

EQUITY LIFESTYLE PROPERTIES INC
Form 10-K
February 23, 2016

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, 2015

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)
(312) 279-1400

60606
(Zip Code)

(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)

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

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

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 \$4,139.9 million as of June 30, 2015 based upon the closing price of \$52.58 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 19, 2016, 84,593,728 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 10, 2016.

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") consisting primarily of manufactured home ("MH") communities and recreational vehicle ("RV") resorts and campgrounds. 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.

We have a unique business model where we own the land and provide our customers the opportunity to place factory built homes, cottages, cabins or RVs either permanently or on a long-term or short-term basis. Our customers may lease individual developed areas ("Sites") or enter right-to-use contracts which provide them access to specific Properties for limited stays. Compared to other types of real estate companies, our business model is characterized by low maintenance costs as well as low customer turnover costs. Our portfolio is spread through highly desirable locations with a focus on both retirement and vacation destinations attracting retirees, vacationing families, and second homeowners, while providing a lower cost home ownership alternative. We have 80 Properties with lake, river or ocean frontage and more than 100 Properties within 10 miles of the coastal United States.

We are one of the nation's largest real estate networks with a portfolio, as of December 31, 2015, of 387 Properties consisting of 143,938 residential Sites located throughout the United States and Canada. These Properties are located in 32 states and British Columbia.

Our Properties are designed and improved for several home options of various sizes and designs that are produced off-site by third-party manufacturers, installed and set on designated Sites ("Site Set") within the Properties. These homes can range from 400 to over 2,000 square feet. 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 swimming pools, shuffleboard courts, tennis courts, pickleball courts, golf courses, lawn bowling, restaurants, laundry facilities, cable television and internet service. Some Properties provide

utilities, including water and sewer service, through municipal or regulated utilities while others provide these services to customers from on-site facilities.

Employees and Organizational Structure

We have an annual average of approximately 4,100 full-time, part-time and seasonal employees dedicated to carrying out our operating philosophy while focusing on providing good 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 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 creating innovative approaches to maximize value and increase cash flow from property operations. Complementing the field management staff are approximately 200 full-time corporate employees who assist in all functions related to the management of our Properties.

Our Formation

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

Realty Systems, Inc. ("RSI") is a wholly owned taxable REIT subsidiary of ours which is engaged in the business of purchasing, 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 and long-term income growth. Our operating strategy is to own and operate the highest quality Properties in sought-after locations near retirement and vacation destinations and urban areas 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 high quality customers to our Properties and retain these customers who take pride in the Property and in their homes. Our operating, investment and financing strategies include:

- Consistently providing 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 increasing occupancy, maintaining competitive market rents and controlling expenses;
- 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 existing and prospective customer satisfaction;
- Selectively acquiring properties that have potential for long-term cash flow growth and creating property concentrations in and around retirement or vacation destinations and major metropolitan areas to capitalize on operating synergies and incremental efficiencies;
- Managing our debt balances in order to maintain financial flexibility, minimize exposure to interest rate fluctuations and maintain an appropriate degree of leverage to maximize return on capital; and
- Developing and maintaining relationships with various capital providers.

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 we have continued to increase the number of Properties in our portfolio (including owned or partly owned Properties), from 285 Properties with over 106,300 Sites to 387 Properties with over 143,900 Sites. During the year ended December 31, 2015, we acquired three Properties (two RV resorts and one MH community) with a total of approximately 700 Sites. We continually review the Properties in our portfolio to ensure they fit our business objectives. Over the last five years, we redeployed capital to properties in markets we believe have greater long-term potential by acquiring 92 Properties primarily located in retirement and vacation destinations and selling 12 Properties that were not aligned with our long-term goals.

We believe that opportunities for property acquisitions are still available. Based on industry reports, we estimate there are approximately 50,000 manufactured home properties and approximately 8,750 RV resorts (excluding government owned properties) in North America. Most of these properties are not operated by large owner/operators, and approximately 3,600 of the MH properties and 1,300 of the RV resorts 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. 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 access to capital resources. We are actively seeking to acquire and are engaged at any time in various stages of negotiations relating to the possible acquisition of additional properties, which may include outstanding contracts to acquire properties that 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 our 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 available 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 have and expect to acquire properties in transactions that include the issuance of limited partnership interests in our Operating Partnership ("OP Units") as consideration for the acquired properties. We believe that an ownership structure that includes our Operating Partnership has and 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, among others, the following factors:

- Current and projected cash flow of the property and the potential for increased cash flow;
- Geographic area and the type of property;
- Replacement cost of the property, including land values, entitlements and zoning;
- Location, construction quality, condition and design of the property;
- Potential for capital appreciation of the property;
- Terms of tenant leases or usage rights, including the potential for rent increases;
- Potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- Potential for expansion, including increasing the number of Sites;
- Occupancy and demand by customers for properties of a similar type in the vicinity and the customers' profiles;
- Prospects for liquidity through sale, financing or refinancing of the property;
- 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, among others, the following factors:

- 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 land available for expanding the number of Sites. Development of these Sites ("Expansion Sites") is evaluated based on the following factors: local market conditions; ability to subdivide; accessibility within the Property

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and 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. Our acquisition philosophy includes owning Properties with potential for Expansion Site development. Approximately 85 of our Properties have expansion potential, with up to approximately 5,300 acres available for expansion. Refer to Item 2. Properties, which includes detail regarding the developable acres available at each property.

Leases or Usage Rights

At our Properties, a typical lease for the rental of a Site between us and the owner or renter of a home is month-to-month or for a one-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 approximately 7,400 Sites in 39 of our Properties. Some of these leases are subject to rental rate increases based on the Consumer Price Index ("CPI"), in some instances 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.

In Florida, in connection with offering a Site in a MH community for rent, the MH community owner must deliver to the prospective resident a Prospectus required by Florida Statutes Chapter 723.001, et. seq., which must be approved by the applicable regulatory agency. The Prospectus contains certain required disclosures regarding the community, the rights and obligations of the MH community owner and residents, and a copy of the lease agreement. A Prospectus may contain limitations on the rights of the MH community owner to increase rental rates. However, in the absence of such limitations, the MH community owner may increase rental rates to market, subject to certain advance notice requirements and a statutory requirement that the rental rates be reasonable. See further discussion below related to rent control legislation.

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 operated under the Thousand Trails brand 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 in exchange for annual dues payments. The customer may make a nonrefundable upfront payment to upgrade the contract which increases usage rights during the contract term. We may finance the nonrefundable upfront payment. Most of the contracts provide for an annual dues increase, usually based on increases in the CPI. Approximately 31% 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 restriction 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 renew these permits and approvals in the ordinary course of business.

Insurance. The Properties are insured against risks that may cause property damage and business interruption including events such as fire, flood, earthquake, or windstorm. The relevant insurance policies contain deductible requirements, coverage limits and particular exclusions. Our current property and casualty insurance policies, which we plan to renew, expire on April 1, 2016. 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 aggregate loss limit for earthquakes 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.

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 at various times 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 law requires rental increases greater than the change in 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 CPI. As part of our effort to realize the value of Properties

subject to restrictive regulation, we have initiated lawsuits at various times against various 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).

Membership Properties. 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). 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.

Industry

We believe that our Properties and our business model 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 perception of manufactured housing, and (ii) the fact that MH communities and RV resorts 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. Further, the length of time between investment in a property's development and the attainment of stabilized occupancy and the generation of revenues is significant. The initial development of the infrastructure may take up to two or three years and 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.

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 eleven U.S. households owns an RV and there are currently 9.0 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 Pew Research Center, every day 10,000 Americans turn 65. 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 Pew Research Center, the baby-boom generation is expected to grow 28% within the next 15 years.

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: 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. Although resort cottages, which are generally smaller homes, do not come under the same regulations, the resort cottages are built and certified in accordance with NFPA 1192-15 and ANSI A119.5-09 consensus standards for park model recreational vehicles and have many of the same quality features.

Comparability to Site-Built Homes: Since inception, the Site Set housing industry has experienced a trend toward multi-section homes. Current Site Set homes are up to 80 feet long and 30 feet wide and approximately 1,438 square feet. 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. According to the 2014 U.S. Census American Community Survey, manufactured homes represent 9.3% of total housing units.

Second Home and Vacation Home Demographics: According to 2015 National Association of Realtors ("NAR") reports, sales of second homes in 2014 accounted for 40% of residential transactions, or 2.2 million second-home sales in 2014. There were approximately 8.0 million vacation homes in 2014. The typical vacation-home buyer is 43 years old and

earned \$94,400 in 2014. According to 2014 NAR reports, approximately 46% of vacation homes were purchased in the south; 25% were purchased in the west; 15% were purchased in the northeast; and 14% were purchased in the Midwest. 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:

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 seventh straight year of growth. Although new manufactured home shipments continue to be below historical levels, shipments in 2015 increased about 9.6% to 70,500 units as compared to shipments in 2014 of 64,300 units. According to the RVIA, wholesale shipments of RVs increased 4.9% in 2015 to approximately 374,100 units as compared to 2014, which continued a positive trend in RV shipments that started in late 2009. Certain industry experts have predicted that 2016 RV shipments will increase by about 2% as compared to 2015.

1. U.S. Census: Manufactured Homes Survey

2. Source: RVIA

Sales: Retail sales of RVs totaled approximately 305,800 in 2015, a 18.1% increase from 2014 RV sales of 259,000 and a 24.9% increase from 2013 RV sales of 244,800. 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: 9.0 million American households now own an RV, the highest level ever recorded, which constitutes an increase of 13.9% since 2005. RV sales could continue to benefit as aging baby-boomers continue to enter the age range in which RV ownership is highest. RV dealers typically have relationships with third party lenders who provide financing for the purchase of an RV.

Availability of financing: Since 2008 only a 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, higher rates and shorter maturities, and loan approval is subject to more stringent underwriting criteria. During 2013 we entered into an agreement with an unaffiliated third party home manufacturer to create a joint venture, ECHO Financing, LLC, to buy and sell homes and purchase loans made by an unaffiliated lender to residents at our Properties.

Please see our risk factors in Item 1A - Risk Factors and financial statements and related notes beginning on page F-1 of this Form 10-K for more detailed information.

Available Information

We file reports electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy information and statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. We maintain an Internet site with information about us and hyperlinks to our filings with the SEC at <http://www.equitylifestyle.com>, free of charge. Requests for copies of our filings with the SEC and other investor inquiries should be directed to:

Investor Relations Department

Equity LifeStyle Properties, Inc.

Two North Riverside Plaza

Chicago, Illinois 60606

Phone: 1-800-247-5279

e-mail: investor_relations@equitylifestyle.com

Item 1A. Risk Factors

Our business faces many risks. The risks described below may not be the only risks we face but are the risks we know or that we believe may be material at this time. Additional risks that we do not yet know of, or that we currently think are immaterial, may also impair our business operations or financial results. This Item 1A. also includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements included in Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Risks Relating to Our Operations and Real Estate Investments

Adverse Economic Conditions and Other Factors Could Adversely Affect the Value of our Properties and our Cash Flow.

Several factors may adversely affect the economic performance and value of our Properties. These factors include:

- changes in the national, regional and/or local economic climate;
- fluctuation in the exchange rate of the U.S. dollar to other currencies and its impact on foreign customers of our northern and southern Properties;
- the attractiveness of our Properties to customers, competition from manufactured home communities and other lifestyle-oriented properties and alternative forms of housing (such as apartment buildings and site-built single family homes);
- the ability of manufactured home and RV manufacturers to adapt to changes in the economic climate and the availability of units from these manufacturers;
- the ability of our potential custo