FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

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

COMMISSION FILE NUMBER: 1-11718

MANUFACTURED HOME COMMUNITIES, INC.
(Exact name of registrant as specified in its Charter)

MARYLAND	36-3857664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

TWO NORTH RIVERSIDE PLAZA, SUITE 800, CHICAGO, ILLINOIS	60606
(Address of principal executive offices)	(Zip Code)

(312) 474-1122
(Registrant's telephone number, including area code)

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 ( )

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

24,719,716 SHARES OF COMMON STOCK AS OF OCTOBER 31, 1997.

MANUFACTURED HOME COMMUNITIES, INC.

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PART I - FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 1997 AND DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	September 30, 1997	December 31, 1996
ASSETS		
Investment in rental property:		
Land	$169,785	$138,514
Land improvements	500,376	370,440
Buildings and other depreciable property	90,527	88,696
	760,688	597,650
Accumulated depreciation	(84,095)	(71,481)
Net investment in rental property	676,593	526,169
Cash and cash equivalents	413	324
Short-term investments (at cost, which approximates market)	2,816	1,968
Notes receivable	2,818	15,427
Investment in and advances to affiliates	6,586	6,836
Investment in partnerships	34,429	---
Rents receivable	745	723
Deferred financing costs, net	1,496	1,999
Prepaid expenses and other assets	2,376	14,279
Due from affiliates	53	149
Total assets	$728,325	$567,874
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	$211,333	$197,482
Term loan	60,000	---
Line of credit	55,500	57,500
Other notes payable	6,625	---
Accounts payable and accrued expenses	28,947	14,364
Accrued interest payable	1,915	1,495
Rents received in advance and security deposits	4,304	1,897
Distributions payable	10,147	8,439
Due to affiliates	99	105
Total liabilities	378,870	281,282
Minority interests	71,844	28,640
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	---	---
Common stock, $.01 par value 50,000,000 shares authorized; 24,717,716 and 24,951,948 shares issued and outstanding for 1997 and 1996, respectively	247	249
Paid-in capital	315,790	293,512
Employee notes	(6,069)	(6,158)
Distributions in excess of accumulated earnings	(32,357)	(29,651)
Total stockholders' equity	277,611	257,952
Total liabilities and stockholders' equity	$728,325	$567,874

The accompanying notes are an integral part of the financial statements.

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS AND QUARTERS ENDED SEPTEMBER 30, 1997 AND 1996
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the Nine Months Ended September 30,		For the Quarters Ended September 30,	
	1997	1996	1997	1996
REVENUES				
Base rental income	$ 78,439	$ 69,089	$ 27,461	$ 23,429
Utility and other income	8,447	6,601	2,964	2,062
Equity in income of affiliates	511	513	304	306
Interest income	1,670	1,802	424	611
Total revenues	89,067	78,005	31,153	26,408
EXPENSES				
Property operating and maintenance	23,520	21,004	8,246	7,006
Real estate taxes	5,966	6,048	2,052	2,032
Property management	3,649	3,272	1,237	1,047
General and administrative	3,241	2,955	1,029	1,003
Interest and related amortization	15,573	13,067	5,556	4,427
Depreciation on corporate assets	437	342	148	122
Depreciation on real estate assets and other costs	12,136	10,949	4,102	3,626
Total expenses	64,522	57,637	22,370	19,263
Income before allocation to minority interests	24,545	20,368	8,783	7,145
(Income) allocated to minority interests	(2,695)	(2,019)	(1,141)	(708)
Net income	$ 21,850	$ 18,349	$ 7,642	$ 6,437
Net income per weighted average common share outstanding	$ .88	$ .74	$ .31	$ .26
Distributions declared per common share outstanding	$ .99	$ .915	$ .33	$ .305
Weighted average common shares outstanding	24,709	24,683	24,575	24,697

The accompanying notes are an integral part of the financial statements.

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 21,850	$ 18,349
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to minority interests	2,695	2,019
Depreciation and amortization expense	13,630	12,093
Equity in income of affiliates	(511)	(513)
Amortization of deferred compensation and other	654	60
Writeoff of a management contract and project costs	(258)	---
(Increase) decrease in rents receivable	(22)	80
(Increase) decrease in prepaid expenses and other assets	(719)	401
Increase in accounts payable and accrued expenses	5,113	7,220
Increase in rents received in advance and security deposits	2,407	2,022
Net cash provided by operating activities	44,839	41,731
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase) of short-term investments, net	(848)	(2,097)
Sale (purchase) of project related assets	11,148	(10,028)
Distributions from affiliates	670	1,623
Investment in partnerships	(18,528)	---
Collection of principal payments on notes receivable and prepayment penalty	14,438	140
Acquisition of rental properties	(93,498)	(28,968)
Improvements:		
Improvements - corporate	(221)	(758)
Improvements - rental properties	(2,469)	(2,755)
Site development costs	(1,647)	(1,899)
Net cash used in investing activities	(90,955)	(44,742)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	1,831	514
Distributions to common stockholders and minority interests	(26,630)	(24,708)
Repurchase of common stock	(7,260)	---
Collection of principal payments on employee notes	89	72
Proceeds from line of credit and term loan	171,603	33,600
Repayments on mortgage notes payable and line of credit	(93,128)	(4,719)
Debt issuance costs	(300)	(201)
Net cash provided by financing activities	46,205	4,558
Net increase in cash and cash equivalents	89	1,547
Cash and cash equivalents, beginning of period	324	760
Cash and cash equivalents, end of period	$ 413	$ 2,307
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 14,350	$ 12,207

The accompanying notes are an integral part of the financial statements.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PRESENTATION:

These unaudited Consolidated Financial Statements of Manufactured Home Communities, Inc., a Maryland corporation, and its subsidiaries (collectively, the "Company"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the Company's 1996 Annual Report on Form 10-K (the "1996 Form 10-K"). The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 1996 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Earnings Per Common Share

Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128") is effective for years ending after December 15, 1997. The Company will adopt SFAS No. 128 as of December 31, 1997 (earlier adoption is not permitted). The Company expects the impact of the adoption of SFAS No. 128 to be immaterial. Had the Company adopted SFAS No. 128 in the third quarter of 1997, the impact would have been immaterial.

NOTE 2 - COMMON STOCK AND RELATED TRANSACTIONS

The Company paid a $.33 per share distribution on April 11, 1997, July 11, 1997 and October 10, 1997, for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, respectively, to stockholders of record on March 28, 1997, June 27, 1997 and September 26, 1997, respectively.

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby the Company is authorized to repurchase up to 1,000,000 shares of its common stock. As of September 30, 1997, the Company had repurchased 330,300 shares of common stock.

On August 29, 1997, the Company, as general partner of the MHC Operating Limited Partnership ("Operating Partnership"), approved the addition of new limited partners (the "MPW Limited Partners") to the Operating Partnership in connection with the acquisition of properties from limited partners and joint ventures affiliated with Mobileparks West, a California limited partnership ("MPW"). The MPW Limited Partners received 3,018,926 units of limited partnership interest ("OP Units") which are exchangeable on a one-for-one basis for shares of the Company's common stock.

NOTE 3 - RENTAL PROPERTY

On March 14, 1997, the Company acquired California Hawaiian Mobile Estates ("California Hawaiian"), located in San Jose, California, for a purchase price of approximately $23.3 million. The acquisition was funded with a borrowing under the Company's line of credit. California Hawaiian consists of approximately 412 developed sites.

On March 27, 1997, the Company acquired Golf Vista Estates ("Golf Vista"), located in Monee, Illinois. The purchase price of approximately $7.4 million, including deferred payments of $150,000 per year for the next five years, was funded with existing available cash. Golf Vista consists of approximately 200 developed sites and 319 expansion sites.

On May 29, 1997, the Company entered into a capital lease with East Tincup Village, Inc., a Colorado corporation, for Golden Terrace South (formerly known as East Tincup Village). The lease term is 110 months commencing on May 29, 1997, with monthly rental payments of approximately $18,000. The lease contains an option for the Company to purchase Golden Terrace South at the termination of the lease for $2.4 million. For financial accounting purposes, the Company accounts for the lease as a direct financing lease; and, accordingly, the Company has recorded an investment in real estate and a note payable. Golden Terrace South consists of 80 developed sites and 86 recreational vehicle sites.

On August 29, 1997, the Company acquired seventeen manufactured home communities, a 50% general partnership interest in one manufactured home community, and two commercial properties (collectively, the "MPW Properties") from limited partnerships and joint ventures affiliated with MPW. The aggregrate purchase price was approximately $103 million. Approximately $64 million of the purchase price was in the form of OP Units, approximately $6 million was in the form of installment notes payable, approximately $17 million was in the form of cash funded from a borrowing under the Company's line of credit, and the Company assumed debt of approximately $13 million. The MPW Properties, which consist of approximately 3,500 sites, are located in California, Oregon, Utah, Arizona, Nevada and Washington.

On September 16, 1997, the Company acquired Arrowhead Village, located in Lantana, Florida, for a purchase price of approximately $20.3 million. The acquisition was funded with a borrowing under the Company's line of credit. Arrowhead Village consists of approximately 602 developed sites.

The Company is actively seeking to acquire additional manufactured home communities and currently is engaged in negotiations relating to the possible acquisition of a number of manufactured home communities. At any time these negotiations are at varying stages which may include contracts outstanding to acquire certain manufactured home communities which are subject to satisfactory completion of the Company's due diligence review.

NOTE 4 - INVESTMENT IN PARTNERSHIPS

On September 8, 1997, the Company entered into an agreement with Gerald D. Ellenburg as a general partner of various partnerships (the "Ellenburg Partnerships") to purchase 38 manufactured home communities located primarily in Florida, Arizona and California (the "Ellenburg Communities") for a purchase price in excess of $300 million. The agreement immediately transferred property management of the Ellenburg Communities to the Company. The sale of the Ellenburg Communities to the Company is subject to the approval of the California Superior Court in a matter involving the wind up of the affairs of Ellenburg Capital Corporation, the approval of limited partners of the Ellenburg Partnerships and certain other conditions, therefore, there can be no assurance that the Company will ultimately close on the purchase of the Ellenburg Communities.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INVESTMENT IN PARTNERSHIPS (CONTINUED)

On August 7, 1997, the Company offered to purchase limited partnership interests in various partnerships which own 30 of the Ellenburg Communities. The offers expired on October 2, 1997. As of September 30, 1997, the Company recorded its investment in the partnerships of approximately $34.4 million. Approximately $27 million of the investment represents cash payments to be made to certain limited partners. Approximately $7.6 million of the investment represents limited partners who will receive payment either (i) in the form of preferred limited partnership interests with structured payments over periods ranging from six to eight years, or (ii) a cash payment representing the market value of the preferred limited partnership interests.

NOTE 5 - NOTES RECEIVABLE

At September 30, 1997 and December 31, 1996, notes receivable consisted of the following (amounts in thousands):

	1997	1996
$2.0 million note receivable with monthly principal and interest payments at 9.0%, maturing on 6/10/2003 (a).....................	$ ---	$ 1,596
$1.2 million purchase money notes with monthly principal and interest payments at 8.0%, maturing on 7/31/2001................	1,150	1,160
$10.0 million leasehold mortgage loan with interest accruing at a stated rate of 12.5% with a pay rate of 8.75%, maturing on 9/1/2013 (b)..	---	11,071
$1.9 million note receivable with monthly interest payments at prime plus 1.6%, maturing on 4/15/2000..........................	1,668	1,600
Total notes receivable..	$ 2,818	$ 15,427

(a) On August 1, 1997, the $2.0 million note receivable was repaid.
(b) On August 13, 1997, the $10.0 million leasehold mortgage loan was repaid and the Company recognized a one-time gain of $315,000 representing the collection of a $1.4 million prepayment penalty on the note, partially offset by the write-off of the apportioned purchase price originally allocated to the management contract for the property collateralizing the note.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM BORROWINGS

At September 30, 1997 and December 31, 1996, long-term borrowings consisted of the following (amounts in thousands):

	1997	1996
$100.0 million mortgage note payable with monthly interest only payments at LIBOR plus 1.05%, maturing on 3/3/98 (a)	$100,000	$100,000
First mortgage loan with monthly principal and interest payments at 7.40%, maturing on 3/1/2004	8,502	8,658
Purchase money note with structured principal and interest payments at an imputed rate of 7.38%, maturing on 7/11/2004	1,334	1,334
First mortgage loan with monthly principal and interest payments at a rate of 7.48%, maturing on 8/1/2004	24,290	24,628
$65.0 million first mortgage loan with monthly principal and interest payments at 8.0%, maturing on 9/1/2001	62,230	63,227
$2.4 million note payable with monthly interest payments at 9.05%, maturing on 7/31/2006	2,400	---
First mortgage loan with monthly principal and interest payments at a rate of 7.65% adjusted monthly, maturing on 11/10/2006	2,655	---
First mortgage loan with monthly principal and interest payments at a rate of 7.38% adjusted annually, maturing on 11/1/2016	3,405	---
First mortgage loan with monthly principal and interest payments at a rate of 7.25% adjusted annually, maturing on 11/1/2016	2,462	---
First mortgage loan with monthly principal and interest payments at a rate of 7.25%, maturing on 6/1/2017	1,592	---
First mortgage loan with monthly principal and interest payments at a rate of 11.50%, maturing on 1/1/2001	1,499	---
First mortgage loan with monthly principal and interest payments at a rate of 11.25%, maturing on 5/1/2001	964	---
Total collateralized borrowings	211,333	197,847
$100.0 million line of credit at LIBOR plus 1.125% (b)	55,500	43,000
$60.0 million term loan at LIBOR plus 1.00% (c)	60,000	---
Other notes payable (d)	6,625	---
Total long-term borrowings	$333,458	$240,847

(a) In October 1996, the Company entered into an interest rate swap agreement fixing the London Interbank Offered Rate ("LIBOR") on the $100.0 million mortgage debt (the "Mortgage Debt") at 5.57% effective January 10, 1997 through March 3, 1998. The value of this agreement is impacted by changes in the market rate of interest. Had the agreement been entered into on September 30, 1997, the applicable LIBOR swap rate would have been 5.83%. Each 0.01% increase or decrease in the applicable swap rate for this agreement increases or decreases the value of the agreement entered into by the Company versus its current value by approximately $2,600.

NOTE 6 - LONG-TERM BORROWINGS (CONTINUED)

In July 1995, the Company entered into an interest rate swap agreement (the "Swap") beginning at the maturity of the Mortgage Debt fixing LIBOR on the refinancing of the Mortgage Debt at 6.4% for the period 1998 through 2003. The cost of the Swap consisted only of legal costs which were deemed immaterial. In the event that the Company does not refinance the Mortgage Debt, the risk associated with the Swap is that the Company would be obligated to perform its obligations under the terms of the Swap or would have to pay to terminate the Swap. In either event, the impact of such transaction would be reflected in the Company's statement of operations. The value of the Swap is impacted by changes in the market rate of interest. Had the Swap been entered into on September 30, 1997, the applicable LIBOR swap rate would have been 6.46%. Each 0.01% increase or decrease in the applicable swap rate for the Swap increases or decreases the value of the Swap entered into by the Company versus its current value by approximately $9,700.

(b) On March 1, 1997, the Company amended the credit agreement reducing the interest rate from LIBOR plus 1.375% to LIBOR plus 1.125%. In addition, the fee on the average unused amount was reduced to 0.125% of such amount from 0.15%. The Company did not pay any fees in connection with this amendment.

(c) On April 3, 1997, the Company entered into a $60.0 million term loan (the "Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. On June 2, 1997, the Company elected to set the LIBOR rate on the Loan at 6.05% through January 2, 1998. The Loan matures on April 3, 2000 and may be extended to April 3, 2002. In connection with the Loan, the outstanding balance under the $100.0 million line of credit was reduced by $60.0 million.

(d) In connection with the acquisition of the MPW Properties, the Company issued approximately $6.6 million of installment notes payable secured by a letter of credit with interest rates of 7.5%, maturing September 1, 2002. Approximately $5.3 million of the notes pay principal annually and interest quarterly and the remaining $1.3 million of the notes pay interest quarterly.

As of September 30, 1997, the carrying value of the property collateralizing the long-term borrowings was approximately $375 million.

NOTE 7 - STOCK OPTIONS

Pursuant to the Amended and Restated 1992 Stock Option and Stock Award Plan as discussed in Note 13 to the 1996 Form 10-K, certain officers, directors, key employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the nine months ended September 30, 1997, Options for 77,855 shares of common stock were exercised.

NOTE 8 - EMPLOYEE STOCK PURCHASE PLAN

The Company adopted, effective July 1, 1997, the 1997 Non Qualified Employee Stock Purchase Plan ("ESPP"). Pursuant to the Employee Stock Purchase Plan, certain employees and directors of the Company may each annually acquire up to $100,000 of common stock of the Company. The aggregate number of shares of common stock available under the Employee Stock Purchase Plan shall not exceed 1,000,000, subject to adjustment by the Board of Directors. The common stock may be purchased quarterly at a price equal to 85% of the lesser of: (a) the closing price for a share on the last day of such quarter; and (b) the greater of: (i) the closing price for a share on the first day of such quarter, and (ii) the average closing price for a share for all the business days in the quarter. As of September 30, 1997, 18,213 shares have been issued through the ESPP.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The litigation filed on September 17, 1996 by Chateau Properties, Inc. ("Chateau") against the Company and Operating Partnership and various counterclaims filed by the Company (see discussion in Note 14 of the 1996 Form 10-K) were dismissed on May 5, 1997.

The Company is involved in a variety of 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 the financial condition or results of operations of the Company.

NOTE 10 - PROPOSED MERGER

During 1996, the Company offered a merger proposal to Chateau in opposition to Chateau's proposed merger with ROC Communities, Inc. ("ROC") and incurred approximately $1.3 million in related costs and invested in certain related saleable assets with a book value of approximately $9.9 million. These expenditures were included in prepaid expenses and other assets as of December 31, 1996. On February 11, 1997, Chateau's shareholders approved Chateau's merger with ROC. Thus, in the first quarter of 1997, the Company sold the related assets it had acquired for approximately $11.1 million and incurred a net write-off of approximately $57,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following is a discussion of the interim results of operations, financial condition and liquidity and capital resources of the Company for the nine months and quarter ended September 30, 1997 compared to the corresponding periods in 1996. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and the 1996 Form 10-K.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 1997 TO THREE MONTHS ENDED SEPTEMBER 30, 1996

Since September 30, 1996, the gross investment in rental property has increased from $598 million to $761 million as of September 30, 1997 due to the acquisition of: (i) Casa del Sol Resort No. 1 and Casa del Sol Resort No. 2 (collectively, the "Casa del Sol Resorts") on October 23, 1996; (ii) California Hawaiian on March 14, 1997; (iii) Golf Vista on March 27, 1997; (iv) Golden Terrace South on May 30, 1997; (v) the MPW Properties on August 29, 1997, and (vi) Arrowhead Village on September 16,1997. The total number of sites has increased from 26,864 as of September 30, 1996 to 31,993 as of September 30, 1997.

The following table summarizes certain weighted average occupancy statistics for the quarters ended September 30, 1997 and 1996. "Core Portfolio" represents an analysis of properties owned during both periods of comparison.

	Core Portfolio		Total Portfolio	
	1997	1996	1997	1996
Total sites	25,655	25,552	29,450	26,868
Occupied sites	24,322	24,113	27,891	25,252
Occupancy %	94.8%	94.4%	94.7%	94.0%
Monthly base rent per site	$ 325	$ 312	$ 328	$ 309

Base rental income ($27.5 million) increased $4.0 million or 17.2%. For the Core Portfolio, base rental income increased approximately $1.2 million or 5.1%, reflecting a 4.2% increase in base rental rates and a 0.9% increase related to occupancy. The remaining $2.8 million increase in base rental income was attributed to Waterford, acquired on February 28, 1996, Candlelight Village, acquired on May 9, 1996, the Casa del Sol Resorts, California Hawaiian, Golf Vista, Golden Terrace South, the MPW Properties and Arrowhead Village (collectively, the "Acquisition Properties").

Monthly base rent per site for the total portfolio increased 6.1%, reflecting a 4.2% increase in monthly base rent per site for the Core Portfolio and higher monthly base rents for the Acquisition Properties. Average monthly base rent per site for the Acquisition Properties was $347 for the third quarter of 1997.

Weighted average occupancy increased 0.7% due to increased occupancy at the expansion communities and the addition of the Acquisition Properties to the portfolio with higher occupancy percentages.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Utility and other income ($3.0 million) increased $902,000 or 43.7%, primarily due to an increase of $559,000 attributed to the Acquisition Properties and an increase in utility income, real estate tax pass-ons and other miscellaneous income at the Core Portfolio.

Interest income ($424,000) decreased $187,000 or 30.6%, primarily due to the repayment of $13 million of notes receivable in August 1997, partially offset by an increase in interest earned on short-term investments. Short-term investments had average balances for the quarters ended September 30, 1997 and 1996 of approximately $3.8 million and $3.5 million, respectively, which earned interest income at an effective rate of 5.3% and 5.6% per annum, respectively. As of September 30, 1997, the Company had cash and cash equivalents and short-term investments of $3.2 million.

Property operating and maintenance expenses ($8.2 million) increased $1.2 million or 17.7%. Approximately $1.0 million of the increase was attributed to the Acquisition Properties. The remaining 2.9% increase was due to increases in property general and administrative expense of $134,000, property payroll of $64,000, utility expense of $37,000 and insurance and other expenses of $15,000 partially offset by decreased repairs and maintenance expense of $56,000. Property operating and maintenance expenses represented 26.5% of total revenues in 1997 and 1996.

Real estate taxes ($2.1 million) increased $20,000 or 1.0% due to additional real estate taxes at the Acquisition Properties, partially offset by lower than expected assessed values at certain of the properties based on actual bills received. Real estate taxes represented 6.6% of total revenues in 1997 and 7.7% in 1996.

Property management expenses ($1.2 million) increased $190,000 or 18.1%. The increase was primarily due to an increase in management company payroll in connection with acquisitions and the timing of certain expenses. Property management expenses represented 4.0% of total revenues in 1997 and 1996.

General and administrative expense ("G&A") ($1.0 million) increased $26,000 or 2.6%. The increase was primarily due to increased payroll resulting from salary increases. G&A represented 3.3% of total revenues in 1997 and 3.8% in 1996.

Interest and related amortization ($5.6 million) increased $1.1 million or 25.5%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the quarters ended September 30, 1997 and 1996 were $290.2 million and $235.1 million, respectively. The effective interest rates were 7.3% and 7.1%, respectively. Interest and related amortization represented 17.8% of total revenues in 1997 and 16.8% in 1996.

In July 1995, the Company entered into an interest rate swap agreement (the "Swap") beginning at the maturity of the Mortgage Debt fixing LIBOR on the refinancing of the Mortgage Debt at 6.4% for the period 1998 through 2003. The cost of the Swap consisted only of legal costs which were deemed immaterial. In the event that the Company does not refinance the Mortgage Debt, the risk associated with the Swap is that the Company would be obligated to perform its obligations under the terms of the Swap or would have to pay to terminate the Swap. In either event, the impact of such transaction would be reflected in the Company's statement of operations. The value of the Swap is impacted by changes in the market rate of interest. Had the Swap been entered into on September 30, 1997, the applicable LIBOR swap rate would have been 6.46%. Each 0.01% increase or decrease in the applicable swap rate for the Swap increases or decreases the value of the Swap entered into by the Company versus its current value by approximately $9,700.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

In October 1996, the Company entered into an interest rate swap agreement fixing LIBOR on the Mortgage Debt at 5.57% effective January 10, 1997 through March 3, 1998. The value of this agreement is impacted by changes in the market rate of interest. Had the agreement been entered into on September 30, 1997, the applicable LIBOR swap rate would have been 5.83%. Each 0.01% increase or decrease in the applicable swap rate for this agreement increases or decreases the value of the agreement entered into by the Company versus its current value by approximately $2,600.

On March 1, 1997, the Company amended the credit agreement for its $100.0 million line of credit reducing the interest rate from LIBOR plus 1.375% to LIBOR plus 1.125%. In addition, the fee on the average unused amount was reduced to 0.125% of such amount from 0.15%. The Company did not pay any fees in connection with this amendment.

On April 3, 1997, the Company entered into a $60.0 million term loan (the "Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. On June 2, 1997, the Company elected to set the LIBOR rate on the Loan at 6.05% through January 2, 1998. The Loan matures on April 3, 2000 and may be extended to April 3, 2002. In connection with the Loan, the outstanding balance under the $100.0 million line of credit was reduced by $60.0 million.

Depreciation on corporate assets ($148,000) increased $26,000 or 21.3% due to fixed asset additions in 1996 associated with the Company's conversion to a new accounting software system. Depreciation on corporate assets represented 0.5% of total revenues in 1997 and 1996.

Depreciation on real estate assets and other costs ($4.1 million) increased $476,000 or 13.1% as a result of the Acquisition Properties. Partially offsetting the increase was a one-time gain of $315,000 representing the collection of a $1.4 million prepayment penalty on a $10.0 million leasehold mortgage loan receivable which was repaid in August 1997, partially offset by the write-off of the apportioned purchase price originally allocated to the management contract for the property collateralizing the note. Depreciation on real estate assets and other costs represented 14.2% of total revenues in 1997 and 13.7% in 1996.

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1997 TO NINE MONTHS ENDED SEPTEMBER 30, 1996

The addition of the Acquisition Properties to the Company's portfolio increased base rental income, property operating and maintenance expenses, real estate taxes and deprecation for the nine months ended September 30, 1997 compared to the nine months ended September 30, 1996.

The following table summarizes certain weighted average occupancy statistics for the nine months ended September 30, 1997 and 1996. "Core Portfolio" represents an analysis of properties owned during both periods of comparison.

	Core Portfolio		Total Portfolio	
	1997	1996	1997	1996
Total sites	25,624	25,555	28,334	26,432
Occupied sites	24,306	24,059	26,822	24,804
Occupancy %	94.9%	94.1%	94.7%	93.8%
Monthly base rent per site	$ 324	$ 311	$ 325	$ 309

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Base rental income ($78.4 million) increased $9.4 million or 13.5%. For the Core Portfolio, base rental income increased approximately $3.6 million or 5.4%, reflecting a 4.4% increase in base rental rates and a 1.0% increase related to occupancy. The remaining $5.8 million increase in base rental income was attributed to the Acquisition Properties.

Monthly base rent per site for the total portfolio increased 5.2%, reflecting a 4.3% increase in monthly base rent per site for the Core Portfolio and higher monthly base rents for the Acquisition Properties. Average monthly base rent per site for the Acquisition Properties was $330 for the nine months ended September 30, 1997.

Weighted average occupancy increased 0.9% due to increased occupancy at the expansion communities and the addition of the Acquisition Properties to the portfolio with higher occupancy percentages.

Utility and other income ($8.4 million) increased $1.8 million or 28.0%, primarily due to an increase of $845,000 attributed to the Acquisition Properties, the collection of dividend income of $173,000 in the first quarter of 1997, and increased utility income, real estate tax pass-ons and other miscellaneous income at the Core Portfolio.

Interest income ($1.7 million) decreased $132,000 or 7.3%, primarily due to the repayment of $13 million of notes receivable in August 1997, partially offset by an increase in interest earned on short-term investments. Short-term investments had average balances for the nine months ended September 30, 1997 and 1996 of approximately $4.0 million and $3.4 million, respectively, which earned interest income at an effective rate of 5.3% per annum in both years.

Property operating and maintenance expenses ($23.5 million) increased $2.5 million or 12.0%. Approximately $1.9 million of the increase was attributed to the Acquisition Properties. The remaining 3.1% increase was due to increases in property general and administrative of $251,000, property payroll of $204,000, utilities of $182,000, and repairs and maintenance expense of $73,000 partially offset by decreased insurance and other expenses of $56,000. Property operating and maintenance expenses represented 26.4% of total revenues in 1997 and 26.9% in 1996.

Real estate taxes ($6.0 million) decreased $82,000 or 1.4% due to lower than expected assessed values at certain of the properties based on actual bills received, partially offset by additional real estate taxes at the Acquisition Properties. Real estate taxes represented 6.7% of total revenues in 1997 and 7.8% in 1996.

Property management expenses ($3.6 million) increased $377,000 or 11.5%. The increase was primarily due to an increase in management company payroll and timing of certain expenses. Property management expenses represented 4.1% of total revenues in 1997 and 4.2% in 1996.

G&A ($3.2 million) increased $286,000 or 9.7%. The increase was primarily due to increased payroll resulting from salary increases. G&A represented 3.6% of total revenues in 1997 and 3.8% in 1996.

Interest and related amortization ($15.6 million) increased $2.5 million or 19.2%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the nine months ended September 30, 1997 and 1996 were $272.0 million and $228.4 million, respectively. The effective interest rate was 7.2% for both periods. Interest and related amortization represented 17.5% of total revenues in 1997 and 16.8% in 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Depreciation on corporate assets ($437,000) increased $95,000 or 27.8% due to fixed asset additions in 1996 associated with the Company's conversion to a new accounting software system. Depreciation on corporate assets represented 0.5% of total revenues in 1997 and 0.4% in 1996.

Depreciation on real estate assets and other costs ($12.1 million) increased $1.2 million or 10.8% as a result of the Acquisition Properties. In addition, in the first quarter of 1997, the Company incurred a $57,000 write-off of costs associated with the Company's opposition in 1996 to Chateau's proposed merger with ROC; and, in the third quarter of 1997, the Company recorded a one-time gain of $315,000 as discussed in three month comparison above. Depreciation on real estate assets and other costs represented 13.6% of total revenues in 1997 and 14.0% in 1996.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by approximately $89,000 when compared to December 31, 1996. The major components of this increase were increased cash provided by operating activities, increased net proceeds from the line of credit, the collection of principal on notes receivable and net proceeds from the sale of project related assets. This increase was partially offset by the acquisition of properties in 1997, the Company's investment in partnerships and payment of distributions.

Net cash provided by operating activities increased $3.1 million from $41.7 million for the nine months ended September 30, 1996 to $44.8 million for the nine months ended September 30, 1997. This increase reflected a $5.4 million increase in funds from operations ("FFO"), as discussed below, an increase in prepaid expenses and other assets, and an increase in collection of rents received in advance and security deposits related to the property acquisitions, partiallly offset by decreased accounts payable accruals.

FFO was defined by the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 as net income (computed in accordance with generally accepted accounting principles ["GAAP"]), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for significant non-recurring items, if any. The Company computes FFO in accordance with the NAREIT definition which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds available for distribution ("FAD") is defined as FFO less non-revenue producing capital expenditures and amortization payments on mortgage loan principal. The Company believes that FFO and FAD are useful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, they provide investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. FFO and FAD in and of themselves do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and are not necessarily indicative of cash available to fund cash needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The following table presents a calculation of FFO and FAD for the quarters and nine months ended September 30, 1997 and 1996:

	For the Quarters Ended September 30,		For the Nine Months Ended September 30,	
	1997	1996	1997	1996
Computation of funds from operations:				
Income before allocation to minority interests	$ 8,783	$ 7,145	$ 24,545	$ 20,368
Depreciation on real estate assets and other costs (a)	4,102	3,626	12,136	10,949
Funds from operations	$ 12,885	$ 10,771	$ 36,681	$ 31,317
Computation of funds available for distribution:				
Funds from operations	$ 12,885	$ 10,771	$ 36,681	$ 31,317
Non-revenue producing improvements - rental properties	(1,503)	(1,294)	(2,469)	(2,755)
Funds available for distribution	$ 11,382	$ 9,477	$ 34,212	$ 28,562

(a) Depreciation on real estate assets and other costs includes a one-time gain of $315,000 related to the repayment of approximately $13 million of notes receivable in the third quarter of 1997. Also, included for the nine months ended September 30, 1997, is a net write-off of approximately $57,000 for project related costs recognized in the first quarter of 1997.

Net cash used in investing activities increased $46.3 million from $44.7 million for the nine months ended September 30, 1996 to $91.0 million for the nine months ended September 30, 1997 primarily due to increased payments for acquisitions in 1997 and the Company's investment in partnerships, partially offset by the collection of principal payments on notes receivable, net proceeds from the sale of project related assets and a decreased purchases of short-term investments.

During 1996, the Company offered a merger proposal to Chateau in opposition to Chateau's proposed merger with ROC and incurred approximately $1.3 million in project related costs and invested in certain project related saleable assets with a book value of approximately $9.9 million. These expenditures were included in prepaid expenses and other assets at December 31, 1996. On February 11, 1997, Chateau's shareholders approved Chateau's merger with ROC. Thus, in the first quarter of 1997, the Company sold the related assets it had acquired for approximately $11.1 million and incurred a net write-off of approximately $57,000.

In the third quarter of 1997, notes receivable of approximately $13 million were repaid. In connection with the repayments, the Company recognized a one-time gain of $315,000 representing the collection of a $1.4 million prepayment penalty, partially offset by the write-off of the apportioned purchase price originally allocated to the management contract for the property collateralizing the note.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

On March 14, 1997, the Company acquired California Hawaiian, located in San Jose, California, for a purchase price of approximately $23.3 million. The acquisition was funded with a borrowing under the Company's line of credit.

On March 27, 1997, the Company acquired Golf Vista, located in Monee, Illinois. The purchase price of approximately $7.4 million, including deferred payments of $150,000 per year for the next five years, was funded with existing available cash.

On May 30, 1997, the Company entered into a capital lease with East Tincup Village, Inc., a Colorado corporation, for Golden Terrace South (formerly known as East Tincup Village). The lease term is 110 months commencing on May 29, 1997 with monthly rental payments of approximately $18,000. The lease contains an option for the Company to purchase Golden Terrace South at the termination of the lease for $2.4 million. For financial accounting purposes, the Company accounts for the lease as a direct financing lease; and, accordingly, the Company has recorded an investment in real estate and a note payable.

On August 29, 1997, the Company acquired the MPW Properties from limited partnerships and joint ventures affiliated with MPW. The aggregate purchase price of the MPW Properties was approximately $100 million. Approximately $64 million of the purchase price was in the form of OP Units, approximately $6 million was in the form of installment notes payable, approximately $17 million was in the form of cash funded from a borrowing under the Company's line of credit, and the Company assumed debt of approximately $13 million. In addition, the Company capitalized approximately $1.8 million of costs associated with the acquisition of which approximately $1.0 million was paid through September 30, 1997.

On September 16, 1997, the Company acquired Arrowhead Village, located in Lantana, Florida for a purchase price of approximately $20.3 million. The acquisition was funded with a borrowing under the Company's line of credit.

Capital expenditures for improvements were approximately $4.3 million for the nine months ended September 30, 1997 compared to $5.4 million for the nine months ended September 30, 1996. Of the $4.3 million, approximately $2.5 million represented improvements to existing sites. The Company anticipates spending approximately $487,000 on improvements to existing sites during the remainder of 1997. The Company believes these improvements are necessary in order to increase and/or maintain occupancy levels and maximize rental rates charged to new and renewing residents. The remaining $1.9 million represented costs to develop expansion sites at certain of the Company's properties and other corporate headquarter costs. The Company is currently developing an additional 90 sites which should be available for occupancy in 1997.

Net cash provided by financing activities increased $41.6 million from $4.6 for the nine months ended September 30, 1996 to $46.2 million for the nine months ended September 30, 1997 due to increased borrowings on the line of credit, partially offset by the purchase of 330,300 shares of the Company's common stock under the common stock repurchase plan and increased distributions to common stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Distributions to common stockholders and minority interests increased approximately $1.9 million due to an increase in the distribution per share and the issuance of 3,018,926 OP Units in connection with the acquisition of the MPW Properties, partially offset by the decrease in common stock outstanding as a result of the Company's purchase of 330,300 shares of common stock under the common stock repurchase plan. On January 10, 1997, the Company paid a $.305 per share distribution for the quarter ended December 31, 1996 to stockholders of record on December 27, 1996. The Company paid a $.33 per share distribution on April 11, 1997, July 11, 1997 and October 10, 1997, for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, respectively, to stockholders of record on March 28, 1997, June 27, 1997 and September 26, 1997, respectively. Return of capital on a GAAP basis was $0.05, $0.04, and $0.02 per share for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, respectively.

The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing line of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, property acquisitions and capital improvements by long-term collateralized and uncollateralized borrowings including its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital.

Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS No. 128") is effective for years ending after December 15, 1997. The Company will adopt SFAS No. 128 as of December 31, 1997 (earlier adoption is not permitted). The Company expects the impact of the adoption of SFAS No. 128 to be immaterial. Had the Company adopted SFAS No. 128 in the third quarter of 1997, the impact would have been immaterial.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussion in Note 8 of Notes to Consolidated Financial Statements is incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Form 8-K:

Form 8-K dated August 29, 1997, filed September 12, 1997, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the MPW Properties.

Form 8-K dated September 15, 1997, filed September 16, 1997, relating to Item 5 - "Other Events" on the offer to purchase limited partnership interests in various partnerships.

Form 8-K/A dated August 29, 1997, filed November 4, 1997, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the MPW Properties.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

MANUFACTURED HOME COMMUNITIES, INC.

BY: /s/ Thomas P. Heneghan

Thomas P. Heneghan
Executive Vice President, Treasurer and
Chief Financial Officer

BY: /s/ Judy A. Pultorak

Judy A. Pultorak
Principal Accounting Officer

DATE: November 10, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
3,229
0
745
0
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760,688
(84,095)
728,325
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247
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86,886
89,067
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0
0
21,850
.88
.88