

Manufactured Housing



Rents Post Steady Gains Across the Country

Highlights

- > Demand for manufactured housing rose in the fourth quarter, with occupancies rising and rents pushing higher. Investor demand also gained momentum with more properties trading and prices rising.
- > The national occupancy rate rose 10 basis points in the fourth quarter, reaching 93.4 percent. While the rate crept higher in both the third and fourth quarters, for the full year, occupancy dipped 40 basis points.
- > Rents rose throughout the year and posted additional gains in the fourth quarter. Rents ended 2020 at \$568 per month, up 3.8 percent from one year earlier.
- > Investment activity for manufactured housing communities rose in 2020, including a surge in transactions in the fourth quarter. For the full year, prices and cap rates closely tracked 2019 levels, although cap rates compressed at the end of the year. Cap rates at the start of 2021 will likely be lower than the 2020 average.

Manufactured Housing Overview

The national manufactured housing market strengthened during the fourth quarter with shipments rising, occupancies inching higher, and rents increasing. With the cost of all forms of housing trending higher and the economy expected to rebound in 2021, demand for manufactured housing is forecast to accelerate. The year ahead will likely set a record for shipments of new manufactured housing units. While shipments nationally were essentially flat in 2020, several high-growth states recorded strong gains, led by Texas, the Carolinas, Virginia, and Tennessee.

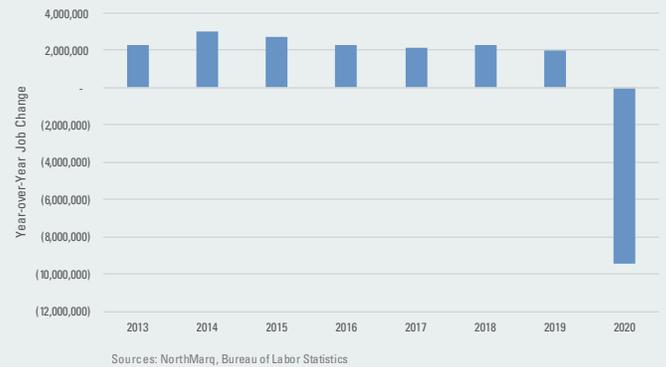
Q4 Snapshot	Manufactured Housing
	Market Fundamentals
	Occupancy 93.4%
	- Change from 4Q 2019 (bps) -40
	Average Rents \$568
	- Change from 4Q 2019 +3.8%
	Transaction Activity
	Median Sales Price Per Space (YTD) \$36,400
	Average Cap Rates (YTD) 7.0%
	Inventory Growth
	Units Shipped (YTD) 94,400
	- Change from 2019 -0.2%

The investment climate for manufactured housing communities was healthy in 2020, with activity gaining momentum at the end of the year. Fueled by a spike of more than 20 percent in the fourth quarter, sales velocity for manufactured housing in 2020 outpaced 2019 levels by nearly 10 percent, despite the coronavirus outbreak that stalled activity in the middle part of the year. For the full year, cap rates were nearly identical to 2019 levels, but cap rates compressed in the fourth quarter, a trend that may carry over into the year ahead.

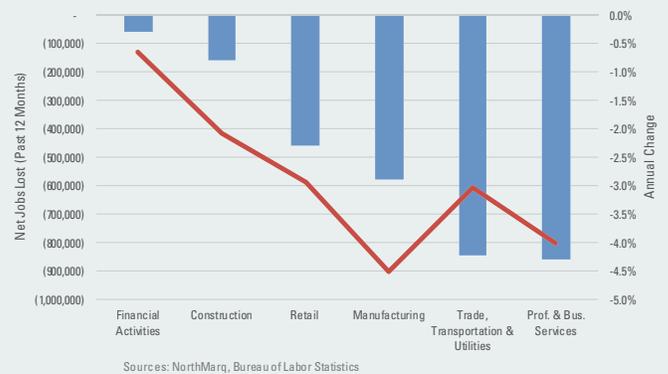
Employment

- > The pace of recovery in the national labor market slowed during the fourth quarter. After employers added back more than 4 million jobs in the third quarter, total employment expanded by fewer than 650,000 jobs in the fourth quarter.
- > Some of the slowdown in the pace of recovery in late-2020 was due to a monthly decline in December. Payrolls contracted in the final month of the year with the loss of 306,000 jobs. Most sectors posted gains in December, but the leisure and hospitality sector slashed approximately 500,000 jobs in the month.
- > For all of 2020, **total employment** contracted by 6.2 percent with the loss of approximately 9.4 million jobs. Approximately 55 percent of the jobs that were temporarily cut during the spring months have been added back.
- > After peaking at nearly 15 percent during the spring, the **national unemployment rate** closed 2020 at 6.7 percent. Despite tightening by 110 basis points during the fourth quarter, the rate rose 310 basis points from 2019 to 2020. Preliminary forecasts call for the rate to fall to approximately 4.5 percent to 5 percent by the end of 2021.
- > While all states recorded job losses in 2020, many states with large concentrations of manufactured housing units outperformed the national labor market. A few other states—notably California—recorded steeper job losses than the U.S. average.
- > In 2020, **Georgia's** employment market recovered more swiftly than nearly every state in the U.S. Employment losses in Georgia totaled just 1.8 percent, as the Atlanta area continued to attract businesses even during a year of extreme economic volatility. While most states added jobs back slowly during the fourth quarter, employers in Georgia were active in the fourth quarter.
- > The pace of job losses in **Arizona** was more modest than in most other states and the labor rebound occurred at a more robust pace. Arizona's employers have already added back two-thirds of the jobs that were cut during the second quarter. For the full year, employment in Arizona contracted by 2.8 percent.
- > Employment in **Texas** contracted by 3.3 percent in 2020, or approximately half the national rate of decline. Dallas and Austin recorded minimal annual declines, but losses were more severe in Houston and San Antonio.
- > The **California** economy was hard-hit in 2020, as tourism travel essentially stalled and the state had some of the most severe coronavirus restrictions. Job losses in the state topped 1.4 million, an annual pace of contraction of 8 percent. With the economy reopening, California is forecast to record some of the strongest rebounds in 2021.

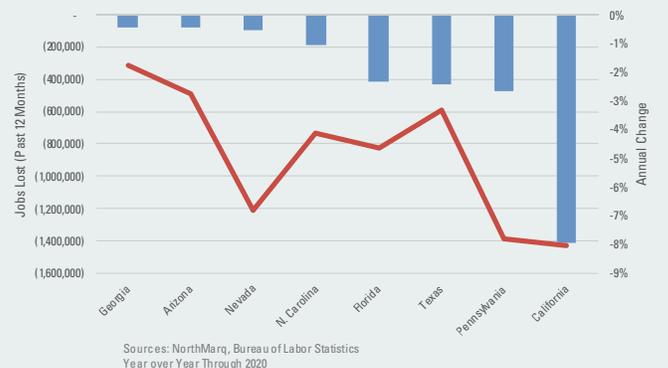
U.S. Employment Trends



Sector Employment Trends



Employment Trends by State



Supply Growth

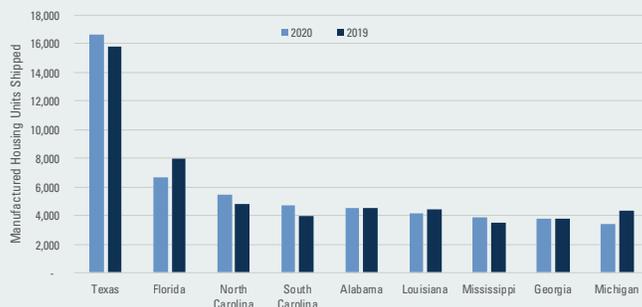
- > Shipments of manufactured housing units accelerated during the fourth quarter, rising 5 percent from the third-quarter total. Shipments reached 24,600 units in the fourth quarter, the highest quarterly total since the beginning of 2018.
- > Despite a second quarter where shipments were down 15 percent from recent averages, total shipments in 2020 reached 94,400 units, nearly identical to the total shipments in 2019. Shipments have been very consistent in recent years, averaging 94,600 units per year since 2017.
- > The **South** region accounted for 41 percent of all units shipped in 2020, up from 39 percent one year earlier. The volume of shipments was widespread throughout the South region. Seven states in the South region were among the top 10 states for shipments in 2020.
- > With nearly 6,700 units, Florida had the greatest inventory growth in the South region, followed by North Carolina and South Carolina. Both North Carolina and South Carolina recorded increases of more than 10 percent from 2019 to 2020.
- > Texas is routinely the top state in the country for shipments of manufactured housing units. In 2020, approximately 16,600 units were shipped to Texas, 5 percent higher than the state's 2019 total.
- > In the **Midwest**, the states with the largest supply growth were Michigan and Kentucky, with each state recording shipments of nearly 3,500 units in 2020. Kentucky posted one of the largest annual increases in the country; shipments to Kentucky spiked 24 percent from 2019 to 2020.
- > Shipments of manufactured housing units to **California** fell 20 percent to approximately 3,200 units in 2020. Activity is forecast to accelerate in the year ahead.
- > Two traditional high-growth states recorded shipment declines in 2020. In Nevada, shipments slowed 20 percent, while shipments to Arizona dropped 9 percent to approximately 2,200 units.
- > Shipments to the **Northeast** fell 9 percent in 2020. Approximately 1,650 units were shipped to Pennsylvania—the most in the region—but down 12 percent from one year earlier. Shipments to Virginia spiked 18 percent to 1,300 units.

U.S. Manufactured Housing Shipments



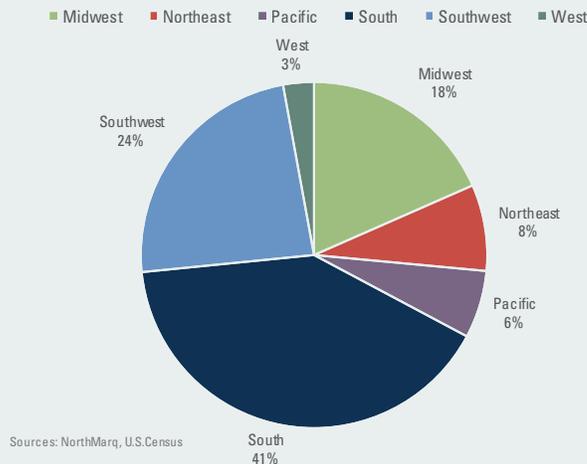
Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by State



Sources: NorthMarq, U.S. Census

Manufactured Housing Shipments by Region



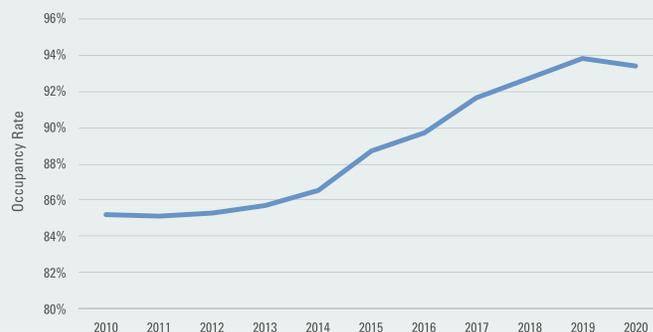
Sources: NorthMarq, U.S. Census

Occupancy

- > The national occupancy rate inched higher in the fourth quarter, building on a modest gain in the third quarter. The rate ticked up 10 basis points in the fourth quarter, ending the year at 93.4 percent.
- > Occupancy fell 40 basis points in 2020, the first decline in a calendar year since 2011. The occupancy rate topped 90 percent in 2017 and has averaged nearly 93 percent for the past four years.

Occupancy ticked up 10 basis points in the fourth quarter, ending the year at 93.4 percent

Occupancy Overview



Sources: NorthMarq, JLT Datacomp

Pacific

- > Fell 20 bps in 2020, ending the year at 98.3 percent
- > California occupancy at 98.3 percent, down 40 bps from one year ago

Midwest

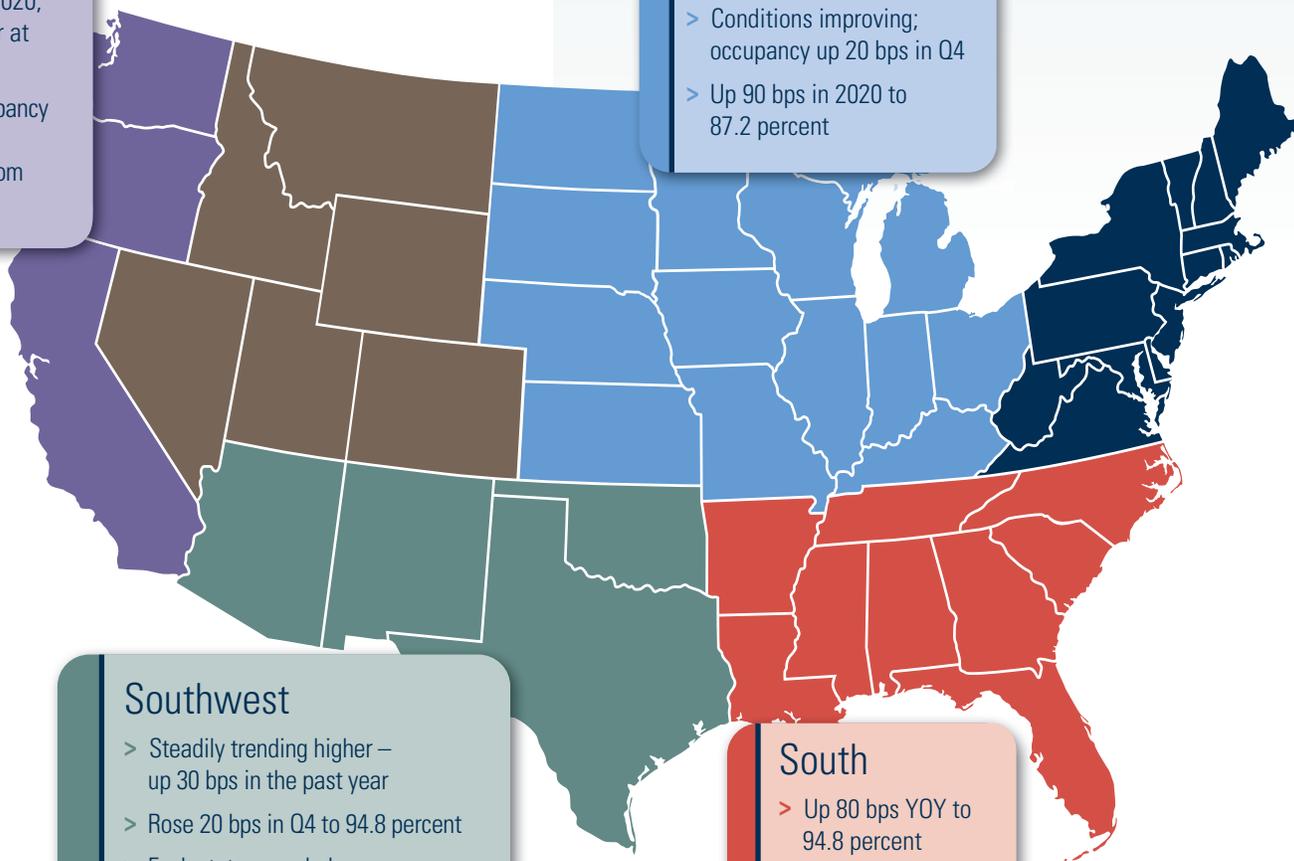
- > Conditions improving; occupancy up 20 bps in Q4
- > Up 90 bps in 2020 to 87.2 percent

Southwest

- > Steadily trending higher – up 30 bps in the past year
- > Rose 20 bps in Q4 to 94.8 percent
- > Each state recorded occupancy increase
- > Texas up 20 bps to 95.8 percent

South

- > Up 80 bps YOY to 94.8 percent
- > Florida's rate rose 70 bps in 2020

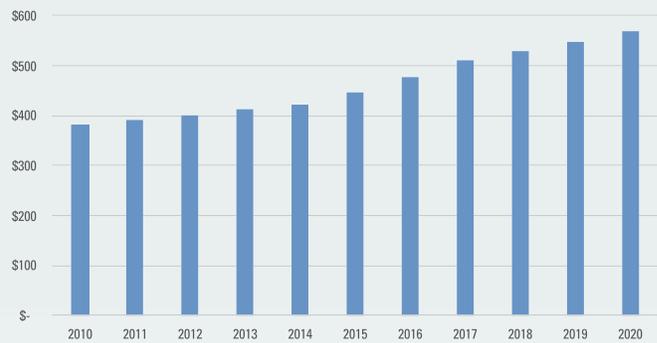


Rents

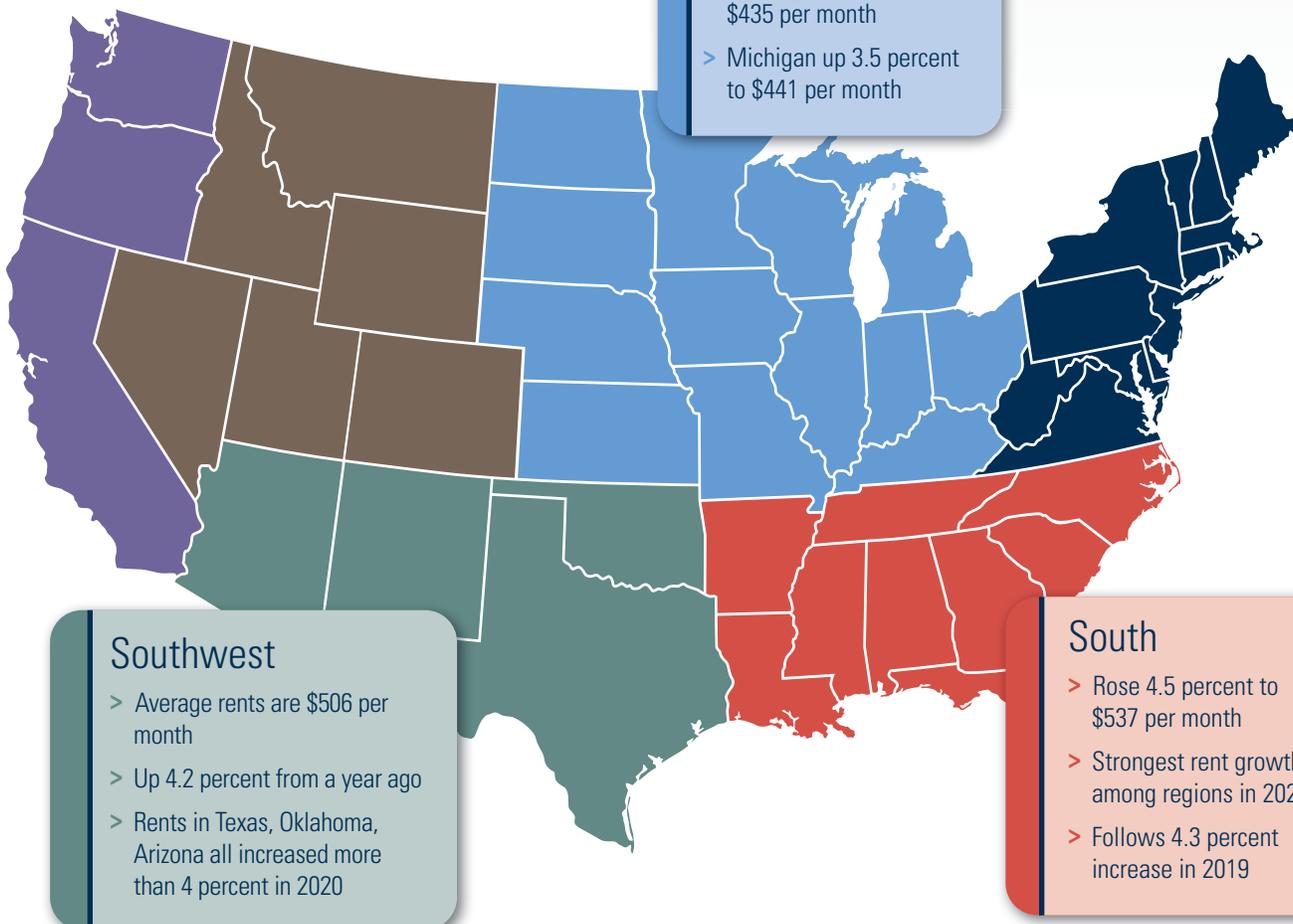
- > Despite economic volatility throughout the year, rents for manufactured housing rose throughout 2020. Average rents rose 0.9 percent in the fourth quarter, reaching \$568 per month.
- > For the full year, rents rose 3.8 percent nationally. Rent growth has gradually accelerated in recent years, rents advanced 3.5 percent in 2018 and gained 3.6 percent in 2019.

Rents rose 3.8 percent nationally; rent growth has gradually accelerated in recent years

Rents Overview



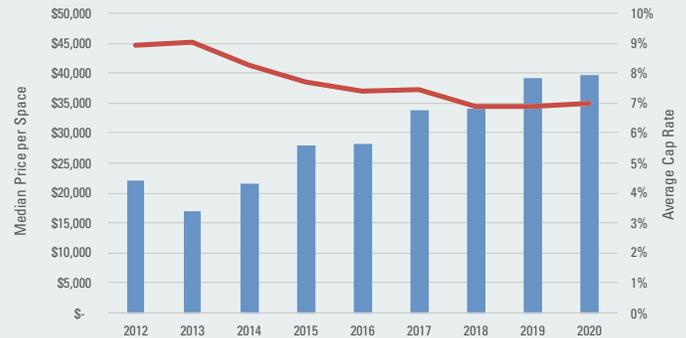
Sources: NorthMarq, JLT Data.com



Manufactured Housing Sales

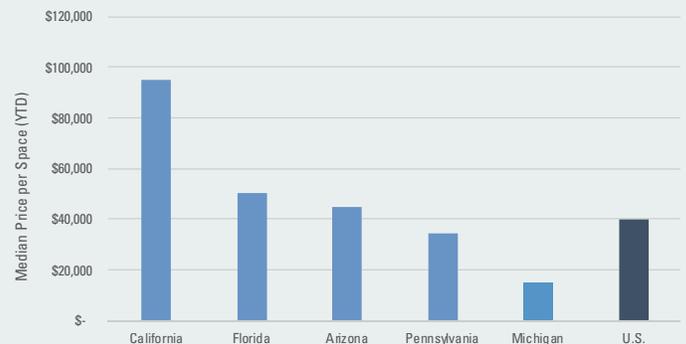
- > After accelerating in the preceding period, sales of manufactured housing communities spiked by more than 20 percent from the third quarter to the fourth quarter. Transaction activity in the fourth quarter of 2020 was up nearly 25 percent when compared with levels in the fourth quarter of 2019.
- > For the full year, sales of manufactured housing communities rose 9 percent in 2020 when compared to 2019. The biggest increase was in sales of properties priced between \$10 million and \$15 million, where sales velocity spiked by more than 35 percent.
- > With activity picking up, prices rose in the fourth quarter. In transactions that closed during the final three months of the year, the median price was \$45,000 per space.
- > The surge in prices in the fourth quarter supported a modest annual rise. The median price in 2020 was \$39,700 per space, approximately 2 percent higher than the 2019 median price.
- > Cap rates averaged 7 percent in 2020, up 10 basis points from the average in 2019. Cap rates rose during the middle part of the year before compressing at the end of 2020.
- > During the fourth quarter, cap rates compressed to approximately 5.75 percent, down approximately 90 basis points from the average during the third quarter.
- > Florida was the state with the most activity, accounting for approximately 15 percent of the significant sales across the nation in 2020. The median price in Florida was approximately \$50,200 per space, while cap rates averaged 6.1 percent.
- > California recorded significant sales activity, and some of the nation's highest per-space prices. The median price in California surged to more than \$95,000 per space, and cap rates compressed to just 4.6 percent in 2020. The Inland Empire and Orange County markets were the most active areas in the state.
- > Some of the largest transactions in 2020 occurred in Arizona, particularly in the East Valley cities of Mesa and Apache Junction. The median price in Arizona in 2020 was \$45,000 per space, while cap rates compressed to approximately 6 percent.
- > In the Northeast, the most active state was Pennsylvania, where the median price rose nearly 20 percent for the year, reaching \$34,200 per unit. Cap rates in Pennsylvania averaged approximately 6.2 percent in 2020.

U.S. Manufactured Housing Sales and Cap Rates



Sources: NorthMarq, CoStar

Manufactured Housing Sales Prices by State



Sources: NorthMarq, CoStar

Sales of manufactured housing communities rose 9 percent in 2020 when compared to 2019

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 more than \$14 billion, loan servicing portfolio of more than \$61 billion and the multi-year tenure of our nearly 600 people.

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