

THE NORTHWEST REPORT

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For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

MARKET STRONG AND DEMAND GROWS

As the market continues to improve in 2014 the demand for good quality manufactured home communities has improved too. Investors are looking to buy and manufactured housing communities are an attractive option. Northwest Park Brokerage is overwhelmed with buyers looking for quality communities.

It is widely reported and many community owners have confirmed that vacancies are shrinking and occupancy levels have improved dramatically in the past 12-18 months. Much of this is driven directly by more seasoned in-community home sales operations and indirectly by an improving overall economy. Manufactured home financing in a “park” rental community is usually offered at reasonable rates and terms. Home prices continue to be competitive and most community operators are not as concerned with making a big profit on a home sale but rather filling a vacant home site and turning that site into an income producing asset.

In particular, the 55+ age-restricted communities have enjoyed tremendous success so far in 2014. Housing options for adults 55+ are scarce and expensive, with assisted living apartments running anywhere from \$2,000 +/- per month to \$4,000 or more. Many adults, especially those still healthy and active prefer true independent living, with their own driveway or garage, small yard and privacy. Also, they want something affordable and today’s energy efficient manufactured home coupled with the average site rent is much more affordable than assisted living, age-restricted apartments or age-restricted site built developments.

Reports of increased home sales and re-sales in all-age communities have community owners more optimistic about shrinking vacancies in this sector too. With the restrictions imposed on all home lending by the Dodd-Frank Act sellers are turning to conventional financing as a source of funds for purchasers, and those chattel lenders are happy to respond. Many all-age communities, especially in Washington, Oregon and California report brisk home sales and increased used home values.

New apartments are being built all up and down the I-5 corridor, with a concentration on the Seattle and Portland markets. With the increased demand for apartment living we are seeing an increased demand for other types of price conscious housing, which helps manufactured housing communities. There was a time when site rents were considered pushing the limits of “affordability” but with apartments coming on line for \$1,200 - \$1,400 per month and more, manufactured home communities look attractive to potential occupants.

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SUN COMMUNITIES TO PURCHASE GREEN COURTE PARTNERS / AMERICAN LAND LEASE COMMUNITIES

In a stunning surprise announcement just a few days ago, Sun Communities Inc. (NYSE: SUI) of Southfield, Michigan disclosed they have entered into an agreement to acquire the entire American Land Lease portfolio of 59 manufactured home communities from Green Courte Partners of Lake Forrest, Illinois. In 2009 Green Courte (GCP) acquired American Land Lease (ALL) and subsequently folded its MHC portfolio into the asset management and operations structure of American Land Lease. GCP and ALL have continued to acquire more communities under the strong leadership of ALL's President & Chief Executive Officer, David Lentz.

The acquisition consists of 19,000 sites in eleven states, including 11,000 sites in Florida. Over 14,000, or 73 percent of the portfolio is age-restricted. The total consideration for the acquisition is reported to be \$1.32 billion in cash, debt assumption, and other financial instruments. Randy Rowe, Green Courte Partners Chairman and Founder, and Jim Goldman, Green Courte's Vice Chairman and Chief Investment Officer will join Sun's Board of Directors. Rowe is widely considered the most talented and gifted executive in the manufactured home community business. Before starting Green Courte Partners in 2004 Rowe was CEO of Equity Lifestyle Properties.

The American Land Lease / Green Courte portfolio is known as being one of the strongest in the industry. The innovative and highly successful "Good Neighbor Pledge" throughout the ALL portfolio has attracted thousands of homebuyers to their communities. Under the Clearview Communities (all-age) and Solstice Communities (age 55+) brands they have been more successful than any other large operating in the nation at selling homes and filling home sites during the past few years.

Commenting on the acquisition, Gary A. Shiffman, Chairman and Chief Executive Officer of Sun Communities said: "This transaction significantly increases the scale and diversity of our company. The ALL portfolio represents a very unique opportunity given its high asset quality, leading position in high-barrier markets, and strong occupancy at attractive monthly rents per site. We believe this transformative transaction positions us as a best-in-class player in the industry and enables us to drive shareholder value going forward."

"Looking forward to the first year under the Company's ownership and operation post-acquisition, the Company has underwritten the transaction at an estimated 6.0% cap rate based on projected Year One NOI and expects the acquisition to be approximately 5.0% - 8.0% accretive to 2015 FFA per share."

It is unknown what this means to the staff at Green Courte Partners and American Land Lease (based in Clearwater, Florida), but it is expected that operational overlaps between the two companies will be merged and consolidated to take full advantage of economies of scale. Green Courte still owns The Parking Spot, a national brand with over 20 parking properties, primarily near airports. No announcements have been made regarding Green Courte's future plans for The Parking Spot, which is also based in the greater Chicago area.

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OREGON LANDLORD TENANT COALITION

The Oregon Manufactured Housing Landlord & Tenant Coalition is meeting again, with the hopes of creating compromise legislation for the 2015 Oregon legislative session. The three main topics being debated are back taxes owed on abandoned manufactured homes, termination notices on ongoing or continuous rule violations, and conflicts of interests when a park manager is also a licensed dealer selling listings in a park. A fourth topic is the county tax collectors responsibility to collect the \$6 annual assessment on manufactured homes that is transferred into the relocation fund. The counties no longer want to be responsible for collecting this fee along with their annual property tax collections.

The Oregon Manufactured Housing Landlord & Tenant legislation passed in 2014 which sets new guidelines for residents "first right of refusal" takes effect January 1, 2015. The bill cleans up old language in a little known existing law from the 1990's and outlines more clearly when and how a resident group can make an offer to purchase their community from the owner. The Coalition meets at 9am in the Oregon Manufactured Housing Association offices at 2255 State Street, Salem, Oregon August 27, September 24, October 8, November 12 and December 16, 2014.

FINANCING FOR COMMUNITIES

Manufactured home communities and apartment complexes remain popular with regional, West Coast lenders. Recent reports show lenders are keeping rates down and terms reasonable as the assets perform well and returns on investment continue to result in rock solid performances. Premium pricing for High Quality MH communities is available at 3.125 percent fixed for three years, 3.530 percent at 5 years and up to 4.226 percent for a fifteen year fixed rate loan with no balloon or pre-payment penalty.

Loan costs are capped at \$2,500 including appraisal in some instances. Fully amortized options for all products are available, 90-day rate locks usually apply, and loan amounts are typically capped at \$10,000,000. Thirty-year fully amortized loans and even lower rates on lower leveraged loans can also be found. The application checklist remains the same, with 3 years of operating history plus year-to-date operating reports, rent roll, borrowers financial statement with list of real estate owned, executive summary of property and the borrowers last two years completed tax returns.

PRODUCTION AND SHIPMENTS

The latest statistics available show that in June of 2014, 5,624 new manufactured homes were shipped, an increase of 5.3 percent over June of 2013. Increases varied with shipments of single-section homes down 0.8 percent and multi-section homes up 3.3 percent when compared with the same period a year ago. Cumulative industry production for 2014 now totals 30,675 homes, a 5.3 percent increase over the 29,133 homes produced through June of 2013. The number of plants reporting production is 123 and the number of corporations is 46, both unchanged from prior months. The top ten states for manufactured home shipments are, in order, Texas, Louisiana, Florida, North Carolina, Alabama, Mississippi, Kentucky, California, Tennessee and Oklahoma.



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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

UPCOMING EVENTS

George Allen's
International Networking Roundtable
September 10-12, 2014
Dolce Hotel & Resort, Atlanta – Peachtree
Peachtree City, GA
www.community-investor.com

2014 MHI Annual Meeting
September 14-16, 2014
Westin Kierland Resort & Spa
Phoenix/Scottsdale, AZ

2014 National Communities Council
Fall Leadership Forum
October 27-29, 2014
Drake Hotel, Chicago IL

MHI Winter Meeting
February 8-10, 2015
The Hyatt French Quarter
New Orleans, LA

Over \$500,000,000 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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