

# Manufactured Housing



## Investment Activity Spikes in Larger Transactions

### Highlights

- > The national manufactured housing market improved during the second quarter. Occupancies rose across the major geographic regions in the country, particularly in areas where population growth has been the strongest. Rents rose at a faster pace than during the first quarter, with annual gains similar to the average pace recorded in recent years.
- > Occupancy rose 20 basis points during the second quarter, reaching 92.9 percent. The current occupancy rate is 100 basis points higher than the rate one year ago.
- > Manufactured housing rents have advanced 3.9 percent in the past year, reaching \$536 per month as of the second quarter.
- > The second quarter was a particularly active period in the investment market, with sales velocity accelerating, particularly in larger transactions. The median price through the first half of this year is \$44,800 per space, while cap rates have averaged approximately 6.2 percent.

### Q2 Snapshot

### Manufactured Housing



#### Market Fundamentals

Occupancy .....	<b>92.9%</b>
- Change from 2Q 2018 (bps) .....	<b>+100</b>
Average Rents .....	<b>\$536</b>
- Change from 2Q 2018 .....	<b>+3.9%</b>



#### Transaction Activity

Median Sales Price Per Space (YTD) .....	<b>\$44,800</b>
Average Cap Rates (YTD) .....	<b>6.2%</b>



#### Inventory Growth

Units Shipped (YTD) .....	<b>46,800</b>
- Change from 2018 .....	<b>-8.1%</b>

### Manufactured Housing Overview

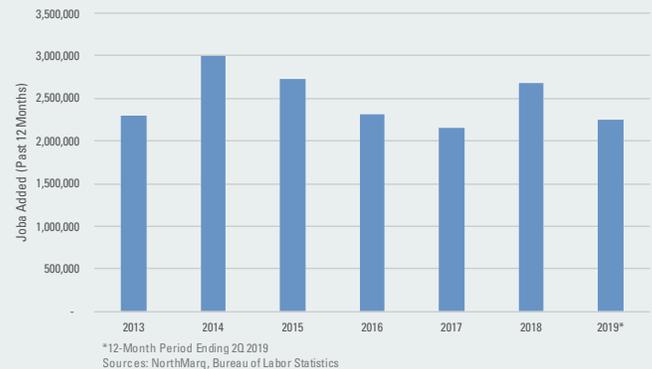
Operating conditions in the national manufactured housing market strengthened during the second quarter, with occupancy rates rising and rents ticking higher. This is a continuation of trends that have been taking shape for the past several years, and the outlook calls for similar performance in the coming quarters. The national economy continues to expand, albeit at a more modest pace than in recent years, and affordability remains one of the primary challenges in the current housing and rental markets. These conditions, along with the demographic trend of a growing number of households consisting of older individuals, will continue to support demand for manufactured housing.

Investment in manufactured housing properties accelerated significantly during the second quarter, and transaction activity thus far in 2019 is nearly identical to levels from the same period in 2018. While the number of properties that are changing hands has closely tracked year-earlier figures, the dollar volume of closed transactions has surged. This is the result of more transactions executing in the higher price ranges. Sales activity in manufactured housing communities priced more than \$5 million are ahead of last year's pace, with the most significant increases occurring in sales of properties for more than \$20 million. This trend is expected to continue as manufactured housing becomes an increasingly popular investment class.

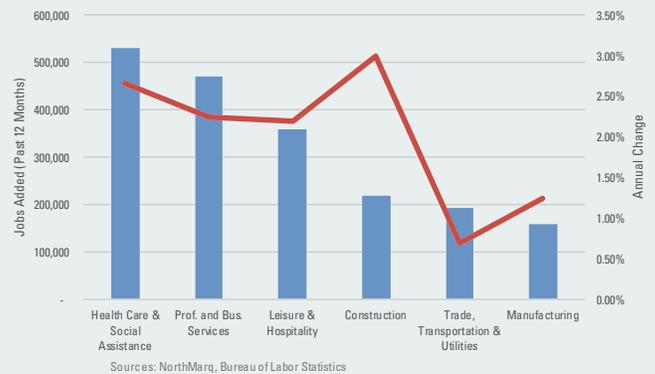
## Employment

- > After slowing at the start of 2019, the pace of employment growth at the national level cooled again in the second quarter. Employers added 456,000 workers in the second quarter, down from job growth of 521,000 during the first quarter. Net employment gains in the first half of 2019 lagged additions in the same period in 2018 by more than 30 percent.
- > During the past 12 months, total employment has expanded 1.5 percent with the addition of more than 2.2 million jobs. Last year at this time, annual employment growth was nearly 2.5 million jobs.
- > Two employment sectors have combined to add more than 1 million net new jobs in the past year, representing nearly 45 percent of all employment growth nationally. The **healthcare and social assistance** sector added 530,000 jobs in the past year, while **professional and business services** employment grew by 471,000 positions.
- > Growth in the **construction** sector is mirroring trends in the economy as a whole. In 2018, construction employment expanded by more than 4.3 percent, with 307,000 jobs added. During the past 12 months, growth in the construction sector has slowed to 3 percent, with 218,000 positions created.
- > **Manufacturing** employment has also cooled. Annual growth in the manufacturing sector slowed to 1.2 percent through the second quarter, down from 2.1 percent one year earlier. Employers have added 159,000 manufacturing jobs in the past year, although only 37,000 positions were added in the first half of 2019.
- > The **retail** sector continued to drag on the national employment data. Retail employment expanded modestly in 2018, but during the first half of this year, the sector has contracted by 0.4 percent with the loss of 58,000 jobs.
- > The top three states for employment growth during the past year combined for more than 860,000 net new jobs, or nearly 40 percent of the national total. Employment in Texas expanded by nearly 325,000 jobs, a 2.6 percent gain. Growth in California topped 310,000 jobs, while Florida added more than 225,000 positions.
- > Job growth has been particularly strong in the Southwest and Mountain states. Arizona, Utah, Nevada, and Colorado have combined to add more than 200,000 jobs during the past year, with growth averaging more than 2.5 percent.
- > There are several states in the South region that are adding jobs at above-average rates. Florida was the third-highest state for job growth, while Georgia, North Carolina, and South Carolina combined to post gains of nearly 200,000 new jobs in the past year.
- > Growth in many of the Midwest states averaged approximately 1 percent annually, but some of the largest states, including Ohio, Michigan, and Minnesota have expanded by less than 1 percent in the last year.

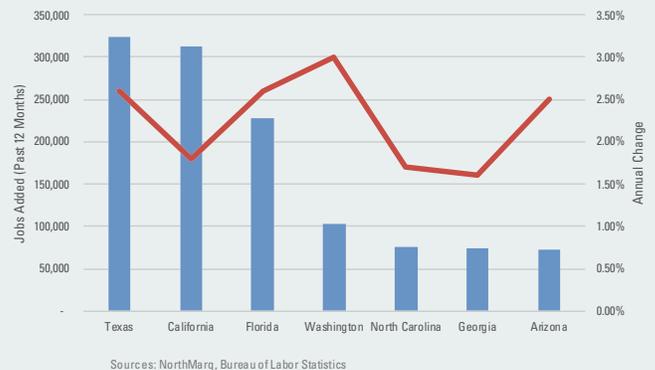
## U.S. Employment Trends



## Top Employment Growth Sectors



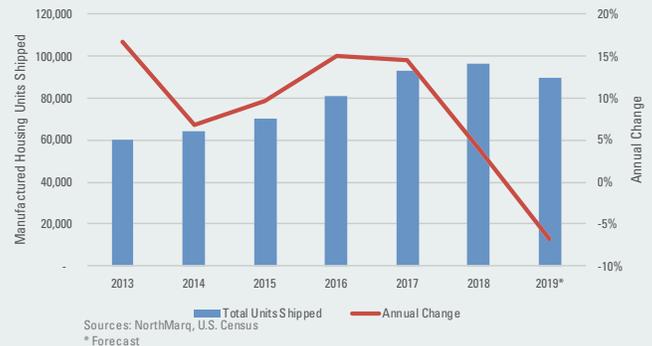
## Top States For Employment Growth



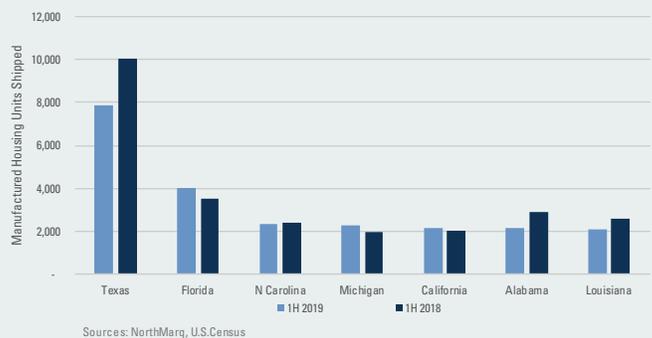
## Supply Growth

- > Supply growth in the first half of 2019 lagged levels from the same period in 2018 by 8 percent. Approximately 47,000 units shipped in the first half of this year, down from more than 50,000 units in the first half of last year.
- > In the second quarter, approximately 24,400 manufactured housing units were shipped in the United States, down 4 percent from the same period in 2018.
- > One state has accounted for nearly the entire decline in shipments thus far in 2019. Shipments to Texas in the first half of this year reached approximately 7,900 units, down 22 percent from shipments to the state in the same period in 2018.
- > Thus far in 2019, states in the South region make up seven of the top-10 states in the country for units shipped. Year to date, Florida has totaled the second-most shipments, followed by North Carolina. The only state in the South region to fall outside of the top-10 states was Arkansas.
- > In the first half of this year, shipments of manufactured housing units to Florida rose 13 percent from the same period in 2018, reaching approximately 4,000 units. Shipments to Georgia also rose 13 percent to more than 2,000 units in the first half. Despite the rises in these states, shipments to the South region are down 9 percent from the first half of 2018.
- > The region of the country that posted the steadiest inventory growth from 2018 to 2019 was the Midwest, where shipments were down just 2 percent in the first half of this year. Michigan recorded the most units shipped in the Midwest, with nearly 2,300 units year to date, up 15 percent from the total in the first half of last year.
- > While shipments of manufactured housing units slowed in most of the states along the coasts, California posted an increase during the first half of this year. Approximately 2,200 manufactured units were shipped to California in the first half, up 8 percent from the same period in 2018.

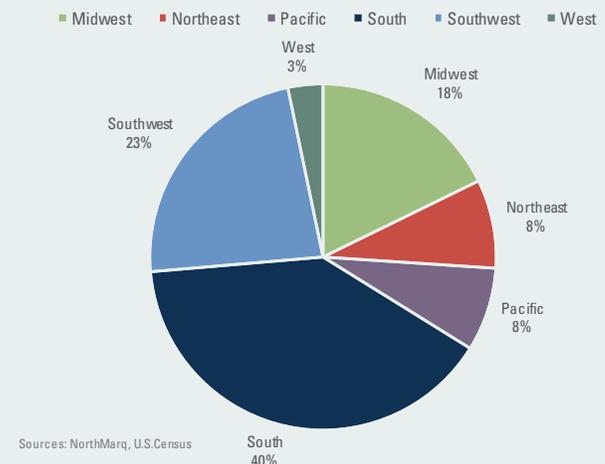
## U.S. Manufactured Housing Shipments



## Manufactured Housing Shipments by State



## Manufactured Housing Shipments by Region

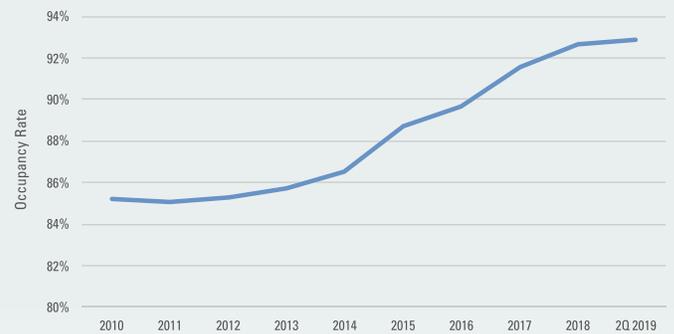


## Occupancy

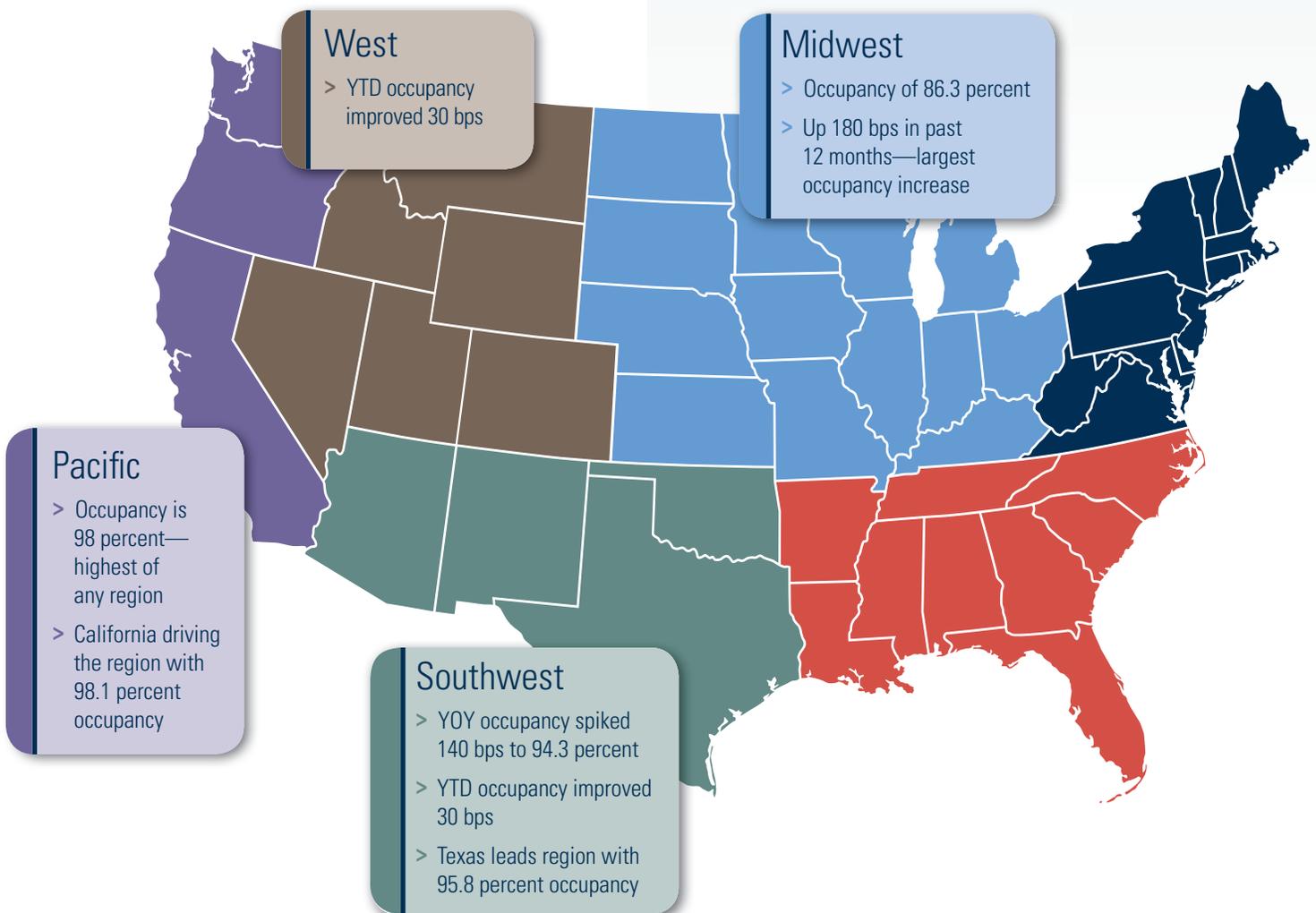
- > After holding steady in the first quarter, the national occupancy rate improved during the second quarter, rising 20 basis points and reaching 92.9 percent.
- > Occupancy levels rose 20 basis points in the first half of 2019, following a 30-basis-point improvement in the same period in 2018. Year over year, occupancy is up 100 basis points.
- > Year over year, occupancy in each of the six major geographic regions improved.

*The national occupancy rate improved during the second quarter*

## Occupancy Overview



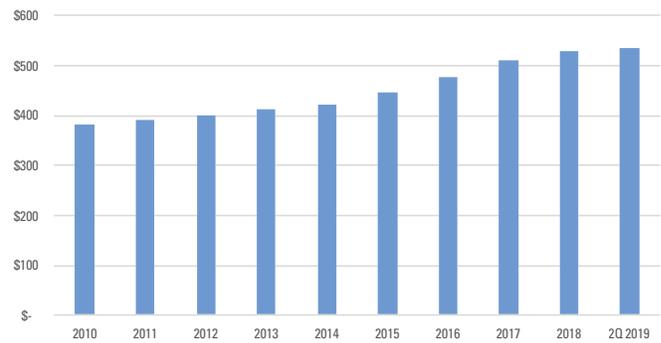
Sources: NorthMarq, JLT Datacomp



## Rents

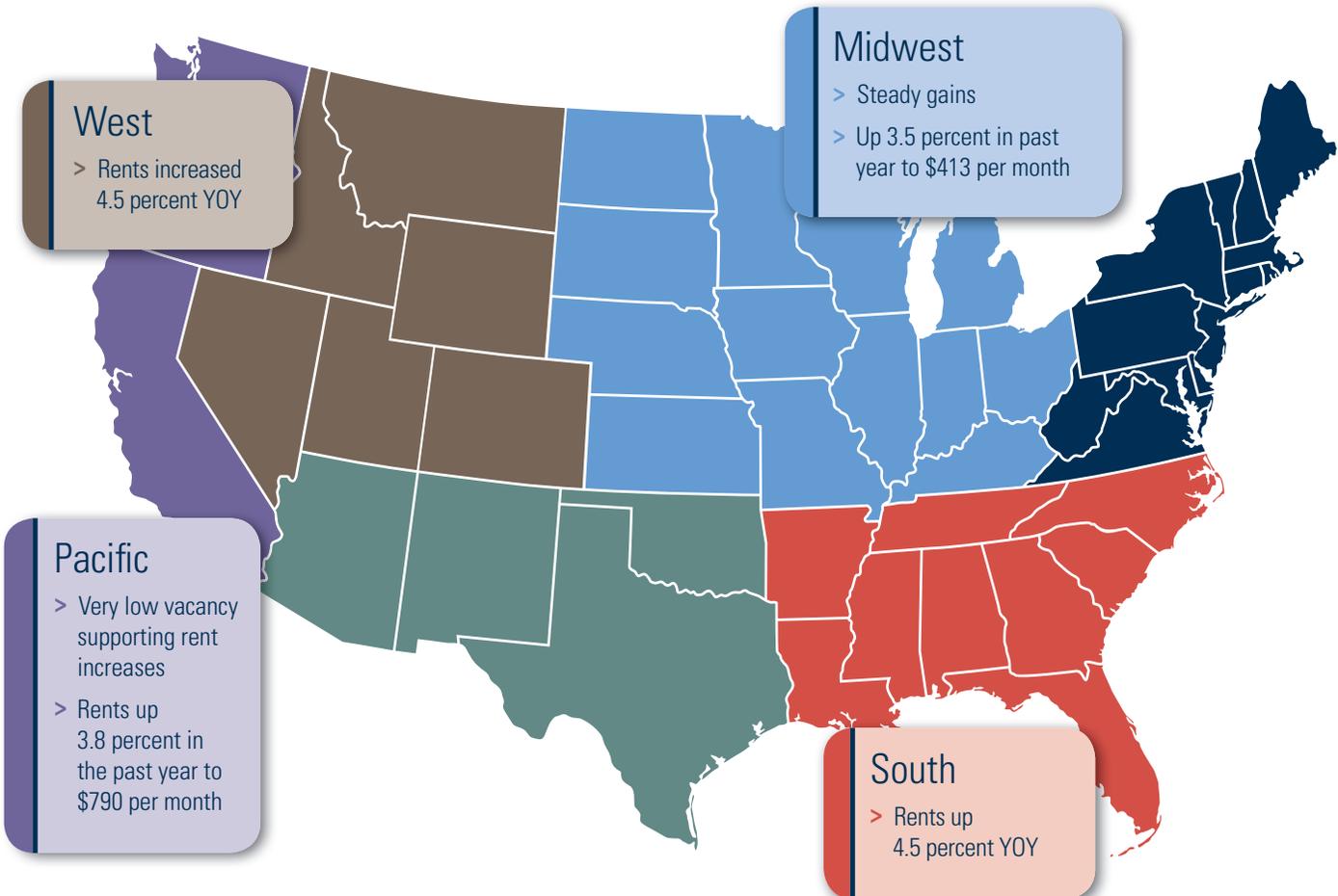
- > Rents for manufactured housing continued on a steady upward climb during the second quarter. Rents reached \$536 per month in the second quarter, 3.9 percent higher than one year ago.
- > After ticking up just 0.4 percent in the first quarter, the quarterly pace of rent growth doubled to 0.8 percent in the second quarter. Rents have been rising at a fairly steady rate for the past several years. Annual rent growth has averaged 3 percent since 2008.
- > Each of the major geographic regions has recorded annual rent growth as of the second quarter. Across the regions, annual rent gains have ranged between 3 percent and 4.5 percent.
- > The most rapid rent gains are being recorded in areas where population growth and manufactured housing demand has been growing most significantly.

### Rents Overview



Sources: NorthMarq, JLT Data comp

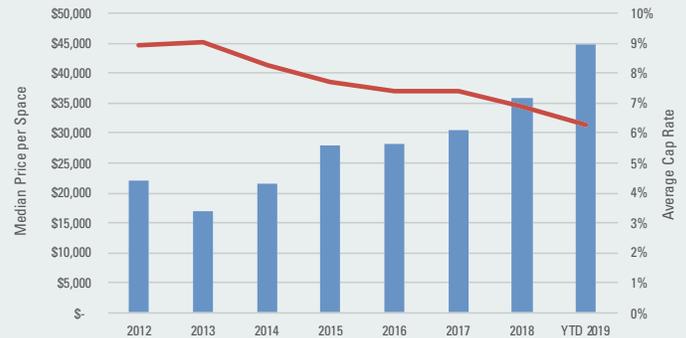
*Rents reached \$536 per month and are up 3.9 percent year over year*



## Manufactured Housing Sales

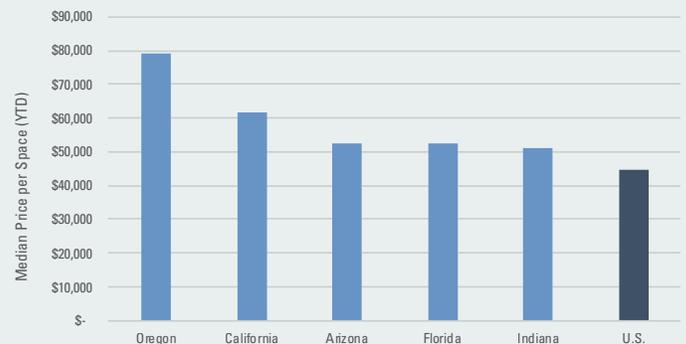
- > Following a bit of a cooling off to start the year, sales of manufactured housing communities gained momentum during the second quarter. Sales velocity rose 31 percent from the first quarter to the second quarter.
- > Sales activity thus far in 2019 is closely tracking levels from last year. In the first half of 2019, sales velocity was nearly identical to levels during the same period in 2018. The number of communities that sold in second-quarter 2019 was up less than 5 percent from the second quarter of last year.
- > The median price ticked lower in the second quarter, but current pricing is still considerably higher than in 2018. The median price in sales during the second quarter was approximately \$43,700 per space, 7 percent lower than the median price in the first quarter. The median price in sales year to date is \$44,800 per space, up nearly 25 percent from the median price in 2018.
- > Nationally, cap rates averaged approximately 6 percent during the second quarter, down 40 basis points from the first quarter. The average cap rate through the first half of this year is 6.2 percent, down approximately 70 basis points from the average in 2018.
- > Transaction activity in Florida spiked during the second quarter. Sales of manufactured housing communities in Florida accounted for approximately 25 percent of the total number of transactions in the entire country in the second quarter.
- > Sales velocity in California accelerated in the second quarter and prices rose. The median price in transactions in California during the second quarter rose to more than \$88,000 per space.
- > Year to date, the most sales activity in the Midwest has occurred in Indiana. The median price in transactions in the state is more than \$51,000 per space, with an average cap rate of approximately 6.2 percent.
- > Transaction activity gained momentum in Minnesota in recent months. The median price in second-quarter sales in Minnesota was approximately \$34,000 per space, while the average cap rate was nearly 5 percent.

## U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

## Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

*The median price ticked lower in the second quarter, but current pricing is still considerably higher than in 2018*

## About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of \$13 billion, loan servicing portfolio of more than \$55 billion and the multi-year tenure of our more than 500 people.

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