months of the year, but there were a handful of transactions where cap rates were closer to 5 percent.
- For the full year, cap rates averaged 6 percent, up slightly from the average in 2021. Cap rates generally compressed throughout all of 2021 and gradually pushed higher in each quarter of the past year.
- California was the top state for transaction volume in 2022. Sales velocity in California accelerated during the fourth quarter, as roughly 40 percent of the state’s annual sales occurred in the last three months of 2022. The median price in the state rose to nearly \$84,000 per space, while cap rates averaged approximately 5.2 percent.
- Despite cooling during the fourth quarter, Florida was still one of the most active states for sales in 2022, with annual transactions closely tracking levels in California. The median sales price in Florida reached \$74,900 per space in 2022, up 35 percent from the 2021 figure.
- In the Southwest, investors were particularly active in the high-growth states of Arizona and Nevada, with transaction volume and sales prices rising in both states from 2021 to 2022. The median price in Arizona spiked to nearly \$90,000 per space in the past year, while the median price in Nevada reached \$68,200 per space.
- While Illinois, Indiana, and Wisconsin continue to be the most active states in the Midwest, transaction totals in Iowa rose substantially from 2021 to 2022. Sales velocity in Iowa accelerated by 40 percent in 2022.
- Many properties in the Midwest generally trade with prices between \$25,000 per space and \$30,000 per space, but several larger assets sold in Illinois this past year, pushing prices higher. The median price in Illinois in 2022 was \$56,700 per space.
- Investor demand remained strong in Texas, which spilled over into neighboring Oklahoma. Sales velocity accelerated and pricing surged in Oklahoma. The median sales price in Oklahoma reached \$47,200 per space in 2022, considerably higher than prices in the preceding year.

U.S. MANUFACTURED HOUSING SALES & CAP RATES



MANUFACTURED HOUSING SALES PRICES BY STATE



The national median price was \$57,600 per space in 2022.



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