

Market Insights

Manufactured Housing 3Q 2021



Inventory Growth



79,400

Units shipped (YTD)

+14%

Change from 2020

Market Fundamentals



93.9%

Occupancy rate

+60bps

Change from
3Q 2020

\$586

Average rents

+4.1%

Change from
2Q 2020

Transaction Activity



\$43,300

Median sales price
(per space YTD)

6.1%

Average cap
rate (YTD)

Occupancy Rates Hit 20-Year High, Investment Activity Accelerates

Highlights

- Operating fundamentals for manufactured housing communities continued to strengthen during the third quarter. The pace of shipments is gaining momentum, occupancy rates are rising, rents have pushed higher, and the investment market continued to post gains.
- Average rents have increased 4.1 percent year over year, ending the third quarter at \$586 per month. All regions in the country are recording rent increases with the strongest gains occurring in the South region.
- After rising in the second quarter, sales velocity spiked 35 percent during the third quarter. The sharp acceleration in transactions caused prices to push higher. The median price recorded year to date is approximately \$43,300 per space, while cap rates have compressed to 6.1 percent on average.
- Occupancy rose for the fifth consecutive period in the third quarter, inching up 10 basis points to 93.9 percent. This marks the highest national occupancy rate in 20 years.

Manufactured Housing Market Overview

The national manufactured housing market continued its steady improvement during the third quarter. While many other commercial property sectors have recorded significant volatility during the past 24 months, manufactured housing has maintained steady improvement with occupancy rates inching higher in each of the past five quarters and rents rising at a more modest pace than other residential housing alternatives. This affordability advantage should continue to support demand for manufactured housing. The ongoing demand is best illustrated by the occupancy rate reaching its highest point in the past 20 years, even as shipments are ahead of the pace recorded during the past several years. Supply chain disruptions slowed the pace of shipments in the third quarter, a trend that will likely linger for a few more months.

The pace of sales of manufactured housing communities spiked by approximately 35 percent during the third quarter as investors are increasingly being drawn to the asset class. While the states with the largest inventories of communities—including Florida, California, and Texas—are leading the way for total transaction volume, several other areas are recording a rise in activity. During the third quarter, high-growth states such as Arizona and Georgia recorded transaction spikes, while increases were also recorded in Michigan, Tennessee, and Indiana. The increased investment activity has resulted in ongoing cap rate compression and a rise in per-space pricing. The rise in prices was particularly steep in transactions that closed during the third quarter.

Employment

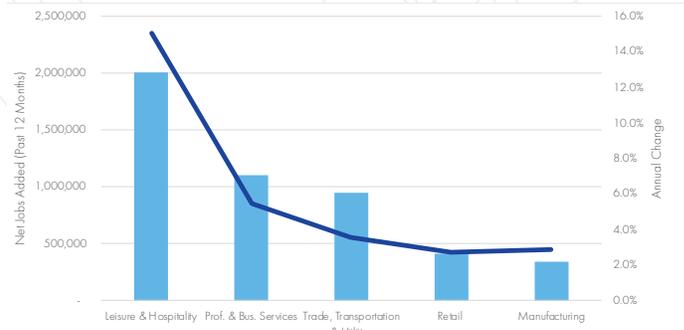
- The national employment market posted robust growth through the first three quarters of the year. In the first nine months of 2021, employers added back more than 5 million jobs, including the addition of nearly 1.9 million jobs during the third quarter.
- **July was the strongest month of job growth** during the third quarter with nearly 1.1 million jobs added, or almost 60 percent of the total for the quarter. This marked the strongest monthly gain in the national labor market since August of last year.
- Year over year through the third quarter, **total employment** expanded by more than 5.9 million jobs, a growth rate of 4.2 percent. Despite the additions, current employment is still down 3.1 percent from the pre-COVID peak.
- After shedding more than 4.6 million jobs in the first half of 2020, the **leisure and hospitality sector** posted strong gains to this point in 2021. In the past 12 months, the section added back more than 2 million jobs; employment in the sector has rebounded by 15 percent.
- The **manufacturing and trade, transportation, and utilities sectors** recorded gains during the past several quarters. Year over year, the trade, transportation, and utilities industry expanded by 3.6 percent, while manufacturing employment expanded by 2.9 percent.
- Employers in **California** added back more than 263,000 jobs during the third quarter, the largest quarterly job growth in the nation. Despite a gain of approximately 740,000 jobs year to date across the state, California's labor market is still down 5.6 percent from the pre-pandemic peak. California is expected to continue to recover in the coming quarters as the state's economy returns to more normal conditions.
- The labor market in **Texas** has consistently outperformed most other areas in the country in recent years. Employers in Texas added nearly 226,000 jobs during the third quarter, the largest quarterly growth in the state on record. Year over year, employers in Texas have expanded payrolls by almost 6 percent with the addition of more than 705,000 jobs.
- Job growth in **Arizona** cooled off during the third quarter following strong growth during the previous quarter. Employers in Arizona added back nearly 26,000 jobs during July through September. Year over year, employment in Arizona expanded by 4.9 percent.
- Employment additions in **Florida** accelerated in the third quarter, as roughly 173,000 jobs were added, building on a gain of 136,000 workers during the second quarter. In the 12-month period ending in the third quarter, the labor market in Florida has grown by 4.7 percent.
- **Pennsylvania** posted a fairly steady job recovery thus far in 2021 with the addition of nearly 140,000 jobs in the first nine months of the year. During the third quarter, employers in the state added back nearly 39,000 jobs. Year over year through the third quarter, employment in Pennsylvania expanded by almost 2.5 percent.

U.S. Employment Trends



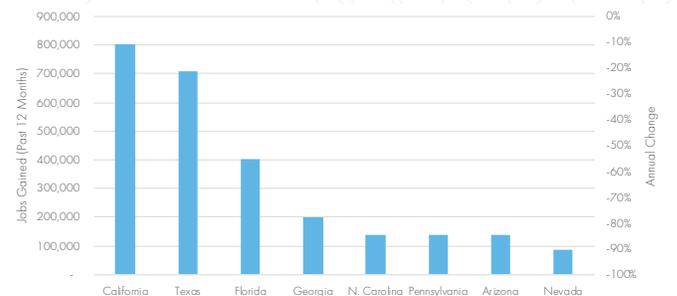
* 12-Month Period Ending 3Q 2021
Sources: NorthMarq, Bureau of Labor Statistics

Sector Employment Trends



Sources: NorthMarq, Bureau of Labor Statistics

Employment Trends by State

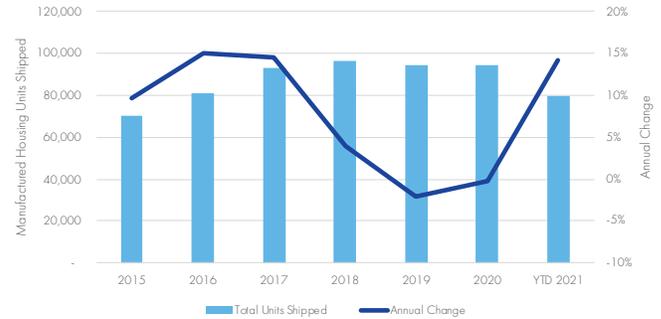


Sources: NorthMarq, Bureau of Labor Statistics
Year over Year Through 3Q 2021

Supply Growth

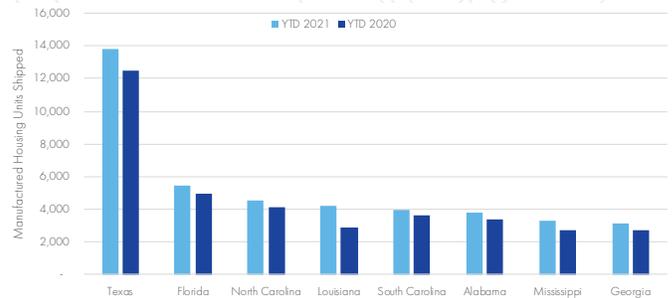
- After peaking in the first half of this year, shipments of manufactured housing units slowed during the third quarter. Shipments totaled 25,700 units in the third quarter, 5 percent lower than the total recorded in the second quarter.
- Year to date, **shipments** have accelerated compared with recent years, totaling 79,400 units. Shipments through three quarters are up 14 percent compared with the same period in 2020 and are 12 percent ahead of the average pace recorded from 2017-2020.
- The top 15 states for shipments—which account for more than 70 percent of the national total inventory growth— have all posted increases in units shipped compared with last year. The average year-over-year increase is 16 percent, while a few states have posted gains of 25 percent or more.
- Nearly all of the top states for shipments are in the **South region**, led by Florida, Louisiana, North Carolina, and South Carolina. Year to date, nearly 22,000 units have been shipped to the South region, up 19 percent from totals one year ago.
- Shipments to the **Southwest region** are up 11 percent from 2020 levels. Texas leads the way in the Southwest and in the country, with approximately 14,000 units shipped, 10 percent higher than during the same period in 2020.
- Led by strong growth in **Michigan**, inventory growth in the Midwest is rising. More than 3,000 units have been shipped to Michigan in 2021, up 18 percent from one year ago. Shipments to the Midwest are up 11 percent year to date.
- **California** is one of the few states that is not posting double-digit rates of increase in shipments. Approximately 2,500 units have been shipped to California through the first nine months of this year, up just 3 percent from the same period in 2020.
- **Oregon and Washington** both posted annual increases of 18 percent from 2020 through the first three quarters of this year. More than 1,200 units were shipped to Oregon with an additional 1,100 units shipped to Washington. Both states face housing affordability challenges.
- **Idaho** has been one of the fastest-growing states in the country in recent years and shipments are rising at a rapid pace. Shipments to Idaho are up more than 40 percent from 2020 levels.

U.S. Manufactured Housing Shipments



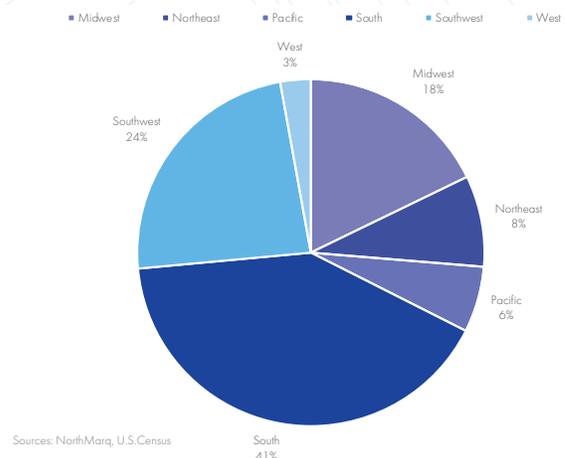
Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by State



Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by Region

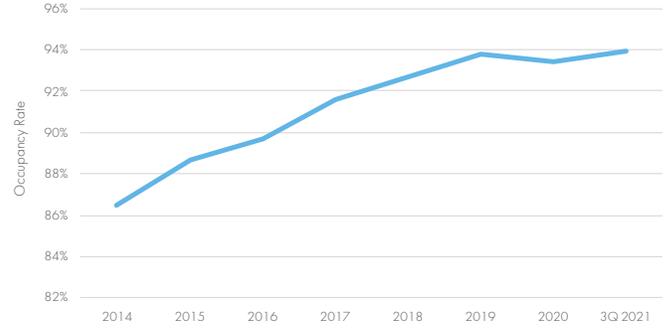


Sources: NorthMarq, U.S. Census

Occupancy

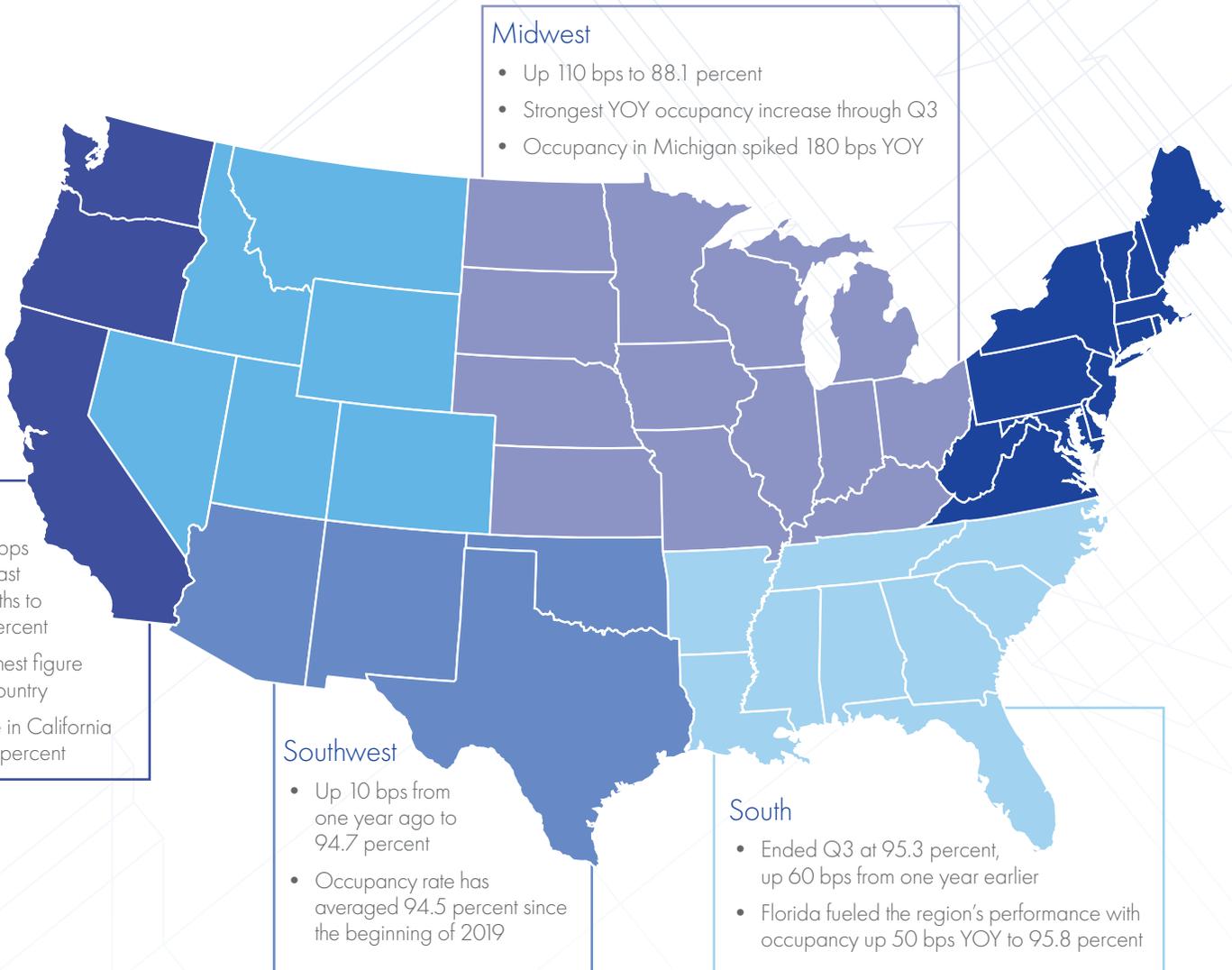
- The national occupancy rate rose 10 basis points in the third quarter, matching the increase recorded during the second quarter. The rate inched up to 93.9 percent, the highest figure in the past 20 years.
- Year over year through the third quarter, occupancy is up 60 basis points. Occupancy in manufactured housing has remained in a very tight range since the end of 2019, not ticking below 93 percent or rising above 94 percent.

Occupancy Overview



Sources: NorthMarq, JLT Datacomp

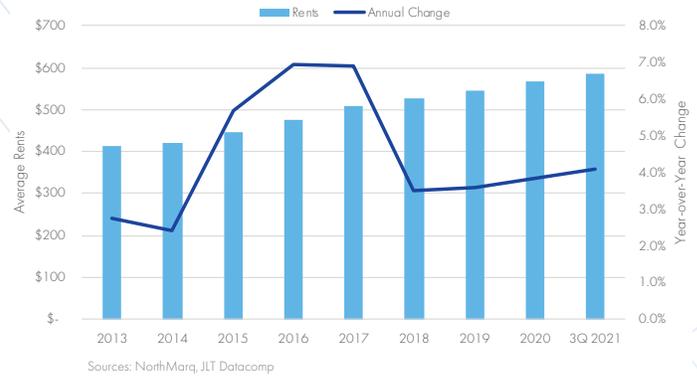
“ The national occupancy rate inched up to 93.9 percent, the highest figure in the past 20 years.



Rents

- Rent growth gained momentum during the third quarter, rising 1.4 percent, building on a 1.2 percent increase in the second quarter. Average rents reached \$586 per month in the third quarter. Year to date, rents are up 3.2 percent, compared with a 2.9 percent advance during the first three quarters of 2020.
- The pace of rent growth has accelerated. Rents have expanded an average annual rate of 3.8 percent since 2018 but are up 4.1 percent year over year as of the third quarter.

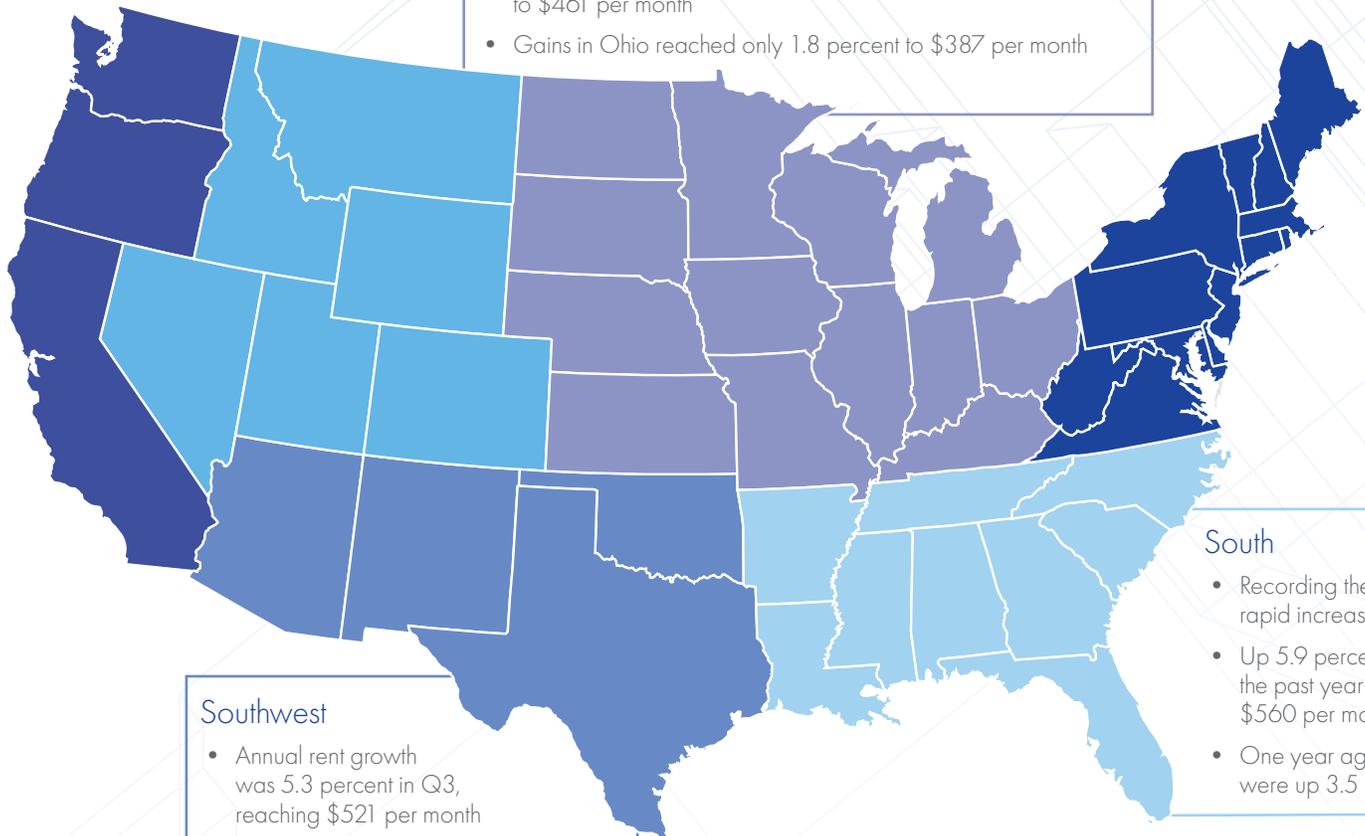
Rents Overview



Average rents reached \$586 per month in the third quarter.

Midwest

- Rent growth totaled 3.5 percent YOY, reaching \$448 per month
- Michigan saw the strongest gains—rents are up 4.1 percent to \$461 per month
- Gains in Ohio reached only 1.8 percent to \$387 per month



Southwest

- Annual rent growth was 5.3 percent in Q3, reaching \$521 per month
- Rents in Texas are up 5.4 percent
- Arizona rents have advanced 4 percent

South

- Recording the most rapid increases
- Up 5.9 percent in the past year to \$560 per month
- One year ago, rents were up 3.5 percent

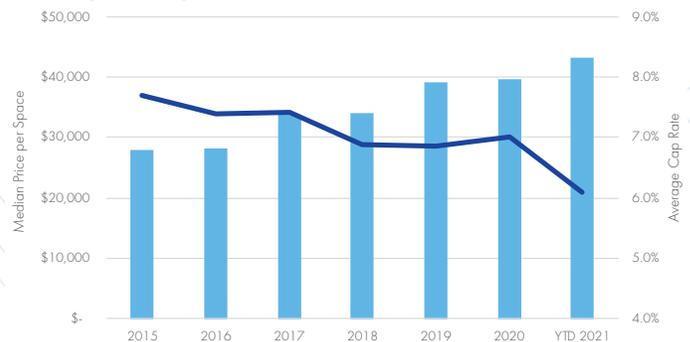
Manufactured Housing Sales

- After sales of manufactured housing communities accelerated in the second quarter, additional momentum built during the third quarter. Transaction activity spiked 35 percent in the third quarter.
- Year-to-date **sales velocity** is nearly identical to levels recorded during the first nine months of last year and is up 9 percent when compared with activity levels during the same period in 2019. Transaction counts in the manufactured housing sector have been more stable than in other commercial property types in recent years.
- After inching lower in the first half of the year, the median price in sales rose during the third quarter. The **median price** recorded year to date is approximately \$43,300 per space, 9 percent higher than the median price in 2020. In deals that closed in the third quarter, the median price spiked to \$52,800 per space.
- **Cap rates** have averaged 6.1 percent to this point in 2021, down from 7 percent in 2020. Cap rates during the third quarter inched lower, averaging 5.9 percent.
- **Florida** continues to record the most activity of any state. The transaction count in Florida through the first three quarters of this year makes up more than 15 percent of the total property sales throughout the country. Cap rates in the state have averaged about 5.25 percent this year, while the median price is approximately \$46,700 per space.
- **California** has lagged only Florida for sales activity year to date, and the state has some of the highest prices in the country. Sales in the third quarter in California eclipsed the total from the first half of the year, with several transactions taking place in the Sacramento area. The median sales price is \$70,000 per space, while cap rates have averaged 4.4 percent.
- Activity gained momentum in **Arizona** in the third quarter, particularly in larger sales in the Phoenix and Tucson areas. With activity picking up, prices have advanced. The median price in the state is approximately \$50,500 per space, while cap rates are near the national average.
- Property sales have gained momentum in **Indiana**, making the state one of the most active in the Midwest region. Pricing in the state is generally higher than most of the rest of the region; the median price in Indiana to this point in 2021 is \$35,300 per space with cap rates averaging 5.5 percent.
- While Florida has led the country in transaction activity, sales velocity has gained momentum in two other states in the South region since midyear. Transaction activity in **Georgia** accelerated and the median price in the state spiked to about \$72,000 per space. In **Tennessee**, several properties have changed hands priced around \$5 million; the median price in these transactions has been \$26,400 per space with cap rates near 7 percent.



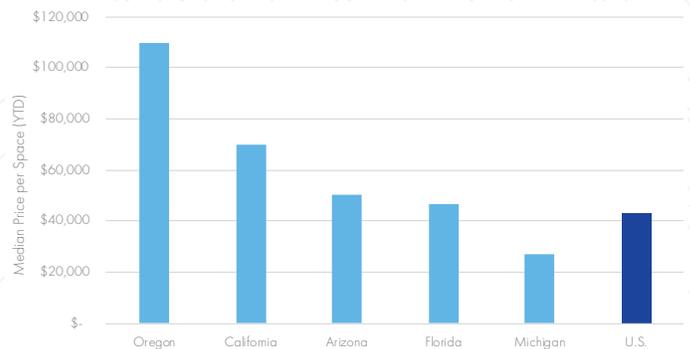
In the third quarter, the median price spiked to \$52,800 per space.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar



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