

## **THE NORTHWEST REPORT**

February 2013

For Manufactured Home Community Owners, Operators and Investors

### ***NEWS AND TRENDS***

Sales of U.S. commercial real estate reached nearly \$64 billion in 2012, jumping 22% from the previous year to the highest annual total since 2004, according to the latest findings. This came as welcome news to bankers and investors as it does indicate positive growth in the overall sales volume trend.

The analysis of sales data through December caps a year in which the recovery in commercial real estate pricing rippled beyond the apartment market into office, industrial and even retail property. Meanwhile, the level of distressed property sales fell to just 11.5% of transactions noted in December 2012, the lowest level since the end of 2008, which also helped put a solid foundation under prices.

Even commercial land prices showed signs of recovery in the last quarter of 2012, mostly due to strong developer demand for apartment sites. The land index available gained 3.6% in the last quarter of 2012, although it still remains 39.9% below the red-hot December 2007 peak.

Capping a steady increase over the past four years, sales activity spiked in December as investors hustled to close deals prior to year-end, driven in part by concern over anticipated tax hikes and the restoration of previous tax rates for capital gains.

While the single-family housing market's burgeoning recovery has grabbed the headlines of late, the apartment sector has led the recovery in commercial property pricing in terms of both timing and magnitude.

The brisk pricing gains in apartments -- where the multifamily property index advanced by 11.2% in 2012, with the 10 markets in the prime multifamily index again hitting pre-recession peak pricing well ahead of the other major property types - attracted developers and millions of dollars in investment to respond to the increased demand and limited supply.

Developers delivered double the number of new multifamily units in 2012 than in the previous year, and construction in 2013 is on pace to bring an bigger increase. Further pricing gains are needed in other property types before we see significant development in the office, industrial or retail sectors, however.

As multifamily prices soared higher, the end of the year saw more investor capital pushed into other property types in search of higher yields. Pricing gains have proven to be more robust in the core office coastal metros and in tech-centric markets than in the overall market, with the Prime Office Index advancing by 14.4% for the year-end in December 2012 while the broader office index expanded at a more modest 4.6% pace.

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## **WASHINGTON UPDATE**

Legislation is being introduced in Washington by Manufactured Housing Communities of Washington (MHCW) that will include limiting utility liens on rental property and utility charges on vacant lots, as well as a bill to reduce property taxes on abandoned homes. MHCW will also introduce legislation for a manager training program. By expanding educational opportunities, MHCW reports, they hope to help members and non-members avoid mistakes that cost them time, money and unnecessary misunderstandings between the community owner and their residents.

**THE SEATTLE REAL ESTATE MARKET REMAINS HOT.** The Seattle/Puget Sound retail market experienced a slight improvement in market conditions in the fourth quarter 2012. The vacancy rate went from 5.5% in the previous quarter to 5.2% in the current quarter. Net absorption was positive 639,166 square feet, and vacant sublease space decreased by 24,064 square feet. In third quarter 2012, net absorption was positive 469,657 square feet.

Tenants moving into large blocks of space in 2012 include: Fred Meyer moving into 179,003 square feet at Maple Valley Town Square; U-Haul International is moving into 117,421 square feet at 35405 Enchanted Parkway South; and Wal-Mart moving into 76,207 square feet at The Marketplace at Factoria - Main Building. Quoted rental rates decreased from third quarter 2012 levels, ending at \$17.43 per square foot per year.

This trend is compared to the U.S. National Retail vacancy rate, which decreased to 6.8% from the previous quarter, with net absorption positive 26.998 million square feet in the fourth quarter. Average rental rates decreased to \$14.43, and 804 retail buildings delivered in the quarter.

## **OREGON UPDATE**

The Oregon 2013 Legislative Session began on February 4<sup>th</sup>. There are a number of legislative proposals on legislator's desks. Major issues under consideration are Rent Control, Trees, a SAFE Act exemption and "First Right of Refusal".

The Manufactured Housing Landlord Tenant Coalition will meet in February if necessary to deal with the passage to their bill, which asks for a SAFE Act exemption for manufactured home community owners and addresses a large tree maintenance issue. These two issues would be joined in a Coalition bill that includes a previously negotiated change regarding the utility charge due date. The SAFE Act exemption would permit community owners, dealers and other investors to originate and carry a few mortgages per year without needing a Mortgage Loan Originators License. Also, it was announced that Senator Boquist in Oregon has introduced SB555, a 30-page rent control bill that is being watched carefully by industry professionals.

The number of manufactured homes produced in Oregon rose slightly in January. The Oregon Building Codes Division reports that Oregon manufacturers produced about 69 homes (135 floors) during the month of January 2013. They produced 62 homes (111 floors) during the month of January 2012. This represents an increase in production of 7 homes (11.3%) and an increase of 24 floors (21.6%) during the month.

## **MONTANA UPDATE**

The 63rd session of the Montana Legislature convened on Monday, January 7, 2013 at the State Capitol in Helena, Montana. The Montana Manufactured Housing Association is gearing up for an active session and they are actively tracking the progress of their position on each measure.

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## ***IDAHO UPDATE***

The Idaho Housing Alliance and its lobbyist, Jack Lyman, are active in the Idaho legislature and are currently tracking any legislation that affects manufactured home producers, retailers, suppliers, community operators and other associated businesses. Currently there is no legislation being introduced in Idaho that is targeted specifically at manufactured housing, but the IHA will continue to pursue any adverse actions taken by the state or private interest which would have a negative impact on the industry's ability to grow and thrive in 2013.

## ***MULTI-FAMILY HOUSING GROWTH TO CONTINUE IN 2013***

Home building is once again contributing to the nation's economic growth, and a major factor behind that growth has been the expansion of multifamily construction such as apartment communities and for-sale condominiums. Home ownership remains down, especially among younger households. Additionally, the overall number of households -- homeowners and renters combined -- is lower than it should be considering U.S. population growth. With a boom in household formation expected in the years to come, most of them are expected to start out as renters as economic and labor market conditions improve. The result for the building industry has been an increase in the demand for rental units, which in turn has reduced rental vacancy rates and propelled new multifamily construction. There are some potential "wild cards" in the multifamily housing forecast. The future of the Low-Income Housing Tax Credit, for instance, could be affected by tax reform on Capitol Hill. The tax credit has been a major development tool that ensures the financing of affordable housing.

## ***NATIONAL AND STATE DATA***

The latest economic information available is data compiled through December 2012. In December 3513 new manufactured homes were shipped, down 8.5 percent from December of 2011. Decreases were across the board with both single section and multi section home shipments down when compared with the same month in 2011.

When compared with the previous year, 2012 recorded shipment increases every month from January through August, September marked the first month of a decline in shipments with a downward trend continuing for the remainder of the year. Industry shipments for 2012 were 54,891 homes, compared with 51,606 in the previous year, a net increase of 6.4 percent. The seasonally adjusted annual rate (SAAR) of shipments was 53,430 in December, down 3.4 percent from the rate of 55,289 in November. The SAAR corrects for normal seasonal variations in shipments and projects annual shipments based on the current monthly total. The number of plants reporting production in December was 123, and the number of active corporations was 44, unchanged from the prior month.

The purchase of approximately 1,753 manufactured homes by the Federal Emergency Management Agency (FEMA) in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2011 contributed to the relative reduction in industry shipments for the current month. Excluding the FEMA homes, the industry shipped 49,871 in 2011. Therefore, the 2012 shipment total of 54,891 represents a 5,020 home or 10% year-over-year increase.

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**UPCOMING EVENTS**

**2013 National Congress & Expo for Manufactured and Modular Housing**  
April 16 - 18, 2013  
The Paris Hotel  
Las Vegas, NV

**MANUFACTURED HOUSING COMMUNITIES OF WASHINGTON**  
Annual Convention  
May 21-22, 2013  
Doubletree Suites at Southcenter, Seattle.  
360-753-8730 Register with MHCW at [www.mhcw.org](http://www.mhcw.org)

**Recent Sales Activity**

***Sold Properties:***

**145 Space Manufactured Home Community**  
Twin Falls, Idaho  
City Services  
Sold For \$2,900,000

**99 Space Manufactured Home Community**  
Kimberly, Idaho  
City Services  
Sold For \$1,100,000

**51 Space Senior Park in Milwaukie, OR**  
Quality Park, City Services  
Sold For \$2,450,000-6.64% Cap Rate

***Just Listed:***

**24 Space Manufactured Home Community**  
Centralia, WA  
City Services  
Asking \$515,000

**Over \$400,000,000 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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