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 JUNE 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 (State or other jurisdiction of incorporation or organization)	36-3857664 (I.R.S. Employer Identification No.)
TWO NORTH RIVERSIDE PLAZA, SUITE 800, CHICAGO, ILLINOIS (Address of principal executive offices)	60606 (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:

24,692,809 SHARES OF COMMON STOCK AS OF JULY 31, 1997.

MANUFACTURED HOME COMMUNITIES, INC.

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ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	June 30, 1997	December 31, 1996
ASSETS		
Investment in rental property:		
Land	$147,981	$138,514
Land improvements	397,226	370,440
Buildings and other depreciable property	89,737	88,696
	634,944	597,650
Accumulated depreciation	(79,564)	(71,481)
Net investment in rental property	555,380	526,169
Cash and cash equivalents	1,613	324
Short-term investments (at cost, which approximates market)	3,820	1,968
Notes receivable	15,607	15,427
Investment in and advances to affiliates	5,807	6,836
Rents receivable	717	723
Deferred financing costs, net	1,770	1,999
Prepaid expenses and other assets	3,993	14,279
Due from affiliates	116	149
Total assets	$588,823	$567,874
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	$199,135	$197,482
Term Loan	60,000	---
Line of credit	19,000	57,500
Accounts payable and accrued expenses	17,741	14,364
Accrued interest payable	1,651	1,495
Rents received in advance and security deposits	3,424	1,897
Distributions payable	9,043	8,439
Due to affiliates	99	105
Total liabilities	310,093	281,282
Commitments and contingencies		
Minority interests	28,401	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; 24,688,643 and 24,951,948 shares issued and outstanding for 1997 and 1996, respectively	247	249
Paid-in capital	288,023	293,512
Employee notes	(6,100)	(6,158)
Distributions in excess of accumulated earnings	(31,841)	(29,651)
Total stockholders' equity	250,329	257,952
Total liabilities and stockholders' equity	$588,823	$567,874

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

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

	For the Six Months Ended June 30,		For the Quarters Ended June 30,	
	1997	1996	1997	1996
REVENUES				
Base rental income	$50,978	$45,660	$25,932	$23,195
Utility and other income	5,483	4,539	2,745	2,240
Equity in income of affiliates	207	207	99	102
Interest income	1,246	1,191	609	591
Total revenues	57,914	51,597	29,385	26,128
EXPENSES				
Property operating and maintenance	15,274	13,998	7,675	7,101
Real estate taxes	3,914	4,016	1,987	2,006
Property management	2,412	2,225	1,191	1,041
General and administrative	2,212	1,952	1,062	981
Interest and related amortization	10,017	8,640	5,196	4,446
Depreciation on corporate assets	289	220	146	124
Depreciation on real estate assets and other costs	8,034	7,323	4,077	3,763
Total expenses	42,152	38,374	21,334	19,462
Income before allocation to minority interests	15,762	13,223	8,051	6,666
(Income) allocated to minority interests	(1,585)	(1,311)	(798)	(661)
Net income	$14,177	$11,912	$ 7,253	$ 6,005
Net income per weighted average common share outstanding	$ .57	$ .48	$ .29	$ .24
Distributions declared per common share outstanding	$ .66	$ .61	$ .33	$ .305
Weighted average common shares outstanding	24,777	24,675	24,715	24,687

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

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

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,177	$ 11,912
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to minority interests	1,585	1,311
Depreciation and amortization expense	8,792	8,107
Equity in income of affiliates	(207)	(207)
Amortization of deferred compensation and other	436	40
Writeoff of project costs	57	---
Decrease in rents receivable	6	54
(Increase) decrease in prepaid expenses and other assets	(1,165)	839
Increase in accounts payable and accrued expenses	2,776	4,111
Increase in rents received in advance and security deposits	1,527	1,572
Net cash provided by operating activities	27,984	27,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments, net	(1,852)	(4,168)
Net proceeds from sale of project related assets	11,148	---
Distributions from affiliates	1,178	446
Collection of principal payments on notes receivable	100	70
Acquisition of rental properties	(34,649)	(28,968)
Improvements:		
Improvements - corporate	(147)	(542)
Improvements - rental properties	(966)	(1,461)
Site development costs	(904)	(1,089)
Net cash used in investing activities	(26,092)	(35,712)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	1,333	348
Distributions to common stockholders and minority interests	(17,587)	(16,350)
Repurchase of common stock	(7,260)	---
Collection of principal payments on employee notes	58	47
Proceeds from line of credit and term loan	98,900	25,600
Repayments on mortgage notes payable and line of credit	(75,747)	(1,370)
Debt issuance costs	(300)	(200)
Net cash (used in) provided by financing activities	(603)	8,075
Net increase in cash and cash equivalents	1,289	102
Cash and cash equivalents, beginning of period	324	760
Cash and cash equivalents, end of period	$ 1,613	$ 862
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 9,332	$ 8,020

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 second 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 and July 11, 1997, for the quarters ended March 31, 1997 and June 30, 1997, respectively, to stockholders of record on March 28, 1997 and June 27, 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 June 30, 1997, the Company had repurchased 330,300 shares of 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - RENTAL PROPERTY (CONTINUED)

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 April 23, 1997, the Company entered into an agreement to acquire a portfolio of manufactured home communities from partnerships affiliated with Mobileparks West for a proposed purchase price of approximately $115 million. The communities, which consist of approximately 3,950 sites, are located in California, Oregan, Utah, Arizona, Nevada and Washington. There can be no assurance that the transaction will be completed, as it is subject to due diligence, partnership approval and certain other conditions.

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 - NOTES RECEIVABLE

At June 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)	$ 1,503	$ 1,596
$1.2 million purchase money notes with monthly principal and interest payments at 7.0%, maturing on 7/31/2001	1,153	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	11,306	11,071
$1.9 million note receivable with monthly interest payments at prime plus 1.6%, maturing on 4/15/2000	1,645	1,600
Total notes receivable	$15,607	$15,427

(a) The $2.0 million note receivable was repaid on August 1, 1997.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM BORROWINGS

At June 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	8,542	8,620
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	24,373	24,544
$65.0 million first mortgage loan with monthly principal and interest payments at 8.0%, maturing on 9/1/2001	62,486	62,984
$2.4 million note payable with monthly interest payments at 9.05%, maturing on 7/31/2006	2,400	---
Total collateralized borrowings	199,135	197,482
$100.0 million line of credit at LIBOR plus 1.125% (b)	19,000	57,500
$60.0 million term loan at LIBOR plus 1.00% (c)	60,000	---
Total long-term borrowings	$278,135	$254,982

(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 June 30, 1997, the applicable LIBOR swap rate would have been 6.15%. 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 $2,500.

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 June 30, 1997, the applicable LIBOR swap rate would have been 6.77%. 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 $24,000.

(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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM BORROWINGS (CONTINUED)

(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.

As of June 30, 1997, the carrying value of the property collateralizing the long-term borrowings was approximately $329.4 million.

NOTE 6 - 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 six months ended June 30, 1997, Options for 66,995 shares of common stock were exercised.

NOTE 7 - EMPLOYEE STOCK PURCHASE PLAN

The Company adopted, effective July 1, 1997, an Employee Stock Purchase Plan. 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 common shares 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.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The litigation filed on September 17, 1996 by Chateau Properties, Inc. ("Chateau") against the Company and MHC Operating Limited Partnership and various counterclaims filed by the Company (see discussion in Note 14 of 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 9 - 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.

MANUFACTURED HOME COMMUNITIES, INC.

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 six months and quarter ended June 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 JUNE 30, 1997 TO THREE MONTHS ENDED JUNE 30, 1996

Since June 30, 1996, the gross investment in rental property has increased from $575 million to $635 million as of June 30, 1997 due to: (i) the acquisition of Casa del Sol Resort No. 1 and Casa del Sol Resort No. 2 (collectively, the "Casa del Sol Resorts") on October 23, 1996; (ii) the acquisition of California Hawaiian on March 14, 1997; (iii) the acquisition of Golf Vista on March 27, 1997; and (iv) the acquisition of Golden Terrace South on May 30, 1997. The total number of sites has increased from 26,876 as of June 30, 1996 to 28,168 as of June 30, 1997.

The following table summarizes certain weighted average occupancy statistics for the quarters ended June 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	25,560	28,111	26,598
Occup				

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

RESULTS OF OPERATIONS (CONTINUED)

Interest income ($609,000) increased $18,000 or 3.0%, primarily due to an increase in interest earned on short-term investments. Short-term investments had average balances for the quarters ended June 30, 1997 and 1996 of approximately $3.2 million and $3.5 million, respectively, which earned interest income at an effective rate of 5.3% and 5.2% per annum, respectively. As of June 30, 1997, the Company had cash and cash equivalents and short- term investments of $5.4 million.

Property operating and maintenance expenses ($7.7 million) increased $574,000 or 8.1%. Approximately $513,000 of the increase was attributed to the Acquisition Properties. The remaining 0.9% increase was due to increases in property payroll of $39,000, utility expense of $48,000, and property general and administrative expense of $48,000, partially offset by decreased repairs and maintenance expense of $31,000 and insurance and other expenses of $43,000. Property operating and maintenance expenses represented 26.1% of total revenues in 1997 and 27.2% in 1996.

Real estate taxes ($2.0 million) decreased $19,000 or 0.9% 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 6.8% of total revenues in 1997 and 7.7% in 1996.

Property management expenses ($1.2 million) increased $150,000 or 14.4%. 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 4.0% in 1996.

General and administrative expense ("G&A") ($1.1 million) increased $81,000 or 8.3%. The increase was primarily due to increased payroll resulting from salary increases and timing of public company expenses. G&A represented 3.6% of total revenues in 1997 and 3.8% in 1996.

Interest and related amortization ($5.2 million) increased $750,000 or 16.9%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the quarters ended June 30, 1997 and 1996 were $274.7 million and $232.0 million, respectively. The effective interest rates were 6.9% and 7.2%, respectively. Interest and related amortization represented 17.7% of total revenues in 1997 and 17.0% 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 June 30, 1997, the applicable LIBOR swap rate would have been 6.77%. 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 $24,000.

MANUFACTURED HOME COMMUNITIES, INC.

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 June 30, 1997, the applicable LIBOR swap rate would have been 6.15%. 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 $2,500.

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 ($146,000) increased $22,000 or 17.7% 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 $314,000 or 8.3% as a result of the Acquisition Properties. Depreciation on real estate assets and other costs represented 13.9% of total revenues in 1997 and 14.4% in 1996.

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1997 TO SIX MONTHS ENDED JUNE 30, 1996

The acquisition of California Hawaiian and Golf Vista in 1997 increased base rental income, property operating and maintenance expenses, real estate taxes and deprecation for the six months ended June 30, 1997.

The following table summarizes certain weighted average occupancy statistics for the six months ended June 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	25,609	25,557	27,776	26,198
Occup				

MANUFACTURED HOME COMMUNITIES, INC.

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

RESULTS OF OPERATIONS (CONTINUED)

Monthly base rent per site for the total portfolio increased 4.2%, reflecting a 4.5% increase in monthly base rent per site for the Core Portfolio, partially offset by lower monthly base rents for the Acquisition Properties. Average monthly base rent per site for the Acquisition Properties was $316 for the six months ended June 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 ($5.5 million) increased $944,000 or 20.8%, primarily due to an increase of $286,000 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 ($1.2 million) increased $55,000 or 4.6%, primarily due to an increase in interest earned on short-term investments. Short-term investments had average balances for the six months ended June 30, 1997 and 1996 of approximately $4.2 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 ($15.3 million) increased $1.3 million or 9.1%. Approximately $880,000 of the increase was attributed to the Acquisition Properties. The remaining 3.0% increase was due to increases in repairs and maintenance expense of $130,000, property payroll of $138,000, utility expense of $143,000, and property general and administrative of $118,000, partially offset by decreased insurance and other expenses of $133,000. Property operating and maintenance expenses represented 26.4% of total revenues in 1997 and 27.1% in 1996.

Real estate taxes ($3.9 million) decreased $102,000 or 2.5% 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 6.8% of total revenues in 1997 and 7.8% in 1996.

Property management expenses ($2.4 million) increased $187,000 or 8.4%. The increase was primarily due to an increase in management company payroll and timing of certain expenses. Property management expenses represented 4.2% of total revenues in 1997 and 4.3% in 1996.

G&A ($2.2 million) increased $260,000 or 13.3%. The increase was primarily due to increased payroll resulting from salary increases and the timing of public company related expenses. G&A represented 3.8% of total revenues in 1997 and 1996.

Interest and related amortization ($10.0 million) increased $1.4 million or 15.9%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the six months ended June 30, 1997 and 1996 were $263.0 million and $225.1 million, respectively. The effective interest rates were 7.1% and 7.2%, respectively. Interest and related amortization represented 17.3% of total revenues in 1997 and 16.7% in 1996.

MANUFACTURED HOME COMMUNITIES, INC.

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

RESULTS OF OPERATIONS (CONTINUED)

Depreciation on corporate assets ($289,000) increased $69,000 or 31.4% 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 ($8.0 million) increased $711,000 or 9.7% 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. Depreciation on real estate assets and other costs represented 13.9% of total revenues in 1997 and 14.2% in 1996.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by approximately $1.3 million when compared to December 31, 1996. The major components of this increase were increased cash provided by operating activities, net proceeds from the sale of project related assets, and net proceeds from the line of credit and term loan, partially offset by the acquisition of California Hawaiian, Golf Vista, and Golden Terrace South, payment of distributions and purchase of shares of the Company's common stock under the common stock repurchase plan.

Net cash provided by operating activities increased $245,000 from $27.7 million for the six months ended June 30, 1996 to $28.0 million for the six months ended June 30, 1997. This increase reflected a $3.3 million increase in funds from operations ("FFO"), as discussed below, partially offset by increased prepaid expenses and other assets and a decrease in 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.

MANUFACTURED HOME COMMUNITIES, INC.

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 six months ended June 30, 1997 and 1996:

For the Quarters Ended June 30,		For the Six Months Ended June 30,	
1997	1996	1997	1996

MANUFACTURED HOME COMMUNITIES, INC.

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

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

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. Golden Terrace South consists of 80 developed sites and 86 recreational vehicle sites.

In connection with an agreement Realty Systems, Inc. ("RSI") entered into in July 1996, a lender provides floor plan financing to RSI for the purchase of new inventory. This agreement reduced the Company's need to make contributions to RSI in the first six months of 1997. In addition, in the first six months of 1997, LP Management Corp. distributed approximately $800,000 to the Company.

Capital expenditures for improvements were approximately $2.0 million for the six months ended June 30, 1997 compared to $3.1 million for the six months ended June 30, 1996. Of the $2.0 million, approximately $966,000 represented improvements to existing sites. The Company anticipates spending approximately $2.0 million 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 $1.1 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 used in financing activities increased $8.7 million from $8.1 million provided by financing activities for the six months ended June 30, 1996 to $603,000 used in financing activities for the six months ended June 30, 1997 primarily due to the purchase of 330,300 shares of the Company's common stock under the common stock repurchase plan and increased distributions to common stockholders.

Distributions to common stockholders and minority interests increased approximately $1.2 million due to an increase in the distribution per share. 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 and July 11, 1997 for the quarters ended March 31, 1997 and June 30, 1997, respectively, to stockholders of record on March 28, 1997 and June 27, 1997, respectively. Return of capital on a GAAP basis was $0.05 and $0.04 per share for the quarters ended March 31, 1997 and June 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 second quarter of 1997, the impact would have been immaterial.

MANUFACTURED HOME COMMUNITIES, INC.

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:

None.

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: August 7, 1997

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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.

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MANUFACTURED HOME COMMUNITIES, INC.
1
U.S. DOLLARS

6-MOS
DEC-31-1997
JAN-01-1997
JUN-30-1997
1
5,433
0
717
0
0
17,836
634,944
(79,564)
588,823
31,958
0
0
0
247
250,082
588,823
56,461
57,914
0
21,600
2,212
0
10,017
15,762
0
14,177
0
0
0
14,177
.57
.57