SUN COMMUNITIES INC
Form 10-K
March 17, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

OR

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

Commission File No. 1-12616

SUN COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

State of Maryland	**38-2730780**
State of Incorporation	I.R.S. Employer I.D. No.

27777 Franklin Road

Suite 200

Southfield, Michigan 48034

(248) 208-2500

(Address of principal executive offices and telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:	Name of each exchange on which registered:
Common Stock, Par Value $.01 per Share	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act:

None

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

Yes[ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes[ ] No [X]

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[X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. (Check one):

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] 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 [X]

As of June 30, 2007, the aggregate market value of the Registrant's stock held by non-affiliates was approximately $482,500,000 (computed by reference to the closing sales price of the Registrant's common stock as of June 30, 2007). For this computation, the Registrant has excluded the market value of all shares of common stock reported as beneficially owned by executive officers and directors of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant.

As of March 1, 2008, there were 18,355,930 shares of the Registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive Proxy Statement to be filed for its 2008 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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As used in this report, “Company”, “Us”, “We”, “Our” and similar terms means Sun Communities, Inc., a Maryland corporation, and one or more of its subsidiaries (including the Operating Partnership (as defined below)).

Safe Harbor Statement

This Form 10-K contains various “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to prospective events or developments are deemed to be forward-looking statements. Words such as “believes,” “forecasts,” “anticipates,” “intends,” “plans,” “expects,” “may,” “will,” “could,” “should,” “estimates,” approximate,” “guidance” and similar e intended to identify forward-looking statements. These forward-looking statements reflect the Company’s current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward looking statements. Such risks and uncertainties include the national, regional and local economic climates, the ability to maintain rental rates and occupancy levels, competitive market forces, changes in market rates of interest, the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders and those risks and uncertainties referenced under the headings entitled “Risk Factors” contained in this Form 10-K and the Company’s filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-K speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company’s expectations of future events.

PART I

ITEM 1. BUSINESS

General

We are a self-administered and self-managed real estate investment trust, or REIT. We own, operate, and develop manufactured housing communities concentrated in the midwestern and southeastern United States. We are a fully integrated real estate company which, together with our affiliates and predecessors, have been in the business of acquiring, operating and expanding manufactured housing communities since 1975. As of December 31, 2007, we owned and operated a portfolio of 136 properties located in eighteen states (the "Properties" or "Property"), including 124 manufactured housing communities, four recreational vehicle communities, and eight properties containing both manufactured housing and recreational vehicle sites. As of December 31, 2007, the Properties contained an aggregate of 47,607 developed sites comprised of 42,266 developed manufactured home sites and 5,341 recreational vehicle sites and an additional 6,588 manufactured home sites suitable for development. In order to enhance property performance and cash flow, the Company, through Sun Home Services, Inc., a Michigan corporation ("SHS"), actively markets, sells and leases new and pre-owned manufactured homes for placement in the Properties.

Our executive and principal property management office is located at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 and our telephone number is (248) 208-2500. We have regional property management offices located in Austin, Texas; Dayton, Ohio; Grand Rapids, Michigan; Elkhart, Indiana; and Orlando, Florida, and we employed an aggregate of 646 people as of December 31, 2007.

Our website address is www.suncommunities.com and we make available, free of charge, on or through our website all of our periodic reports, including our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as soon as reasonably practicable after we file such reports with the Securities and Exchange Commission.

Recent Developments

Change in Date of Annual Meeting. In the past, the Company has typically held its annual meeting of shareholders (the "Annual Meeting") during the third week of May. This year the Company will hold its Annual Meeting on July 18. In future years, the Company intends to hold the Annual Meeting during the month of July. The Company intends to file its proxy statement for the 2008 Annual Meeting on or about April 30, 2008. Due to the timing of the filing of the proxy statement, the deadline for submitting shareholder proposal for consideration at the 2008 Annual Meeting will not be extended.

Change in Management. As announced on February 6, 2008, the Company appointed Karen J. Dearing, who has served as the Company's Corporate Controller since 2002, as the Company's Chief Financial Officer, and John B. McLaren, previously Senior Vice President of Home Sales and Leasing, as Chief Operating Officer. Ms. Dearing and Mr. McLaren succeed Jeffrey P. Jorissen, former Chief Financial Officer, and Brian W. Fannon, former Chief Operating Officer, who remain with the Company as Senior Advisor to Senior Management and President, respectively.

Investment in Affiliate. The Company recognized a $1.9 million impairment to the carrying value of its investment in Origen Financial, Inc. (“Origen”) at December 31, 2007. Also, included in equity loss from affiliate in 2007 is an $8.0 million loss attributable to the Company’s portion of Origen’s goodwill and investment impairment charges of $32.3 million and $9.2 million, respectively. On March 13, 2008, Origen announced that recent and current conditions in the credit markets have adversely impacted Origen’s business and financial condition to the extent that it has determined to suspend loan originations for its own account and has taken steps to right-size its work force. Origen also announced that: (a) its warehouse facility expires on March 14, 2008, and Origen expects to sell its loans that collateralize this facility and use most of the proceeds to pay off the warehouse line; (b) approximately $50.0 million under its supplemental facility, which expires March 14, 2008, has been extended to June 13, 2008, subject to certain conditions; and (c) its Board of Directors is assessing possible courses of action, including continuation of a pared down business, possible sale of certain assets or possible sale of the entire company.

Share-based Compensation. As of December 30, 2007, the Company modified certain terms of performance–based restricted stock and phantom performance-based liability awards to key executives which were to be earned based on compounded annual growth in FFO per diluted share/OP unit over a five year period. In March 2008, the awards were cancelled.

Debt. In January of 2007, the Company completed financings of $17.5 million and $20.0 million at interest rates of 5.842 percent and 5.825 percent, respectively. The loans are secured by two properties and have interest only payments for a term of 10 years. The proceeds from both financings were used to pay down the Company’s revolving line of credit.

In April of 2007, the Company extended $15.8 million of debt with an original maturity date of April 1, 2007. The transaction extended the maturity date of the debt until April 1, 2012, and reduced the spread over LIBOR by 0.25 percent. As part of the transaction the Company paid down the principal balance of the debt by $1.0 million. The transaction was accounted for as a modification of debt.

Mortgage Note Receivable. On March 1, 2007, a $13.5 million mortgage note receivable was repaid by the borrower.

Structure of the Company

Structured as an umbrella partnership REIT, or UPREIT, Sun Communities Operating Limited Partnership, a Michigan limited partnership (the “Operating Partnership”), is the entity through which we conduct substantially all of our operations, and which owns, either directly or indirectly through subsidiaries, all of our assets (the subsidiaries, collectively with the Operating Partnership, the “Subsidiaries”). This UPREIT structure enables us to comply with certain complex requirements under the Federal tax rules and regulations applicable to REITs, and to acquire manufactured housing communities in transactions that defer some or all of the sellers’ tax consequences. We are the sole general partner of, and, as of December 31, 2007, held approximately 88.8% of the interests (not including preferred limited partnership interests) in, the Operating Partnership. The Subsidiaries also include SHS, which provides manufactured home sales and other services to current and prospective tenants of the Properties.

The Manufactured Housing Community Industry

A manufactured housing community is a residential subdivision designed and improved with sites for the placement of manufactured homes and related improvements and amenities. Manufactured homes are detached, single-family homes which are produced off-site by manufacturers and installed on sites within the community. Manufactured homes are available in a wide array of designs, providing owners with a level of customization generally unavailable in other forms of multifamily housing.

Modern manufactured housing communities, such as the Properties, contain improvements similar to other garden-style residential developments, including centralized entrances, paved streets, curbs and gutters, and parkways. In addition, these communities also often provide a number of amenities, such as a clubhouse, a swimming pool, shuffleboard courts, tennis courts, laundry facilities and cable television service.

The owner of each home on our Properties leases the site on which the home is located. We own the underlying land, utility connections, streets, lighting, driveways, common area amenities and other capital improvements and are responsible for enforcement of community guidelines and maintenance. Some of the Properties provide water and sewer service through public or private utilities, while others provide these services to residents from on-site facilities. Each owner within our Properties is responsible for the maintenance of the home and leased site. As a result, capital expenditure needs tend to be less significant, relative to multi-family rental apartment complexes.

Property Management

Our property management strategy emphasizes intensive, hands-on management by dedicated, on-site district and community managers. We believe that this on-site focus enables us to continually monitor and address tenant concerns, the performance of competitive properties and local market conditions. Of the 646 Company employees, approximately 537 are located on-site as property managers, support staff, or maintenance personnel.

Throughout 2007, our community managers were overseen by Brian W. Fannon, Chief Operating Officer, who has 38 years of property management experience, three Senior Vice Presidents of Operations and thirteen Regional Vice Presidents. In addition, the Regional Vice Presidents are responsible for semi-annual market surveys of competitive communities, interaction with local manufactured home dealers and regular property inspections. In February 2008, Mr. Fannon was named President of the Company and was succeeded as Chief Operating Officer by John B. McLaren.

Each district or community manager performs regular inspections in order to continually monitor the Property’s physical condition and provides managers with the opportunity to understand and effectively address tenant concerns. In addition to a district or community manager, each district or property has an on-site maintenance personnel and management support staff. We hold periodic training sessions for all property management personnel to ensure that management policies are implemented effectively and professionally.

Home Sales and Leasing

SHS is in the manufactured home market offering manufactured home sales and leasing services to tenants and prospective tenants of our communities. Since tenants often purchase a home already on-site within a community, such services enhance occupancy and property performance. Additionally, because many of the homes on the Properties are sold through SHS, better control of home quality in our communities can be maintained than if sales services were conducted solely through third-party brokers. In recent years SHS also began leasing homes to prospective tenants. At December 31, 2007, SHS had 5,328 occupied leased homes in its portfolio. Homes for this rental program are purchased at discounted rates from finance companies that hold repossessed homes within the Company’s communities. New homes are purchased as necessary to supplement these repossessed home purchases. Leases associated with the rental program are, in general, one year leases. This program requires intensive management of costs associated with repair and refurbishment of these homes as the tenants vacate and the homes are re-leased, similar to apartment rentals. The Company has added Repair and Service Supervisors in areas with high concentrations of rental homes to aggressively pursue cost containment programs. The program is a strategic response to capture the value inherent in the purchase of substantially discounted repossessed homes in the Company’s communities. The growth of the leasing program has slowed as new repossessions appear to have peaked. Additional reductions in the leasing program may occur as rental homes are sold.

Regulations and Insurance

General. Manufactured housing community properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas. We believe that each Property has the necessary operating permits and approvals.

Insurance. Our management believes that the Properties are covered by adequate fire, flood, property and business interruption insurance provided by reputable companies with commercially reasonable deductibles and limits. We maintain a blanket policy that covers all of our Properties. We have obtained title insurance insuring fee title to the Properties in an aggregate amount which we believe to be adequate.

Corporate Governance

We have implemented the following corporate governance initiatives to address certain legal requirements promulgated under the Sarbanes-Oxley Act of 2002, as well as the New York Stock Exchange corporate governance listing standards:

- Our Board of Directors has determined that each member of the Audit Committee (Clunet R. Lewis, Robert H. Naftaly and Stephanie W. Bergeron), qualify as "audit committee financial experts" as such term is defined under Item 401 of Regulation S-K. Mr. Lewis, Mr. Naftaly and Ms. Bergeron are "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act.

- Our Audit Committee adopted our Audit and Non-Audit Services Pre-Approval Policy, which sets forth the procedures and the conditions pursuant to which permissible services to be performed by our independent public accountants may be pre-approved.

- Our Board of Directors adopted a Financial Code of Ethics for Senior Financial Officers, which governs the conduct of our senior financial officers. A copy of this code is available on our website at www.suncommunities.com under the heading "Investor Relations", "Officers and Directors" and subheading "Governance Documents" and is also available in print to any stockholder upon written request addressed to Investor Relations, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, Michigan 48034.

- Our Board of Directors established and adopted charters for each of its Audit, Compensation and Nominating and Corporate Governance Committees. Each committee is comprised of three (3) independent directors. A copy of each of these charters is available on our website at www.suncommunities.com under the heading "Investor Relations", "Officers and Directors" and subheading "Governance Documents" and is also available in print to any stockholder upon written request addressed to Investor Relations, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, Michigan 48034.

- Our Board of Directors adopted a Code of Business Conduct and Ethics, which governs business decisions made and actions taken by our directors, officers and employees. A copy of this code is available on our website at www.suncommunities.com under the heading "Investor Relations", "Officers and Directors" and subheading "Governance Documents" and is also available in print to any stockholder upon written request addressed to Investor Relations, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, Michigan 48034.

- Our Board of Directors adopted Corporate Governance Guidelines, a copy of which is available on our website at www.suncommunities.com under the heading "Investor Relations", "Officers and Directors" and subheading "Governance Documents" and is also available in print to any stockholder upon written request addressed to Investor Relations, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, Michigan 48034.

ITEM 1A. RISK FACTORS

Risk Factors

Our prospects are subject to certain uncertainties and risks. Our future results could differ materially from current results, and our actual results could differ materially from those projected in forward-looking statements as a result of certain risk factors. These risk factors include, but are not limited to, those set forth below, other one-time events, and important factors disclosed previously and from time to time in other Company filings with the Securities and Exchange Commission. This report contains certain forward-looking statements.

Real Estate Risks

General economic conditions and the concentration of our properties in Michigan, Florida, and Indiana may affect our ability to generate sufficient revenue.

The market and economic conditions in our current markets generally, and specifically in metropolitan areas of our current markets, may significantly affect manufactured home occupancy or rental rates. Occupancy and rental rates, in turn, may significantly affect our revenues, and if our communities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay or refinance our debt obligations could be adversely affected. We derived significant amounts of rental income for the period ended December 31, 2007 from properties located in Michigan, Florida, and Indiana. As of December 31, 2007, 47 of our 136 Properties, or approximately 30% of developed sites, are located in Michigan, 19 Properties, or approximately 21% of developed sites, are located in Florida, and 18 Properties, or approximately 14% of developed sites, are located in Indiana. As a result of the geographic concentration of our Properties in Michigan, Florida, and Indiana, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates and property values of properties in these markets.

The following factors, among others, may adversely affect the revenues generated by our communities:

- the national and local economic climate which may be adversely impacted by, among other factors, plant closings and industry slowdowns;
- local real estate market conditions such as the oversupply of manufactured housing sites or a reduction in demand for manufactured housing sites in an area;
- the number of repossessed homes in a particular market;
- the lack of an established dealer network;
- the rental market which may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates;

- the perceptions by prospective tenants of the safety, convenience and attractiveness of the Properties and the neighborhoods where they are located;

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- zoning or other regulatory restrictions;
- competition from other available manufactured housing sites and alternative forms of housing (such as apartment buildings and site-built single-family homes);
- our ability to provide adequate management, maintenance and insurance;
- increased operating costs, including insurance premiums, real estate taxes and utilities; or
- the enactment of rent control laws or laws taxing the owners of manufactured homes.

Our income would also be adversely affected if tenants were unable to pay rent or if sites were unable to be rented on favorable terms. If we were unable to promptly relet or renew the leases for a significant number of the sites, or if the rental rates upon such renewal or reletting were significantly lower than expected rates, then our business and results of operations could be adversely affected. In addition, certain expenditures associated with each equity investment (such as real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from the investment. Furthermore, real estate investments are relatively illiquid and, therefore, will tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

Competition affects occupancy levels and rents which could adversely affect our revenues.

All of our Properties are located in developed areas that include other manufactured housing community properties. The number of competitive manufactured housing community properties in a particular area could have a material adverse effect on our ability to lease sites and increase rents charged at our Properties or at any newly acquired properties. We may be competing with others with greater resources and whose officers and directors have more experience than our officers and directors. In addition, other forms of multi-family residential properties, such as private and federally funded or assisted multi-family housing projects and single-family housing, provide housing alternatives to potential tenants of manufactured housing communities.

Our ability to sell or lease manufactured homes may be affected by various factors, which may in turn adversely affect our profitability.

SHS is in the manufactured home market offering manufactured home sales and leasing services to tenants and prospective tenants of our communities. The market for the sale and lease of manufactured homes may be adversely affected by the following factors:

- downturns in economic conditions which adversely impact the housing market;
- an oversupply of, or a reduced demand for, manufactured homes;

- the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria; and

- an increase or decrease in the rate of manufactured home repossessions which provide aggressively priced competition to new manufactured home sales.

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Any of the above listed factors could adversely impact our rate of manufactured home sales and leases, which would result in a decrease in profitability.

Increases in taxes and regulatory compliance costs may reduce our revenue.

Costs resulting from changes in real estate laws, income taxes, service or other taxes, generally are not passed through to tenants under leases and may adversely affect our funds from operations and our ability to pay or refinance our debt. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which would adversely affect our business and results of operations.

We may not be able to integrate or finance our development activities.

From time to time, we engage in the construction and development of new communities, and may continue to engage in the development and construction business in the future. Our development and construction business may be exposed to the following risks which are in addition to those risks associated with the ownership and operation of established manufactured housing communities:

- we may not be able to obtain financing with favorable terms for community development which may make us unable to proceed with the development;
- we may be unable to obtain, or face delays in obtaining, necessary zoning, building and other governmental permits and authorizations, which could result in increased costs and delays, and even require us to abandon development of the community entirely if we are unable to obtain such permits or authorizations;
- we may abandon development opportunities that we have already begun to explore and as a result we may not recover expenses already incurred in connection with exploring such development opportunities;
- we may be unable to complete construction and lease-up of a community on schedule resulting in increased debt service expense and construction costs;
- we may incur construction and development costs for a community which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the community uneconomical and we may not be able to increase rents to compensate for the increase in development costs which may impact our profitability;
- we may be unable to secure long-term financing on completion of development resulting in increased debt service and lower profitability; and
- occupancy rates and rents at a newly developed community may fluctuate depending on several factors, including market and economic conditions, which may result in the community not being profitable.

If any of the above occurred, our business and results of operations could be adversely affected.

We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected.

We acquire and intend to continue to acquire manufactured housing communities on a select basis. Our acquisition activities and their success are subject to the following risks:

- we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds;
- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;
- we may be unable to finance acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

If any of the above occurred, our business and results of operations could be adversely affected.

In addition, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were to be asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow.

Rent control legislation may harm our ability to increase rents.

State and local rent control laws in certain jurisdictions may 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. Certain Properties are located, and we may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted.

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We may be subject to environmental liability.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous substances at, on, under or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property, to borrow using such property as collateral or to develop such property. Persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility owned or operated by another person. In addition, certain environmental laws impose liability for the management and disposal of asbestos-containing materials and for the release of such materials into the air. These laws may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials. In connection with the ownership, operation, management, and development of real properties, we may be considered an owner or operator of such properties and, therefore, are potentially liable for removal or remediation costs, and also may be liable for governmental fines and injuries to persons and property. When we arrange for the treatment or disposal of hazardous substances at landfills or other facilities owned by other persons, we may be liable for the removal or remediation costs at such facilities.

All of the Properties have been subject to a Phase I or similar environmental audit (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants. These environmental audits have not revealed any significant environmental liability that would have a material adverse effect on our business. These audits cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more Properties.

Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow.

We maintain comprehensive liability, fire, flood (where appropriate), extended coverage, and rental loss insurance on the Properties with policy specifications, limits, and deductibles which are customarily carried for similar properties. As a result of market conditions in the insurance industry, we carry a $250,000 deductible on our liability insurance. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, or acts of war. In the event an uninsured loss occurs, we could lose both our investment in and anticipated profits and cash flow from the affected property. Any loss would adversely affect our ability to repay our debt.

Financing and Investment Risks

Our significant amount of debt could limit our operational flexibility or otherwise adversely affect our financial condition.

We have a significant amount of debt. As of December 31, 2007, we had approximately $1.2 billion of total debt outstanding, consisting of approximately $1.1 billion in debt that is collateralized by mortgage liens on 103 of the Properties (the “Mortgage Debt”), and approximately $135.2 million in unsecured debt. If we fail to meet our obligations under the Mortgage Debt, the lender would be entitled to foreclose on all or some of the Properties securing such debt which could have a material adverse effect on us and our ability to make expected distributions, and could threaten our continued viability.

We are subject to the risks normally associated with debt financing, including the following risks:

- our cash flow may be insufficient to meet required payments of principal and interest, or require us to dedicate a substantial portion of our cash flow to pay our debt and the interest associated with our debt rather than to other areas of our business;
- our existing indebtedness may limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt;
- it may be more difficult for us to obtain additional financing in the future for our operations, working capital requirements, capital expenditures, debt service or other general requirements;
- we may be more vulnerable in the event of adverse economic and industry conditions or a downturn in our business;
- we may be placed at a competitive disadvantage compared to our competitors that have less debt; and
- we may not be able to re-finance at all or on favorable terms, as our debt matures.

If any of the above risks occurred, our financial condition and results of operations could be materially adversely affected.

We may be able to incur substantially more debt which would increase the risks associated with our substantial leverage.

Despite our current indebtedness levels, we may still be able to incur substantially more debt in the future. If new debt is added to our current debt levels, an even greater portion of our cash flow will be needed to satisfy our debt service obligations. As a result, the related risks that we now face could intensify and increase the risk of a default on our indebtedness.

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Our equity investment in Origen Financial, Inc., may subject us to certain risks.

In October 2003, we purchased 5,000,000 shares of common stock of Origen Financial Inc, ("Origen"), (representing approximately 19% of the issued and outstanding shares of common stock as of December 31, 2007) for $50 million. Origen is a publicly traded real estate investment trust in the business of originating and servicing manufactured home loans. Our equity investment in Origen is subject to all of the risks associated with Origen's business, including the availability of credit to fund new loans and for the periodic securitization of pools of loans that were previously originated. On March 13, 2008, Origen announced that the deterioration of the credit markets has adversely impacted Origen's business and financial condition to the extent that it cannot continue to operate in the manner that it has previously conducted itself, which may have a material adverse effect on the value of our investment in Origen.. The Company recorded an impairment to the carrying value in its investment in Origen of $1.9 million and $18.0 million at December 31, 2007 and 2006, respectively. Additional information is included under "Recent Developments-Investment in Affiliate" and in Footnote 1.g. to our consolidated financial statements included herein.

The financial condition and solvency of our borrowers and the market value of our properties may adversely affect our investments in real estate, installment and other loans.

As of December 31, 2007, we had outstanding approximately $30.6 million in installment loans to owners of manufactured homes. These installment loans are collateralized by the manufactured homes. We may invest in additional mortgages and installment loans in the future. By virtue of our investment in the mortgages and the loans, we are subject to the following risks of such investment:

- the borrowers may not be able to make debt service payments or pay principal when due;
- the value of property securing the mortgages and loans may be less than the amounts owed; and
- interest rates payable on the mortgages and loans may be lower than our cost of funds.

If any of the above occurred, our business and results of operations could be adversely affected.

Tax Risks

We may suffer adverse tax consequences and be unable to attract capital if we fail to qualify as a REIT.

We believe that since our taxable year ended December 31, 1994, we have been organized and operated, and intend to continue to operate, so as to qualify for taxation as a REIT under the Internal Revenue Code ("Code"). Although we believe that we have been and will continue to be organized and have operated and will continue to operate so as to qualify for taxation as a REIT, we cannot assure you that we have been or will continue to be organized or operated in a manner to so qualify or remain so qualified. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. In addition, frequent changes occur in the area of REIT taxation, which require the Company continually to monitor its tax status.

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability to us for the years involved. In addition, distributions to stockholders would no longer be required to be made. Even if we qualify for and maintain our REIT status, we will be subject to certain federal, state and local taxes on our property and certain of our operations.

We intend for the Operating Partnership to qualify as a partnership, but we cannot guarantee that it will qualify.

We believe that the Operating Partnership has been organized as a partnership and will qualify for treatment as such under the Code. However, if the Operating Partnership is deemed to be a "publicly traded partnership," it will be treated as a corporation instead of a partnership for federal income tax purposes unless at least 90% of its income is qualifying income as defined in the Code. The income requirements applicable to REITs and the definition of "qualifying income" for purposes of this 90% test are similar in most respects. Qualifying income for the 90% test generally includes passive income, such as specified types of real property rents, dividends and interest. We believe that the Operating Partnership would meet this 90% test, but we cannot guarantee that it would. If the Operating Partnership were to be taxed as a corporation, it would incur substantial tax liabilities, we would fail to qualify as a REIT for federal income tax purposes, and our ability to raise additional capital could be significantly impaired.

Our ability to accumulate cash is restricted due to certain REIT distribution requirements.

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our REIT taxable income (calculated without any deduction for dividends paid and excluding net capital gain) and to avoid federal income taxation, our distributions must not be less than 100% of our REIT taxable income, including capital gains. As a result of the distribution requirements, we do not expect to accumulate significant amounts of cash. Accordingly, these distributions could significantly reduce the cash available to us in subsequent periods to fund our operations and future growth.

Business Risks

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

Ownership of Origen. In October, 2003, the Company purchased 5,000,000 shares of Origen common stock for $50 million and Shiffman Origen LLC (which is owned by the Milton M. Shiffman Spouse's Marital Trust, Gary A. Shiffman (the Company's Chief Executive Officer), and members of Mr. Shiffman's family) purchased 1,025,000 shares of Origen common stock for $10.25 million. Gary A. Shiffman is a member of the board of directors of Origen and Arthur A. Weiss, a director of the Company, is a trustee of the Milton M. Shiffman Spouse's Marital Trust.

Accordingly, in all transactions involving Origen, Mr. Shiffman and/or Mr. Weiss may have a conflict of interest with respect to their respective obligations as an officer and/or director of the Company. The following are the current transactions and agreements involving Origen which may present a conflict of interest for Mr. Shiffman or Mr. Weiss:

- Origen Servicing Inc., a wholly owned subsidiary of Origen, services approximately $30.6 million of manufactured home loans for the Company as of December 31, 2007, for an annual servicing fee of 100 to 150 basis points of the outstanding principal balance of the loans pursuant to a Loan Servicing Agreement.
- Origen has agreed to fund loans that meet the Company's underwriting guidelines and then transfer those loans at par to the Company pursuant to a Loan Origination, Sale and Purchase Agreement. During 2007 and 2006, the Company purchased $13.3 million and $7.9 million of these loans, respectively.
- The Company purchases certain repossessed manufactured houses owned by Origen located in its manufactured housing communities. The Company purchased approximately $1.1 million and $1.2 million of repossessed homes from Origen during 2007 and 2006. This program allows the Company to retain homes for resale and rent in its communities.
- As noted above, Origen services manufactured home loans for the Company under a Loan Servicing Agreement. Certain loans may, from time to time, be sold to Origen. For loans that are made below published rates, the Company will pay Origen the interest differential between market rates and the rate paid by the borrower for any such loans sold to Origen. In 2006, the Company sold a portfolio of installment loans on manufactured homes totaling approximately $4.1 million to a wholly-owned subsidiary of Origen Financial, Inc. for 100.5 percent of the principal balance for loans that were 89 days or less delinquent and 100 percent of the principal balance for loans that were 90 days or more delinquent. The Company recognized a gain on the sale of these notes of $0.02 million.

Tax Consequences Upon Sale of Properties. Gary A. Shiffman holds limited partnership interests in the Operating Partnership which were received in connection with the contribution of 24 properties (four of which have been sold) from partnerships previously affiliated with him (the "Sun Partnerships"). Prior to any redemption of these limited partnership interests for our common stock, Mr. Shiffman will have tax consequences different from those of us and our public stockholders on the sale of any of the Sun Partnerships. Therefore, Mr. Shiffman and the Company may have different objectives regarding the appropriate pricing and timing of any sale of those properties.

Lease of Executive Offices. Gary A. Shiffman, together with certain family members, indirectly owns approximately a 21 percent equity interest in American Center LLC, the entity from which we lease office space for our principal executive offices. Arthur A. Weiss owns a 0.75 percent indirect interest in American Center LLC. This lease was for an initial term of five years, beginning May 1, 2003, with the right to extend the lease for an additional five year term. On July 30, 2007 the Company exercised its option to extend its lease for its executive offices. The extension is for a period of five years commencing on May 1, 2008. The base rent for the option term will continue to be the same as the rent payable at the end of the current term. The current annual base rent under the current lease is $21.50 per square foot (gross). Mr. Shiffman and Mr. Weiss may have a conflict of interest with respect to their obligations as an officer and/or director of the Company and their ownership interest in American Center LLC.

We rely on key management.

We are dependent on the efforts of our executive officers, particularly Gary A. Shiffman, Brian W. Fannon, John B. McLaren, Karen J. Dearing and Jonathan M. Colman (together, the “Senior Officers”). As disclosed under “Legal Proceedings,” the SEC has initiated civil action against three of our employees, including Mr. Shiffman, with respect to our accounting of the SunChamp LLC, (“SunChamp”), investment during 2000, 2001 and 2002. The defense of this civil action may divert the time and attention of these employees, be costly to the Company and/or result in the loss of services, or change in duties, of one or more of these employees. The loss of services of one or more of our executive officers could have a temporary adverse effect on our operations. We do not currently maintain or contemplate obtaining any “key-man” life insurance on the Senior Officers.

Certain provisions in our governing documents may make it difficult for a third-party to acquire us.

9.8% Ownership Limit. In order to qualify and maintain our qualification as a REIT, not more than 50% of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals. Thus, ownership of more than 9.8% of our outstanding shares of common stock by any single stockholder has been restricted, with certain exceptions, for the purpose of maintaining our qualification as a REIT under the Code. Such restrictions in our charter do not apply to Gary Shiffman, the Milton M. Shiffman Spouse’s Marital Trust and the Estate of Robert B. Bayer.

The 9.8% ownership limit, as well as our ability to issue additional shares of common stock or shares of other stock (which may have rights and preferences over the common stock), may discourage a change of control of the Company and may also: (1) deter tender offers for the common stock, which offers may be advantageous to stockholders; and (2) limit the opportunity for stockholders to receive a premium for their common stock that might otherwise exist if an investor were attempting to assemble a block of common stock in excess of 9.8% of the outstanding shares of the Company or otherwise effect a change of control of the Company.

Staggered Board. Our Board of Directors has been divided into three classes of directors. The term of one class will expire each year. Directors for each class will be chosen for a three-year term upon the expiration of such class’s term, and the directors in the other two classes will continue in office. The staggered terms for directors may affect the stockholders’ ability to change control of the Company even if a change in control were in the stockholders’ interest.

Preferred Stock. Our charter authorizes the Board of Directors to issue up to 10,000,000 shares of preferred stock and to establish the preferences and rights (including the right to vote and the right to convert into shares of common stock) of any shares issued. The power to issue preferred stock could have the effect of delaying or preventing a change in control of the Company even if a change in control were in the stockholders' interest.

Rights Plan. We adopted a stockholders' rights plan in 1998 that provides our stockholders (other than a stockholder attempting to acquire a 15% or greater interest in the Company) with the right to purchase stock in the Company at a discount in the event any person attempts to acquire a 15% or greater interest in the Company. Because this plan could make it more expensive for a person to acquire a controlling interest in the Company, it could have the effect of delaying or preventing a change in control of the Company even if a change in control were in the stockholders' interest. The rights will expire at the close of business on June 8, 2008, unless earlier redeemed or exchanged by the Company.

Changes in our investment and financing policies may be made without stockholder approval.

Our investment and financing policies, and our policies with respect to certain other activities, including our growth, debt, capitalization, distributions, REIT status, and operating policies, are determined by our Board of Directors. Although the Board of Directors has no present intention to do so, these policies may be amended or revised from time to time at the discretion of the Board of Directors without notice to or a vote of our stockholders. Accordingly, stockholders may not have control over changes in our policies and changes in our policies may not fully serve the interests of all stockholders.

Substantial sales of our common stock could cause our stock price to fall.

Sales of a substantial number of shares of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for shares. As of December 31, 2007, up to approximately 2,828,000 shares of our common stock may be issued in the future to the limited partners of the Operating Partnership in exchange for their Common or Convertible Preferred OP Units. The Preferred OP Units are convertible at $68. The limited partners may sell such shares pursuant to registration rights or an available exemption from registration. In 2008 and 2009, Water Oak, Ltd., a former owner of one of the Properties, may be issued Common OP Units with a value of approximately $1,250,000. In addition, as of December 31, 2007, options to purchase 286,137 shares of our common stock were outstanding under our 1993 Employee Stock Option Plan, our 1993 Non-Employee Director Stock Option Plan and our Long-Term Incentive Plan (the "Plans"). No prediction can be made regarding the effect that future sales of shares of our common stock will have on the market price of shares.

An increase in interest rates may have an adverse effect on the price of our common stock.

One of the factors that may influence the price of our common stock in the public market will be the annual distributions to stockholders relative to the prevailing market price of the common stock. An increase in market interest rates may tend to make the common stock less attractive relative to other investments, which could adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

On July 13, 2006, the Company received a comment letter from the SEC with respect to its Form 10-Q for the quarter ended March 31, 2006. The Company has responded to the comments and has not received any further communication from the SEC on this matter. The Company believes it has appropriately addressed all of the issues raised by the SEC in the comment letter and considers the matter resolved.

ITEM 2. PROPERTIES

General. As of December 31, 2007, the Properties consisted of 124 manufactured housing communities, four recreational vehicle communities, and eight properties containing both manufactured housing and recreational vehicle sites located in eighteen states concentrated in the midwestern and southeastern United States. As of December 31, 2007, the Properties contained 47,607 developed sites comprised of 42,266 developed manufactured home sites, 5,341 recreational vehicle sites and an additional 6,588 manufactured home sites suitable for development. Most of the Properties include amenities oriented toward family and retirement living. Of the 136 Properties, 69 have more than 300 developed manufactured home sites, with the largest having 979 developed manufactured home sites.

As of December 31, 2007, the Properties had an occupancy rate of 84 percent in stabilized communities and 71 percent in development communities and the aggregate occupancy rate was 82 percent excluding recreational vehicle sites. Since January 1, 2007, the Properties have averaged an aggregate annual turnover of homes (where the home is moved out of the community) of approximately 3.2 percent and an average annual turnover of residents (where the resident-owned home is sold and remains within the community, typically without interruption of rental income) of approximately 6.5 percent. The average renewal rate for residents in the Company’s rental program was approximately 50 percent for the year ended December 31, 2007.

We believe that our Properties’ high amenity levels contribute to low turnover and generally high occupancy rates. All of the Properties provide residents with attractive amenities with most offering a clubhouse, a swimming pool, laundry facilities and cable television service. Many Properties offer additional amenities such as sauna/whirlpool spas, tennis, shuffleboard and basketball courts and/or exercise rooms.

We have concentrated our communities within certain geographic areas in order to achieve economies of scale in management and operation. The Properties are principally concentrated in the midwestern and southeastern United States. We believe that geographic diversification helps to insulate the portfolio from regional economic influences.

The following table sets forth certain information relating to the properties owned or financed as of December 31, 2007:

Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
MIDWEST				
Michigan				
Academy/West Pointe Canton, MI	441	91%	94%	98%
Allendale Meadows Mobile Village Allendale, MI	352	78%	81%	84%
Alpine Meadows Mobile Village Grand Rapids, MI	403	85%	87%	94%
Bedford Hills Mobile Village Battle Creek, MI	339	78%	79%	85%
Brentwood Mobile Village Kentwood, MI	195	92%	95%	92%
Byron Center Mobile Village Byron Center, MI	143	88%	91%	96%
Candlewick Court Owosso, MI	211	85%	87%	89%
College Park Estates Canton, MI	230	74%	74%	77%
Continental Estates Davison, MI	385	43%	49%	54%
Continental North Davison, MI	474	54%	58%	59%
Country Acres Mobile Village Cadillac, MI	182	90%	88%	91%
Country Meadows Mobile Village Flat Rock, MI	577	89%	91%	92%
Countryside Village Perry, MI	359	80%	81%	89%
Creekwood Meadows Burton, MI	336	64%	63%	67%
Cutler Estates Mobile Village Grand Rapids, MI	259	84%	83%	91%
Davison East Davison, MI	190	52%	63%	67%
Falcon Pointe[6] East Lansing, MI	142	18%[6]	19%[6]	19%[6]
Fisherman's Cove Flint, MI	162	83%	80%	86%
Grand Mobile Estates Grand Rapids, MI	230	77%	79%	85%
Hamlin[3] Webberville, MI	209	75%[3]	75%[3]	78%[3]
Holly Village/Hawaiian Gardens Holly, MI	425	97%	97%	99%
Hunters Glen[6] Wayland, MI	280	46%[6]	43%[6]	46%[6]
Kensington Meadows	290	80%	81%	88%

Lansing, MI				
Kings Court Mobile Village	639	97%	97%	98%
Traverse City, MI				

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Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
Knollwood Estates Allendale, MI	161	88%	91%	88%
Lafayette Place Metro Detroit, MI	254	68%	77%	85%
Lakeview Ypsilanti, MI	392	91%	91%	91%
Lincoln Estates Holland, MI	191	94%	96%	99%
Meadow Lake Estates White Lake, MI	425	87%	88%	91%
Meadowbrook Estates Monroe, MI	453	94%	93%	93%
Presidential Estates Mobile Village Hudsonville, MI	364	83%	85%	87%
Richmond Place Metro Detroit, MI	117	84%	95%	97%
River Haven Village Grand Haven, MI	721	63%	66%	68%
Scio Farms Estates Ann Arbor, MI	913	93%	95%	96%
Sheffield Estates Auburn Hills, MI	228	99%	97%	n/a[2]
Sherman Oaks Jackson, MI	366	77%	78%	83%
St. Clair Place Metro Detroit, MI	100	80%	88%	94%
Sunset Ridge[6] Portland Township, MI	190	87%[6]	82%[6]	75%[6]
Timberline Estates Grand Rapids, MI	296	80%	80%	87%
Town & Country Mobile Village Traverse City, MI	192	99%	100%	98%
Village Trails[3] Howard City, MI	100	76%[3]	73%[3]	72%[3]
White Lake Mobile Home Village White Lake, MI	315	95%	96%	97%
White Oak Estates Mt. Morris, MI	480	74%	78%	81%
Windham Hills Estates[3] Jackson, MI	402	69%[3]	69%[3]	72%[3]
Woodhaven Place Metro Detroit, MI	220	95%	94%	96%
Michigan Total	14,333	80%	82%	84%
Indiana				
Brookside Mobile Home Village Goshen, IN	570	66%	67%	73%
Carrington Pointe[3] Ft. Wayne, IN	320	72%[3]	71%[3]	72%[3]

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Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
Clear Water Mobile Village	227	72%	75%	78%
South Bend, IN				
Cobus Green Mobile Home Park	386	66%	69%	71%
Elkhart, IN				
Deerfield Run[3]	175	67%[3]	61%[3]	67%[3]
Anderson, IN				
Four Seasons	218	92%	88%	92%
Elkhart, IN				
Holiday Mobile Home Village	326	85%	88%	91%
Elkhart, IN				
Liberty Farms	220	100%	97%	97%
Valparaiso, IN				
Maplewood	207	81%	88%	79%
Lawrence, IN				
Meadows	330	52%	59%	69%
Nappanee, IN				
Pebble Creek[6] [7]	258	85%[6]	81%[6]	78%[6]
Greenwood, IN				
Pine Hills	129	87%	84%	88%
Middlebury, IN				
Roxbury Park	398	87%	88%	92%
Goshen, IN				
Timberbrook	567	58%	59%	67%
Bristol, IN				
Valley Brook	799	59%	63%	69%
Indianapolis, IN				
West Glen Village	552	78%	86%	88%
Indianapolis, IN				
Woodlake Estates	338	48%	51%	52%
Ft. Wayne, IN				
Woods Edge Mobile Village[3]	598	53%[3]	58%[3]	58%[3]
West Lafayette, IN				
Indiana Total	6,618	69%	71%	75%
OTHER				
Apple Creek Manufactured Home				
Community and Self Storage	176	84%	87%	90%
Amelia, OH				
Autumn Ridge	413	99%	98%	97%
Ankeny, IA				
Bell Crossing[3]	239	52%[3]	54%[3]	47%[3]
Clarksville, TN				
Boulder Ridge[6]	527	65%[6]	62%[6]	65%[6]
Pflugerville, TX				
Branch Creek Estates	392	99%	97%	96%
Austin, TX				
Byrne Hill Village	236	90%	92%	98%
Toledo, OH				
Candlelight Village	309	91%	93%	94%
Chicago Heights, IL				

Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
Casa del Valle[1] [5] Alamo, TX	117/401	99%	100%	98%
Catalina Middletown, OH	462	65%	67%	68%
Cave Creek[6] Evans, CO	289	68%[6]	68%[6]	67%[6]
Chisholm Point Estates Pflugerville, TX	416	89%	84%	84%
Comal Farms[6] [7] New Braunfels, TX	349	67%[6]	62%[6]	56%[6]
Countryside Atlanta Lawrenceville, GA	271	97%	96%	96%
Countryside Gwinnett Buford, GA	331	93%	89%	90%
Countryside Lake Lanier Buford, GA	548	83%	82%	81%
Creekside[6] [7] Reidsville, NC	46	63%[6]	72%[6]	76%[6]
Desert View Village[6] West Wendover, NV	93	50%[6]	48%[6]	50%[6]
Eagle Crest[6] Firestone, CO	318	80%[6]	75%[6]	71%[6]
East Fork[6] [7] Batavia, OH	215	89%[6]	86%[6]	93%[6]
Edwardsville Edwardsville, KS	634	68%	71%	74%
Forest Meadows Philomath, OR	75	99%	93%	93%
Glen Laurel[6] [7] Concord, NC	261	44%[6]	36%[6]	31%[6]
High Pointe Frederica, DE	411	97%	97%	94%
Kenwood RV and Mobile Home Plaza[1] [5] LaFeria, TX	40/280	100%	100%	100%
Meadowbrook[6] [7] Charlotte, NC	177	98%[6]	94%[6]	90%[6]
North Point Estates[6] Pueblo, CO	108	43%[6]	44%[6]	37%[6]
Oak Crest[6] Austin, TX	335	61%[6]	53%[6]	57%[6]
Oakwood Village Miamisburg, OH	511	83%	84%	83%
Orchard Lake Milford, OH	147	99%	97%	97%
Pecan Branch[6] Georgetown, TX	69	73%[6]	55%[6]	51%[6]
Pheasant Ridge Lancaster, PA	553	100%	100%	100%
Pin Oak Parc O’Fallon, MO	502	88%	88%	88%

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Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
Pine Ridge	245	92%	94%	94%
Petersburg, VA				
Pine Trace[6]	420	68%[6]	67%[6]	74%[6]
Houston, TX				
River Ranch[6] [7]	121	88%[6]	74%[6]	60%[6]
Austin, TX				
River Ridge[6]	337	83%[6]	74%[6]	76%[6]
Austin, TX				
Saddle Brook[6]	261	61%[6]	57%[6]	46%[6]
Austin, TX				
Sea Air[1] [5]	370/527	98%	100%	100%
Rehoboth Beach, DE				
Snow to Sun[1] [5]	180/488	100%	100%	99%
Weslaco, TX				
Southfork	477	70%	72%	75%
Belton, MO				
Stonebridge[6] [7]	340	84%[6]	76%[6]	74%[6]
San Antonio, TX				
Summit Ridge[6] [7]	252	87%[6]	81%[6]	73%[6]
Converse, TX				
Sunset Ridge[6] [7]	170	92%[6]	84%[6]	79%[6]
Kyle, TX				
Sun Villa Estates	324	100%	100%	100%
Reno, NV				
Timber Ridge	585	86%	88%	90%
Ft. Collins, CO				
Westbrook Village	344	96%	96%	96%
Toledo, OH				
Westbrook Senior Village	112	99%	99%	100%
Toledo, OH				
Willowbrook Place	266	95%	95%	97%
Toledo, OH				
Woodlake Trails[6] [7]	134	94%[6]	94%[6]	93%[6]
San Antonio, TX				
Woodland Park Estates	399	98%	95%	93%
Eugene, OR				
Woodside Terrace	439	84%	87%	93%
Holland, OH				
Worthington Arms	224	96%	94%	95%
Lewis Center, OH				
Other Total	16,559	83%	82%	82%
SOUTHEAST				
Florida				
Arbor Terrace RV Park	389	n/a[4]	n/a[4]	n/a[4]
Bradenton, FL				
Ariana Village Mobile Home Park	208	91%	90%	89%
Lakeland, FL				
Buttonwood Bay[1] [5]	407/940	100%	100%	100%
Sebring, FL				

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Property and Location	Developed Sites as of 12/31/2007	Occupancy as of 12/31/07[1]	Occupancy as of 12/31/06[1]	Occupancy as of 12/31/05[1]
Gold Coaster[1] [5]	396/546	99%	99%	98%
Homestead, FL				
Groves RV Resort	287	n/a[4]	n/a[4]	n/a[4]
Ft. Myers, FL				
Holly Forest Estates	402	100%	100%	100%
Holly Hill, FL				
Indian Creek Park[1] [5]	353/1470	100%	100%	100%
Ft. Myers Beach, FL				
Island Lakes	301	100%	100%	100%
Merritt Island, FL				
Kings Lake	245	100%	100%	100%
Debary, FL				
Lake Juliana Landings	274	96%	95%	91%
Auburndale, FL				
Lake San Marino RV Park	410	n/a[4]	n/a[4]	n/a[4]
Naples, FL				
Meadowbrook Village	257	99%	100%	99%
Tampa, FL				
Orange Tree Village	246	100%	100%	99%
Orange City, FL				
Royal Country	864	100%	99%	100%
Miami, FL				
Saddle Oak Club	376	100%	100%	100%
Ocala, FL				
Siesta Bay RV Park	798	n/a[4]	n/a[4]	n/a[4]
Ft. Myers Beach, FL				
Silver Star Mobile Village	406	99%	99%	99%
Orlando, FL				
Tampa East[1] [5]	31/699	100%	97%	97%
Tampa, FL				
Water Oak Country Club Estates	979	100%	100%	98%
Lady Lake, FL				
Florida Total	10,097	99%	99%	98%
TOTAL/AVERAGE	47,607	82%	83%	84%
TOTAL STABILIZED COMMUNITIES	42,277	84%	85%	87%
TOTAL DEVELOPMENT COMMUNITIES	5,330	71%	66%	64%

[1] Occupancy percentage relates to manufactured housing sites, excluding recreational vehicle sites. Data presented MH Sites/Total Sites.

[2] Acquired 2006.

[3] Occupancy in these properties reflects the fact that these communities are in a lease-up phase following an expansion.

[4] This Property contains only recreational vehicle sites.

[5] This Property contains recreational vehicle sites.

[6] Occupancy in these properties reflects the fact that these communities are newly developed from the ground up.

[7] This Property is owned by an affiliate of Sunchamp LLC, an entity in which the Company owns approximately a 77.1 percent equity interest as of December 31, 2007.

Leases. The typical lease we enter into with a tenant for the rental of a site is month-to-month or year-to-year, renewable upon the consent of both parties, or, in some instances, as provided by statute. In some cases, leases are for one-year terms, with up to ten renewal options exercisable by the tenant, with rent adjusted for increases in the consumer price index. These leases are cancelable for non-payment of rent, violation of community rules and regulations or other specified defaults. During the past five years, on average 3.4 percent of the homes in our communities have been removed by their owners and 7.6 percent of the homes have been sold by their owners to a new owner who then assumes rental obligations as a community resident. The small percentage of homes removed from our communities is impacted by the $4,000 to $10,000 cost to move a home. The above experience can be summarized as follows: the average resident remains in our communities for approximately thirteen years, while the average home, which gives rise to the rental stream, remains in our communities for approximately twenty nine years. See "Regulations and Insurance**.**"

ITEM 3. LEGAL PROCEEDINGS

On April 9, 2003, T.J. Holdings, LLC ("TJ Holdings"), a member of Sun/Forest, LLC ("Sun/Forest") (which, in turn, owns an equity interest in SunChamp LLC), ("SunChamp"), filed a complaint against the Company, SunChamp, certain other affiliates of the Company and two directors of Sun Communities, Inc. in the Superior Court of Guilford County, North Carolina. The complaint alleges that the defendants wrongfully deprived the plaintiff of economic opportunities that they took for themselves in contravention of duties allegedly owed to the plaintiff and purports to claim damages of $13.0 million plus an unspecified amount for punitive damages. The Company believes the complaint and the claims threatened therein have no merit and will defend it vigorously. These proceedings were stayed by the Superior Court of Guilford County, North Carolina in 2004 pending final determination by the Circuit Court of Oakland County, Michigan as to whether the dispute should be submitted to arbitration and the conclusion of all appeals therefrom. On March 13, 2007, the Michigan Court of Appeals issued an order compelling arbitration of all claims brought in the North Carolina case. TJ Holdings has filed an application for review in the Michigan Supreme Court which has been denied and, accordingly, the North Carolina case is permanently stayed. TJ Holdings has now filed an arbitration demand in Southfield, Michigan based on the same claims. The Company intends to vigorously defend against the allegations.

As announced on February 27, 2006, the U.S. Securities and Exchange Commission (the "SEC") completed its inquiry regarding the Company's accounting for its SunChamp investment during 2000, 2001 and 2002, and the Company and the SEC entered into an agreed-upon Administrative Order (the "Order"). The Order required that the Company cease and desist from violations of certain non intent-based provisions of the federal securities laws, without admitting or denying any such violations.

On February 27, 2006, the SEC filed a civil action against the Company's Chief Executive Officer, its then (and now former as of February 2008) Chief Financial Officer and a former controller in the United States District Court for the Eastern District of Michigan alleging various claims generally consistent with the SEC's findings set forth in the Order. The discovery stage of this action has closed, and the parties are awaiting decisions on dispositive motions. The Company continues to indemnify such employees for all costs and expenses incurred in connection with such civil action.

The Company is involved in various other legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on our results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the New York Stock Exchange ("NYSE") since December 8, 1993, under the symbol "SUI." On February 29, 2008, the closing sales price of the common stock was $20.38 and the common stock was held by 305 holders of record. The following table sets forth the high and low closing sales prices per share for the common stock for the periods indicated as reported by the NYSE and the distributions per share paid by the Company with respect to each period.

	High	Low	Distribution
Fiscal Year Ended December 31, 2007			
First Quarter of 2007	$ 32.64	$ 29.70	$ 0.63
Second Quarter of 2007	31.28	29.36	0.63
Third Quarter of 2007	31.25	26.38	0.63
Fourth Quarter of 2007	31.65	20.96	0.63