



MARKET INSIGHTS

With demand elevated, rents continue to rise

INVENTORY GROWTH



UNITS SHIPPED YTD **24,300**

CHANGE FROM 2023 **15%**

MARKET FUNDAMENTALS



OCCUPANCY RATE **94.8%**

CHANGE FROM Q1 2023 **+10bps**

AVERAGE RENTS **\$685**

CHANGE FROM Q1 2023 **+7.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN SALES PRICE PER SPACE **\$46,500**

AVERAGE CAP RATE **7.5%**

HIGHLIGHTS

- Manufactured housing communities continued to post strong operational performance during the first quarter. Occupancies improved again and have now risen in 13 of the past 15 quarters. Rents are advancing at an accelerating pace.
- Rents ended the first quarter at \$685 per month, 7.5 percent higher than one year ago. Rents are rising across the country, with the strongest gains being recorded in the South and Southwest regions.
- Sales activity slowed in the first quarter, although prices trended higher. The median price at the start of the year was \$46,500 per space, up 14 percent from one year ago. Cap rates are averaging approximately 7.5 percent, up 100 basis points from the second half of 2023.
- Occupancy continues to trend higher, rising 10 basis points in the first quarter to 94.8 percent. During the past 12 months, the national occupancy rate increased by 10 basis points.

MANUFACTURED HOUSING MARKET OVERVIEW

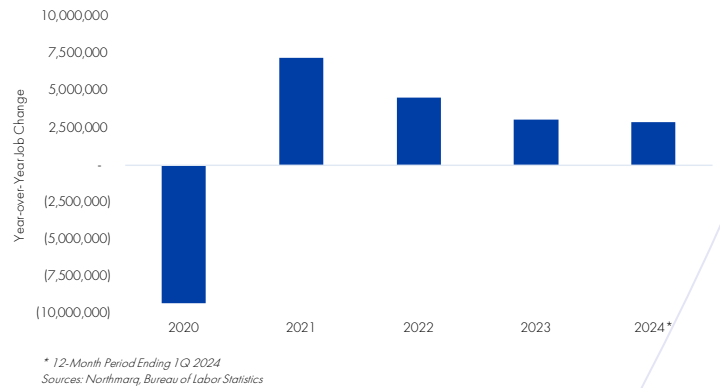
Following a year of strengthening property performance, the national manufactured housing market improved again in the first few months of 2024. Occupancy rose at the start of the year, marking the third consecutive quarter where the rate has pushed higher. Longer-term, the trend is more significant; the national occupancy rate has increased in 13 of the past 15 quarters. These tightening conditions have fueled an accelerating pace of rent growth. From 2018 through 2021, rents increased at a pace of approximately 3.8 percent per year. Since the beginning of 2022, however, rents have escalated more quickly, surging by more than 7 percent per year, including a 7.5 percent gain in the 12-month period ending in the first quarter. Looking ahead, 2024 should be an active year for renter demand for manufactured housing, and a strong year for operators. The economy continues to expand, demand is elevated, and there are few options for households trying to keep an eye on housing costs.

Investors have largely remained on the sidelines at the start of this year, despite consistently strong property performance being recorded in the manufactured housing sector. Transaction counts in the first quarter were down more than 50 percent from levels at the end of last year, and were about 40 percent lower than at the beginning of 2023. Some of the decline in transactions has been the result of the higher interest rate environment, which has pushed borrowing costs considerably higher than just a few years ago. Cap rates have also risen, but some owners have been reluctant to list assets with cap rates of 7.5 percent or higher, when properties continue to perform. In the transactions that have closed, prices have generally been higher than 2023 levels, reflecting the strong financial performance being recorded across much of the country.

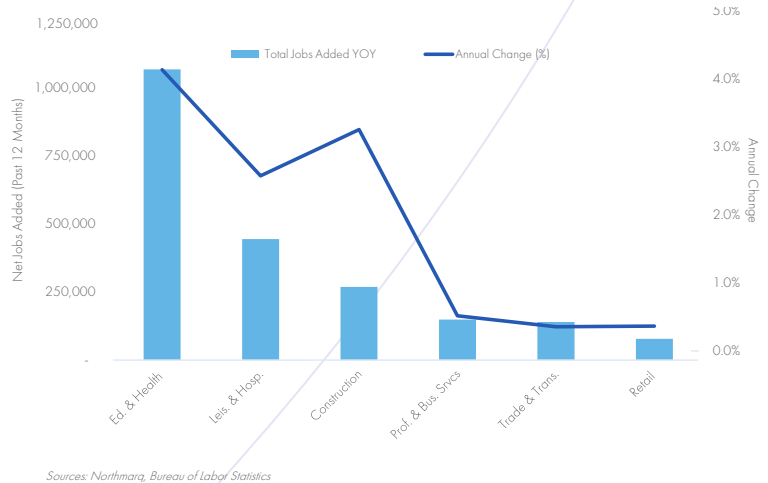
EMPLOYMENT

- The national labor market was surprisingly strong in the first quarter. Total employment expanded by 807,000 positions during the first three months of the year, following additions of 637,000 jobs in the fourth quarter of last year.
- Employment at the national level has grown by 1.9 percent in the past year, with more than 2.9 million net new jobs created. Since the beginning of 2011, annual employment growth has averaged 1.5 percent at the national level.
- Most employment sectors have been posting additions during the past year, with the education and health services sector continuing to lead the country in employment gains. Year over year, this sector expanded by 1,069,000 positions, an increase of 4.3 percent.
- The leisure and hospitality sector has continued to add workers as the economy expands at a faster-than-expected rate. In the past year, employers in this sector have added 445,000 workers, an expansion of 2.7 percent.
- Despite elevated interest rates that traditionally drag on new development, additions in the construction sector picked up at the start of 2024. During the 12-month period that ended in the first quarter, the construction sector had increased by 3.4 percent with the addition of nearly 270,000 net new jobs.
- While the economy is expanding and the national labor market is strong, the retail sector continues to lag. In the past year, retail employment has expanded by just 0.5 percent, with the addition of fewer than 80,000 jobs. Changing consumption patterns and greater use of technology is slowing growth in retail jobs.
- The states with the strongest employment growth are also the parts of the country with the greatest numbers of manufactured housing communities. Year over year, total employment in Texas expanded by 270,000 positions, while California added more than 217,000 jobs. Another top state for growth during the past year was Florida, where the employers expanded payrolls by 2.2 percent with the addition of 211,100 workers.
- In the Southwest, Arizona’s labor market has posted above-average employment growth during the past year. Employers in Arizona have hired 70,000 net new workers since the first quarter of 2023, an annual expansion totaling 2.2 percent.
- North Carolina and Georgia are two states in the South region that are adding workers in large numbers and growing at similar rates. Total employment in North Carolina rose by 1.2 percent in the past year, while Georgia recorded a 1.1 percent rate of growth. Between the two states, more than 112,000 hires have occurred during the past year.
- In the West, both Colorado and Nevada recorded strong employment growth in recent quarters. Year over year, employment in Colorado rose by 2.1 percent, with the addition of 61,200 positions. Nevada posted some of the steepest gains in the country. The Nevada labor market expanded by 3.4 percent during the past 12 months, recording 51,200 new hires.

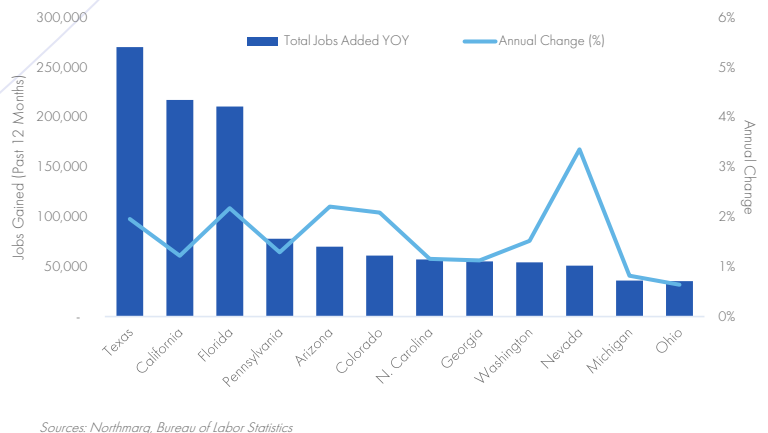
U.S. EMPLOYMENT TRENDS



SECTOR EMPLOYMENT TRENDS



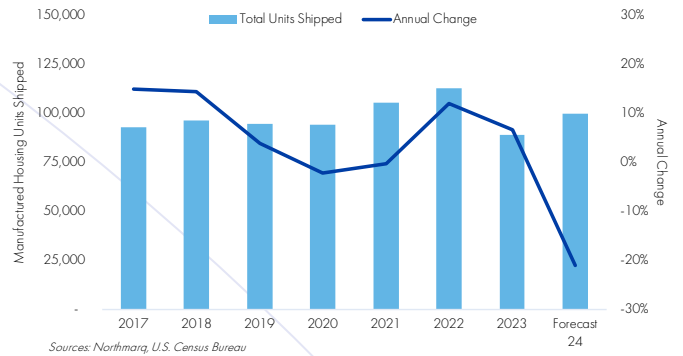
EMPLOYMENT TRENDS BY STATE



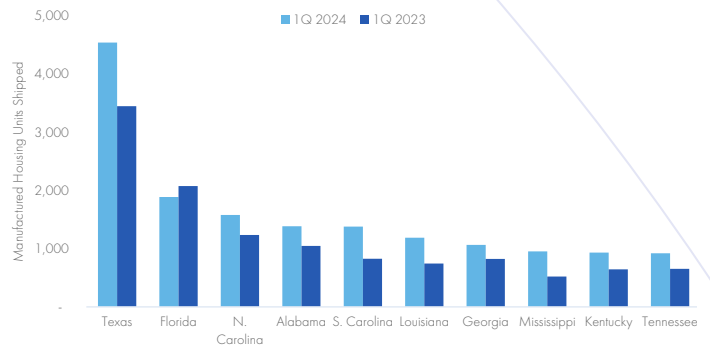
SUPPLY GROWTH

- After slowing by more than 20 percent in 2023, shipments of manufactured housing units accelerated at the start of this year. Shipments totaled 24,300 units in the first quarter, up 15 percent from the same period last year.
- The 24,300 units that were shipped in the first three months of 2024 marked the highest quarterly total of U.S. shipments since the third quarter of 2022. Shipments slowly gained momentum throughout much of 2023, a trend that is expected to continue this year.
- The year-over-year rise in shipment volumes was fueled by sharp gains in the South and Southwest regions. During the first quarter, nearly 11,000 units were shipped to the South region, 32 percent higher than during the same period, one year earlier. Shipment volumes to the Southwest surged by 24 percent at the start of 2024.
- Texas was the leading state for shipments in the first quarter, and the state is also well ahead of its 2023 pace. Shipments to Texas totaled more than 4,500 units in the first quarter, accounting for nearly 19 percent of the total units shipped throughout the country year to date.
- Shipments to Florida were down 9 percent compared to levels from one year ago. The state proved to be a regional outlier, as nearly all of the other states in the South region posted increases during the first quarter. North Carolina, South Carolina, and Alabama combined to total more than 4,300 units shipped during the first quarter, up nearly 40 percent from the pace established at the beginning of last year.
- Shipments to California are generally steady and occur at a high volume. During the first quarter, however, shipments to California dropped 17 percent from year-earlier levels, causing the state to fall out of the top-10. Shipments to California totaled just 700 units at the start of 2024.
- Shipments to the Midwest region were down 11 percent compared to the first quarter of 2023. The decline was concentrated within a few states, highlighted by Michigan, where volumes are down approximately 35 percent from one year ago.

U.S. MANUFACTURED HOUSING SHIPMENTS

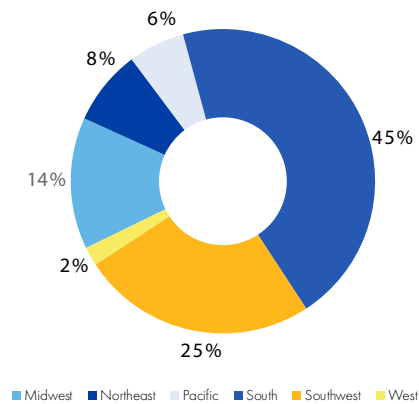


MANUFACTURED HOUSING SHIPMENTS BY STATE



MANUFACTURED HOUSING SHIPMENTS BY REGION

Sources: Northmarq, U.S. Census

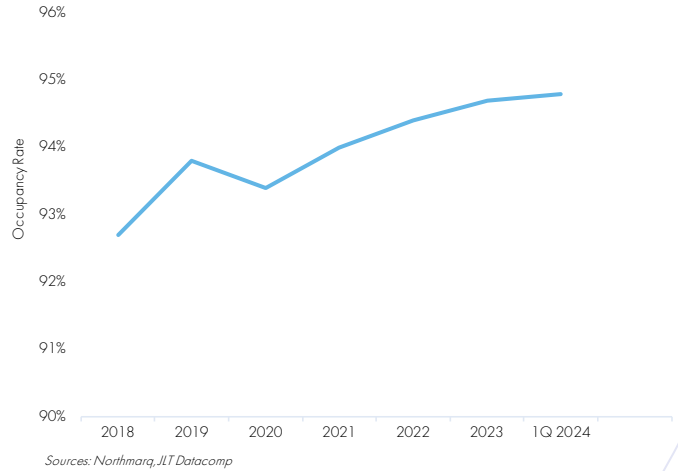


OCCUPANCY

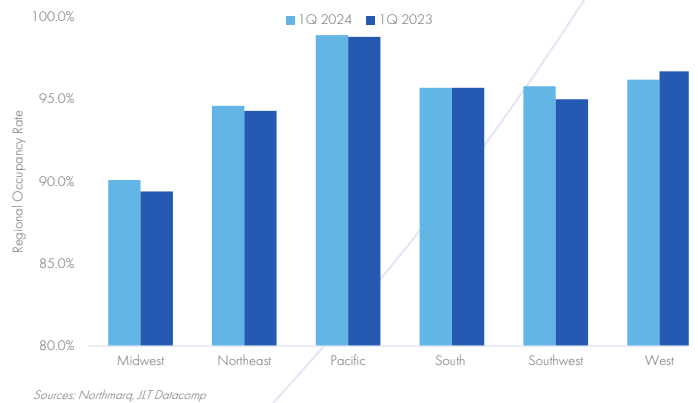
- National occupancy ticked higher in the early months of 2024. Occupancy rose 10 basis points during the first quarter to 94.8 percent. This marked the third consecutive quarter where the rate rose.
- Occupancy in manufactured housing communities across the country has been relatively steady in recent quarters. Year over year, occupancy is up just 10 basis points.
- Most regions in the United States recorded occupancy improvements, with the Southwest region posting the steepest increase during the past year. During the past 12 months, occupancy in the Southwest spiked higher by 80 basis points, reaching 95.8 percent.
- Occupancy in Arizona and Texas trended higher in both states during the past few quarters. Year over year, occupancy in Texas is up 60 basis points, closing the first quarter at 96.2 percent, while occupancy in Arizona rose 50 basis points, reaching 96.4 percent. Occupancy levels in both states are currently at a five-year high.
- The occupancy rate in the Midwest continues to trend higher. Occupancy in this region increased by 70 basis points during the past year to 90.1 percent. As recently as 2018, occupancy in the Midwest was below 85 percent.
- The South region has maintained some of the steadiest occupancy conditions in the country in recent years. The rate has averaged 95.6 percent since the end of 2021, a span of 10 quarters. The rate held steady at 95.7 percent in the first quarter.

Occupancy rose 10 basis points during the first quarter.

OCCUPANCY OVERVIEW



MANUFACTURED HOUSING OCCUPANCY BY REGION

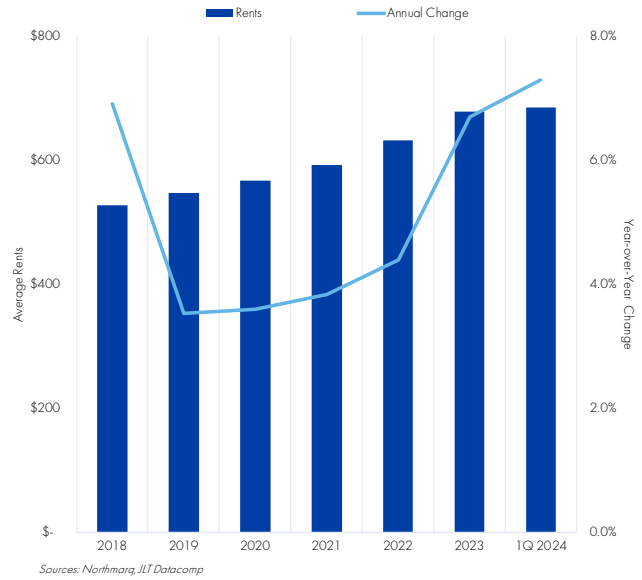


RENTS

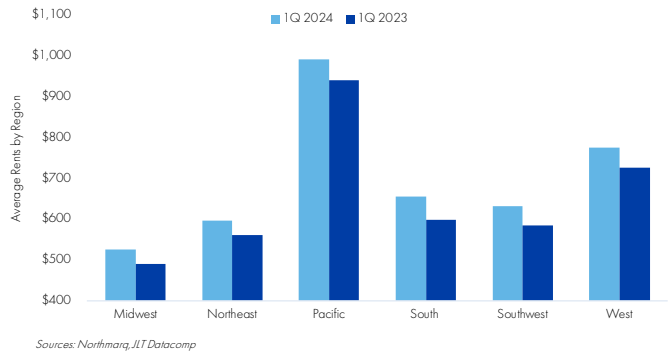
- Rents in manufactured housing are rising faster than in other residential sectors. During the first quarter, average rents rose 0.9 percent, following three consecutive quarters where rent growth averaged more than 2 percent per quarter. Average rents at the national level have posted gains in every quarter since 2016.
- Year over year through the first quarter, average rents have increased 7.5 percent, reaching \$685 per month. Rents have been on a strong upward trajectory in recent years, gaining 6.7 percent in 2022 and advancing 7.3 percent in 2023.
- Rents in the South region continue to record the fastest gains in the country. The average rent in the South region spiked 9.5 percent in the past 12 months, reaching \$656 per month. Each state in the region is posting gains, with Florida and South Carolina leading the way.
- Average rents in the Southwest have increased 8 percent in the past year, surging to \$632 per month. Rents in Arizona gained 8.3 percent year over year, ending the first quarter at \$660 per month. In Texas, rents rose 8.2 percent to \$623 per month.
- Rents in the Northeast gained 6.6 percent in the 12-month period ending in the first quarter, rising to \$525 per month. Growth rates in Pennsylvania, Delaware, and Maryland topped 7 percent, posting some of the strongest gains in the region, while New York and New Jersey recorded increases between 4.5 percent and 6 percent.
- In the Midwest, rents gained 6.9 percent over the course of the past year. Rents in the region reached \$525 per month, after first topping \$500 per month in the second half of last year. Rents in Michigan and Ohio each rose 6.7 percent in the past year.

Average rents have increased 7.5 percent.

RENTS OVERVIEW



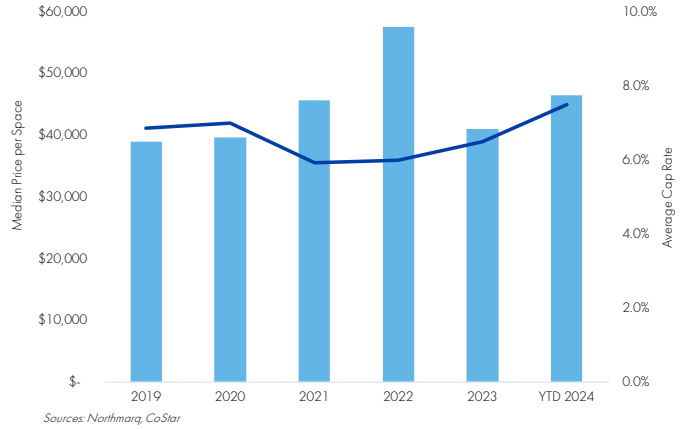
MANUFACTURED HOUSING RENTS BY REGION



MANUFACTURED HOUSING SALES

- Sales of manufactured housing communities continued to slow during the first quarter, as many investors responded to persistently high interest rates by remaining on the sidelines. Transaction counts in the first quarter were down more than 50 percent from the previous quarter, and 42 percent lower than during the first quarter of 2023.
- Cap rates in the first quarter trended higher, averaging approximately 7.5 percent. Late last year, cap rates were closer to 6.5 percent. Properties are trading within a wide range of cap rates, with some sales topping 8 percent.
- While activity has slowed and cap rates have risen, prices have trended higher to this point in 2024. The median price year to date reached \$46,500 per space, up 14 percent from the 2023 level. A handful of properties have sold in states where prices are generally higher, led by California and Florida.
- Manufactured housing property sales were most active in Florida during the first part of this year. A handful of transactions closed in the state, with a median price of \$62,600 per space. This represents a sharp upturn from prices posted in 2023, when the median price in Florida fell to about \$42,500 per space.
- California was another leader for transaction volume at the start of 2024. Properties that have sold to this point in the year have been located in the Bay Area, resulting in elevated per-space pricing. The median price in 2024 sales in California is over \$117,000 per space. In recent years, more properties have sold in inland counties, with prices ranging between \$60,000 per space and \$70,000 per space.
- Transaction activity has gained momentum in Oklahoma in 2024. Nearly as many properties sold in the state through the first few months of this year as sold in all of 2023. Pricing trends have been mixed, with properties generally changing hands between \$50,000 per space and \$60,000 per space.
- The State of Washington traditionally does not record a significant number of transactions, but when properties do trade prices are often elevated. The median price in the few trades that have closed year to date was approximately \$155,000 per space.

U.S. MANUFACTURED HOUSING SALES & CAP RATES



MANUFACTURED HOUSING SALES PRICES BY STATE



The median price reached \$46,500 per space.



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