

Rent Affordability in Manufactured Housing Communities

SITUATION:

In 2018, Manufactured Housing Community (MHC) transaction volumes were higher than they've been at any point since the end of the Great Recession in June 2009. And investor interest is expected to remain strong in this segment of the multifamily market over the next 18 months at least, putting pressure on prices of MHCs.

CONTRIBUTING FACTORS:

1. Manufactured Housing Communities are aging and few new properties are being built, leading to a lack of supply.
2. There is more competition among investors due to a diversified investor base. Private investors, REITS and even overseas investors have invested in MHC over the past five years.
3. MHC-prices are rising but are still much lower than traditional multifamily properties.
 - The average price per MHC site was about \$60,000 as of second quarter 2019, according to Real Capital Analytics (RCA). While this is about 50 percent higher than the estimated \$40,000 per site recorded as of fourth quarter 2007, it remains a fraction of the \$157,000 average sales price per unit recorded for multifamily properties.
4. Aging community owners are likely to sell their investment properties for retirement gains.
 - Transaction volume may rise in the second half of 2019 as there is speculation that some owners of smaller MHCs will take advantage of ongoing investor interest and sell their properties to help fund retirement plans.
5. MHC are likely to remain popular with investors.
 - There is an expectation of strong demand for affordable rental housing, continuing low interest rates, and a dearth of new #AffordableHousing supply.

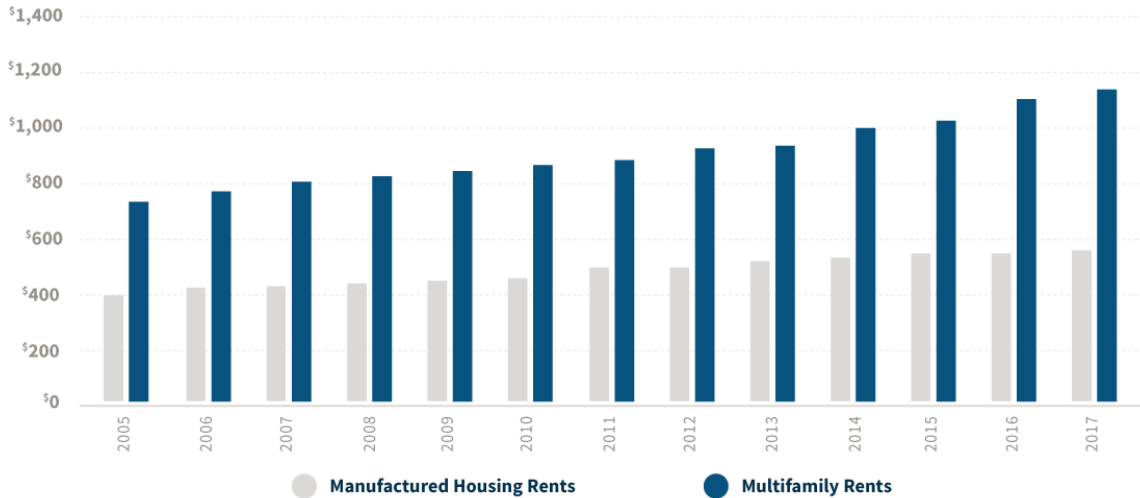
WHAT THIS MEANS FOR AFFORDABLE HOUSING:

MHC, on average, are a more affordable option for renters.

- The average MHC rent nationwide has been about half that of a multifamily unit over the past decade.
- Savings are even higher for an MHC located in a major metropolitan area.



Manufactured Housing Rents vs. Average Multifamily Rents



Source: Fannie Mae tabulations of American Community Survey Data.
 See also 2019 August Monthly Market Commentary by Tanya Zahalak, Fannie Mae Senior Multifamily Economist, Multifamily Economics and Market Research.
 Note: Based on gross rents and includes utilities; rents based on all manufactured housing rentals including those outside of manufactured housing communities.

[2019 August Monthly Market Commentary](#)

Fannie Mae supports #AffordableHousing by offering financing options for MHCs where the borrower owns the MHC property along with the associated common amenities and infrastructure and leases the individual pad sites to the owners of the manufactured homes.

- In 2018, Fannie Mae financed \$2.9 billion in MHCs, which represented an increase of 56% from the \$1.9 billion in multifamily MHC loans financed in 2017.

Fannie Mae also supports #AffordableHousing and MHC renters by offering pricing discounts for investment borrowers who institute their Tenant Site Lease Protections on at least 25% of pad sites and higher discounts for protections on at least 50% of sites.

- In many states, MHC residents do not have the same tenant protections afforded to tenants living in other multifamily properties. There is no national standard, and in fact no state or local jurisdiction currently requires all of the tenant protections mandated by the Federal Housing Finance Agency (FHFA).
- Fannie Mae Tenant Site Lease Protections:
 - One-year renewable term for the pad site lease.
 - 30-day written notice of rent increases.
 - 5-day grace period for late rent payments.
 - Rights of the tenant of a site lease to:
 - Sell their home without having to move it out of the MHC
 - Sublease the manufactured home or assign the site lease to a buyer, provided the buyer meets the minimum MHC rules and regulations and credit quality for financing
 - Post “for sale” signs on the manufactured home, provided the signage complies with the MHC rules and regulations



- Sell the manufactured home in place within 45 days after eviction
- Receive at least a 60-day notice of any planned sale or closure of the MHC.

*[Compiled August, 2019](#) by Tanya Zahalak, Fannie Mae Senior Multifamily Economist, Multifamily Economics and Market Research.

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Manufactured Housing Communities have piqued the interest of a more diverse crop of investors. @FannieMae provides incentives for those who invest in the #AffordableHousing supply solution — helping to keep rents low nationwide.

