

WHO'S WHO

Among Land-Lease Community Owners/Operators in North America



It's estimated there are approximately 50,000 land-lease communities in North America, mainly located in the U.S.! For an income-producing property portfolio firm to be surveyed and included in the 19th annual *ALLEN REPORT*, it must own, via sole proprietorship, partnership, corporation, or as a real estate investment trust or REIT, and/or fee-manage a minimum of five land-lease communities and/or 500 or more rental homesites. Recently, 115 bona-fide portfolio owners/operators, or approximately 26 percent of the known portfolio owners/operators of land-lease communities in the U.S. and Canada, responded to this annual survey published by PMN Publishing.

This year's *ALLEN REPORT* introduces a dozen or so new portfolio respondents (labeled as NR or "not ranked" on accompanying chart) and removes more than that number for not updating portfolio information. The 115 respondents own or operate 3,085 land-lease communities, containing 713,874 rental homesites, for an average portfolio size of 27 communities per portfolio with an average of 231 rental homesites per property. More specifically, of the 3,085 land-lease communities, 2,667 are "owned" with the remaining 418 "fee-managed". Of the 713,874 rental homesites, 642,977 are "owned" and 70,897 are "fee-managed." ■ ■ ■ ■

THE TOP TEN

(largest) portfolio owners/operators collectively own and/or manage 1,228 land-lease communities, containing 364,591 rental homesites, for an average of 297 sites per land-lease community, with an average of 123 land-lease communities per portfolio! Furthermore, the **Top Ten** own or manage 51 percent of all rental homesites surveyed and 40 percent of all land-lease communities surveyed.

State Presence. Land-lease community owners/operators from 29 states and Canada are profiled in this year's report. Fully 90 of the 115 "players" listed are domiciled in the **Top Ten** states, boasting more than a few land-lease community portfolio owners/operators. Once again, California comes in at the top, with 19 land-lease community firms located there. Next comes Michigan, with 16 owners/operators; followed by Illinois with 15. Number four is Florida with 11 owners/operators; followed by Colorado and Indiana with six apiece; then Minnesota with five. The final three—Arizona, Canada, and Pennsylvania—each have four major land-lease community owners/operators working from their environs.

Physical Occupancy. The national average physical occupancy among firms is 89.7 percent, drawing from an overall spread of from 73 to 100 percent physical occupancy. Here're national average physical occupancy percentages for the past several years: 2007-89.7 percent; 2006-91.3 percent; 2005-90.1 percent; 2004-90.9 percent. There're several factors accounting for these 1/2 to 1 1/2 percent annual fluctuations. Back around year 2000, the asset class was plagued with a plethora of repossessed homes, sending the national average

physical occupancy percentage plummeting. But veteran land-lease community owners/operators 'fought back' by availing themselves of the asset class' unique capability of creating site-rental income by acquiring repossessed homes, and in some cases new manufactured homes, at bargain prices to utilize as rental units (i.e. on-site apartment units) and/or, better yet, 'contract sale' units (preferred because of the equity interest site-lessees have in their home).

Among the 50 or so *ALLEN REPORT* respondents who took the time to complete the entire survey questionnaire, 33 (66 percent) of the owners/operators tallied 28,935 'contract sale' and rental units, for an average of 878 contract sale and/or rental homes per portfolio. The spread in unit numbers ranged from a low of five such units to maximum of 5,322 per portfolio!

Another consideration that's difficult to factor in is the presence of RV ('recreational vehicle') sites in land-lease community portfolios. This year, 16 of the 33 respondents completing the entire survey (48 percent) reported a total of 14,861 RV sites, for an average of 928 such sites per portfolio. This includes a spread from 12 to 5349 RV sites per property portfolio. While perhaps a bit risky, it's interesting to extrapolate these numbers from the 33 'complete survey' folk to the overall 115 respondents to "guestimate" how many contract sale/ rental units might really be out there. By using "median" figures, there might be 66,550 units. To demonstrate how inexact a science computing occupancy percentage can be, here're results from two additional physical occupancy studies of somewhat different groupings of land-lease communities.

- MHVillage/Datacomp evaluated 5,280 land-lease communities of all sizes (from 25 to 300+ sites) containing 944,721 rental homesites, of which 83,142 were vacant, resulting in an average overall occupancy of 91.27 percent. This all but matches 2006's 91.3 percent average

national physical occupancy cited in the 18th *ALLEN REPORT*. The 1.57 percent variance in this year's 19th *ALLEN REPORT* may be attributable to differences in the makeup of properties/portfolios being polled and when surveyed.

- JLT & Associates' Manufactured Home Communities Rent Surveys of 18 different markets during 2007, from coast-to-coast and from Florida to Minnesota includes 1,913 "investment grade" land-lease communities containing 552,519 rental homesites. This survey shows an average occupancy of 83 percent among "all age" properties and 94 percent among "55-and-older" communities, for an overall average of 87 percent (unchanged from 2006) or 2.7 percent lower than what the 19th annual *ALLEN REPORT* is stating. For additional information, contact John Turzer at 808-283-3380. As a related aside, the average site rent, among these 18 different markets is \$369 per month, or \$342 when extra services are adjusted out. This is a 4.1 percent rent increase from 2006.

Operating Expense Ratio (OER). This year, the asset class' statistical benchmark continued to decrease, to 38.3 percent, for the first time in several years coming in below the land-lease community's Allen Model of 40 percent OER. This really isn't all that surprising, however, since the majority of respondents own/manage land-lease communities larger than 200 rental homesites per property. Therefore, they enjoy the economy of scale that makes the income-producing property type so popular among savvy real estate investors. Want a reference containing the asset class' Industry Standard Chart of (Operating) Accounts and respective OER percentages, see *How to Find, Buy, Manage and Sell a Manufactured Home Community* or the property management text: *Landlease Community Management*. Both texts available from PMN Publishing at 317-346-7156.

New Construction of Rental Homesites and Expansion of Existing Land-Lease Communities.

During 2007, five of the 33 aforementioned firms (15 percent) fully completing the *ALLEN REPORT* questionnaire reported developing eight new land-lease communities containing 2,425 rental homesites for an average of 303 sites per property. And seven firms (21 percent) reported expansions of 20 existing land-lease communities for a total of 650 new rental homesites, for an average of 31 sites per property.

Professional Property (real estate) Management.

After so many years of little to no interest in training and certifying professional property managers (PM) to manage land-lease community operations, it's exciting to see these numbers grow markedly from year-to-year. Of the approximately 200 Certified Property Manager ('CPM') members of the prestigious Institute of Real Estate Management ('IREM') claiming land-lease community expertise and experience, 26 (13 percent) of them were tallied in this year's *ALLEN REPORT*. Furthermore, 47 of the known 291 Accredited Community Managers ('ACM') minted by the Manufactured Housing Educational Institute ('MHEI'), the educational arm of MHI, are identified in this year's *ALLEN REPORT*. Finally, and probably most exciting of all, 105 Manufactured Housing Managers ('MHM') of the 700+/- certified to date, are actively managing land-lease communities in portfolios included in the 19th annual *ALLEN REPORT*. For information on these property management training and certification programs contact: IREM at 312-329-6000 for the CPM designation; MHEI at 703-558-0400 re: ACMs; and earn the MHM via PMN Publishing at 317-346-7156 re: MHMs.

Pride of Young Lions! This is one of the most popular sections of the *ALLEN REPORT*. Everyone likes to know who the major 'movers and shakers' are in any field of business endeavor. This year, the Top Ten firms added a total of 20,587 rental homesites to their portfolios, for an average of 2,059 sites per land-lease community portfolio owner/operator. Here's their individual performance, beginning with #1 RHP Properties in Mich. with 4,286 sites added; followed closely by ELS, Inc., (a REIT) with 4,241 sites; then Canadian firm Killam & Associates with 2,600 sites, and Randy Rowe's Green Courte Partners with 2,291 sites added. Newby Management in Florida once again made this exclusive list, adding 2,172 fee-managed sites; followed by another Canadian firm, Parkbridge Lifestyle Communities with 1,114 sites. Illinois-based MHPI acquired 1,046 additional sites in 2007, followed by Continental Communities (another Illinois firm) with 1,034 sites, and Burnham Properties (N.Y.) with 1,003 sites. Last but not least, as they say, was Richard Kellam & Associates with 800 rental homesites added to their eastern U.S. portfolio.

The Daring Dozen. Maybe by next year, we'll have to rename this interesting category as the Dwindling Few, since there're but three, of the original 12 to 15 "reporting firms founded in 2004" still in operation and/or returning completed survey questionnaires. This year, David Helfand's HELIX, a.k.a. Riverside Communities, and now a.k.a. American (nee Affordable) Residential Communities added 52,277 rental homesites (i.e. 275 land-lease communities in 23 states) to their property portfolio. And, as has been the case for the past couple years, Green Courte Partners continues to grow at a healthy speed, with the addition this year of 2,291 sites. MUREX is the only other reporting member of the original Daring Dozen. Here, Steve

Adler has added 1,005 rental homesites to his property portfolio.

Summary. Land-lease communities have long been known, among experienced real estate investors, as being 'recession proof'. This is because this income-producing property type continues to provide affordable housing long after higher-priced, fee simple and multifamily rental housing suffers during difficult economic times in local housing markets. In addition, the owners/operators of land-lease communities have far more ways to generate ancillary income (e.g. selling new and resale homes on-site, plus a variety of after-market products and needed services) than any other form of rental housing! A contemporary example of this advantage is that during 2007, no fewer than 28,935 'contract sale' and rental homes have been put in place among just a sampling of 33 firms participating in this year's *ALLEN REPORT*. Extrapolating that number to all 115 firms listed in this year's report, the total could reach 66,550 such units, and even higher among all 500 portfolios. And as relatively recent as the year 2000, it was next to impossible to find any 'contract sale' and or rental units in this property type. So, for all these reasons, land-lease communities generally continue to enjoy a 'seller's market' throughout much of the U.S. and Canada. ■

George Allen, CPM & MHM, is consultant to the factory-built housing industry & land-lease community real estate asset class. He's author of several real estate texts and pens the Allen Letter and the Allen CONFIDENTIAL! business newsletters, as well as columns for the Manufactured Home Merchandiser and Journal magazines. Reach him via 317-346-7156 or gallen@manufactured-housing.net

2007 Rank	Firm Name	State or Province	#Sites Owned/Managed	# Properties Owned/Managed	# States or Provinces	2006 Rank
1	Equity Lifestyle Properties ^{*1}	IL	113,230/0	312/0	29 + CN	1
2	Hometown America	IL	53,146/0	130/0	19	3
3	American Residential Communities ^{*2}	IL	52,277/0	275/0	23	2
4	Sun Communities, Inc. ^{*1}	MI	47,610/0	136/0	18	4
5	Lautrec, Ltd.	MI	22,063/0	57/0	10	5
6	RHP Properties, Inc.	MI	18,634/0	77/0	15	7
7	CMH Parks ^{*3}	TN	18,373/0	66/0	11	6
8	Continental Communities	IL	15,382/0	52/0	14	8
9	Parkbridge Lifestyle Communities	CN	12,252/0	62/0	4	12
10	Newport Pacific Capital Co.	CA	665/10,959	6/55	8	11
11	Zeman MHC	IL	11,573/0	50/0	3	10
12	Carefree Property Management ^{*1}	AZ	8,777/2,384	39/11	8	NR
13	American Land Lease ^{*1}	FL	10,934/0	30/0	3	13
14	Bessire & Casenhiser	CA	1,575/9,293	26/10	2	14
15	Commonwealth RE Services	OR	755/10,059	3/104	4	15
16	Newby Management	FL	0/10,661	0/34	2	17
17	MNPI	IL	9,746/0	44/0	7	16
18	UNIPROP	MI	9,737/0	26/0	10	9
19	J&H Asset Property Mgmt., Inc.	CA	656/8,014	9/73	3	20
20	Killam Properties	CN	8,500/0	51/0	8	31
21	Burnham Properties	NY	8,228/0	54/0	16	22
22	Choice Properties, Inc.	MI	8,004/0	39/0	4	19
23	5005 Properties, Inc.	MN	4,138/3,643	23/8	8	21
24	Investment Property Group	CA	7,568/0	58/0	6	26
25	Green Courte Partners, LLC	IL	7,440/0	23/0	8	38
26	Heritage Financial Group, Inc.	IN	7,346/0	46/0	6	25
27	Capital First Realty, Inc.	IL	7,200/0	18/0	4	23
28	CRF Communities	FL	7,149/0	24/0	1	24
29	UMH Properties, Inc. ^{*1}	NJ	6,639/0	28/0	5	27
30	Colorado RE Investment Co. ^{*4}	CO	6,366/244	44/2	7	29
31	Follett Investment Properties	CA	6,412/0	24/0	12	28
32	Asset Development Group	WI	5,878/0	55/0	3	32
33	Kort & Scott	CA	5,672/0	29/0	5	33
34	Garden Homes Mgmt. Corp.	CT	5,500/0	78/0	4	37
35	Park Advisors, Inc.	MN	5,495/0	33/0	16	36
36	Richard Kellam Associates	VA	5,400/0	14/0	9	41
37	Denmark Management ^{*5}	MI	5,116/0	33/0	1	39
38	The Carlyle Group, Inc.	CA	5,000/0	34/0	10	NR
39	Evans Management ^{*5}	CA	4,096/323	30/3	1	40
40	Star Management ^{*5}	CA	1,304/3,882	7/26	3	42
41	Millennium Housing	CA	4,102/0	17/0	1	43
42	Tunnell Companies, Lp	DE	3,907/0	9/0	2	49
43	Blair Group	FL	3,860/0	5/0	1	44
44	Brookside Communities	MI	3,643/0	9/0	1	46
45	Rudgate Communities	MI	3,595/0	6/0	1	47
46	Brandenburg, Stadler & Moore	CA	3,441/0	14/0	1	NR
47	Chesapeake, MH	MD	3,327/0	12/0	3	48
48	SSK Communities	KY	2,984/0	12/0	3	50
49	Cambridge Investors, Inc.	MI	1,211/1,531	9/10	2	51
50	HCA Management	CA	2,687/0	12/0	4	52
51	West Coast MH Parks	CA	0/2,544	0/30	6	53
52	Parkbridge Investment Group	MI	2,291/141	26/2	3	54
53	Steiner Communities, Inc., LLC	FL	2,370/0	12/0	1	55
54	A.L.S. Properties	MN	2,265/0	11/0	3	57
55	The Franklin Group, Inc.	MI	2,660/0	8/0	1	58
56	Horner & Associates	KS	2,152/0	5/0	2	61
57	Laguna Asset Management ^{*5}	CA	1,950/200	17/2	2	59

2007 Rank	Firm Name	State or Province	#Sites Owned/Managed	# Properties Owned/Managed	# States or Provinces	2006 Rank
58	Hanover Group	IN	1,944/192	9/1	2	60
59	Jennings Realty	IL	2,107/0	5/0	4	63
60	Bertakis Development	MI	2,057/0	6/0	4	62
61	NTH Property Management	AZ	0/2,057	0/23	1	64
62	American MH Communities	IL	2,026/0	14/0	3	56
63	RIMCO Properties	PA	1,933/0	10/0	1	65
64	MUREX Properties	FL	1,917/0	7/0	2	NR
65	Al Larson	IL	1,851/0	6/0	4	66
66	Harvey J. Miller, Inc.	CA	1,817/0	7/0	4	67
67	Genesis Communities	CO	1,771/0	14/0	5	79
68	Property Management, Inc.	PA	0/1,751	0/15	1	78
69	Lansdowne Equity Ventures ⁴⁵	CN	1,711/0	12/0	2	68
70	Familia Limited Partnership ⁴⁵	CO	1,700/0	8/0	5	69
71	Investors Realty	DE	1,564/0	12/0	1	70
72	DWG Corporation	IL	1,450/0	1/0	1	76
73	Investment Builders, LLC	CA	1,439/0	8/0	3	74
74	Cohron's Realty	IN	1,425/0	8/0	1	75
75	Ashwood Communities	WI	1,420/0	10/0	2	81
76	Harshaw Management	TX	1,376/0	7/0	1	110
77	Real Estate Investment Partners	IL	1,301/0	9/0	3	83
78	Park Management Specialists Corp.	OH	1,269/0	7/0	2	84
79	Riverside Communities	IL	1,259/0	3/0	2	85
80	Harper Parks	NY	1,253/0	5/0	1	87
81	Parks-Plus	CA	1,000/247	10/3	5	NR
82	Apollo Properties	AZ	0/1,245	0/5	1	80
83	The Temple Companies	CA	1,236/0	3/0	2	86
84	State Street Group ⁴⁶	MS	1,185/0	8/0	1	88
85	U.S. Parks Investments	AZ	1,185/0	16/0	2	NR
86	Germano Management	MI	1,152/0	3/0	1	90
87	Fox Chase, Inc.	OH	1,150/0	7/0	1	91
88	Pearse Property Services	FL	0/1,100	0/3	1	NR
89	MHP Investment Leasing	CO	1,043/0	10/0	4	NR
90	Dominion Ventures	NJ	1,039/0	8/0	4	NR
91	Parkside Holdings	CN	1,000/0	5/0	1	94
92	Leary Management	FL	925/0	1/0	1	97
93	Peterson Investment Ltd.	FL	925/0	1/0	1	NR
94	Riley Homes	IL	930/0	7/0	1	102
95	Brenton Homes	MN	912/0	8/0	2	98
96	Enterprises Estates	MI	876/0	6/0	2	105
97	PLJ, Inc.	MN	866/0	8/0	1	93
98	Orangewood Lakes	FL	846/0	4/0	1	NR
99	Richards & Associates	CA	832/0	6/0	1	103
100	Sierra Communities	FL	818/0	7/0	3	96
101	Cowan Enterprises, Inc.	CO	785/0	6/0	1	NR
102	Charter Associates	PA	745/0	5/0	3	108
103	Community Management Group ⁴⁵	MI	775/0	4/0	2	113
104	Steenberg Communities ⁴⁵	WI	751/0	4/0	1	114
105	Missouri Modular	MO	697/0	2/0	1	116
106	Kenneth Everett Rentals	AL	694/0	7/0	3	NR
107	Redbud Estates	IN	579/0	1/0	1	122
108	Woodland Estates	MI	569/0	2/0	1	123
109	NAI Iowa Realty	IA	523/0	2/0	1	NR
110	D. Moore Enterprises	TN	520/0	4/0	2	109
111	Barrington Management Co.	IN	503/0	4/0	3	128
112	Golden West Mobile	WA	480/0	5/0	2	129
113	R & R Enterprises	IN	475/0	2/0	1	NR
114	MISA Corporation	PA	40/427	1/4	1	NR
115	Base Camp Capital	CO	450/0	3/0	2	131

Endnotes to 2007 Ranking List:

- 1) ELS, Inc. = Equity Lifestyle Properties, Inc., a REIT
- 2) ARC, Inc. = Affordable Residential Communities, Inc.,
- 3) Real Estate Investment Trust
- 4) Clayton Homes
- 5) Based on previous year data
- 6) NR = 'not previously ranked'



ALLEN REPORT prepared by
George Allen, CPM & MHM
P.O. Box 47024
Indianapolis, IN 46247
(317) 346-7156

Rental Homesite Count Among Land-lease Community Real Estate Investment Trusts (REITs)

Year	ELS ⁶ (MHC)	Chateau	Sun	UMH	American Land Lease	ARC ⁵	Total	Annual Difference
2007	113,230	N/A	47,610	6,639	10,934	N/A	178,413	+2.5%
2006	108,989	N/A	47,598	6,614	10,869	N/A	174,070	-20.5%
2005	106,494	N/A	47,320	6,315	9,930	49,491	219,550	4.9%
2004	82,292	N/A	45,938	6,269	6,815	68,093	209,407	87.5%
2003	50,807	N/A ³	45,914	6,129	8,853	N/R	111,703 ⁴	-38.7%
2002	44,838	78,027	45,147	5,908	8,050	N/R	181,970	-1.0%
2001	47,250	79,599 ²	44,851	5,979	5,667	N/R	183,366	9.0%
2000	48,240	61,813	46,085	5,759	6,300	N/R	168,197	-1.3%
1999	54,282	59,656	42,500	5,694	8,220	N/R	170,352	4.8%
1998	53,391	59,455	38,159	5,615	5,930	N/R	162,541	20.6%
1997	46,693	50,009 ¹	32,700	5,272	N/R	N/R	134,674	18.9%
1996	28,187	20,003	30,295	5,234	N/R	N/R	113,327	17.0%
1995	26,237	19,594	18,000	4,850	N/R	N/R	96,591	9.0%

Endnotes:

N/R = no report that year; N/A = not or no longer applicable

- 1) in 1997
- 2) Chateau acquired CVS in 2001
- 3) Chateau acquired by Hometown America in 2003
- 4) Without loss of Chateau's site count, remaining four REIT's grow in size by 7.5% during 2003.
- 5) not including 71 auctioned properties
- 6) 47,890 = 'RV sites'

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