SPECIAL COUNCIL MEETING
Village Council Chambers
7227 Huron Avenue, Lexington, Michigan 48450

AGENDA

DATE OF MEETING: TUESDAY, AUGUST 17, 2021

TYPE OF MEETING: SPECIAL COUNCIL MEETING

TIME OF MEETING: 6:30 P.M.

PLEDGE OF ALLEGIANCE

CALL TO ORDER / SPECIAL COUNCIL MEETING

ROLL CALL BY CLERK

PUBLIC COMMENT

BUSINESS:

ADMINISTRATION

A. UHY LLP MHP APPRAISAL

CORRESPONDENCE

PUBLIC COMMENT

COUNCIL PERSON COMMENTS

ADJOURNMENT

BBG

Third-party reports by a true third party

Appraisal Report

Lexington North Shores MHC

5203 Main Street
Lexington, Michigan 48450

BBG File #0121004306

Prepared For

Mr. Bradford J. Southern
UHY Advisors MI, Inc.
12900 Hall Road
Sterling Heights, MI 48313

Report Date

April 15, 2021

Prepared By

BBG, Inc., Detroit Office
42 Watson Street
Detroit, MI 48201
734-462-0700

Client Manager: Frank Segura
fsegura@bbgres.com

BBG

April 15, 2021

Mr. Bradford J. Southern
UHY Advisors MI, Inc.
12900 Hall Road
Sterling Heights, MI 48313

Re: Appraisal of Real Property
Lexington North Shores MHC
5203 Main Street
Lexington, Michigan 48450
BBG File No. 0121004306

Dear Mr. Southern:

In accordance with your authorization, we have conducted the investigation necessary to form an opinion of the As Is Market Value of the Fee Simple estate in the subject property, as referenced above.

The subject property consists of a 24.6790+/- acre site located in Lexington, MI that is improved with an "all ages" manufactured home community totaling 228 sites. The subject is owned and managed by the Village of Lexington and contains 1,110 feet of shoreline frontage along the Lake Huron. Overall, the homes appear to be in average condition. There are currently 171 physically occupied home sites or 75% physical occupancy. There are no park owned homes. The sites are served with municipal water and sewer which is reimbursed by the tenants in addition to the current site base rent.

The property contains a bluff the overlooks the Lake Huron shoreline which is experiencing erosion issues. In February 2020, the village received a written report from the engineering firm Edgewater Resources that offered preliminary budget numbers for a short term and long term solution. The short-term budget was in the amount of just under $1.7 million and the long-term budget came in at just under $2.8 million. There are 34 sites located directly on the bluff. The difference in repair prices is due to the increased cost of a more elaborate stormwater piping system. According to Village Manager Holly Tatman, this cost to remediate is considered discretionary and not considered an immediate repair. Ms. Tatman noted three engineering groups have provided opinions that repairs are not needed immediately and the erosion issues would likely slow with expected drop in water levels over the next few years. Village officials are still deliberating on approving the repairs as a capital expenditure. Since the bluff erosion is not considered an immediate repair, the cost to cure has not been deducted from the value opinion stated herein.

This report was prepared for UHY Advisors MI, Inc. (client), and is intended only for its specified use. The report is intended to be used by UHY Advisors MI, Inc and property owner(s) for internal planning. The appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable market data, the results of the investigation, and the reasoning leading to the conclusions set forth.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal guidelines set forth in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the December 2010 Interagency Appraisal and Evaluation Guidelines.

This report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. In addition, this report is intended to comply with the minimum standards of the Uniform Standards of Professional Appraisal Practice, *FIRREA* and any additional standards of our client UHY Advisors MI, Inc. (client). Our client, only, may read and rely upon the findings and conclusions of this report.

Note: Our opinion of market value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)	
The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions might have affected the assignment results.	
Extraordinary Assumption(s)	We are appraising the subject under the extraordinary assumption that information provided by the Client and that available from public resources is accurate. We have been provided a survey of the subject property. If the actual size of the land or building is significantly different than that utilized within this report, the value conclusions could be impacted.
Hypothetical Condition(s)	This appraisal employs no hypothetical conditions.

Based on our inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s).

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple	April 7, 2021	$6,700,000

The value opinions do not include any personal property (manufactured homes). As noted, there are no park owned homes at the subject property.

Based on recent market transactions, as well as discussions with market participants, a sale of the subject property at the above-stated opinion of market value would have required an exposure time of approximately 6 months. Furthermore, a marketing time of approximately 6 months is currently warranted for the subject property.

This letter must remain attached to the report, which should be transmitted in its entirety, for the value opinion set forth to be considered valid.

Our firm appreciates the opportunity to have performed this appraisal assignment. If we may be of further service, please contact us.

Sincerely,
BBG, Inc.

Frank Segura
Managing Director
MI Certified General Appraiser
License #: 1201074272
734-462-0700
fsegura@bbgres.com

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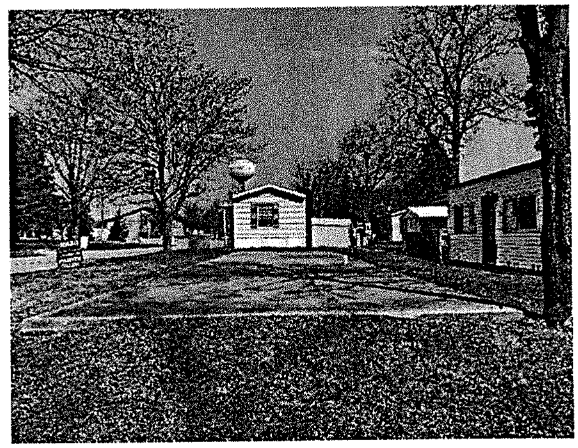
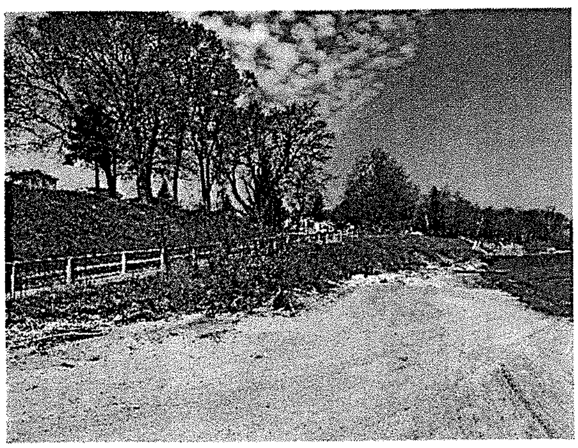
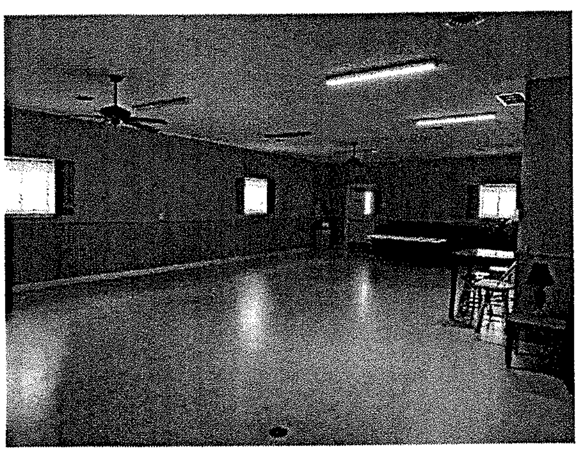
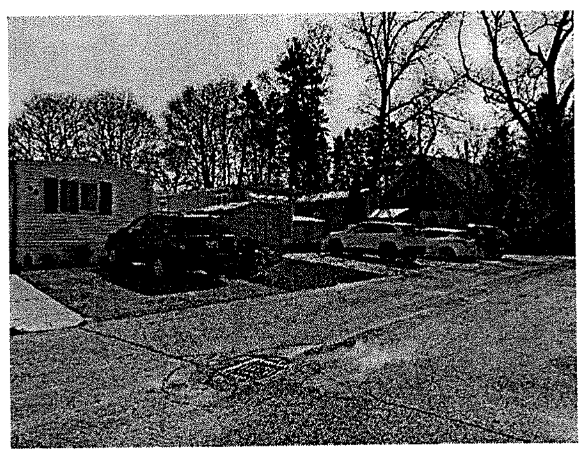
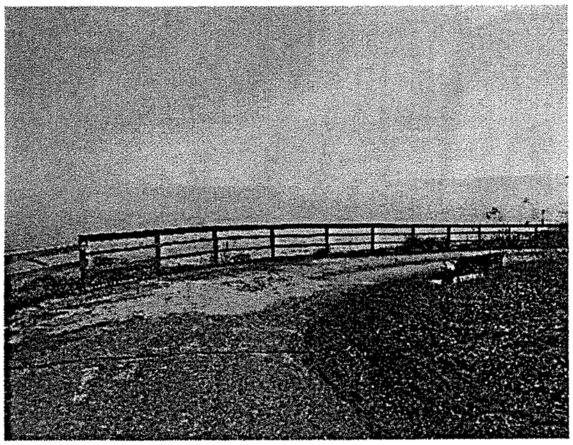
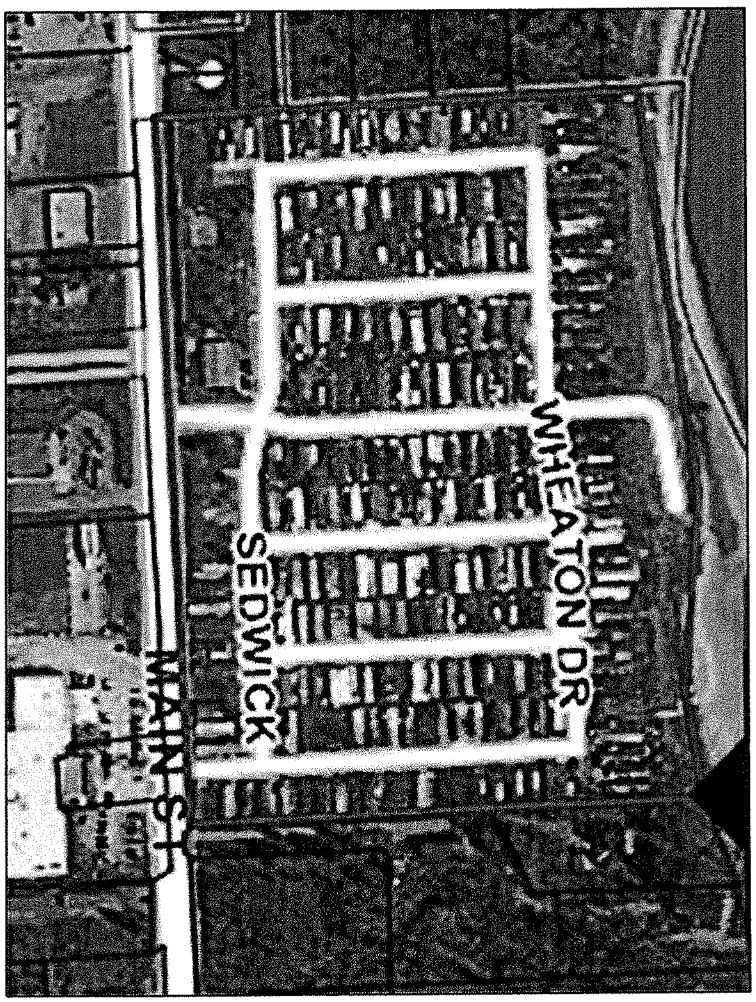
SUBJECT PROPERTY



AERIAL PHOTOGRAPH



SUMMARY OF SALIENT FACTS

PROPERTY DATA	
Property Name	Lexington North Shores MHC
Address	5203 Main Street Lexington, Michigan 48450
Location	Eastside of Main Street, north of Jefferson Street
Property Description	Mobile Home Park
Parcel Number	152-030-300-010-00
Legal Description	T10N R17E SEC 30 COM AT A PT 33 FT E OF NW COR OF S 1/2 OF SEC FOR POB TH S 676.5 FT, E TO LAKE HURON, N 676.5 FT ALSO COM AT 1/4 POST OR 1/2 SEC POST, TH N 396 FT, E TO LAKE HURON, S 396 FT W TO POB APPROX 20 AC.- 1075 FT OF LAKE FRONTAGE
Site Area	1,075,017 square feet (24.6790 acres)
Zoning	MHP; Mobile Home Park Residential
Flood Status	Zone X (Unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.
Year Built	1960s
Total Number of Units	228
Occupany	75%
Overall Condition	Average
Overall Quality	Average
Overall Design/Functionality	Average

VALUE INDICATIONS			
As Is as of April 7, 2021			
Cost Approach	Not Developed		
Sales Comparison Approach	$6,850,000	$30,044	Per Site
Income Capitalization Approach	$6,700,000	$29,386	Per Site
Approach Reliance	Income Capitalization Approach		
Value Conclusion - As Is	**$6,700,000**	**$29,386**	**Per Site**
Exposure Time	6 months		
Marketing Time	6 months		

PROPERTY HISTORY

The subject property is currently owned and operated by the Village of Lexington, Michigan. We are unaware of any sale transactions involving the subject within the three-year period immediately preceding this report. This information is included only to satisfy the requirements of USPAP. It is not a guarantee to the chain of title, and a title search should be performed by a title company should a definitive abstract be desired.

SCOPE OF WORK

APPRAISAL INFORMATION	
Client	UHY Advisors MI, Inc. 12900 Hall Road, Suite 510 Sterling Heights, MI 48313
Intended User(s)	UHY Advisors MI, Inc. and property owner(s)
Intended Use	Internal planning purposes.
Premise Summary	As Is Market Value - April 7, 2021
Date of Inspection	April 7, 2021
Marketing Time	6 months
Exposure Time	6 months
Owner of Record	Village of Lexington, MI
Highest and Best Use	
If Vacant	Manufactured Housing Community
As Improved	Manufactured Housing Community

PROPERTY IDENTIFICATION	
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SCOPE OF THE INVESTIGATION	
General and Market Data Analyzed	▪ Regional economic data and trends ▪ Market analysis data specific to the subject property type ▪ Published survey data ▪ Neighborhood demographic data ▪ Comparable cost, sale, rental, expense, and capitalization rate data ▪ Floodplain status ▪ Zoning information ▪ Assessor's information ▪ Interviewed professionals knowledgeable about the subject's property type and market
Inspection Details	Frank Segura inspected the exterior of homes and common areas on April 7, 2021.
Property Specific Data Requested and Received	**PROPERTY DATA RECEIVED** Operating Budget Rent roll Site survey Previous appraisal
Data Requested, but not Provided	**DATA REQUESTED, BUT NOT PROVIDED** Historical operating statements
Data Sources	see below

DATA SOURCES	
Site Size	Assessor Records
Tax Data	Assessor Records
Zoning Information	Zoning and Plannng Department
Flood Status	FEMA
Demographics Reports	Spotlight Demographics
Comparable Land Sales	Market participants, CoStar, MLS
Comparable Improved Sales	Brokers, BBG, CoStar
Comparable Rental Rates	Property Owners/Managers

VALUATION METHODOLOGY	
Most Probable Purchaser	To apply the most relevant valuation methods and data, the appraiser must first determine the most probable purchaser of the subject property. The most probable purchaser of the subject property "As Is" is an investor because it is leased to third-party tenants.
Valuation Methods Utilized	This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach to develop an opinion of market value.

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards, it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

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Hypothetical Condition(s)	This appraisal employs no hypothetical conditions.

DEFINITIONS

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

LEVEL OF REPORTING DETAIL

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report.

This report is prepared as an **Appraisal Report.** An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions. This format is considered most similar to what was formerly known as a Self-Contained Appraisal Report in prior versions of USPAP.

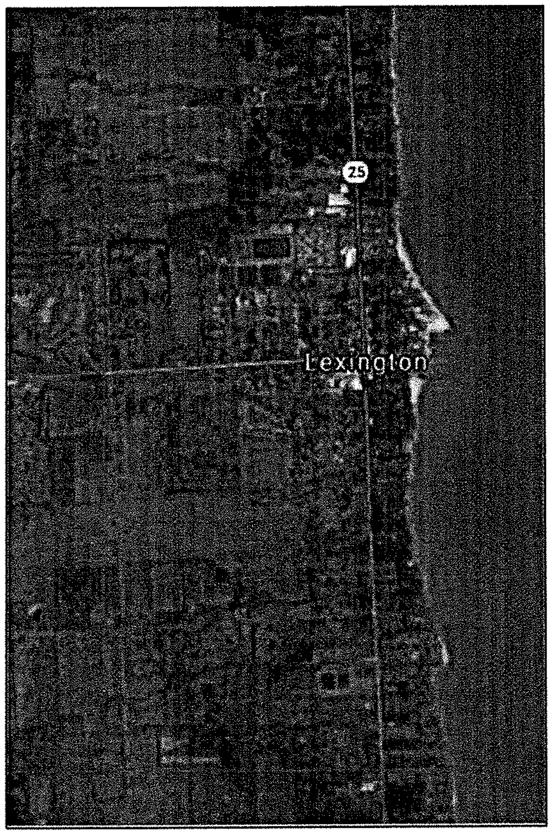
[1] (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

PRIMARY MARKET ANALYSIS

INTRODUCTION

The purpose of a primary market area analysis is to provide a bridge between the study of general influences on all property values and the analysis of a particular subject. Primary market area boundaries are identified by determining the area in which the four forces that affect value (social, economic, governmental and environmental) operate in the same way they affect the subject property.

PRIMARY MARKET AREA MAP



GENERAL DESCRIPTION

The subject is located along the water in the northern portion of Lexington, Michigan. The subject's primary market area is best described as the Village of Lexington.

ACCESS

Access to the primary market area is fair. Given the subject's more rural location it is not afforded many major access routes. The main access roads for the market area are Lakeshore Road which runs along the Lake Huron coastline. The major east-west west is Peck Road which runs from Lake Huron and continues west for about 40 miles. The primary market area is also served by smaller municipal access roads that help connect residential uses and land with the markets commercial uses and larger access roads.

LAND USE

The predominate land uses in the market area include residential, commercial, and open land. The majority of commercial uses in the market area are concentrated along Main Street where many of the supportive retail, and commercial uses are located. Higher density of residential uses are located within the village limits with rural uses are abundant outside of the village.

Another major land use and influence of other uses in the market area is Lake Huron and its miles of beaches. Lake Huron is one of the five great lakes and is shared on the north and east by Canada and on the south and west by Michigan. Lake Huron is the second largest great lake and third largest freshwater lake on earth with a surface area of over 23,000 square miles.

LIFE STAGES AND TRENDS

The market area's life stage is stable with no significant trends affecting the area. Population trends have been stagnant over the last 20 years and there has minimal new residential construction. Majority of households are owner-occupied and of older construction Summer tourism is a demand generator for the area.

DEMOGRAPHIC DATA

The following data highlights the neighborhood demographics for 2021 for 1, 3, and 5-mile radius from the subject, as provided by Claritas Inc.

COMPARATIVE DEMOGRAPHIC ANALYSIS FOR PRIMARY TRADE AREA			
Description	5203 Main Street - 1 mi Radius Totals	5203 Main Street - 3 mi Radius Totals	5203 Main Street - 5 mi Radius Totals
Population			
2026 Projection	1,241	2,589	7,168
2021 Estimate	1,244	2,599	7,213
2010 Census	1,265	2,656	7,439
2000 Census	1,253	2,634	7,544
2021 Est. Median Age	58.51	55.19	49.40
2021 Est. Average Age	52.14	49.62	45.80
Households			
2026 Projection	620	1,210	3,128
2021 Estimate	619	1,211	3,136
2010 Census	621	1,219	3,184
2000 Census	600	1,175	3,088
2021 Est. Average Household Size	1.99	2.13	2.29
2021 Est. Households by Household Income			
Income < $15,000	13.6%	12.2%	12.0%
Income $15,000 - $24,999	17.1%	14.7%	12.5%
Income $25,000 - $34,999	12.3%	10.7%	9.9%
Income $35,000 - $49,999	***19.2%***	***17.7%***	16.9%
Income $50,000 - $74,999	17.6%	17.2%	***20.6%***
Income $75,000 - $99,999	7.8%	9.9%	10.6%
Income $100,000 - $124,999	5.5%	6.9%	7.0%
Income $125,000 - $149,999	2.1%	3.6%	3.9%
Income $150,000 - $199,999	1.9%	3.6%	3.9%
Income $200,000 - $249,999	1.0%	1.8%	1.7%
Income $250,000 - $499,999	1.1%	1.2%	1.0%
Income $500,000+	0.7%	0.4%	0.3%
2021 Est. Average Household Income	$56,696	$63,944	$64,223
2021 Est. Median Household Income	$40,243	$45,171	$48,851
2021 Est. Tenure of Occupied Housing Units			
Owner Occupied	75.6%	80.8%	78.3%
Renter Occupied	24.4%	19.2%	2.2%
2021 Est. Median All Owner-Occupied Housing Value	$147,117	$150,377	$130,035
Source: 2021 Claritas, Inc.			

VICINITY TO SUBJECT

DISTANCE TO SUPPORTIVE USES/ACCESS		
Type	Distance	Direction
Interstate/Freeways		
Peck Road Lexington	5.8 miles	W
Lakeshore Road Lexington	1.0 miles	S
Babock Road Lexington	4.0 miles	S
Transportation Centers		
Flint Bishop Airport	64.8 miles	W
Detroit Metropolitan Airport	84.3 miles	SW
Shopping Facilities		
Downtown Village of Lexington	0.5 miles	S
Jeff's Marketplace Lexington Grocery	0.4 miles	S
Education Centers		
St. Clair Community College	14.5 miles	W
Croswell-Lexington High School	3.7 miles	W
Croswell-Lexington Middle School	3.6 miles	W
Meyer Elementary School Lexington	0.6 miles	S
Employment Centers		
Lake Huron Medical Center, Port Huron	22.6 miles	S
SMR Automotive	26.2 miles	S
Other		
Lexington State Harbor	0.6 miles	SE
Lake Huron Beach Village of Lexington	0.5 miles	S

CONCLUSION

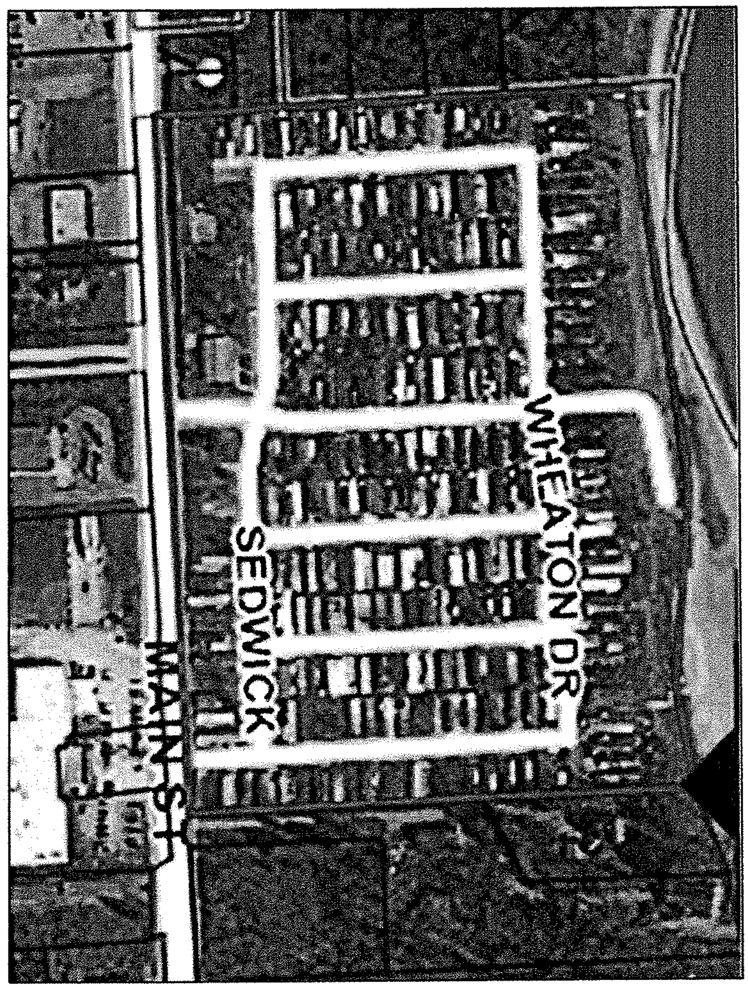
Overall, the primary market area is mature and stable. The area does not offer much potential growth given its location and lack of major access roads, but its population and household numbers should continue to remain basically the same year in and year out. With its proximity to Lake Huron and supportive uses the area should continue to be a place where residents and visitors come during summer months to enjoy the lake and everything it has to offer.

Site Description

Introduction

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources. The site area utilized herein is taken from the County Tax records.

Aerial Photograph



GENERAL DESCRIPTION OVERVIEW	
Location	Eastside of Main Street, north of Jefferson Street
Parcel Number	152-030-300-010-00
Legal Description	T10N R17E SEC 30 COM AT A PT 33 FT E OF NW COR OF S 1/2 OF SEC FOR POB TH S 676.5 FT, E TO LAKE HURON, N 676.5 FT ALSO COM AT 1/4 POST OR 1/2 SEC POST, TH N 396 FT, E TO LAKE HURON, S 396 FT W TO POB APPROX 20 AC.- 1075 FT OF LAKE FRONTAGE
Site Area	1,075,017 square feet (24.6790 acres)
Configuration	Generally Rectangular
Topography	Level
Drainage	Appears adequate
Utilities/Municipal Services	All to Site
Floodplain	<u>Zone</u> / <u>Map</u> / <u>Date</u> Zone X (Unshaded) / 26151C0494B / January 7, 2012 Zone X (Unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.
Latitude Longitude	43.27561, -82.53105
Soil/Subsoil Conditions	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property.
Environmental Concerns	The property contains a bluff the overlooks the Lake Huron shoreline which is experiencing erosion issues. In February 2020, the village received a written report from the engineering firm Edgewater Resources that offered preliminary budget numbers for a short term and long term solution. The short-term budget was in the amount of just under $1.7 million and the long-term budget came in at just under $2.8 million. There are 34 sites located directly on the bluff. The difference in repair prices is due to the increased cost of a more elaborate stormwater piping system. According to Village Manager Holly Tatman, this cost to remediate is considered discretionary and not considered an immediate repair. Ms. Tatman noted three engineering groups have provided opinions that repairs are not needed immediately and the erosion issues would likely slow with expected drop in water levels over the next few years. Village officials are still deliberating on approving the repairs as a capital expenditure. Since the bluff erosion is not considered an immediate repair, the cost to cure has not been deducted from the value opinion stated herein.
Hazards Nuisances	None, The bluff erosion does not pose an immediate hazard to the 34 lots located on the bluff.
Frontage	1,100 feet of Lake Huron frontage
Access	One ingress/egress point along Main Street
Visibility	Average
Surrounding Land Uses	Single family residential to the north, lake huron to the east, RV park to the west, and cmmercial uses to the south.
Transportation Facilities	Private transportation is most common.
Comments	The site is adequate for a manufacturing housing community. The village is deliberating on approving short or long-term repairs to the bluff which has experienced erosion issues. However, the cost to repair is not considered immediate and does not impact the overall marketability of the subject site.

ZONING	
General	
Property Jurisdiction	Village of Lexington
Zoning Classification	MHP
Description	Mobile Home Park Residential
Date of Ordinance	September 5, 2015
Zoning Intent/Purpose	The intent of this District is to provide for mobile home residential development in areas where the natural conditions and features, public services, and infrastructure are capable of supporting such development. Areas zoned MHP shall be located in areas which are compatible with the character and density of adjacent uses.
Special Permitting/Conditions	None noted
Compliance Conclusion	The subject is a legal confroming use in this zoning district.
Comment	We are not experts in the interpretation of complex zoning regulations. We highly recommend a Zoning Report be obtained from a proffesional resource (i.e. BBG Zoning).

ZONING REQUIREMENTS	
Category	**Required**
Current Use:	Manufactured Home Community
Land Size:	10 acres
Front Yard:	10 feet
Side Yard:	10 feet
Rear Yard:	4 feet
Distance Between Homes:	10 feet

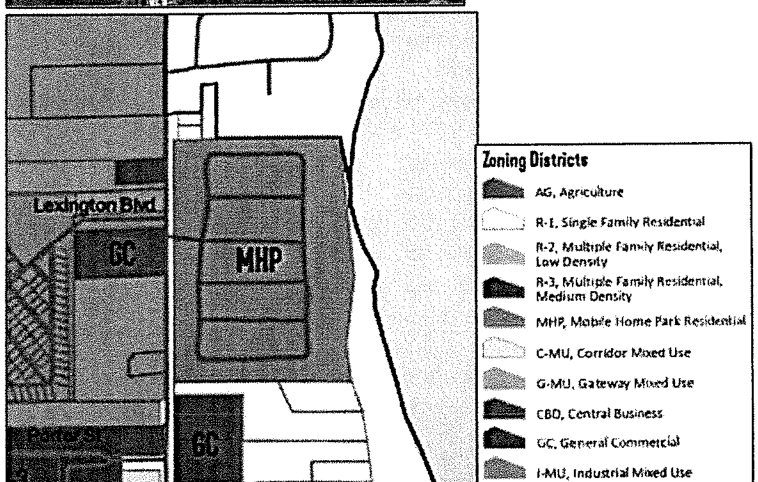
Conclusion

Village President Holly Tatman confirmed the subject is a legal conforming use in this zoning district. Overall, the subject property is functional for its current use; however, the property contains a bluff the overlooks the Lake Huron shoreline which is experiencing erosion issues. In February 2020, the village received a written report from the engineering firm Edgewater Resources that offered preliminary budget numbers for a short term and long term solution. The short-term budget was in the amount of just under $1.7 million and the long-term budget came in at just under $2.8 million. There are 34 sites located directly on the bluff. The difference in repair prices is due to the increased cost of a more elaborate stormwater piping system. According to Village Manager Holly Tatman, this cost to remediate is considered discretionary and not considered an immediate repair. Ms. Tatman noted three engineering groups have provided opinions that repairs are not needed immediately and the erosion issues would likely slow with expected drop in water levels over the next few years. Village officials are still deliberating on approving the repairs as a capital expenditure. Since the bluff erosion is not considered an immediate repair, the cost to cure has not been deducted from the value opinion stated herein.

SUBJECT MAPS

Aerial Map

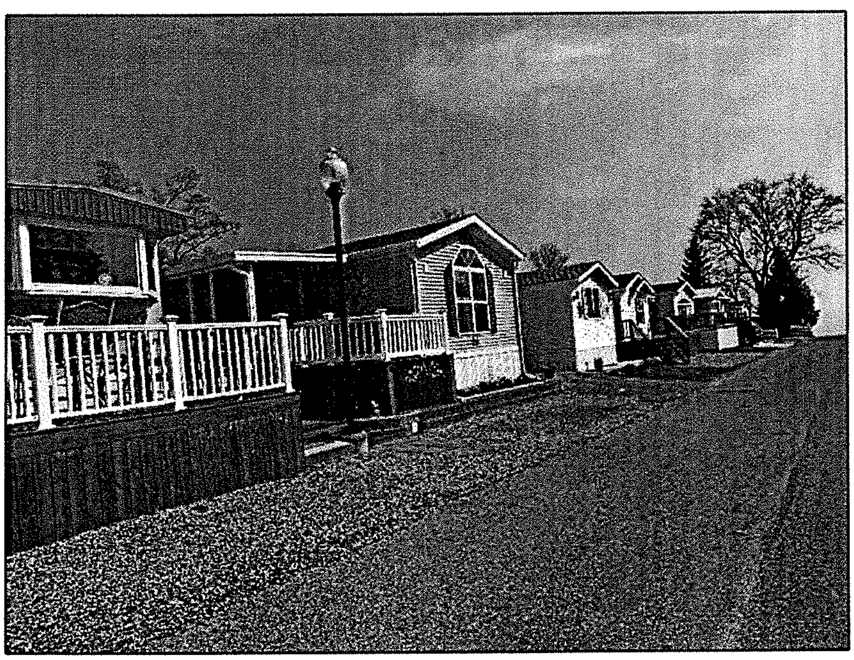
Zoning Map



Flood Map

IMPROVEMENTS DESCRIPTION

GENERAL IMPROVEMENT DESCRIPTION OVERVIEW - MANUFACTURED HOME COMMUNITY	
Address	5203 Main Street Lexington, Michigan 48450
Property Description	Mobile Home Park
Type of Community	"All Ages" Community
Year Built	1960s
Number of Sites	228
Tenant Owned Homes	171
Park Owned Homes - Occupied	0
Park Owned Homes - Vacant	0
Vacant Sites	57
Occupancy	75%
Age of Manufactured Homes	Varies
Condition of Homes	Average
Road Ownership	
Road Type	Asphalt
Road Condition	Average
Ingress/Egress	One ingress/egress point along Main Street
Parking	Ample
Amenities	Clubhouse, playground, and direct acces to beach
Utilities	
Water	Municipal
Sewer	Municipal
Sub metered	No
Billed to Tenants	Water/Sewer/Trash
Gas	Individually metered
Electric	Individually metered



CONCLUSION

The subject layout and design work well for its current use as a manufactured home community. The sites can accommodate modern single-section and double-section homes. Overall, the property is well served as a manufactured home community.

PROPERTY TAXES AND ASSESSMENT

SUBJECT'S ASSESSMENT

Property taxation in the State of Michigan was reformed in 1994. The Michigan Legislature abolished the mills assessed by local school districts to support local school systems. To replace this funding, the State reinstated 18.0 mills of school property taxes for non-homestead property. In addition, the method of taxation was modified as well. Property taxes are determined by applying a mandated millage rate for a given township, city, or school district to the taxable value of the property. The taxable value is based upon the lower of the assessed value (state equalized value -- SEV) or the capped value.

Property assessment is an annual, three-step process:

• First, the local assessor determines the assessed value of property based on the condition of the property on December 31 of the previous year. This is 50 percent of what the assessor determines to be the market price.

• Second, the board of commissioners in each county equalizes, or applies an adjustment factor, to ensure that property owners in all cities, townships, villages, or school districts in the county pay their fair share of that unit's taxes. Equalization serves to bring the total valuation across assessing units as close to the 50 percent level as possible.

• Third, the State Tax Commission applies an adjustment factor to the county assessments to bring the total valuation across counties as close to the 50 percent level as possible. This process produces the property's state equalized value, or SEV.

The capped value is increased at a rate equal to the lesser of 5.0% or the annual consumer price index change. When a property sells, the SEV at the time of the sale becomes the property's capped value. The SEV is generally 50 percent of true cash value as estimated by the local assessor. The 1994 SEV became the capped value for all properties in the State of Michigan when this change was instituted. Implicit in the determination of market value by this appraisal is the consummation of a sale. Upon the sale of a property in Michigan, the local assessor is notified of its selling price. At that point, the local assessor may adjust the assessed value (SEV) upward or downward as indicated by the selling price. The assessor is prohibited from arbitrarily raising the SEV for one property because of one sale; the sold property must remain fairly assessed relative to similar properties.

The subject property is municipally owned and is exempt from ad valorem tax liability. The most likely buyer of the subject property is an investor; as such, the subject's tax exemption would dissolve and the property would be added to the local assessor's tax rolls.

To determine a market-based tax assessment, we have extracted the current assessments of comparable manufacturing housing communities in the area.

No.	Property Name	No. Units	Year Built	2020 SEV	per Lot
	REAL ESTATE TAX COMPARABLES				
	Subject Property	**228**	**1996**	$0	$0
1	Lakeview Manufactured Home Community	38	1965	$653,900	$17,208
2	Croswell Estates Mobile Home Park	40	1970	$93,200	$2,330
3	Country Hill Pines Manufactured Home Community	111	1984	$391,700	$3,529
4	Buell Hill Estates	250	1990	$861,400	$3,446
	Low	38	1965	$93,200	$2,330
	High	250	1990	$861,400	$17,208
	Average	110	1977	$500,050	$6,628

Comparable #1 is located along the Lake Huron shoreline similar to the subject; however, the property contains significantly less lots than the subject which is skewing the per lot assessment value. As such, a pro forma assessment at $5,000 per lot is considered more in line with overall comparable assessments and is utilized in the tax projection below.

TAX PROJECTION	
Pro Forma SEV	$1,140,000
Millage Rate (per $1,000) Twp & Village	50.3625
Property Taxes	$57,413
Plus: 1% Admin Fee	$574
Total Property Taxes	$57,987

COVID-19 Disease; SARS-CoV-2 Virus

CDC

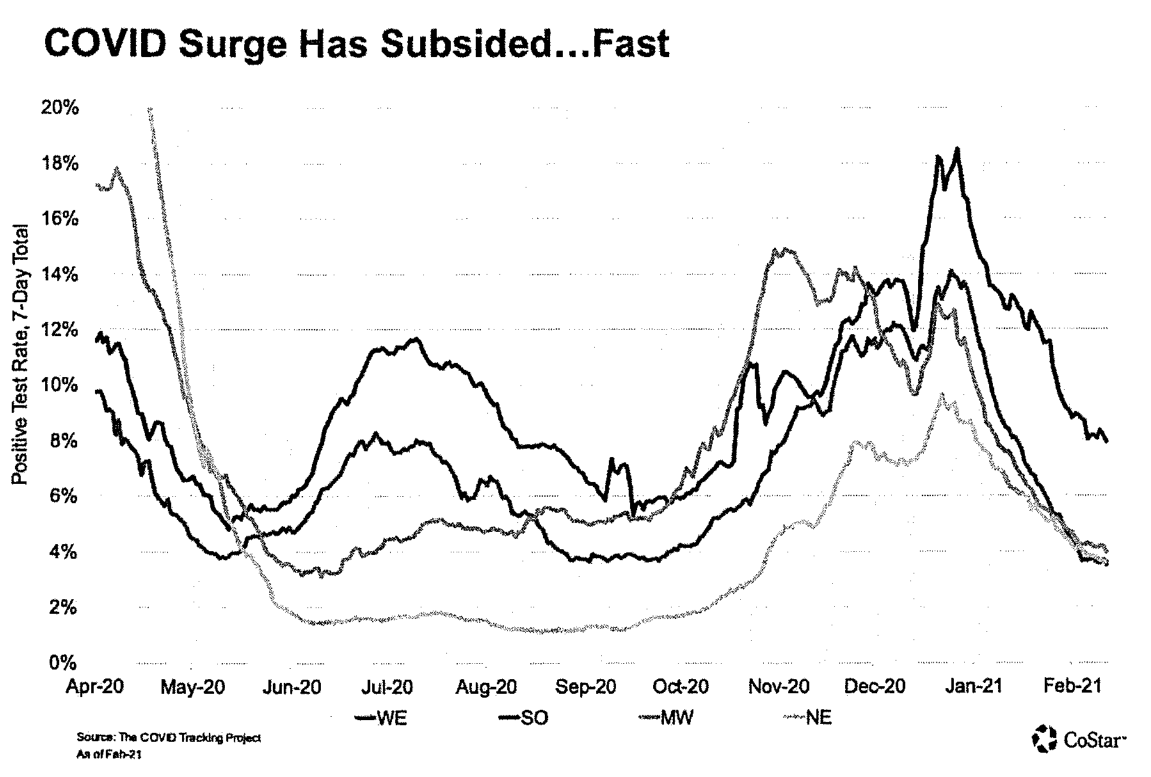
On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization (WHO) declared the outbreak a "public health emergency of international concern" (PHEIC). On January 31, Health and Human Services Secretary Alex M. Azar II declared a public health emergency (PHE) for the United States to aid the nation's healthcare community in responding to COVID-19. On March 11, WHO publicly characterized COVID-19 as a pandemic. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency.

CoStar | March 1, 2021

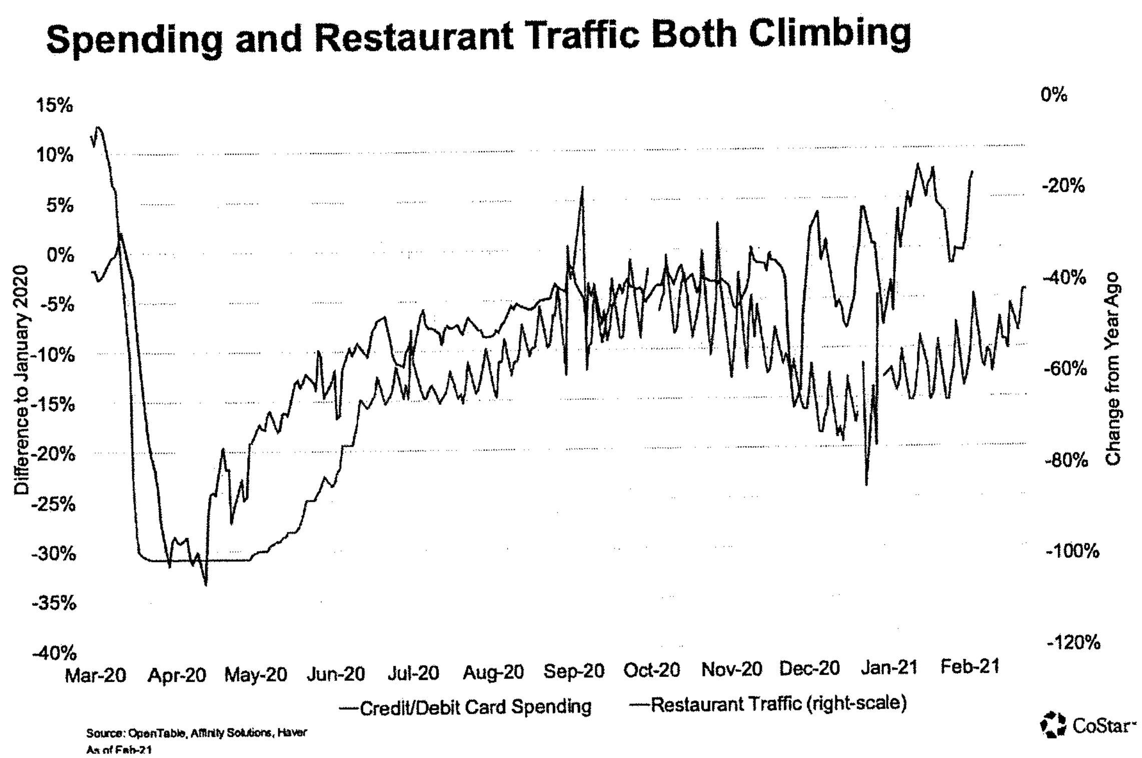
The process for writing this column every week generally starts with updating a set of charts tracking high-frequency data on the economy and then discussing what they mean. The narrative direction for the week is born out of your authors' ongoing Microsoft Teams chat, trading charts back and forth, sending quotes from Federal Reserve speeches, talking markets.

That process last week led to something of a landmark event for CoStar Economy: We're feeling quite optimistic on the economy for the first time in a long time. Let's explain why.

First, let's check in on the most important graph for the economy: COVID-19 infection rates. This has been the graph to watch for nearly a full year as we are approaching the anniversary of the quarantine. As fast and furious as the rise in coronavirus infection rates was to close out 2020, they have come down just as quick. For the West and Midwest in particular, positive test rates are as low as they have been since the pandemic began.

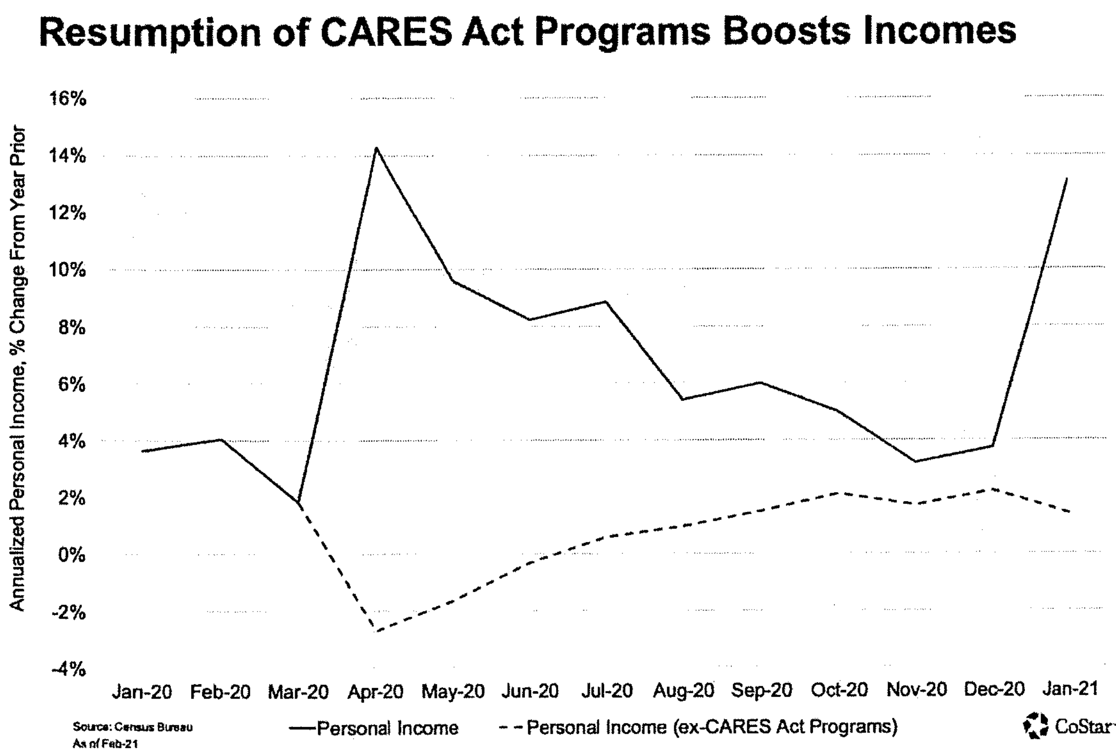


This is great news as the third wave of cases clearly affected economic and job growth, with net negative job growth over the months of December 2020 and January 2021. It appears that activity picked up quickly as the spread began to subside, almost concurrently. Some of our favorite high-frequency indicators are showing very strong signs that things are starting to get better. And quickly. Data from the reservation service OpenTable on restaurant traffic, below in red, is already back to its highest levels since the summer of 2020, when massive rehiring of leisure, hospitality and entertainment workers was driving monthly jobs gains into the millions. Credit and debit card spending, as measured by Affinity Solutions in blue, is also clearly rising in 2021 and currently stands at pandemic highs — even though the trend is pretty volatile.



While restaurant traffic is still down a hefty 40% from a year ago, a combination of vaccinations, healthier restaurant practices and possibly herd immunity effects are pushing activity higher much faster. With Johnson & Johnson's single-shot vaccine getting very positive news last week, this dynamic of increasing in-person activity should accelerate through the spring.

Consumer spending has been on an absolute tear as well, for all the reasons mentioned above but more importantly because of the fiscal stimulus enacted at the close of 2020. The chart below measures total personal income growth against personal income without emergency fiscal stimulus. Personal income in January 2021 skyrocketed to levels not seen since $1,200 checks were sent out in April 2020. While this time around the checks were only $600, these government benefits completely overshadowed the income growth weakness that began in December as hiring slowed to a standstill.



With incomes boosted once again, and more freedom for individuals to move around and spend money, we can say with confidence this is the most optimistic backdrop we've had since the start of the crisis. The bond market has noticed this too, with 10-year U.S. Treasury rates hitting 1.6% briefly before falling back to close the week just below 1.5%. These are levels not seen since February 2020. Federal Reserve Chairman Jerome Powell stuck to his dovish script in front of Congress this past week, indicating "monetary policy is accommodative and it continues to need to be accommodative. ... Expect us to move carefully, patiently, and with a lot of advance warning."

We feel compelled to offer a few reminders. First, rising long-term bond yields aren't necessarily a bad thing! It's less important to know that yields are rising than it is to know why they are rising. In this case, they are rising because economic growth is picking up. As of this writing, the Atlanta Fed's GDPNow forecast for gross domestic product growth for the first quarter of 2021 is near 9%. That's a good thing and will help make up the shortfall in GDP from pre-pandemic levels as well as assist in putting the roughly 10 million people without jobs back to work.

Second, the level of interest rates matters, not just the direction. The worry is that fast-rising interest rates will choke off economic growth. Does anyone here think 1.5% or even 2% interest rates are restrictive, hovering around zero when adjusted for inflation? As we wrote last week, housing market tailwinds will occur even at higher mortgage rates. Both mortgage and Treasury yields remain lower than at any level ever prior to 2020.

Lastly, the Fed has held strong in its conviction to keep short-term interest rates low until a rebound in the economy and labor market is well underway. The two-year Treasury rate agrees with them. While rates at points further out the curve have risen sharply, the two-year has barely budged and remains at only 0.14% as of this writing. That tells us that the Fed won't be raising rates anytime soon to slow down the economy. That means the yield curve has been steepening quickly. Bizarrely, this has been pointed out as a bad sign for growth, or at least a reason to worry that growth will be crimped by higher interest rates. In fact, a steepening yield curve has been a clear leading indicator for an improving economy coming out of a recession. The move steeper over the last few weeks has been fairly sharp, but it's actually just catching levels typically seen when coming out of a recession.

The yield curve tracks consumer and business sentiment indices quite closely. If this is an indication of anything, it's of more strength to come.

We don't want to miss the forest through the trees here: there is still a long, long way to go before cumulative conditions return to where we were a year ago, and millions upon millions are still out of work. But if these trends keep up, and especially if new stimulus passes, that could happen quite quickly. As our opening quote suggests, many households and industries were broken in 2020. The world itself broke, in a way. But it appears that we are healing, and becoming stronger in those broken places.

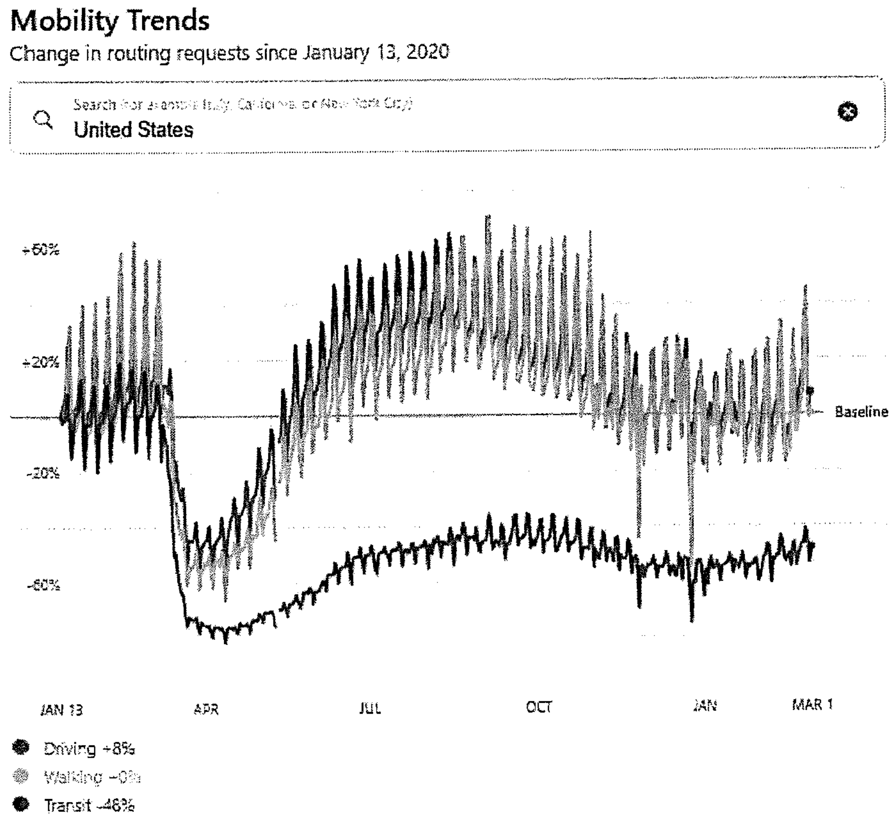
The Week Ahead ...

Next week is all about jobs, with an update on employment in February to be released on Friday. As activity remained depressed as of early February, the report is unlikely to capture the optimism we discussed above. But we will continue to keep a close eye on hiring of employment service employees, a reliable leading indicator for broader hiring, as well as the working conditions for long-term unemployed and disaffected workers.

Secondary to the jobs report, but still important and perhaps more forward-looking, are the Institute for Supply Management surveys. Business confidence has been strong in light of improved vaccine news, and look to continue that way as the ISM manufacturing index is released on Monday and ISM services index on Wednesday.

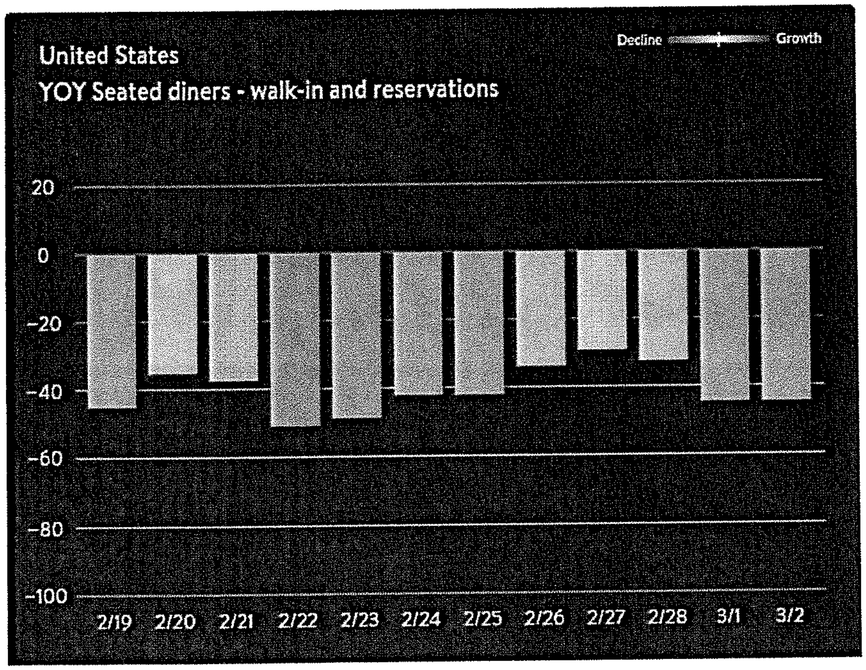
APPLE: DIRECTION REQUESTS | MARCH 1, 2021

Requests for walking and driving directions from Apple's navigation tool, Maps, has shown a material recovery since the bottom in April although transit remains well below pre-covid levels. In any event Americans' mobility has improved greatly.



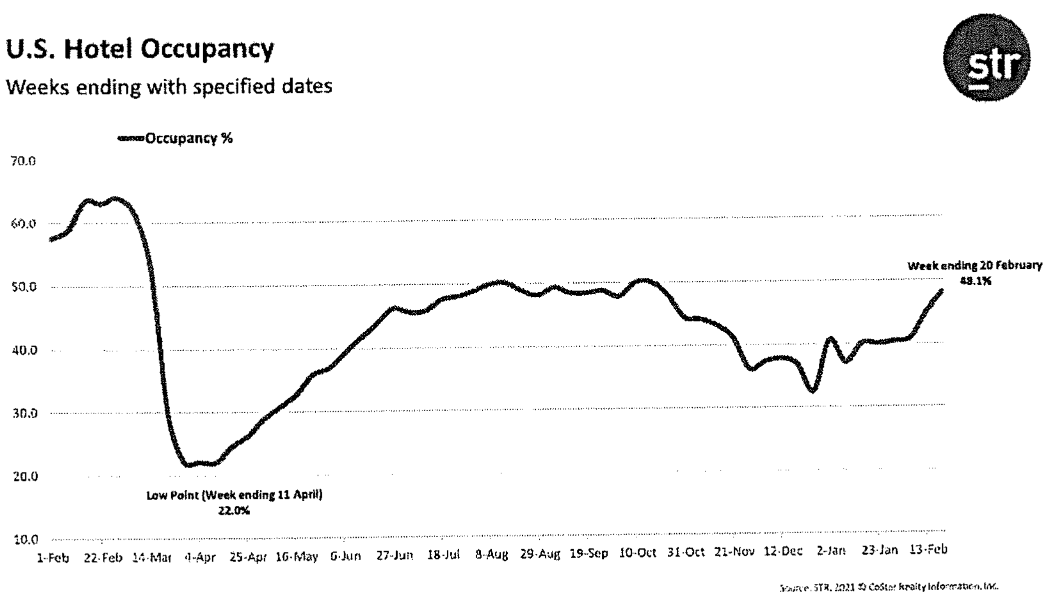
OpenTable: Restaurant Bookings | March 2, 2021

U.S. restaurant bookings have increased off the April lows but remain much lower than pre-covid.



STR: Hotel Occupancy | February 20, 2021

U.S. weekly hotel occupancy reached its highest level since late October, according to STR's latest data through 20 February.



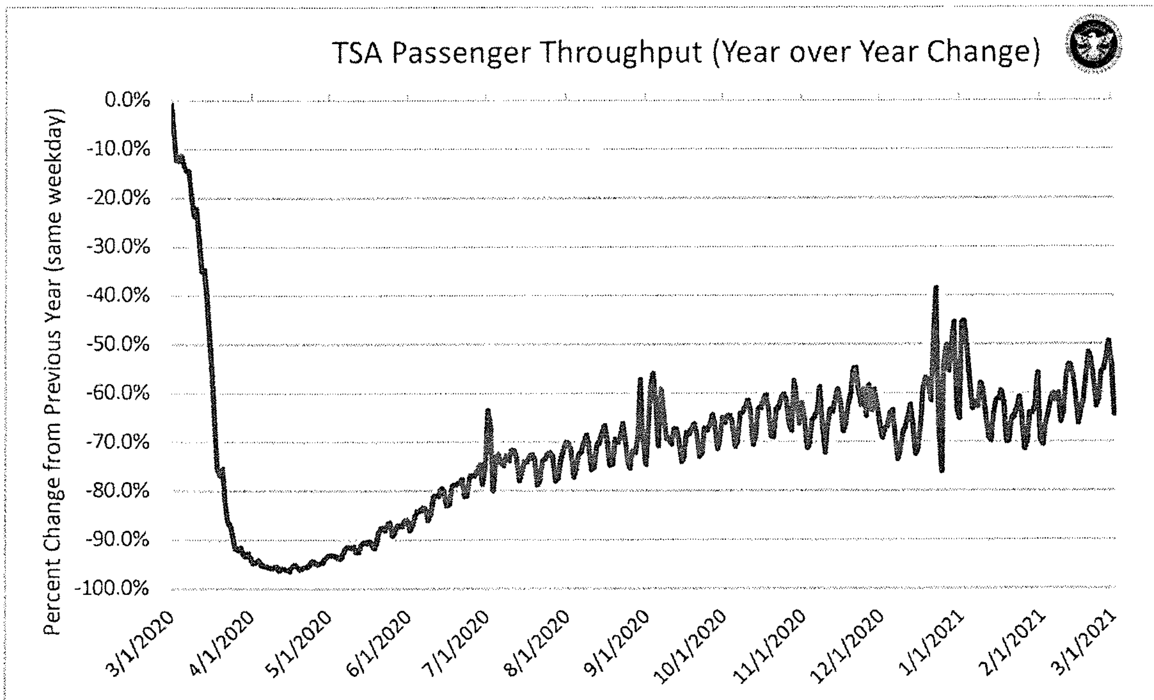
Popular leisure markets in Florida, with leftover demand from the long holiday weekend, posted the week's highest levels. Among STR-defined markets, the Florida Keys reached 93.5%

occupancy, followed by Fort Lauderdale (80.1%). Miami saw the highest occupancy (75.8%) among the Top 25 Markets.

Additionally, displaced Texans pushed week-over-week occupancy gains across STR-defined markets in the state. Texas' occupancy added almost a point to overall U.S. occupancy for the week. Top 25 Markets with the lowest occupancy levels for the week included Minneapolis (32.0%) and Oahu Island (32.8%). Aggregate data for the Top 25 Markets showed slightly lower occupancy (47.0%) but higher ADR (US$107.07) than all other markets.

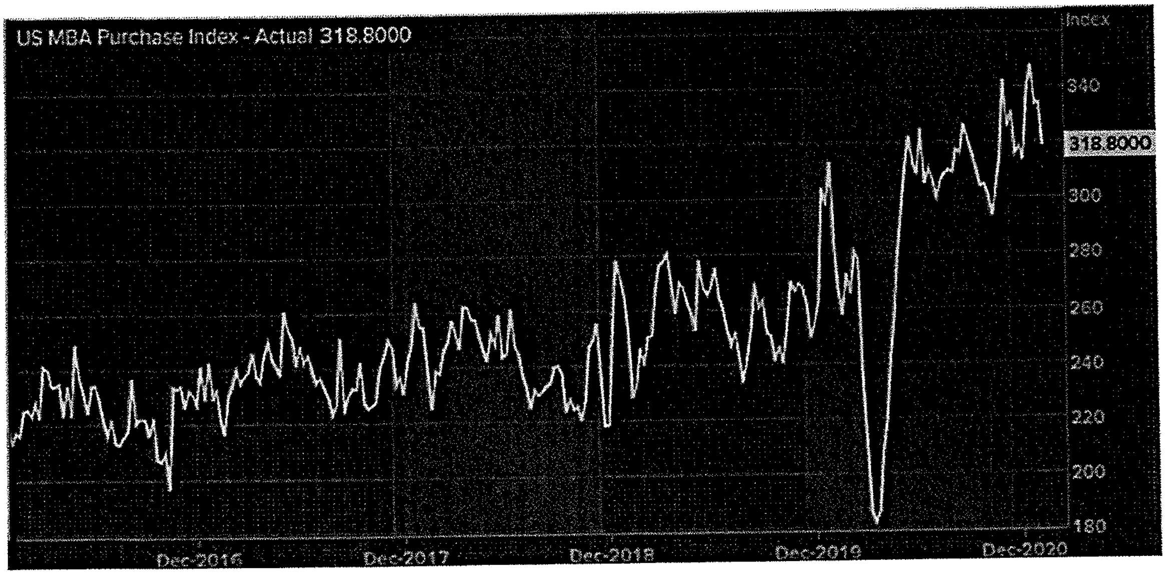
TSA: Air Travel | March 2, 2021

According to data from the Transportation Security Administration, air travel is down about 55% from the same period a year ago, at which time air traffic figures do not appear to have been affected by covid.



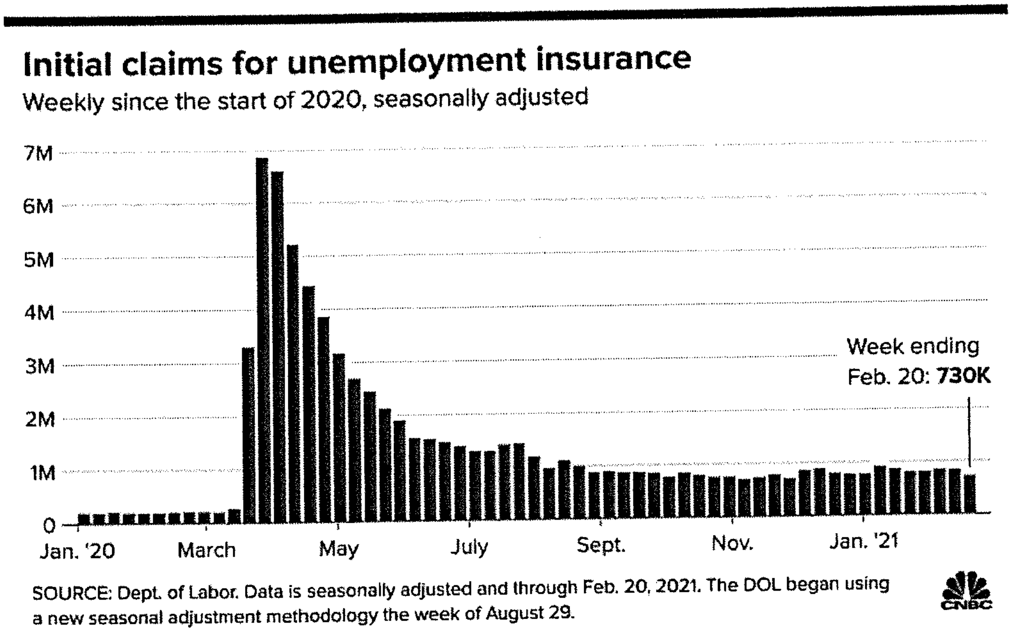
Mortgage Bankers Association: Home purchases | February 5, 2021

Mortgage applications to purchase a home have accelerated in the second half and the housing market remains healthy and active. Home purchases spur economic activity.



Initial Jobless Claims | February 25, 2021

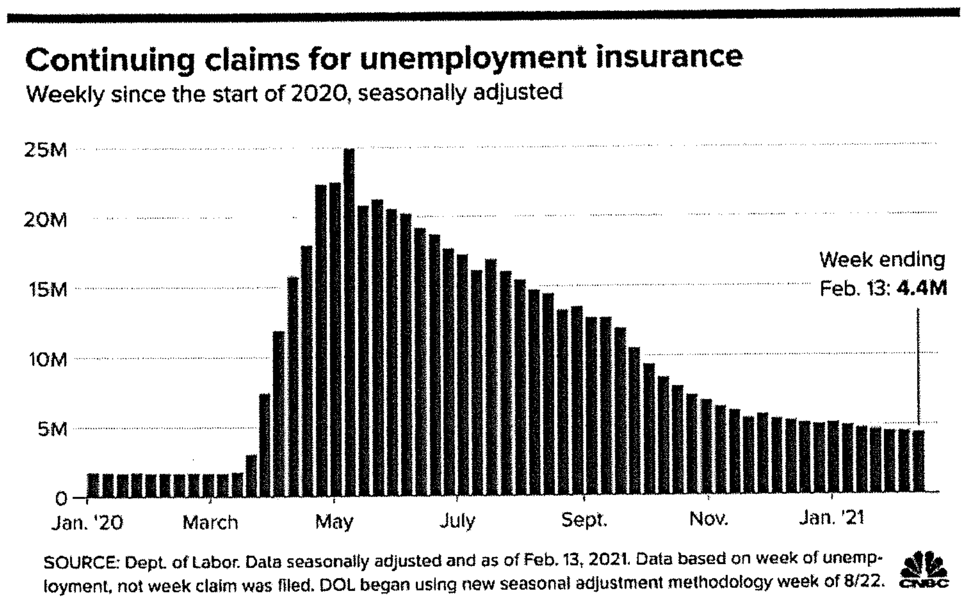
On March 26th initial jobless claims showed an increase in unemployment by 3.1 million persons for the week of March 16th-20th, setting a record that would be broken the following week at 6.9 million. All weekly claims reported since March 26th are higher than any historical figure prior to COVID-19. The following chart illustrates the weekly initial jobless claims in 2020 and into 2021.



Jobless claims fell sharply last week despite severe winter storms that swept across Texas and other parts of the South, the Labor Department reported Thursday. First-time filings for unemployment insurance totaled 730,000 for the week ended Feb. 20, well below the Dow Jones estimate of 845,000.

The total also represented a substantial decrease from the 841,000 the previous week, a number that was revised lower by 20,000. Despite the decline to the lowest since Nov. 28, it was still well above anything the U.S. labor market had seen prior to the Covid-19 pandemic.

Continuing claims also fell, decreasing 101,000 to 4.42 million, the lowest since March 21 but also much higher than the pre-pandemic norm.



Bureau of Labor and Statistics | February 5, 2021

The US unemployment rate (U-3) has declined to 6.3% in January from an April 2020 high of 14.7%. These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed in March and April due to the coronavirus (COVID-19) pandemic and efforts to contain it. In January, notable job gains in professional and business services and in both public and private education were offset by losses in leisure and hospitality, in retail trade, in health care, and in transportation and warehousing,

Chart 1. Unemployment rate, seasonally adjusted, January 2019 – January 2021

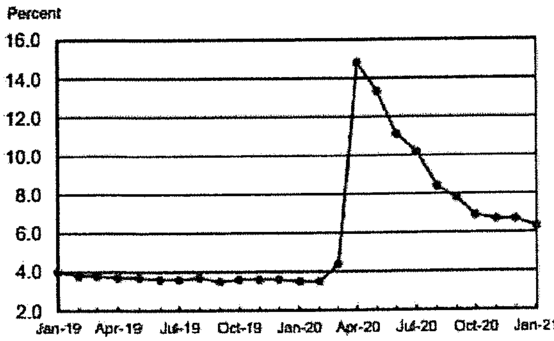
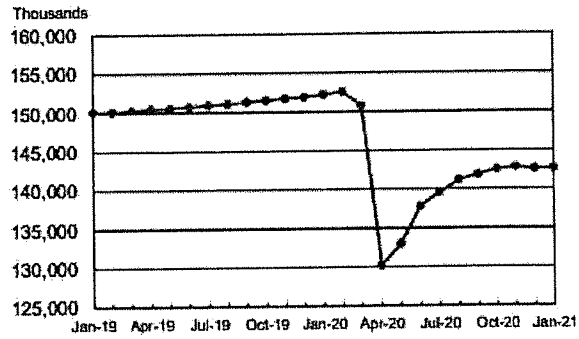


Chart 2. Nonfarm payroll employment, seasonally adjusted, January 2019 – January 2021



GDP Forecasts

The following chart summarizes GDP forecasts from various economists and institutions. Please note the annualized figures are the quarterly change multiplied by four.

		2020 GDP Forecasts Annualized					2021 GDP Forecasts Annualized				
Source	Date	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
CNBC/Moody's Consensus	3/1	--	--	--	--	--	5.0%	8.5%	7.0%	--	6.0%
Mortgage Bankers Association	2/19	--	--	--	--	--	4.8%	5.1%	7.2%	6.4%	5.9%
Goldman Sachs	2/9	--	--	--	--	--	--	--	--	--	6.8%
Atlanta Fed GDP Now	3/1	--	--	--	--	--	10.0%	--	--	--	--
Actual		-5.0%	-32.8%	33.4%	4.0%	-3.5%	--	--	--	--	
Change from Previous Quarter											
CNBC/Moody's Consensus		--	--	--	--	--	1.3%	2.1%	1.8%	--	
Mortgage Bankers Association		--	--	--	--	--	1.2%	1.3%	1.8%	1.6%	
Goldman Sachs		--	--	--	--	--	--	--	--	--	
Atlanta Fed GDP Now		--	--	--	--	--	2.5%	--	--	--	
Actual		-1.3%	-8.2%	8.4%	1.0%	--	--	--	--		

While Q2 was beyond painful, the worst is behind us and Q3 was outstanding. The fourth quarter was strong and the outlook for 2021 is much improved. High growth rates are expected into 2022.

Rent Collections

The following chart from NAREIT summarizes rent collections by property type showing retail the most affected. This table shows the estimated REIT rent collections as a share of typical rent collections. A total of 34 equity U.S. REITs were included in the survey sample across six property sectors. NAREIT discontinued the publication in September as most property types had stabilized.

Table 1

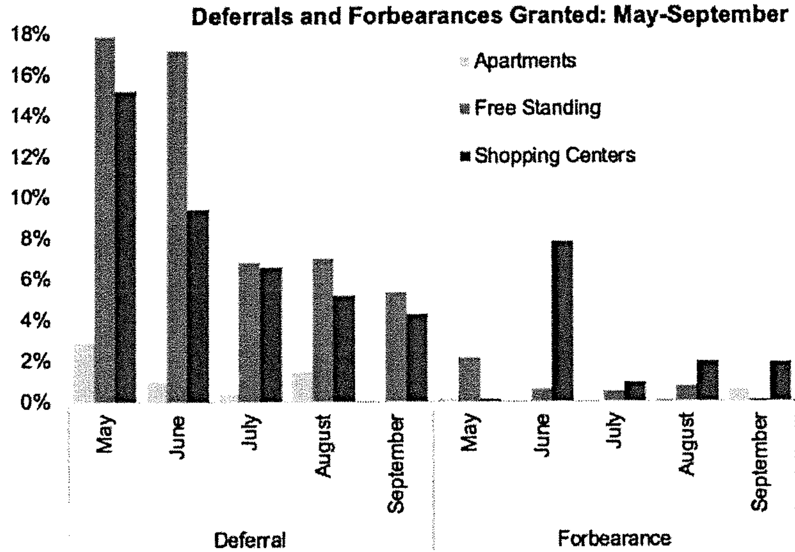
Share of Typical Rent Received April-September

Property Sector	April	May	June	July	August	September
Industrial	97.0%	95.7%	97.8%	99.4%	N/A	N/A
Office	93.2%	92.6%	97.5%	96.4%	N/A	N/A
Apartments	93.8%	94.8%	96.0%	95.4%	96.0%	95.7%
Health Care	90.2%	89.9%	94.8%	95.2%	N/A	N/A
Retail						
Free Standing	72.6%	70.0%	79.5%	90.9%	90.5%	94.9%
Shopping Centers	50.3%	49.3%	60.9%	72.8%	80.2%	81.6%

Source: Equity market capitalization weighted. Nareit survey of members, public disclosures, and FTSE Nareit All REITs Index equity market capitalization as of August 31, 2020 via FactSet.

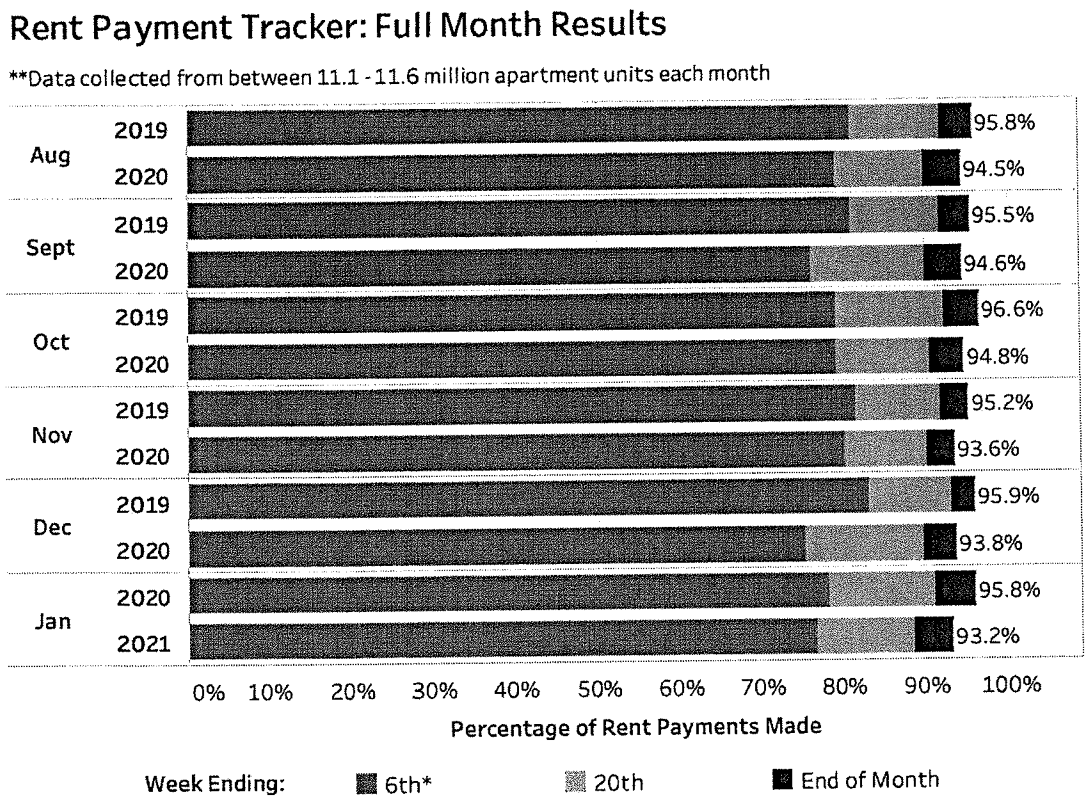
The following chart illustrates deferrals and forebearances granted.

Chart 2
Deferrals and Forbearances Granted: May-September



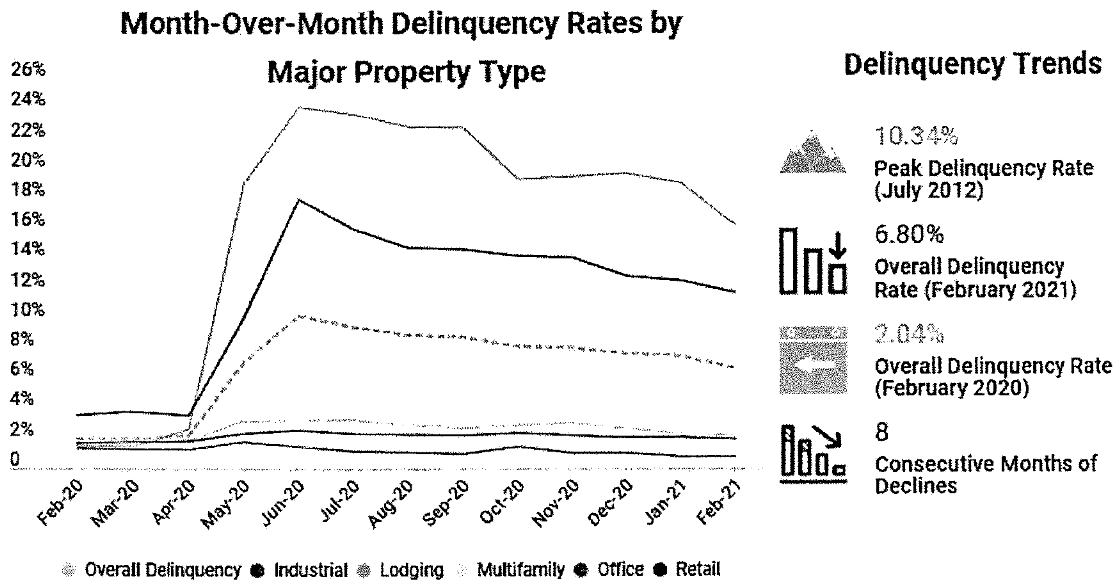
Source: Equity market capitalization weighted. Nareit survey of members, public disclosures, and FTSE Nareit All REITs Index equity market capitalization as of August 31, 2020 via FactSet.

NMHC tracks multi-family collections which are summarized in the following chart.



NAREIT/TREPP: CMBS DELINQUENCY| MARCH 2021

In February, the Trepp CMBS Delinquency Rate generated its largest improvement since the beginning of the pandemic. After two huge jumps in the reading in May and June of last year, the rate has now declined for eight consecutive months. The Trepp CMBS Delinquency Rate in February was 6.80%, a decline of 78 basis points from the January number, which is the biggest drop over the last eight months. The percentage of loans in the 30 days delinquent bucket is 0.58% – down 16 basis points for the month.



Trepp

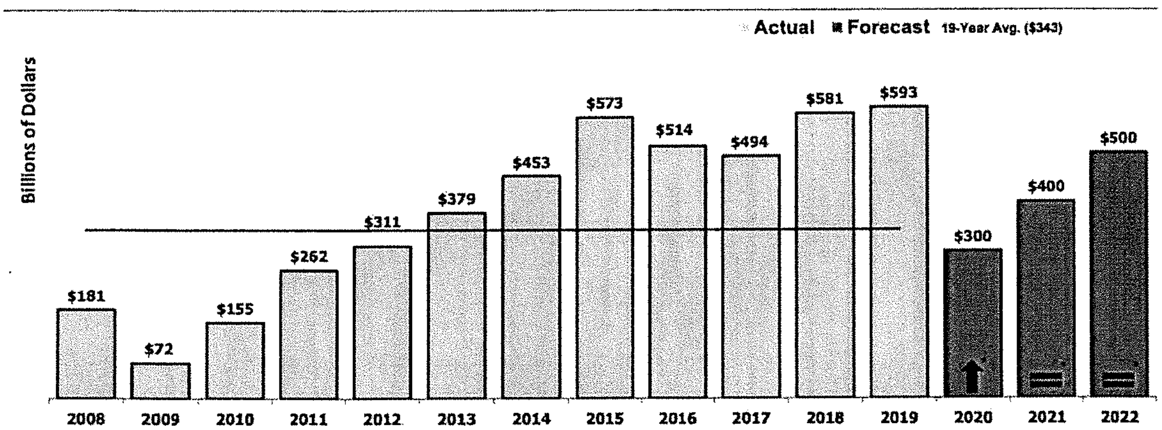
URBAN LAND INSTITUTE: REAL ESTATE ECONOMIC FORECAST | OCTOBER 2020

ULI compiled forecasts from 43 economist/analysts at 37 real estate organizations. The key findings are noted as follows.

Transaction Volume

Commercial real estate transaction volume reached $593 billion in 2019, a post-Great Financial Crisis peak. Volume is expected to be about 50% lower in 2020 with a forecast of $300 billion. Forecasts for '21 and '22 show growth to $400 billion and $500 billion, respectively.

Commercial Real Estate Transaction Volume

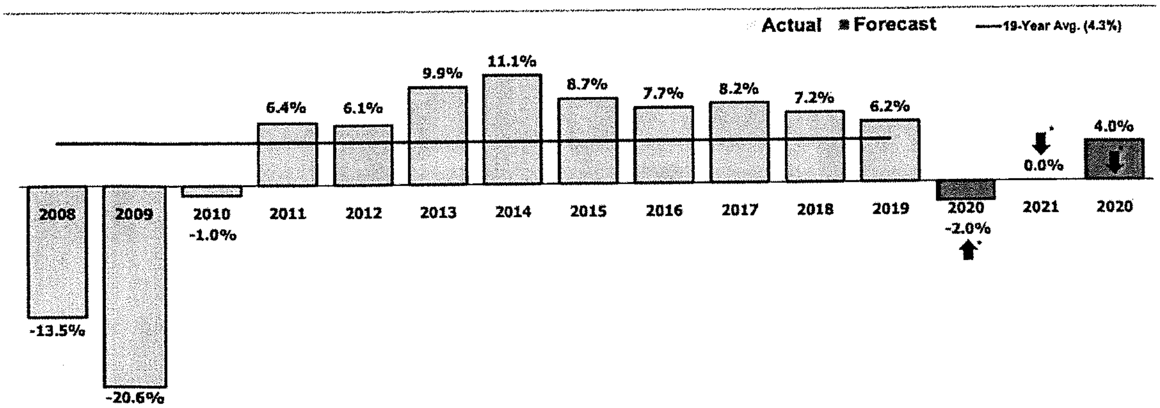


Sources: 2001-2019, Real Capital Analytics (RCA); 2020-2022, ULI Real Estate Economic Forecast.
*Indicated directions (↑ ↓ =) refer to the current forecast relative to the previous ULI Real Estate Economic Forecast. The previous forecast (released in May, 2020) projected $275B for 2020, $400B for 2021, and $500B for 2022.

CRE Pricing

The RCA Commercial Property Price Index (CPPI) has experienced strong growth over the last nine years, staying consistently above 6 percent annually. Prices are expected to drop by 2% in 2020, remaining at that level with no change in '21 and then resuming growth in '22 with a 4% growth rate.

RCA Commercial Property Price Index (annual change)

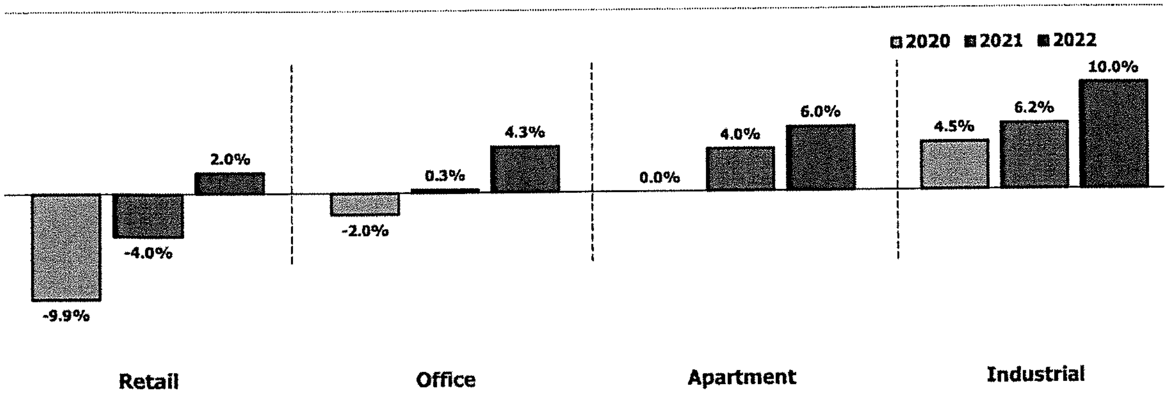


Sources: 2000-2019, Real Capital Analytics (RCA); 2020-2022, UU Real Estate Economic Forecast.
*Indicated directions (↑ ↓ =) refer to the current forecast relative to the previous UU Real Estate Economic Forecast. The previous forecast (released in May, 2020) projected -7.0% for 2020, 1.0% for 2021, and 5.0% for 2022.

CRE Returns

NCREIF total returns in 2020 for the industrial sector in 2020 are expected to be positive, the only sector for which this is the case. Still, at 4.5%, this is a significant decline from industrial returns in 2019 of 13.4% and well below its long-term average of 10.4%. Apartment returns for 2020 are expected to be flat, while office and retail returns for 2020 are both forecast to be negative, at -2% and -9.9%, respectively. Industrial total returns are forecast to continue to increase in '21 and '22, at 6.2% and 10%, respectively, not yet returning to the recent growth rates experienced prior to the pandemic. Apartment and office total returns are forecast to turn positive in '21, at 4% and 0.3%, respectively and continuing to gain strength in '22, at 6.0% and 4.3%, respectively. Retail total returns are expected to further decline in 2021 by 4.0%, and then experience positive growth in 2022 of 2%.

NCREIF Property Types Total Returns

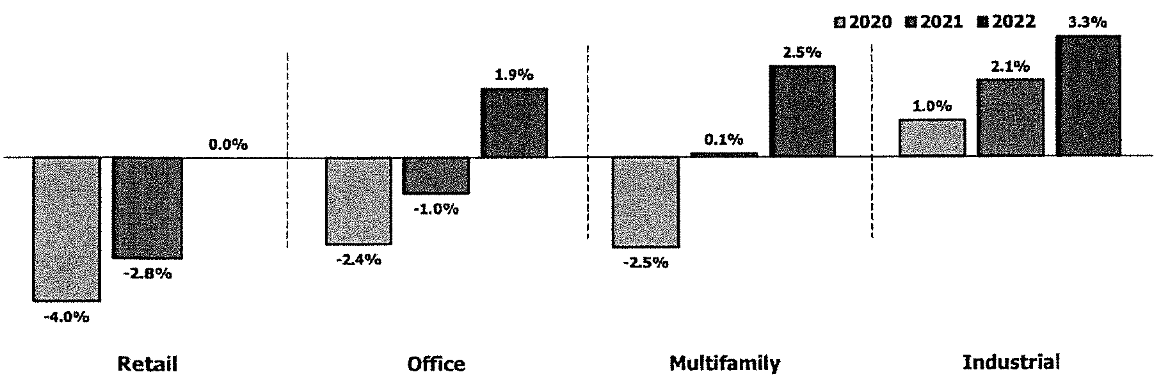


Source: 2020-2022, UU Real Estate Economic Forecast.

Rent Growth

Commercial property rent growth differs widely by property type, as well. In 2020, industrial rent growth is forecast to be 1.0%, while apartments, office and retail are forecast at -2.5%, -2.4%, and -4.0%, respectively. In '21, both the industrial and multifamily sectors experience positive growth, at 2.1% and 0.1%, respectively, while office rental rate growth is -1.0% and retail is -2.8%. By '22, positive rental growth is forecast for all sectors, ranging from 3.3% in the industrial sector to 1.9% in the office sector. The exception is the retail sector that plateaus in '22..

Rental Rate Growth 2019-2022

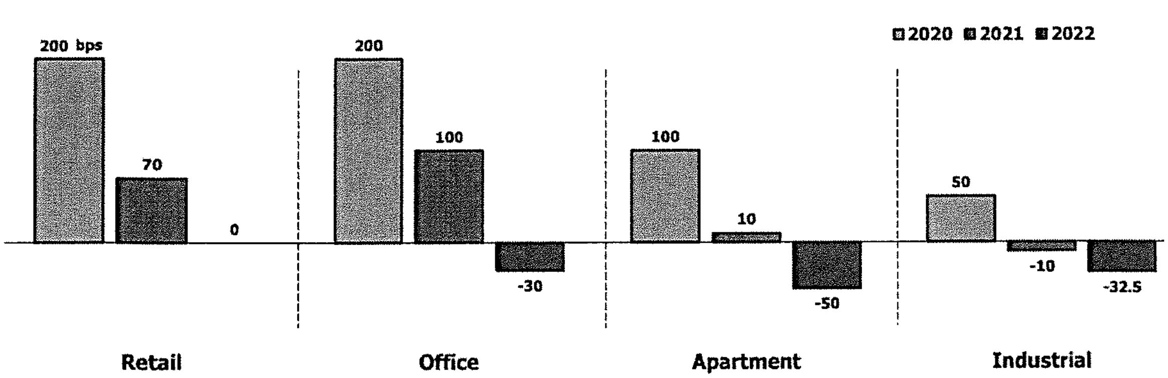


Source: 2020-2022, ULI Real Estate Economic Forecast.

Vacancy

Change in vacancy and availability rates differ widely by property type. In 2020, industrial availability is forecast to move up 50 basis points, while apartments are forecast to move up 100 basis points and both office and retail are forecast to move up 200 basis points. In '21, industrial availability is expected to reverse direction and notch down slightly, apartment vacancy notches up slightly, and both office and retail vacancy rates continue to increase, albeit more moderately. In '22, all sectors show slight improvement, with the exception of retail which remains unchanged over '21.

Vacancy Rate Change 2019-2022 (bps)

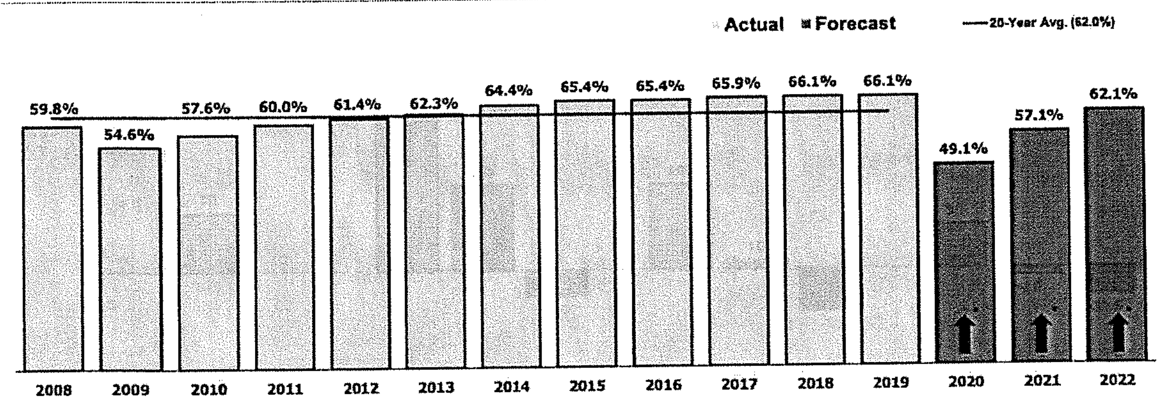


Source: 2020-2022, ULI Real Estate Economic Forecast.

Hotel Occupancy

Hotel occupancy rates, according to STR, were steadily improving over the last ten years, coming in at 66.1% in 2019, above the twenty-year average. The occupancy forecast for the full 2020, 49.1%, reflects the sector's relative strength in the few months prior to the pandemic, the near halt during the initial phases of the pandemic, and then some level of return to travel the balance of the year. Rates are forecast to improve over subsequent forecast years, increasing to 57.1% in '21 and 62.1% in '22.

Hotel Occupancy Rates

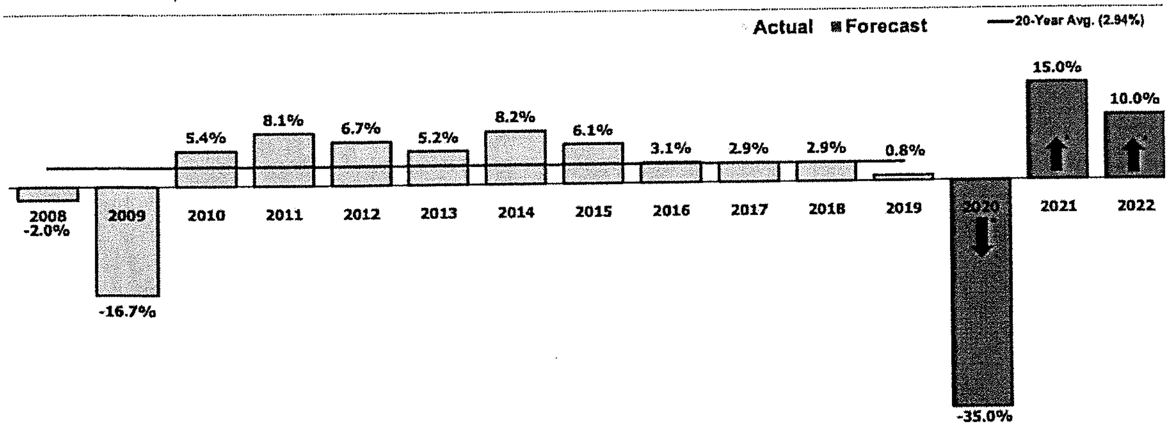


Sources: 2000-2019, (December, 12-month rolling average), STR; 2020-2022, ULI Real Estate Economic Forecast.
*Indicated directions (↑ ↓ =) refer to the current forecast relative to the previous ULI Real Estate Economic Forecast. The previous ULI Real Estate Economic Forecast (released in May, 2020) projected 40.1% for 2020, 54.9% for 2021, and 59.9% for 2022.

Hotel RevPar

Following seven years of above-average hotel revenue per available room (RevPAR) growth, the RevPAR growth rate dipped to the long-term average in '17 and '18, and then experienced minimal growth, 0.8%, in 2019. RevPAR is forecast to drop 35% in 2020. Growth is expected to begin recovery in '21 at positive 15%, and continue in '22 at 10%. Given the steep decline in '20, the growth rates in the subsequent forecast years will not yet be sufficient to bring RevPAR to 2019 levels.

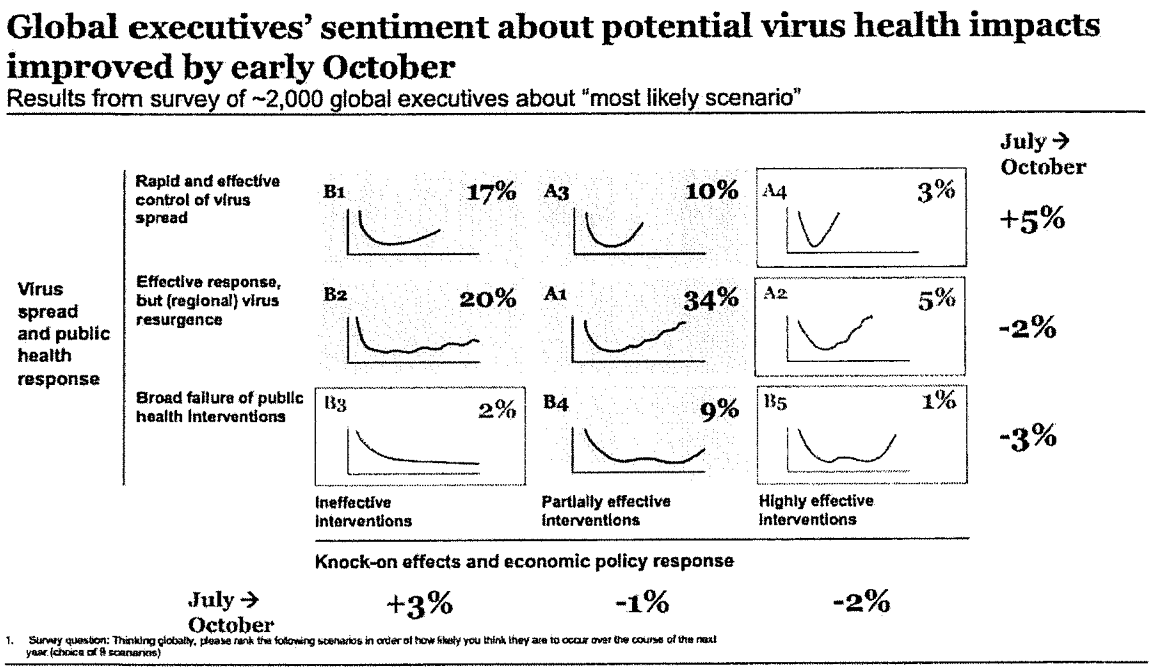
Hotel Revenue per Available Room (RevPAR) Change



Sources: 1999-2019, (December, 12-month rolling average), STR; 2020-2022, ULI Real Estate Economic Forecast.
*Indicated directions (↑ ↓ =) refer to the current forecast relative to the previous ULI Real Estate Economic Forecast. The previous forecast (released in May, 2020) projected -27.5% for 2020, 6.5% for 2021, and 5.0% for 2020.

McKinsey & Company | October 30, 2020

The following from McKinsey & Company illustrates the many possible scenarios for the economic impact of the COVID-19 crisis. With a strong public health response and the stimulus package the most likely scenarios are A1 through A4. Other, more extreme scenarios can also be conceived, and some of them are already being discussed (B1–B5 in Exhibit 3). One can't exclude the possibility of a "black swan of black swans": structural damage to the economy, caused by a yearlong spread of the virus until a vaccine is widely available, combined with the lack of policy response to prevent widescale bankruptcies, unemployment, and a financial crisis.



If Scenario A1 occurs, McKinsey & Company projects US GDP will return to pre-crisis levels in the third quarter of 2022. If Scenario A3 occurs, McKinsey & Company projects US GDP will return to pre-crisis levels in the first quarter of 2021.

Other Federal, State and Local Considerations

The federal government, states and municipalities have enacted legislation to lessen the economic impact of COVID-19. Landlords', owners' and tenants' rights may be affected by such legislation. Many states and cities issued shelter-in-place orders forcing most residents to remain indoors except for essential needs like groceries and essential businesses. Several states have proposed legislation that would forgive rent and/or would allow termination of contracts. These issues should be closely monitored as they could place downward pressure on value.

Force Majeure

Force majeure clauses are contract provisions that excuse a party's inability to perform its obligations under the contract if an unforeseeable event prevents such performance. Most leases have similar clauses. We are not experts with regard to force majeure contacts and laws. Should COVID-19 become accepted in the US as a force majeure event there may be additional risk for landlords.

Conclusion

COVID-19 infections and overall economic implications are the primary concern of US and international investors; however, as vaccines are becoming more available and GDP growth rates have rebounded the worry among investors has been greatly reduced. Strong economic growth is expected throughout 2021 and into 2022 as rates are expected to remain near historical lows. Given recent bond yield increases, investors have expressed worries over upward pressure on interest rates; however, rates remain well below historical norms.

Medium and long-term outlooks are favorable and interest rates are expected to remain low into 2023, which could bode well for commercial real estate. Over the short-term hotels, restaurants and non-credit retail have taken the brunt of the declines while industrial, self-storage and multi-family have been the least affected. Office demand has faced downward pressures due to remote working trends and elevated levels of unemployment, which are declining. We will continue to interview market participants regarding changes in market conditions.

MANUFACTURED HOUSING OVERVIEW

DEFINITIONS

Mobile Home – A factory-built house on a permanent chassis constructed prior to the enactment of the HUD Code on June 15, 1976.

Manufactured Home – a factory-built house manufactured under the Federal Manufactured Home Construction and Safety Standards Act, more commonly known as the HUD code.

Modular Home – A factory-built house built in compliance with a building code other than the HUD Code. This usually means that the home is constructed to the standards of the state or local building code used by the governmental unit where the house is to be located. Note that the California Factory-Built Housing Program uses the term factory-built housing (FBH) in place of the term modular home.

Mobile Home Park / Manufactured Home Community – Any site that is suitable for parking two or more mobile homes somewhat permanently.

*Source – The Dictionary of Real Estate Appraisal, 6th Edition, Copywrite Appraisal Institute.

The term "mobile home park" and "manufactured home community" tend to be used interchangeably. However, many parks are filled with HUD compliant homes which are considered manufactured homes.

History of Manufactured Housing Industry

Mobile homes were originally developed in the 1920's as travel trailers for wealthy vacationers from the east coast. They used them as they traveled the country in the warm months. Cities around the country eventually created "mobile home parks" and offered free overnight parking as a method to bring patrons into their cities.

After World War II there was a housing shortage around the country. Mobile homes provided an affordable option. In addition, due to the many government funded construction projects, mobile homes provided for mobile work camps for the construction workers. Early mobile homes were somewhat primitive with minimal electricity and no bathrooms.

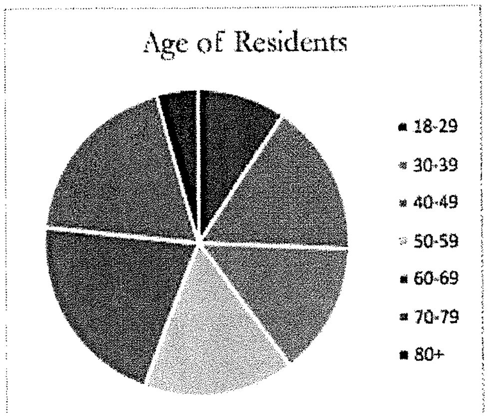
Many parks began to be built in the 1950's and 1960's. They were typically developed by owners who lived onsite. These communities had small homes that were placed close together with little space for additional amenities. There were no standard building code requirements at the time.

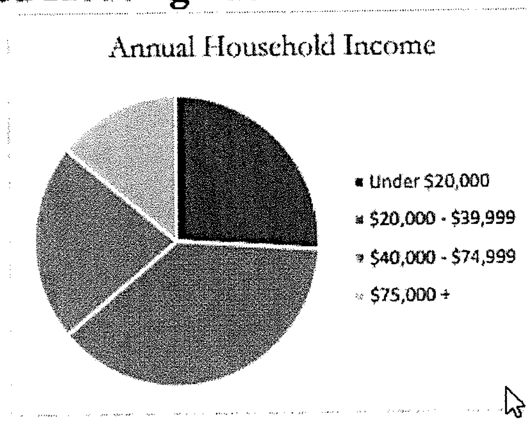
The industry experienced significant change in 1976 when Federal Manufactured Home Construction and Safety Standards Act, more commonly known as the HUD code, was established. Factory built homes constructed to HUD standards and stamped with a HUD tag were considered manufactured housing.

Manufactured housing communities have been vastly improved over the past 50 years. Newer communities have a residential subdivision feel with many amenities.

*Source – Mobile Home University

Manufactured Housing Facts



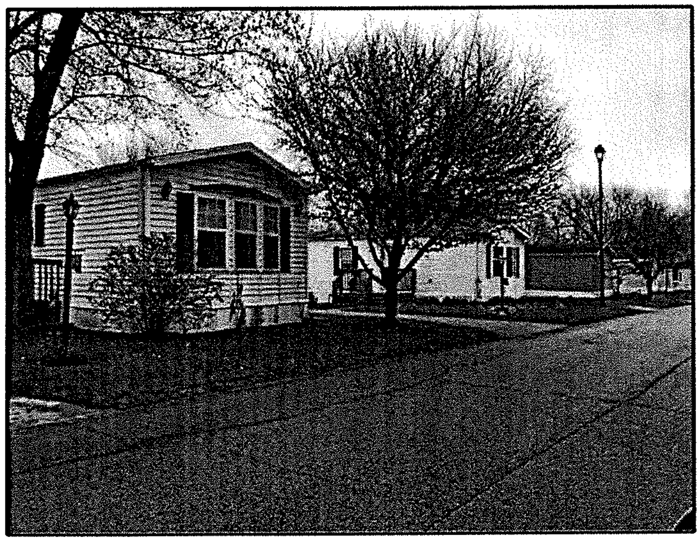


Source: Manufactured Homes: Market Facts 2018, by Trifecta Research

The Manufactured Housing Institute (MHI) reports that more than 22 million people in the United States live in manufactured housing. The demographics vary widely with all age groups represented. For most living in manufactured housing, the average annual household income is under $40,000.

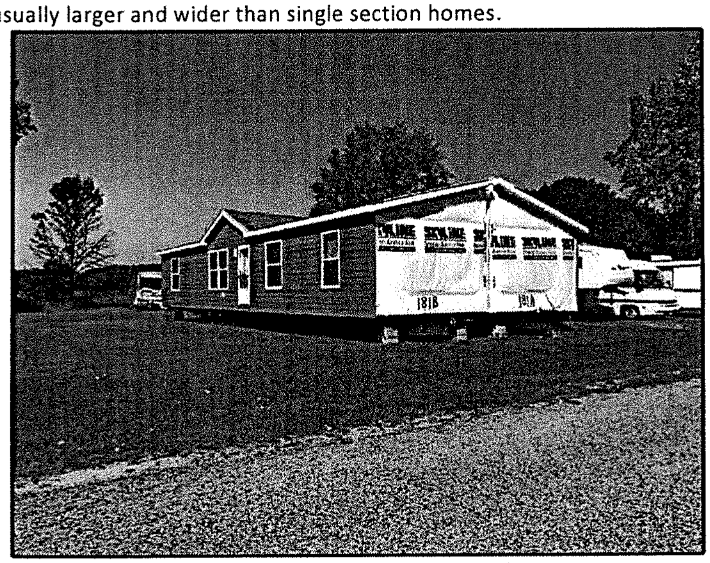
TYPES OF HOMES

Single-Section/Single-Wide – Single section homes are manufactured homes that are made up of one section. Common sizes include widths of 12 to 16 feet and lengths of 60 to 80 feet.



Typical Single-Section Homes in a Manufactured Home Community

Multi-Section/Double-Wide – These homes consist of two or more sections that are typically assembled on the home site. They are usually larger and wider than single section homes.



Typical Multi-Section Home Being Installed in a Manufactured Home Community

Other Structures – Many manufactured home communities have other housing structures such as single-family homes, duplexes, and apartment buildings. The single-family homes are typically occupied by the park owner(s) or manager.

Types of Infrastructure, Amenities, & Ratings

Streets – Streets in manufactured housing communities can be a wide range of quality. This may include dirt, gravel, asphalt, concrete, or a combination of any. Higher quality communities will have concrete curb and gutter and concrete sidewalks. Ownership and maintenance of the streets can be by the community owner (private) or by the municipality (public). In the northern climates, due to harsh winters and significant snowfall, it can be a large cost savings to community owners if the municipalities plow the streets and perform routine maintenance.

Utilities (Water) – Utilities can vary significantly depending on the location of the community. Water is typically from a county or municipal service, or from private well(s) located with the community. Private wells and water are typically subject to periodic testing by governing agencies. Municipal water is typically the preferred source of community owners and potential buyers.

Utilities (Sewer) – Wastewater systems can also vary depending on the location of the community. Communities located outside of municipal boundaries or in rural locations may have septic systems, lagoon pond systems, or packaging plants. Costs to maintain and replace private systems can be substantial. If it is an option, owners and buyers prefer to be connected to municipal sewer lines.

Sub-Metering – Modern communities have utilities that are sub-metered at the individual home site. That is, each site can be monitored and billed for the consumption of water and sewer usage. The trend in recent years has been for owners to sub-meter the utilities to reduce their expenses. Many communities have individual metered electrical systems; however, some older communities have master metered systems whereby the park owner pays the electrical costs and maintains the service.

Amenities – Amenities typically add to the overall appeal of the communities, thus leading to higher occupancies and rents than communities with few or no amenities. Amenities are typically in larger professionally managed parks and may include clubhouse, office, swimming pool, nature trails, basketball and volleyball courts, golf courses, playgrounds, and other water amenities such as beach areas. Communities with a wide variety of amenities are referred to as lifestyle communities.

Community Types – Manufactured home communities are typically either "all ages" communities or 55+ or senior type communities. Senior communities are more prevalent in states with a larger senior demographic such as Arizona or Florida.

Site Rent – in nearly all communities, if the tenant owns the home, they pay monthly site rent to the property owner. Leases range from month-to-month to one year or more. Site rent may include a base rent plus additional charges for water, sewer, cable, pet fees, late fees, and other fees. In some areas site rents are very inconsistent.

Community Rating – There is no standard rating system for manufactured housing communities; however, high quality communities are typically classified as "5 Star" or "A" communities. The following scale was created by BBG, Inc. and is similar to rating systems used by market participants to grade communities.

Rating System - Manufactured Housing Communities			
	5 Star	**4 or 3 Star**	**2 Star or Less**
Quality	Subdivision Type	Good	Fair to Average
Density	5 or less per acre	10 or less per acre	Over 10 per acre
Amenities	Clubhouse, Pool, Office, other	Some Amenities	None
Roads	Asphalt/Concrete, Curb & Gutter, Sidewalks	Asphalt/Concrete	Dirt or Gravel
Utilities	All Municipal	Municipal or Private	Private
Home Quality	V. Good	Average to Good	Fair to Average
Home Age	2000 & Newer	2000 & Newer	1970's-1990's
Home Type	Multi-Section	Single & Multi	Single

Many communities would be a blend of the different star ratings as they have attributes of several of the categories. The subject would be considered a 2 to 3-star community based on my inspection of the property.

STICK BUILT VS. MANUFACTURED HOUSING

Cost and Size Comparisons: New Manufactured Home and New Single-Family Site Built Homes	2012	2013	2014	2015	2016	2017	2018
New Manufactured Homes							
All							
Avg. Sales Price	$62,200	$64,000	$65,300	$68,000	$70,600	$71,900	$78,500
Avg. SqFt	1,480	1,470	1,438	1,430	1,446	1,426	1,438
Avg. Cost Per SqFt	$42.03	$43.54	$45.41	$47.55	$48.82	$50.42	$54.59
Single							
Avg. Sales Price	$41,100	$42,200	$45,000	$45,600	$46,700	$48,300	$52,400
Avg. SqFt	1,100	1,100	1,115	1,092	1,075	1,087	1,072
Avg. Cost Per SqFt	$37.36	$38.36	$40.36	$41.76	$43.44	$44.43	$48.88
Double							
Avg. Sales Price	$75,700	$78,600	$82,000	$86,700	$89,500	$92,800	$99,500
Avg. SqFt	1,725	1,720	1,710	1,713	1,746	1,733	1,747
Avg. Cost Per SqFt	$43.88	$45.70	$47.95	$50.61	$51.26	$53.55	$56.95
Housing Starts vs. Shipments							
(Thousands of Units)							
New Single Family							
Housing Starts	535	618	648	715	782	849	876
Percent of Total	91%	91%	91%	91%	91%	90%	90%
Manufactured Home Shipments							
Shipped	55	60	64	71	81	93	97
Percent of Total	9%	9%	9%	9%	9%	10%	10%
Total	590	678	712	786	863	942	973
New Single-Family							
Site Built Homes Sold							
(Home and Land as Package)							
Avg. Sale Price	$292,200	$324,500	$347,700	$352,700	$360,900	$384,900	$385,000
Derived Avg. Land Price	$69,115	$75,071	$84,444	$80,246	$82,491	$91,173	$87,253
Price of Structure							
Avg. Square Feet	2,585	2,662	2,707	2,724	2,650	2,645	2,602
Avg. Price Per SqFt	$86.30	$93.70	$97.25	$100.02	$105.06	$111.05	$114.43
Manufactured Home Shipments							
Total	54,881	60,228	64,331	70,544	81,136	92,902	96,555
Single-Section	25,629	28,239	30,218	32,210	38,944	46,305	44,979
Multi-Section	29,252	31,989	34,113	38,334	42,192	46,597	51,576
New Manufactured Homes Placed							
Located In Communities	29%	30%	33%	34%	34%	32%	37%
Located on Private Property	71%	70%	67%	66%	66%	68%	63%
Titled as Personal Property	77%	78%	80%	80%	77%	76%	77%
Titled as Real Estate	15%	14%	13%	14%	17%	17%	17%

Source: U.S. Commerce Department Census Bureau

The average selling price of both single and multi-section homes has gone up over the past few years. The average size of the single-section homes and multi-section homes have stayed the same.

The number of stick-built and manufactured home deliveries saw a large decline from 2007 to 2010. Both sectors have seen a steady increase in deliveries over the past few years. The overall percentages of manufactured house to total deliveries has remained steady at around 9% over the past four years, with a slight increase to 10% in 2017.

The average price of a stick built home has increased since 2011; however, so has the average size of the home. Based on conversations with builders, material costs are expected to continue to increase in the foreseeable future.

The percentage of manufactured homes placed in communities versus private property has increased from 29% in 2012 to 37% in 2018. The percentage of manufactured homes titled as personal property has been steady.

DEMAND FOR MANUFACTURED HOUSING - SHIPMENTS BY STATE

Manufactured Home Shipments & Product Mix By State

	2016			2017			2018			2019		
	Single	Multi	Total	Single	Multi	Total	Single	Multi	Total	Single	Multi	Total
New England												
Connecticut	86	36	122	76	37	113	69	36	105	58	42	100
Main	256	283	539	227	298	525	264	327	591	286	349	635
Massachusetts	74	145	219	59	154	213	73	127	200	88	102	190
New Hampshire	173	208	381	149	243	392	180	250	430	198	196	394
Rhode Island	12	15	27	25	13	38	12	16	28	17	9	26
Vermont	44	79	123	51	76	127	56	65	121	58	86	144
Total	645	766	1,411	587	821	1,408	654	821	1,475	705	784	1,489
Middle Atlantic												
New Jersey	207	163	370	269	202	471	369	272	641	381	215	596
New York	717	783	1,500	677	752	1,429	729	875	1,604	770	840	1,610
Pennsylvania	640	912	1,552	623	922	1,545	742	953	1,695	961	1,001	1,962
Total	1,564	1,858	3,422	1,569	1,876	3,445	1,840	2,100	3,940	2,112	2,056	4,168
East North Central												
Illinois	737	449	1,186	894	450	1,344	705	454	1,159	940	373	1,313
Indiana	1,039	491	1,530	1,120	574	1,694	1,262	571	1,833	1,666	514	2,180
Michigan	2,379	1,487	3,866	2,519	2,272	4,791	2,218	2,249	4,467	2,075	2,128	4,203
Ohio	1,179	513	1,692	1,399	513	1,912	1,401	531	1,932	1,296	532	1,828
Wisconsin	354	189	543	363	249	612	502	274	776	381	276	657
Total	5,688	3,129	8,817	6,295	4,058	10,353	6,088	4,079	10,167	6,358	3,823	10,181
West North Central												
Iowa	334	136	470	302	168	470	331	133	464	417	164	581
Kansas	209	161	370	219	123	342	362	110	472	677	183	860
Minnesota	224	268	492	329	384	713	391	341	732	444	403	847
Missouri	517	539	1,056	677	624	1,301	593	658	1,251	6,672	619	7,291
Nebraska	79	47	126	130	56	186	108	52	160	191	70	261
North Dakota	169	139	308	126	176	302	130	149	279	121	177	298
South Dakota	159	146	305	108	151	259	97	146	243	109	129	238
Total	1,691	1,436	3,127	1,891	1,682	3,573	2,012	1,589	3,601	8,631	1,745	10,376
South Atlantic												
Delaware	163	259	422	172	215	387	158	232	390	138	207	345
District of Columbia	0	0	0	0	0	0	0	0	0	0	0	0
Florida	1,618	3,835	5,453	1,718	4,137	5,855	2,093	5,229	7,322	2,400	5,419	7,819
Georgia	928	1,556	2,484	1,094	1,758	2,852	1,446	2,057	3,503	1,702	1,947	3,649
Maryland	292	65	357	740	111	851	59	66	125	57	71	128
North Carolina	1,559	1,774	3,333	1,854	19,681	21,535	2,277	2,162	4,439	2,495	2,376	4,871
South Carolina	1,123	1,898	3,021	1,629	2,168	3,797	1,737	2,298	4,035	1,588	2,491	4,079
Virginia	453	617	1,070	516	750	1,266	501	678	1,179	518	583	1,101
West Virginia	407	675	1,082	430	689	1,119	435	684	1,119	394	680	1,074
Total	6,543	10,679	17,222	8,153	29,509	37,662	8,706	13,406	22,112	9,292	13,774	23,066
East South Central												
Alabama	1,736	1,876	3,612	4,047	1,999	6,046	2,726	2,081	4,807	2,241	2,305	4,546
Kentucky	1,264	1,428	2,692	1,221	1,586	2,807	1,130	1,689	2,819	1,209	1,583	2,792
Mississippi	1,548	1,635	3,183	1,946	1,719	3,665	1,776	1,781	3,557	1,668	1,810	3,478
Tennessee	866	1,416	2,282	983	1,681	2,664	991	1,719	2,710	1,045	1,671	2,716
Total	5,414	6,355	11,769	8,197	6,985	15,182	6,623	7,270	13,893	6,163	7,369	13,532
West South Central												
Arkansas	666	957	1,623	831	935	1,766	911	894	1,805	736	829	1,565
Louisiana	5,974	1,795	7,769	3,788	1,988	5,776	3,063	1,813	4,876	2,721	1,639	4,360
Oklahoma	866	811	1,677	974	817	1,791	1,093	923	2,016	1,122	859	1,981
Texas	6,583	6,164	12,747	10,650	7,026	17,676	10,261	8,371	18,632	7,578	8,288	15,866
Total	14,089	9,727	23,816	16,243	10,766	27,009	15,328	12,001	27,329	12,157	11,615	23,772
Mountain												
Arizona	488	1,202	1,690	479	1,242	1,721	481	1,486	1,967	567	1,835	2,402
Colorado	698	327	1,025	548	386	934	652	348	1,000	519	366	885
Idaho	101	250	351	78	263	341	109	359	468	132	421	553
Montana	158	155	313	127	146	273	125	171	296	141	173	314
Nevada	53	242	295	145	280	425	184	402	586	184	626	810
New Mexico	528	630	1,158	586	667	1,253	659	717	1,376	672	734	1,406
Utah	31	161	192	120	155	275	87	184	271	151	191	342
Wyoming	95	56	151	78	58	136	68	40	108	88	55	143
Total	2,152	3,023	5,175	2,161	3,197	5,358	2,365	3,707	6,072	2,454	4,401	6,855
Pacific												
Alaska	28	14	42	44	15	59	39	12	51	63	26	89
California	367	2,753	3,120	654	3,027	3,681	600	3,388	3,988	510	3,380	3,890
Hawaii	0	8	8	0	8	8	0	8	8	0	14	14
Oregon	242	1,044	1,286	275	1,133	1,408	266	1,410	1,676	266	1,300	1,566
Washington	111	948	1,059	94	1,113	1,207	188	1,412	1,600	127	1,204	1,331
Total	748	4,767	5,515	1,067	5,296	6,363	1,093	6,230	7,323	966	5,924	6,890
Region Totals	38,534	41,740	80,274	46,163	64,190	110,353	44,709	51,203	95,912	48,838	51,491	100,329

*Source: Institute for Building Technology and Safety

Top 15 States - 2019 Manufactured Home Shipments				
Rank	**State**	**Single**	**Multi**	**Total**
1	Texas	7,578	8,288	15,866
2	Florida	2,400	5,419	7,819
3	Missouri	6,672	619	7,291
4	North Carolina	2,495	2,376	4,871
5	Alabama	2,241	2,305	4,546
6	Louisiana	2,721	1,639	4,360
7	Michigan	2,075	2,128	4,203
8	South Carolina	1,588	2,491	4,079
9	California	510	3,380	3,890
10	Georgia	1,702	1,947	3,649
11	Mississippi	1,668	1,810	3,478
12	Kentucky	1,209	1,583	2,792
13	Tennessee	1,045	1,671	2,716
14	Arizona	567	1,835	2,402
15	Indiana	1,666	514	2,180

The number of homes shipped across the upper Midwest has increased dramatically in recent years. In Michigan, home shipments were 3,866 units in 2016 and up to 4,203 in 2019.

Conclusion – The overall number of manufactured home deliveries has increased in recent years. Both single-section homes and multi-section homes have remained around the same size. The costs of manufactured homes have increased in the past ten years; however, the costs are still well below those of stick-built homes. The portion of manufactured homes placed in communities is steadily increasing.

MANUFACTURED HOME COMMUNITY INVESTORS

There is a wide variety of manufactured housing community buyers. They range from individual local owners, regional operators, national operators, and large Real Estate Investment Trusts (REIT's).

In recent years, many new investors have entered the market, and thus supply has become limited. There are many transactions of communities that are not subjected to the open market. These deals are facilitated through mailings, cold callings, social and in-person networking, and other methods.

SUPPLY OF COMMUNITIES

The supply of new manufactured home communities is somewhat limited. Due to historical stigma associated with the asset class it becomes difficult to obtain permits to construct new communities. In metro areas, there have been instances of older communities being redeveloped into mixed-use, multi-family, or other commercial type properties. Some communities have been able to expand in recent years, and there have been a few new communities developed in recent years.

MANUFACTURED HOME FINANCING AND COMMUNITY VACANCY

In more populated areas, vacancy is typically tied to the appeal of the community and the management/ownership. In recent years it has become difficult for park owners to attract new tenants who bring their own homes into the community. As mentioned, the cost of moving a home is very expensive. Also, many home dealerships have closed in recent years as communities are able to obtain dealership licenses. This makes it more difficult for a potential tenant to find a home and bring it into the community.

Many lenders will not make loans for manufactured homes due to perceived risk. This leaves borrowers with the option of taking out personal loans with interest rates of 10% or higher. The cost of buying a new or used home becomes prohibitive to some borrowers.

The solution for some community owners has been to buy new or used homes and set them up in their communities. They will then either rent the homes to tenants or sell the homes to new owners. The community owners will generally need to be well capitalized to buy homes to bring into the park on their own.

21st Century Cash Program – A popular program is the Cash Program by 21st Century Mortgage. The Cash program works with the Clayton brand homes as well as other manufacturing facilities. The following is a summary of the program:

- The park owner pays for the installation of the new home and is the reimbursed by 21st Century
- Operator sells the home with appropriate dealer licensees
- Maximum price of home is 100% of total costs. Seller pays 5% fee plus any carry costs. Net profit is 5% of selling price less any carry costs.
- Buyers pay interest rates of 6.75% to 9.75% depending on credit score. Origination is 3 points and can be financed into loan. Down payments are minimum of 5%. Terms range from 10 to 23 years.
- Operator agrees to purchase any repossessed homes.

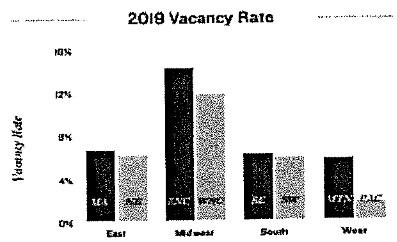
The Cash Program is helping owners across the country with filling vacant sites.

Regional Mobile Manufactured Housing Community Information

Marcus and Millichap Surveys – According to a recent manufactured housing survey by Marcus and Millichap, vacancies have been reduced and rents increased:

Vacancy

Need for lower-cost homeownership options drops the vacancy rate. The shortage of affordable homes for many workers is bolstering demand for the lower-cost housing options available in many parks throughout the nation. However, with the number of communities dwindling and the price of single-family homes rising, more people are considering purchasing in a manufactured home community as a way to gain entry into homeownership. The vacancy rate is especially tight in areas of the country where the price of a site-built home is out of the reach of many people. During 2020, if widespread unemployment is sustained for a lengthy period, the vacancy rate in some communities could rise if homeowners cannot afford to pay lot rent and move-outs increase.

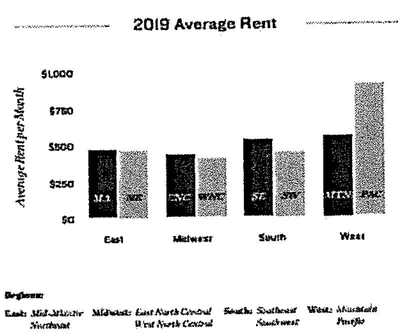


Highlights

- By subregion, the vacancy rate is lowest along the Pacific Coast, mainly due to a sub-1 percent rate in many California markets. Among major California markets, Riverside-San Bernardino registered the highest vacancy at the end of 2019 at a mere 3.7 percent, having fallen 110 basis points during the year.
- The median price of a single-family home in many Midwest metros falls below the national average, providing additional alternatives for lower-cost housing. This factor contributed to the Midwest posting the highest vacancy rate in 2019 at 13.6 percent. Vacancy rates above 20 percent can be found in metros including Flint, Michigan; Kansas City; and Saginaw and Port Huron, Michigan.
- Miami-Dade County recorded the largest annual vacancy improvement, falling 610 basis points to 0.2 percent in 2019, the lowest rate in the South region. Tight vacancy in the metro produced one of the highest annual rent gains in the nation.

Rent

Tight vacancy in many metros promotes rent growth. Manufactured home communities are a large supplier of lower-cost homeownership options. As demand for this type of housing grows amid a contracting supply of spaces, the average lot rent is rising. During 2019, all but a few metros registered annual lot rent increases. By region, average rent is highest in the West at $773 per month, driven up by the elevated rents in many California metros. Meanwhile, more affordable home prices and a higher vacancy rate in the Midwest contributed to the lowest monthly rent among regions at an average of $423 during 2019. Rent growth in 2020 may be hindered by COVID-19's impact on the economy that results in more people not being able to make house and lot payments.



Highlights

- The Pacific subregion posts the highest average lot rent at $903 per month. The rate in many coastal California markets is even higher, topping $1,300 per month in 2019 in Orange County, San Jose and Santa Cruz.
- Among subregions, the rate in the West North Central is the lowest at $400 per month. Among Midwest metros, the highest rent was found in Chicago at an average of $662 per month, while the average monthly rent in Fort Wayne, Indiana, and Ames, Iowa, was under $300.
- Smaller, more rural metros where the median price of a single-family home is attainable for more residents offer the most affordable rent. Average rates below $250 per month in 2019 were located in Greenville, South Carolina; Lynchburg, Virginia; and Albany, Georgia.

Source: Marcus and Millichap 2020Manufactured Housing Survey

The chart illustrates the continued increase in lot rents and decrease in vacancies in metros throughout the country.

Metro	Vacancy	Y-O-Y Basis Point Change	Average Rent	Y-O-Y Change
San Jose	0.4%	-20	$1,481	6.5%
Los Angeles	0.6%	-80	$1,010	2.9%
Orange County	0.6%	-20	$1,338	5.1%
Long Island	0.9%	-80	$711	4.3%
Salt Lake City	1.1%	-50	$618	6.9%
Seattle	1.2%	-50	$708	6.6%
Dallas	2.2%	-100	$464	3.8%
Portland	2.2%	-110	$650	6.2%
Fort Lauderdale	2.9%	-70	$699	4.5%
Philadelphia	3.5%	-30	$530	4.5%
Chicago	4.9%	-10	$662	2.3%
Phoenix	5.5%	-80	$560	4.1%
Virginia Beach	5.9%	90	$425	4.4%
Minneapolis-St. Paul	6.1%	-110	$450	4.4%
Orlando	6.1%	-200	$515	7.3%
Raleigh	6.4%	20	$432	2.6%
San Antonio	6.7%	-320	$446	4.0%
Cleveland	9.3%	120	$384	6.7%
St. Louis	9.4%	10	$368	3.4%
Oklahoma City	9.6%	-190	$348	3.9%
Detroit	13.9%	-130	$467	4.5%

Source: Marcus and Millichap 2020 Manufactured Housing Survey

COMPETITION FOR MANUFACTURED HOUSING COMMUNITIES & AFFORDABILITY ANALYSIS

Direct competition for the subject property is other manufactured housing communities in the area. Different communities will compete based on their location, management, quality and condition of the property, amenities, and site rent. As illustrated in the rental survey, most communities in the subject area have strong occupancy.

Additional indirect competition comes from stick-built single-family housing and apartments/multi-family housing. We have analyzed the affordability of manufactured housing based on single-family housing and average apartment rents.

Summary of Maufactured Home Affordability

	New Manufactured Home	New Manufactured Home	Used Manufactured Home	Single-Family Home	2 BR Home or Apartment Rental
Bed/Bath	2-3 BR / 2 Ba	2-3 BR / 2 Ba	2-3 BR / 2 Ba	2-3 BR / 1-2 Ba	2 BR / 3 BR
Price	$50,000	$50,000	$20,000	$140,000	$800-$1,000
Down Payment	$5,000	$5,000	$2,000	$14,000	
Financed	$45,000	$45,000	$18,000	$126,000	
Rate	8%	8%	8%	2.750%	
Term	20 Year	10 Year	10 Year	30 Years	
Mtg. Payment	$376.00	$545.00	$218.00	$514.00	
Taxes	$50.00	$50.00	$25.00	$175.00	
Insurance	$25.00	$25.00	$25.00	$50.00	
Site Rent	$295.00	$295.00	$295.00		
Total Payment	**$746.00**	**$915.00**	**$563.00**	**$739.00**	**$800-$1,000**

According to www.bestplaces.net, the median selling price of a single-family home in Lexington, MI is $137,400. The report from Spotlight Demographics indicates a value of $130,035 to $147,117. Based on the analysis above, manufactured housing is an affordable alternative to typical stick-built housing and apartments. Also note that the amount of the down payment is critical to buyers in this price range. The down payment for the manufactured house is approximately 1/4 to 1/2 of the stick built. Also, buyers of manufactured homes can typically have a lower credit score than buyers of stick- built homes.