5 Reasons to Invest in Manufactured Housing Communities

Manufactured housing communities (MHCs), where residents lease land to place manufactured homes, present a compelling investment solution potentailly offering income generation and capital appreciation. As the demand for affordable housing continues to rise and MHCs gain credibility, we believe an investment in this sector has become an increasingly attractive option for investors seeking both stability and growth in their portfolios.

#1 Shortfall of Affordable Housing

- High interest rates and low housing inventory are driving a significant shortfall of housing
- Manufactured homes are generally less expensive than traditional homes; On average, it costs $85 per square foot for a manufactured home, compared to site-built homes, which cost $168 per square foot[1]
- For those who cannot or do not want to take on the significantly higher mortgage of a traditional home, a manufactured home might be a more affordable option

#2 Limited Supply[2]

- Manufactured homes have made up a mere 9% of new single-family home starts on average over the past decade
- Less than 44,000 manufactured housing communities across the United States
- Construction of new MHCs is lower than the number of older MHC demolitions, keeping vacancies low due to ongoing supply shortage
- Many local jurisdictions have zoning restrictions against MHCs, including the age-old sentiment of "NIMBY" (Not In My Back Yard) creating barriers to new community developments

#3 Strong Resident Loyalty

- The cost to relocate a manufactured home from one location to another can cost upward of $14,000 depending on size, distance, and more[3]
- Many residents choose to remain in a community for the long haul –14 or more years on average[4]
- Many manufactured home residents appreciate the stability and sense of ownership that comes with owning a manufactured home

#4 Well-Positioned to Outperform During Economic Downturns

- MHC's low sensitivity to shifts in gross domestic product (GDP) supports the sector's resilience across economic cycles[5]
- Occupancies in manufactured home communities are sustained by strong demand and typically remain stable

#5 Niche Real Estate Sector

- Ten largest institutional managers represent less than 5% of overall MHC ownership as of Q1 2022[6]
- Many manufactured housing communities in the U.S. are owned by local, smaller operators with limited scale
- High fragmentation provides opportunity to purchase undervalued properties, implement efficient management and realize returns from improved operations and NOI growth

In Conclusion

Investing in manufactured housing communities presents a compelling opportunity for those seeking a balance of stable income and growth potential. As the demand for affordable housing continues to rise, coupled with the improving reputation of MHCs, we believe investors stand to benefit from a market with promising dynamics. Consider these factors and explore the potential rewards that investing in manufactured housing communities can offer to diversify and strengthen an investment portfolio.

To learn more about manufactured housing communities, go to inland-investments.com.

[1] Manufactured Housing Institute. About Manufactured Housing. www.manufacturedhousing.org/about-manufactured-homes.
[2]Fannie May. Lack of Communities Leaves Fundamentals at MHCs Tight. September 18, 2023. https://multifamily.fanniemae.com/news-insights/multifamily-market-commentary/lack-communities-leaves-fundamentals-mhcs-tight.
[3]Moving.com. The Cost of Moving a Mobile Home in 2023 – What You Can Expect to Pay. https://www.moving.com/tips/moving-mobile-home-expect-pay/.
[4]Seeking Alpha. Ground Zero of the Affordable Housing Shortage. October 2019.
[5]Green Street. Navigating the "Upside Down" in Commercial Real Estate. September 15, 2022. Per Green Street, the historical sensitivity displayed reflects a 20-year period ending on or about 2020. Past performance is not a guarantee of future results. There is no guarantee that we will perform similarly to the MHC Sector as a whole.
[6]Wells Fargo. 2022 Manufactured Home Community Market Update and Financing Handbook.

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Important Risk Factors to Consider

Investments in real estate assets are subject to varying degrees of risk and are relatively illiquid. Several factors may adversely affect the financial condition, operating results and value of real estate assets. These factors include, but are not limited to:

- changes in national, regional and local economic conditions, such as inflation and interest rate fluctuations;
- local property supply and demand conditions;
- ability to collect rent from tenants;
- vacancies or ability to lease on favorable terms;
- increases in operating costs, including insurance premiums, utilities and real estate taxes;
- federal, state or local laws and regulations;
- changing market demographics;
- changes in availability and costs of financing;
- acts of nature, such as hurricanes, earthquakes, tornadoes or floods
- economic risks associated with a fluctuating U.S. and world economy

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