

## The Northwest Report

Issue 54 December 2016

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide



### A Year in Review and A Look Ahead to 2017

The U.S. economy is still the largest and most important in the world. Our economy represents 20 percent of the total global output according to economic experts and statisticians. It is still larger than China's economy and the U.S. still has the sixth largest per capita GDP. The U.S. economy features a highly-developed and technically-advanced services sector which accounts for about 80 percent of our output. Our economy is dominated by services oriented companies in areas such as healthcare, technology, financial services, and retail.

Large U.S. corporations play a large role on the global stage with more than a fifth of companies on the Fortune 500 coming from the United States. Thus, it is no wonder 2016 was such a strong year economically. Add to that a drastic change forthcoming in the White House and a new attitude about taxes and jobs, a good 2016 could pale in comparison to what is expected for 2017.

The coming year is shaping up to be a year of growth and change. Economists believe we will enjoy a mild cyclical rebound in 2017, then return to a lower growth rate more in line with long-term potential in 2018. But jobs are increasing at a moderately good pace according to numerous reports, with unemployment below five percent. Some of this year's negative factors will turn around, enabling the rebound next year. The strongest indicator has been consumer spending. Consumer attitudes are good and they are expected to increase their spending in line with their incomes.

Housing construction has increased, with starts up to a 1.2 million annual rate in November. Most of the gain was in apartments. Multifamily starts are up 14 percent over the past year, but single family is only up 1.3 percent. Housing construction is expected to increase a bit in 2017, but population growth does not justify significantly higher activity. Public construction is flat but private sector commercial construction is strong and is expected to remain so over the next year or two.

### The Industry Remains on Solid Ground

As we say goodbye to 2016 it is clear that every segment of the manufactured housing industry experienced a year of renewed prosperity. Community owners saw vacancies reduced and rents increased, allowing them to inject new vitality into their communities. Many have built new spaces or re-engineered old vacant spaces to accommodate new larger homes. Others have made capital investments in site improvements and infrastructure. Investor appetite for manufactured home

communities remains very strong, whether it's for large 5-star parks in metropolitan areas or smaller parks in big cities or small towns.

Manufactured home sales, production and financing are also on solid ground. A few new chattel lenders have entered the market or expanded their programs and floor-plan lenders are providing park owners or retail dealerships with much needed inventory financing. The biggest hurdle is the backlog at manufacturing plants who are quoting "off line" dates of anywhere from March to May of 2017 for delivery of a new home ordered today. That timeline creates many challenges for retailers but has motivated many to load-up on inventory so they have homes to sell when a buyer walks into their community or sales location looking for a new home. All-in-all 2016 was a good year to be in the manufactured home business – not a great year, but certainly a very good one.

## A City in Oregon Adds Manufactured Homes

Due to the nation's shortage of affordable housing, many local housing authorities are reluctantly arriving at a conclusion that long overlooked mobile homes and manufactured homes may actually be considered affordable housing. In Newberg, Oregon, a city located in the greater Portland metropolitan area, a city committee has been meeting quarterly to make decisions on the city's affordable housing trust fund, a pot of money designed "for the development, preservation and rehabilitation of housing that is affordable" to local households whose incomes do not exceed the area median income, according to the city's description of the plan, as reported by the Newberg Graphic newspaper. The 2016 median income in Newberg was \$54,846. The fund was established in 2012 and offers several grant programs for which the fund was seeded with about \$70,000. That money was available for applicants seeking to rehabilitate older homes so they can remain affordable, or to assist with the development of new affordable housing. But the program has been virtually unused, leading the city council to make a significant change, by including mobile homes and manufactured homes eligible for the repair funds. These residences represent a substantial portion of the city's affordable housing supply, but until now they didn't qualify to apply for the repair funds. "We're trying to focus on those low-income households living in mobile or manufactured homes who need assistance to do rehabilitation and repair on those units so they can continue to be affordable," said Community Development Director Doug Rux.

## Washington Home Buyers Turn to Manufactured Homes

Thanks to some diligent statistical reporting from the Northwest Housing Association, Seattle Curbed has just published a rather astonishing fact; manufactured home sales have increased by 47% amongst Washington State home buyers. Marking a 360° about-face in public acceptance of prefabricated and modular housing, according to Joan Brown, executive director of the Northwest Housing Association, "550 homes have already been shipped in 2016 and plants are currently staffing up to meet stronger demand." Citing fiscal responsibility and an improved economy as motivating factors, many are turning to manufactured housing thanks to improved financing options. That's right, in the land of high-tech housing, during 2015 one out of every new housing permits pulled in Washington state was done so for the construction of a manufactured home. While the report pointed out that 15 counties showed 20% or more of new permits for manufactured housing occurred in unincorporated areas, the subtext of that factoid remains, 80% occurred in urban areas.

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## Rental Assistance Program Coming to Washington

The voluntary rental assistance program currently underway in Orange County, California and Oregon will be announced on January 1, 2017 in Washington State. The program will be known as the Washington Mobile Home Rental Assistance Program (RAP). The program is voluntarily funded by participating park owners and managed by Talley & Associates in Laguna Hills, California. If a person owns a home in a participating park, they can apply for assistance on-line using a simple to complete application form. Their application will be reviewed to determine if they are low-income and have the special needs required to qualify them for the subsidy/credit. The assistance will allow up to 10% of the park's residents to receive monthly assistance of up to 10% of their monthly space rent, in essence providing subsidies equal to up to 1% of the park's total rental income. There has been an interesting discovery by parks who have now participated in the program for a few years and gathered historical data. While some adversaries believe park residents are very low income and struggling to survive, results show so far that no parks offering the program have seen anywhere near 10% of the residents qualify for the low income assistance. Qualifying criteria is reported to be similar or the same as Section 8 Housing subsidies. More to come on this after the first of the year.

## Oregon Landlord / Tenant Coalition Collapses

The Oregon Manufactured Housing Landlord & Tenant Coalition, which has met and introduced compromise legislation for over 15 years and has successfully improved the relationship between manufactured home community owners, their residents and the Oregon Legislature no longer exists. Major members of the Coalition and two large and powerful trade associations abruptly left the Coalition two months ago, causing it to immediately fold and sending its various participants headed different directions, each being forced to embrace their own agenda in Oregon as a 2017 legislature appears ready to have a serious discussion about rent control. The result will likely be a very divided and possibly combative battle in the legislature.

There are differing accounts of exactly what happened to cause this drastic change in approach, and why the Coalition was suddenly deemed useless or ineffective but most people believe community owners were seen as being too friendly with tenant advocates. Others believe community owners wanted a co-chair alongside the longtime tenants advocate legal aid attorney who had chaired the Coalition since its inception. Regardless, the long affective M.H.L.T. Coalition is no more.

Oregon Governor Kate Brown (D) and Senate Majority Leader Diane Rosenbaum, along with House Speaker Tina Kotek (D) have rent control on their radar, largely because of skyrocketing apartment and home rental rates in the greater Portland metropolitan area and the emergence of Portland Tenants United, a well-armed tenants advocacy group. Their first step is going to be overturning Oregon's statewide ban on rent control, returning the ability to enact rent control laws to the local jurisdictions. From there it is likely to be a series of legal battles pitting tenants against landlords and creating a highly litigious environment.

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Manufactured Housing Communities of Oregon and the Oregon Park Owners Alliance have joined forces by hiring prominent Oregon landlord attorney John DiLorenzo, a powerful and aggressive attorney who is hungry to challenge the state and its legislature when it comes to rent control.

## Financing a Manufactured Home Community

The latest interest rates for manufactured housing communities remain low for financing or refinancing, especially on the West Coast, in the Pacific Northwest and in the Mountain states.

Rates are hovering around this range: Three year fixed, 3.90%, five year fixed, 4.195%, seven year fixed, 4.365%, ten year fixed, 4.535% and fifteen year fixed at 4.415%. This represents a slight increase over previously advertised rates but historically they remain very competitive. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.515% for highly qualified borrowers.

## Solid Production and Shipment Growth

The latest production and shipment information has just been released. In October of 2016, 7,154 new manufactured homes were shipped, an increase of 308 homes and 4.5 percent when compared to October 2015. Cumulative industry production for 2016 now stands at 67,043 homes, a 13.8 percent increase of the 58,907 HUD coded homes produced over the same period in 2015. Compared with the same month last year, there were increases in home shipments across the board, with shipments of single section and multi-section homes up by 29.5 percent and 6.5 percent respectively.

Compared with the prior year, 2016 has recorded shipment increases in the first ten months. A further analysis of the official industry statistics shows that the top ten shipment states from the beginning of the industry production rebound in August 2011 through October 2016 – with cumulative, monthly, current year and prior year shipments per category as are:

Texas, Louisiana, Florida, Alabama, North Carolina, Mississippi, California, Kentucky, Michigan and Tennessee. The number of plants reporting production in October 2016 was 126, signaling expansion by both Clayton Homes and Champion Enterprises. The number of active corporations was 34.

## Considering a Purchase or Sale?

No brokerage firm in the Pacific Northwest or on the entire West Coast 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. There is a big demand for large and small communities in both metro and rural locations. **Give us a call at 206.652.4100.**

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## **Upcoming Events**

### ***MHI 2017 Winter Meeting***

February 12-14, 2017

Hotel Contessa - San Antonio, TX

Contact Jenny Hodge at MHI 703-558-0400

### ***2017 MHI Congress & Expo for Manufactured and Modular Housing***

May 2-4, 2017

Caesars Palace

Las Vegas, NV

MHI 703-558-0400

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**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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