

# MANUFACTURED HOUSING MARKET REPORT

MID-YEAR 2022



## ***Strong Occupancy, Increased Shipment Totals, and Rising Prices Accentuate Manufactured Housing Demand***

- The velocity of units shipped sharply increased during the first half of 2022. If production remains steady, 2022 will set a record for deliveries over the past 15 years.
- Manufactured Housing occupancy during the first half of 2022 continued its upward trend, rising another 20 basis points to 94%.
- Annual site rent has climbed 4.2% nationally during the first half of 2022. The average national monthly site rent is now hovering near \$600, preserving manufactured housing's status as the most affordable residential asset class.
- Transaction activity for the first half of 2022 has trailed the record breaking pace set during the first half of 2021. However, with an influx of new capital entering the space there is potential for a return to 2021 levels in the near future.



## ***Manufactured Housing Market Overview***

The industry outlook for the second half of 2022 and beyond is positive due to durable demand and consistently high occupancy with neither showing signs of slowing. With an aging demographic, demand will remain high from retirees looking to downsize and relocate to warmer climates, as well as millennials, many of whom have smaller families and prefer a more minimalist lifestyle and lower housing expenditure. Rising interest rates and median home prices will also place upward pressure on demand as families are priced out of competing asset classes such as apartments, condominiums, and traditional single-family homes.

The manufactured housing industry has gained considerable momentum on Capital Hill in 2022. With events such as “Homes on the Hill” in Washington D.C. this past May, awareness is growing that mobile home communities are a viable housing option. Negative perceptions of mobile homes remain an obstacle and restrictive zoning laws prevent new communities from being built, as well as halting existing communities from expanding.



## ***Manufactured Housing Community Star Rating System***

Woodall's is a publisher who developed a star-rating system for campgrounds and RV parks. The star-rating system for mobile home parks is a legacy of the mobile home park directory published in the fifties, sixties, and seventies by Woodall Publishing of Chicago, Illinois. The original directory rated campgrounds and travel trailer parks, the predecessor of mobile home parks and manufactured housing communities. As mobile home parks grew in number, size and popularity, potential residents needed a separate directory for the parks to make a better rental decision. The rating guide was not initially intended to be used as a measure of investment quality, yet over time the star rating system has become a very quick and common way for brokers and market participants of this asset class to describe the quality and appeal of a community.

### ***Woodall's Manufactured Housing Community Star Rating System***



Community has a fair appearance, patios on most lots. Streets are fair to good, may be dirt, asphalt or gravel. There is adequate laundry, or laundry nearby. The homes may be older models, but show evidence of some care. Manager available some hours of the day.



Community has landscaping and some lawns and shrubs, streets are in good condition, must be crushed rock or shell at a minimum. There is a well-equipped laundry area, or laundry nearby. 220-volt electrical connections are available. Community should have a play-area if children are accepted. Community is free of clutter such as abandoned equipment or older non-use cars. Management is well trained.



Many three-star communities were once rated higher, but the original construction does not allow for modern sized homes. If children are allowed, there should be adequate play area. Requirements include: an attractive entrance, all homes must be in good condition, awnings and cabana rooms for homes in warmer climates, some spaces for larger sized homes, paved or hard surface streets.



Four star communities are luxury parks. They have the requirements of lower rated communities plus good landscaping, paved streets that are edged or curbed, uncrowded lots, underground utilities (if permitted by local conditions and authorities), attractive and uniform hedges and fences and there is excellent management. Most homes in a four-star community are skirted with metal skirts, concrete block, ornamental wood or stone. Most tanks are concealed. There are awnings, cabanas or porches on most homes (in warmer climates). Most lots accommodate large homes. There is a community hall, and/or pool and/or recreation facilities.



Fourth-star (open) is a four-star community without amenities (clubhouse, pool or recreation facilities).



Five-star communities are the finest, and are nearly impossible to improve. They have all requirements of lower rated communities, yet are better planned and laid out. These communities have good locations in regard to accessibility and desirable neighborhoods. There are wide paved streets with curbs or lawns edged at the street, sidewalks, street lights and street signs. All homes are late-model homes. They are set back from the street and are skirted with spacious patios. All hitches and tanks are concealed. There is paved off-street parking such as carports or planned parking areas. Depending on climate, there are community amenities such as pools, shuffleboard, horse-shoe pitching, golf course, hobby shop, hobby classes, games, pot-lucks, dances, natural recreation facilities, and uniform storage areas. There must be at least 60% occupancy, with all empty lots well maintained. Most five-star communities are for adults only, yet if children are allowed there must be adequate play areas. Five-star communities have superior management.

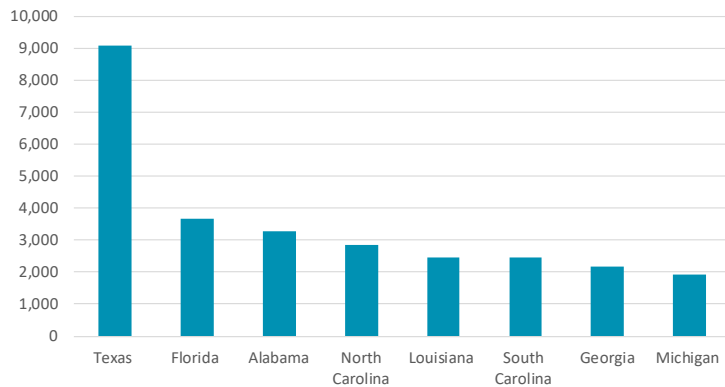
*Woodall's Publishing*



## Supply Growth

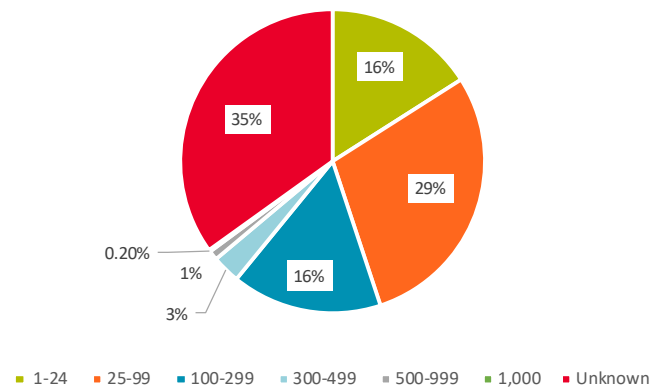
- Mobile Home shipments for Q1 of 2022 are on pace to deliver the greatest number of shipments in the last 15 years, with 50,278 completed deliveries of manufactured homes in the United States through May.
- During the first half of 2022 the market witnessed a significant uptick in production but trails the metrics of the 1990's, in which the decade averaged annual shipments of 290 thousand homes per year, indicating a greater production need to fulfill demand.
- Seven of the top eight states receiving shipments are located in the Southern United States with Michigan as the outlier.
- Freddie Mac estimates there is a 3.8 million unit housing shortage in America which further supports the need for more shipments of mobile homes, as well as more factories for production. From 1969-1973 an average 400,000 mobile homes were shipped a year. A return to these production levels will assist in easing the housing shortage.
- Nine of the top eleven states receiving mobile home shipments are located in the Sunbelt.

### Manufactured Housing Shipments By State YTD



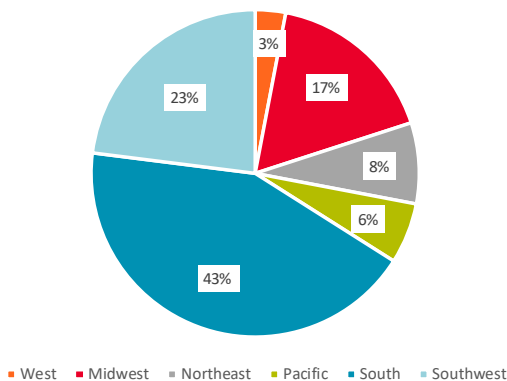
Sources: C&W, U.S. Census

### Size of Community Breakdown



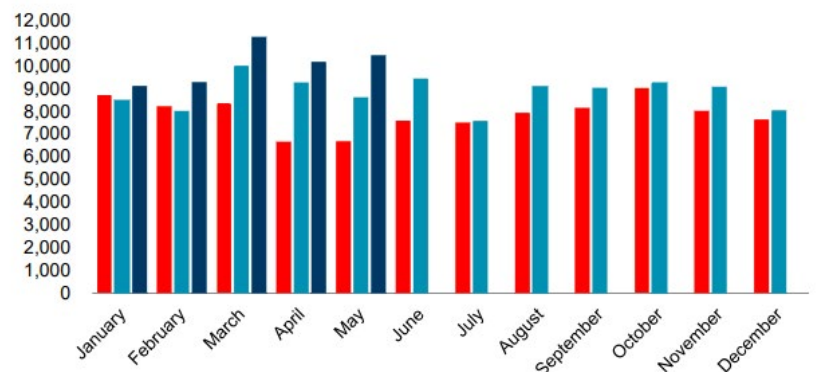
Sources: C&W, U.S. Census

### Manufactured Housing Shipments By Region



Sources: C&W, U.S. Census

### Monthly Shipment Comparison



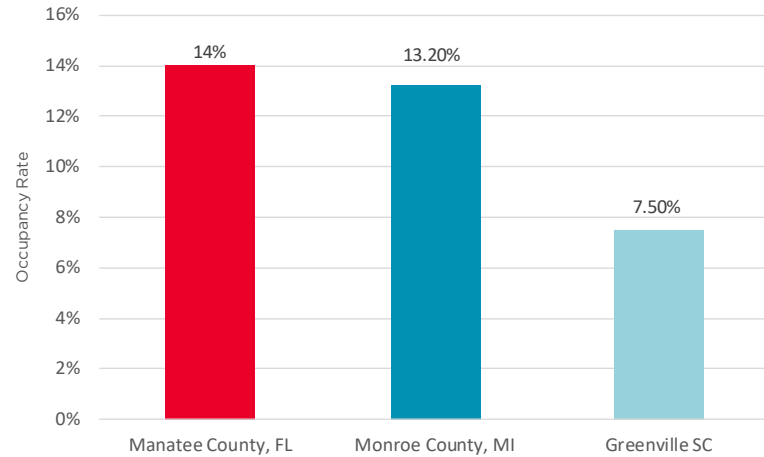
Source: Manufactured Housing Institute



## Occupancy

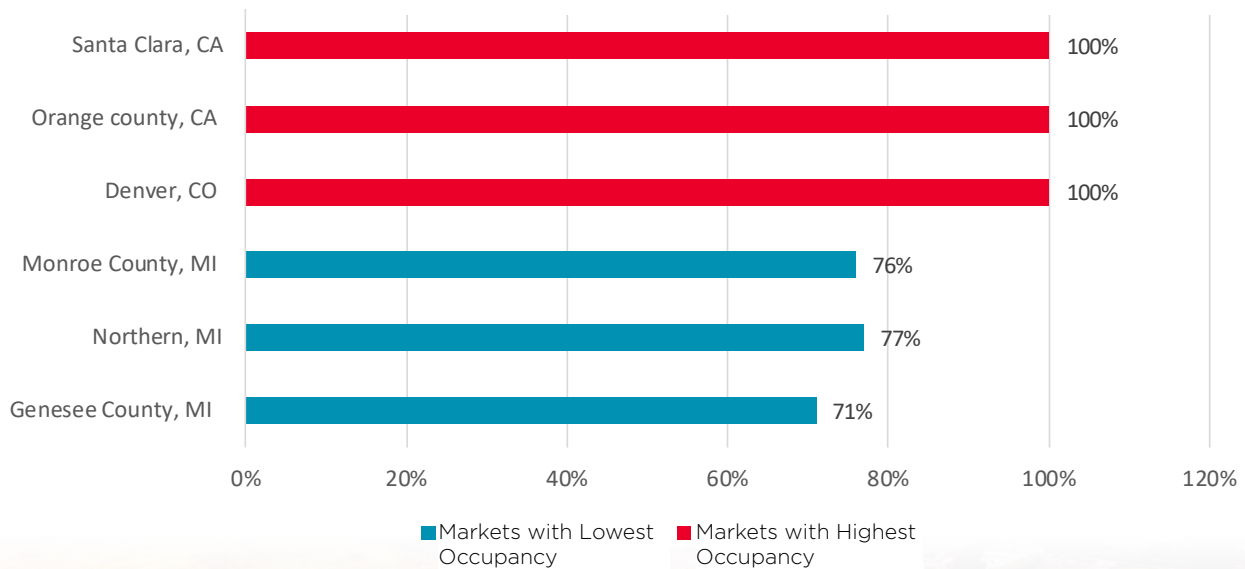
- Manufactured Housing occupancy during the first half of 2022 has continued to climb, increasing another 20 basis points to an average of 94%.
- All age communities' national average occupancy is 93% while 55+ communities are hovering around 97% occupancy.
- Every region during the first half of 2022 experienced an increase in occupancy except for the South which remained steady at 95.4% occupancy.
- The Midwest rose 110 basis points to 89.1%, the West rose another 60 basis points to 96.1%, and the Southwest rose to 95%.
- The lack of new supply due to preventive zoning laws also has an effect on the rise in occupancy as options remained limited. However the markets with the lowest occupancy still experienced -2% growth.

### Markets With Greatest Occupancy Growth



Sources: Manufactured Housing Institute, JLT Datacomp

### Markets with Highest and Lowest Occupancy



Sources: Manufactured Housing Institute, JLT Datacomp

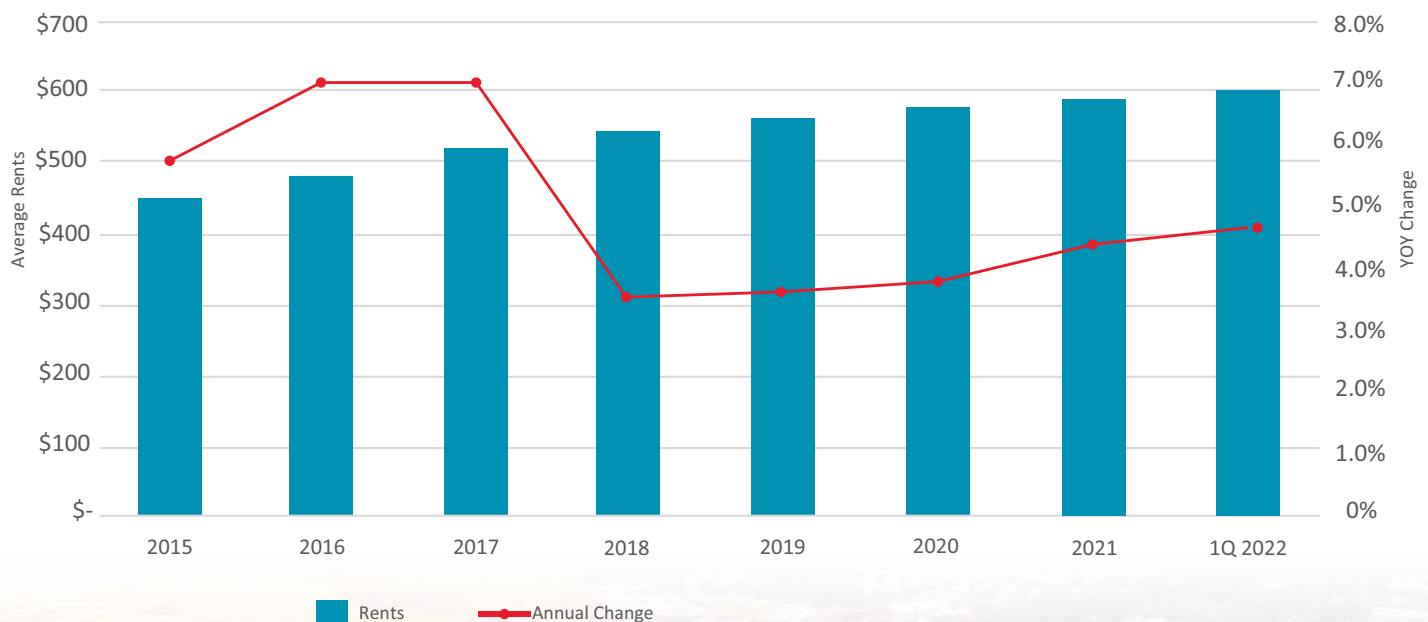




## Rents

- The average national monthly site rent for the first half of 2022 is \$596. More specifically, all-age communities have an average site rent of \$573, while 55+ communities are slightly higher with a national average of \$643 per month.
- Annual site rent has increased 4.2% nationally, with all-age communities increasing 4.4%, while 55+ communities experienced a 3.9% increase in average rents.
- High rent markets continued to be concentrated along the West Coast, and specifically with Santa Clara, Orange County, and Santa Cruz attaining the status of the nation’s most expensive manufactured housing markets.
- Markets with the lowest rents are predominantly in the Southeast and Midwest with Lynchburg, VA, Savannah, GA and Gary, IN as the nation’s most affordable markets for mobile homes.
- Even with the continued increase in rent across all regions manufactured housing still remains far and away the most affordable housing option. With median home sale prices increasing by 16.9% in 2021 paired with the hike in interest rates over the course of the past few months, renting is the more attainable option for families, with manufactured housing emerging as a viable, affordable option.

### Rents Overview



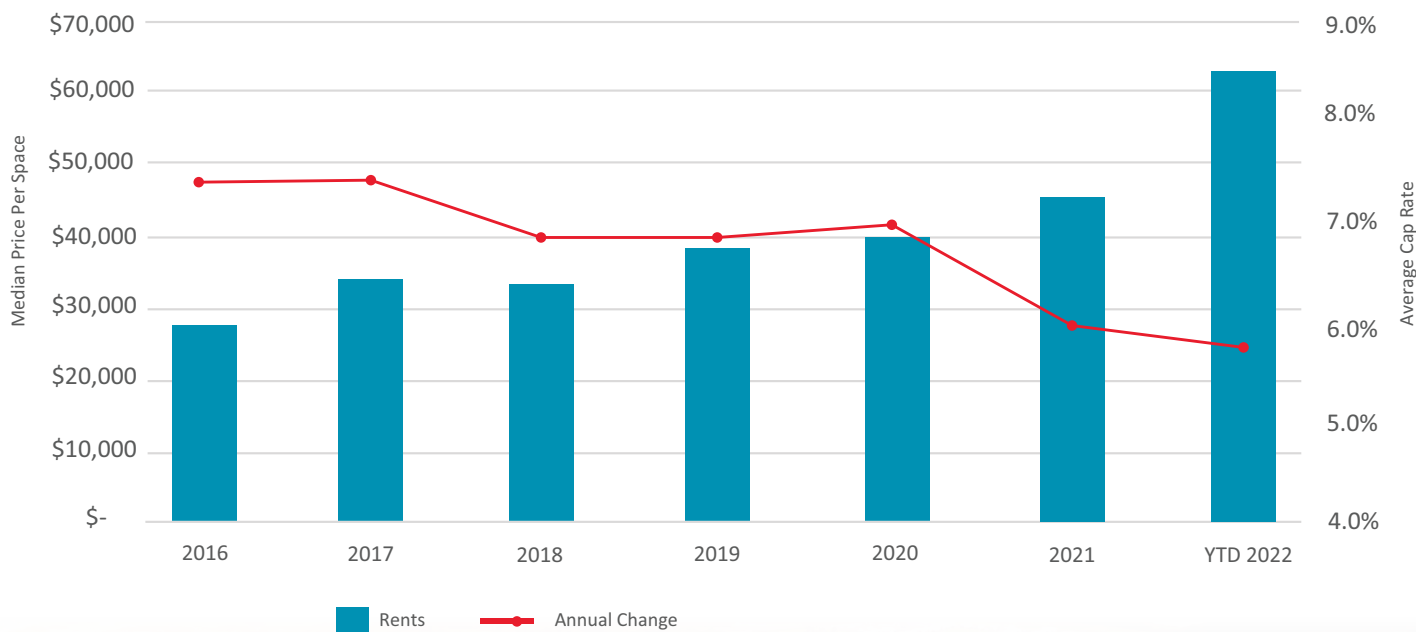
Sources: C&W, JLT Datacomp



## Manufactured Housing Sales

- Transaction activity during the first half of 2022 has trailed the blistering sales velocity of the first half of 2021. However, with an influx of new investors looking to break into the space there is potential for sales to mirror last year’s metrics.
- While transaction activity is down 38% from 2021, the median price per lot is up 36% to \$62,300.
- Cap rates in the first half of 2022 averaged 5.7 percent, a rise in 60 basis points from 2021 totals.
- The national average for a new manufactured home is hovering close to ninety thousand dollars at \$89,809 per home. The national average for a pre-owned manufactured home is \$61,085.
- The most expensive region for buying a new mobile home is the West Coast where the average sales price is \$150,000, followed by the NorthEast (\$130,000), South (\$126,300), and the Midwest (\$115,000).

### U.S. Manufactured Housing Sales & Cap Rates



Sources: C&W, CoStar and JLT Datacomp



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Cushman & Wakefield's (C&W) Manufactured Housing Group is one of the most dynamic, professional, and hands-on manufactured housing teams in the industry. The ability to specialize by product type, client profiles, and regional geography gives our team a much stronger position to add value to each undertaking.

Led by Anthony Pino and Ari Azarbarzin, the team is responsible for business development and investment sales of existing MHC communities, RV Parks, and development sites throughout the United States.

The team's vast knowledge of all product types and deep understanding of MSA's throughout the Eastern United States creates a tried-and-true brokerage process. As a result of best-in-class practices, unparalleled local, regional, and national relationships across all product types, C&W's Manufactured Housing Group achieves optimal execution and maximum value on behalf of its clients.