

Market Insights

Manufactured Housing 4Q 2021



Inventory Growth



105,800

Units shipped (YTD)

+12%

Change from 2020

Market Fundamentals



94.0%

Occupancy rate

+60bps

Change from
4Q 2020

\$593

Average rents

+4.4%

Change from
4Q 2020

Transaction Activity



\$45,700

Median sales price
(per space YTD)

5.9%

Average cap
rate (YTD)

Manufactured Housing Market Hits New Highs to Close 2021

Highlights

- The national manufactured housing market continued to improve in the fourth quarter. Occupancy rates rose and rents advanced. Demand is elevated and shipments of new units accelerated. The investment market gained momentum with more properties trading and prices pushing higher.
- Occupancy rose for the sixth consecutive quarter, inching up 10 basis points to 94 percent. The rate advanced 60 basis points in 2021, offsetting a modest decline in the preceding year.
- Rents rose 4.4 percent in 2021, outpacing a gain of 3.8 percent one year earlier. Rents ended the year at \$593 per month. All regions in the country recorded rent increases for the year, with the strongest gains recorded in the West and the Southwest regions.
- The year closed on an upswing for investment activity. More properties sold during the fourth quarter than during any three-month period in more than a decade. Prices rose in 2021; the median price reached \$45,700 per space. Cap rates compressed throughout the year, averaging 5.9 percent for the year and 5.1 percent in the fourth quarter.

Manufactured Housing Market Overview

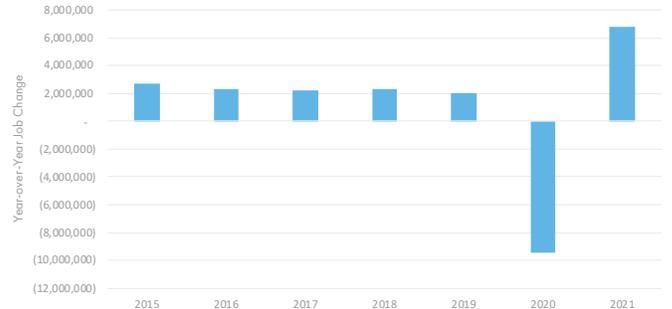
Strong demand for housing and a strengthening national economy continued to support the manufactured housing market in 2021. The occupancy rate posted steady gains throughout the year, and shipments of new units reached a 15-year high. The economic recovery has been uneven throughout the country, with many states across the Sunbelt having come close to a full rebound while employment levels in many coastal regions continue to lag pre-COVID peaks. While paces of economic growth have fluctuated, most regional manufactured housing markets are posting similar performance. Occupancy levels are on the rise in both high-growth regions and in states where population totals are more stable. Rents are also rising throughout the country, although the Sunbelt region is generally posting average increases about 200 basis points higher than in the Northeast and Midwest.

Investors stepped up acquisition activity for manufactured housing communities throughout 2021. As sales velocity has accelerated, the investment market has become increasingly competitive, pushing prices higher and causing cap rates to compress. In 2021, the median price rose nearly 15 percent, and cap rates dropped more than 100 basis points. All of these trends intensified during the fourth quarter. Sales velocity reached its highest quarterly total in more than a decade, the median price topped \$55,000 per space, and cap rates compressed to just 5.1 percent. Looking ahead to 2022, demand for manufactured housing is expected to remain elevated, as the sector remains one of the few lower-cost housing options in an increasingly expensive housing market. Interest rates will likely push higher, which should cause the cap rate compression that occurred throughout the past year to level off.

Employment

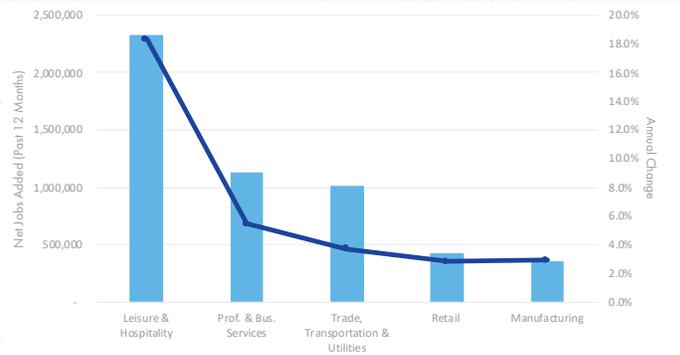
- The pace of national job growth accelerated in the final months of 2021, with the addition of more than 1.9 million jobs in the fourth quarter. Employment levels surged in the second half of the year, coinciding with the mass distribution of the COVID-19 vaccines.
- The nation’s employment levels recovered in 2021, as the economy regained momentum from the pandemic lockdowns. Year over year, nearly 6.7 million jobs were added back to payrolls, an increase of 4.7 percent. While the labor market has not made a full recovery, it is anticipated that with the current pace of job growth, employment levels will surpass the pre-pandemic peak in 2022.
- All sectors of the labor market posted gains in 2021, reflecting the overall strengthening of the nation’s economy. The construction, manufacturing, and retail trade sectors posted annual growth rates of 2.2 percent, 3.1 percent, and 2.7 percent respectively. Together, these three sectors added 954,000 jobs back to the nation’s payrolls.
- California led the country in job growth in 2021. Employers in the nation’s largest state added back 954,000 jobs, a gain of 6 percent. Additional gains are likely in 2022, as California fully reopens its economy.
- The pace of regional relocations by individuals and businesses has accelerated in recent years. Texas has been one of the top beneficiaries of this trend. Employers in Texas added nearly 700,000 jobs in 2021, growing payrolls by 5.6 percent.
- Florida was another popular state for relocations in 2021, a trend that is likely to continue, particularly as financial companies seek less costly alternatives to expensive Northeast markets. Employers in Florida added approximately 480,000 jobs in 2021, an expansion of 5.6 percent.
- Arizona recovered quicker than most other states in 2021, adding back all the jobs lost and surpassing the pre-pandemic peak before the new year. For the full year, employment in Arizona grew by 5.1 percent with the addition of 147,200 jobs.
- Nevada’s economy probably benefited the most out of any other state due to the recovery of the leisure and hospitality sector, which brought tourism back to the city of Las Vegas. Nevada’s labor market grew by 94,700 jobs in 2021, a gain of 7.4 percent.
- Georgia’s economic recovery has led to one of the nation’s lowest unemployment rates, as the state recorded an all-time low of 3.3 percent in December. Year over year, employers in Georgia added back 198,200 jobs, a growth of 4.5 percent.

U.S. Employment Trends



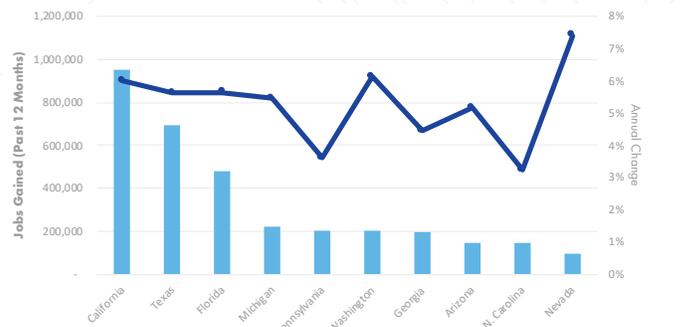
Sources: NorthMarq, Bureau of Labor Statistics

Sector Employment Trends



Sources: NorthMarq, Bureau of Labor Statistics

Employment Trends by State

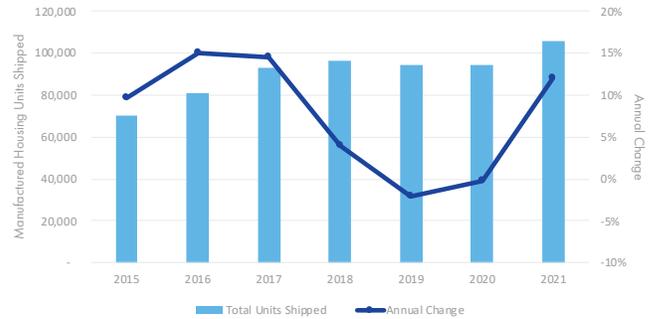


Sources: NorthMarq, Bureau of Labor Statistics
Annual Total 2021

Supply Growth

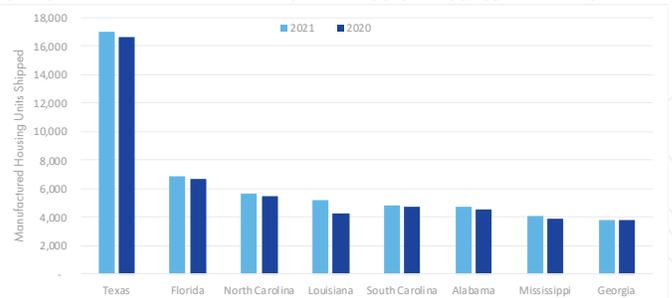
- Inventory growth surged in 2021 with shipments totaling approximately 105,800 units, up 12 percent when compared to 2020 levels. Prior to this past year, levels had been fairly consistent; from 2017 to 2020, shipments averaged 94,600 units per year. This marked the highest annual total of shipments since 2006.
- Shipments in the fourth quarter totaled approximately 26,400 units, up 7 percent from the same period in 2020. National shipments in the second half of 2021 came in 3 percent lower than the total during the first half of the year.
- Most of the top states for shipments posted annual increases from 2020 to 2021. One of the largest spikes was recorded in Louisiana, where approximately 5,200 units were shipped in 2021, up 22 percent from the preceding year.
- The South was the top region for shipments in 2021. Approximately 41,000 units were shipped to the South region, up 7 percent from 2020. Each of the states in the South region recorded shipment increases from 2020 to 2021.
- Fueled by activity in Texas, shipments to the Southwest region totaled approximately 25,000 units in 2021, up 12 percent from the preceding year. Shipments to Texas accounted for nearly 75 percent of the regional total, nearly identical to the share in 2020.
- Oklahoma accounted for only about 10 percent of the shipments to the Southwest region, but the state recorded a steep gain in 2021. Shipments to Oklahoma spiked approximately 20 percent in 2021, reaching more than 2,500 units.
- The top two states for shipments in the Midwest posted increases in 2021, but the region itself posted mostly steady inventory growth totals. In 2021, about 18,000 units were shipped to the Midwest region, up less than 5 percent from 2020. Shipments to Michigan rose 8 percent in 2021 while shipments to Kentucky rose 6 percent.
- While most states recorded shipment increases in 2021, the pace of inventory growth cooled in California. Shipments to California totaled only 3,100 units in 2021, down 4 percent from the preceding year. Population growth in California has slowed in recent years, with some residents moving out of the state and into less expensive nearby states.
- One state that has benefited from migration trends is Idaho, one of the fastest-growing states in the country. Shipments of manufactured homes to Idaho spiked 27 percent in 2021. Additionally, shipments to Montana surged 38 percent.

U.S. Manufactured Housing Shipments



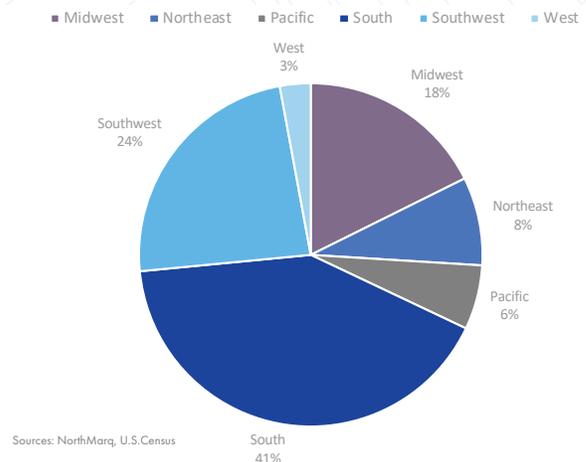
Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by State



Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by Region

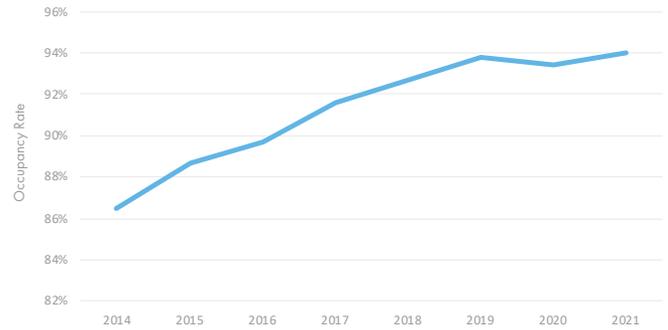


Sources: NorthMarq, U.S. Census

Occupancy

- The national occupancy rate rose again in the fourth quarter, ticking up 10 basis points to 94 percent. This was the sixth straight quarter where the rate improved and the third consecutive quarter where the rate rose exactly 10 basis points.
- Occupancy rose 60 basis points in 2021, after inching lower in 2020. With the exception of a modest dip in 2020, the rate has generally trended higher since topping 90 percent in 2017.
- The greatest occupancy gains were recorded in the Midwest region in 2021. The rate rose 120 basis points for the year, reaching 88.3 percent. Occupancy in the Midwest ticked up 20 basis points in the fourth quarter.
- The South region posted a 60-basis-point occupancy increase in 2021, with the rate reaching 95.4 percent. Performance in Florida fueled the improvement; the rate rose 100 basis points in Florida in 2021 to 95.8 percent.
- Occupancy in the Southwest rose 30 basis points during the fourth quarter, after holding steady for most of the year in 2021. The rate ended the year at 95 percent in the Southwest region. In Texas, the rate ended the year at 95.8 percent, down 10 basis points for the full year.
- The occupancy rate in the Pacific region continued to tighten throughout 2021. The rate reached 98.7 percent in the fourth quarter, up 40 basis points for the year. Occupancy in the Pacific region ticked up 10 basis points in the fourth quarter.

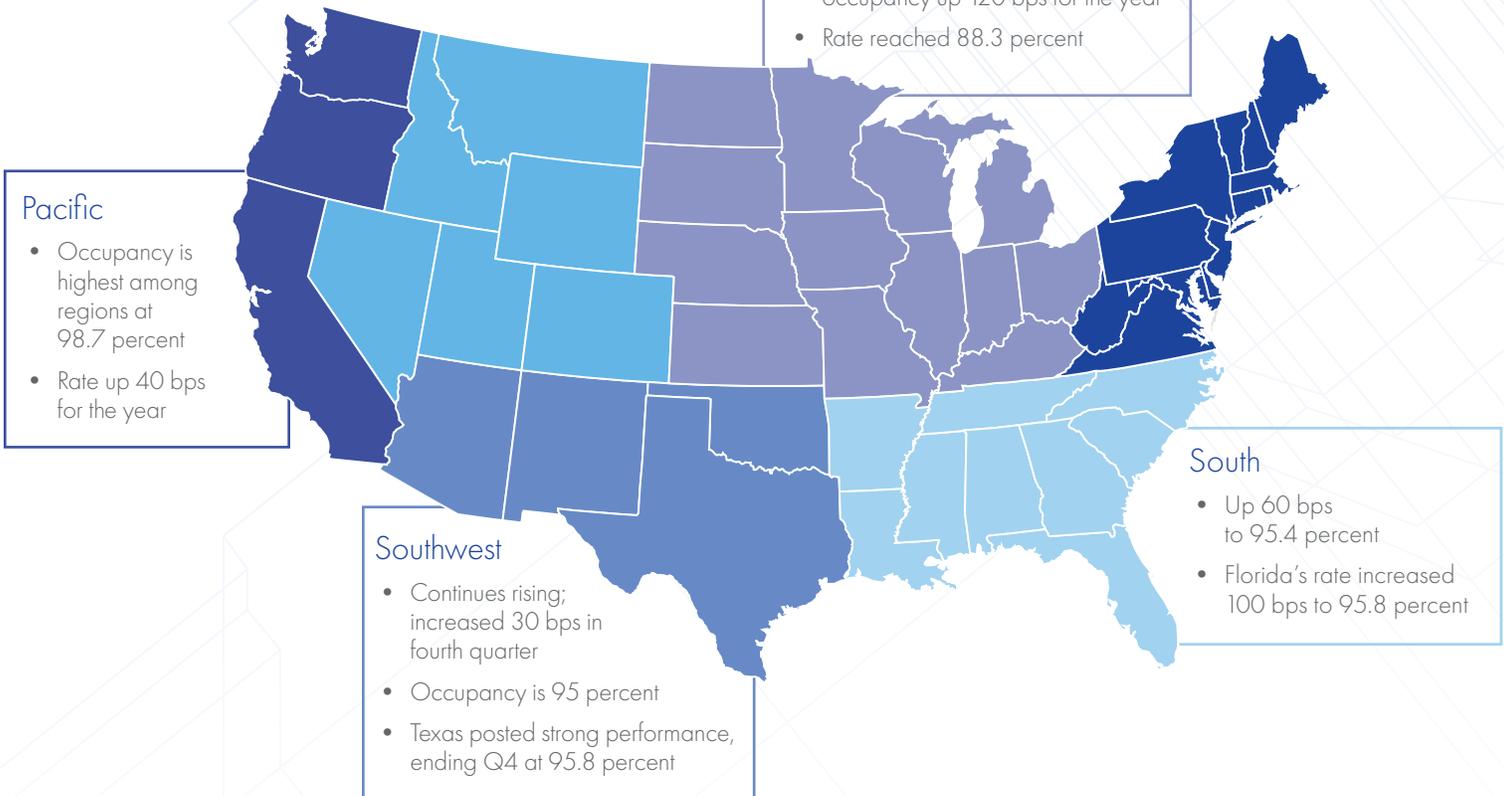
Occupancy Overview



Sources: NorthMarq, JLT Datacomp



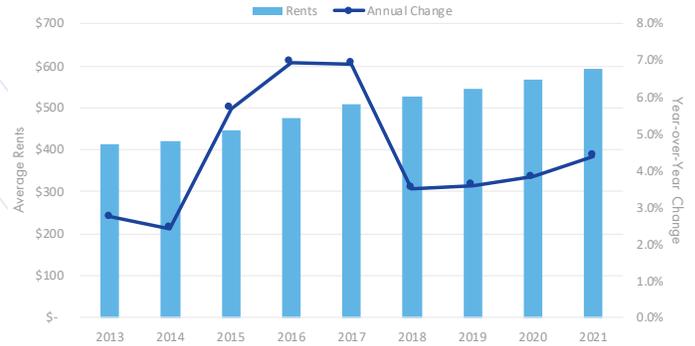
The national occupancy rate rose 60 basis points in 2021 to 94 percent.



Rents

- Rents have been rising at a mostly steady pace in recent quarters. During the fourth quarter, average rents rose 1.2 percent, reaching \$593 per month. Rents rose 1.4 percent in the third quarter.
- The pace of rent growth accelerated in 2021. Average rents increased 4.4 percent in the past year, following a gain of 3.8 percent in the previous year. Annual rent growth has averaged 3.8 percent since 2018.
- Rents in the West region posted the strongest gains in 2021, rising 5.6 percent to \$674 per month. The pace of rent growth is accelerating; rents in the West region rose 4.2 percent in 2020.
- In the Southwest region, rents increased 5.3 percent in 2021 to \$533 per month. Rents rose 5.8 percent in Texas and 5 percent in Arizona.
- Rents in the South region increased 4.7 percent in 2021, reaching \$562 per month. The strongest gains were in Georgia, where rents spiked 8.6 percent. In Florida, rents advanced 4.4 percent.

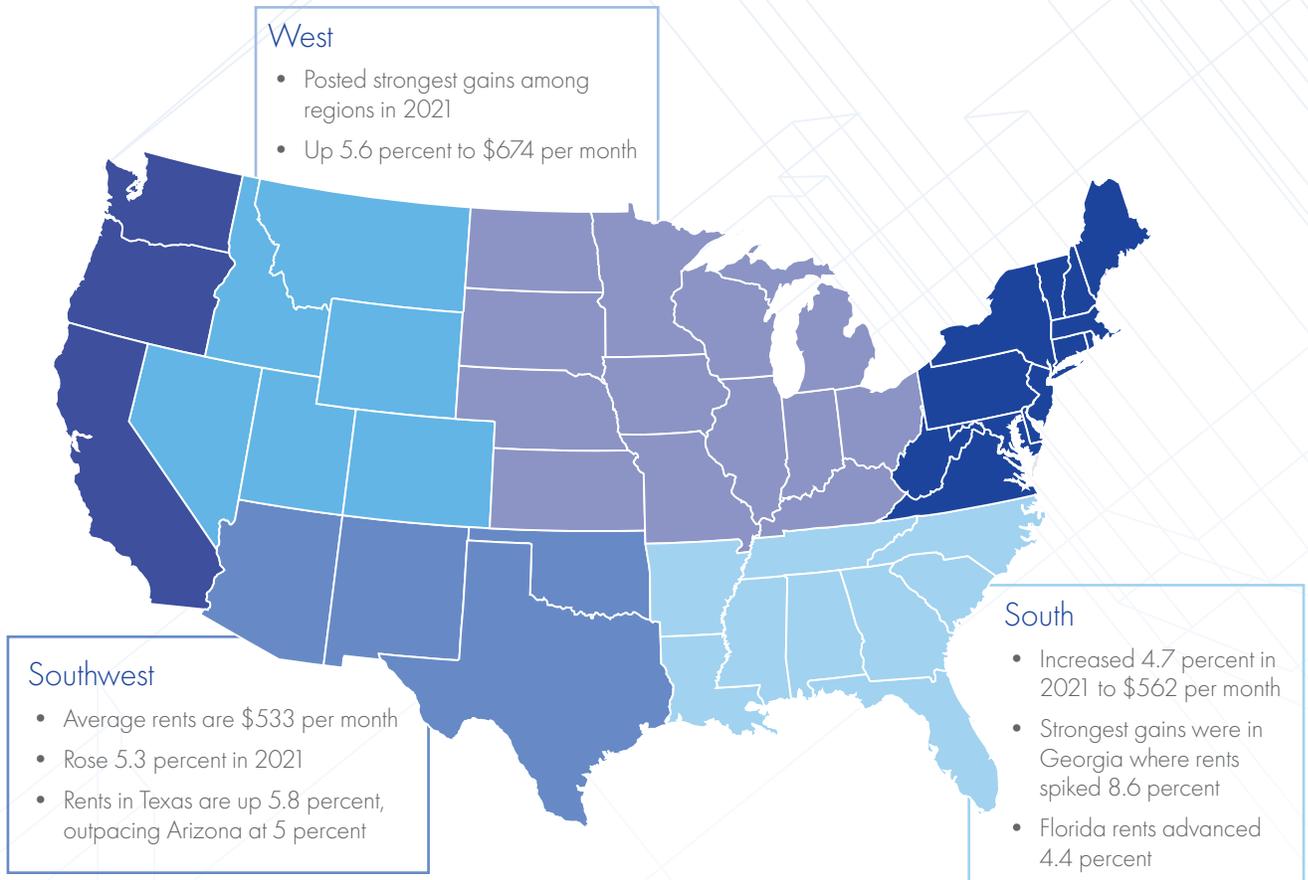
Rents Overview



Sources: NorthMarq, JLT Datacomp



Average rents rose 4.4 percent in the past year.



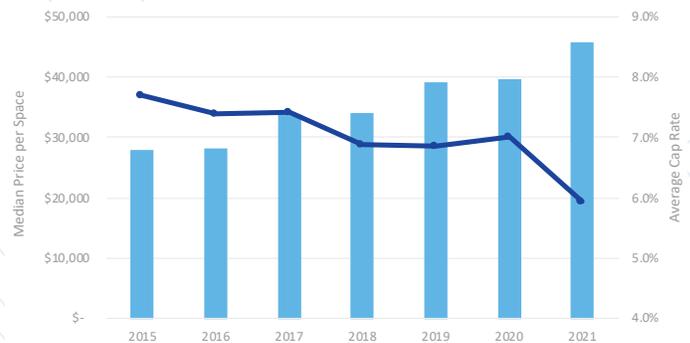
Manufactured Housing Sales

- Transaction activity spiked in the fourth quarter. Sales velocity rose 41 percent from the third quarter to the fourth quarter. The number of properties that sold in the final three months of the year reached the highest total for a single quarter in more than a decade.
- For the full year, transaction activity in 2021 was up 8 percent from levels recorded in 2020. The national investment market for manufactured housing communities has been fairly stable in each of the past three years.
- Prices rose in 2021; the median sales price for the year was approximately \$45,700 per space, up nearly 15 percent from the median price in 2020.
- Price increases were most significant later in the year. In properties that sold during the fourth quarter, the median price reached \$55,750 per space, and in the second half of the year, the median price was \$54,200 per space, up approximately 50 percent from the median price from the first half of the year.
- As prices have pushed higher, cap rates compressed. The average cap rate for the full year was 5.9 percent, down 110 basis points from 2020 levels.
- Cap rates reached a new low during the fourth quarter. The average cap rate in the fourth quarter dipped to approximately 5.1 percent, down 80 basis points from the average cap rate in the third quarter.
- Florida was the most active state for property sales in 2021, and velocity was strongest late in the year. Sales in Florida increased 46 percent from the third quarter to the fourth quarter. The number of properties that sold in 2021 in Florida was down 11 percent from the number of transactions in the state in 2020.
- California posted some of the highest per-space prices in the country in 2021. The median price in California topped \$77,000 per space in 2021, while cap rates in the state averaged approximately 4.4 percent, one of the lowest figures in the country.
- Investment activity was consistent throughout much of 2021 in Arizona. The pace of transactions in the fourth quarter closely tracked levels recorded in each of the first three quarters of the year. Pricing and cap rates in Arizona closely tracked national figures. The median price in Arizona was \$47,100 per space, while cap rates averaged 6 percent.
- Michigan was the most active state in the Midwest for sales velocity. Transactions in Michigan spiked in the fourth quarter. Nearly half of the investment sales in the state closed during the fourth quarter. The rise in activity pushed cap rates lower; cap rates in Michigan averaged 5.2 percent in 2021.



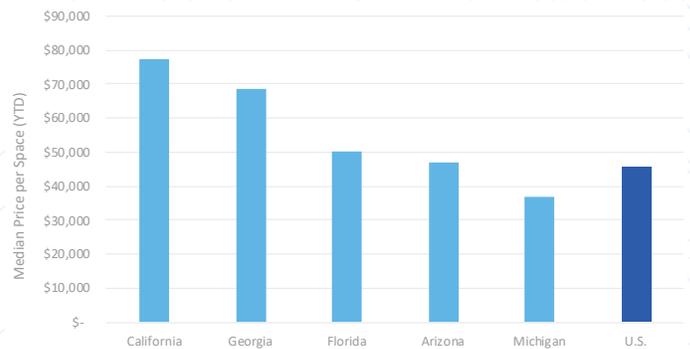
The median sales price in 2021 was \$45,700 per space.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar



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