

The Northwest Report

Issue 78 / November / December 2023

For Owners, Operator's, and Investors in Manufactured Housing Communities Nationwide

Looking Ahead - Challenges and Opportunities

The year 2023 has been one we will never forget. One war rages on, another war begins, economic challenges mount-up, political turmoil heats-up, a Presidential campaign ramps-up, and around every corner you see something new that makes you shake your head. "Experts" and talking heads think they can solve the world's problems, when in reality many of them can't even solve their own problems.

So where does manufactured housing fit in our uncertain future? At face value, it should fit nicely. Everywhere you turn people say we have a dangerous shortage of affordable housing. Hardworking families and retirees simply want to live in healthy, comfortable, safe communities, and manufactured housing fits that need like a glove. So why aren't people beating our doors down to buy more homes, or building more manufactured home communities? Restrictive land use laws, zoning exclusions and the ongoing struggle for more equitable and affordable financing remain the biggest hurdles for our industry to overcome.

In reality, it's possible that interest rates stayed too low for too long and now 8% money seems to most people, especially those born in the late 1970's to late 1980's like sky-high predatory lending. That's understandable, considering rates hovered around 3% to 4% for a very long time. But history proves that wrong, and today's rates, while much higher than we had become accustomed to, are still fairly reasonable. And buying a home at today's rates still makes more sense than renting an apartment.

In 2024 all facets of the manufactured home industry should capitalize on the economic slowdown by increasing the promotion of manufactured home community living, the ease of entry to ownership, the affordability angle, the low cost of maintenance and the energy efficiency of today's manufactured home.

The production facilities in Washington, Oregon and Idaho are going to be producing some very well priced, well built, easy to install, extremely attractive, brand new manufactured home models and we should be showcasing those homes in our communities. Filling home sites with these new homes can and will generate profit and reoccurring revenue in an otherwise challenging marketplace.

this information has been secured from sources we believe to be reliable, but we make no representation or warranties, expressed or implied, as to the accuracy of the information.

Manufactured Home Factory's Shift Emphasis

Manufactured home production facilities are switching their focus back to smaller, more affordable homes as a way of battling the effects of higher interest rates. Many manufactured home buyers are "payment buyers" that need financing, and with today's higher personal property chattel loan rates (for homes on rented or leased land) now at 8% A.P.R. home prices must come down so that monthly payment driven buyers can still qualify for the home purchase. These lower priced homes will help manufacturers in Oregon, Washington and Idaho, replenish order backlogs that have all but evaporated. Currently, these factories admit they have almost no backlog of sold homes left to build and their production schedules are now "week to week".

FHA Updates Manufactured Home Appraisal Requirements

Last week, the Federal Housing Administration (FHA) moved to help those interested in purchasing a manufactured home obtain financing. FHA announced it has implemented updated appraisal requirements for the valuation of manufactured homes certified under Fannie Mae's MH Advantage and Freddie Mac's CHOICEHome programs. The updates are effective immediately. They require appraisers to use the most appropriate site-built home comparable sales when there are less than two comparable sales of these manufactured homes available. "The updates align FHA appraisal requirements with those of other industry participants and will improve the valuation of these homes for borrowers seeking FHA-insured home loans" FHA Commissioner Julia Gordon announced at the National Communities Council Fall Leadership Conference Forum in Chicago recently. "These changes also contribute to FHA's efforts to increase the affordability of manufactured housing."

Lawmakers Introduce Affordable Manufactured Housing Community Bill in House and Senate

On November 9th Democratic lawmakers in the U.S. Senate and U.S. House of Representatives introduced a new bill to the legislature designed to both "preserve" and "revitalize" manufactured home communities across the United States.

Spearheaded by U.S. Senators Catherine Cortez Masto (D-Nevada), Jeanne Shaheen (D-New Hampshire), and Tina Smith (D-Minnesota), along with U.S. Representative Suzanne Bonamici (D-Oregon), introduced the bicameral legislation in the House.

Following up on the 2022 creation of the Preservation and Reinvestment Initiative for Community Enhancement (PRICE) grant program that has a similar goal to the new proposal, Sen. Cortez Masto's

this information has been secured from sources we believe to be reliable, but we make no representation or warranties, expressed or implied, as to the accuracy of the information.

bill would make the PRICE program permanent and provide funding for home improvements and neighborhood upgrades for eligible Americans on an annual basis.

“Manufactured Homes are critical for many families, and my legislation would help communities keep lot rents affordable and make vital infrastructure improvements,” said Sen. Cortez Mastros in a statement provided to HousingWire. “I’ll keep working with my colleagues to address the affordable housing crisis and keep families in their homes.”

The program could also help to address the critical housing inventory shortages across the nation, one factor contributing to affordability challenges for American families, according to Rep. Bonamici.

“Manufactured homes are often more affordable than other housing, but many manufactured housing communities do not have funds to upgrade and repair basic infrastructure such as water and sewer systems” she said. “I’m pleased to work with Senators Cortez Mastro and Shaheen to introduce the PRICE Act, which will make the PRICE grant program permanent and protect a crucial source of funding for preserving manufactured housing” Bonamici added.

If enacted, the bill would ask the U.S. Department of Housing and Urban Development (HUD) to implement “a competitive grant program to award funds to eligible recipients to carry out eligible projects for improvements in eligible manufactured home communities,” according to a draft version of the bill. Grant funds would “assist in carrying out a project for construction, reconstruction, repair or clearance of housing, facilities and improvements in or serving a manufactured home community that is necessary to protect the health and safety of the residents of the manufactured home community and the long-term sustainability of the community,” the draft bill reads.

Industry New Home Production Decline Persists

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 year-over year production declined again in September 2023, the latest data confirms.

Current data indicates that HUD Code manufacturers produced 7,955 homes in September 2023, a 15.2% decrease from the 9,381 new HUD Code homes produced in September 2022. Cumulative new home production for 2023 is now 66,647 homes, a 25.7% decrease from the 89,812 homes produced over the same nine-month period during 2022. This unwelcome news has been expected by industry insiders, as the effects of higher interest rates and supply chain issues continue to hamper home sales.

this information has been secured from sources we believe to be reliable, but we make no representation or warranties, expressed or implied, as to the accuracy of the information.

A further analysis of the official industry statistics shows that the top ten manufactured home shipment states – with monthly, cumulative, current year (2023) and prior year (2022) shipments per category as indicated – are: 1). Texas 2). Florida 3). Alabama 4). North Carolina 5). South Carolina 6). Georgia 7). Louisiana 8). Michigan 9). California and 10). Kentucky.

Again, as it has been for months, inherently affordable manufactured housing continues to significantly underperform, with production levels for 2023 remaining far below the industry's potential and even the diminished annual production averages of the past decade-plus. Reversing this trend will require laser-like focus and concrete remedial action to combat the discriminatory zoning exclusion and concurrent failure of Annie Mae and Freddie Mac to implement the Duty to Serve (DTS) mandate with respect to the 80% of the mainstream manufactured housing consumer finance market represented by personal property loans, which have – and continue to – undermine the manufactured housing market. Decisive industry action to address and resolve these postproduction issues – (zoning, placement, consumer financing discrimination and baseless constraints of energy efficiency) in the nation's capital is long overdue.

Upcoming Events

Manufactured Housing Congress & Expo 2024

April 3-5, 2024

MGM Grand – Las Vegas, NV

www.congressandexpo.com

Manufactured Housing Institute's Winter Meeting

February 19-21, 2024

The Omni at Amelia Island

Amelia Island, FL

www.manufacturedhousing.org

~Always Engage the Best~

Regardless of the current circumstances, trust **Northwest Park Brokerage**, because no brokerage firm in the Pacific Northwest or on the entire West Coast has a better grasp of market conditions and emerging opportunities 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 Community Sales. Visit our website at www.nwparks.com

this information has been secured from sources we believe to be reliable, but we make no representation or warranties, expressed or implied, as to the accuracy of the information.