

## The Northwest Report

*Issue 52 September 2016*

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

### Oregon Faces Serious Rent Control Threat

Tenants and landlords are already gearing up for war in next year's Oregon legislative session, when rent control and a ban on landlords evicting tenants without cause are expected to be on the agenda.

In a fundraising letter, the newly renamed Equitable Housing PAC, which represents landlords, urged members to fight back against "radical tenant groups." The August letter warns: "Absent sufficient landlord push-back, radical tenant groups seek to persuade our legislators to enact rapid-fire changes to our housing laws like rent control, prohibition of 'no-cause' rental terminations, and long rent-increase notice periods."

"We felt increasingly under pressure from misinformation," says John McIsaac, spokesman for Equitable Housing PAC. "We're the housing solution, not the problem, so we needed to change the name to reflect that." The pro-tenant group Portland Tenants United thinks it recognizes an allusion to its work. "If fighting to keep responsible tenants in their homes and communities is radical, we proudly accept that description," says organizer Margot Black.

House Speaker Tina Kotek, signaling fresh urgency for tackling Oregon's housing crisis, said she will push next year to end no-cause evictions, lift the state's ban on rent-control laws and ban all rent increases above a "reasonable" percentage for the foreseeable future. Kotek laid out those policy goals in an address Monday night to the Oregon Opportunity Network, a supportive advocacy group that lobbies for affordable housing and renter protections. Kotek explicitly called for lifting Oregon's ban on letting local governments pass rent-control ordinances, calling the practice "rent stabilization."

She said that this year things have only gotten worse, both in Portland and across the state. Rents have continued to rise, even as builders add thousands of units to address a longstanding shortage of supply. Demand has further been stoked by affluent workers, some arriving from out of state, willing to pay a premium to rent in high-end buildings.

Rent control is a controversial tool that lets local or state governments impose a price ceiling. The manufactured housing industry and its state associations will vigorously fight against any rent control legislation.

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## Activity Remains Strong in All Facets of Manufactured Housing

All areas of manufactured housing have remained strong through the first eight months of 2016. Communities are strong and getting stronger, manufactured home production is experiencing solid year-over-year increases, home sales (new and pre-owned) remain brisk, financing and insurance is available and community brokerage is healthy and alive.

So far this year we have seen the expansion of some communities, vacancies evaporating in others and even talk of new manufactured home land-lease communities being built. In one established Oregon City, Oregon community it's reported that 25 new home sites have been added and they were completely reserved before they were finished. In other southern and eastern Oregon manufactured home community sites have filled and waiting lists exist. The same story is true for Washington's Puget Sound region and even Central and Eastern Washington markets. This is truly good news for the health of manufactured housing and the communities we own and manage.

With site built home prices now commonly seen in the \$300 - \$400k range, a \$125,000 manufactured home on a land-lease or rental site is a very reasonable housing choice for qualified buyers. Take into consideration the exceptional quality and energy efficiency of a new manufactured home and the joy of having space around you to live and entertain, in comparison to apartment or row house living, and you can realize why we are seeing renewed interest in manufactured housing.

Manufactured home production is evidence of this resurgence. Some manufacturing plants in Oregon, Washington, California and Idaho continue to enjoy strong backlogs even if those backlogs aren't quite as big as they were in the springtime. There was a bit of a summer lull in new home sales but the fall selling season is expected to be strong and manufacturers are expecting a solid and steady winter. The retail sector is strong and so are the manufacturers. Industry veterans, such as 57-year-old Skyline Industries are doing very well. Skyline now posted a seven figure profit after years of losses, and their stock price has tripled in the past twelve months. Good news for such committed industry survivors. Financing for manufactured homes in land-lease communities is still available and reasonably priced. Community owners who operate sale centers in their communities are not reporting major struggles getting qualified home purchasers financed.

## National News Recognizes Manufactured Homes

A new report authored by researchers at the Urban Institute makes the case that manufactured homes can substantially help relieve America's housing crisis. And 17 days, 10 fatalities, and 40,000 flood-damaged homes later ... help is on the way for Louisiana's flood victims. Thanks to the help of HUD built manufactured homes supplied by FEMA.

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**Manufactured Housing Called Potential Huge Source of Affordable Housing in Rural Communities by Urban Institute Study**

– Researchers at the Urban Institute (UI) have recently issued a report making the case for utilizing manufactured homes and preserving the communities in which they reside as a means of maintaining some form of affordable housing in the United States. A new report from the Urban Institute points out what most financially strapped apartment tenants already understand – minimal inventory leads to ever increasing rents. Highlighting the manufactured housing industry’s ability to replace a substantial percentage of the 2.4 million affordable housing units lost between 2001 and 2013. Hence the dramatic increase in manufactured homes being produced from 2014 to the summer of 2016.

**YES! Communities Makes Announcement.**

According to FannieMae.com, ‘YES’ communities and the customers they serve will benefit from a recently agreed upon deal between Wells Fargo and KeyBank to underwrite loans for manufactured homes in YES communities. Helping 29,000 families, across 13 states, last week Fannie Mae agreed to move forward with a \$1 billion deal that will benefit 120 MHC (Manufactured Housing Communities) – thereby facilitating a greater inventory of affordable workforce housing. Fannie Mae, in an August 17, 2016 news release announced a transaction that they maintain will preserve affordable housing in rental communities across the nation. Unfortunately for all concerned, this stellar piece of news does not represent a policy pivot for Fannie Mae – as they remain reluctant to endorse individual manufactured home transactions sited on raw land or in lease communities. Since the great recession of 2008-2011 the sales of new manufactured homes have increased significantly, while traditional site built homes have decreased. Primarily thanks to the cost of a new manufactured home, built as well, if not superior, to a comparable site built home at about one-half the price (not including the cost of land).

Currently, the main obstacle preventing manufactured homes from filling the housing affordability gap and reducing the nation’s housing crisis is the lack of fair and equitable low-interest financing served by the government-backed enterprises – Fannie Mae and Freddie Mac.

Unlike traditional homebuilders and buyers, manufactured homes not permanently attached to property have only “chattel” loans available. These “home only” loans are considerably more expensive with shorter maturities because of a lack of a secondary market for manufactured homes that are not secured by real estate.

A glimmer of hope was detailed in a “good news” report posted December 28, 2015, by ManufacturedHomes.com titled, FHFA Plan Could Positively and Significantly Change How Manufactured Homes Are Sold, Sited, and Financed.

In that report, the Federal Housing Finance Agency (FHFA) indicated their willingness to experiment with financing manufactured home loans that are not secured by real estate. FHFA agreed to allow the two enterprises to conduct a pilot program to determine what improvements could be made in originating and servicing that could make chattel loans safer for purchase by the enterprises.

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Fast forward eight months later to the present. There has been little progress towards the FHFA going forward with the experiment regarding reasonable financing of manufactured homes that are not secured by the land upon which they are sited. However, both powerful national trade associations, MHI and MHARR are diligently working to bring parity to manufactured home loans through FHFA.

## **Oregon Landlord / Tenant Coalition Prepares for 2017 Session**

The Oregon Manufactured Housing Landlord & Tenant Coalition met in Salem, Oregon on July 19<sup>th</sup> and will meet again in September. The Coalition is tackling such issues as tenant opportunity to purchase statues (related to resident purchases of manufactured home communities), refinement and improvement of sub-metering laws, and “park landlords” being able to compete to buy a manufactured home that is located in their park and is for sale by a resident. Currently there is no law regarding this situation although some rental agreements address it. The landlords desire to buy the home is often driven by the fear a buyer will purchase the home and remove it from the community, thus creating an unwanted vacancy.

Opportunity to purchase is still a sticky discussion in Oregon and landlords and tenants talk about ownership transfers between heirs/family/partners, 1031 exchanges and notices to tenant groups who have expressed interest in purchasing the community when the time comes.

## **Financing a Manufactured Home Community**

While demand stays high and interest rates remain low financing or refinancing a manufactured home community, especially in the Pacific and Mountain states requires shopping, comparing and investigation as lender programs continue to change. Financing is out there and lenders are competitive but you will want to choose a solid lender who is committed to the manufactured home industry and understands this unique asset class.

Rates are hovering around this range: Three year fixed, 3.50%, five year fixed, 3.59%, seven year fixed, 3.66%, ten year fixed, 4.03% and fifteen year fixed at 4.15%. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.375% for highly qualified borrowers.

## **Solid Production and Shipment Growth**

The latest production and shipment information has just been released. In June 2016, 7,299 new manufactured homes were shipped, an increase of 20.4 percent from June 2015, and an increase of 1,237 homes or 20.4 percent year over year.

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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 23.4 percent and 11.8 percent respectively. Cumulative industry production for 2016 now totals 39,896 homes, a 19.6 percent increase over the 33,319 HUD code homes produced over the same period one year ago.

Compared with the prior year, 2016 has recorded shipment increases in the first six months. The top ten states for manufactured shipments are: Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, California, Kentucky, Michigan and Tennessee. Michigan moved into the top ten ahead of Tennessee and now Oklahoma is 11<sup>th</sup>.

The number of plants reporting production in June 2016 was 124, one greater than the previous month. The number of active corporations was 37, unchanged from the previous month.

## **New Law Allows Use of Section 8 Vouchers To Purchase Manufactured Homes**

H.R. 3700, the Housing Opportunity Through Modernization Act, which gives the more than 2 million families that have a HUD Section 8 voucher the added flexibility of using the voucher to pay for the full annual cost of purchasing a manufactured home, has been signed into law by the President. Manufactured homes are a quality, energy-efficient and affordable housing choice in America that costs less than site-built houses.

"A Section 8 voucher holder will now have the option to use their federal housing assistance to cover the full annual cost of purchasing a manufactured home. This change provides families the opportunity to become homeowners rather than only being allowed to use Section 8 vouchers for rent payments" said Lesli Gooch, senior vice president of government affairs and chief lobbyist for the Manufactured Housing Institute (MHI). Under H.R. 3700, Section 8 vouchers can be used not just for the cost of leasing the land as previously allowed, but now also for other monthly costs of purchasing a manufactured home, including mortgage payments, property tax and insurance. "The law doesn't require a Section 8 recipient to use their voucher to live in a manufactured home, nor does it authorize use of a voucher for a down payment Gooch added."

## **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**

### ***International Networking Roundtable 25<sup>th</sup> Anniversary of this George Allen Event***

September 7-9, 2016

Gaylord Opryland & Convention Center - Memphis, TN.

Contact: George Allen (877) MFD-HSNG or 633-4764

[Gfa7156@aol.com](mailto:Gfa7156@aol.com)

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

September 25-27, 2016

Pasea Hotel & Spa - Huntington Beach, CA - MHI 703-558-0400

### ***National Communities Council Fall Leadership Forum***

November 1-3, 2016

Westin Michigan Ave., Chicago IL

Contact Jenny Hodge at MHI 703-558-0400

### ***Washington State-Wide Training***

Manufactured Housing Communities of Washington

Is offering the following regional training this fall:

**Spokane** - September 14, 2016 – Contempo MHP

**Yakima** – September 15, 2016 – Quail Run at Terrace Heights

**Vancouver** – October 12, 2016 – Creekside Estates

**Federal Way** – October 18, 2016 – Belmore Golf & Country

**Sequim** – October 26, 2016 – Lazy Acres

**Everett** – November 9, 2016 – Lago De Plata Estates

**Bellingham** – November 10, 2016 – Lakeway Mobile Estates

**Contact MHCW 360-753-8730**

**Craig Hillis & Theresa Hermanson**

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COMMERCIAL REAL ESTATE BROKERS  
The Manufactured Housing Community Network

***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

***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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