

EQUITY LIFESTYLE PROPERTIES INC
Form 10-K
February 24, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-11718

EQUITY LIFESTYLE PROPERTIES, INC.
(Exact name of registrant as specified in its charter)
Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

36-3857664
(I.R.S. Employer
Identification No.)

Two North Riverside Plaza,
Suite 800, Chicago, Illinois
(Address of Principal
Executive Offices)

60606
(Zip Code)

(312) 279-1400
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:
Common Stock, \$0.01 Par Value
(Title of Class)

New York Stock Exchange
(Name of exchange on which registered)

6.75% Series C Cumulative Redeemable
Perpetual Preferred Stock, \$0.01 Par Value
(Title of Class)
Securities registered pursuant to Section 12(g) of the Act:
None

New York Stock Exchange
(Name of exchange on which registered)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of voting stock held by non-affiliates was approximately \$3,050.7 million as of June 28, 2013 based upon the closing price of \$39.30 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At February 21, 2014, 83,324,062 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference portions of the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 13, 2014.

Equity LifeStyle Properties, Inc.
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PART I

Item 1. Business

Equity LifeStyle Properties, Inc.

General

Equity LifeStyle Properties, Inc. (“ELS”), a Maryland corporation, together with MHC Operating Limited Partnership (the “Operating Partnership”) and its other consolidated subsidiaries (the “Subsidiaries”), are referred to herein as “we,” “us,” and “our.” We elected to be taxed as a real estate investment trust (“REIT”), for U.S. federal income tax purposes commencing with our taxable year ended December 31, 1993.

We are a fully integrated owner and operator of lifestyle-oriented properties (“Properties”). We lease individual developed areas (“Sites”) with access to utilities for placement of factory built homes, cottages, cabins or recreational vehicles (“RVs”). Customers may lease individual Sites or enter right-to-use contracts providing the customer access to specific Properties for limited stays. We were formed in December 1992 to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Properties since 1969. As of December 31, 2013, we owned or had an ownership interest in a portfolio of 377 Properties located throughout the United States and Canada, consisting of 139,126 residential Sites. These Properties are located in 32 states and British Columbia (with the number of Properties in each state or province shown parenthetically) as follows: Florida (120), California (49), Arizona (41), Texas (17), Pennsylvania (15), Washington (14), Colorado (10), Oregon (9), North Carolina (8), Wisconsin (8), Delaware (7), Indiana (7), Nevada (7), New York (7), Virginia (7), Illinois (5), Maine (5), Massachusetts (5), Idaho (4), Michigan (4), Minnesota (4), New Jersey (4), South Carolina (3), Utah (3), Maryland (2), New Hampshire (2), North Dakota (2), Ohio (2), Tennessee (2), Alabama (1), Connecticut (1), Kentucky (1), and British Columbia (1).

Properties are designed and improved for several home options of various sizes and designs that are produced off-site, installed and set on designated Sites (“Site Set”) within the Properties. These homes can range from 400 to over 2,000 square feet. The smallest of these homes are referred to as “Resort Cottages.” Properties may also have Sites that can accommodate a variety of RVs. Properties generally contain centralized entrances, internal road systems and designated Sites. In addition, Properties often provide a clubhouse for social activities and recreation and other amenities, which may include restaurants, swimming pools, golf courses, lawn bowling, shuffleboard courts, pickleball, tennis courts, laundry facilities and cable television service. In some cases, utilities are provided or arranged for by us; otherwise, the customer contracts for the utility directly. Some Properties provide water and sewer service through municipal or regulated utilities, while others provide these services to customers from on-site facilities. Properties generally are designed to attract retirees, empty-nesters, vacationers and second home owners; however, certain of our Properties focus on affordable housing for families. We focus on owning properties in or near large metropolitan markets and retirement and vacation destinations.

Employees and Organizational Structure

We have an annual average of approximately 3,700 full-time, part-time and seasonal employees dedicated to carrying out our operating philosophy and strategies of stockholder value enhancement and service to our customers. The operations of each Property are coordinated by an on-site team of employees that typically includes a manager, clerical staff and maintenance workers, each of whom works to provide maintenance and care to the Properties. The on-site team of employees at each Property also provides customer service and coordinates lifestyle-oriented activities for customers. Direct supervision of on-site management is the responsibility of our regional vice presidents and regional and district managers who have substantial experience addressing the needs of customers and finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 200 full-time corporate employees who assist on-site and regional management in all property functions.

Our Formation

Our operations are conducted primarily through the Operating Partnership. We contributed the proceeds from our initial public offering in 1993 and subsequent offerings to the Operating Partnership for a general partnership interest.

In 2004, the general partnership interest was contributed to MHC Trust, a private REIT subsidiary owned by us. As of December 31, 2013, MHC Trust was merged into ELS, resulting in the general partnership interest of the Operating Partnership being directly held by ELS. The financial results of the Operating Partnership and the Subsidiaries are consolidated in our consolidated financial statements, which can be found beginning on page F-1 of this Form 10-K. In addition, since certain activities, if performed by us, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), we have formed taxable REIT Subsidiaries, as defined in the Code, to engage in such activities.

We intend to treat the merger of MHC Trust into ELS for U.S. federal income tax purposes as a tax-deferred liquidation of MHC Trust under Section 332 of the Code.

Realty Systems, Inc. (“RSI”) is a wholly owned taxable REIT subsidiary of ours that is engaged in the business of purchasing and selling or leasing Site Set homes that are located in Properties owned and managed by us. RSI also provides brokerage services to residents at such Properties who move from a Property but do not relocate their homes. RSI may provide brokerage services, in competition with other local brokers, by seeking buyers for the Site Set homes. Subsidiaries of RSI also operate ancillary activities at certain Properties, such as golf courses, pro shops, stores and restaurants. Several Properties are also wholly owned by our taxable REIT Subsidiaries.

Business Objectives and Operating Strategies

Our primary business objective is to maximize both current income and long-term growth in income. Our operating strategy is to own and operate the highest quality Properties in sought-after locations near urban areas and retirement and vacation destinations across the United States.

We focus on Properties that have strong cash flow and plan to hold such Properties for long-term investment and capital appreciation. In determining cash flow potential, we evaluate our ability to attract to our Properties and retain high quality customers who take pride in the Property and in their homes. Our investment, operating and financing strategies include:

- Providing consistently high levels of services and amenities in attractive surroundings to foster a strong sense of community and pride of home ownership;
- Efficiently managing the Properties to increase operating margins by controlling expenses, increasing occupancy and maintaining competitive market rents;
- Increasing income and property values by strategic expansion and, where appropriate, renovation of the Properties;
- Utilizing technology to evaluate potential acquisitions, identify and track competing properties and monitor customer satisfaction;
- Selectively acquiring properties that have potential for long-term cash flow growth and creating property concentrations in and around major metropolitan areas and retirement or vacation destinations to capitalize on operating synergies and incremental efficiencies; and
- Managing our debt balances such that we maintain financial flexibility, have minimal exposure to interest rate fluctuations and maintain an appropriate degree of leverage to maximize return on capital.

We focus on creating an attractive residential environment by providing a well-maintained, comfortable Property with a variety of recreational and social activities and superior amenities, as well as offering a multitude of lifestyle housing choices. In addition, we regularly conduct evaluations of the cost of housing in the marketplaces in which our Properties are located and survey rental rates of competing properties. We also conduct satisfaction surveys of our customers to determine the factors they consider most important in choosing a property. We seek to improve Site utilization and efficiency by tracking types of customers and usage patterns and marketing to those specific customer groups.

These business objectives and their implementation are consistent with business strategies determined by our Board of Directors and may be changed at any time.

Acquisitions and Dispositions

Over the last decade our portfolio of Properties (including owned or partly owned Properties) has grown significantly, from 142 Properties with over 51,000 Sites to 377 Properties with over 139,000 Sites. During the year ended December 31, 2013, we acquired five Properties with over 1,800 Sites. We continually review the Properties in our portfolio to ensure that they fit our business objectives. Over the last five years, we sold 17 Properties, and redeployed capital to properties in markets we believe have greater long-term potential. In that same time period, we acquired 86 Properties primarily located in retirement and vacation destinations.

We believe that opportunities for property acquisitions are still available. Increasing acceptability of and demand for a lifestyle that includes Site Set homes and RVs, as well as continued constraints on development of new properties, adds to the attractiveness of our Properties as investments. We believe we have a competitive advantage in the acquisition of additional properties due to our experienced management, significant presence in major real estate

markets and substantial capital resources. We are actively seeking to acquire additional properties and are engaged in various stages of negotiations relating to the possible acquisition of properties. At any time these negotiations are at varying stages, which may include contracts outstanding to acquire certain properties, which are subject to the satisfactory completion of our due diligence review.

We anticipate that new acquisitions will generally be located in the United States, although we may consider other geographic locations provided they meet certain acquisition criteria. We utilize market information systems to identify and evaluate acquisition opportunities, including the use of a market database to review the primary economic indicators of the various locations in which we expect to expand our operations.

Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, we may acquire properties in transactions that include the issuance of limited partnership interests in the Operating Partnership (“OP Units”) as consideration for the acquired properties. We believe that an ownership structure that includes the Operating Partnership will permit us to acquire additional properties in transactions that may defer all or a portion of the sellers’ tax consequences.

When evaluating potential acquisitions, we consider such factors as:

- The replacement cost of the property, including land values, entitlements and zoning;
- The geographic area and the type of property;
- The location, construction quality, condition and design of the property;
- The current and projected cash flow of the property and the ability to increase cash flow;
- The potential for capital appreciation of the property;
- The terms of tenant leases or usage rights, including the potential for rent increases;
- The potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- The potential for expansion of the physical layout of the property and the number of Sites;
- The occupancy and demand by customers for properties of a similar type in the vicinity and the customers’ profile;
- The prospects for liquidity through sale, financing or refinancing of the property;
- The competition from existing properties and the potential for the construction of new properties in the area; and
- Working capital demands.

When evaluating potential dispositions, we consider such factors as:

- Whether the Property meets our current investment criteria;
 - Our desire to exit certain non-core markets and recycle the capital into core markets; and
 - Our ability to sell the Property at a price that we believe will provide an appropriate return for our stockholders.
- When investing capital, we consider all potential uses of the capital, including returning capital to our stockholders. Our Board of Directors continues to review the conditions under which we may repurchase our stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements.

Property Expansions

Several of our Properties have available land for expanding the number of Sites available to be utilized by our customers. Development of these Sites (“Expansion Sites”) is evaluated based on the following: local market conditions; ability to subdivide; accessibility through the Property or externally; infrastructure needs including utility needs and access as well as additional common area amenities; zoning and entitlement; costs and uses of working capital; topography; and ability to market new Sites. When justified, development of Expansion Sites allows us to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties to make those Properties more attractive in their markets. Our acquisition philosophy includes owning Properties with potential Expansion Site development. Approximately 78 of our Properties have expansion potential, with up to approximately 5,200 acres available for expansion.

Leases or Usage Rights

At our Properties, a typical lease entered into between the owner or renter of a home and us for the rental of a Site is for a month-to-month or year-to-year term, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on applicable law, for non-payment of rent, violation of Property rules and regulations or other specified defaults. Long-term leases that are non-cancelable by the tenant are in

effect at certain Sites in 17 of the Properties. Some of these leases are subject to rental rate increases based on the Consumer Price Index ("CPI"), in some instances taking into consideration market conditions, certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, adjustments to our market rates, if appropriate, are made on an annual basis. At Properties zoned for RV use, we have long-term relationships with many of our customers who typically enter into short-term rental agreements. Many resort customers also leave deposits to reserve a Site for the following year. Generally, these customers cannot live full time on the Property. At resort Properties designated for use by customers who have entered a right-to-

use or membership contract, the contract generally grants the customer access to designated Properties on a continuous basis of up to 14 days. The customer may make a nonrefundable upfront payment, and annual dues payments are required to renew the contract. Most of the contracts provide for an annual dues increase, usually based on increases in the CPI. Approximately 35% of current customers are not subject to annual dues increases in accordance with the terms of their contracts, generally because the customers are over 61 years old or meet certain other specified criteria.

Regulations and Insurance

General. Our Properties are subject to a variety of laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas, regulations relating to providing utility services, such as electricity, and regulations relating to operating water and wastewater treatment facilities at certain of our Properties. We believe that each Property has all material permits and approvals necessary to operate. We work closely with government agencies to renew these permits and approvals in the ordinary course of business. At certain of our Properties primarily used as membership campgrounds, state statutes limit our ability to close a Property unless a reasonable substitute Property is made available for members' use. Many states also have consumer protection laws regulating right-to-use or campground membership sales and the financing of such sales. Some states have laws requiring us to register with a state agency and obtain a permit to market (see Item 1A. "Risk Factors").

Rent Control Legislation. At certain of our Properties, principally in California, state and local rent control laws limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. We presently expect to continue to maintain Properties, and may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted. For example, Florida law requires that rental increases be reasonable, and Delaware has enacted a law requiring rental increases greater than the consumer price index to be justified. Also, certain jurisdictions in California in which we own Properties limit rent increases to changes in the CPI or some percentage of it. As part of our effort to realize the value of Properties subject to restrictive regulation, we have initiated lawsuits against several municipalities imposing such regulations in an attempt to balance the interests of our stockholders with the interests of our customers (see Item 3. "Legal Proceedings").

Insurance. The Properties are insured against risks causing property damage and business interruption including events such as fire, flood, earthquake, or windstorm. The relevant insurance policies contain various deductible requirements, such as coverage limits and particular exclusions. Our current property and casualty insurance policies, which we plan to renew, expire on April 1, 2014. We have a \$100 million loss limit with respect to our all-risk property insurance program including named windstorms, which include, for example, hurricanes. This loss limit is subject to additional sub-limits as set forth in the policy form, including, among others, a \$25 million loss limit for an earthquake in California. Policy deductibles primarily range from a \$125,000 minimum to 5% per unit of insurance for most catastrophic events. A deductible indicates our maximum exposure, subject to policy limits and sub-limits, in the event of a loss.

Industry

We believe that modern properties similar to our Properties provide an opportunity for increased cash flows and appreciation in value. These may be achieved through increases in occupancy rates and rents, as well as expense controls, expansion of existing Properties and opportunistic acquisitions, for the following reasons:

Barriers to Entry: We believe that the supply of new properties in locations we target will be constrained by barriers to entry. The most significant barrier has been the difficulty of securing zoning permits from local authorities. This has been the result of (i) the public's historically poor perception of manufactured housing, and (ii) the fact that manufactured housing and RV properties generate less tax revenue than conventional housing properties because the homes are treated as personal property (a benefit to the homeowner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in a property's development and the attainment of stabilized occupancy and the generation of revenues. The initial development of the infrastructure may take up to two or three years. Once a property is ready for occupancy, it may be difficult to attract customers to an

empty property. Substantial occupancy levels may take several years to achieve.

Industry Consolidation: According to various industry reports, there are approximately 50,000 manufactured home properties and approximately 8,750 RV properties (excluding government owned properties) in North America. Most of these properties are not operated by large owner/operators, and of the RV properties approximately 1,300 contain 200 Sites or more. We believe that this relatively high degree of fragmentation provides us, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional properties as evidenced by the acquisitions during the year ended December 31, 2013.

Customer Base: We believe that properties tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) customers typically own their own homes, (ii) properties tend to foster a sense of community as a result of amenities such as clubhouses and recreational and social activities, (iii) customers often sell their homes in-place (similar to site-built residential housing) with no interruption of rental payments to us, and (iv) moving a Site Set home from one property to another involves substantial cost and effort.

Lifestyle Choice: According to the Recreational Vehicle Industry Association (“RVIA”), nearly one in nine U.S. vehicle-owning households owns an RV and there are currently 8.9 million RV owners. The 77 million people born from 1946 to 1964 or “baby boomers” make up the fastest growing segment of this market. According to 2010 U.S. Census figures, every day 12,500 Americans turn 50. We believe that this population segment, seeking an active lifestyle, will provide opportunities for our future cash flow growth. As RV owners age and move beyond the more active RV lifestyle, they will often seek more permanent retirement or vacation establishments. Site Set housing has become an increasingly popular housing alternative for retirement, second-home, and “empty-nest” living. According to 2010 U.S. Census figures, the baby-boom generation will constitute almost 19% of the U.S. population within the next 20 years. Among those individuals who are nearing retirement (age 46 to 64), approximately 59% plan on moving upon retirement.

We believe that the housing choices in our Properties are especially attractive to such individuals throughout this lifestyle cycle. Our Properties offer an appealing amenity package, close proximity to local services, social activities, low maintenance and a secure environment. In fact, many of our Properties allow for this cycle to occur within a single Property.

Construction Quality: Since 1976, the requirements to meet state, local and federal standards have become more stringent for all factory built housing, resulting in significant increases in quality. The Department of Housing and Urban Development’s (“HUD”) standards for Site Set housing construction quality are the only federal standards governing housing quality of any type in the United States. Site Set homes produced since 1976 have received a “red and silver” government seal certifying that they were built in compliance with the federal code. The code regulates Site Set home design and construction, strength and durability, fire resistance and energy efficiency, and the installation and performance of heating, plumbing, air conditioning, thermal and electrical systems. In newer homes, top grade lumber and dry wall materials are common. Also, manufacturers are required to follow the same fire codes as builders of site-built structures. In addition, although Resort Cottages do not come under the same regulations, many of the manufacturers of Site Set homes also produce Resort Cottages with many of the same quality standards.

Comparability to Site-Built Homes: The Site Set housing industry has experienced a trend toward multi-section homes. Many modern Site Set homes are longer (up to 80 feet, compared to 50 feet in the 1960’s) and wider than earlier models. Many such homes have nine-foot ceilings or vaulted ceilings, fireplaces and as many as four bedrooms, and closely resemble single-family ranch-style site-built homes. At our Properties, there is an active resale or rental market for these larger homes.

Second Home Demographics: According to 2013 National Association of Realtors (“NAR”) reports, sales of second homes in 2012 accounted for 35% of residential transactions, or 1.76 million second-home sales in 2012. There were approximately 7.9 million vacation homes in 2012. The typical vacation-home buyer is 47 years old and earned \$92,100 in 2012. According to 2012 NAR reports, approximately 45% of vacation homes were purchased in the south; 25% were purchased in the west; 17% were purchased in the northeast; and 12% were purchased in the Midwest. In looking ahead, NAR believes that baby boomers are still in their peak earning years, and the leading edge of their generation is approaching retirement. As they continue to have the financial means to purchase a second home as a vacation property, investment opportunity, or perhaps as a retirement retreat, those baby boomers will continue to drive the market for second homes. We believe it is likely that over the next decade we will continue to see high levels of second-home sales, and resort homes and cottages in our Properties will continue to provide a viable second-home alternative to site-built homes.

Notwithstanding our belief that the industry information highlighted above provides us with significant long-term growth opportunities, our short-term growth opportunities could be disrupted by the following:

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Shipments—According to statistics compiled by the U.S. Census Bureau, shipments of new manufactured homes declined from 2005 through 2009. Since then, manufactured home shipments have increased each year and are on pace for a fifth straight year of growth. Although new manufactured home shipments continue to be below historical levels, shipments in 2013 increased over 9.8% to 60,300 units as compared to shipments in 2012 of 54,900 units. According to the RVIA, wholesale shipments of RVs increased 12% in 2013 to approximately 321,100 units as compared to 2012, which continued a positive trend in RV shipments that started in late 2009. Certain industry experts have predicted that 2014 RV shipments will increase 3% to 4% as compared to 2013.

1. Source: Institute for Building Technology and Safety

2. Source: RVIA

Sales: Retail sales of RVs increased almost 18% to 244,800 in 2013 as compared to 208,300 in 2012. A total of 208,200 RVs were sold during the year ended December 31, 2012, representing an increase of over 8% over the prior year. We believe that consumers remain concerned about the current economy, and by prospects that the economy might remain sluggish in the years ahead. However, the enduring appeal of the RV lifestyle has translated into continued strength in RV sales despite the economic turmoil. According to RVIA, RV ownership has reached record levels: 8.9 million American households now own an RV, the highest level ever recorded, which constitutes an increase of 12.7% since 2005. RV sales could continue to benefit as aging baby-boomers continue to enter the age range in which RV ownership is highest.

Availability of financing: Since 2008 few sources of financing have been available for manufactured home and RV manufacturers. In addition, the economic and legislative environment has made it difficult for purchasers of manufactured homes and RVs to obtain financing. Legislation enacted in 2010 known as the SAFE Act (Safe Mortgage Licensing Act) requires community owners interested in providing financing for customer purchases of manufactured homes to register as a mortgage loan originator in states where they engage in such financing. In comparison to financing available to purchasers of site-built homes, the few third party financing sources available to purchasers of manufactured homes offer financing with higher down payments and shorter maturities and loan approval is subject to more stringent underwriting criteria. Certain government stimulus packages have also provided government guarantees for site-built single family home loans, thereby increasing the supply of financing for that market. We have contracted with a third party mortgage loan originator to finance customer purchases and we have a small network of lending