

## The Northwest Report

*Issue 69 October 2020*

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

### **STATE OF WASHINGTON TAKES ACTION**

On February 29, 2020 Washington Governor Jay Inslee issued Proclamation 20-05 proclaiming a State of Emergency for all counties throughout the state of Washington because of the coronavirus outbreak. On October 14, 2020 the Governor signed into law Proclamation 20-19.4 that states that, in part, as a result of the coronavirus disease COVID-19 outbreak in the United States and the subsequent "stay at home" orders related to the spread of the disease, landlords cannot raise rents or evict tenants for non-payment of rent while the Proclamation remains in place. The Governor stated "it is the intent of the order to prevent a potential new devastating impact of the COVID-19 outbreak – that is, a wave of statewide homelessness that will impact every community in our state. To that end, this order further acknowledges, applauds, and reflects gratitude to the immeasurable contribution to the health and well-being of our communities and families made by the landlords, property owners, and property managers subject to this order".

The order puts a halt to evictions, terminations of tenancy, late fees for non-payment or late payment of rent, collection activities, rent increases (or the threat of a rent increase), and encourages landlords provide information to residents regarding financial resources and to provide residents with information on how to engage with them in discussions regarding reasonable repayment plans of past due rent. It also sternly states **"This prohibition does not apply to a landlord, property owner, or property manager who demonstrates by a preponderance of the evidence to a court that the resident was offered, and refused or failed to comply with, a re-payment plan that was reasonable based on the individual financial, health, and other circumstances of that resident; failure to provide a reasonable re-payment plan shall be a defense to any lawsuit or other attempts to collect"**.

#### **FINANCING A COMMUNITY --INTEREST RATES AND LENDING.**

Despite challenging and unique market conditions, financing for a manufactured home community is still readily available to qualified investors. Lenders will always require current rent rolls and operating statements, information on local market conditions (including a rent survey and vacancy report), and the borrowers most current personal and business financial statements.

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.



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Lenders are currently making loans from \$1 Million to \$30 Million with capped costs options for as low as \$2,000 for multifamily loans, and relationship pricing for strong buyers. Fully amortization programs are offered (15/15 or 20/20) and 90-day rate locks are available. Prepayment penalties are short-term step-down requirements, and most loans are assumable to a qualified buyer.

## ***HOUSING SHORTAGE / HIGH DEMAND***

Unprecedented is a word that is used all too often nowadays, from pandemics to natural disasters to Presidential politics, 2020 has been an historic year in both good ways and bad. We have never seen anything like it in our lifetimes and hopefully we never will again. Regardless, there are a surprising number of “positives” coming from all this upheaval and much of it has a direct impact on manufactured housing.

Low interest rates and the abundance of financing options have played key roles in keeping the housing market on solid footing. The country’s strong demand for affordable housing is especially significant when it relates to the manufactured housing industry. Here we are, 8+ months into an historic pandemic and manufactured home builders on the West Coast are reporting backlogs of 5-months with some of those producers confirming they have orders for 1,000 homes or more already in the pipeline. That seems incredible, given the unemployment rate in some cities, but when you analyze the data it is not all that surprising.

“Manufactured homes exhibit their own potential to be a wealth creation tool for ordinary everyday Americans. Our nations shortage of affordable housing is ultimately an issue of supply and demand. With millions of people in need, high demand is already guaranteed. That is why HUD is focused on increasing supply, promoting initiatives and technologies that produce more affordable homes” said HUD Chairman Ben Carson recently.

## **PLANNING AMID COVID-19**

The COVID-19 pandemic has affected everyone in the world, one way or another. Regardless of where you live or how your country, region, state, or city is addressing this unprecedented event, life does go on and we will all survive to live another day. At this point, the best we can do is manage what is manageable and continue to plan and invest based on a long-term outlook, not short-term panic. We are in the housing business and everyone needs a home – which means we can do right by our tenants and residents while still protecting our own interests. It is a tricky balance, for sure. But exercising equal amounts of restraint and compassion goes a long way towards providing a housing solution America needs at a time when we have never needed it more.

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## **SINGLE SECTION MANUFACTURED HOMES IN THE SPOTLIGHT**

As many American families are sequestered at home, hopefully waiting for the pandemic to mercifully subside (and it will), many of those people are renters that are exploring affordable quality manufactured home ownership, especially those hard working middle-income families, and particularly those who feel confined in a dense urban location.

Manufactured home retailers across the nation are reporting a surge of online inquiries from those discovering the affordable advantages of today's quality modern manufactured homes. Those reports are substantiated by the increasing numbers of inquiries received and reported by dozens of retailers and communities.

What retailers and community owners / managers have discerned from the uptick of inquiries is that many have realized that a new single-section manufactured home checks all the boxes for high quality super affordable homeownership, and is the quickest, simplest and safest route to escaping the rent cycle. The origin of today's single section (aka single-wide) and subsequent multi-section manufactured homes, began over half a century ago with the factory-built single section "mobile home."

Today's modern single section manufactured home bears little resemblance in size, construction, features, amenities, energy efficiency, safety, and exterior appearance to the mobile homes of old. Surprisingly to many is the fact that the single section homes of today still represent half of all manufactured homes produced and shipped in the U.S; borne out by the following shipment info for the year ending 2019. Of the roughly 96,000 manufactured homes shipped in 2019, 47,800 of those homes were single-section homes with an average price of \$54,000.00.

## **THE FACTORY BUILT ADVANTAGE**

The home-buying narrative that most people are accustomed to typically deals with an onsite home that is static, unchanging, and a major cost to personalize. A "stick-built" home, so affectionately named, is any home that is built out in the open, using wood planks, and is permanently structured onsite: they cannot be moved or modified easily. While this is an experience that consumers are vaguely familiar with, the average buyer is usually unaware of the options available to them when ordering a new manufactured home. This lack of clarity and choice can lead to thousands of unnecessary dollars spent and a sense of settling on something, as opposed to being confident in one of the biggest purchases and commitments a person can make in their lives.

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And so, the factory-built home changes the dialogue of mobile home building, manufactured home buying, and home customization.

One of the more obvious changes, one that protects a buyer's investment, is the building process of a manufactured home itself. Unlike some traditional built homes, the possibilities are truly endless when considering a manufactured home floor plan and model. As each customer's budget permits, every aspect of a manufactured home can be reconfigured, stylized, and custom-built in ways only possible due to the assembly line nature of the actual building process. This translates to a home and building timeline that are not plagued with weather scheduling difficulties, the threat of vandalism, or harm to wildlife in the immediate area. This streamlined, easy to navigate experience brings the ultimate personalization and say to the buyer.

In the purchasing of a custom designed, modern manufactured home floor plan, consumers control where their money goes and how exactly they pay that money forward. Manufactured home buying comes with unique opportunities that are usually unrealistic for most site-built home buyers. Not only can the buyer personalize their new home they can value-engineer the home and make sure their investment targets those features and amenities most important to the buyer's needs, wants and budget requirements.

With this power back in the hand of the buyer, building a brand-new home becomes a possibility for anyone. No longer is this level of ownership and design influence reserved for the ultra-rich, any American in the housing market can shop or design a floor plan, choose from an expansive range of stylish and functional hardware options, and finance their home with sound, responsible loans. This is what the housing market should be; this is the factory-built advantage.

## **THE PACIFIC NORTHWEST OUTLOOK**

The Pacific Northwest and adjoining states, Washington, Oregon, Idaho, Montana, and California, despite all the recent market interruptions and challenges are positioned to weather the winter of 2020 and spring of 2021 better than other regions. With that said, there is so much uncertainty right now it would be irresponsible to predict exactly what might happen because none of us were alive 100-years ago when the United States was last affected by a pandemic. What all of that said, there are many factors in play that lead us to believe the housing market, and more specifically the manufactured housing market, will remain strong. Interest rates are low, demand for housing is high, many people in the market remain both highly qualified and highly motivated to find and secure housing, and we believe these people will not be deterred from securing the housing they desire.

Regardless of our optimism, we are entering into a period where uncertainty is everywhere and the very best we can all do is prepare for turbulent times and execute our long-term plans for stability and success. One thing is certain; we are in the manufactured housing business, which means we are in the affordable housing business, and with the current shortage of affordable housing affecting every region in the United States, we are in the position to supply our friends and neighbors with the best housing solution on the market.

## **INDUSTRY PRODUCTION AS OF 10/5/2020**

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 fell in August 2020 according to the latest available statistics. Just released data indicates that HUD Code manufacturers produced 7,933 homes in August, an 8.2% decrease from the 8,646 new HUD Code manufactured homes produced during August 2019.

On a cumulative basis, industry production for 2020 now totals 61,583 HUD Code homes, as compared to the 62,463 homes produced over the same period in 2019, a year-to-date decrease of just 1.4%.

With 2020 cumulative industry production heading into the fourth quarter currently down 1.4% from 2019 – which itself was down 2.0% from 2018 – it is evident that unlike other segments of the housing industry, which have experienced a strong rebound from lower sales tied to COVID-19 lockdowns and other factors, manufactured housing production and shipments continue to be plagued by persistent post-production issues which the industry has failed to resolve.

Despite industry manufacturers producing their best, most modern and most affordable homes ever, zoning and placement discrimination, as well as baseless constraints on the availability and competitiveness of consumer financing, have kept sales of mainstream HUD code manufactured homes at artificially suppressed levels. Industry stalwarts continue to maintain that unless and until these continuing post-production failures are confronted and resolved, the industry's recovery as an unparalleled affordable housing resource for lower and moderate-income American families will continue to needlessly lag.

The top ten states for manufactured home shipments are: 1). Texas, 2). Florida, 3). Louisiana, 4). North Carolina, 5). Alabama, 6). California, 7). Mississippi, 8). Michigan, 9). Kentucky and 10). Tennessee. This "top ten" list has remained largely unchanged in recent times.

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## **Upcoming Events**

### **2020 MHI Workshop**

Community Education

Replaces MHI's fall NCC Leadership Program

*Presented by Hometown America*

November 4-6 Virtual Program

Visit: [info@mfgghome.org](mailto:info@mfgghome.org) for more information, or  
[www.manufacturedhousingeducation.com](http://www.manufacturedhousingeducation.com)

- **2021 MHI Winter Meeting**
- **2021 Congress & Expo**
- **2021 MHI Annual Meeting**

These Virtual Meeting Dates and Locations Will Be Published by MHI

## **Always Engage the Best**

Regardless of the current circumstances, **Northwest Park Brokerage** is still 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](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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