

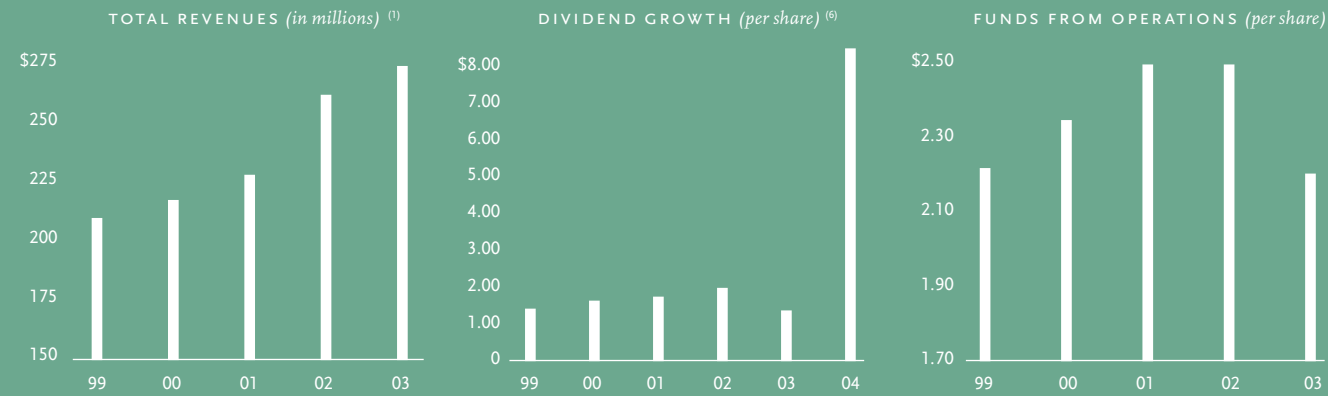


The Life in a Day

Community. Quality. Stability.  Annual Report 2003

MHC
Two North Riverside Plaza
Chicago, IL 60606
Phone 312.279.1400
Fax 312.279.1710
www.mhchomes.com
www.mhcrv.com

Financial Highlights



FOR THE YEARS ENDED DECEMBER 31,
(amounts in thousands except per share and property data)

	2003	2002	2001	2000	1999
Total Revenues ⁽¹⁾	\$ 271,155	\$ 261,365	\$ 225,856	\$ 220,678	\$ 215,028
Operating Income ⁽²⁾	\$ 130,682	\$ 128,364	\$ 127,554	\$ 126,388	\$ 123,252
Funds from Operations ⁽³⁾	\$ 60,831	\$ 68,393	\$ 66,957	\$ 63,807	\$ 68,477
Net Income Before Allocation to Minority Interests ⁽⁴⁾	\$ 44,740	\$ 56,623	\$ 51,544	\$ 52,701	\$ 36,835
Net Income Per Common Share—Basic ⁽⁴⁾	\$ 1.22	\$ 1.69	\$ 1.53	\$ 1.49	\$ 1.10
Net Income Per Common Share—Diluted ⁽⁴⁾	\$ 1.20	\$ 1.64	\$ 1.49	\$ 1.46	\$ 1.09
Funds from Operations Per Common Share—Basic ⁽⁴⁾	\$ 2.22	\$ 2.53	\$ 2.53	\$ 2.36	\$ 2.21
Funds from Operations Per Common Share—Diluted ⁽⁴⁾	\$ 2.17	\$ 2.48	\$ 2.48	\$ 2.33	\$ 2.19
Weighted Average Common Shares Outstanding—Basic ⁽⁴⁾	27,419	27,020	26,502	27,061	30,928
Weighted Average Common Shares Outstanding—Diluted ⁽⁴⁾	28,002	27,632	27,010	27,408	31,252
Capital Expenditures ⁽⁵⁾	\$ 11,912	\$ 13,377	\$ 12,689	\$ 7,855	\$ 8,656
Total Communities Owned and Controlled	142	142	149	154	157
Total Sites	51,715	51,582	50,663	51,304	53,846

The table above sets forth selected financial and operating information on a historical basis for the Company. This information should be read in conjunction with all of the financial statements and notes thereto provided in the Company's Form 10-K as filed with the SEC.

⁽¹⁾ The increase in revenues from 2001 to 2002 includes the effect of a change in the accounting treatment for home sales revenues. In prior years, the sales revenues were recorded net of expenses. In 2002, the Company acquired the remaining interest in Realty Systems, Inc. and began consolidating the results of this home sales subsidiary. As a result, revenues are recorded on a gross basis separate from expenses. This accounting change had no material effect on income from operations.

⁽²⁾ Operating income is defined as total revenues less property operating and maintenance expense, real estate tax expense, property management expense and general and administrative expense. Operating income is a measure of the performance of the operations of the properties before the effects of depreciation, amortization and interest expense. Operating income is not necessarily an indication of the performance of the company or a measure of liquidity.

⁽³⁾ Funds from operations are generally defined as net income, before allocation to minority interest, plus real estate depreciation. Industry analysts consider funds from operations to be one measure of the performance of an equity real estate investment trust. Funds from operations should not be considered as an alternative to net income as an indication of the company's performance or to cash flows as a measure of liquidity.

⁽⁴⁾ Assumes full conversion of operating units into shares of common stock.

⁽⁵⁾ Represents capital expenditures for existing sites and includes both normal maintenance programs and community upgrade programs.

⁽⁶⁾ On December 12th 2003, we declared a one-time special distribution of \$8 per share payable to stockholders of record on January 8th 2004. We used proceeds from the \$501 million borrowing in October, 2003 to pay the special distribution on January 16th 2004. The special cash dividend will be reflected on stockholders' 2004 1099-DIV to be issued in January 2005.



COMMON STOCK MARKET PRICES AND DIVIDENDS
MHC's common stock is listed on the New York Stock Exchange (NYSE), ticker symbol MHC. The high and low sales prices for 2003 and 2002 on the NYSE and quarterly dividends were as follows:

2003	high	low	close	dividend
First Quarter	\$30.8600	\$27.4000	\$29.6000	\$.4950
Second Quarter	\$35.8000	\$29.5600	\$35.1100	\$.4950
Third Quarter	\$39.8000	\$35.1100	\$39.1800	\$.4950
Fourth Quarter	\$41.9200	\$36.7000	\$37.6500	\$8.0000 ¹

2002	high	low	close	dividend
First Quarter	\$33.6300	\$30.6500	\$33.0000	\$.4750
Second Quarter	\$35.6600	\$32.5000	\$35.1000	\$.4750
Third Quarter	\$35.1400	\$30.0500	\$31.8800	\$.4750
Fourth Quarter	\$31.9200	\$27.5000	\$29.6300	\$.4750

¹ On December 12th 2003, we declared a one-time special distribution of \$8 per share payable to stockholders of record on January 8th 2004. We used proceeds from the \$501 million borrowing in October, 2003 to pay the special distribution on January 16th 2004. The special cash dividend will be reflected on stockholders' 2004 1099-DIV to be issued in January 2005.





MHC is a self-administered, self-managed real estate investment trust traded on the New York Stock Exchange under the symbol MHC. At year end, the company owned or had an interest in 51,715 sites in 142 urban and resort-like settings in 19 states.

Our Value Proposition: We strive to exceed the expectations of the consumers in our marketplace, and we offer a predictable, stable revenue stream that appeals to investors.

Three core ideas serve as the foundation of our value proposition: community, quality, and stability.

Fellow Shareholders

In 2003, we celebrated the 10th anniversary of our status as a public company. As in each of the nine preceding years, we delivered financial results for our shareholders by focusing on the MHC value proposition of striving to exceed the expectations of the consumers in our marketplace and offering a predictable, stable revenue stream that appeals to investors.

Since our initial public offering (IPO) in February of 1993, we have posted an average annual return rate of 18.19 percent. Our total return for 2003 outpaced both the Dow Jones and S&P 500 indices.

Thanks to a disciplined and consistent business plan, an attractive customer base, and on-going demand for our products, all of our key trend lines have continued upward since the IPO. We started with 41 properties and just over 12,000 sites; as of year end we had 142 properties with nearly 52,000 sites with more on the way. The split adjusted IPO price per share of MHC stock was \$12.88; at the end of 2003 the price was \$37.65, nearly triple the IPO price of a decade ago. Since 1993, total dividends paid to shareholders were \$23.54 per share, or almost two times the split adjusted IPO price. The total dividends include the \$8 special distribution paid in January 2004.

We look back on the last decade with great pride. But more importantly, we look ahead to the next decade with even greater enthusiasm.

PORTFOLIO EXPANSION

MHC already owns the highest quality portfolio in the industry. In 2004, we will kick off an acquisition program designed to expand our portfolio and increase our exposure to target customers—the Baby Boomers who are entering their retirement years. As of February 2004, we have invested in transactions involving 61 properties, with an equity investment of approximately \$134 million. There is pending litigation relative to \$69 million of this equity investment.

Given the difficulty of finding manufactured home communities in core retirement markets, our acquisitions will focus on the resort business that caters to recreational vehicle (RV) enthusiasts. This focus will enable us to offer a myriad of lifestyle opportunities and locations to our core customer at various price points and home sizes.

THE FUTURE AWAITS

Customers and shareholders alike value our straightforward approach. Customers enjoy quality locations and a quality lifestyle that they might not otherwise have been able to afford, and shareholders enjoy a steady return on their investments. By maintaining our commitment to community, quality, and stability, we believe both constituencies will continue to be rewarded for the faith they place in MHC.

DIVIDEND POLICY

In connection with our recapitalization, special dividend, and acquisition program, we also decided to set our annual dividend rate at \$0.05 per share for 2004. We believe that maintaining flexibility at this time is in the best interest of our shareholders, while we also recognize our obligation to return to a meaningful dividend when other uses of your capital become less attractive.

Sincerely,



Samuel Zell, Chairman of the Board



Howard Walker, Chief Executive Officer

SUCCESSION

This year also marked the completion of the succession plan we initiated in 2000. On behalf of MHC, we thank Howard Walker for his years of dedicated stewardship. He is a friend of MHC and professional mentor to our senior management team, and we appreciate his on-going contributions in his roles as Vice Chairman of the board and Chairman of the board's executive committee. His continuing guidance will be invaluable.

2003 Highlights

New board member – Joe McAdams joined our board of directors, bringing valuable expertise that will support our acquisition program. He recently retired from Affinity Group, Inc., a leading service provider to the RV and resort business.

Recapitalization – We secured approximately \$502 million in recapitalization financing. Part of the funds was used for the special \$8 per share dividend paid in 2004 and to repay outstanding amounts on MHC's line of credit and term loans. We expect to apply a significant portion of the financing to our acquisition program.

Litigation resolution – The California Court of Appeal reversed a \$6 million punitive damage award against MHC. We resolved the litigation with the DeAnza Santa Cruz Homeowners Association for \$201,000.

We also entered into a settlement agreement in our litigation against the City of Santa Cruz. The City amended an ordinance to exempt MHC's property from rental control as long as the company offers a long-term lease. The agreement allows MHC to increase rents to market prices at turnover and bases future annual rent increases on the Consumer Price Index.

New web site – In keeping with our growing focus on the RV lifestyle, we introduced a new web site: www.mhcrv.com. Prospective customers can visit the site to find detailed information on each of our resorts.

Community award – The Manufactured Housing Institute bestowed its Community of the Year Award on our Bay Indies (Venice, FL) community, marking the 15th time since 1997 that MHC has received this revered award.



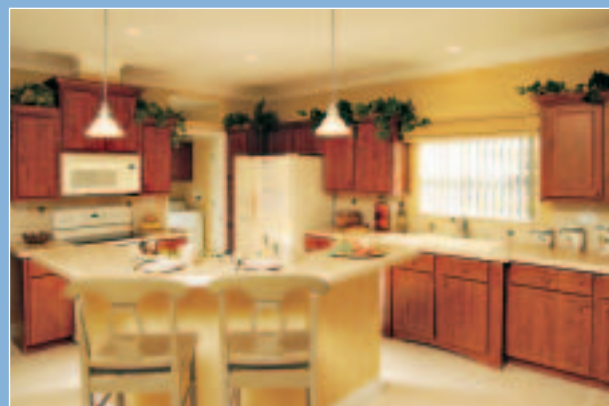
Make Yourself at Home

Whether they're looking for a year-round home, vacation home or cottage, or "home base" to complement an RV lifestyle, customers find comfort and enjoyment with MHC.

Our properties are located in many of the country's most sought-after destinations—places where many of our customers have always dreamed of living. We make residing on a beautiful landscape or an energetic cityscape an exciting and affordable option.

Our resort homes and vacation cottages are high quality, factory-built houses that deliver exceptional value. These homes are delivered to a property and set in place at an average price of about \$60,000 for a new resort home. Construction costs per square foot for site-set homes are as much as 40 percent lower than comparable site-built homes. And a remarkable 93 percent of site-set homeowners report being satisfied with their housing choice.¹

The homes in our communities are the finest available—they're made to exacting standards and average more than 1,500 square feet. Handsome on the outside and well-appointed on the inside, these homes offer distinctions such as peaked roofs, screened porches, bay windows, wood-burning fireplaces, designer kitchens, and luxurious baths. We continually work with home manufacturers to ensure they update their blueprints to meet the evolving needs of our customers, from technological capacity to aesthetics and added space.



¹ "Beautiful, Affordable, Quality Housing: What Manufactured Home Owners Really Want," an Owens Corning study conducted by National Family Opinion (1999)





Magnificent locations. Top-quality homes.
Appealing lifestyles. MHC helps customers
realize their dreams at prices they can afford.





Community

When it comes to creating an inviting community, a great location is only one part of the equation. A great lifestyle is just as important. MHC customers find both.

AN IDEAL PLACE

MHC's portfolio features properties in many of America's most desired spots. Our affordable options allow customers to choose destinations that fulfill their dreams—from stunning natural surroundings to vibrant urban environments.

We continue to invest in the appearance of our communities and the services they offer. Our customers enjoy the benefits of:

- Low upkeep and maintenance costs
- First class amenities
- Carefully manicured landscaping
- Professional community management

Thanks to our seasonal rental program and other flexible-use options, people can live in a community for up to four months to experience the MHC lifestyle before buying. These customers have complete access to all on-site services and activities, giving them the opportunity to see why so many people choose to live in MHC locations.

A WAY OF LIFE

From the beginning, MHC has focused on developing places where customers feel a sense of kinship—where people find the kind of supportive neighborhood they remember from years gone by, or the kind they always imagined.

Customers enjoy their chosen rhythm. Those looking for action have a wide range of options, including athletics, community concerts, organized group travel, sightseeing, and much more. Those looking for a slower pace soak in the tranquility of peaceful surroundings.



Quality

MHC's portfolio is the finest in the business. What sets us apart is our 30+ years of dedication to creating value that is recognized by customers, shareholders, and industry experts.

CUSTOMERS

Our stable cash flow continues to demonstrate that customers appreciate the outstanding quality MHC provides. Our overall performance has been significantly better than that of the multi-family rental industry.

Many of our new customers come to us through referrals from friends and family members who already enjoy the MHC lifestyle. They're attracted to the high quality of homes and high quality of life.

Each year, we survey all of our new home buyers so we can identify areas for improvement across the portfolio and anticipate specific trends. Our survey provides invaluable information on customer demographics, overall service levels, and community and home preferences.

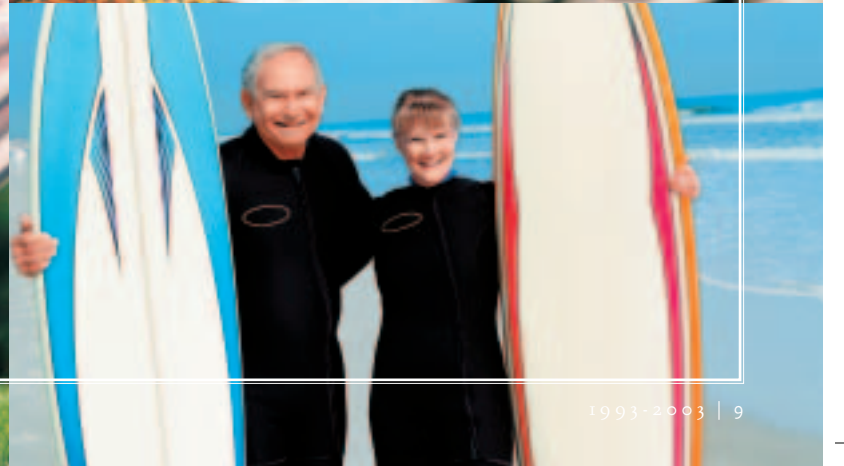
SHAREHOLDERS

Since our initial public offering in February of 1993, we have posted an average annual return rate of 18.19 percent, indicating on-going confidence on the part of our shareholders. Our year end return of 33.7 percent outpaced both the Dow Jones and S&P 500 indices.

INDUSTRY EXPERTS

No other company can match the 15 revered Community of the Year awards bestowed on MHC since 1997. These awards, granted on a regional base, represent the highest accolades from industry professionals. In 2003, Bay Indies (Venice, FL), our 1,300-site, age-qualified community near the Gulf of Mexico, received the award.









Stability

Since our initial public offering in 1993, the MHC portfolio has consistently yielded steady financial performance year after year. We ascribe this stability to our time-proven business plan, our customers, and the nature of our industry.

DISCIPLINED APPROACH

MHC's business model insures that our capital expenditures continue to be far lower than that of apartment buildings or other rental arrangements. Customers own and maintain their homes, while paying monthly fees that include their home site rental, community services, and amenities. And our affordable homes, appealing locations, and high quality lifestyle keeps our turnover rate low and occupancy rate high.

One way we continue to attract the most qualified residents is by hiring and training outstanding sales, marketing, and community management professionals. These employees, along with our regional office and corporate staffs, keep our properties running smoothly.

The breadth of our portfolio also contributes significantly to our general stability. By establishing our communities in many different areas of the country, we insulate ourselves from economic downturns in any single market.

SECURE CUSTOMERS

Our consistently high occupancy rate and low turnover rate are the envy of comparable real estate enterprises and strongly suggest that our operating revenues will remain healthy. MHC customers are the picture of stability.

The majority of our customers choose to live in an MHC community because of the affordability and lifestyle it offers. And many customers pay cash for their new homes after selling the houses they lived in for many years—making them less sensitive to economic swings. Their commitment to their own financial stability helps sustain MHC's revenue stream.

PRODUCT DEMAND

The benefits of our lifestyle continue to grow in appeal to both baby boomers and young families starting out in the housing market. We expect people who are drawn to this lifestyle will continue to be drawn to MHC, thanks to our outstanding portfolio.

More and more people seek the flexibility and mobility of the RV lifestyle. Our plan to extend the MHC brand to encompass more resort locations that provide options for this customer will broaden our pool of potential customers considerably. We know that these customers often "settle down" by purchasing a resort home or vacation cottage while still enjoying some of the same sense of lifestyle in our communities. The cross-selling potential is enormous.

Looking Ahead

Thanks to a consistent, sound business plan, we have thrived in our first 10 years as a publicly owned company. But we aren't content with looking back—we're committed to moving forward and continuing to prosper in the years to come. MHC's future looks very bright in light of a number of factors.

RV OPPORTUNITIES

We recognize the synergy that exists between the MHC lifestyle and the RV lifestyle. Our goal is to capitalize on the similarities by cross-marketing to the RV customer. Studies suggest that the number of RV-owning households will increase to nearly 8 million by 2010¹, thanks to the rate of Baby Boomers entering their prime RV-buying years. When these customers are ready to trade in their RVs for more permanent residences, we will be well positioned to cross-sell them a home.

ACQUISITION PROGRAM

As of February 2004, we have invested in transactions involving 61 properties, with an equity investment of approximately \$134 million. There is pending litigation relative to \$69 million of this equity investment. These acquisitions add approximately 25,000 sites, with more than 1,300 expansion sites, to our existing portfolio, with about 70 percent of the properties providing options for resort homes, vacation cottages, RV homes bases, and other flexible-use options. If the acquisition program proceeds as expected, we would have an interest in just over 200 properties with more than 80,000 sites. Nearly 60 percent of our total portfolio would be in the core retirement markets of Arizona and Florida.

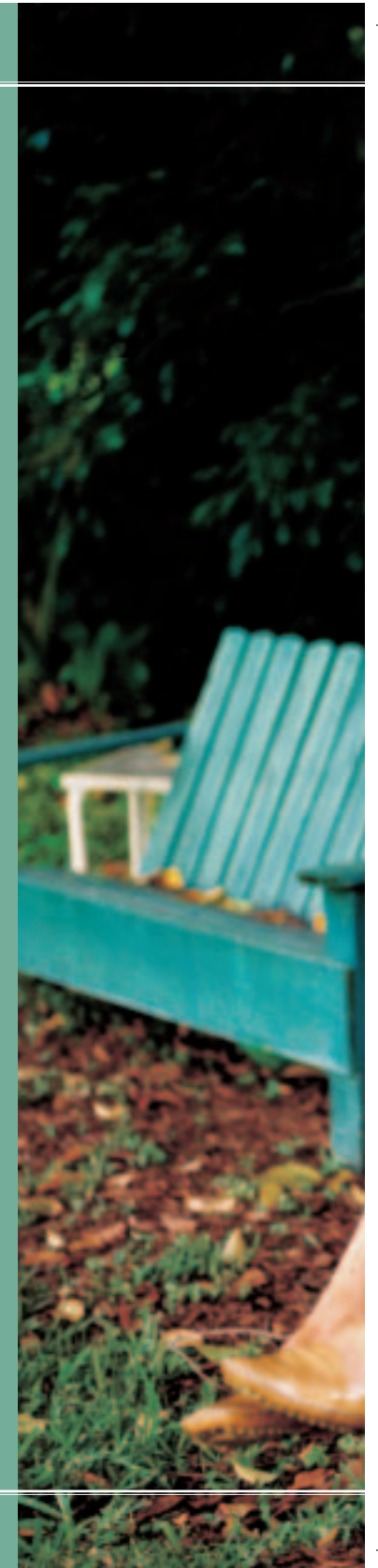
ABILITY TO MEET DEMAND

MHC is positioned to benefit from the increased demand for desirable real estate, given our current portfolio and anticipated expansion through our acquisition program. With our demonstrated ability to manage growth, we will continue to lead the industry in satisfying the demand.

MARKET LEADERSHIP

Even though the economy continued to be uncertain in 2003, MHC's financials remained strong. When the economy makes a full recovery, we will be ready to capitalize on the upswing while others are in catch-up mode.

¹ "The RV Consumer: A Demographic Profile," a University of Michigan study commissioned by the Recreational Vehicle Industry Association (2001)





The MHC Commitment

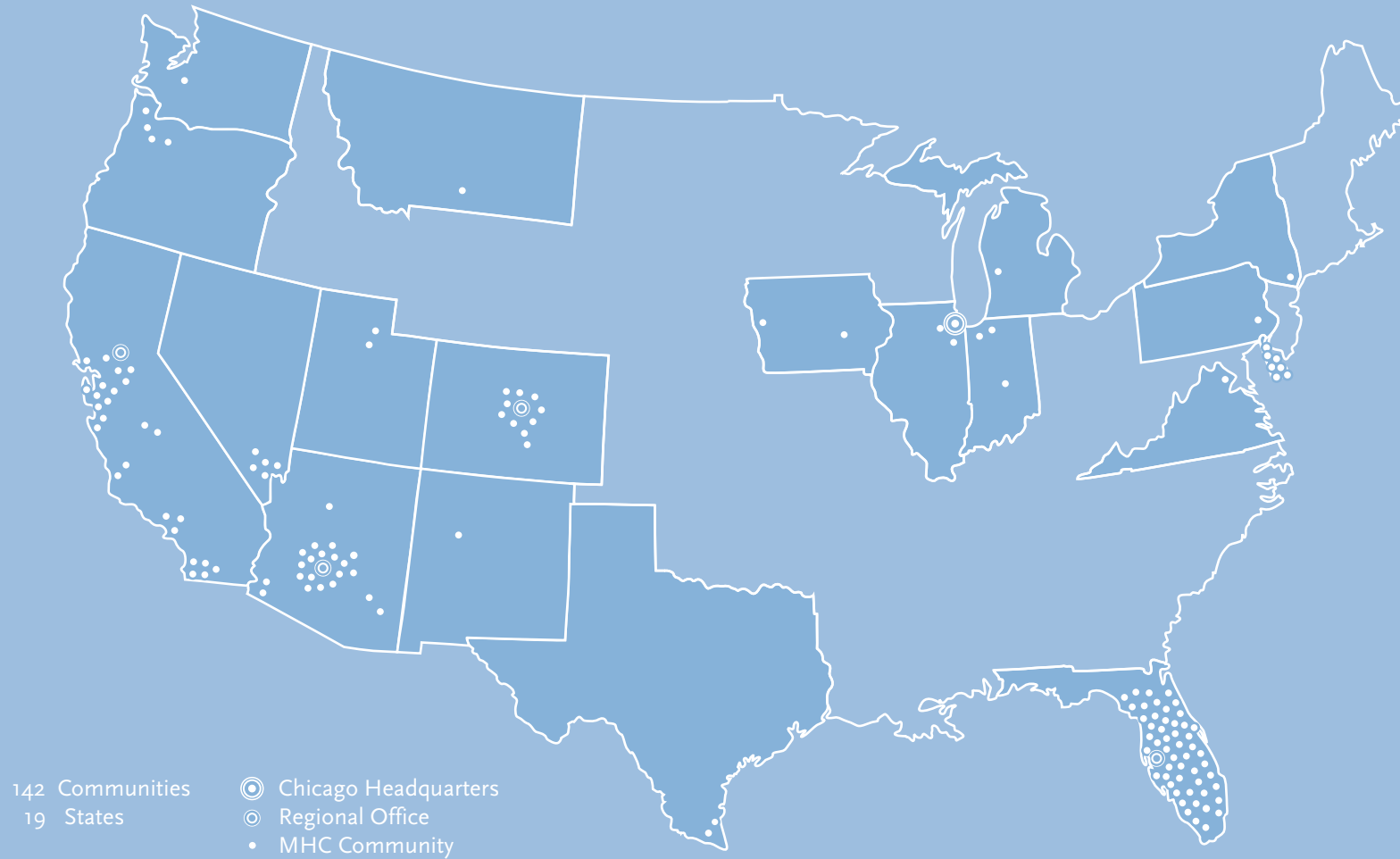
Our enduring pledge to both customers and shareholders is straightforward—we will create value by providing consistently high levels of service and amenities in attractive surroundings.

With a firmly established brand identity, high visibility in the marketplace, and a strategic acquisition program, MHC is well positioned to follow through on this commitment. We are optimistic about the potential for continued growth because we are a leader in an industry where a relatively small number of properties are publicly held.

We will use our market position to capitalize on opportunities to expand our portfolio while maintaining our resolve to maintain the highest standards of community, quality, and stability.



A National Community



MHC Corporate Data

BOARD OF DIRECTORS

Samuel Zell
*Chairman of the Board of Directors
Manufactured Home Communities, Inc.
Chairman, Equity Group Investments, L.L.C.*

Howard Walker
*Vice Chairman of the Board of Directors
Manufactured Home Communities, Inc.*

Donald S. Chisholm
President, Ann Arbor Associates, Inc.

Thomas E. Dobrowski
*Managing Director, Real Estate and Alternative Investments
General Motors Investment Management Corp.*

David A. Helfand
Principal, Helfand Capital Partners

Thomas P. Heneghan
*President and Chief Executive Officer,
Manufactured Home Communities, Inc.*

Joe B. McAdams
Director, Affinity Group, Inc.

Sheli Z. Rosenberg
Vice Chairman, Equity Group Investments, L.L.C.

Gary Waterman
President, Waterman Limited

EXECUTIVE OFFICERS

Thomas P. Heneghan
President and Chief Executive Officer

Roger Maynard
Chief Operating Officer

Ellen Kelleher
Executive Vice President, General Counsel and Secretary

Michael Berman
Vice President, Chief Financial Officer and Treasurer

CORPORATE OFFICE

Manufactured Home Communities, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 312-279-1400
Fax: 312-279-1710
www.mhchomes.com
www.mhcrv.com

TRANSFER AGENT

LaSalle Bank, N.A.
P.O. Box LL
135/1811
Chicago, IL 60690-9882
Phone: 800-246-5761
www.lasallebanks.com

AUDITORS

Ernst & Young LLP
Chicago, Illinois

FORM 10-K AVAILABILITY

Requests for MHC's Form 10-K filed with the Securities and Exchange Commission, and other investor inquiries from individuals and institutional investors should be directed to:

Investor Relations Department
Manufactured Home Communities, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 800-247-5279
investor_relations@mhchomes.com

The Commission also maintains a website that contains reports, proxy information and statements, and other information regarding registrants that file electronically with the Commission. The website address is:
<http://www.sec.gov>. MHC files electronically.

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

MHC offers a Dividend Reinvestment and Share Purchase Plan. For an information packet, including the Plan prospectus and enrollment form, please call the Plan Administrator, LaSalle Bank, at 1-800-246-5761.

SHAREHOLDERS

There were approximately 5,049 beneficial holders of Manufactured Home Communities, Inc. stock as of December 31, 2003.