Introduction

Manufactured housing communities (MHCs) represent a unique space within the real-estate landscape, distinguished by their land-lease structure, durable cash-flows, and critical role in meeting the nation's demand for affordable housing. The Manufactured Housing Institute reports that new manufactured homes cost **about $87 per square foot, about half the ~$166 per-square-foot cost of a site-built home**.[1]

MHCs combine reliable cash flows with a structural undersupply of affordable housing, creating a recession-proof asset that delivers consistent income growth year over year. Industry **occupancy is ~95%**, with average **pad rents of about $717 per month** remaining below nearby mid-market apartments, supporting high renewal rates and steady NOI growth.[2]

About 22 million Americans live in manufactured homes, reflecting the sector's scale within the broader housing market.[3] Manufactured homes have also accounted for approximately one in ten single-family housing starts in recent years, with monthly shares topping ~11% in late 2024 as site-built affordability deteriorated.[4] These strengths are amplified by a persistent housing supply shortfall of ~3.7 million units, according to Freddie Mac's outlook. Without a sustained acceleration in overall housing production, that deficit is unlikely to narrow meaningfully, increasing dependence on lower-cost alternatives such as MHCs.[5]

MHCs and Multi-Family Comparison:

While both MHCs and conventional apartments provide rental housing, the asset classes differ significantly in structure, expense profile and market behavior. In most communities, residents own their manufactured home and lease only the underlying pad site, so operators are not responsible for maintaining or renovating interiors. Consequently, expense loads for MHCs typically range around 40% - 55% of revenue and capital expenditures are focused on roads, utilities and common areas. Occupancy in MHCs has held in the mid- to high-90 percent range across both age-restricted and all-ages communities, and pad-site rents increased 6.6 percent year-over-year through mid-2024 (more than double the rate of inflation and far above national multifamily rent growth). By comparison, Fannie Mae's January 2025 outlook expects the national multifamily vacancy rate to peak around 6.25 percent (roughly 93.75 percent occupancy) before easing back to 6 percent, with rent growth of only about 1 percent in 2024 and 2–2.5 percent projected for 2025.[6] This combination of low capital intensity, high occupancy and strong rent growth highlights the structural advantages of the manufactured housing sector relative to conventional multifamily.

Market Condition and Outlook:

Current operating fundamentals for manufactured housing remain robust despite a challenging capital-markets environment. Occupancy in all-ages communities averaged 94 percent in Q2 2024 and has

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1 Manufactured Housing Institute (MHI), "About Manufactured Homes"
2 Northmarq, "Manufactured Housing Occupancies Hold Steady, Rents Continue to Rise," January 9, 2025.
3 Manufactured Housing Institute (MHI), "About Manufactured Homes"
4 MHI, "Research & Data"
5 Freddie Mac, "Economic, Housing and Mortgage Market Outlook," Nov. 26, 2024.
6 Fannie Mae, "Multifamily Economic and Market Commentary"

stayed at or above that level across most regions, while age-restricted communities maintained an even higher 97 percent occupancy. Pad-site rents continued to post outsized gains: by mid-2024 they were up 6.6 percent year-over-year nationally, and more than 7 percent in the South, Southwest and West. Meanwhile, the supply pipeline is nearly non-existent; in some years demolitions almost offset new construction, leaving net additions in the low hundreds. For example, 1,687 new pad sites were built in 2020 while 1,368 sites were demolished. This structural undersupply has kept vacancies tight even as high interest rates have slowed transaction and lending volumes. Sale prices per-pad slightly declined to around $69,000 in early 2024 but remain far below apartment values and still up sharply over the past decade. Cap rates for institutional-quality MHCs compressed from roughly 6.8% in 2013 to 4.7% in 2022 and have since ticked up to around 5.5%. With borrowing costs now easing, investors expect increased deal flow; yet the scarcity of developable sites and ongoing affordability crisis suggest MHC occupancies and rent growth will remain resilient.[7]

MHCs and Opportunities :

Because the U.S. housing market remains structurally undersupplied, manufactured housing communities offer both a societal solution and an investment opportunity. Freddie Mac estimates that the national housing stock is roughly 3.7 million units below what would be needed to meet long-run demand.[8] New MHC supply has barely grown: in some years net pad-site additions number in the hundreds and new community development faces substantial zoning and permitting hurdles. However, factory-built homes and pad-site rentals remain the lowest-cost form of primary housing in most markets and account for less than 1 percent of the nation's housing stock. Institutional capital is still limited—only about 20 percent of communities are institutionally owned and the typical MHC transaction size (~$5.3 million) is less than half the multifamily average—which leaves room for consolidation by experienced operators. Credit performance has been exemplary: as of July 2025, manufactured housing loans had a delinquency rate of just 1.39 percent, far outperforming multifamily and other commercial real estate sectors. Combined with high occupancy and limited new supply, these dynamics create a favorable environment for investors to acquire and professionally manage communities, upgrade infrastructure and modestly raise pad rents while preserving affordability. In a market where households priced out of single-family homes and apartments continue to grow, well-run MHCs can deliver both social benefit and defensive, cash-yielding returns.

Investor Economics

Two definitions anchor the surrounding economics:

- **Land-lease (site-lease):** Residents typically own the home (the structure) but lease the underlying site from the community; monthly pad rent covers the site and shared infrastructure.

[7] Fannie Mae, "Multifamily Affordable Housing Market Commentary"
[8] Freddie Mac, "Housing Supply: Still Undersupplied by Millions of Units"

- **Dual ownership and pricing link:** Given the home and land are owned separately, households compare pad rent plus home cost to apartments, so pad rents and values track local apartment rents while the land-lease model keeps costs focused on infrastructure.[9]

The land-lease structure concentrates costs on infrastructure (as opposed to interiors), stabilizing margins through cycles. In practice, operators manage utilities, roads, common areas, and collections, in contrast with turning kitchens and baths every time a resident moves.

Roughly **80% of manufactured homes never move** due to the large financial burden regarding relocation costs. Large operators report **~13 year** average tenures – far longer than the typical three to five-year tenure of apartment renters. In addition, manufactured homes **cost ~24% of site-built homes and ~40% less than a conventional apartment rental,** supporting affordability even after increases.[10]

On the revenue side, pad-rent behavior tends to track nearby apartment rents: households compare their all-in monthly cost (site rent plus home financing/ownership costs) to local rental alternatives. MHC values and site rents closely correlate with surrounding apartment rents. Operationally, the asset's top line benefits from the same market rent signals as multifamily, but with the expense and turnover profile of a land-lease.

Collectively, infrastructure-focused costs mean expense growth trails revenue, high relocation costs reduce turnover, and rents follow local apartments, giving a clear path to rent-to-market. Together, these dynamics create durable cash flows with downside protection and multiple levers for NOI growth.

Self-Management Operating Edge

Building on those dynamics, self-management aligns the economic engine with day-to-day execution by giving the operator direct control over two principal levers: **inventory** (via dealer licenses) and **liquidity** (via chattel-loan partnerships).

A dealer license lets the operator purchase new homes at wholesale, specify models and finishes that match community standards, and schedule delivery/installation without third-party retailers. Practically, that shortens infill, the process of bringing vacant pads back into service by setting homes, and reduces external margins. Because product selection and installation quality are controlled in-house, operators can keep curb appeal consistent and lower surprises as a result.

A chattel loan is a home-only loan secured by the manufactured home (as opposed to the land). These loans generally close faster than real-property mortgages, which expands the buyer funnel and speeds move-ins. They also tend to price higher, so partnering with established lenders is key. In a partnership model, the lender underwrites, originates, and services the credit, while the operator coordinates marketing, home setup, and move-in, keeping credit risk with the lender and occupancy execution with the operator.

[9] Charles M. Becker and Ashley Yea, "The Value of Manufactured Housing Communities: A Dual-Ownership Model," ERID Working Paper No. 196, Duke University, October 15, 2015.
[10] Ibid.

Chattel remains a material share of MH purchase financing nationally, which is why it's central to absorption and occupancy.[11]

> *Velthome Partners integrates both levers: dealer licenses across five Midwestern states (Iowa, Ohio, Michigan, Illinois, and Pennsylvania), established chattel-lender relationships, while property management is the function of its property management arm to accelerate infills, keep product/installation standards consistent, and support durable cash flows.*

Returns

In current market conditions, stabilized manufactured housing communities generally **deliver ~8–10% Year-1 cash-on-cash distributions** and **~13–16% levered IRRs** over a 5–7-year hold, assuming measured rent-to-market and modest infill. Dispersion is driven primarily by the cap-rate/interest-rate spread, the pace and cost of infill, and expense management in an infrastructure-centric model.[12] Implied cap rates tightened vs. conventional multifamily in 2025 (~5.13% MHC vs ~5.67% multifamily), signaling a higher multiple on MHC income.[13]

The case-study that follows quantifies these drivers both on a pre-tax and after-tax cash basis, demonstrating how cap rate and leverage set Year-1 yield and how 15-year depreciation and interest expense enhance after-tax income.

Entry Economics — Year-1 Cash Yield

Item	Assumption / Calculation	Result
Purchase price	Given	$1,500,000
Going-in cap rate	Given	7.00%
Implied Year-1 NOI	$1,500,000 × 7.00%	**$105,000**
Loan-to-value	60% of price	$900,000 debt
Debt terms	6.5%, interest-only	$58,500 interest
Equity invested	Price − debt	$600,000 equity
Distributable cash (pre-reserves/fees)	NOI − interest	**$46,500**
Year-1 cash-on-cash	Distributable cash ÷ equity	**7.75%**

Entry-year cash flow is 7.75% on moderate leverage and I/O debt, derived directly from the 7.0% cap and 60% LTV. Cash yield scales with rent-to-market and infill during the hold.

After-Tax Position — Depreciation & Interest Shields

[11] Consumer Financial Protection Bureau (CFPB), *Manufactured-Housing Consumer Finance in the United States*, September 2014.
[12] Integra Realty Resources (IRR), *Viewpoint—Manufactured Housing Report 2023*.
[13] Taylor, "Manufactured Housing: The Quiet Outperformer in CRE Finance," *TreppTalk*, August 19, 2025.

*NOT TO BE CONSIDERED AS TAX ADVICE*

Item	Assumption / Calculation	Result
Land allocation (non-depreciable)	10% of PP	$150,000
Depreciable improvements basis	90% of PP	$1,350,000
Depreciation (15-year on improvements)	$1,350,000 ÷ 15	**$90,000 / yr**
Interest expense	From Base Case	$58,500
Taxable income (simplified)	NOI $105,000 − $58,500 − $90,000	**≈ −$43,500**
Year-1 cash distribution	From Base Case	**$46,500**
Tax-equivalent yield if fully sheltered @ 34%	7.75% ÷ (1 − 0.34)	**≈ 11.7%**
Suspended passive loss (carryforward)	If not currently usable	**≈ $43,500** (potential future tax value ≈ **$14,790** @ 34%)

In Year 1, 15-year depreciation + interest typically exceed NOI, so cash is positive while taxable income is negative creating unused passive losses carry forward to offset tax burdens in future years.

Tax-Equivalent Benchmark — MHC Distribution vs. Municipal Bond

Instrument	Quote Yield	Investor Tax Rate	Tax-equivalent Yield
Municipal bond (tax-exempt)	**4.00%**	33% combined (28% federal + 5% state)	**≈ 5.97%** (4.00% ÷ 0.67)
MHC distribution (from Base Case)	**7.75%**	34% marginal	**≈ 11.7%** (7.75% ÷ 0.66)

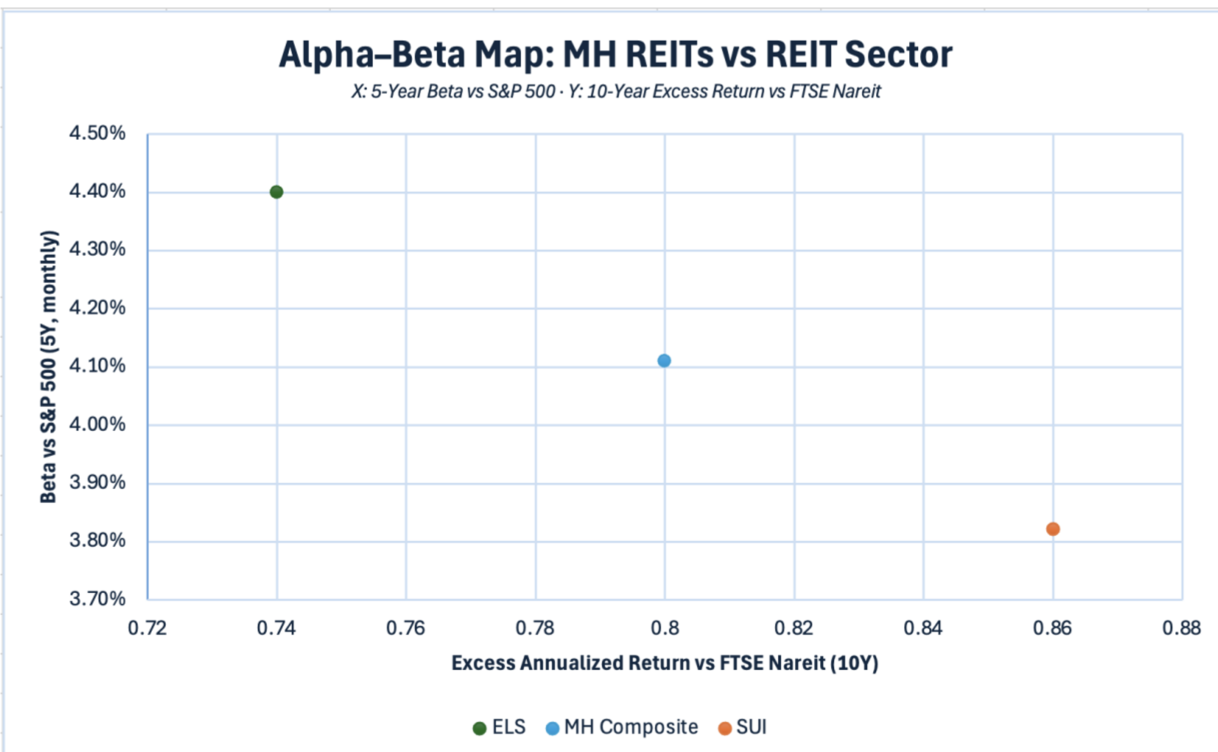
A 4.00% tax-free municipal bond equates to ~5.97% taxable at a 33% bracket, whereas a **sheltered 7.75% MHC distribution equates to ~11.7% at a 34% marginal rate**, illustrating the tax-efficient yield profile using your specified tax rates.

The case study clearly demonstrates the mechanics behind MHCs: entry pricing and leverage determine the initial cash yield, while 15-year depreciation and interest expense transform that cash into tax-efficient income. A fully sheltered 5% Year-1 distribution at a 34% marginal rate equates to ~7.6% on a tax-equivalent basis; paired with the ~5% tax-benefit, the effective yield can be presented as ~10%, subject to investor-specific tax circumstances. The principal sensitivities remain in place: pad absorption and measured rent-to-market on the upside, and debt cost and exit cap on the downside.

Additionally, public-market evidence shows that manufactured-housing exposure participates in equity upside while remaining moderately tied to bonds. The correlation matrix below evidences how over long samples, U.S. equity **REITs exhibit moderate correlation to broad equities (~0.62) and low correlation to high-quality bonds (~0.20)**, reinforcing real estate's diversification role in multi-asset portfolios. In this context, the two manufactured-housing leaders, Equity LifeStyle (ELS) and Sun Communities (SUI), display sub-1.0 market sensitivity (five-year betas of roughly 0.74 and 0.86, respectively), consistent with equity participation without a one-for-one ride with the S&P 500. (**LETS TRY TO GET MORE DATA POINTS - Other RE homes classes - multifamily comparison.). We should look at the three MHC REIT performance over a 20-25 year period OR after GFC (2010 onwards whatever shows better data). If we can get rent growth, cap rate information in MHC over a period that would be good. Let's look at the market studies I sent.**

	ELS	SUI	S&P 500	10-Year UST (TR)
ELS	1.00	0.59	0.67	0.18
SUI	0.59	1.00	0.67	0.20
S&P 500	0.62	0.67	1.00	~0.0
10-Year UST (TR)	0.18	0.20	~0.0	1.00

Reinforcing the case study's operating evidence, an alpha–beta view of the public comps shows why manufactured-housing exposure has been a powerful portfolio stabilizer within listed real estate. Using the S&P 500 as the risk lens (beta) and the FTSE Nareit All Equity REITs index as the sector bar, the two MH leaders—Equity LifeStyle (ELS) and Sun Communities (SUI)—both sit in the **sub-1.0 beta range (about 0.74 and 0.86) yet deliver positive excess returns versus the REIT sector (roughly +4.4% and +3.8% per year)**. A simple 50/50 composite lands near beta ≈ 0.80 with about +4.1% annual excess return. In short, manufactured housing has offered equity participation with a lighter ride and consistent value-add within real estate, reinforcing the diversification and quality themes demonstrated in the case study.



A land-lease model that concentrates costs in infrastructure, long resident tenure, apartment-linked pricing, and constrained new supply produces resilient, inflation-resistant cash flows with a clear path to value creation. For taxable investors, depreciation and interest often shelter early distributions, while moderate leverage on stable cash flow supports durable returns. Execution is the differentiator: platforms that control inventory (dealer licenses) and resident liquidity (chattel-loan partnerships) reduce time-to-occupancy, maintain standards, and consistently translate fundamentals into results: a repeatable, defensible strategy across cycles.

> *Velthome Partners is vertically integrated with dealer licenses in five states. Through Evergreen Communities, we self-manage, source and install homes, and partner with established chattel-loan providers, reducing time-to-occupancy and maintaining consistent product standards. Our focus is measured pricing to market, targeted infrastructure reinvestment, and systematic infill to compound NOI. Velthome assesses a 1.5% asset-management fee.*

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