

THE NORTHWEST REPORT

May 2012

For Manufactured Home Community Owners, Operators and Investors

NEWS AND TRENDS

The most pressing topic throughout the manufactured home community business continues to be the need to buy and sell homes, fill vacant sites, and provide financing for homes while staying compliant with the SAFE Act and the Dodd Frank legislation regulating lenders. Throughout recent weeks many industry gatherings have taken place across the country and the discussion has been the same no matter where you go or what region you represent. A plan in place for selling homes in your community is a critical part of your operation and will be for the foreseeable future. Manufacturers continue to prospect community owners as retail opportunities and the lack of street+retailer\$ leaves community operators little choice but to take control of the new and pre-owned home sales market within their community. This represents both a significant challenge for owners and an opportunity for new companies (and property management companies) to emerge who specialize in filling home sites for community owners. It can be a profit center and enhanced the value of a struggling manufactured home community.

Record low interest rates, an increase in active buyers and future anticipated tax increases are three reasons why more community owners are considering selling in 2012. Broker\$ across the West have reported a significant increase in activity, with seller\$ who have been sitting on the sidelines now emerging as real **seller\$**, and a new wave of buyers actively looking to invest in manufactured home communities. Interest rates are helping to drive this significant increase in activity, but the threat of a capital gains tax increase in 2013 after the Presidential election is settled as many community owners considering a sale now, pay the tax, and move forward with their estate planning given the favorable tax climate in 2012. Broker\$ continue to report more active buyers than sellers, but proceed with caution as buyers are methodical and they research their investments carefully. Appraisers and bank underwriting departments are relatively conservative but a strong buyer still carries significant weight in this market.

CONGRESS & EXPO FOR MANUFACTURED AND MODULAR HOUSING A BIG SUCCESS

The 2012 Congress & Expo for Manufactured and Modular Housing was a huge success, by all reports. Attendees from all sectors of the industry convened in Las Vegas April 10th-12th to take advantage of the educational sessions, the National Communities Council (NCC) Forum, networking opportunities, and to see the latest and greatest products and services offered by the exhibitors and more.

Speakers and educational sessions tackled a host of challenges and opportunities for our industries. Topics included innovative approaches for increasing sales/profits in today\$ housing market to navigating today\$ challenging land-lease community market, and complying with new state and federal consumer protection laws as they relate to retailing and community operations. All of these sessions were very informative and provided a wealth of information on all aspects of manufactured and modular housing.

During the National Communities Council (NCC) Forum, sponsored by ROC USA, attendees heard from some of the industry\$ leading experts on topics such community lease-option programs, legal issues for communities, social media, economic trends, and cutting edge design trends for housing.

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Keynote speakers at the meeting's general sessions included Dr. David Crowe, chief economist for the National Association of Home Builders, and John K. McIlwain, senior resident fellow/J. Ronald Terwilliger Chair of Housing at the Urban Land Institute. These housing leaders not only spoke on how their respective organizations are looking at manufactured and modular housing; they also came to learn and better understand how our industries will be playing a stronger role in tomorrow's housing marketplace. The featured speaker for Thursday's General Session was Karen Purves, whose presentation focused on building positive relationships with homebuyers.

Always a highlight of the event was the 2012 National Awards Luncheon sponsored by Triad Financial Services. Awards were presented to communities, retailers, and companies who provide outstanding customer service and leadership for the industry.

NATIONAL AND STATE DATA

The Manufactured Housing Institute recently released its most current data, which is for March 2012. Increases were across the board with both single-section and multi-section home shipments up compared with the same period last year.

The rebound began in the second half of 2011 and continued into March of 2012. In March HUD coded manufacturers produced 4696 units up from 4035 during March of 2011. This represents a corresponding monthly increase of 16.4 percent. The 2012 industry production now stands at 12,780 units, up 31.8 percent from 9,696 units for the same period in 2011.

The seasonally adjusted annual rate (SAAR) of shipments was 57,268 in March 2012, down 9.3 percent from February 2012 which had 63,111 shipments. The SAAR corrects for normal seasonal variations in shipments and projects annual shipments based on the current monthly total. A total of 122 plants reported production in March and the number of manufacturing companies stands at 46, both unchanged from the last month.

The top ten states for manufactured home shipments in March were, in order: Texas, Louisiana, Florida, North Carolina, Kentucky, Alabama, Mississippi, South Carolina, North Dakota and Michigan. Shipments are defined as homes built and shipped by a factory to a retailer, reflecting demand for homes by retailers and ultimately consumers. Idaho shipments have declined 32.8 percent, Oregon is down 11.7 percent, Washington is down 7.5 percent, California is down 3.6 percent and Montana is up 65.8 percent.

Production numbers reflect the amount of new manufactured homes built in a particular state by the factories in that state. They may be shipped to retailers or customers in their state or be shipped to other states. The top ten states for production of manufactured homes were Texas, Alabama, Tennessee, Indiana, Pennsylvania, Georgia, North Carolina, Minnesota, Florida and Arizona. Manufacturers in Oregon reported a year-to-date production decrease of 14.8 percent, Idaho was up 32.8%, California is down 9.6 percent and Washington has too few manufacturing facilities to report.

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MEETING SCHEDULE

May 14-16, 2012

Manufactured Housing Communities of Washington Annual Convention

Join MHCW for an informative and educational annual convention, packed with speakers and workshops designed to enhance the skills of manufactured home community owners and operators. The tentative schedule is: Monday the 14th, committee and board meetings. Tuesday the 15th, annual convention and training seminars. Wednesday the 16th annual convention, training seminars, vendor booths, silent auction, awards banquet and prizes. To be held at the Doubletree Hotel Suites at Southcenter, Seattle, WA. Contact Teresa Hermanson, Office Administrator at MHCW 360-753-8730 or visit the website: www.mhcw.org

JUST SOLD

51 Space Senior Park, Vancouver, Washington

Sold for \$2,740,000- 7.25 Percent CAP Rate

17 Space Family Park, Clackamas County, Oregon

Sold for \$886,000.00- Close to 7% CAP Rate

MANUFACTURED HOME COMMUNITIES FOR SALE

109 Space Family Park in Mountain Home, Idaho

Operates on Septic/Well

OFFERING PRICE \$2,750,000

35 Space Quality Family Park in Mountain Home, Idaho

Public Utilities/All Metered

OFFERING PRICE \$1,425,000

27 Space Family Park in Poulsbo, Washington

Located on the Kitsap Peninsula

City Sewer / Well Water

New Loan . Principles Only

OFFERING PRICE \$1,450,000

17 Spaces- 3 Star Well Maintained Senior Community

Located in the Tacoma, WA

Primarily Double-wide Homes on City Services

OFFERING PRICE \$849,900

Email or call for additional information

Over \$450,000,000 in park sales. Visit our website at 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

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