

# Occupancies inch lower, but rent growth accelerates

## INVENTORY GROWTH



UNITS SHIPPED YTD **44,000**

CHANGE FROM Q2 2022 **-29%**

## MARKET FUNDAMENTALS



OCCUPANCY RATE **94.4%**

CHANGE FROM Q2 2022 **+10bps**

AVERAGE RENTS **\$653**

CHANGE FROM Q2 2022 **+7.0%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER SPACE **\$45,800**

AVERAGE CAP RATE **6.60%**

## HIGHLIGHTS

- The manufactured housing market showed some signs of slowing during the first half of 2023, but fundamentals remain strong. Rents have been on the rise, but the pace of gains will likely level off during the second half.
- Occupancy rates at the national level recorded a quarterly decline for the first time in three years during the second quarter. The rate was 94.4 percent in the second quarter, 30 basis points lower than levels at the beginning of this year. Despite the recent decline, occupancy rates have improved 10 basis points year over year.
- The pace of rent growth accelerated during the second quarter. Rents rose 2.5 percent in the past three months, reaching \$653 per month. Rents have pushed up 7 percent in the past year, the strongest annual pace of growth since 2016.
- Sales velocity picked up during the second quarter, but transaction counts are still down nearly 45 percent from levels recorded during the first half of 2022. The median price in the first half was \$45,800 per space, while cap rates averaged 6.6 percent.

## MANUFACTURED HOUSING MARKET OVERVIEW

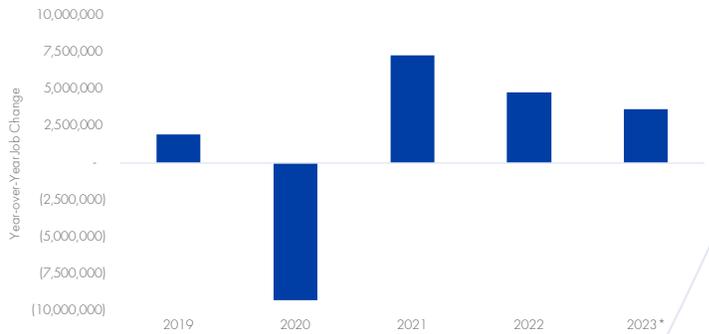
Property fundamentals in the national manufactured housing sector were mixed during the second quarter. Shipment volumes slowed and occupancy rates inched lower, two signs of cooling demand. Still, occupancy levels are slightly higher than one year ago and about 450 basis points higher than the nation's long-term average. These consistently high occupancies are supporting an accelerating pace of rent growth. Average rents recorded steep upward momentum throughout nearly every region in the country. Current rents are up 7 percent from one year ago, with stronger gains being recorded in some of the fastest-growing states in the South and Southwest. While recent rent trends have reflected healthy market conditions, the pace of gains will likely level off in the coming quarters. Occupancy rates should end this year near current levels, while rents are forecast for a slower pace of growth in the second half.

The investment market showed signs of strengthening during the second quarter, with transaction counts gaining momentum and prices beginning to push higher. Despite the recent progress, both sales velocity and current pricing are lagging levels recorded in 2022. Transaction activity has been strongest in high-growth parts of the country, with Florida and Arizona—two states that have benefitted from continued in-migration from more expensive regions—leading the way. Smaller numbers of properties have changed hands, particularly across the Midwest, where cap rates are generally high enough to make some acquisitions pencil in the higher interest rate environment. The national average cap rate rose 20 basis points in the second quarter and is up about 85 basis points from one year ago. Current cap rates are 50 basis points lower than average levels recorded from 2016 to 2020, before the combined forces of low interest rates and heightened investor demand caused rapid compression in 2021 and 2022.

## EMPLOYMENT

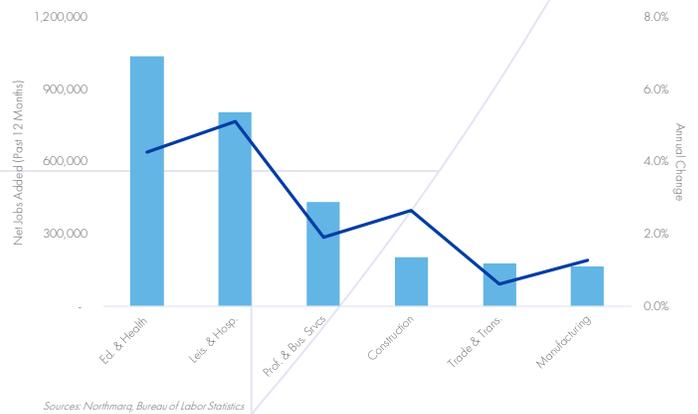
- After a strong start to the year, the pace of employment growth slowed during the second quarter. Employers added 603,000 jobs in the period, including only 105,000 net new jobs in the final month of the quarter. The June reading was the lowest monthly gain in more than two years.
- During the first half of the year, more than 1.5 million jobs were added, down from levels recorded in 2022, but slightly higher than average first-half totals from 2015-2019. During the first half of last year, employers added nearly 2.7 million jobs,
- Year over year through the second quarter, total employment at the national level has expanded by 2.4 percent with a gain of more than 3.6 million jobs.
- All of the major employment sectors in the U.S. are expanding, although the pace of growth across most industries is more modest than in prior periods. The education and health services sector has led the way, adding more than 1 million jobs in the past year.
- The leisure and hospitality sector of the economy has recovered nearly all of the jobs that were slashed in 2020. In the past year, more than 800,000 jobs have been added in the sector, as consumers ramped up spending on travel and dining. Employment in the sector has expanded by 5.1 percent year over year, but the pace of growth will likely level off in the coming quarters.
- Retail employment has recovered slightly after modest cuts in earlier quarters. Year over year, retailers have added nearly 60,000 jobs for a gain of less than 0.5 percent.
- Even as the single-family housing market has cooled, construction employment continues to expand at a healthy rate. During the past 12 months, more than 200,000 new construction jobs have been created, a 2.7 percent gain.
- The top states for manufactured housing demand are also the leaders for employment growth. Employers in Texas, California, and Florida have added 1.25 million jobs in the past year, or more than one-third of the total gains for the entire country. Growth has been particularly strong in Texas, where statewide payrolls have expanded by more than 4 percent.
- Employers in Arizona and Nevada have been adding workers to keep pace with demand fueled by rapid population growth. Year over year, more than 65,000 jobs have been added in Arizona, while 60,500 positions have been created in Nevada.
- North Carolina and Georgia both landed in the top-10 states for most jobs created in the past year. The two states combined to add more than 220,000 jobs in the past year, a growth rate of 2.3 percent.
- Employers continue to add workers at a steady pace in several Midwest states. Statewide employment rosters in Illinois grew by 2 percent in the past year, with a gain of more than 120,000 jobs. Ohio and Michigan both posted annual growth rates of more than 1.7 percent, adding 98,000 jobs and 75,000 jobs, respectively.

### U.S. EMPLOYMENT TRENDS



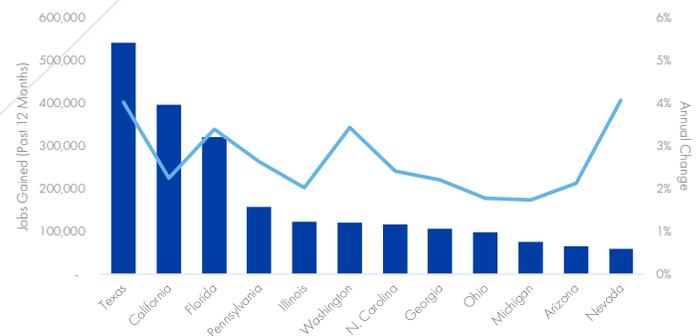
\* 12-Month Period Ending 2Q 2023  
Sources: Northmarq, Bureau of Labor Statistics

### SECTOR EMPLOYMENT TRENDS



Sources: Northmarq, Bureau of Labor Statistics

### EMPLOYMENT TRENDS BY STATE



Sources: Northmarq, Bureau of Labor Statistics

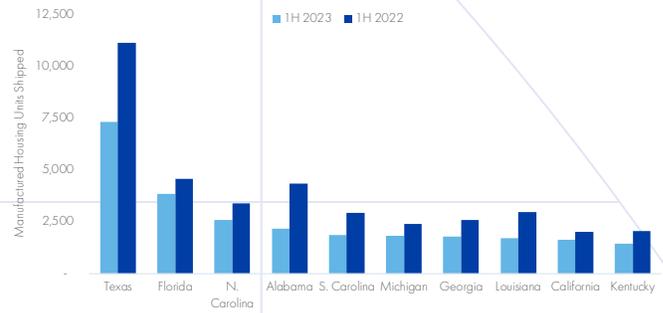
## SUPPLY GROWTH

- Manufactured housing shipments totaled 22,800 units during the second quarter, up 7 percent from levels at the start of the year, but lagging levels recorded during the past several years.
- During the first half of 2023, 44,000 manufactured housing units were shipped, the lightest first-half volume since 2016. The pace of inventory growth declined 29 percent from the first half of 2022.
- Five of the nation's six regions recorded annual shipment declines of 20 percent or more during the first half of 2023. The South region posted a 33 percent year-over-year decline. During the first half of this year, shipments to Alabama dropped 50 percent, while Louisiana recorded a 42 percent decline.
- Florida was the top state in the South region for shipments, and the state also recorded only a modest decline. Nearly 3,900 units were shipped to Florida in the first half, down 15 percent from one year earlier.
- The top state for shipment volume in the first half was Texas. More than 7,300 units were shipped to Texas in the first half, and volumes increased 10 percent from the first quarter to the second quarter.
- Arizona was one of the handful of states that recorded an annual increase in shipment levels during the first half of 2023. Approximately 1,350 units have been shipped to Arizona year to date, 2 percent higher than in the same period in 2022.
- Michigan led the Midwest in shipments and trends in the state mirrored activity levels throughout the region as a whole. During the first half, shipments to Michigan were down 23 percent, matching the decline recorded in the region.
- The Northeast generally represents a small share of the total national shipment volume, but the region recorded the slowest year-over-year decline during the first half. Shipments to states in the Northeast fell 18 percent to this point in 2023. Pennsylvania and New York were the top states in the region, combining for approximately 1,700 units in the first half.

## U.S. MANUFACTURED HOUSING SHIPMENTS

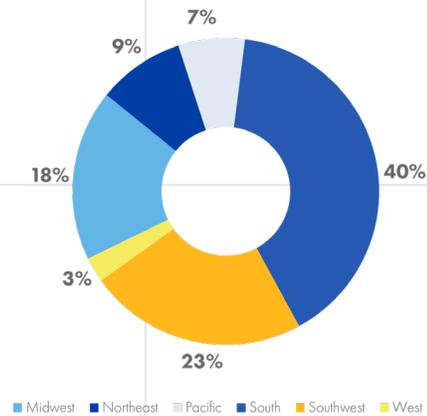


## MANUFACTURED HOUSING SHIPMENTS BY STATE



## MANUFACTURED HOUSING SHIPMENTS BY REGION

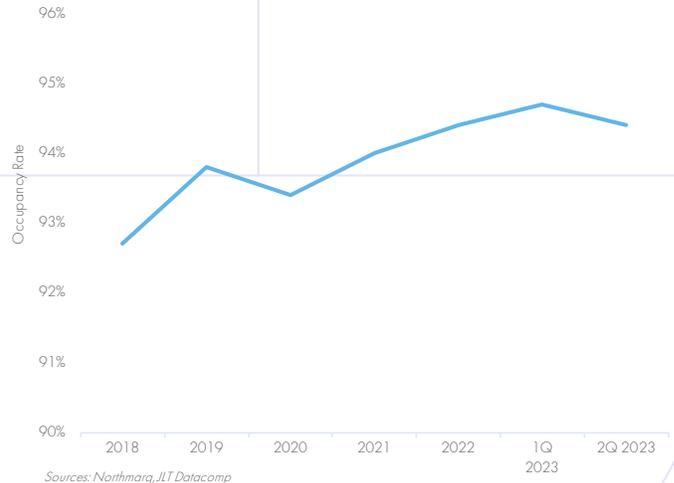
Sources: Northmarq, U.S. Census



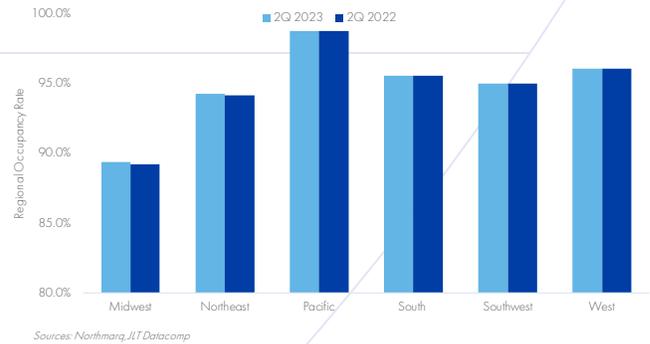
## OCCUPANCY

- The national occupancy rate recorded its first quarterly decline in three years during the second quarter. The rate dropped 30 basis points in the last three months, reaching 94.4 percent. The rate has been mostly steady, averaging 93.6 percent over the past five years.
- While occupancy inched lower in the second quarter, the rate has risen 10 basis points from one year ago. This marked the ninth consecutive quarter where the year-over-year occupancy rate has improved.
- Half of the regions in the country posted flat occupancy rates during the past 12 months. In the South region, the rate at midyear was 95.6 percent, identical to one year earlier. The Southwest region has posted a similar stability, maintaining a 95 percent occupancy rate for nearly two years.
- Occupancy trends in Texas have fueled performance in the Southwest region. The rate in Texas has remained between 95.5 percent and 96 percent since 2018. During the second quarter, occupancy in Texas was 95.6 percent.
- The Pacific region routinely posts the highest occupancy rates in the country. The average occupancy in the region was 98.8 percent in the second quarter, matching the rate from one year ago. Occupancy in California reached 98.8 percent, while the rate rose to 98.9 percent in Oregon.
- Occupancy in Florida has inched lower in the second quarter, dipping 20 basis points to 95.9 percent. The statewide rate has averaged 95.7 percent since mid-2020.
- Colorado is recording one of the highest occupancy rates of any non-coastal state. Occupancy in Colorado was 98 percent in the second quarter, and the rate has averaged 98.1 percent since 2018.

### OCCUPANCY OVERVIEW



### MANUFACTURED HOUSING OCCUPANCY BY REGION



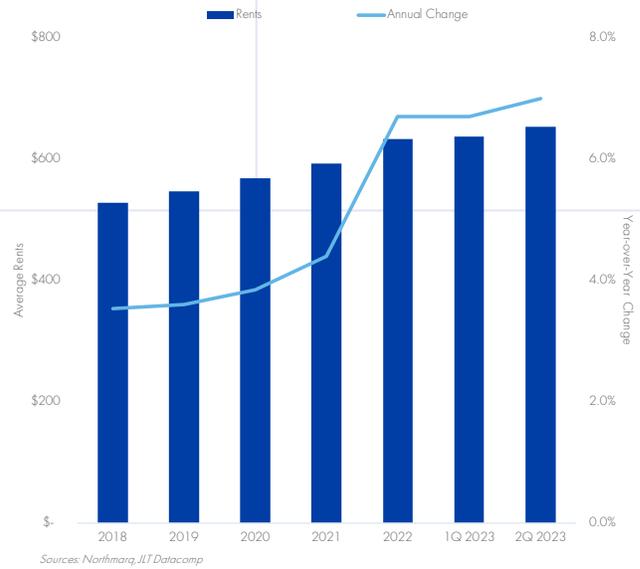
The national occupancy rate reached 94.4 percent.

## RENTS

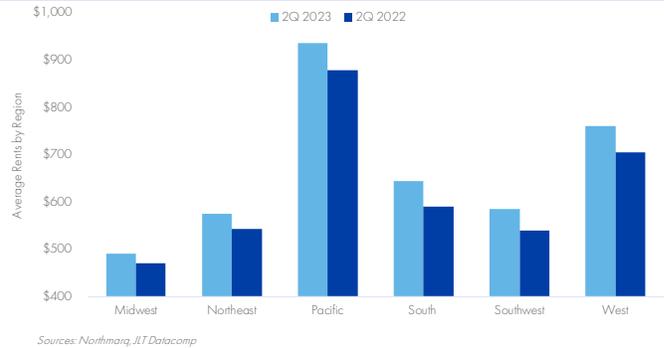
- The pace of rent growth accelerated during the second quarter, following a period of more modest gains at the beginning of the year. Rents rose 2.5 percent in the second quarter, reaching \$653 per month. During the first half of this year, rents have advanced 3.2 percent.
- Rents are moving higher at an accelerating pace. During the past 12 months, average rents have surged 7 percent, after gains averaged 4.5 percent from 2019 through 2022. Rents have not advanced at this fast a pace since 2016.
- The continued population growth in the South region has fueled rent increases. Rents in the South region spiked 9.3 percent in the past year, reaching \$645 per month. One year ago, regional rent growth was 6.1 percent.
- Florida has the highest rents in the South, and prices are pushing higher at a rapid pace. Average rents in Florida have increased by 9.6 percent in the past year, reaching \$674 per month at midyear.
- Rents in the Southwest surged by 8.5 percent in the 12-month period ending in the second quarter. The average rent in the region increased to \$586 per month, up from \$540 per month one year ago. Annual rent growth in Texas and in Arizona both topped 8 percent.
- Rents in the Midwest have gained 6.3 percent in the past year, reaching \$492 per month. Annual rent growth in Michigan totaled 6 percent as of the second quarter, while rents in Ohio have increased 6.6 percent year over year.

During the past 12 months, average rents have surged 7 percent.

### RENTS OVERVIEW



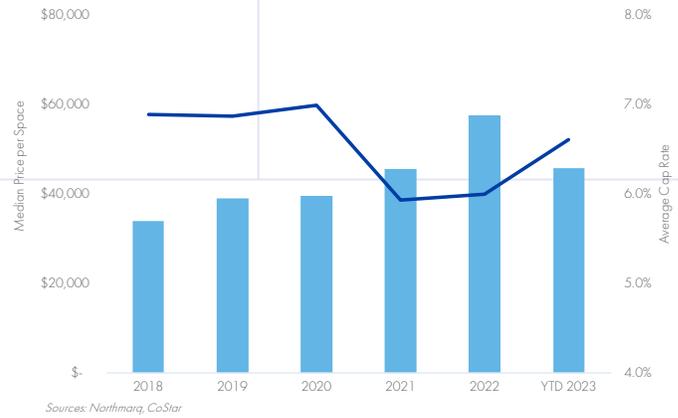
### MANUFACTURED HOUSING RENTS BY REGION



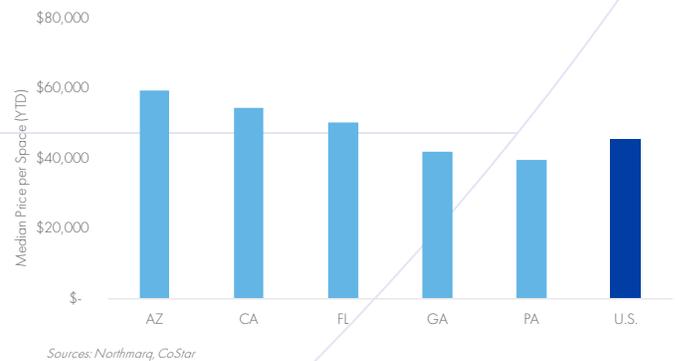
## MANUFACTURED HOUSING SALES

- After slowing at the end of last year and in the beginning of 2023, sales velocity regained momentum in recent months. Transaction activity rose 19 percent from the first quarter to the second quarter.
- Despite the recent rise in transactions, the number of manufactured housing communities that sold in the first half of this year was down nearly 45 percent from the same period in 2022. In transactions greater than \$20 million, sales declined by more than 50 percent, while transactions priced between \$2 million and \$5 million dipped only 24 percent.
- Cap rates averaged approximately 6.6 percent in the second quarter, 20 basis points higher than during the first quarter. One year ago, cap rates were closer to 5.75 percent.
- Year to date, the median price has dipped to \$45,800 per space, 20 percent lower than the median price in 2022. Current prices are nearly identical to the median price that was recorded two years ago.
- There was some upward movement in prices in recent months. In sales that closed during the second quarter, the median price topped \$51,000 per unit, up from nearly \$42,000 per unit at the beginning of the year.
- Year to date, Florida has led the way for the greatest number of closed transactions. Total investment volume in the state is down about 20 percent year over year, a more modest decline than is being recorded at the national level. Prices have trended lower; the median price in Florida to this point in 2023 is \$50,500 per space, after topping \$70,000 per space in 2022.
- Transaction activity in Arizona is up about 10 percent when compared to levels recorded one year earlier, and the state is near the top for total sales volume through the first half of 2023. The median price in transactions that have occurred in Arizona year to date is \$59,400 per space, with cap rates averaging between 5.5 percent and 6.5 percent.
- In California, the number of communities that have sold is down 40 percent when compared to 2022 levels, closely tracking the decline in transaction activity at the national level. The median price in deals that have closed in 2023 is approximately \$55,000 per space, although some properties have closed with prices that are nearly twice that figure.
- Minnesota and Michigan are the leading states for transactions in the Midwest region year to date. Prices in both states have trended higher, with most properties generally changing hands between \$45,000 per space and \$65,000 per space. Cap rates are between 6 percent and 7.5 percent in most cases.

### U.S. MANUFACTURED HOUSING SALES & CAP RATES



### MANUFACTURED HOUSING SALES PRICES BY STATE



Cap rates averaged approximately 6.6 percent in the second quarter.



**FOR MORE INFORMATION,  
PLEASE CONTACT:**

**JEFF BENSON**

*Managing Director—Investment Sales*  
949.270.3692  
jbenson@northmarq.com

**DON VEDEEN**

*Vice President—Investment Sales*  
602.952.4043  
dvedeen@northmarq.com

**SAM NEUMARK**

*Senior Vice President—Investment Sales*  
310.507.7103  
sneumark@northmarq.com

**JARED BOSCH**

*Associate Vice President—Investment Sales*  
602.952.4049  
jbosch@northmarq.com

**CHRIS MICHL**

*Associate Vice President—Investment Sales*  
602.952.4051  
cmichl@northmarq.com

**ANTHONY PINO**

*Associate*  
410.296.6568  
apino@northmarq.com

**PAUL SMITH**

*Associate*  
602.598.7350  
psmith@northmarq.com

**TOM PELOQUIN**

*Managing Director—Debt & Equity*  
203.801.8119  
tpeloquin@northmarq.com

**ALEX QUENZLER**

*Vice President—Debt & Equity*  
602.508.2209  
aquenzler@northmarq.com

**PETE O'NEIL**

*Director of Research*  
602.508.2212  
poneil@northmarq.com

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