

## THE NORTHWEST REPORT

*Issue 51 April 2016*

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

### A Strong 2016 is Predicted

Throughout the manufactured housing sector the news is good. All facets are reporting a positive business climate and solid year-over-year increases in profitability and performance.

Communities are largely full in the Pacific and Mountain states. Rents are increasing, leading the way to a better return on investment and they are doing so without negatively impacting the affordability component that is so valuable to our long term sustainability. With site built housing costs soaring and sky-rocketing apartment rents manufactured homes and the communities built for them have never looked so affordable, yet our rents and home sales prices are at record highs. This bodes very well for the manufactured home sector – we have always done well when there is a significant gap between site built mortgage payments and the monthly payment of a manufactured home coupled with the monthly site fees.

Very high apartment and rental home prices and the shortage of both are driving more buyers back to manufactured homes. From young families to empty-nesters to retirees, the cost of rent is startling and the places they rent are getting smaller and less desirable. Row houses crammed together or sprawling apartment developments provide little in the way of privacy. In comparison, an energy efficient manufactured home in a nice community gives the homeowner space, a private driveway, a yard to call their own, a patio where they can entertain or cook-out on a sunny Saturday afternoon, and the feeling of peace and quiet in an otherwise hectic world. We offer a very compelling housing choice and people are coming back to us in a big way.

Manufactured home production plant backlogs support this news. Some plants in Oregon and Idaho are now telling buyers they won't take delivery of their new homes until August. Those backlogs are something we haven't seen in a decade or more and it proves a very important point – manufactured homes are in high demand and considered a better choice than many other types of housing.

Financing for homes in manufactured home communities is also plentiful and interest rates are reasonable. There are a half-dozen national lenders and a handful of regional lenders who welcome applications from manufactured home buyers looking for a single-digit interest rate chattel home loan for a home placed in a manufactured home land-lease/rental space community. Buyers must meet the obvious underwriting guidelines but financing is out there and lenders are competing for the business.

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## **HUD Says Criminal Background Screening May Have Discriminatory Impact**

Earlier this month, the Department of Housing and Urban Development (HUD) issued a formal guidance on the application of the Fair Housing Act to the practice of screening based upon criminal history. "Specifically, this guidance addresses how the discriminatory effects and disparate treatment methods of proof apply in Fair Housing Act cases in which a housing provider justifies an adverse housing action - such as a refusal to rent or renew a lease - based on an individual's criminal history," says HUD in the document.

Noting that having a criminal record is not a class of persons protected by the precise language of the Fair Housing Act, HUD concludes "criminal records based barriers to housing are likely to have a disproportionate impact on minority home seekers." The guidance then goes through great detail on how the government would build a potential case against a housing provider based upon criminal history record screening. HUD states housing providers must be ready to affirmatively prove any such screening has a "substantial, legitimate, non-discriminatory interest." In particular, HUD declares the practice of excluding people based upon prior arrests (without any subsequent conviction) is discriminatory on its face.

Policies and practices based upon criminal convictions are not discriminatory, per se, however must still meet a "substantial, legitimate, non-discriminatory interest." HUD suggests the provider adopt a policy considering the nature and severity of particular criminal convictions in order to screen thereupon.

HUD finally notes criminal screening policies must be uniformly applied and not be used as a tool to treat one class of people different than another.

What does this mean for manufactured home community owners? Be sure to have a written resident screening policy. Train your employees. With this new guidance, review your current policy regarding criminal backgrounds and consult with your attorney to determine what types of processes make sense for your community.

## **\$130,000 Penalty in MH Fair Housing Case**

Last week, the Department of Justice announced a settlement of a case involving an Indiana manufactured home community for violations of the federal Fair Housing Act. The \$130,000 fine settles a federal lawsuit filed in May 2015, wherein the owner of a 173-lot manufactured home community in Crown Point, Indiana, was alleged to have violated the Fair Housing Act by refusing to allow families with children to live at the community.

"The Fair Housing Act guarantees families with children the right to choose a home without facing unlawful barriers of discrimination," said Principal Deputy Assistant Attorney General Vanita Gupta, head of the Justice Department's Civil Rights Division.

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"The Justice Department will continue its vigorous enforcement of the Fair Housing Act to ensure that equal access to housing - a bedrock of the American dream - remains a reality for all families in our country." The federal Fair Housing Act prohibits discrimination in housing on the basis of race, color, religion, sex, familial status, national origin and disability.

## **Financing a Manufactured Home Community**

While interest rates remain low and demand is still high, financing or refinancing a manufactured home community, especially in the Pacific and Mountain states requires research and attention to detail. Financing is out there and lenders are hungry but you will want to do your homework and choose a solid lender who truly understands the manufactured home community asset class.

Despite a turbulent start to 2016, with the capital markets reeling from weakness in China and a downward spiral in oil and stock prices, borrowers have an abundant array of attractive financing options available for acquiring or refinancing Manufactured Home Communities. However, due to recent volatility, astute investors should take a thoughtful approach to navigating the field of potential lenders. While the same lending alternatives are available since the economic recovery gained traction in 2012 – Fannie Mae, Freddie Mac, conduit lenders, banks and thrifts, and life insurance companies – each lender offers distinct advantages/disadvantages as it relates to loan structures, interest rates, closing costs, servicing, and their responses to the whims of the market.

## **Production Growth Continues**

In February 2016, 6,161 new manufactured homes were shipped, an increase of 28.9 percent from February 2015, and an increase of 392 homes or 6.8 percent compared to January 2016. The trend reflected gains across the board, with shipments of single section and multi-section homes up by 21.8 percent and 35.7 percent respectively, compared with the same month last year.

Compared with the prior year, 2016 has recorded shipment increases in January and February. For the first two months of this year, shipments totaled 11,930 homes compared with 9,722 homes in 2015, a net increase of 22.7 percent. The seasonally adjusted annual rate (SAAR) of shipments was 86,281 in February 2016, up 7.9 percent from the adjusted rate of 79,961 in January 2016. The SAAR corrects for normal seasonal variations and projects annual shipments based on the current monthly total.

The number of plants reporting production in February 2016 was 123 and the number of active corporations was 37, both increased by one from the previous month's numbers. The top ten states for manufactured home shipments are, in order: Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, California, Kentucky, Tennessee and Oklahoma.

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## HUD Launches Dispute Resolution Website

The U.S. Department of Housing and Urban Development (HUD) Office of Manufactured Housing Programs (OMHP) has launched a new website for the HUD Manufactured Home Dispute Resolution Program (DRP) - [www.huddrp.net](http://www.huddrp.net). The website provides detailed information about the program, including educational materials for the manufactured housing industry and homeowners, and an online form for submitting a request for dispute resolution.

## Considering a Purchase or Sale?

No brokerage firm in the Pacific Northwest has a better grasp of market conditions than **Northwest Park Brokerage**. We intimately understand the business and have relationships with buyers and sellers who are serious, qualified and motivated. 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.**

## Upcoming Events

### ***Manufactured Housing Communities of Oregon MANAGEMENT TRAINING SEMINARS***

May 10, 2016

Rogue Regency Hotel, Medford, Oregon

Speaker: Phil Querin, Querin Law LLC

Contact MHCO 503-391-4496

Chuck Carpenter, Executive Director

### ***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

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***2016 Manufactured Housing Communities of Washington  
Annual Convention & Board Meeting***

***May 23-25, 2016***

Tulalip Resort Casino

Tulalip, WA 98271

Call MHCW at 360-753-8730 or register online

***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

***Just Listed***

30 Space Senior Community

located in Portland, OR

Operates on City Utilities;

Tenants Rents include flat fee for W/S/G charges

~Asking Price \$1,780,000

***Featured Listings:***

***20 Space Family Community***

Located in Union Gap, WA

Operates on City Utilities;

Metered, Tenants Pay W/S/G

~Asking Price \$760,000~

***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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