

The Life in a Day of MHC

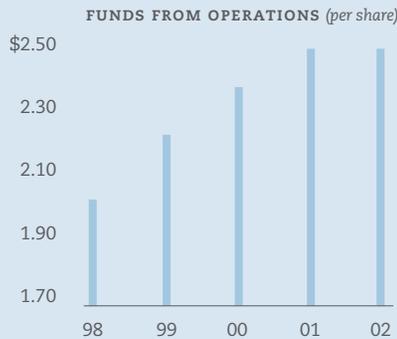
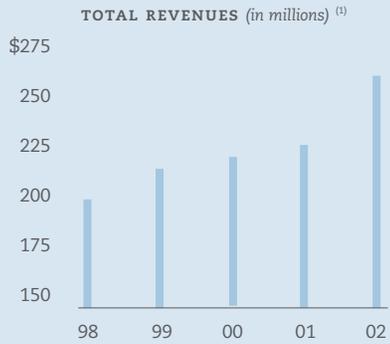
Community. Quality. Stability.



Annual Report 2002



Financial Highlights



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

	2002	2001	2000	1999	1998
Total Revenues ⁽¹⁾	\$ 264,556	\$ 225,856	\$ 220,678	\$ 215,028	\$ 194,830
Operating Income ⁽²⁾	\$ 130,443	\$ 129,609	\$ 128,390	\$ 125,124	\$ 113,983
Funds from Operations ⁽³⁾	\$ 68,393	\$ 66,957	\$ 63,807	\$ 68,477	\$ 64,089
Net Income Before Allocation to Minority Interests ⁽⁴⁾	\$ 56,623	\$ 51,544	\$ 52,701	\$ 36,835	\$ 35,663
Net Income Per Common Share—Basic ⁽⁴⁾	\$ 1.69	\$ 1.53	\$ 1.49	\$ 1.10	\$ 1.13
Net Income Per Common Share—Diluted ⁽⁴⁾	\$ 1.64	\$ 1.49	\$ 1.46	\$ 1.09	\$ 1.12
Funds from Operations Per Common Share—Basic ⁽⁴⁾	\$ 2.53	\$ 2.53	\$ 2.36	\$ 2.21	\$ 2.03
Funds from Operations Per Common Share—Diluted ⁽⁴⁾	\$ 2.48	\$ 2.48	\$ 2.33	\$ 2.19	\$ 2.01
Weighted Average Common Shares Outstanding—Basic ⁽⁴⁾	27,020	26,502	27,061	30,928	31,581
Weighted Average Common Shares Outstanding—Diluted ⁽⁴⁾	27,632	27,010	27,408	31,252	31,962
Capital Expenditures ⁽⁵⁾	\$ 13,377	\$ 12,689	\$ 7,855	\$ 8,656	\$ 8,005
Total Communities Owned and Controlled	142	149	154	157	154
Total Sites	51,582	50,663	51,304	53,846	53,009

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 change had no material effect on income from operations.

⁽²⁾ 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.



MHC is a self-administered, self-managed real estate investment trust traded on the New York Stock Exchange under the symbol MHC. The company owns and operates 142 site-set home communities in urban and resort-like settings, comprising more than 51,000 sites in 21 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 fundamental concepts anchor our value proposition: community, quality, and stability.

To Our Fellow Shareholders

In 2002, a year in which the overall economy and many companies in the manufactured housing business struggled, MHC delivered positive financial results and a healthy dividend to its shareholders. In fact, our total return for the year outpaced the Dow Jones, S&P 500, and NASDAQ Composite indices.

We credit our continuing success to the soundness of our overall approach. MHC offers a simple 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. It's not dramatic, but it works.

MHC has been able to sustain the quality of our portfolio because our proven business plan is based on a deliberate and steady pace that rewards both shareholders and residents year after year.

We're proud of what we accomplished in 2002, and we're eager to make even greater strides in 2003.

Community Investments

Between 2002 and 2004, we plan to invest more than \$10 million in upgrading our communities, in addition to our normal maintenance programs. This investment will make us a stronger company that offers the lifestyle experience and amenities that our target market desires. We are committed to meeting the changing expectations of our future residents – the baby boomer generation – while maintaining the comfort of our current residents.

As we did this year, we will continue to evaluate our portfolio on an ongoing basis to make sure our assets are deployed in the markets with the most potential.

Balancing Interests

We'll continue our efforts to achieve an equitable balance between the expectations of residents and those of our shareholders. We believe that, in some markets, the environment continues to favor residents by too wide a margin. Regulations adopted in many municipalities threaten to erode shareholder value over time, and we're committed to working within appropriate channels to protect that value by obtaining market-based rents. At the same time, we will focus on providing residents with an attractive and affordable lifestyle in high quality communities.

Onward

While we're not invulnerable to market declines, we are ideally positioned to deliver steady results across the spectrum of economic cycles. Our business model is particularly appealing to residents who make specific choices based on lifestyle factors and affordability. MHC communities are extremely attractive on both counts.

The demographic trends for our business are excellent, and we offer the highest quality portfolio of site-set home communities.

We will continue to focus on community, quality, and stability. These fundamental concepts are at the core of how we operate as a business. We're confident that they will continue to serve the best interests of shareholders, residents, and employees.

Sincerely,



Samuel Zell, Chairman of the Board



Howard Walker, Chief Executive Officer and Vice Chairman of the Board

March 10, 2003



2002 Highlights

Repositioning of capital Over the course of the year, we evaluated our portfolio and redeployed approximately \$90 million in capital to markets with greater long-term potential. We sold more than 3,500 sites in Michigan, Minnesota, Ohio, and parts of Florida and reinvested in nearly 3,400 sites in other markets in Florida and in Arizona, areas offering greater potential return on investment.

RV resort acquisitions MHC acquired six RV resorts in 2002: Mt. Hood Village in the Mt. Hood recreation area of Oregon; Tropic Winds in the Rio Grande Valley, Texas; Breezy Hill and Highland Woods on the southeast coast of Florida; and Countryside and Golden Sun in Arizona's Sun Valley. These acquisitions added more than 2,100 sites to our RV portfolio, bringing the total to more than 6,000.

Industry recognition Our Golf Vista Estates (Monee, IL) community won the esteemed *Community of the Year* award from the Manufactured Housing Institute, marking MHC's 14th award since 1997.

Home Is Where the Heart Is

Homes they love in locales they love. Residents find their hearts' desires in our communities.



Site-set homes are high quality, factory-built houses that are delivered to a property and set in place. At an average new price of just over \$60,000, these affordable homes are an outstanding value. Construction costs per square foot for site-set homes are as much as 40 percent lower than comparable site-built homes. An overwhelming 93 percent of site-set homeowners report satisfaction with their housing choice.¹

MHC provides the very best this type of home has to offer, and we bring new houses into our communities on a regular basis. Made to exacting standards, the homes are beautiful on the outside and well-appointed on the inside. They average more than 1,500 square feet and feature many distinct characteristics, including peaked roofs, screened porches, bay windows, wood-burning fireplaces, designer kitchens, and luxurious baths.

We work with home manufacturers on an on-going basis to insure that they incorporate the appointments that today's buyers seek in a new home. As a result, the homes in our communities continue to evolve to meet the demands of home buyers. For example, the homes in our communities now offer more square footage and greater capacity to accommodate the technological needs of our customers. In addition, we are evaluating the demand for modular homes that offer increased aesthetics and two-story homes that offer greater living space.

Our communities are situated in many of the country's most desirable locations – places where many of our residents have always dreamed of living. Each offers an exceptional range of amenities and services and a unique character all its own.



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





While residents enjoy their chosen pace, they can rest assured that MHC is taking care of the community. We continually evaluate the appearance of our communities and the services we offer.

Community

Strong, vibrant communities are an MHC hallmark. We're known for creating places where people savor the location and the lifestyle. Our residents enjoy being part of their community and sharing it with friends old and new.

The Right Place

MHC's portfolio boasts a long list of sought-after destinations in both urban and resort-like settings. From ocean waves to mountain ranges, from desert sands to woodland paths, we have the perfect location. Thanks to the affordability of the MHC lifestyle, our residents can stop dreaming about their ideal places and start living there.

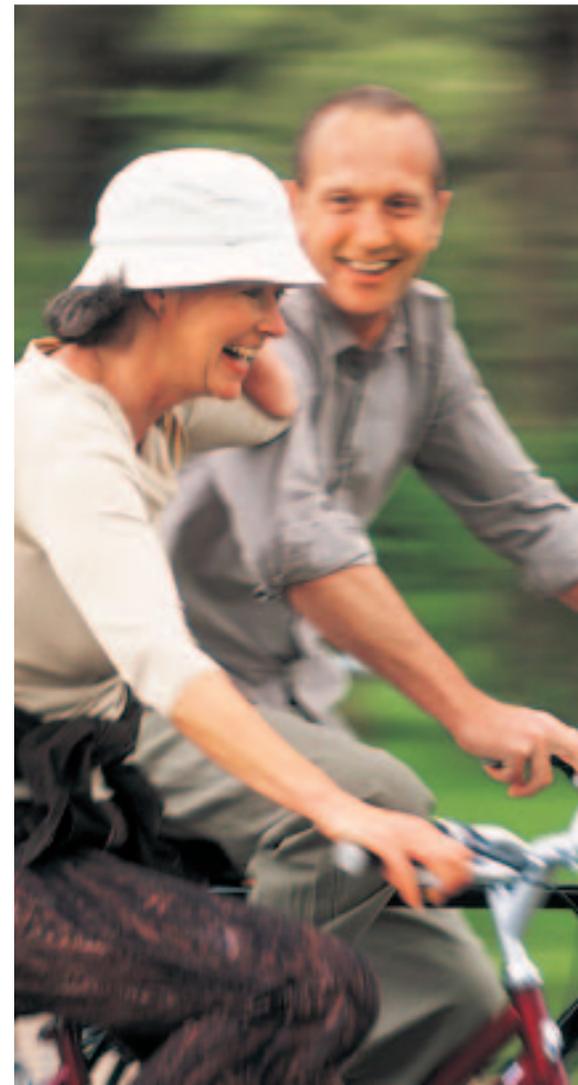
People who want to test the MHC lifestyle before buying can take advantage of our seasonal rental program. Renters have complete access to all on-site amenities and activities, giving them an ideal opportunity to see why so many people choose to live in MHC communities. Our goal is to sell the homes in the seasonal rental program to permanent residents. In 2002, we sold 48 percent of the homes available through the program.

The Right Pace

Residents who want to get involved in activities and participate in group events find a wide range of options to suit virtually any interest. Those who prefer to kick back and enjoy a quieter, slower rhythm find serenity in a peaceful setting. Individuals set the tempos that suit them.

In the last year, we undertook a variety of initiatives to further enhance the sense of community for our residents. Athletes, sightseers, and music lovers all enjoyed activities such as tennis and golf tournaments, organized group outings and travel, community concerts, and more.

While residents enjoy their chosen pace, they can rest assured that MHC is taking care of the community. We continually evaluate the appearance of our communities and the services we offer.



Upgrades

In addition to our normal maintenance program, we plan to upgrade our communities by investing more than \$10 million between 2002 and 2004. These investments are vital to making sure we continue to offer a lifestyle experience and amenities that attract our target customers.

The upgrades made at Coral Cay Plantation—some of which are shown here—are indicative of the resources we're dedicating to enhance several properties in the MHC portfolio. Last year, we spent more than a half million dollars on improvements in this Margate, Florida community, including:

- Construction and refurbishing of two clubhouses
- Refurbishing of two pools, plus upgraded pool environs
- New landscaping and community signage
- New fitness equipment and tennis court upgrades

Before ▶



After ▼



After ▶



Quality

MHC is dedicated to building a portfolio of site-set home communities that continues to be unparalleled in the eyes of residents, shareholders, and industry experts. What sets us apart? An unwavering commitment to creating value and more than 30 years of industry experience are behind our success.

Residents

A high occupancy rate and a low turnover rate are votes of confidence from our residents. These positive measurements have been consistent over time. In the last six years, our occupancy and resident turnover rates for our core portfolio have been relatively stable and considerably better than those found in the multi-family rental industry.

In 2002, we continued surveying all our new home buyers. Our goal is to spot specific customer trends and identify areas for improvement across the portfolio. The survey provides information for MHC management based on customer demographics, overall customer service, and community and home preferences. More than 70 percent of our new home buyers list the following factors as their main reasons for purchasing a home in an MHC community: location, overall community appearance, and price/value. Many of our new residents come to us through referrals from their friends and family members who are already enjoying the lifestyle offered in MHC communities.

Shareholders

An average annual return rate of 14.4 percent since our initial public offering in February of 1993 is a vote of confidence from our shareholders. Not only does that measurement beat the average annual return of our peers since their IPOs, it also beats those of the Dow Jones, S&P 500, NASDAQ Composite, and Morgan Stanley REIT indices.

Industry Experts

An industry-high 14 *Community of the Year* awards in the last six years is a vote of confidence from industry professionals. This prestigious honor is bestowed by the Manufactured Housing Institute on a regional basis. In 2002, Golf Vista Estates in Monee, Illinois, a 521-site community, received the award.



Stability

Even in unsteady economic times, MHC's portfolio consistently yields steady growth in revenue, dividends, and cash flow. This year, more than ever, our time-tested business plan proved sound.

Strategy

Our disciplined approach to the business insures that MHC's recurring capital expenditures continue to be far lower than that of apartment buildings or other rental arrangements. Residents 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 commitment to investing in our communities promises to attract more home buyers to MHC.

The fact that our portfolio extends across the nation – with sites in 21 states – is another reason for our relative stability. This breadth shields us from economic downturns in any single market.

MHC's commitment to hiring and training outstanding sales, marketing, and community management professionals also contributes to our success. These employees, backed by our corporate and regional office teams, help attract the most qualified residents to our communities.

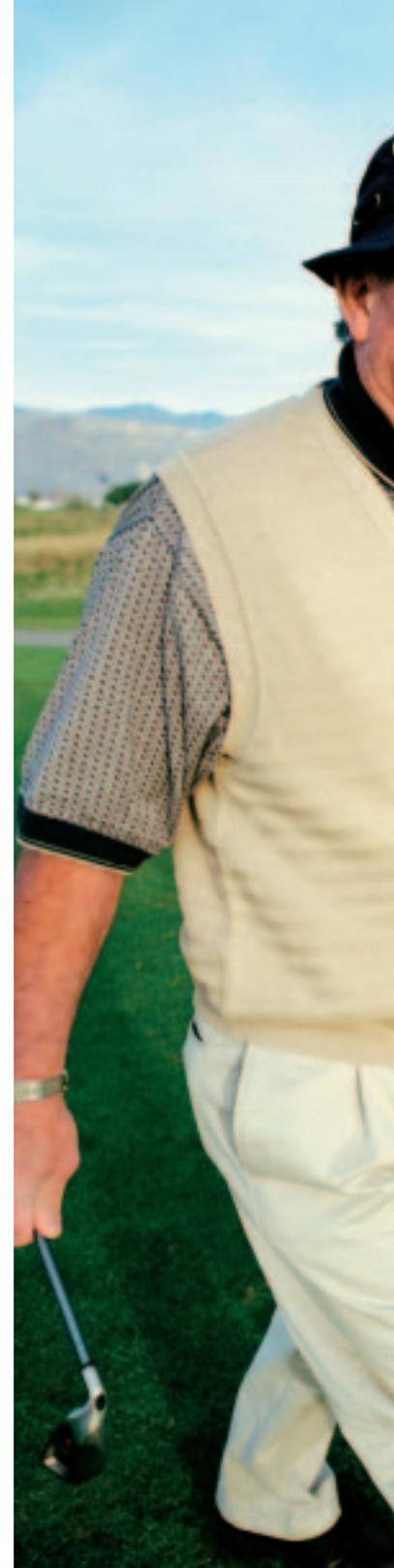
People

Our population personifies stability. Comparable real estate ventures cannot compete with MHC's annual occupancy rate of more than 93 percent. Given this level of stability in our resident population, we expect our operating revenues to continue at an even pace.

The majority of our residents have chosen to live in an MHC community based on the lifestyle and affordability it offers. In addition, many pay cash for their new site-set homes after selling the houses they lived in for many years and are less sensitive to economic ups and downs than other renters.

Demand

The site-set housing lifestyle is attractive to more and more people. This type of housing appeals to both baby boomers and young families starting out in the housing market. Given MHC's outstanding portfolio of communities, we expect that people who are drawn to this lifestyle will continue to be drawn to MHC.





Our Approach

We believe that MHC will continue to flourish in the years to come. Our optimism stems from a number of promising factors.

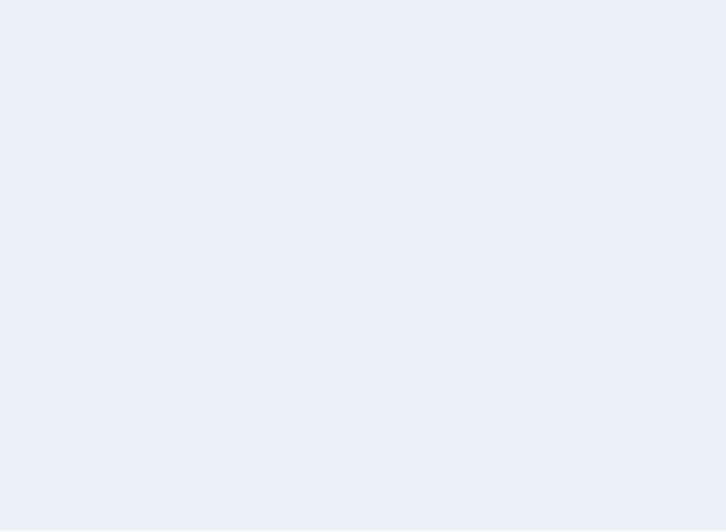
Market leadership In spite of the challenging economy, MHC's financials remained robust. While others catch up, we'll be ready to capitalize on the inevitable upswing in the economy, whenever it occurs.

Discriminating buyers Site-set housing is very appealing to a large population, thanks to affordable prices and maintenance costs. MHC's portfolio of desirable locations, lifestyle options, and amenities make this type of housing especially attractive.

RV opportunities MHC recognizes the synergy that exists between the site-set housing industry and the RV industry. Our goal is to capitalize on this complementary relationship by cross-marketing to these customers. Studies indicate that the number of RV owning households will rise to nearly 8 million by 2010², which is primarily the result of favorable demographic trends that include baby boomers entering their prime RV buying years. We are well positioned to provide homes to RV owners who decide to trade in their vehicle for a more permanent residence.

Limited supply MHC is positioned to benefit from the increased demand for desirable real estate. Given our demonstrated ability to manage growth, we will continue to lead the industry in satisfying the demand.

² "The RV Consumer: A Demographic Profile," a University of Michigan study commissioned by the Recreational Vehicle Industry Association (2001)



The MHC Commitment

Our continuing pledge to residents and shareholders is simple. We will create value by providing consistently high levels of service and amenities in attractive surroundings.

MHC is well positioned to follow through on this commitment, thanks to our firmly established brand identity and high visibility in the marketplace.

We will use our market position to capitalize on opportunities to expand our portfolio while maintaining our dedication to community, quality, and stability.



A National Community

MHC Portfolio as of January 1, 2003

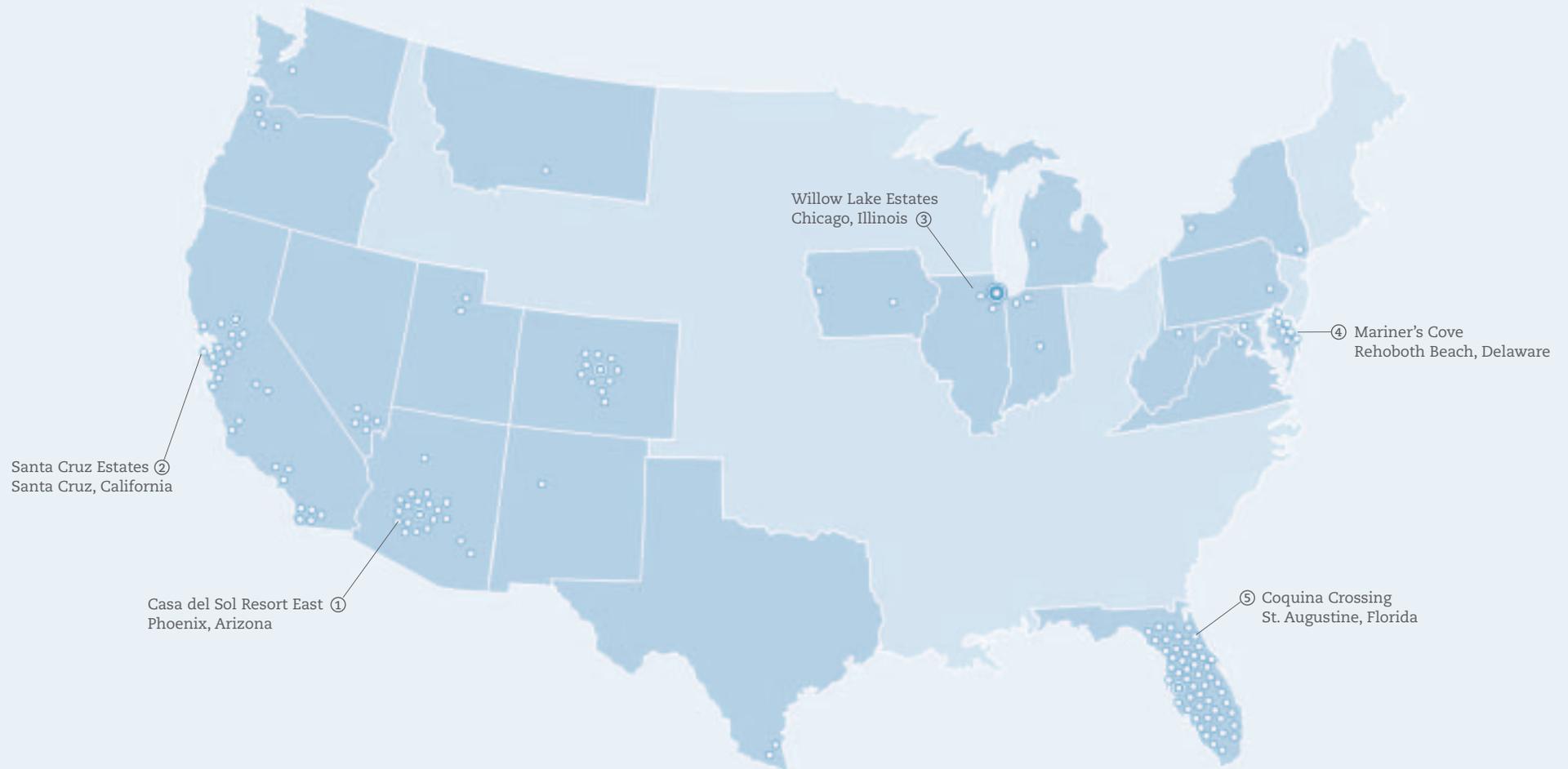
142 Communities

21 States

● Chicago Headquarters

○ Regional Office

○ MHC 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
Chief Executive Officer and Vice Chairman
of the Board of Directors
Manufactured Home Communities, Inc.

Donald S. Chisholm
President, Ann Arbor Associates, Inc.
President, Vernon Development Company

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

David A. Helfand
Executive Vice President and Chief Investment Officer
Equity Office Properties Trust

Louis H. Masotti
President, Louis H. Masotti, LTD.

John F. Podjasek, Jr.
Managing Director – Private Equity Group
WestLB Asset Management (USA) LLC

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

Michael A. Torres
Chief Executive Officer, Lend Lease Rosen
Real Estate Securities LLC

Gary Waterman
President, Waterman Limited

Executive Officers

Samuel Zell
Chairman of the Board of Directors
Howard Walker
Chief Executive Officer and Vice Chairman
of the Board of Directors

Thomas P. Heneghan
President and Chief Operating Officer

Ellen Kelleher
Executive Vice President, General Counsel and Secretary

John M. Zoeller
Executive Vice President, Chief Financial Officer and Treasurer

Senior Management

Roger Maynard
Senior Vice President – Eastern Division

Mike Reed
Senior Vice President – Western Division

Corporate Office

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

Transfer Agent

LaSalle Bank, N.A.
P.O. Box LL
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Chicago, Illinois 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 4,995 beneficial holders of Manufactured Home Communities, Inc. as of February 13, 2003.

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 2002 and 2001 on the NYSE and quarterly dividends were as follows:

<u>2002</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend</u>
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

<u>2001</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend</u>
First Quarter	\$29.0000	\$25.5400	\$27.0000	\$.4450
Second Quarter	\$28.3500	\$26.3100	\$28.1000	\$.4450
Third Quarter	\$30.4700	\$27.9000	\$30.4200	\$.4450
Fourth Quarter	\$31.6700	\$29.8000	\$31.2100	\$.4450



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