

THE NORTHWEST REPORT

Issue 48 September 2015

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

COMMUNITY SALES – HIGH DEMAND

Investors are eager and properties are scarce as momentum continues to build in the manufactured home community arena. Put bluntly, the market is red hot and sellers of larger communities are hard to find. Communities in the 50-75 space range don't stay on the market long and there is no indication demand will falter any time soon.

THE INDUSTRY IS GROWING AGAIN and this has created increased demand for home sites and "land lease" and park communities. For the first time in a decade communities are expanding and building new sites on vacant land adjacent to their communities. Specifically, several Oregon and Washington manufactured home communities have recently received building permits for expansions. Two particular communities report a waiting list of people who will purchase a new manufactured home once the home sites are ready. Surprisingly, most of these buyers want larger 1600-1800 square foot homes and they are very comfortable with sales prices in the \$120,000 - \$140,000 price range. With site rents at \$500 per month or more this is still considered affordable housing and demand for these homes increases monthly.

There is always the lingering threat of the Fed increasing interest rates to slow economic growth and tamper concerns about inflation. While rates for manufactured home community purchases remain at near historic lows with 3-year fixed rates on premium communities hovering near 3.25% and 15-year fixed rates at 4.250% rate increases could raise cap rates and slow sales. If you are thinking of selling your community in the next 12-24 months it would be a good time to begin discussing how to enter this market today and maximum the value of your property.

With inventory levels at an all-time low and market sales higher than ever, now might be the perfect time to consider a market evaluation of your community. **Give us a call at 206.652.4100.**

WE ARE AFFORDABLE – LET'S SPREAD THE NEWS!

Given the volatility in foreign countries, both socially and economically it's becoming increasingly apparent that the Fed is unlikely to shake things up by messing with interest rates, at least until after the 2016 fall Presidential election. It really doesn't make much sense for the Fed to intervene right now. Over all, and especially in the Pacific Northwest the economy is growing at a slow and steady pace, which bodes very well for our industry.

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Manufactured homes in land-lease / rental parks are once again TRULY affordable living. It's been well publicized that site-built home sales prices, condos and apartment rents are soaring, but the price of a manufactured home on a rental lot has not increased significantly, which makes one of our homes in one of our parks very affordable. Even with a limited number of chattel lenders in the market the biggest retailers – Golden West, Karsten, Clayton Homes and Marlette all have access to parent companies' 21st Mortgage and Vanderbilt Mortgage, both "pro-park" chattel lenders. Other retail brands, such as Cavco, Fleetwood and Palm Harbor have established relationships with chattel lenders and build Community Series Homes designed specifically for our land-lease / rental park communities.

Are you marketing your community to apartment seekers and the rental market at large? A great way to attract people to your community is to go after the same demographic that is looking at apartments and rental homes. Show them how they can own for the same price as rent, how your down payments aren't much more (and maybe less) than the deposits required by rental landlords, and they will have the write-off of mortgage interest apartment renters can never claim on their tax returns. Also, our homes are energy efficient and the homebuyers have private parking and a yard they can call their own. We have a lot to offer, are you telling the right story to the right audience?

OREGON LANDLORD & TENANT COALITION MEETS

The Oregon Manufactured Housing Landlord/Tenant Coalition will convene on September 30th in Salem at the OMHA office to discuss issues facing the industry during the next Oregon legislative session. The short 2016 session takes place in February of 2016 and two significant topics are on legislator's radar; Affordability or rents (rent control) and water sub-metering. Coalition leaders feel that it is important legislators see the coalition is working on those issues even though action in the 2016 abbreviated session is unlikely.

Oregon Senators Sara Gelser (D-Corvallis), Betsy Johnson (D-Scappoose) along with Representative Brian Clem (D-District 21) and US Senator Jeff Merkley all have expressed interest in these two topics. A 2017 coalition bill will include suggested language addressing affordability of rents and water sub-metering.

NATIONAL NEWS

U.S. Department of Housing and Urban Development Secretary Julian Castro has declared that America is in the midst of an affordable housing crisis. Manufactured housing is a critical element in alleviating this crisis, and industry leaders are working to ensure manufactured housing is at the forefront of policymakers' minds as they consider housing policy solutions. Manufactured housing offers quality homeownership and, importantly, it does not cost a dime to the federal government - it is the largest form of unsubsidized affordable housing in the country.

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Manufactured housing is ideal for a number of demographics - seniors, millennials, families, first-time homebuyers, and rural Americans. Manufactured homes often cost less than renting an apartment, offer more square footage and distance from neighbors than an apartment, provide the pride and independence of owning your own home, and are the optimal housing choice in many communities, particularly in rural America.

Unfortunately, while manufactured homes can help solve the affordable housing crisis, government policies are impeding the availability of credit for manufactured housing. To make matters worse, Fannie Mae and Freddie Mac have still not followed a congressional directive from 2008 to establish a secondary market for chattel loans, which makes credit even more scarce.

CHATTEL LENDING IS THE KEY TO THE SUSTAINABILITY OF MANUFACTURED HOME LAND LEASE COMMUNITIES

Industry leaders support passage of the Preserving Access to Manufactured Housing Act (H.R. 650/S. 682), which makes modest changes to provisions of the Dodd-Frank Act that are harming manufactured housing consumers. Even though manufactured housing loans have fixed rates, are fully amortizing, require a down payment and do not contain loan features such as interest only options, negative amortization, balloon payments, or prepayment penalties, manufactured home loans have been lumped into a designation created for high risk loans. While most origination costs and servicing costs are fixed regardless of the loan size, because manufactured home loans are low-balance loans they end up with the "high cost" designation under existing Dodd-Frank rules. The "high-cost" designation creates increased liability for lenders, and as a result, they have stopped making certain loans, particularly for the lower balance and most affordable homes (i.e. homes valued at \$75,000 and below). In practice, no lender makes loans with the "high-cost" designation (HOEPA loans).

Further, the CFPB's implementation of the Dodd-Frank Act regarding who is and is not a mortgage "loan originator" has ended up classifying certain manufactured home retailers and sellers as "loan originators" - even though they do not receive any compensation from a loan being made and are not performing any of the substantive actions that typically characterize a loan originator. This discourages retailers from identifying lenders that the borrower could apply to. H.R. 650/S. 682 would exclude such individuals from improperly being considered "loan originators." The bill ensures manufactured housing retailers are able to do what any real estate agent or homebuilder does for consumers purchasing a site-built home.

The Dodd-Frank Act's negative impact on the availability of manufactured housing loans has been staggering. Just this year, one of the industry's five largest lenders discontinued offering financing on manufactured homes, referencing the regulatory restrictions on loan terms as the primary reason they stopped financing manufactured homes. A survey of manufactured housing lenders from the top 10 manufactured housing states (based on the 2013 HMDA data) confirms there has been an ongoing and sharp drop-off in chattel lending.

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Twenty percent of the lenders listed in the 2013 HMDA data said they no longer make manufactured home loans. Of the 108 lenders surveyed from the top 10 manufactured housing states (based on 2013 HMDA data), only 34 offer chattel loans today, some in very limited circumstances. In Tennessee, out of 30 lenders who made manufactured housing loans in the 2013 HMDA period, only 5 are still offering chattel loans today. It is the consumer - the individual seeking to purchase a manufactured home and the individual who currently owns a manufactured home - that is paying the price. *(From industry reports).*

PRODUCTION AND SHIPMENTS

In June 2015, 6,055 new manufactured homes were shipped, an increase of 7.6 percent from June 2014. Compared with the same month last year, there were increases in home shipments across the board, with single section home shipments up 7.5 percent and shipments of multisection homes up 7.7 percent. Total floors shipped in June 2015 were 9,466 an increase of 7.7 percent compared with June 2014.

Compared with the prior year, 2015 recorded shipment increases in the first half of the year. Shipments from January through June this year totaled 33,302 homes compared with 30,657 homes in 2014, a net increase of 8.6 percent.

The seasonally adjusted annual rate (SAAR) of shipments was 66,633 in June 2015, up 5.1 percent from the adjusted rate of 63,427 in May 2015. The SAAR corrects for normal seasonal variations and projects annual shipments based on the current monthly total.

The number of plants reporting production in June 2015 was 121 and the number of active corporations was 36, both unchanged from the previous month.

Upcoming Events

MHCO Annual Conference

October 26-27, 2015

Valley River Inn

Eugene OR

Chuck Carpenter 503-391-4496

MHI Annual Meeting

Boca Beach Club, Boca Raton FL

October 4-6, 2015

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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

NCC Fall Leadership Forum

Fairmont Hotel, Millennium Park

November 11-15, 2015

Chicago IL

Jenny Hodge 703-558-0666

MHI Winter Legislative Meeting

February 7-9, 2016

W Hotel

Washington, DC

***2016 National Congress & Expo
For Manufactured and Modular Housing***

Caesars Palace

May 3-5, 2016

Las Vegas, NV

Over \$550,000,000 in park sales. Visit our website at www.nwparks.com

For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson of Northwest Park Brokerage at 206.652.4100 or email Bill at: billj@nwparks.com

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