

WHO'S WHO

Among Land-Lease Community Owners/Operators in North America



18th Annual ALLEN REPORT Explores The Movers and Shakers

It's estimated there are approximately 50,000 land-lease communities in North America. For an income-producing property portfolio firm to be surveyed and considered for inclusion in the *ALLEN REPORT*, it must own through sole proprietorship, partnership, corporation, or real estate investment trust or REIT *and/or* fee-manage a minimum of five land-lease communities and/or 500 or more rental home sites. Of the known universe of approximately 500 portfolio owners and operators of land-lease communities in the U.S. and Canada, 132 bona-fide portfolio owners and operators, or 26.5 percent, responded to this annual survey published by PMN Publishing.

This year's *ALLEN REPORT* introduces 17 new portfolio respondents, and a loss of 15 sole proprietors or firms that were listed in last year's report. The 132 respondents own or operate 2,965 land-lease communities, comprising 723,219 rental home sites, for an average portfolio size of 22 communities per portfolio (the same as last year), but with an average of 244 home sites per community (up from 233 home sites last year). More specifically, of the 2,965 land-lease communities, 2,502 of them are "owned" with the remaining 463 "fee-managed." This means that of the 723,219 rental home sites, 650,884 are owned and 67,335 are fee-managed. ■ ■ ■ ■

The TOP TEN

(largest) portfolio owners and operators collectively own or manage 1,182 land-lease communities, containing 370,337 rental home sites, for an average of 313 sites per land-lease community. Furthermore, the **Top Ten** own or manage 40 percent of all land-lease communities reported in the *ALLEN REPORT* and 51 percent of all the rental home sites contained in the survey. The average number of land-lease communities, per portfolio, among the **Top Ten** is 118, with the largest portfolio owner/operator being Equity Lifestyle Properties (ELS), Inc., with 108,989 rental home sites, followed by Affordable Residential Communities (ARC) with 57,374 sites, then privately-owned Hometown America with 57,076 sites. The largest publicly-owned firm, in terms of property count, is again ELS, Inc., a REIT, with 138 land-lease communities, followed by Sun Communities, Inc.'s 136 properties. Rounding out the **Top Five** is privately-owned Lautrec, Ltd. Interestingly, among the **Top Ten** largest public and privately-owned land-lease community portfolio firms, four each are domiciled in Illinois and Michigan, with one each in Colorado and Tennessee.

State Presence. Here's another interesting look at the portfolio players. Of the **Top Ten** states, 23 portfolio owners/operators are located in California (although none of the **Top Ten** portfolio owners/operators actually operate in that state). Michigan is home to 21, followed by Florida with 9, Indiana with 8, Colorado and Wisconsin with 6 each, and Illinois and Texas with 5 each. Canada is listed as the home of 5 portfolio owners/operators, the most ever in the *ALLEN REPORT*'s 18-year history. There's a three-way tie, among Arizona, Ohio and Pennsylvania, with three firms each. In all, 29 different states,

along with several Canadian provinces, were reported as corporate headquarters for the 132 participating firms in this year's survey.

Physical Occupancy. The average national physical occupancy rate among portfolio owners/operators of land-lease communities in North America, during 2006, was 91.3 percent, up from the 90.1 percent reported during 2005 and the 90.0 percent reported during 2004. Why this increase in occupancy rates? Maybe the widespread presence of rental and contract sale (manufactured) homes, along with recreational vehicles (RVs), on-site today. It's easy for land-lease community veterans to remember, as recently as the year 2000, when it was the exception rather than the rule to have rental units and contract sale homes on-site, especially if or when one wanted to market the land-lease community 'for sale' at the highest price possible. That's one of the reasons land-lease communities continue to be one of the most desirable of all real estate asset-class properties on the market today...even considered, by some, to be "recession proof." What other income-producing property type facilitates the creation of transaction and rental cash flows, through the sale and financing of new or previously owned (contract) homes, rental (manufactured housing) units as apartments, even RVs on-site; then receiving ground lease (rental) payments monthly thereafter? None!

Operating Expense Ratio (OER). The asset class' statistical benchmark has decreased slightly to 41.1 percent, down .2 percent from 2005 reports, but still slightly above the land-lease community's ALLEN model of 40 percent OER. For details on the asset class' industry standard chart of account and corresponding OER percentages, see *How to Find, Buy, Manage & Sell A Manufactured Home Community (as an*

Investment), published by John Wiley & Sons, available from MHI and PMN Publishing. As with the physical occupancy jump, the reason here is likely related to the increased presence of manufactured homes on-site rented as apartment units, along with correspondingly higher operating expenses related to advertising and maintenance of these homes.

New Construction of Rental Home Sites. This phenomenon occurs on two fronts: raw land developed, mostly with underground improvements, into new, stand-alone land-lease communities; or the expansion of existing land-lease communities, either through the addition of new rental home sites on contiguous raw land and/or re-engineering older, functionally obsolete sites within the land-lease community. In the first instance, during 2006, at least a dozen new land-lease communities were reported developed among the 132 survey respondents, for a total of 1,116 rental home sites, and an average of 93 sites per new land-lease community. Extrapolate that to all 500 known portfolio owners/operators and one might be talking about 45 new land-lease communities and 4,227 new rental home sites developed during 2006. That's still fewer than one new land-lease community per state, not even including the Canadian provinces. In the second instance, where property expansion is concerned, three dozen land-lease communities reported the addition of 1,128 new rental home sites, for an average of 31 new sites per existing land-lease community.

Professional Property (real estate) Management. This year's survey identified 32 Certified Property Manager (CPM) members of the Institute of Real Estate Management (IREM), 106 Manufactured Housing Managers (MHM), and 43 Accredited Community Managers (ACM®), offered

by MHI's Manufactured Housing Educational Institute, employed as local, regional and executive level property managers. That's by far the strongest showing of professional property managers ever for this real estate asset class!

Pride of Young Lions. In years past, the public identification of the land-lease community asset class' "Pride of Young Lions"—those portfolio owners/operators who've grown their property portfolios the most during the past year, was announced sometime after the January debut of the *ALLEN REPORT*. Starting with this edition of the report, we're including these superb firms as part of the formal report. First, we'll list the ten firms comprising the Pride, by number of rental home sites added to their portfolios during 2006, then re-list them in order of percentage growth.

The Daring Dozen. During 2004, there was a plethora of new firms, including sole proprietorships, formed to acquire and grow land-lease community property portfolios. The *ALLEN REPORT* initially identified a dozen entities, later expanded the number to 15, as more new firms came to our attention, and as a few of the original group faded from view.

During 2006, six of The Daring Dozen acquired nearly two dozen (23) land-lease communities, adding 3,146 total rental home sites to their respective property portfolios, for an average of two properties/firm and 524 sites to each of their portfolios. Specifically:

- **Green Courte Partners** of Lake Forest, Ill., added eight land-lease communities and 1,245 rental home sites to their holdings
- **Keystone Communities** of Dallas, Texas., added nine properties and 950 sites
- **HELIX Funds**, a.k.a. Riverside

Communities, in downtown Chicago, Ill., added one large land-lease community with 613 sites

- **MUREX** of Ft. Myers, Fla., acquired two properties and 325 sites
- **MHC Management** of Austin, Texas., added two properties with 226 sites
- **Athena Real Estate** in Conn., added one, 57-site land-lease community during 2006.

Two of these growing firms, Green Courte Partners and Keystone Communities, were also named to the **Pride of Young Lions** described earlier. Other 'daring dozen' firms include: Base Camp Capital in Denver, CO.; Creekside Communities in Troy, Mich.; CWS Capital Partners in Austin, Texas; Great Value Homes in Bayside, Wisc.; Kastleman & Associates in Austin, Texas; Rosenfeld Management in St. Louis, Mo.; StateStreet Group in Chicago, Ill.; Highline Realty in Greenwood Village, Colo.; and Southwest Properties in Plano, Texas.

Summary. The land-lease community property type, or asset class, is a perennially stable real estate investment, as evidenced during 2006, by its improving 91.3 percent national average occupancy rate and attractive 41.1 percent average operating expense ratio. Furthermore, during a half decade when new home (site) builders have profited from historically low real estate mortgage rates...in effect stealing away half the manufactured housing industry's traditional market of the "newly wed and nearly dead," veteran land-lease community owners/operators have countered the challenge, by selling and often financing new and previously-owned manufactured homes on-site, even acquiring, refurbishing and renting manufactured homes as apartment units, when local housing market demand for affordable housing supported that action. ■

Pride of Young Lions (Ranked by Increase in Sites)

1. 5005 Properties	+3078 rental home sites during 2006
2. ELS, Inc.	+2495 (REIT)
3. Newby Management	+1911 (100 percent fee management)
4. Hometown America	+1868 (largest privately-held firm)
5. Killam Properties	+1706 (Canadian)
6. Parkbridge Capital	+1638 (Canadian)
7. Commonwealth Real Estate	+1500 (100 percent fee management)
8. Riverstone Communities	+1371
9. Green Courte Partners	+1245 (also one of the Daring Dozen)
10. Keystone Communities	+ 950 (also one of the Daring Dozen)

Totaled, these ten firms increased their collective portfolio size by 17,762 rental home site during 2006, for an average of 1,776 sites per portfolio.

(Ranked by Percentage Growth)

1. Keystone Communities	272 percent increase in portfolio size in 2006
2. 5005 Properties	65.4 percent
3. Killam Properties	40.6 percent
4. Green Courte Partners	31.9 percent
5. Newby Management	29.0 percent
6. Riverstone Communities	19.6 percent
7. Commonwealth Real Estate	17.5 percent
8. Parkbridge Capital	17.2 percent
9. Hometown America	3.4 percent
10. ELS, Inc.	2.3 percent

2006 Rank	Firm Name	State or Province	#Sites Owned/Managed	# Properties Owned/Managed	# States or Provinces	2005 Rank
1	Equity Lifestyle Properties ^{*1&3}	IL	108,989/0	296/0	31	1
2	Affordable Residential Communities ^{*2}	CO	57,374/0	273/0	27	3
3	Hometown America	IL	57,076/0	141/0	19	2
4	Sun Communities, Inc. ^{*3}	MI	46,660/938	134/2	18	4
5	Lautrec, Ltd.	MI	22,063/0	57/0	10	5
6	CMH Parks ^{*4}	TN	19,309/0	68/0	11	6
7	RHP Properties	MI	17,790/0	73/0	15	7
8	Continental Communities	IL	14,348/0	49/0	14	9
9	UNIPROP	MI	14,300/0	39/0	12	8
10	Zeman MHC	IL	11,490/0	50/0	3	10
11	Newport Pacific Capital Co. ^{*6}	CA	666/10,510	6/52	7	NR
12	Parkbridge Lifestyle	CN	11,138/0	52/0	3	13
13	American Land Lease ^{*3}	FL	10,869/0	32/0	4	12
14	Bessire & Casenhiser	CA	1,998/8,359	13/50	2	11
15	Commonwealth Real Estate Services	OR	0/10,081	0/97	3	14
16	MHPI ^{*6}	IL	8,700/0	40/0	5	NR
17	Newby Management	FL	0/8,489	0/30	3	23
18	Riverstone Communities	MI	7,003/1,368	46/8	6	19
19	Choice Properties, Inc.	MI	8,004/0	39/0	4	15
20	J and H Asset Property Management	CA	555/7,345	8/67	4	17
21	5005 Properties, Inc.	MN	4,138/3,643	23/8	8	33
22	Burnham Properties ^{*6}	NY	7,225/0	52/0	16	NR
23	Capital First Realty, Inc.	IL	7,200/0	18/0	4	21
24	CRF Communities	FL	7,200/0	22/0	1	18
25	Heritage Financial Group, Inc.	IN	7,074/0	43/0	6	20
26	Investment Property Group	CA	6,852/0	54/0	6	24
27	UMH Properties, Inc. ^{*3}	NJ	6,614/0	28/0	5	25
28	Follett Investment Properties	CA	6,560/0	24/0	12	16
29	Colorado Real Estate Investment Co. ^{*4}	CO	6,276/234	7/2	7	28
30	Kentland Corp. ^{*5}	MI	6,000/0	20/0	2	26
31	Killam Properties	CN	5,900/0	31/0	5	38
32	Asset Development Group, Inc.	WI	5,878/0	55/0	3	27
33	Kort & Scott Financial Group	CA	5,800/0	30/0	6	30
34	Wynn Building Corp. ^{*6}	FL	5,600/0	5/0	1	NR
35	Texas Professionals ^{*5}	TX	1,200/440	5/14	2	29
36	Park Advisors, Inc.	MN	5,369/0	30/0	13	32
37	Garden Homes Management Corp.	CT	5,200/0	73/0	3	31
38	Green Courte Partners, LLC	IL	5,149/0	16/0	7	39
39	Denmark Management	MI	5,116/0	33/0	1	36
40	Evans Management	CA	4,096/323	30/0	1	36
41	Richard Kellam Associates, Inc.	VA	4,600/0	13/0	8	37
42	Star Management	CA	1,304/3,882	7/26	3	34
43	Millennium Housing	CA	3,920/0	16/0	1	43
44	Blair Group	FL	3,861/0	5/0	1	40
45	Weiss & Nodel ^{*5}	MI	3,760/0	17/0	6	41
46	Brookside Communities	MI	3,643/0	9/0	1	42
47	Rudgate Communities	MI	3,595/0	6/0	1	44
48	Chesapeake MH	MD	3,247/0	12/0	3	45
49	Tunnell Companies	DE	3,000/0	7/0	1	47
50	SSK Communities	KY	2,984/0	12/0	3	46
51	Cambridge Investors, Inc.	MI	1,211/1,531	9/10	2	73
52	HCA Management	CA	2,687/0	12/0	4	48
53	West Coast MH Parks	CA	0/2,544	0/30	6	51
54	Park Bridge Investment Group	MI	2,291/141	26/2	3	50
55	Steiner Communities	FL	2,359/0	12/0	1	52
56	American MH Communities	IL	2,287/0	16/0	3	53
57	A.L.S. Properties	MN	2,260/0	11/0	3	54

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58	The Franklin Group, Inc.	MI	2,260/0	8/0	1	55
59	Laguna Asset Management	CA	1,950/200	17/2	2	63
60	Hanover Group	IN	1,944/192	9/1	2	58
61	Horner & Associates	KS	2,126/0	5/0	2	57
62	Bertakis Development	MI	2,057/0	6/0	4	61
63	Jennings Realty	IL	2,040/0	6/0	4	61
64	NTH Property Management	AZ	0/2,015	0/20	1	49
65	RIMCO Properties	PA	1,932/0	10/0	1	56
66	Al Larson	IL	1,851/0	6/0	4	65
67	Harvey J. Miller, Inc.	CA	1,817/0	7/0	4	66
68	Lansdowne Equity Ventures	CN	1,711/0	12/0	2	68
69	Familia Limited Partnership	CO	1,700/0	8/0	5	69
70	Investors Realty ⁶	DE	1,564/0	12/0	1	NR
71	Pegasus Group	CA	1,529/0	5/0	5	72
72	Lewis/Klein Properties	MI	1,500/0	5/0	1	62
73	Keystone Communities ⁶	TX	1,500/0	12/0	4	NR
74	Investment Builders	CA	1,443/0	8/0	3	76
75	Cohron's Realty	IN	1,425/0	8/0	1	77
76	DWG Corporation	IL	1,400/0	1/0	1	84
77	U.S. Park Investments	AZ	1,400/0	12/0	2	83
78	Property Management, Inc. ⁶	PA	0/1,398	0/12	1	NR
79	Genesis Real Estate Co. ⁶	CO	1,346/0	12/0	5	NR
80	Apollo Properties	AZ	0/1,345	0/9	1	75
81	Ashwood Communities	WI	1,399/0	10/0	2	79
82	Hames MHCommunities	IA	1,312/0	5/0	1	80
83	Real Estate Investment Partners	IL	1,301/0	9/0	3	81
84	Park Management Specialist Corp.	OH	1,269/0	7/0	2	78
85	Riverside Communities ⁶	IL	1,259/0	3/0	2	NR
86	The Temple Companies	CA	1,236/0	3/0	2	82
87	Harper Parks ⁶	NY	1,233/0	5/0	1	NR
88	Homewood Company, LLC	MS	1,185/0	8/0	1	85
89	KAUFECO, Inc.	MA	1,180/0	7/0	3	86
90	Germano Management	MI	1,152/0	3/0	1	87
91	Fox Chase, Inc.	OH	1,150/0	7/0	1	112
92	Cowan Enterprises	CO	546/568	4/1	1	121
93	PLJ, Inc.	MN	1,000/0	11/0	1	90
94	Parkside Holdings	CN	1,000/0	5/0	1	91
95	MB Property Management ⁵	CA	1,000/0	7/0	1	89
96	Sierra Communities, Inc.	FL	926/0	7/0	3	114
97	Leary Management	FL	925/0	1/0	1	93
98	Brenton Communities	MN	912/0	8/0	2	106
99	Murex Properties	FL	912/0	5/0	3	117
100	American Home Communities ⁵	TX	908/0	5/0	3	95
101	Investment Dev. Management ⁵	CA	908/0	5/0	3	95
102	Riley Homes	IL	883/0	6/0	1	96
103	Richards & Associates	CA	853/0	6/0	1	97
104	Commercial Property Mgmt. Inc. ⁶	OR	0/847	0/15	1	NR
105	Enterprises Estates	MI	841/0	7/0	2	98
106	Progressive Rentals	NE	698/135	6/1	1	128
107	Lighthouse Home Center	IN	824/0	5/0	2	99
108	Charter Associates	PA	800/0	5/0	3	100
109	D. Moore Enterprises ⁶	TN	721/0	4/0	2	NR
110	Harshaw Asset Group	TX	618/177	4/1	1	101
111	Great Value Homes	WI	162/630	2/3	2	102
112	Vintage RE Management ⁵	IN	784/0	7/0	3	103
113	Community Management Group	MI	775/0	4/0	2	104
114	Steenberg Communities	WI	751/0	4/0	1	105

2006 Rank	Firm Name	State or Province	#Sites Owned/Managed	# Properties Owned/Managed	# States or Provinces	2005 Rank
115	Billings Properties ⁵	CA	723/0	6/0	2	107
116	Missouri Modular ⁵	MO	697/0	2/0	1	108
117	McDay Group ⁵	CA	672/0	2/0	2	109
118	Propvest, Ltd.	NC	644/0	4/0	2	92
119	Great Lakes Community Mgmt.	WI	634/0	4/0	2	111
120	Creekside Communities	MI	630/0	3/0	3	112
121	Statestreet Group	IL	624/0	4/0	2	115
122	Redbud Estates	IN	579/0	1/0	1	118
123	Woodland Estates	MI	569/0	2/0	1	119
124	MHC Management Company ⁶	TX	562/0	4/0	1	NR
125	Capitol Investment Networking ⁵	CA	557/0	2/0	2	120
126	Swanton Properties ⁵	OH	500/0	6/0	2	126
127	Eastbrook Communities ⁵	IN	500/0	1/0	1	127
128	Barrington Management Company	IN	497/0	4/0	2	124
129	Golden West Mobile ⁶	WA	480/0	5/0	2	NR
130	Maine Investments ⁶	CA	480/0	5/0	1	NR
131	Base Camp Capital	CO	450/0	3/0	2	130
132	Rosenfeld Management ⁶	MO	400/0	6/0	3	NR

Endnotes to 2006 Ranking List:

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

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The 'Daring Dozen'

- Green Courte Partners
- CWS Capital Partners
- Great Value Homes
- Helfand Capital
- Creekside Communities
- StateStreet Capital
- Murex Properties
- Keystone Communities
- Base Camp Capital
- Athena Real Estate
- Highline Realty
- Southwest Properties

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

Year	ELS ⁶ (MHC)	Chateau	Sun	UMH	American Land Lease	ARC ⁵	Total	Annual Difference
2006	108,989	N/A	47,598	6,614	10,869	N/A	174,070	-20.5%
2005	106,494	N/A	47,320	6,315	9,930	49,491	219,550	4.9%
2004	82,292	N/A	45,938	6,269	6,815	68,093	209,407	87.5%
2003	50,807	N/A ³	45,914	6,129	8,853	N/R	111,703 ⁴	-38.7%
2002	44,838	78,027	45,147	5,908	8,050	N/R	181,970	-1.0%
2001	47,250	79,599 ²	44,851	5,979	5,667	N/R	183,366	9.0%
2000	48,240	61,813	46,085	5,759	6,300	N/R	168,197	-1.3%
1999	54,282	59,656	42,500	5,694	8,220	N/R	170,352	4.8%
1998	53,391	59,455	38,159	5,615	5,930	N/R	162,541	20.6%
1997	46,693	50,009 ¹	32,700	5,272	N/R	N/R	134,674	18.9%
1996	28,187	20,003	30,295	5,234	N/R	N/R	113,327	17.0%
1995	26,237	19,594	18,000	4,850	N/R	N/R	96,591	9.0%
1994	28,407	15,689	13,500	4,623	N/R	N/R	88,450	37.8%

Endnotes:

- N/R = no report that year; N/A = not or no longer applicable
- 1) in 1997
- 2) Chateau acquired CWS in 2001
- 3) Chateau acquired by Hometown America in 2003
- 4) Without loss of Chateau's site count, remaining four REIT's grow in size by 7.5% during 2003.
- 5) not including 71 auctioned properties
- 6) 47,890 = 'RV sites'