NW PARK BROKERAGE

PHONE: 206.652.4100
TOLL FREE: 888.205.8281
FAX: 206.652.4540

WWW.NWPARKS.COM

COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

The Northwest Report

Issue 58 December 2017

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

BACKLOGS CONTINUE

New manufactured homes are a highly sought-after form of housing and the manufacturers who build them can provide real-time statistics to back that up. All across the country, but specifically in the Pacific Northwest and on the West Coast, manufacturing plants are reporting 90 to 150-day delivery backlogs. This creates some distinct challenges for retailers and community owners whose "boots on the ground" sales and marketing forces have produced strong results and simultaneously created significant challenges.

Finding qualified buyers is never easy and keeping them committed to the sales process until their new home arrives months later takes some good customer service skills. The relationship between buyer and seller needs to be strong, trusting and anchored in the mutual commitment to see this process through to a successful conclusion.

The timetable can be daunting. If a buyer orders a new manufactured home this week it will likely be delivered to a prepared site sometime in March or April of 2018. Assuming it takes close to 30-days after delivery to get that home completely installed and ready for occupancy, the buyer won't be living in the home until sometime in May of 2018. Between now and then retailers, which includes many community owners with active sales operations in their communities, must stay in regular contact with their buyer and keep them engaged in the home building process. Loan commitments from lenders need to be long (and often extended), the lives of these buyers need to remain solid and steady, and their focus on getting the home finished and the loan closed must remain keen. If they change jobs, take on additional credit obligations or in any other way take actions that negatively affect their ability to maintain their current financing the transaction could hit a real snag before closing.

7683 SE 27TH ST SUITE 315
MERCER ISLAND WA 98040

205 SE SPOKANE ST SUITE 348
PORTLAND OR 97202

NW PARK BROKERAGE

PHONE: 206.652.4100
TOLL FREE: 888.205.8281
FAX: 206.652.4540

WWW.NWPARKS.COM

COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

HOMESITES FILLING FAST

New manufactured home land-lease sites have been added to many existing manufactured home communities on the West Coast in the last few years, and for the most part they have all been filled with quality homebuyers and new, upscale manufactured homes.

Many community owners have expressed surprise at just how fast these sites have filled but when you do some simple math it truly makes sense. In 2017 you can purchase a large, well built, custom made manufactured home and when it is fully installed and accessorized the turn key package often costs less than $150,000. With site built homes starting in the $300k's our manufactured home prices have never been more appealing. In the heyday of manufactured home sales (primarily the 1970's and 1990's) homes sold well if they were priced 25-30% below site built homes. Today we are 50% less expensive and in many instances offer more square footage and better energy efficiencies than our site built competitors, which improves our competitiveness and attracts better quality customers.

Another trend gaining momentum is a community owners ability to ***replace older homes with newer homes,*** upgrading the look of the community and improving the value of the community. As older homes come up for sale in land-lease manufactured home communities, many community owners purchase those homes, sell them to buyers who wish to move them elsewhere and replace them with new, modern manufactured homes. The result is an upgraded and modernized look within the community, improved curb appeal, enhanced buyer profiles and higher resale values for residents.

With the manufacturing plants having such significant production backlogs many community owners have opted to order "spec homes" in advance so they have them ready for installation as soon as a home site becomes available. Then, installing the new home in an existing site goes quickly, resulting in a turn-key model home set-up, landscaped, staged and ready for a willing and capable buyer to purchase quickly and take immediate possession shortly after their need to make a housing change arises.

The only trend that hasn't materialized yet is any significant movement in new manufactured home communities being developed from the "ground up". The price of land and the cost of infrastructure improvements has never been higher, so the feasibility of building a new manufactured housing land-lease community on properly zoned land in this economy remains uncertain. Only time well tell whether or not we will see a wave of new manufactured home communities being built in the next 5-7 years.

7683 SE 27TH ST SUITE 315
MERCER ISLAND WA 98040

205 SE SPOKANE ST SUITE 348
PORTLAND OR 97202

NW PARK BROKERAGE

PHONE: 206.652.4100
TOLL FREE: 888.205.8281
FAX: 206.652.4540

WWW.NWPARKS.COM

COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

THE INDUSTRY BY THE NUMBERS

How much do you know about the manufactured housing industry? Here are some 2016 statistics you may find interesting:

22 Million American's live in a manufactured home.
Our industry represents **9%** of all new single-family home starts.
The average manufactured home price is **$70,600,** which includes single section and multi-section homes.
The average multi-section manufactured home sold for $89,500 in 2016.
The average sales price of a site built home in 2016 was $372,500.
There are **37,624 manufactured housing land-lease communities** in the U.S.
These represent **4.2 million** home sites.
34% of all new manufactured homes are placed in land-lease communities.
There are currently 121 manufactured home production facilities operating in the U.S.
The vast majority of manufactured home buyers are between **30 and 59 years old**.
The average square footage of a new manufactured home built in 2016 was 1,446 sq./ft., which includes single section homes.
The average square footage of a multi-section built in **2016 was 1,746 sq./ft.**
Manufactured Home sales volume has increased 47.8% since 2012.

DODD-FRANK HOUSING REGULATIONS

Nine Senate Democrats and the top Republican on the Senate Banking Committee have come together to support a new measure. The legislation would roll back key regulations of the Dodd-Frank Act. These include the onerous provisions of the Act that have had the unintended consequence of denying the possibility of home ownership for thousands of hard-working low- to middle-income Americans. Four Banking Committee Democrats negotiated a bill with committee chair Mike Crapo, R-Idaho.

The new bill would ease dozens of the restrictions placed upon lenders by Dodd-Frank after the worst financial crisis in nearly a century. These include provisions that inadvertently, unfairly target the manufactured home industry and citizens seeking the uniquely American dream of quality, affordable homeownership—the opportunity manufactured homes particularly provide.

7683 SE 27TH ST SUITE 315
MERCER ISLAND WA 98040

205 SE SPOKANE ST SUITE 348
PORTLAND OR 97202

Meanwhile, Congress has already exempted auto dealers from many lending regulations. The House has already passed their own deregulatory financial bill called the CHOICE Act (HR 10). Consequently, Senate passage of this legislation could set up a conference committee. With nine Democrats on board, Republicans could also avoid a filibuster, the main barrier to advancing initiatives through Congress.

The Preserving Access to Manufactured Housing Act (HR 1699) is a separate bill, introduced last March. This bill intends to free retailers of manufactured homes from lending restrictions enforced by the Truth in Lending Act.

Legislators have chosen to include language from this bill in the Financial CHOICE Act (HR 10). This decision is an example of a comprehensive strategy spearheaded by the *Manufactured Housing Institute (MHI)*. MHI is the sole national trade organization representing the factory-built housing industry.

MHI's efforts to pass the Preserving Access to Manufactured Housing Act are multi-pronged. In addition to spearheading stand-alone legislation, MHI has sought opportunities to attach language to legislative vehicles that are moving. The CHOICE Act is now moving, and chances are good that President Trump will sign into law in the not too distant future.

MORE LEGISLATIVE NEWS

Twenty-one members of the U.S. House of Representatives have added their names as a cosponsor of H.R. 1699, The Preserving Access to Manufactured Housing Act.

Nearly 1,000 industry professionals representing 42 states have requested their congressional representative to co-sponsor the bill. H.R. 1699 has been co-sponsored by four Representatives from Alabama, three from both Mississippi and West Virginia, two each from Indiana, Pennsylvania and Texas, and one each from Arizona, Maine, New York, South Carolina, and Tennessee. By getting your congressman involved a strong number of co-sponsors of the bill will help our champions make the case with congressional leaders that this bill needs to be moved through the legislative process as soon as possible. Rep. Andy Barr (R-KY), author of the legislation, said this about the importance of increasing the number of cosponsors: "We are working hard to add cosponsors to the bill because it will show that we have broad bipartisan support for this legislation," said Rep. Barr. "That will give us momentum as we work to move the bill through the Committee and to pass it in the House of Representatives."

H.R. 1699 addresses federal regulations implementing the Dodd-Frank Act that do not reflect the unique nature of the manufactured home financing and sales process.

Consumers have been shut out of the market for quality, affordable housing because these regulations have caused financing to be less available for manufactured homes.

The recently released 2014 Home Mortgage Disclosure Act data (HMDA) offers statistical evidence of the need to change the regulations to better reflect manufactured housing finance.

Manufactured home loan volume for loans under $75,000 decreased in 2014 even though the housing market as a whole improved. The bill modifies the definition of "high-cost" loans so that manufactured home loans are not unfairly swept under this designation simply due to their small size. The legislation also amends the SAFE Act and the Truth in Lending Act to exclude manufactured housing retailers and sellers from the definition of a loan originator, so long as they are only receiving compensation for the sale of the home and not engaged in financing the loans.

STEADY GROWTH IN PRODUCTION AND SHIPMENTS

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and The Manufactured Housing Association for Regulatory Reform (MHARR), year-over-year manufactured housing production grew once again this fall. The latest statistics available track home production through September of 2017 and they indicate that HUD Code manufacturers produced 7,580 homes in September, a 3.5% increase over the 7,355 HUD-Code homes built in September of 2016. Cumulative industry production for 2017 now totals 68,419 homes, a 14.2% increase over the 59,889 HUD Code manufactured homes produced over the same period in 2016. Increases were seen in both single and multi-section home production.

Further examination of official industry statistics shows that the top ten shipment states from the beginning of the industry production rebound in August 2011 through September 2017 are: Texas (78,384 homes), Louisiana (31,221 homes), Florida (25,332), Alabama (18.886), North Carolina (17,581), Mississippi (16,216), California (15,751), Michigan (15,277), Kentucky (14,493) and Tennessee (12.347).

The steady increase in HUD Code home production since 2011 is clear and undisputable evidence that manufactured homes not only continue to serve a vital role in our nation's housing market, but that today's high-quality manufactured homes are attracting ever-larger numbers of homebuyers.

FINANCING A MANUFACTURED HOME COMMUNITY

Interest rates have stabilized and in some cases increased slightly as the mortgage market continues to experience strong, solid growth while sticking to prudent underwriting practices. Financing remains readily available to real estate asset classes, including manufactured home communities.

The latest interest rates for manufactured housing community financing or refinancing on the West Coast remain at or near these rates, which have risen slightly since summer. Three-year fixed, 4.175%, five-year fixed, 4.295%, seven-year fixed, 4.375%, ten-year fixed, 4.475% and fifteen-year fixed at 4.405%. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.300% for highly qualified borrowers.

CONSIDERING A PURCHASE OR SALE?

It has been an outstanding 2017 for **Northwest Park Brokerage.** Without question, 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 have our pulse on the industry, we intimately understand the business, and we have relationships with buyers and sellers who are serious, qualified and motivated. Demand remains very strong for manufactured home communities, large or small, in both metro and rural locations. Let us help you evaluate your community. **Give us a call at 206.652.4100.**

Upcoming Events

Manufactured Housing Communities of Washington Legislative Reception

January 31, 2018 @ 5:30 – 8:00 pm
Red Lion Olympia, WA
2300 Evergreen Park Drive

MHI Winter Meeting

February 4-6, 2018
The Ritz Carlton, New Orleans, LA

NW PARK BROKERAGE

PHONE: 206.652.4100
TOLL FREE: 888.205.8281
FAX: 206.652.4540

WWW.NWPARKS.COM

COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

National Congress & Expo
April 24-26, 2018
Paris Hotel, Las Vegas, NV

Legislative Fly-In
June 24-26, 2018
Washington D.C.

2018 NCC Fall Leadership Conference
November 7-9, 2018
Westin Michigan Ave., Chicago, IL

Just Listed

66 Space Quality Family Community
located in Scenic North Bend, Oregon
(Coos County along the Oregon Coast)

Operates on City Water & Upgraded Septic
100% Occupied & All Tenant Owned Mobiles

~Asking Price $2,550,000~

Over $500,000,000 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

7683 SE 27TH ST SUITE 315
MERCER ISLAND WA 98040

205 SE SPOKANE ST SUITE 348
PORTLAND OR 97202