

Market Insights

Manufactured Housing 1Q 2022



Inventory Growth



29,700

Units shipped (YTD)

+12%

Change from 2021

Market Fundamentals



94.2%

Occupancy rate

+50bps

Change from 1Q 2021

\$597

Average rents

+4.6%

Change from 1Q 2021

Transaction Activity



\$62,300

Median sales price (per space YTD)

5.8%

Average cap rate (YTD)

Rising Shipment Totals and Surging Prices Highlight Strong Demand

Highlights

- The pace of units shipped spiked to start 2022, reflecting the high cost of housing, the recovering economy, and the persistent demand for manufactured housing.
- Occupancy in the manufactured housing space rose 20 basis points in the first quarter, reaching 94.2 percent, the seventh consecutive quarter where the rate inched higher. Year over year, occupancy is up 50 basis points. Each of the major regions in the country recorded annual increases in the occupancy rate.
- Rents have increased 4.6 percent in the past year, reaching \$597 per month in the first quarter. The rise recorded in the first quarter was stronger than in the same period in each of the previous two years.
- Sales velocity in manufactured housing communities slowed at the beginning of the year but are expected to gain momentum in the coming quarters. Cap rates have begun to inch higher, averaging 5.7 percent. In projects that have sold, price growth has surged; the median price spiked to \$62,300 per space, with strong gains recorded across several states.

Manufactured Housing Market Overview

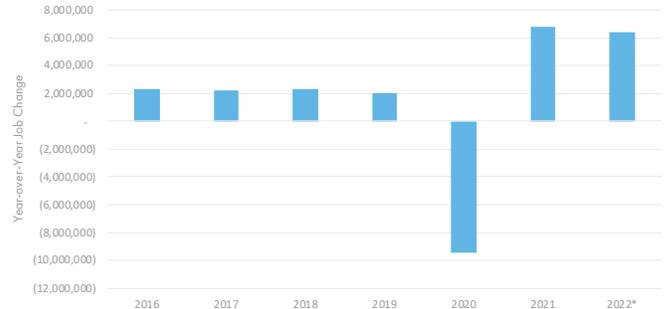
The national manufactured housing market continued to strengthen at the start of 2022. The occupancy rate rose again, topping 94 percent, and rents got off to a stronger start than in recent years. With costs for all forms of housing trending higher at rapid rates, manufactured homes represent one of the best values left for households that are being priced out of other segments of the residential market. The inflationary pressures working through nearly all segments of the larger economy may intensify the trends surrounding housing affordability and create additional demand for manufactured housing. The intensifying demand for manufactured housing is reflected in the steep increase in shipments of units. Nearly 30,000 manufactured homes were shipped in the first three months of this year, the highest quarterly total since 2016. Demand is forecast to remain elevated throughout the remainder of the year, even if the economy records some modest cooling.

After a flurry of sales activity in 2021, particularly in the final few months of the year, sales velocity slowed in the first quarter of this year. While the number of properties changing hands has cooled, prices continued to push higher at the beginning of 2022. The median price rose 12 percent from the fourth quarter of last year and was 36 percent higher than pricing levels recorded throughout 2021. Price appreciation was particularly rapid in some of the top markets for activity with California and Florida leading the way. The decline in sales velocity is unlikely to persist throughout the rest of the year. Cap rates have already begun to trend higher, bouncing off of lows from the end of last year. Early indications suggest sales velocity in the second quarter is ahead of the pace established in the first few months of the year, with activity picking up in transactions above \$25 million.

Employment

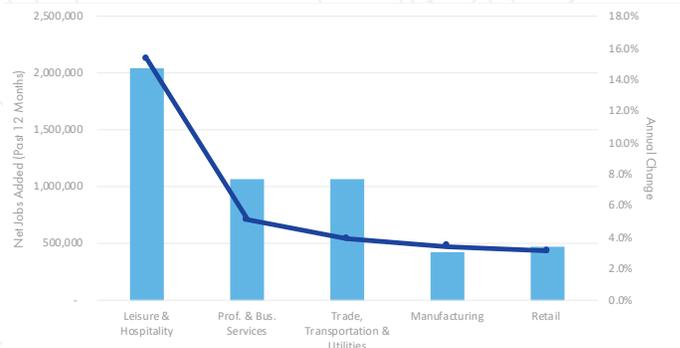
- Employers across the country continued to add back jobs at a healthy pace at the start of 2022. More than 1.6 million positions were added during the first quarter. Employment growth should slow slightly in the coming periods as the national labor market approaches a full recovery.
- Year over year, total employment expanded by more than 6.4 million workers, an increase of approximately 4.4 percent. National employment levels are down just 1 percent from the pre-pandemic peak, and the labor market is forecast to have fully recovered by midyear.
- The retail sector added back jobs at an accelerated pace in recent months. Year over year, the industry added 476,300 workers and grew by 3.1 percent. Nearly half of the employment growth in the past year occurred at the start of 2022 with the addition of nearly 210,000 retail jobs in the first quarter.
- Disruptions in the supply chain impacted blue-collar industries, resulting in growth rates that lagged the national average. Year over year through the first quarter, the manufacturing and construction sectors grew by approximately 3.4 percent and 3 percent, respectively. Combined, these two sectors added 641,000 jobs in the past 12 months.
- California continues to lead the way for job additions as the economy fully reopens. Statewide, employers added back more than 1 million jobs in the past year, growing payrolls by nearly 6.5 percent.
- Texas has been one of the top destinations for relocations of individuals, families, and businesses across the country in recent periods, fueling the labor market in the state. Year over year, total employment in Texas expanded by 745,700 workers with the growth rate reaching nearly 6 percent.
- Florida's employment market has outperformed most other regions of the country, and the state continues to be a national leader in economic growth. Year over year, total employment in Florida grew by approximately 500,000 workers, advancing 5.7 percent.
- Arizona continues to record strong employment figures and has been another popular destination for relocations. During the past 12 months, employers expanded payrolls by 3.7 percent with the addition of more than 108,000 net new jobs.
- Employers in Michigan have been steadily adding back jobs in recent periods across a variety of industries. Year over year, employment growth topped 4 percent, as 171,000 jobs were created.
- Georgia has become one of the top economic performers in the South in recent years. During the past year, total employment in Georgia expanded by 240,500 workers, growing by 5.3 percent.

U.S. Employment Trends



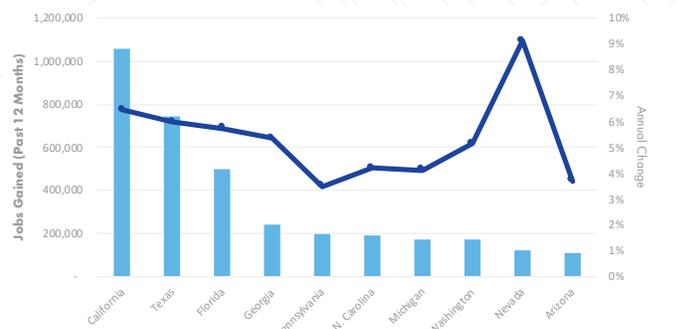
* 12-Month Period Ending 1Q 2022
Sources: Northmarq, Bureau of Labor Statistics

Sector Employment Trends



Sources: Northmarq, Bureau of Labor Statistics

Employment Trends by State

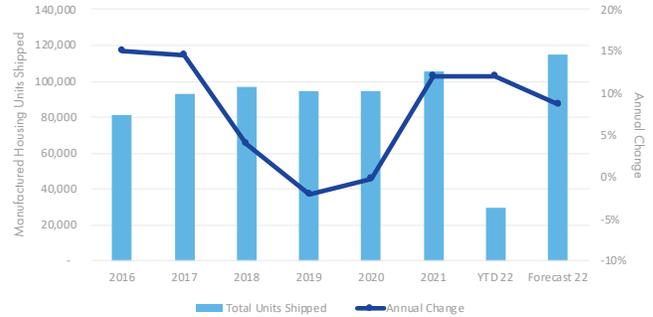


12-Month Period Ending 1Q 2022
Sources: Northmarq, Bureau of Labor Statistics

Supply Growth

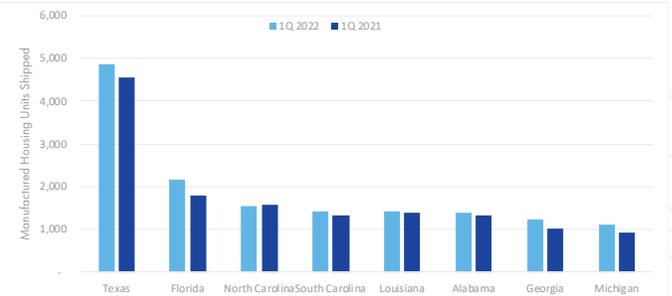
- Inventory growth surged at the start of 2022. Shipments of manufactured housing totaled 29,700 units in the first quarter, the highest total for any three-month period since 2016. Shipments are up 12 percent from levels recorded during the same period at the beginning of last year.
- During the past four quarters, approximately 109,000 manufactured housing units have been shipped throughout the country, up 14 percent from the 12-month period ending in the first quarter of last year.
- In the first quarter, seven of the top-10 states for shipments recorded year-over-year increases in volume, with the other top states recording fairly flat inventory growth rates. Several of the most significant increases were recorded in the South region. Total shipments to the South region reached nearly 12,000 units, representing about 40 percent of the national total.
- Florida and Georgia posted 20 percent year-over-year increases in shipment volume during the first quarter. More than 2,100 units were shipped to Florida to start the year, while nearly 1,250 units were delivered to Georgia. North Carolina and South Carolina ranked third and fourth, respectively, for shipments in the first quarter, with each state generating shipments of approximately 1,500 units.
- Texas remains the top state for activity. In the first quarter, nearly 5,000 units were shipped to Texas, up 7 percent from the first quarter of last year. In 2021, shipments to Texas totaled 18,550 units, 12 percent higher than in the preceding year.
- Shipments to California accelerated in the first few months of 2022, following two consecutive years of mostly steady volume. Approximately 900 units were shipped to California in the first quarter, 13 percent higher than one year earlier.
- The Midwest recorded a year-over-year decline in activity at the start of 2022, but the state with the greatest number of new units posted a sharp increase. More than 1,100 units were shipped to Michigan in the first quarter, a 21 percent spike from the same period in 2021.
- High-growth markets in the Mountain region recorded mixed inventory growth trends in the first quarter. Shipments to Colorado and Nevada were up about 40 percent from year-earlier levels, while activity in Arizona and Utah closely tracked 2021 levels.

U.S. Manufactured Housing Shipments



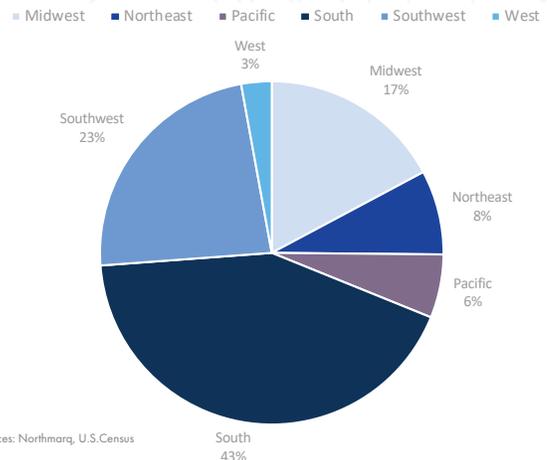
Sources: Northmarq, U.S. Census

Manufactured Housing Shipments by State



Sources: Northmarq, U.S. Census

Manufactured Housing Shipments by Region

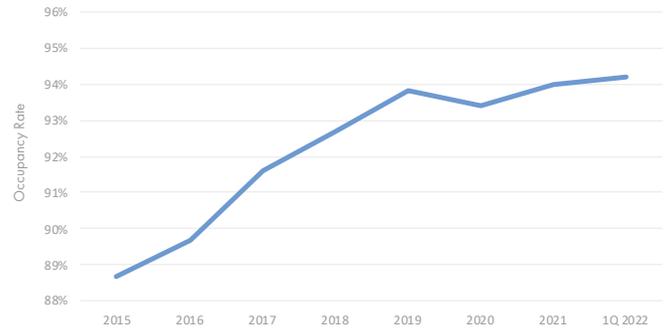


Sources: Northmarq, U.S. Census

Occupancy

- The national occupancy rate began 2022 on an upswing, rising 20 basis points to 94.2 percent. This marked the seventh consecutive quarter where the rate pushed higher. Last year, occupancy rose 30 basis points in the first quarter.
- During the 12-month period ending in the first quarter, occupancy has increased by 50 basis points. The rate has been trending higher for the past several years; since 2018, year-over-year occupancy increases have averaged 60 basis points.
- The Midwest region posted the greatest occupancy improvement in the past 12 months. The rate rose 110 basis points, ending the first quarter at 89.1 percent. Conditions were particularly strong in the first quarter, when occupancy spiked 80 basis points.
- Occupancy in the South region held steady in the first quarter, matching the year-end 2021 figure at 95.4 percent. In the past year, the rate in the South region has risen 40 basis points. Occupancy in Florida has been steady in recent quarters, averaging 95.8 percent.
- Occupancy in the Southwest has pushed up to 95 percent, after ranging between 94 percent and 94.8 percent from 2018 through most of 2021. Occupancy in Texas ended the first quarter at 95.8 percent, and the statewide rate has been above 95 percent since the end of 2018.

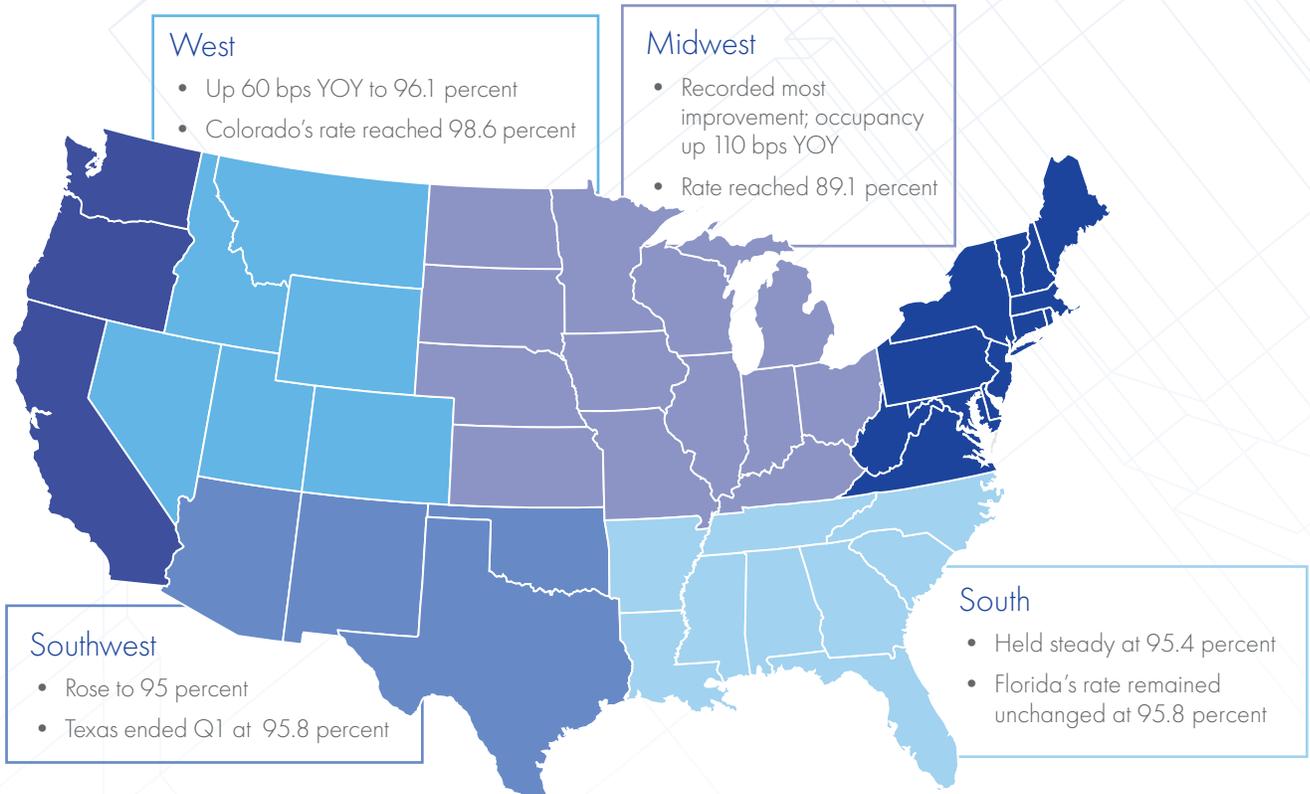
Occupancy Overview



Sources: NorthMarq, JLT Datacomp



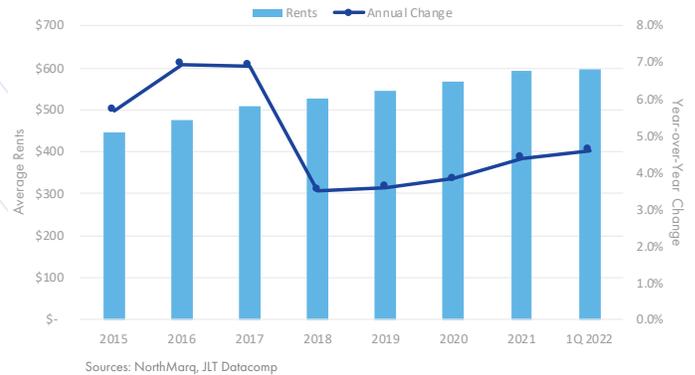
Occupancy has increased by 50 basis points year over year.



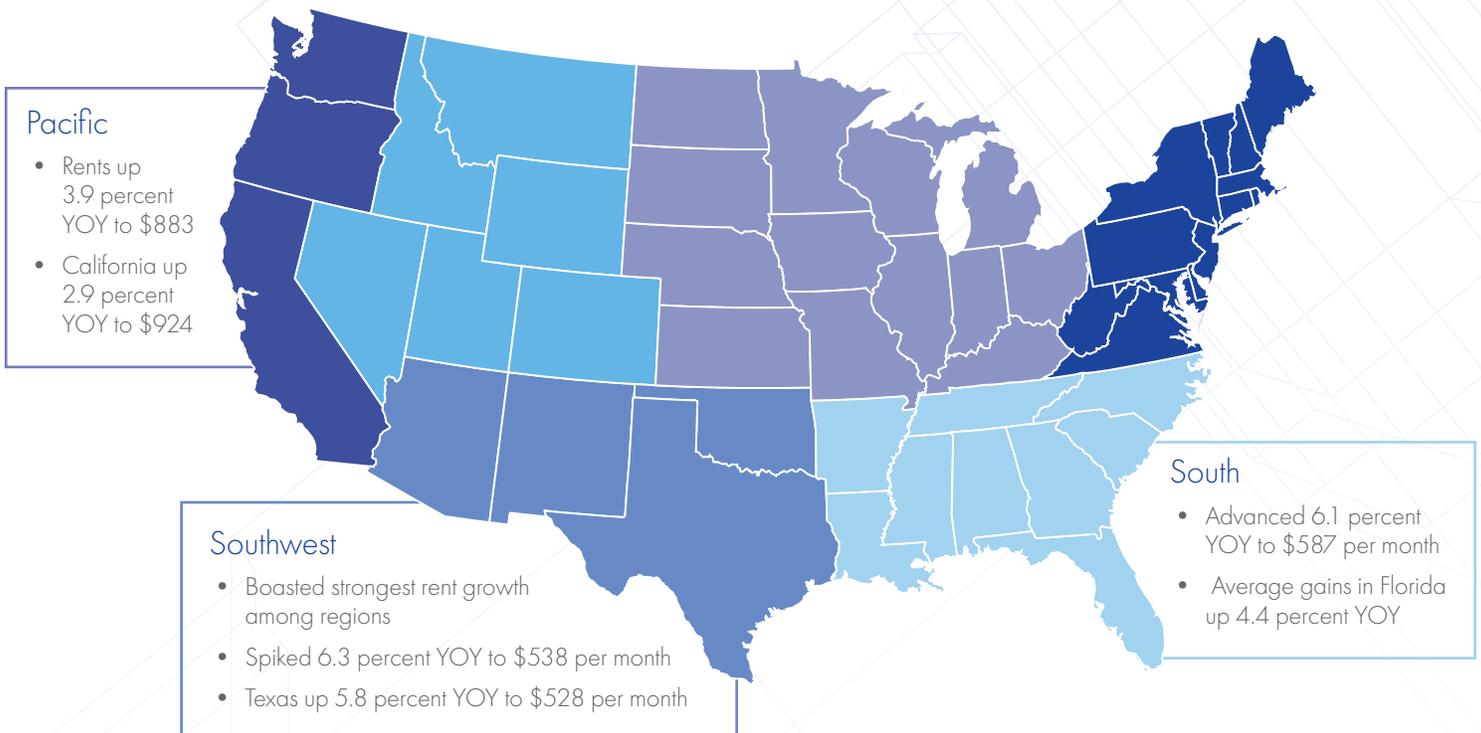
Rents

- Rents rose 4.6 percent in the 12-month period ending in the first quarter, reaching \$597 per month. The pace of rent growth has been gaining momentum at a gradual clip; one year ago, rent growth was averaging 4 percent per year.
- Rents in the first quarter rose 0.7 percent. While rent growth to start 2022 was less robust than during the preceding period, the increase was the strongest first quarter gain since 2019.
- The Southwest region posted the most rapid rent growth in the past year, spiking 6.3 percent to \$538 per month. Rents in Texas rose 5.8 percent in the past year to \$528 per month.
- During the past 12 months, rents in the South region advanced 6.1 percent, ending the first quarter at \$587 per month. Average gains in Florida totaled 4.4 percent, while some of the region's most rapid increases were posted in Georgia and South Carolina.
- While occupancies remain elevated in the Pacific region, rent growth has lagged much of the rest of the country. Rents in the Pacific region are up 3.9 percent in the past year, including a 2.9 percent annual increase in California. Average rents in California reached \$924 per month in the first quarter, and for the entire region, rents were \$883 per month.

Rents Overview



Rents rose 4.6 percent, reaching \$597 per month.



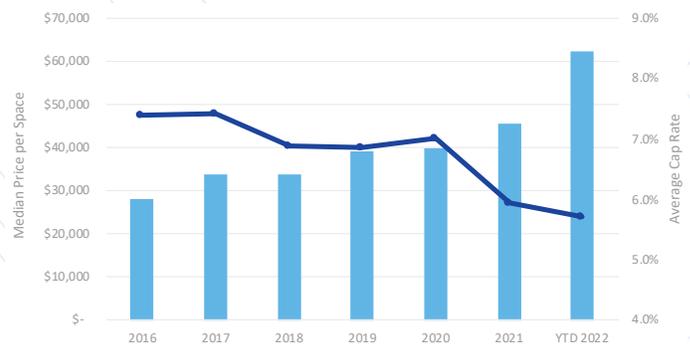
Manufactured Housing Sales

- Transaction activity to start 2022 lagged levels from 2021. Sales velocity in the first quarter was down 38 percent from the first quarter of last year. Investment volume to start this year closely tracked levels from 2018 and 2019.
- Despite the decline in activity levels, prices have been on the rise. The median price in sales during the first quarter was approximately \$62,300 per space, up 36 percent from the median price for the full year in 2021.
- Cap rates in the first quarter averaged 5.7 percent, after falling to as low as 5.1 percent at the end of last year.
- Current cap rates are down about 25 basis points from the average cap rate for the full year in 2021. While a few properties have sold with cap rates below 5 percent to this point in 2022, the bulk of those transactions occurred at the beginning of the quarter, before interest rates began to trend higher.
- Investment activity in Florida reflected the prevailing trends across the country. Florida recorded the most transactions of any state during the first quarter and prices spiked. The median price in the first quarter was \$77,800 per space, up from about \$50,000 per space in 2021.
- Prices spiked in California at the start of the year, as transactions were largely limited to some of the most expensive markets in the state. The median price in California topped \$106,000 per space in the first quarter, 38 percent higher than the median price recorded last year.
- Transaction activity in Nevada is ahead of the pace from the early part of last year. The state's rapid economic recovery is ahead of most forecasts, and investors are increasing activity in response to renewed growth. The median price in sales in Nevada to this point in 2022 is approximately \$42,000 per space.
- Indiana was one of the top states in the Midwest for investment activity in the first quarter. Several of the transactions in Indiana closed for less than \$3 million. The median per-space price declined to \$26,600 at the beginning of the year.
- In the Northeast, Pennsylvania was one of the most active areas for investment activity to start the year. Sales velocity is on pace to closely track levels recorded in 2021, while prices have advanced at a rapid rate. The median price in the state during the first quarter was nearly \$56,000 per space, up from less than \$40,000 per space last year.



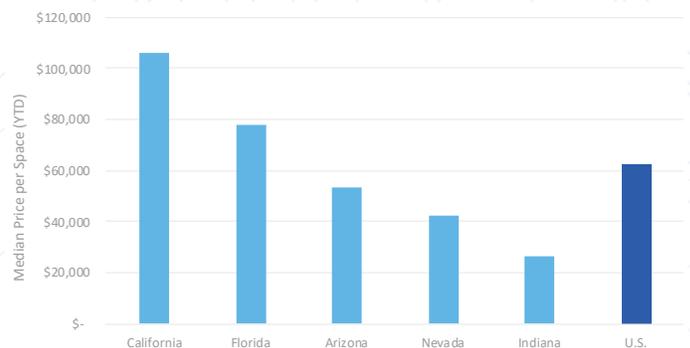
The median price was approximately \$62,300 per space.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar



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