National Report

Manufactured Housing Research

Second Half 2018

Vacancy Continues to Tighten, Pushing Rent Gains; Investors' Appetite For Communities Remains Robust

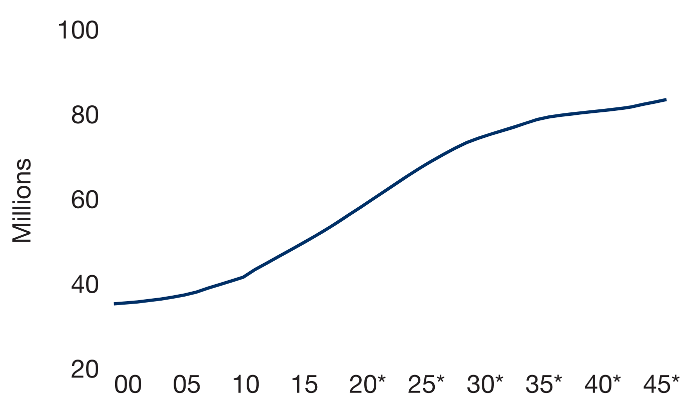
Need for affordable housing and an aging population generate strong demand in manufactured home communities. Vacancy in all regions remains at a 10-year low, with the West maintaining the tightest rate at 5.1 percent. Within the regions, however, the rate varies widely by metro. In cities where housing prices are beyond the means of many potential homeowners, such as Long Island or Seattle, vacancy has stayed persistently beneath 3 percent. A number of communities in Sunbelt metros including Tampa and Fort Worth have posted large drops in vacancy over the past four quarters due to steady employment gains, which are drawing workers as well as retirees to warmer climates. Age-restricted parks nationwide should benefit from a growing senior population over the next few decades. Meanwhile, vacancy remains in double digits, especially in many Midwest cities with slower household formation and more affordable home prices.

Rents climbing as demand improves. As manufactured home parks fill and many are refurbished with amenities added or upgraded, rents are rising. Among regions, the West also holds the highest rents at an average of $557 per month, with the South registering the biggest year-over-year advance of 3.9 percent. During the past 12 months, Fort Meyers, Florida, posted one of the largest rent gains at 8.5 percent to an average of $628 per month, well above the national average.

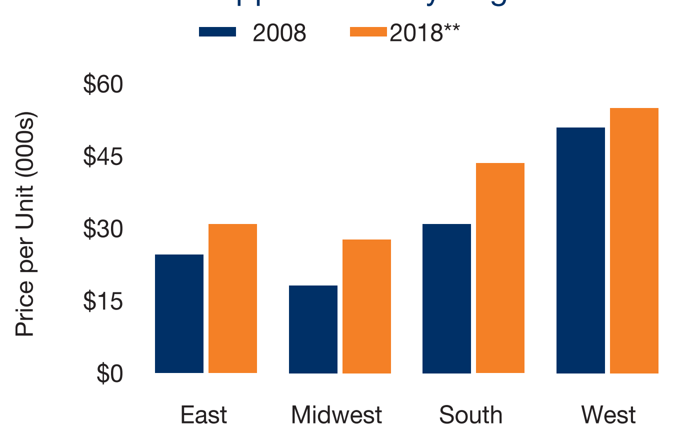
Investment Highlights

- Capital-flush investors from other asset classes are seeking to capitalize on higher yields in manufactured home communities. However, the supply of available listings remains well below demand throughout most areas of the nation, making it more difficult to find quality parks. In addition, increased competition for properties is keeping cap rates compressed.
- In mainly Western states, some buyers are hesitating on the added risk of manufactured home communities in or near forested areas that are susceptible to wildfires. This could result in some parks taking longer to transact.
- A number of private investors are interested in smaller communities that can be upgraded and have amenities added for value-add opportunities. Parks with city services and fewer rental homes are especially desired, although recently banks have been looking more favorably on rental or RV income.
- Rising interest rates may motivate some investors to sell rather than refinance, which may provide more listings during the quarters ahead.

65+ Population Growth

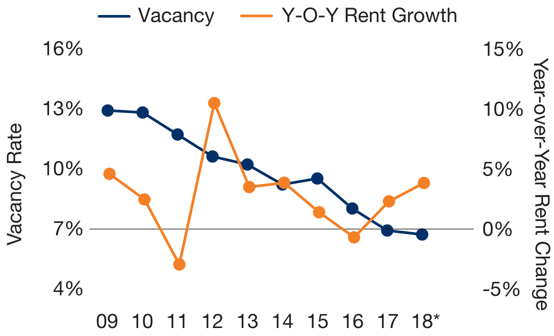


Price Appreciation by Region

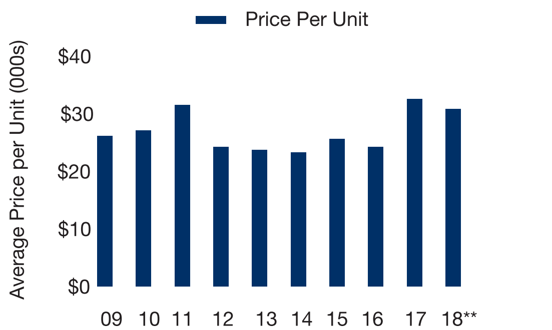


* Forecast ** Trailing 12 months through 2Q18
Sources: CoStar Group, Inc.; U.S. Census Bureau

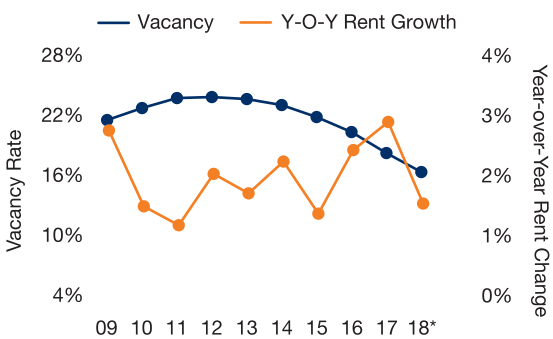
East Rent and Vacancy Trends



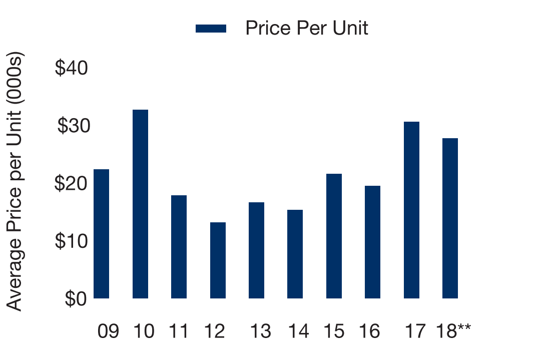
East Sales Trends



Midwest Rent and Vacancy Trends



Midwest Sales Trends



* Through 3Q 2018
** Year over year through 2Q 2018
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Datacomp-JLT

East Region

Mid-Atlantic Trends

Vacancy: Building on a 70-basis-point decline in 2017, vacancy contracted another 60 basis points to end the third quarter at 6.0 percent.

Rents: During 2017, the average rent rose 3.8 percent and so far in 2018, rents have climbed 3.7 percent to $395 per month. Over the past five years, rents have jumped 13.8 percent.

Northeast Trends

Vacancy: The vacancy rate held steady at 7.0 percent through the third quarter of 2018, following a 130-basis-point reduction in 2017. Demand is especially robust on Long Island, where vacancy rests below 2 percent.

Rents: The average monthly rent posted a 3.9 percent hike through September of 2018 to $483 per month, after a 1.8 percent increase last year.

East Sales Trends

Cap Rates: Initial yields have declined roughly 100 basis points to an average of 9.2 percent over the past four quarters, despite the rising cost of financing. Yields for quality coastal properties can dip below 6 percent.

Prices: Over the past 12 months, a tight inventory of listed assets contributed to the average price per unit climbing 11 percent to $30,900. Buyers were most active in the Carolinas.

Midwest Region

East North Central Trends

Vacancy: Following a 220-basis-point drop in 2017, the vacancy rate has contracted another 190 basis points so far in 2018. The rate is still the highest among subregions at 16.7 percent.

Rents: Vacancy compression has produced rent growth of 2.1 percent in the first three quarters of 2018 to an average of $396 per month. Last year the average rent ticked up 2.6 percent.

West North Central Trends

Vacancy: The subregion's vacancy rests at 13.4 percent, following a 120-basis-point fall in 2017. Vacancy in Minneapolis-St. Paul sits at 8.4 percent.

Rents: After a 3.8 percent jump in 2017, the average rent rested at $410 per month in the third quarter. Rents have vaulted approximately 13 percent since the beginning of 2014.

Midwest Sales Trends

Cap Rates: In the Midwest cap rates average in the mid-7 percent range but vary widely depending on the quality of the asset and location. Large Class B communities in urban areas can trade at cap rates below 5 percent.

Prices: Year over year in the second quarter, the average price jumped 9.8 percent to $27,700 per unit as increased demand for available assets drove prices higher.

South Region

Southeast Trends

Vacancy: The vacancy rate dipped 60 basis points so far in 2018 to 6.5 percent, building on last year's 130-basis-point cut. The rate is down 310 basis points from the cyclical high in 2013.

Rents: Rent surged 3.4 percent to an average of $517 per month in the third quarter, following a 4.0 percent hike in 2017.

Southwest Trends

Vacancy: The second-lowest vacancy rate among subregions is found in the Southwest at 4.3 percent. The rate dipped 40 basis points through September of 2018, after a 150-basis-point decrease in 2017.

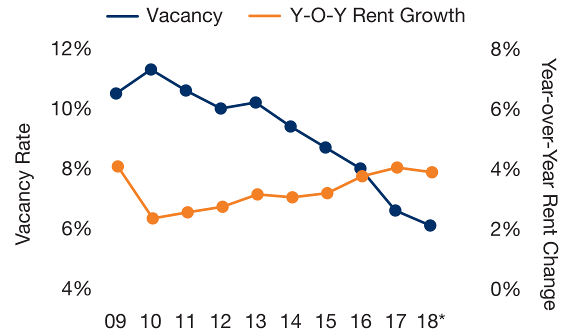
Rents: Tight vacancy results in rent growth. The average rent soared 5.5 percent to $459 per month in 2018, following last year's 5.3 percent gain.

South Sales Trends

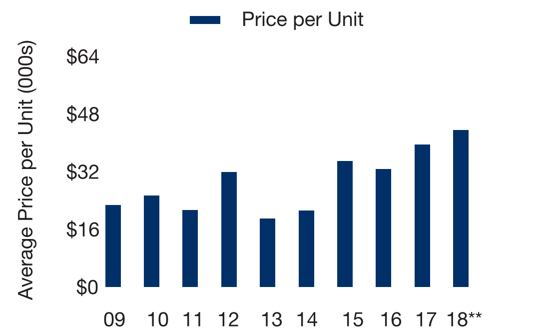
Cap Rates: First-year returns for parks traded since July 2017 averaged in the high-8 percent range, due in part to older communities changing hands. Less desirable assets in smaller towns can trade at double-digit cap rates.

Prices: Robust competition for a tight supply of marketed communities drove the average price up 25 percent to roughly $43,500 per lot in the year ending in the second quarter.

South Rent and Vacancy Trends



South Sales Trends



West Region

Mountain Trends

Vacancy: The vacancy rate continues to decline as affordable housing is harder to find. The rate is down 40 basis points to 6.0 percent so far in 2018. Last year, a drop of 100 basis points was registered.

Rents: Tightening vacancy is producing rent gains. The average monthly rent rose 4.3 percent so far in 2018 to $560 and is up 18 percent over the past five years.

Pacific Trends^

Vacancy: Rising housing prices have contributed to the tightest vacancy among subregions at 3.2 percent. The rate has remained below 5 percent over the past 10 years.

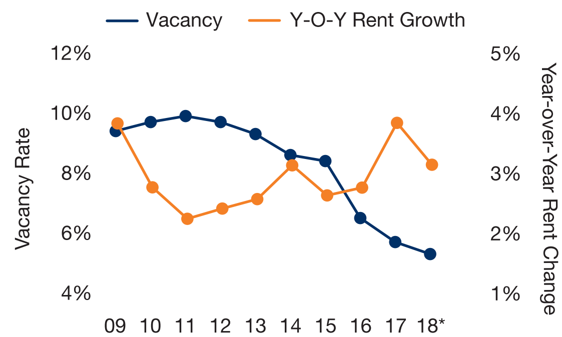
Rents: During the past four quarters, the average rent jumped 4.2 percent to $549 per month, the highest rent by subregion. Rents may be double the average in many coastal California communities.

West Sales Trends

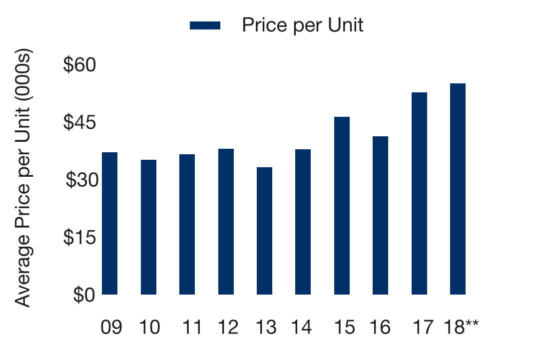
Cap Rates: At midyear, cap rates averaged in the low-7 percent range, although initial yields can dip below 5 percent for well-located assets with some upside potential.

Prices: A lack of available inventory slowed transaction volume and pushed the average price up 14 percent to $55,000 per unit during the past four quarters. Parks in prime locations can trade above $150,000 per unit.

West Rent and Vacancy Trends^



West Sales Trends



* Through 3Q 2018
** Year over year through 2Q 2018
^ Excludes California
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Datacomp-JLT

Marcus & Millichap

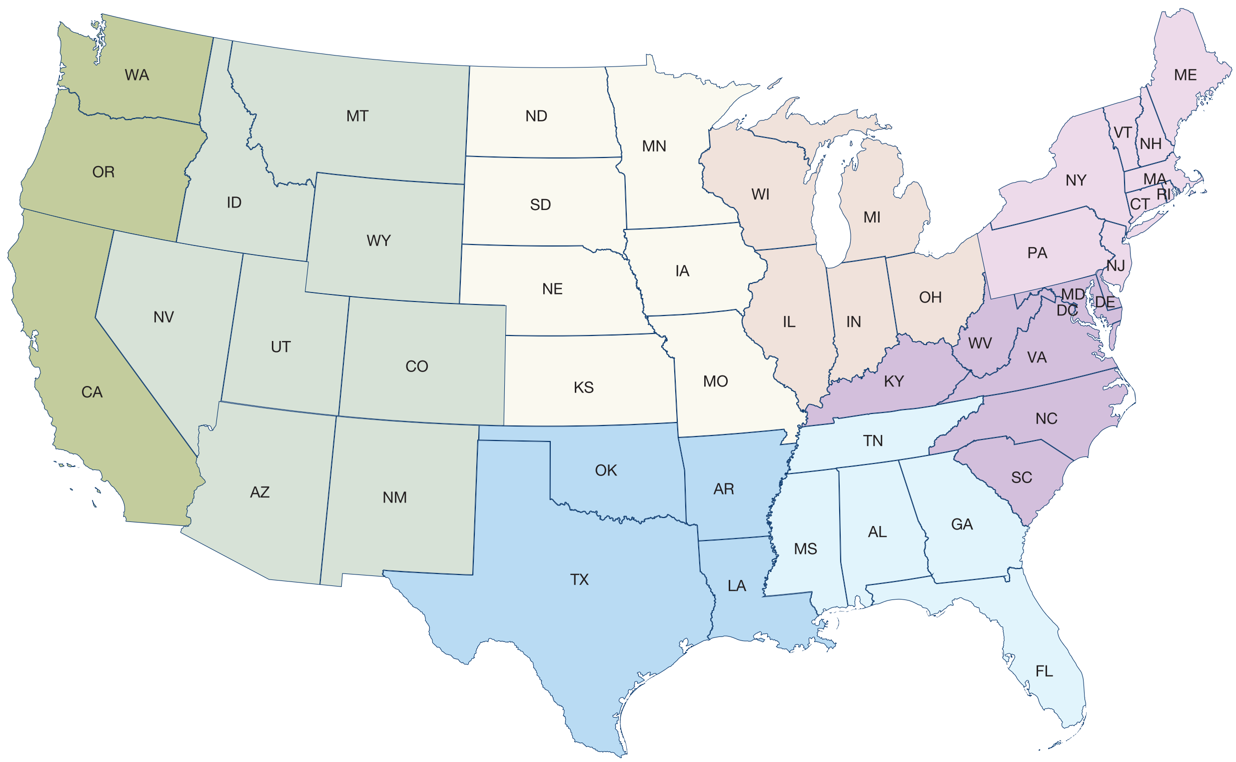
Manufactured Housing Regions and Subregions

West
- Pacific
- Mountain

Midwest
- West North Central
- East North Central

South
- Southwest
- Southeast

East
- Mid-Atlantic
- Northeast



Metro Performance

Metro	Vacancy	Y-O-Y Basis Point Change	Average Rent	Y-O-Y % Change
Denver	0.8%	-40	$699	5.9%
Salt Lake City	1.6%	-20	$578	6.8%
Long Island	1.7%	20	$682	3.2%
Richmond	2.8%	-50	$437	5.3%
Austin	3.0%	-110	$538	4.7%
Dallas	3.2%	-150	$447	4.7%
Houston	3.4%	20	$393	6.2%
Fort Lauderdale	3.6%	20	$669	2.8%
Fort Worth	3.6%	-260	$464	5.7%
Charleston	4.7%	-150	$345	3.9%
Tampa-St. Petersburg	5.1%	-120	$488	4.1%
Albuquerque	5.4%	50	$443	1.1%
Charlotte	5.8%	-130	$355	3.2%
Miami	6.3%	170	$539	-7.4%
Phoenix	6.3%	0	$538	3.5%
Omaha	7.8%	-90	$341	1.8%
Orlando	8.1%	-60	$480	1.9%
San Antonio	9.9%	230	$429	7.5%
Detroit	15.2%	-340	$447	3.0%
Las Vegas	15.4%	-10	$586	2.4%
Atlanta	16.5%	-180	$463	3.1%

Manufactured Home Communities Group

Michael L. Glass
First Vice President | National Director
Tel: (216) 264-2000 | michael.glass@marcusmillichap.com

Prepared and edited by
Nancy Olmsted
Senior Market Analyst | Research Services

For information on national manufactured housing trends, contact:
John Chang
Senior Vice President, National Director | Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: $250