



MARKET INSIGHTS

Rents maintain a steep upward trajectory

INVENTORY GROWTH



UNITS SHIPPED YTD **83,000**

CHANGE FROM 2022 **-27%**

MARKET FUNDAMENTALS



OCCUPANCY RATE **94.7%**

CHANGE FROM Q4 2022 **+30bps**

AVERAGE RENTS **\$679**

CHANGE FROM Q4 2022 **+7.3%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER SPACE **\$41,000**

AVERAGE CAP RATE **6.5%**

HIGHLIGHTS

- The manufactured housing sector continued to post strong operational performance in recent months, as occupancy and rents trended higher during the fourth quarter. Shipments of new units were consistent throughout 2023, totaling 83,000 units for the full year.
- Occupancy inched higher by 10 basis points during the fourth quarter to 94.7 percent. The national occupancy rate increased by 30 basis points in 2023.
- Rent growth continued in recent months after elevated gains in the preceding two quarters. Rents advanced 1.5 percent in the final three months of the year, closing 2023 at \$679 per month. During the past year, rents increased by 7.3 percent.
- While sales activity picked up during the second half of the year, annual transaction volume in 2023 lagged levels recorded in 2022 by 40 percent. The median price in 2023 was \$41,000 per space, down 29 percent from one year ago.

MANUFACTURED HOUSING MARKET OVERVIEW

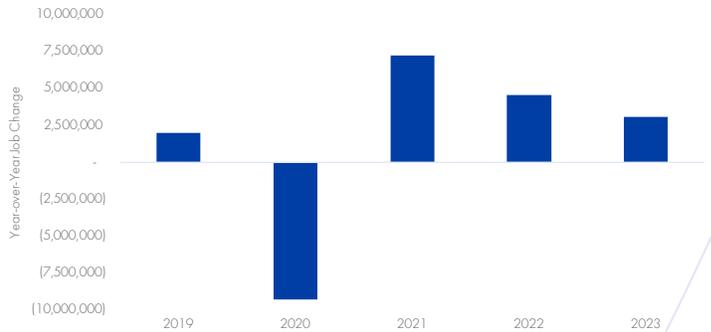
The national manufactured housing market closed 2023 on an upswing, with occupancy rates rising and rents pushing higher. Average rent growth at the national level topped 7 percent during the past year, outpacing the rapid increases recorded throughout 2022. Tightening occupancy conditions have allowed operators to implement ongoing rent increases throughout the country. The greatest gains are being posted in the South and Southwest regions, where population growth is strongest and shipment volumes are highest. Looking ahead to 2024, occupancy rates are unlikely to trend much higher than current levels; occupancy has spiked by nearly 10 full percentage points in the past decade to an all-time high. Rent growth should level off, with gains forecast to track closer to long-term averages between 3.5 percent and 4.5 percent.

While manufactured housing communities continued to record strong operational performance throughout the past year, investment volume slowed by about 40 percent from 2022 to 2023. Activity declined across the board, but transaction slowdowns were most noteworthy in the larger deals. Sales of properties of \$20 million or more fell at a faster pace than was recorded for the entire market, and larger transactions accounted for a far smaller share of the total volume than they had in 2022. This trend may reverse course in 2024, with greater institutional capital moving into the sector. Transactions were most active when priced between \$2 million and \$7 million, similar to the prior year. Cap rates appear to have settled in around 6.5 percent, although rates will likely have to trend a bit higher on average to spur greater investor attention.

EMPLOYMENT

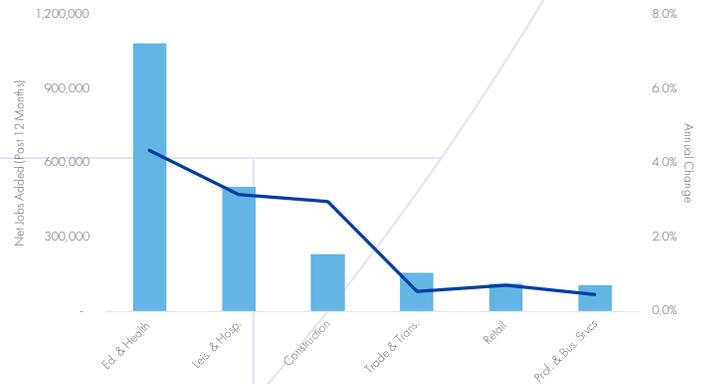
- The labor market has proven to be resilient, and employers continue to add workers at a pace that tops forecasts. During the fourth quarter, 680,000 net new jobs were added, following a gain of 640,000 positions in the third quarter.
- Total employment on a national level expanded by more than 3 million workers during 2023, an annual increase of 2 percent. Since 2010, annual employment growth averaged 1.4 percent.
- Nearly every sector in the United States posted employment gains during 2023, with the education and health services sector recording the greatest number of new hires. This sector added nearly 1.1 million positions during the past 12 months, expanding by 4.3 percent.
- The leisure and hospitality sector continues to expand at a rapid rate. Year over year, total employment in this industry increased by 3.2 percent, with the addition of more than 500,000 jobs. Growth in the sector is forecast to slow in 2024 after a continued recovery in recent years.
- Despite some modest additions in the fourth quarter, growth in the manufacturing sector was light in 2023. This sector added just 22,000 workers in the past year, an increase of 0.2 percent.
- Employment growth in the construction sector was steady throughout much of 2023; year over year, total employment in this sector increased by 242,000 jobs, expanding by 3.1 percent. In 2022, 290,000 construction jobs were added.
- The retail sector continued to add workers at a fairly sluggish pace in 2023. Total employment in the sector grew by just 0.8 percent for the year, less than half of the national rate of growth for all sectors. Retailers added nearly 130,000 jobs in 2023, up from 110,000 positions in 2022.
- The top states for manufactured housing were also the top states for employment growth in 2023. Texas posted some of the strongest employment growth in the country with the addition of nearly 370,000 jobs in 2023, an annual increase of 2.7 percent. California added more than 310,000 workers while Florida employers hired an additional 240,000 people.
- In the Northeast, Pennsylvania was one of the top states for employment growth in 2023. Payrolls expanded by 1.8 percent with the addition of 112,000 new employees.
- The labor markets in North Carolina and Georgia both increased by more than 2 percent in 2023. Each state added approximately 100,000 net new jobs during the year.
- Nevada was amongst the nation's top states for most rapid employment growth, with neighboring Arizona also posting elevated job additions. Total employment in Nevada spiked by 3.8 percent in 2023, with the hiring of 57,700 workers. Employers in Arizona expanded payrolls by 66,700 positions during the past 12 months, an annual increase of 2.1 percent.
- Ohio was the leading Midwestern state for employment growth in 2023. During the past 12 months, total employment in Ohio increased by 106,400 workers. Illinois and Michigan added a combined 103,500 workers during the same period.

U.S. EMPLOYMENT TRENDS



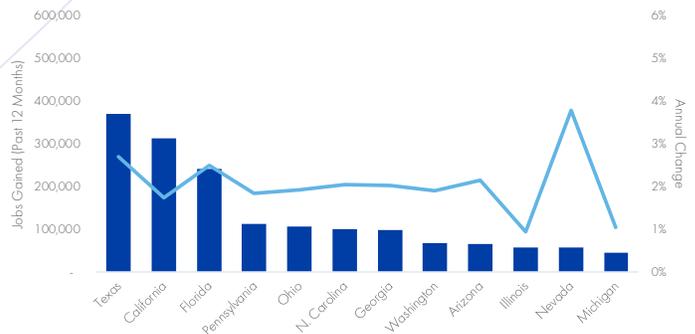
Sources: Northmarq, Bureau of Labor Statistics

SECTOR EMPLOYMENT TRENDS



Sources: Northmarq, Bureau of Labor Statistics

EMPLOYMENT TRENDS BY STATE

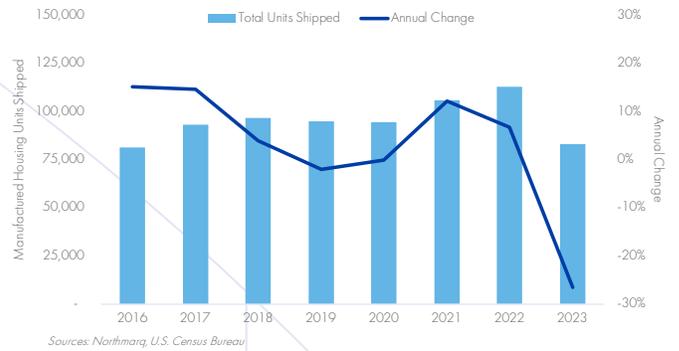


Sources: Northmarq, Bureau of Labor Statistics

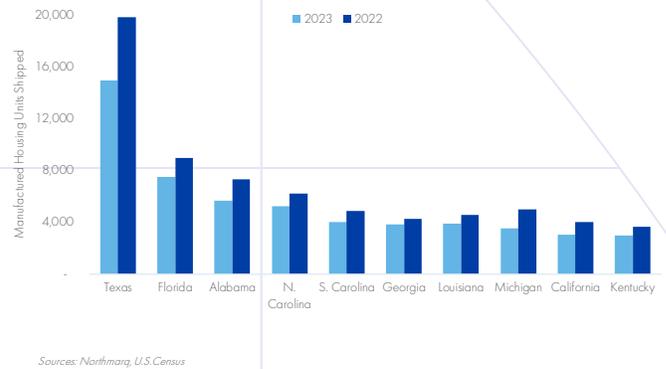
SUPPLY GROWTH

- While shipments of manufactured housing units were consistent throughout much of the past year, annual totals in 2023 lagged average levels recorded in the preceding six years. Shipments of manufactured housing units totaled 83,000 units in 2023, down 27 percent from last year's levels.
- The pace of manufactured housing shipments picked up slightly from the first half to the second half. Total shipments in the last six months outpaced levels recorded in the first six months of 2023 by 4 percent.
- While every region in the U.S. posted an annual shipment decrease from the previous year, the shipment decline in the Northeast region was the lightest. Shipments to the Northeast region dropped 15 percent from 2022 to 2023.
- Texas was the leading state for shipments during 2023, accounting for roughly 20 percent of the nation's annual total. Nearly 15,000 manufactured housing units were shipped to Texas during the past 12 months, making up roughly three-quarters of the total annual volume in the Southwest.
- Outside of Texas, the next six states for total shipments in 2023 were located in the South region. Florida recorded the highest shipment volume in the region, with approximately 7,500 units during the past year. Alabama recorded shipments of nearly 5,700 units while North Carolina received more than 5,200 units.
- Shipments to California dropped by 24 percent from 2022 to 2023, closely tracking national trends. In California, shipments for roughly 3,050 manufactured housing units were delivered during 2023.
- More than 15,800 manufactured housing units were delivered in the Midwest during 2023. Michigan remained in the top-10 nationally, with nearly 3,500 units delivered.
- The recent dip in shipments to Colorado played a large role in the West region posting the largest annual decline during 2023. The pace of shipments in the West region dipped by 37 percent from 2022 to 2023.

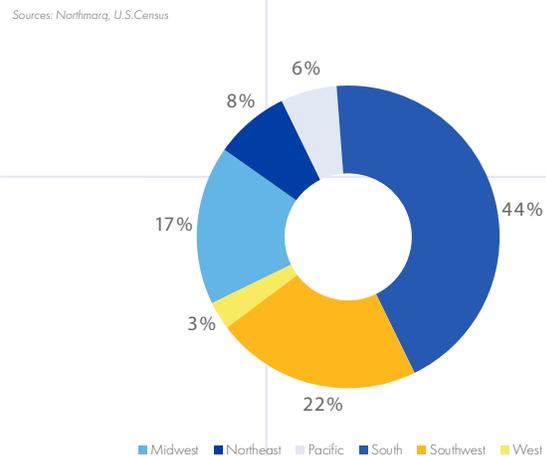
U.S. MANUFACTURED HOUSING SHIPMENTS



MANUFACTURED HOUSING SHIPMENTS BY STATE



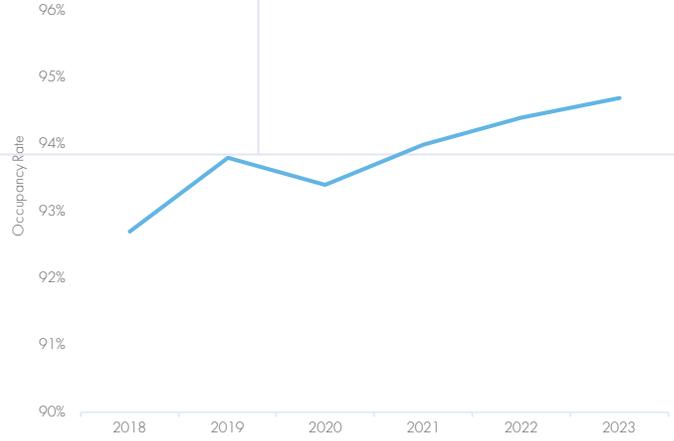
MANUFACTURED HOUSING SHIPMENTS BY REGION



OCCUPANCY

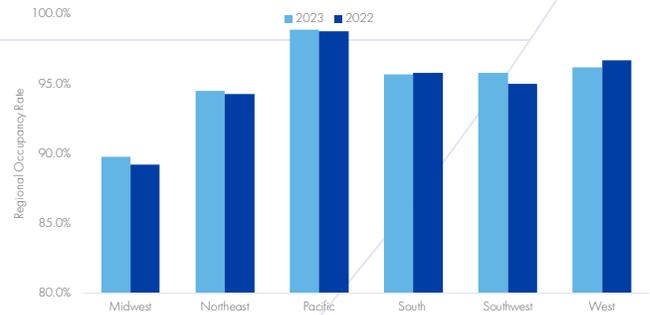
- National occupancy continued to trend higher in recent months, inching up 10 basis points during the fourth quarter reaching 94.7 percent.
- The national occupancy rate rose 30 basis points in 2023, marking three consecutive years of improving occupancy at the national level.
- The Southwest region posted the greatest occupancy improvement in 2023. The rate rose 80 basis points during the year, reaching 95.8 percent.
- In the Southwest region, both Texas and Arizona posted steady occupancy increases during the past 12 months. The rate in Texas increased by 60 basis points in 2023 to 96.2 percent while the rate in Arizona trended higher by 50 basis points, finishing the year at 96.4 percent.
- The occupancy rate in the Midwest continued to rise in 2023, and the region's rate has increased in each of the past five years. During the past 12 months, occupancy in the Midwest rose 60 basis points to 89.8 percent.
- Occupancy conditions in the South were relatively steady in recent periods, with the rate inching lower by 10 basis points in 2023, closing the year at 95.7 percent. Trends were mixed across Southern states, as occupancy in Florida declined by 30 basis points during the past 12 months while the rate in Georgia rose 100 basis points during the same period.
- The Pacific region continued to record the highest occupancy rate, led by California which is posting the tightest conditions in the country. Year over year, the occupancy rate in California rose 20 basis points to 99 percent.

OCCUPANCY OVERVIEW



Sources: Northmarq, JLT Datacomp

MANUFACTURED HOUSING OCCUPANCY BY REGION



Sources: Northmarq, JLT Datacomp

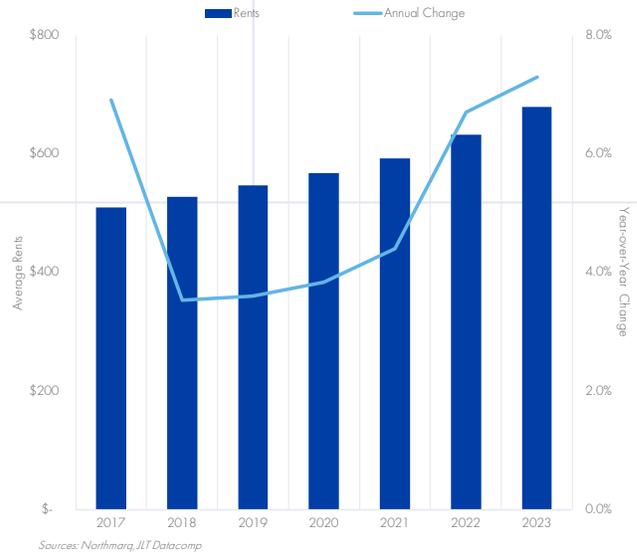
The national occupancy rate rose 30 basis points in 2023.

RENTS

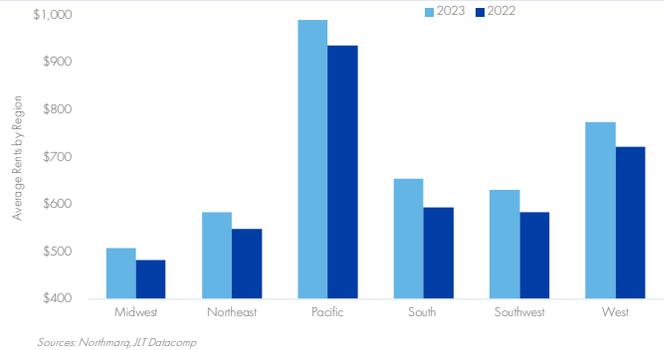
- Rents continued to rise in the closing months of the year, albeit at a slower pace than the elevated growth recorded in the previous two quarters. Rents advanced 1.5 percent during the fourth quarter, reaching \$679 per month.
- Annual rent growth was steep in 2023, with average rents increasing by 7.3 percent, the largest increase in the past two decades. This followed a 6.7 percent rise in the prior year.
- The South region led the country for rent growth during 2023. Rents in this region rose 10.1 percent during the past 12 months, closing the year at \$655 per month. Rents in Florida spiked by 10.6 percent in 2023, reaching \$687 per month.
- Supported by rapid rent growth in Arizona and Texas, the Southwest region posted the second-fastest rent gains in 2023. Rents in the Southwest rose 8.2 percent annually, finishing 2023 at \$632 per month.
- Rent gains in the West region were fueled by elevated growth in Colorado. Rents in Colorado advanced 8.2 percent during the past 12 months; for the overall West region, rents finished the year at \$775 per month, up 7.2 percent.
- Operators in the Northeast have been accelerating the pace of rent growth in recent periods. Rents in the Northeast rose 6.6 percent in 2023 to \$584 per month; rents in this region were below \$500 per month in the middle on 2020.

Rents increased by 7.3 percent in 2023.

RENTS OVERVIEW



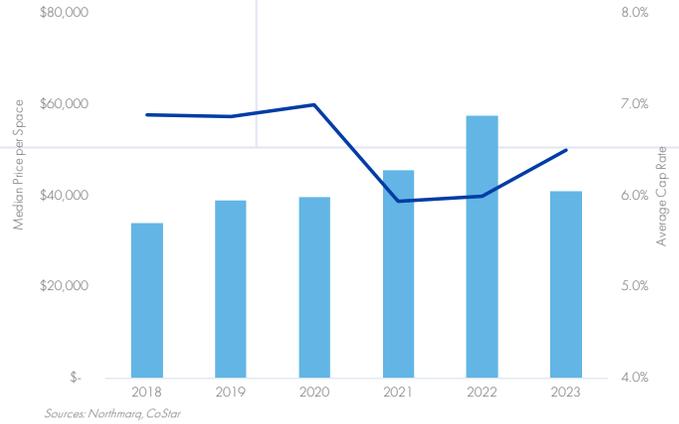
MANUFACTURED HOUSING RENTS BY REGION



MANUFACTURED HOUSING SALES

- Sales activity in manufactured housing communities declined in recent months after accelerating during the preceding quarter. Total sales dropped by 25 percent from the third quarter to the fourth quarter.
- Transaction volume for the full year in 2023 was down 40 percent from the annual total posted in 2022. Although overall transaction activity was down in recent periods, sales velocity rose 25 percent from the first half to the second half of the year.
- Cap rates averaged approximately 6.5 percent in 2023, although a few deals closed during the fourth quarter with cap rates closer to 5 percent. These were generally transactions that were located in regions with tight occupancy levels and above-trend rent growth.
- The median price in 2023 was \$41,000 per space, down 29 percent from the prior year. There was a steep acceleration in pricing from 2020 through 2022, with current pricing more in line with 2019-2020 levels.
- Florida led the country in sales of manufactured housing communities during 2023, however, annual sales activity in the state was down 23 percent from levels recorded last year. Pricing has also lagged, with the median price dropping to roughly \$42,500 per space, down from nearly \$70,000 per space in 2022.
- Total sales in 2023 in California were half the levels recorded in the previous year. Cap rates averaged roughly 6 percent for the full year and the median price was above national levels. The median price in California in 2023 was roughly \$46,700 per space. While transactions occurred throughout the state, the Inland Empire and Los Angeles County recorded the most activity in 2023.
- Investors continued to acquire properties in Arizona in 2023, with total sales activity in the state down just 5 percent from the prior year. Cap rates in Arizona averaged 5.5 percent in 2023. More than half of the transactions in the state occurred in the Phoenix area, where most properties traded between \$50,000 per space and \$95,000 per space.
- The Midwest is attracting greater investor attention. Ohio led the Midwest in sales during 2023, while Michigan posted the greatest transaction volume in the fourth quarter. For the full year, sales velocity in Ohio and Michigan accelerated by 22 percent and 14 percent, respectively from 2022 levels.

U.S. MANUFACTURED HOUSING SALES & CAP RATES



MANUFACTURED HOUSING SALES PRICES BY STATE



The median price in 2023 was \$41,000 per space.



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