



MANUFACTURED HOUSING REPORT

GROWING DEMAND IN A CRITICAL MARKET

Manufactured housing is responding to rising demand from consumers seeking affordable options, and investors are taking notice. Occupancy rates have risen, reaching 93.8%, and sales velocity has also increased. The industry outlook is positive, with occupancy and site rents expected to continue to climb in 2023. Read on for a more in-depth look at the trends and data across this burgeoning sector.

Industry Overview

The need for quality, affordable housing has never been greater. Today's manufactured homes can deliver outstanding quality and performance at prices that are up to 50 percent less per square foot than conventional site-built homes. These savings allow more and more Americans to own their own homes, even in the face of an ever-widening housing affordability gap.

The affordability of manufactured housing is due to the efficiencies of the factory-building process. Manufactured homes are constructed with standard building materials and built almost entirely offsite in a factory. The controlled construction environment and assembly line techniques remove many of the problems encountered during traditional home construction, such as weather, theft, vandalism, damage to building products and materials, and unskilled labor. Factory employees are trained and managed more effectively and efficiently than the system of contracted labor employed by the site-built home construction industry.

Much like other assembly line operations, manufactured homes benefit from the economies of scale resulting from purchasing large quantities of materials, products and appliances. Manufactured home builders can negotiate substantial savings on many components used in building a home, with these savings passed on directly to the homebuyer.

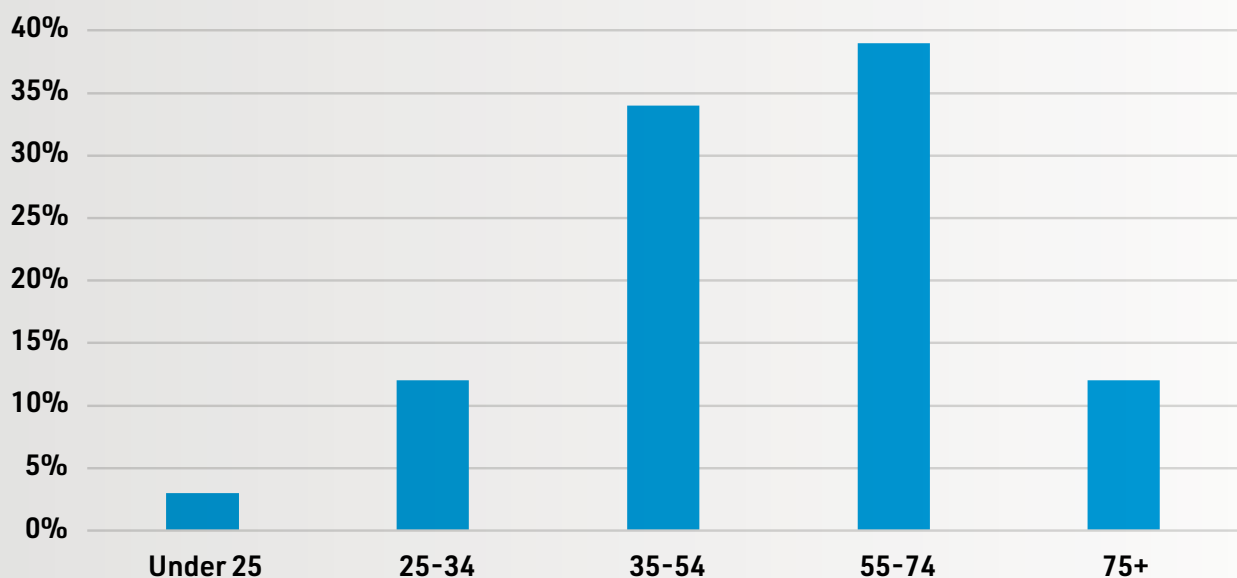
We've seen an evolution in the types and quality of manufactured homes available to buyers. Technological advances now allow manufactured home builders to offer a variety of popular architectural styles and exterior finishes for two-story and single-family attached units. These appeal to a broad buyer audience while blending seamlessly into most neighborhoods.

At the same time, greater flexibility in the construction process allows for customization of each home

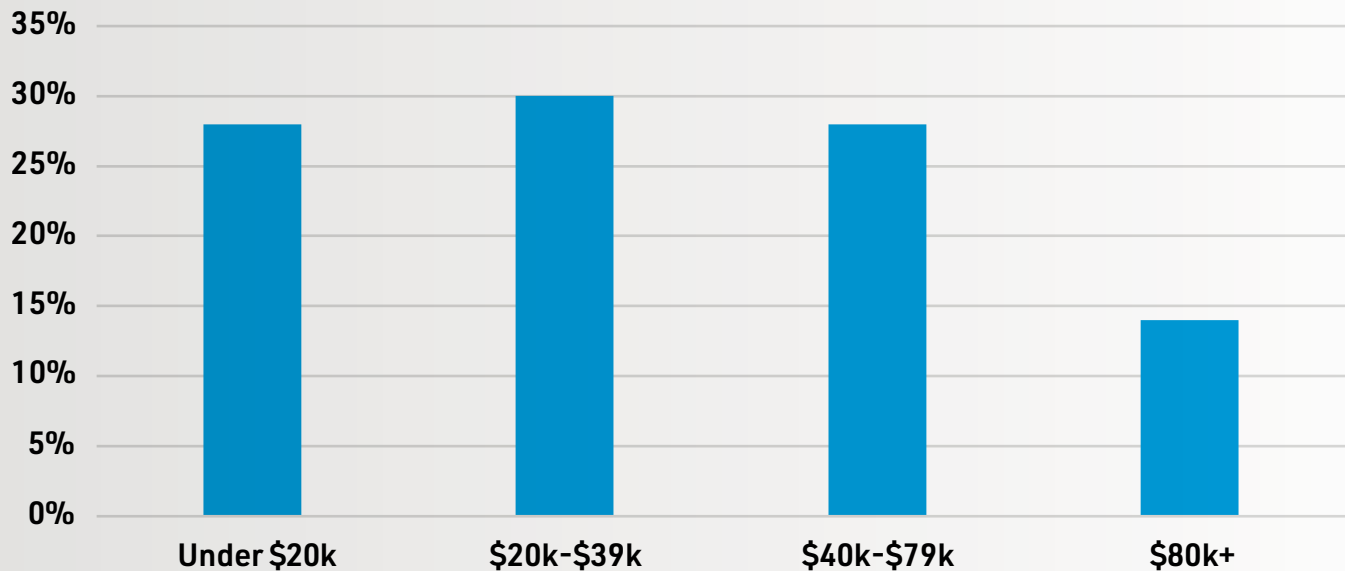
to meet a buyer's lifestyle and needs. Interior features include vaulted ceilings, working fireplaces, state-of-the-art kitchens and baths, and porches. These give homebuyers all the features found in traditional, site-built homes. Enhanced energy efficiency in manufactured homes, achieved with upgraded levels of insulation and more efficient heating and cooling systems, provides another critical source of savings for homeowners in this era of rising energy costs. Smart buyers also are turning to EnergyStar labeled manufactured homes for substantial savings in day-to-day home maintenance and ownership.

Technological advances, evolutionary designs, and a focus on delivering high quality homes that families can afford are the driving forces within the manufactured housing industry. That's why more people are turning to manufactured housing to deliver homes that fit their needs and wants, at prices they can afford.

Age of Residents by Household



Annual Household Income



Highlights

Manufactured housing continues to record rising demand from consumers seeking less expensive options, and investors are taking note. The industry is seeing an increasing influx of buyers eyeing the potential of manufactured home communities. This, in turn, is helping fuel a surge in the much-needed development of new stock.

The national occupancy rate rose 10 basis points in 2021, reaching 93.8%. Occupancy is up 60 basis points year over year. In addition, sales velocity has risen, reflecting the accelerating pace of investor demand for manufactured housing communities. Among the regions, the Southwest has maintained the lowest vacancy rate, at 1.7%, while the highest vacancy rates, an average of 13.5%, are in the Great Lakes region.

Rents have been on the rise for the past several quarters, reaching nearly \$580 per month. Current rents are up 4% from one year ago. The Southwest marks the highest rent levels in the nation, with an average of \$932 per month, while the most affordable lot rents in the nation, \$417 per month, are found in the Great Plains region.

Outlook

With an aging demographic, demand for manufactured homes will remain high from retirees looking to downsize. Additionally, as interest rates have risen and median home

prices have skyrocketed, families have been priced out of competing property types such as condominiums and single-family homes. Price is key to prospective renters and buyers, who are beginning to realize manufactured housing is the most affordable type of home ownership in the United States.

Investors are recognizing that the investment fundamentals in the manufactured housing sector create a strong and stable opportunity, especially in high quality housing communities. Previously, manufactured housing communities were typically owned by smaller family operations and suffered from higher vacancy and poor-quality communities. This created opportunity for investors with larger portfolios who were interested in the upside potential of purchasing new manufactured homes and/or fixing up property to increase occupancy and revenue. Currently, the supply of manufactured housing for sale is low. Due to the shortage of available options and the sector's ability to keep operating expenses low, there is strong demand from an investment point of view.

Going into 2023, the industry outlook is positive. The need for affordable housing options and residential experiences will continue to increase. Manufactured housing community occupancy and site rents are expected to continue to climb in response.

Manufactured Housing Facts



22 million people live in
manufactured homes in the U.S.



9% of new single- family
home starts



Manufactured Home Avg. price
per SF - \$72.21



4.3 million home sites in the U.S.



\$108,000 average
new home price



76% of new manufactured homes
titled as personal property



51% of new manufactured
homes are placed in communities



4.2% average annual
pad rent increase

SOURCE & REFERENCE

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Age of Residents by Household - Source: Manufactured Housing Institute

Annual Household Income - Source: Manufactured Housing Institute



ABOUT VIEWPOINT

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ABOUT IRR

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