

## THE NORTHWEST REPORT

Issue 49 December 2015

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

### **MERRY CHRISTMAS & HAPPY NEW YEAR!**

**DEMAND FOR COMMUNITIES IS HIGH**, as investors are eager and properties are scarce as momentum continues to build in the manufactured home community arena. The market is still 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. 5-star communities are under the highest demand and communities with a 55+ age designation are the most popular. Sales prices on some communities continue to boggle veteran community owners but who are we to argue with the price set by market conditions, supply and demand and CAP rates.

**INTEREST RATES TO RISE.** With the latest jobs report showing the economy added 211,000 jobs in November it is inevitable that the Fed will raise interest rates at its December 15, 2015 meeting. The decision is virtually a lock and the market knows it is coming. Wall Street reacted positively to the news and those close to the Fed believe raising rates will keep the economy from growing too rapidly and prevent the possibility of inflation ruining the economic recovery now in its fourth year.

Interest rates have a direct effect on CAP rates which impact sales prices of investment properties. There is nothing to indicate a cooling in the demand for high quality manufactured home communities but certainly if you are considering selling, entering the market before rates rise would be a wise and timely maneuver.

**LOOKING AHEAD TO 2016.** There is no reason to believe 2016 will be much different than 2015. Small to medium sized communities will sell well, the larger "trophy" properties will attract the highest level of interest, and sellers will struggle to determine what is a realistic CAP rate they can expect when listing a community for sale. A few phantom transactions involving very high-end communities have confused the marketplace, causing many sellers to think their community is worth more than it is. It's important to remember that the location of community has everything to do with its value. Seattle and Portland area communities demand higher prices than those in cities and towns where the local economy isn't red-hot.

No brokerage firm in the Pacific Northwest has a better grasp of market conditions. Additionally, 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.**

This information has been secured from sources we believe to be reliable, but we make no representation or warranties, expressed or implied, as to the accuracy of the information.

## ***NEW HOME SPACES BEING BUILT***

It has been a long time since we heard stories of manufactured home community owners building new home sites, but such is the case in the Pacific Northwest. In both Oregon and Washington there are reports of new communities being built and others being expanded. The Portland, Oregon market reports 50 new home sites under construction and plans are underway for new sites in Central Oregon and Central Washington. Other Western Oregon and Western Washington owners are considering building new sites and financing is available.

The fear of filling these home sites has all but evaporated, which is a dramatic contrast to the feeling of manufactured home community owners just 2-3 years ago. Today, manufactured homes priced at \$125,000 to \$150,000 (including full site improvements) are a very affordable housing option for consumers. Condominiums sell for dramatically more than these prices and in a manufactured home community you get your own yard, private parking, access to community facilities and often a peaceful and well maintained neighborhood. Many communities are reporting waiting lists for new home spaces and quick resales for existing homes listed for resale. This all bodes very well for the future of the industry and for the long term viability of our asset class of real estate.

## ***OREGON LANDLORD & TENANT COALITION***

The Oregon Manufactured Housing Landlord/Tenant Coalition will convene each month in Salem, Oregon to develop a consensus and write a bill for the next Oregon Legislative session that addresses the hottest topics facing the industry. Rent control and the ability to raise rents are what the Oregonians are addressing. Public officials in Portland, Oregon want to require that all residential landlords give tenants 90-days-notice before raising rents, and limiting those landlords to one rent increase per 12-month period.

Additionally, many Oregon legislators believe it's time to seriously consider rent control legislation in the winter 2017 full legislative session and the Oregon Manufactured Housing Landlord/Tenant Coalition intends to vigorously defeat any and all efforts aimed in that direction.

## ***NATIONAL NEWS***

**IMPROVING ACCESS TO FHA FINANCING.** As FHA Acting Commissioner Ed Golding said FHA has no plans to call for further reductions in FHA programs, he added that FHA is "focusing on improving access to FHA mortgages, giving more people the opportunity for home ownership". This is welcome news for the various FHA loan programs the Manufactured Housing Institute is pushing FHA to expand for manufactured home purchases. This includes improvements and streamlined processes for Title I and Title II home loans. FHA is an essential source for manufactured housing, both personal property and real property, and consumers seeking manufactured home ownership are sure to benefit from improvements to the FHA programs.

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The Manufactured Housing Consensus Committee (MHCC) will meet in Louisville, Kentucky on January 19, 2016 in conjunction with the Louisville MH Show at the Kentucky Exhibition Center. Pamela Danner, Administrator of the HUD MH program will speak at the convention. This week MHI's zoning task force asked HUD to revisit its 1997 Zoning Policy Statement because of the too frequent use of local ordinances to restrict the use of manufactured housing. MHI is insisting HUD take action to ease zoning for manufactured homes.

### ***WELLS FARGO FINANCING AVAILABLE FOR MANUFACTURED HOME LAND LEASE COMMUNITIES***

WELLS FARGO HAS PROVIDED OVER \$400 MILLION IN FINANCING FOR MANUFACTURED HOME COMMUNITIES and has 46 New Loans Closed Year-to-Date 2015.

Tony Petosa and Nick Bertino of Wells Fargo's Multifamily Capital office in Carlsbad, California, have provided over \$400 million in financing through 46 separate transactions for manufactured home communities located throughout the country. The loans were all originated during 2015 through Freddie Mac, Fannie Mae, conduit, and balance sheet lending programs. "The combination of a low interest rate environment and more lenders, such as Freddie Mac, entering the market," said Bertino, "has resulted in extremely attractive financing options for borrowers in the MHC sector." "Whether an acquisition or refinance transaction, the most important thing for a borrower is certainty of execution," added Petosa. "Through our long track record of lending on manufactured home communities, we have demonstrated time and time again that we are a lender that our borrowers can depend on."

For more information or for a copy of their "Manufactured Home Community Financing Handbook," please contact Nick Bertino at (760)438-2692 or [nick.bertino@wellsfargo.com](mailto:nick.bertino@wellsfargo.com); or visit [www.wellsfargo.com/mhc](http://www.wellsfargo.com/mhc).

### ***PRODUCTION AND SHIPMENTS***

Production rose again in October 2015, showing HUD code manufacturers produced 6,846 new homes in October, a 5.2% increase over October 2014. Cumulative industry production for 2015 is now 58,907 homes, a 7.7% increase of the 54,672 produced over the same period in 2014. According to the Manufactured Housing Association for Regulatory Reform (MHARR), the top ten states from the beginning of the industry rebound in 2011 to present are in order: Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, California, Kentucky, Tennessee and Oklahoma.

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

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## **Upcoming Events**

### ***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  
For Hotel Reservations and Rates 866-227-5944*

### ***2016 MHI Summer Meeting Meeting***

*June 26-28, 2016  
The Alexander Hotel  
Indianapolis, IN*

### ***2016 MHI Annual Meeting***

*September 25-27, 2015  
Pasea Hotel & Spa  
Huntington Beach, CA*

**Over \$550,000,000 in park sales. Visit our website at [www.nwparks.com](http://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](mailto:billj@nwparks.com)**

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