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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

The Northwest Report

Issue 66 January 2020

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

Everybody is wondering what type of year 2020 will shape up to be. Elections, international unrest, political infighting, tariffs, taxes and a laundry list of other issues has kept everyone guessing. None of us know what the future will bring, but in the housing industry two things will help us stay healthy and grow steadily – low interest rates and a strong economy.

CAP RATES. From what we have seen recently CAP rates can vary greatly, depending on the age and quality of the park/community and its location.

Low interest rates combined with rising Net Operating Incomes are minimizing CAP rates in most areas of the country. Coastal metropolitan areas account for lower CAP rates than other regions, where quality, larger communities are demanding ***CAP rates in the 4% range, and some have been sub-4%.*** Buyers target high caliber parks in this CAP rate range, and they sell within weeks of listing. This is something we haven't seen before but there is limited inventory available for buyers targeting quality larger communities, and as private housing costs rise out of reach for many residents, demand for manufactured housing communities will continue to compress CAP rates. If you are a potential seller of a larger quality community, we would love to talk to you. We have the buyers. Older communities in rural areas on septic systems and wells have seen CAP rates as high as the 7% range, but if they can be converted to central, local utilities they have a potential and there is still a strong demand for these properties.

INTEREST RATES. In December the Federal Reserve signaled that it wants to hold off on further interest rate cuts for a while. At its last meeting the Fed kept the federal funds rate between 1.5% and 1.75%. Fed Chair Jerome Powell has been in his current position since November 2, 2017 and he expects that the economy will remain stable, but again emphasized that the future path of Fed actions will depend on many different possible events.

The bond market has also been very stable, as rates have changed very little over the past few months. The yield curve – the gap between rates on short-term and long-term bonds has maintained its historically normal upward sloping line. This indicates that investors are not worried much about a possible recession occurring this year or next.

If the economy slows the Fed will have a much smaller margin of error. If market turmoil develops (think war or trade challenges) then the Fed will likely cut rates at least one more time. However, that could result in the Fed gradually raising rates in 2021 according to a variety of economists and prognosticators.

THE ECONOMY. Most economists seem to agree that the 2020 economy will look much like the 2019 economy. Long gone are the days of 2007-2009 where real estate foreclosures and bank closures (remember Washington Mutual?) where the daily headline. Today businesses are by-in-large doing well, unemployment is low, liquidity is plentiful, the stock market is steadily setting new records and many economists believe things will actually get even better in 2021. The biggest area of uncertainty remains international trade and if that clears up 2020 might even be better than expected.

The "demand side" of the economy will be a little subpar, giving a small break to the supply side. But when spending improves the supply limitations of low labor force growth and slow productivity growth will diminish, leading to increasing demand for products and services and a demand-supply balance. Households are growing their incomes slightly more than they are growing their spending. As a result, the savings rate is moving slowly upward. That's ideal, as a higher savings rate puts the economy on a more sustainable path.

Finally, the growth of income and spending has not been as great in 2019 as in 2018 because job gains are lower. That results from the tight labor market. Businesses would hire more if they could find additional qualified workers. Wages have not risen much, so the income growth rate is lower than back in 2018. However, the jobs picture is solid, leading to good incomes and a positive attitude among most consumers. Look for them to continue growing their spending moderately in 2020 and into 2021.

Oregon Legislature

Senate Bill 586 Becomes Law on January 1, 2020

When Senate Bill 586 became law on 01/01/20 it amended several landlord-tenant laws. Most industry representatives feel the new mediation aspects of this Bill are the most important. Notably, the provision that requires mandatory mediation if either the landlord or the tenant initiates a request for mediation. They are most likely to be disputes relating to compliance with the rental agreement or modifications in the rules or regulations within the community.

Interestingly, there are a number of types of disputes excluded from mandatory mediation, unless both parties agree otherwise. They include facility closures, facility sales, rent increases, rent payments and/or amounts due, unauthorized occupants, disputes involving domestic violence or sexual assaults and disputes arising from termination of tenancy under ORS Chapter 90 (Oregon's Residential Landlord-Tenant Law).

If a community has a mediation policy, it must include a detailed process and format to initiate mediation, the names and contact information for mediation services made available by the Housing and Community Services Department, a clause stipulating that all communications during the mediation process be held in strict confidence, and it may include specific disputes between the landlord and one or more tenant, or a dispute between two or more tenants.

All parties must participate in the mediation by making a good faith effort to schedule mediation within (30) days after it is initiated, attending and participating in the mediation process and cooperating with reasonable requests of the mediator.

Californians Are Moving North

A new study by United Van Lines shows California is ranked among the top 10 of "most moved from states" last year, coming in at number 7. One of the hot spots people are moving to? Boise, Idaho. According to the Boise Valley Economic Partnership, in a span of about five years approximately 7,200 Californians have moved to the Boise area. And if you have visited Boise recently you can attest to this fact by navigating their increasing crowded roadways, bustling restaurants and newly constructed hotels, motels and shops.

Forbes Magazine recently named Boise as the fastest growing metro area in the US, crediting the area's robust tech sector and job growth. The median home price is Boise is $332,698. In San Francisco? $1,325,000.

Gas prices in Boise are a dollar less than in California and most of the other typical items that make up a family's cost of living are all significantly less in Idaho. Also, manufacturers are attracted to the Treasure Valley because of the favorable climate and geological attributes. Boise is not an area where floods, earthquakes, tornados and hurricanes are a threat, and large companies find that very appealing when investing in large brick-and-mortar factories, data centers and distribution hubs.

Oregon is experiencing the same migration, but it's been going on much longer. Californians disproportionally move to southern and central Oregon when compared to other parts of the country. Southern Oregon has been growing at a rate of about 5% per year, but 12% of net migration is from California. Most other Californians move to the Portland area and the Willamette Valley. On average 39,320 Californians move to Oregon annually. But an average of 19,523 Oregonians also make the move south, leaving Oregon with a net gain of 19,797 new residents from California every year. Also, in central Oregon, Bend has seen a net ***gain*** in population from Washington state in recent years. This is unusual, but in each of the past few years, central Oregon has gained population from all parts of Washington including the Seattle area and SW Washington.

THE NORTHWEST BENEFIT

All of this data bodes very well for the housing industry and in particular the manufactured housing industry. There is a severe housing shortage in Oregon and the Boise, Idaho region, as well as parts of Washington state. Manufactured housing can provide a quick, affordable, well built and energy efficient housing solution to all these former Californians looking for a better life up north. This is evidenced by recent reports of increased new and pre-owned manufactured home sales and production. Retailers and manufactures report solid 4th quarter sales and production results in Oregon, Washington and Idaho.

CrossMod – A New Class of Manufactured Home

The Manufactured Housing Institute – MHI – recently introduced the official name for the new class of manufactured homes. "CrossMod is a reflection of the industries commitment to elevate the industry by bringing the quality and innovation that can be found in all off-site built housing, including Manufactured Homes, Modular Homes and now CrossMod homes, to even more home buyers" MHI said in a prepared statement. The term was developed with involvement from multiple professional agencies and teams of industry participants to serve as a mark of distinction for this new HUD code home category.

"As housing affordability challenges continue to grow, families of all economic backgrounds are searching for attainable, high-quality homes that do not create an unsustainable financial burden. CrossMod homes are place on a permanent foundation, qualify for conventional financing, help challenge exclusionary zoning ordinances and are virtually undistinguishable from higher-price, site-built options. Best of all, this new class of off-site built home can be appraised using comparable site-built homes."

MHI partnered with market research firm Landor to test a variety of names directly with over 1,000 consumers. Their impression of the term CrossMod included "modern and sleek", "combines different models and styles", "sounds secure and safe" and is an "innovative and smart home" While just 9% of respondents said they would consider purchasing a manufactured home, 46% said they would purchase a CrossMod.

Find out more at www.manufacturedhousing.org

Financing a Manufactured Home Community

The latest interest rates for manufactured housing community financing or refinancing on West Coast remain at or near these rates, which continue to fluctuate and have remained steady in the past few weeks. Here are some of the lowest rates available for $1 - $10 Million:

Three-year fixed 4.40%, five-year fixed 4.161%, seven-year fixed 4.255%, ten-year fixed, 4.366% and fifteen-year fixed at 4.322%. ARM's are as low as 2.9%. Rates can be found as high as 5.483% for 20-year fixed rate loans and underwriting requires complete and detailed historical operation data. Rate locks are available up to 90-days prior to close in most cases.

The larger REIT's and investment funds continue to offer and expand a variety of tax-saving and tax-deferred structures to sellers interested in something other than a 1031 tax-deferred "up leg" exchange or an all-out cash transaction. Resident purchases are also on the rise.

4th Quarter Production Rises

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and verified by the Manufactured Housing Association for Regulatory Reform (MHARR), HUD Code manufactured home production increased in October of 2019 according to the latest reports. Just released statistics indicate that HUD Code manufacturers produced 9,415 homes in October 2019, up a strong 9.6% from the 8,588 new HUD Code manufactured homes produced during October of 2018.

On a cumulative basis industry production for 2019 totaled 79,912 HUD Code homes, a decline of 3.6% from the 82,942 HUD Code homes produced during the same period in 2018. While this marks a decline in year-over-year production and shipments and margin has narrowed and industry experts are predicting stronger production and shipment numbers in 2020 as a result of newly introduced products and increased consumer awareness of the affordability and quality of today's manufactured home.

Upcoming Events

MHI WINTER MEETING

February 16-18, 2020
Hilton Nashville Downtown
Nashville, TN
www.manufacturedhousing.org

2020 MHI CONGRESS & EXPO

April 6-8, 2020
MGM Grand Hotel
Las Vegas, NV
www.congressandexpo.com

MHI ANNUAL MEETING

October 4-6, 2020
Grand Hyatt Hotel
Denver, CO
www.manufacturedhousing.org/conferences-meetings

Always Engage the Best

There is no doubt about it, 2019 was another great year for **Northwest Park Brokerage,** and we are predicting a **record year in 2020** because 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. Let us help you evaluate your community. **Give us a call at 206.652.4100.**

Over $1 Billion in Park Sales. Visit our website at www.nwparks.com

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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

JUST SOLD!

74 Space Quality RV Park in Downtown Yakima, WA

74 Space Family RV Community
Located in downtown Yakima, WA!
~Serviced by City Water & Sewer~
Property includes Clubhouse/Rec Center
with upgraded Solar Pool & Amenities

~SOLD AT $2,900,000 - 7.75% Cap Rate~
E-mail or Call for More Information

For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson & Saundra Price of Northwest Park Brokerage at (206) 652-4100 or email Bill at: billj@nwparks.com

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