SUN COMMUNITIES INC
Form 10-K
February 23, 2017

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016
Commission file number 1-12616

SUN COMMUNITIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Maryland	38-2730780
(State of Incorporation)	(I.R.S. Employer Identification No.)
27777 Franklin Rd.	
Suite 200	
Southfield, Michigan	48034
(Address of Principal Executive Offices)	(Zip Code)

(248) 208-2500
(Registrant's telephone number, including area code)

Common Stock, Par Value $0.01 per Share	New York Stock Exchange
Securities Registered Pursuant to Section 12(b) of the Act	Name of each exchange on which registered
7.125% Series A Cumulative Redeemable Preferred Stock, Par Value $0.01 per Share	New York Stock Exchange
Securities Registered Pursuant to Section 12(b) of the Act	Name of each exchange on which registered

Securities Registered Pursuant to Section 12(g) of the Act: 6.50% Series A-4 Cumulative Convertible Preferred Stock, par value $0.01 per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes [ ] No [X]

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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check one):
Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [   ] Smaller reporting company [   ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes[ ] No [X]

As of June 30, 2016, the aggregate market value of the Registrant's stock held by non-affiliates was $5,092,903,276 (computed by reference to the closing sales price of the Registrant's common stock as of June 30, 2016). For this computation, the Registrant has excluded the market value of all shares of common stock reported as beneficially owned by executive officers and directors of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant.

Number of shares of common stock, $0.01 par value per share, outstanding as of February 16, 2017: 73,507,706

Documents Incorporated By Reference

Unless provided in an amendment to this Annual Report on Form 10-K, the information required by Part III is incorporated by reference to the registrant's proxy statement to be filed pursuant to Regulation 14A, with respect to the registrant's 2017 annual meeting of stockholders.

SUN COMMUNITIES, INC.

Table of Contents

SUN COMMUNITIES, INC.

PART I

ITEM 1. BUSINESS

GENERAL

Sun Communities, Inc., a Maryland corporation, and all wholly-owned or majority-owned and controlled subsidiaries, including Sun Communities Operating Limited Partnership, a Michigan limited partnership (the “Operating Partnership”) and Sun Home Services, Inc. ("SHS") are referred to herein as the “Company,” “us,” “we,” and “our”. We are a self-administered and self-managed real estate investment trust (“REIT”).

We are a fully integrated real estate company which, together with our affiliates and predecessors, have been in the business of acquiring, operating, developing, and expanding manufactured housing ("MH") and recreational vehicle ("RV") communities since 1975. We lease individual parcels of land (“sites”) with utility access for placement of manufactured homes and RVs to our customers. We are also engaged through a taxable subsidiary, SHS, in the marketing, selling, and leasing of new and pre-owned homes to current and future residents in our communities. The operations of SHS support and enhance our occupancy levels, property performance, and cash flows.

We own, operate, or have an interest in a portfolio of MH and RV communities. As of December 31, 2016, we owned, operated or had an interest in a portfolio of 341 properties in 29 states and Ontario, Canada (collectively, the “Properties”), including 226 MH communities, 87 RV communities, and 28 Properties containing both MH and RV sites. As of December 31, 2016, the Properties contained an aggregate of 117,376 developed sites comprised of 80,166 developed MH sites, 20,916 annual RV sites (inclusive of both annual and seasonal usage rights), and 16,294 transient RV sites. There are approximately 10,616 additional MH and RV sites suitable for development.

Our executive and principal property management office is located at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 and our telephone number is (248) 208-2500. We have regional property management offices located in Austin, Texas; Grand Rapids, Michigan; Denver, Colorado; Ft. Myers, Florida; and Orlando, Florida; and we employed an aggregate of 2,679 full and part time employees as of December 31, 2016.

Our website address is www.suncommunities.com and we make available, free of charge, on or through our website all of our periodic reports, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and current reports on Form 8-K, as soon as reasonably practicable after we file such reports with the Securities and Exchange Commission (the "SEC").

STRUCTURE OF THE COMPANY

The Operating Partnership is structured as an umbrella partnership REIT, or UPREIT. In 1993, we contributed our net assets to the Operating Partnership in exchange for the sole general partner interest in the Operating Partnership and the majority of all the Operating Partnership’s initial capital. We substantially conduct our operations through the Operating Partnership. The Operating Partnership owns, either directly or indirectly through other subsidiaries, all of our assets. This UPREIT structure enables us to comply with certain complex requirements under the federal tax rules and regulations applicable to REITs, and to acquire MH and RV communities in transactions that defer some or all of the sellers’ tax consequences. The financial results of the Operating Partnership and our other subsidiaries are consolidated in our Consolidated Financial Statements. The financial results include certain activities that do not necessarily qualify as REIT activities under the Internal Revenue Code of 1986, as amended (the “Code”). We have formed taxable REIT subsidiaries, as defined in the Code, to engage in such activities. We use taxable REIT subsidiaries to offer certain services to our residents and engage in activities that would not otherwise be permitted under the REIT rules if provided directly by us or by the Operating Partnership. The taxable REIT subsidiaries include our home sales business, SHS, which provides manufactured home sales, leasing, and other services to current and prospective tenants of the Properties.

Under the partnership agreement, the Operating Partnership is structured to make distributions with respect to certain of the Operating Partnership units ("OP units") at the same time that distributions are made to our common stockholders. The Operating Partnership is structured to permit limited partners holding certain classes or series of OP units to exchange those OP units for shares of our common stock (in a taxable transaction) and achieve liquidity for their investment.

As the sole general partner of the Operating Partnership, we generally have the power to manage and have complete control over the conduct of the Operating Partnership's affairs and all decisions or actions made or taken by us as the general partner pursuant to the partnership agreement are generally binding upon all of the partners and the Operating Partnership.

SUN COMMUNITIES, INC.

We do not own all of the OP units. As of December 31, 2016, the Operating Partnership had issued and outstanding:

- 75,964,439 common OP units;
- 1,283,819 preferred OP units ("Aspen preferred OP units");
- 367,290 Series A-1 preferred OP units;
- 40,268 Series A-3 preferred OP units;
- 2,315,978 Series A-4 preferred OP units;
- 3,400,000 7.125% Series A Cumulative Redeemable Preferred OP Units (“7.125% Series A OP units”);
- 112,400 Series B-3 preferred OP units; and
- 333,163 Series C preferred OP units.

As of December 31, 2016, we held:

- 73,205,576 common OP units, or approximately 96% of the issued and outstanding common OP units;
- 1,681,849 Series A-4 preferred OP units, or approximately 73% of the issued and outstanding Series A-4 preferred OP units;
- all of the 7.125% Series A OP units; and
- no Aspen preferred OP units, Series A-1 preferred OP units, Series A-3 preferred OP units, Series B-3 preferred OP units, or Series C preferred OP units.

Ranking and Priority

The various classes and series of OP units issued by the Operating Partnership rank as follows with respect to rights to the payment of distributions and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Operating Partnership:

- first, the 7.125% Series A OP units;
- next, the Series A-4 preferred OP units, Aspen preferred OP units and Series A-1 preferred OP units, on parity with each other;
- next, the Series C preferred OP units;
- next, the Series B-3 preferred OP units;
- next, the Series A-3 preferred OP units; and
- finally, the common OP units.

Common OP Units

Subject to certain limitations, the holder of each common OP unit at its option may convert such common OP unit at any time into one share of our common stock. Holders of common OP units are entitled to receive distributions from the Operating Partnership as and when declared by the general partner, provided that all accrued distributions payable on OP units ranking senior to the common OP units have been paid. The holders of common OP units generally receive distributions on the same dates and in amounts equal to the distributions paid to holders of our common stock.

Aspen Preferred OP Units

Subject to certain limitations, at any time prior to January 1, 2024, the holder of each Aspen preferred OP unit at its option may convert such Aspen preferred OP unit into: (a) if the average closing price of our common stock for the preceding ten trading days is $68.00 per share or less, 0.397 common OP units, or (b) if the average closing price of our common stock for the preceding ten trading days is greater than $68.00 per share, the number of common OP units determined by dividing (i) the sum of (A) $27.00 plus (B) 25% of the amount by which the average closing price of our common stock for the preceding ten trading days exceeds $68.00 per share, by (ii) the average closing price of our common stock for the preceding ten trading days. The holders of Aspen preferred OP units are entitled to receive distributions not less than quarterly. Distributions on Aspen preferred OP units are generally paid on the same dates as distributions are paid to holders of common OP units. Each Aspen preferred OP unit is entitled to receive distributions in an amount equal to the product of (x) $27.00, multiplied by (y) an annual rate equal to the 10-year U.S. Treasury bond yield plus 239 basis points; provided, however, that the aggregate distribution rate shall not be less than 6.5% nor more than 9%. On January 2, 2024, we are required to redeem all Aspen preferred OP units that have not been converted to common OP units. In addition, we are required to redeem the Aspen preferred OP units of any holder thereof within five days after receipt of a written demand during the existence of certain uncured Aspen preferred OP unit defaults, including our failure to pay distributions on the Aspen preferred OP units when due and our failure to provide certain security for the payment of distributions on the Aspen preferred OP units. We may also redeem Aspen preferred OP units from time to time if we and the holder thereof agree to do so.

Series A-1 Preferred OP Units

Subject to certain limitations, the holder of each Series A-1 preferred OP unit at its option may exchange such Series A-1 preferred OP unit at any time into approximately 2.4390 shares of our common stock (which exchange rate is subject to adjustment upon stock splits, recapitalizations, and similar events). The holders of Series A-1 preferred OP units are entitled to receive distributions not less than quarterly. Distributions on Series A-1 preferred OP units are generally paid on the last day of each quarter. Each Series A-1 preferred OP unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to 6.0%. Series A-1 preferred OP units do not have any voting or consent rights on any matter requiring the consent or approval of the Operating Partnership's limited partners.

Series A-3 Preferred OP Units

Subject to certain limitations, the holder of each Series A-3 preferred OP unit at its option may exchange such Series A-3 preferred OP unit at any time into approximately 1.8605 shares of our common stock (which exchange rate is subject to adjustment upon stock splits, recapitalizations, and similar events). The holders of Series A-3 preferred OP units are entitled to receive distributions not less than quarterly. Each Series A-3 preferred OP unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to 4.5%. Series A-3 preferred OP units do not have any voting or consent rights on any matter requiring the consent or approval of the Operating Partnership's limited partners.

Series A-4 Preferred OP Units

In connection with the issuance of our 6.50% Series A-4 Cumulative Convertible Preferred Stock (the "Series A-4 Preferred Stock") in November 2014, the Operating Partnership created the Series A-4 preferred OP units as a new class of OP units. Series A-4 preferred OP units have economic and other rights and preferences substantially similar to those of the Series A-4 Preferred Stock, including rights to receive distributions at the same time and in the same amounts as distributions paid on Series A-4 Preferred Stock. Each Series A-4 preferred OP unit is exchangeable into approximately 0.4444 shares of common stock or common OP units (which exchange rate is subject to adjustment upon stock splits, recapitalizations, and similar events). The Operating Partnership issued Series A-4 preferred OP units to us in connection with our acquisition of the American Land Lease ("ALL") portfolio of MH communities from Green Courte Real Estate Partners, LLC, Green Courte Real Estate Partners II, LLC, Green Courte Real Estate Partners III, LLC and certain of their affiliated entities (collectively, the "Green Courte parties" or the "Green Courte entities"). In 2014, we issued 669,449 Series A-4 preferred OP units to the sellers as consideration for the ALL acquisition. In January 2015, we issued 200,000 Series A-4 Preferred OP units in a private placement in connection with the ALL acquisition. In June 2015, we issued 34,219 Series A-4 preferred OP units to GCP Fund III Ancillary Holding, LLC. In July 2015, we repurchased 4,066,586 Series A-4 preferred OP units. At December 31, 2016 we held 1,681,849 Series A-4 preferred OP units. The rights of the 1,681,849 Series A-4 preferred OP units held by us mirror the economic rights of the Series A-4 preferred OP units issued to the Green Courte entities, but certain voting, consent, and other rights do not apply to the Series A-4 preferred OP units held by us.

If certain change of control transactions occur or if our common stock ceases to be listed or quoted on an exchange or quotation system, then at any time after November 26, 2019, we or the holders of shares of Series A-4 Preferred Stock and Series A-4 preferred OP units may cause all or any of those shares or units to be redeemed for cash at a redemption price equal to the sum of (i) the greater of (x) the amount that the redeemed shares of Series A-4 Preferred

Stock and Series A-4 preferred OP units would have received in such transaction if they had been converted into shares of our common stock immediately prior to such transaction, or (y) $25.00 per share, plus (ii) any accrued and unpaid distributions thereon to, but not including, the redemption date.

7.125% Series A OP Units

In connection with the issuance of our 7.125% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") in November 2012, the Operating Partnership created the 7.125% Series A OP units as a new class of OP units. All of the outstanding 7.125% Series A OP units are held by us and they have rights, preferences, and other terms substantially similar to the Series A Preferred Stock, including rights to receive distributions at the same time and in the same amounts as distributions paid on Series A Preferred Stock. The Operating Partnership issued the 7.125% Series A OP units to us in consideration of our contributing to the Operating Partnership the net proceeds of our November 2012 offering of shares of Series A Preferred Stock.

SUN COMMUNITIES, INC.

Series B-3 Preferred OP Units

Series B-3 preferred OP units are not convertible. The holders of Series B-3 preferred OP units generally receive distributions on the last day of each quarter. Each Series B-3 preferred OP unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to 8.0%. As of December 31, 2016, there were outstanding 36,700 Series B-3 preferred OP units which were issued on December 1, 2002, 33,450 Series B-3 preferred OP units which were issued on January 1, 2003, and 42,250 Series B-3 preferred OP units which were issued on January 5, 2004. Subject to certain limitations, (x) during the 90-day period beginning on each of the tenth through fifteenth anniversaries of the issue date of the applicable Series B-3 preferred OP units, (y) at any time after the fifteenth anniversary of the issue date of the applicable Series B-3 preferred OP units, or (z) after our receipt of notice of the death of the electing holder of a Series B-3 preferred OP unit, each holder of Series B-3 preferred OP units may require us to redeem such holder's Series B-3 preferred OP units at the redemption price of $100.00 per unit. In addition, at any time after the fifteenth anniversary of the issue date of the applicable Series B-3 preferred OP units we may redeem, at our option, all of the Series B-3 preferred OP units of any holder thereof at the redemption price of $100.00 per unit. Series B-3 preferred OP units do not have any voting or consent rights on any matter requiring the consent or approval of the Operating Partnership's limited partners.

Series C Preferred OP Units

Subject to certain limitations, the holder of each Series C preferred OP unit at its option may exchange such Series C preferred OP unit at any time into 1.11 shares of our common stock (which exchange rate is subject to adjustment upon stock splits, recapitalizations, and similar events). The holders of Series C preferred OP units are entitled to receive distributions not less than quarterly. Each Series C preferred OP unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to (i) 4.0% until April 1, 2017, (ii) 4.5% from April 2, 2017 until April 1, 2020, and (iii) 5.0% after April 2, 2020. Series C preferred OP units do not have any voting or consent rights on any matter requiring the consent or approval of the Operating Partnership's limited partners.

REAL PROPERTY OPERATIONS

Properties are designed and improved for several home options of various sizes and designs and consist of both MH communities and RV communities.

A MH community is a residential subdivision designed and improved with sites for the placement of manufactured homes, related improvements, and amenities. Manufactured homes are detached, single family homes which are produced off site by manufacturers and installed on sites within the community. Manufactured homes are available in a wide array of designs, providing owners with a level of customization generally unavailable in other forms of multi-family housing developments.

Modern manufactured housing communities contain improvements similar to other garden style residential developments, including centralized entrances, paved streets, curbs and gutters, and parkways. In addition, these communities also often provide a number of amenities, such as a clubhouse, a swimming pool, shuffleboard courts, tennis courts, and laundry facilities.

A RV community is a resort or park designed and improved with sites for the placement of RVs for varied lengths of time. Properties may also provide vacation rental homes. RV communities include a number of amenities such as restaurants, golf courses, swimming pools, tennis courts, fitness centers, planned activities, and spacious social facilities.

The owner of each home on our Properties leases the site on which the home is located. We own the underlying land, utility connections, streets, lighting, driveways, common area amenities, and other capital improvements and are responsible for enforcement of community guidelines and maintenance. In five of our 341 communities, we do not own the underlying land, but operate the communities pursuant to ground leases. Certain of the Properties provide water and sewer service through public or private utilities, while others provide these services to residents from on site facilities. Each owner of a home within our Properties is responsible for the maintenance of the home and leased site. As a result, our capital expenditure needs tend to be less significant relative to multi family rental apartment complexes.

SUN COMMUNITIES, INC.

PROPERTY MANAGEMENT

Our property management strategy emphasizes intensive, hands on management by dedicated, on site district and community managers. We believe that this on site focus enables us to continually monitor and address resident concerns, the performance of competitive properties, and local market conditions. As of December 31, 2016, we employed 2,679 full and part time employees, of which 2,303 were located on site as property managers, support staff, or maintenance personnel.

Our community managers are overseen by John B. McLaren, our President and Chief Operating Officer, who has been in the manufactured housing industry since 1995, three Senior Vice Presidents of Operations and Sales, eight Divisional Vice Presidents and 33 Regional Vice Presidents. The Regional Vice Presidents are responsible for semi-annual market surveys of competitive communities, interaction with local manufactured home dealers, regular property inspections, and oversight of property operations and sales functions for seven to 14 properties.

Each district or community manager performs regular inspections in order to continually monitor the Property's physical condition and to effectively address tenant concerns. In addition to a district or community manager, each district or property has on-site maintenance personnel and management support staff. We hold mandatory training sessions for all new property management personnel to ensure that management policies and procedures are executed effectively and professionally. All of our property management personnel participate in on-going training to ensure that changes to management policies and procedures are implemented consistently. We offer 147 courses for our team members through our Sun University, which has led to increased knowledge and accountability for daily operations and policies and procedures.

HOME SALES AND RENTALS

SHS is engaged in the marketing, selling and leasing of new and pre-owned homes to current and future residents in our communities. Since tenants often purchase a home already on-site within a community, such services enhance occupancy and property performance. Additionally, because many of the homes on the Properties are sold through SHS, better control of home quality in our communities can be maintained than if sales services were conducted solely through third-party brokers. SHS also leases homes to prospective tenants. At December 31, 2016, SHS had 10,733 occupied leased homes in its portfolio. New and pre-owned homes are purchased for the Rental Program. Leases associated with the Rental Program generally have a term of one year. The Rental Program requires intensive management of costs associated with repair and refurbishment of these homes as the tenants vacate and the homes are re-leased, similar to apartment rentals. We received approximately 46,000 applications during 2016 to live in our Properties, providing a significant "resident boarding" system allowing us to market purchasing a home to the best applicants and to rent to the remainder of approved applicants. Through the Rental Program we are able to demonstrate our product and lifestyle to the renters, while monitoring their payment history and converting qualified renters to owners.

REGULATIONS AND INSURANCE

General

MH and RV community properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses, and other common areas. We believe that each Property has the necessary operating permits and approvals.

Insurance

Our management believes that the Properties are covered by adequate fire, property, business interruption, general liability, and (where appropriate) flood and earthquake insurance provided by reputable companies with commercially reasonable deductibles and limits. We maintain a blanket policy that covers all of our Properties. We have obtained title insurance insuring fee title to the Properties in an aggregate amount which we believe to be adequate. Claims made to our insurance carriers that are determined to be recoverable are classified in other receivables as incurred.

SUN COMMUNITIES, INC.

SITE LEASES OR USAGE RIGHTS

The typical lease we enter into with a tenant for the rental of a manufactured home site is month to month or year to year, renewable upon the consent of both parties, or, in some instances, as provided by statute. Certain of our leases, mainly Florida and California properties, are tied to consumer price index or other indices as it relates to rent increases. Generally, market rate adjustments are made on an annual basis. These leases are cancelable for non payment of rent, violation of community rules and regulations or other specified defaults. During the five calendar years ended December 31, 2016, on average 2.3% of the homes in our communities have been removed by their owners and 5.3% of the homes have been sold by their owners to a new owner who then assumes rental obligations as a community resident. The average cost to move a home is approximately $4,000 to $10,000. The average resident remains in our communities for approximately 13 years, while the average home, which gives rise to the rental stream, remains in our communities for over 40 years.

Please see the Risk Factors in Item 1A, and our accompanying Consolidated Financial Statements and related notes thereto beginning on page F-1 of this Annual Report on Form 10-K for more detailed information.

SUN COMMUNITIES, INC.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains various “forward-looking statements” within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we intend that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to expectations, beliefs, projections, future plans and strategies, trends or prospective events or developments and similar expressions concerning matters that are not historical facts are deemed to be forward-looking statements. Words such as “forecasts,” “intends,” “intend,” “intended,” “goal “estimate,” “estimates,” “expects,” “expect,” “expected,” “project,” “projected,” “projections,” “plans,” “predicts,” “potential,” “anticipates,” “anticipated,” “should,” “could,” “may,” “will,” “designed to,” “foreseeable future,” “believe,” “believes,” “sche "guidance" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements reflect our current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. In addition to the risks disclosed under “Risk Factors” contained in this Annual Report on Form 10-K and our other filings with the SEC, such risks and uncertainties include but are not limited to:

- changes in general economic conditions, the real estate industry, and the markets in which we operate;
- difficulties in our ability to evaluate, finance, complete and integrate acquisitions, developments and expansions successfully;
- our liquidity and refinancing demands;
- our ability to obtain or refinance maturing debt;
- our ability to maintain compliance with covenants contained in our debt facilities;
- availability of capital;
- changes in foreign currency exchange rates, specifically between the U.S. dollar and Canadian dollar;
- our ability to maintain rental rates and occupancy levels;
- our failure to maintain effective internal control over financial reporting and disclosure controls and procedures;
- increases in interest rates and operating costs, including insurance premiums and real property taxes;
- risks related to natural disasters;
- general volatility of the capital markets and the market price of shares of our capital stock;
- our failure to maintain our status as a REIT;
- changes in real estate and zoning laws and regulations;
- legislative or regulatory changes, including changes to laws governing the taxation of REITs;
- litigation, judgments or settlements;
- competitive market forces;
- the ability of manufactured home buyers to obtain financing; and
- the level of repossessions by manufactured home lenders.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference into this filing, whether as a result of new information, future events, changes in our expectations or otherwise, except as required by law.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. All written and oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by these cautionary statements.

SUN COMMUNITIES, INC.

ITEM 1A. RISK FACTORS

Our prospects are subject to certain uncertainties and risks. Our future results could differ materially from current results, and our actual results could differ materially from those projected in forward looking statements as a result of certain risk factors. These risk factors include, but are not limited to, those set forth below, other one time events, and important factors disclosed previously and from time to time in our other filings with the SEC.

REAL ESTATE RISKS

General economic conditions and the concentration of our properties in Florida, Michigan, Texas, and California may affect our ability to generate sufficient revenue.

The market and economic conditions in our current markets generally, and specifically in metropolitan areas of our current markets, may significantly affect manufactured home occupancy or rental rates. Occupancy and rental rates, in turn, may significantly affect our revenues, and if our communities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay or refinance our debt obligations could be adversely affected. We derive significant amounts of our rental income from properties located in Florida, Michigan, Texas, and California. As of December 31, 2016, 121 properties, representing approximately 35.9% of developed sites, are located in Florida; 67 properties, representing approximately 24.2% of developed sites, are located in Michigan; 21 properties, representing approximately 6.1% of developed sites, are located in Texas; and 22 properties, representing approximately 4.8% of developed sites, are located in California. As a result of the geographic concentration of our Properties in Florida, Michigan, Texas, and California, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates, and property values of properties in these markets.

Our income would also be adversely affected if tenants were unable to pay rent or if sites were unable to be rented on favorable terms. If we were unable to promptly relet or renew the leases for a significant number of the sites, or if the rental rates upon such renewal or reletting were significantly lower than expected rates, then our business and results of operations could be adversely affected. In addition, certain expenditures associated with each Property (such as real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from the Property. Furthermore, real estate investments are relatively illiquid and, therefore, will tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

The following factors, among others, may adversely affect the revenues generated by our communities:

- the national and local economic climate which may be adversely impacted by, among other factors, plant closings, and industry slowdowns;
- local real estate market conditions such as the oversupply of MH and RV sites or a reduction in demand for MH and RV sites in an area;
- changes in foreign currency exchange rates, specifically between the U.S. dollar and Canadian dollar;
- the number of repossessed homes in a particular market;
- the lack of an established dealer network;
- the rental market which may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates;
-

the perceptions by prospective tenants of the safety, convenience and attractiveness of our Properties and the neighborhoods where they are located;

- zoning or other regulatory restrictions;

- competition from other available MH and RV communities and alternative forms of housing (such as apartment buildings and site built single family homes);

8

SUN COMMUNITIES, INC.

- our ability to effectively manage, maintain and insure the Properties;
- increased operating costs, including insurance premiums, real estate taxes, and utilities; and
- the enactment of rent control laws or laws taxing the owners of manufactured homes.

Competition affects occupancy levels and rents which could adversely affect our revenues.

Our Properties are located in developed areas that include other MH and RV community properties. The number of competitive MH and RV community properties in a particular area could have a material adverse effect on our ability to lease sites and increase rents charged at our Properties or at any newly acquired properties. We may be competing with others with greater resources and whose officers and directors have more experience than our officers and directors. In addition, other forms of multi family residential properties, such as private and federally funded or assisted multi family housing projects and single family housing, provide housing alternatives to potential tenants of MH and RV communities.

Our ability to sell or lease manufactured homes may be affected by various factors, which may in turn adversely affect our profitability.

SHS operates in the manufactured home market offering manufactured home sales and leasing services to tenants and prospective tenants of our communities. The market for the sale and lease of manufactured homes may be adversely affected by the following factors:

- downturns in economic conditions which adversely impact the housing market;
- an oversupply of, or a reduced demand for, manufactured homes;
- the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria; and
- an increase or decrease in the rate of manufactured home repossessions which provide aggressively priced competition to new manufactured home sales.

Any of the above listed factors could adversely impact our rate of manufactured home sales and leases, which would result in a decrease in profitability.

The cyclical and seasonal nature of the MH and the RV industries may lead to fluctuations in our operating results. The MH and RV markets can experience cycles of growth and downturn due to seasonality patterns. In the MH market, certain properties maintain higher occupancy during the summer months, while certain other properties maintain higher occupancy during the winter months. The RV market typically shows a decline in demand over the winter months, yet usually produces higher growth in the spring and summer months due to higher use by vacationers. Our results on a quarterly basis can fluctuate due to this cyclicality and seasonality.

We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected.

We have acquired and intend to continue to acquire MH and RV properties on a select basis. Our acquisition activities and their success are subject to the following risks:

-

we may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including both publicly traded REITs and institutional investment funds;

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;

- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;

- we may be unable to finance acquisitions on favorable terms;

SUN COMMUNITIES, INC.

- acquired properties may fail to perform as expected;

- acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area, and unfamiliarity with local governmental and permitting procedures; and

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

If any of the above risks occurred, our business and results of operations could be adversely affected.

In addition, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were to be asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow.

Increases in taxes and regulatory compliance costs may reduce our results of operations.

Costs resulting from changes in real estate laws, income taxes, service or other taxes, generally are not passed through to tenants under leases and may adversely affect our results of operations and financial condition. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which would adversely affect our business and results of operations.

We may not be able to integrate or finance our expansion and development activities.

From time to time, we engage in the construction and development of new communities or expansion of existing communities, and may continue to engage in the development and construction business in the future. Our construction and development pipeline may be exposed to the following risks which are in addition to those risks associated with the ownership and operation of established MH and RV communities:

- we may not be able to obtain financing with favorable terms for community development which may make us unable to proceed with the development;

- we may be unable to obtain, or face delays in obtaining, necessary zoning, building and other governmental permits and authorizations, which could result in increased costs and delays, and even require us to abandon development of the community entirely if we are unable to obtain such permits or authorizations;

- we may abandon development opportunities that we have already begun to explore and as a result we may not recover expenses already incurred in connection with exploring such development opportunities;

- we may be unable to complete construction and lease up of a community on schedule resulting in increased debt service expense and construction costs;

- we may incur construction and development costs for a community which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the community uneconomical and we may not be able to increase rents to compensate for the increase in development costs which may impact our profitability;

- we may be unable to secure long term financing on completion of development resulting in increased debt service and lower profitability; and

- occupancy rates and rents at a newly developed community may fluctuate depending on several factors, including market and economic conditions, which may result in the community not being profitable.

If any of the above risks occurred, our business and results of operations could be adversely affected.

Rent control legislation may harm our ability to increase rents.

State and local rent control laws in certain jurisdictions may limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions.

SUN COMMUNITIES, INC.

Certain Properties are located, and we may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted.

We may be subject to environmental liability.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous substances at, on, under or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property, to borrow using such property as collateral or to develop such property. Persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility owned or operated by another person. In addition, certain environmental laws impose liability for the management and disposal of asbestos containing materials and for the release of such materials into the air. These laws may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos containing materials. In connection with the ownership, operation, management, and development of real properties, we may be considered an owner or operator of such properties and, therefore, are potentially liable for removal or remediation costs, and also may be liable for governmental fines and injuries to persons and property. When we arrange for the treatment or disposal of hazardous substances at landfills or other facilities owned by other persons, we may be liable for the removal or remediation costs at such facilities.

All of the Properties have been subject to a Phase I or similar environmental audit (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants. These environmental audits have not revealed any significant environmental liability that would have a material adverse effect on our business. These audits cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more Properties.

Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow.

We maintain comprehensive liability, fire, property, business interruption, general liability, and (where appropriate) flood and earthquake insurance, provided by reputable companies with commercially reasonable deductibles and limits. Certain types of losses including, but not limited to, riots or acts of war, may be either uninsurable or not economically insurable. In the event an uninsured loss occurs, we could lose both our investment in and anticipated profits and cash flow from the affected property. Any loss could adversely affect our ability to repay our debt.

FINANCING AND INVESTMENT RISKS

Our significant amount of debt could limit our operational flexibility or otherwise adversely affect our financial condition.

We have a significant amount of debt. As of December 31, 2016, we had approximately $3.1 billion of total debt outstanding, consisting of approximately $2.8 billion in debt that is collateralized by mortgage liens on 189 of the Properties, $144.5 million that is secured by collateralized receivables, $100.1 million on our lines of credit, and $45.9 million that is unsecured debt. If we fail to meet our obligations under our secured debt, the lenders would be entitled to foreclose on all or some of the collateral securing such debt which could have a material adverse effect on us and our ability to make expected distributions, and could threaten our continued viability.

We are subject to the risks normally associated with debt financing, including the following risks:

- our cash flow may be insufficient to meet required payments of principal and interest, or require us to dedicate a substantial portion of our cash flow to pay our debt and the interest associated with our debt rather than to other areas of our business;
- our existing indebtedness may limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt;
- it may be more difficult for us to obtain additional financing in the future for our operations, working capital requirements, capital expenditures, debt service or other general requirements;
- we may be more vulnerable in the event of adverse economic and industry conditions or a downturn in our business;

- we may be placed at a competitive disadvantage compared to our competitors that have less debt; and
- we may not be able to refinance at all or on favorable terms, as our debt matures.

If any of the above risks occurred, our financial condition and results of operations could be materially adversely affected.

We may incur substantially more debt, which would increase the risks associated with our substantial leverage.

Despite our current indebtedness levels, we may incur substantially more debt in the future. If new debt is added to our current debt levels, an even greater portion of our cash flow will be needed to satisfy our debt service obligations. As a result, the related risks that we now face could intensify and increase the risk of a default on our indebtedness.

TAX RISKS

We may suffer adverse tax consequences and be unable to attract capital if we fail to qualify as a REIT.

We believe that since our taxable year ended December 31, 1994, we have been organized and operated, and intend to continue to operate, so as to qualify for taxation as a REIT under the Code. Although we believe that we have been and will continue to be organized and have operated and will continue to operate so as to qualify for taxation as a REIT, we cannot be assured that we have been or will continue to be organized or operated in a manner to so qualify or remain so qualified. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. In addition, frequent changes occur in the area of REIT taxation, which require us to continually monitor our tax status.

If we fail to qualify as a REIT in any taxable year, our taxable income could be subject to U.S. federal income tax at regular corporate rates (including any applicable alternative minimum tax). Moreover, unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability to us for the years involved. In addition, distributions to stockholders would no longer be required to be made.

Federal, state and foreign income tax laws governing REITs and related interpretations may change at any time, and any such legislative or other actions affecting REITs could have a negative effect on us.

Federal, state and foreign income tax laws governing REITs or the administrative interpretations of those laws may be amended at any time. Federal, state, and foreign tax laws are under constant review by persons involved in the legislative process, at the Internal Revenue Service and the U.S. Department of the Treasury, and at various state and foreign tax authorities. Changes to tax laws, regulations, or administrative interpretations, which may be applied retroactively, could adversely affect us. We cannot predict whether, when, in what forms, or with what effective dates, the tax laws, regulations, and administrative interpretations applicable to us may be changed. Accordingly, we cannot assert that any such change will not significantly affect either our ability to qualify for taxation as a REIT or the income tax consequences to us.

We intend for the Operating Partnership to be taxed as a partnership, but we cannot guarantee that it will qualify.

We believe that the Operating Partnership has been organized as a partnership and will qualify for treatment as such under the Code. However, if the Operating Partnership is deemed to be a "publicly traded partnership," it will be treated as a corporation instead of a partnership for federal income tax purposes unless at least 90% of its income is qualifying income as defined in the Code. The income requirements applicable to REITs and the definition of "qualifying income" for purposes of this 90% test are similar in most respects. Qualifying income for the 90% test generally includes passive income, such as specified types of real property rents, dividends, and interest. We believe that the Operating Partnership has and will continue to meet this 90% test, but we cannot guarantee that it has or will. If the Operating Partnership were to be taxed as a regular corporation, it would incur substantial tax liabilities, we would fail to qualify as a REIT for federal income tax purposes, and our ability to raise additional capital could be significantly impaired.

Our ability to accumulate cash may be restricted due to certain REIT distribution requirements.

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our REIT taxable income (calculated without any deduction for dividends paid and excluding net capital gain) and to avoid federal income taxation, our distributions must not be less than 100% of our REIT taxable income, including capital gains. As a result of the distribution requirements, we do not expect to accumulate significant amounts of cash. Accordingly, these distributions could significantly reduce the cash available to us in subsequent periods to fund our operations and future growth.

Our taxable REIT subsidiaries, or TRSs, are subject to special rules that may result in increased taxes.

As a REIT, we must pay a 100% penalty tax on certain payments that we receive if the economic arrangements between us and any of our TRSs are not comparable to similar arrangements between unrelated parties. The Internal Revenue Service may successfully assert that the economic arrangements of any of our inter-company transactions are not comparable to similar arrangements between unrelated parties.

Dividends payable by REITs do not qualify for the reduced tax rates applicable to certain dividends.

The maximum federal tax rate for certain qualified dividends payable to domestic stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, are generally not eligible for this reduced rate. Although this rule does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular qualified corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less competitive than investments in stock of non-REIT corporations that pay dividends, which could adversely affect the comparative value of the stock of REITs, including our common stock and preferred stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To remain qualified as a REIT for federal income tax purposes, we must continually satisfy requirements and tests under the tax law concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego or limit attractive business or investment opportunities and distribute all of our net earnings rather than invest in attractive opportunities or hold larger liquid reserves. Therefore, compliance with the REIT requirements may hinder our ability to operate solely to maximize profits.

Our ability to use net operating loss carryforwards to reduce future tax payments may be limited if we experience a change in ownership, or if taxable income does not reach sufficient levels.

Under Section 382 of the Code, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change (by value) in its equity ownership over a rolling three-year period), the corporation’s ability to use its pre-ownership-change net operating loss carryforwards to offset its post-ownership-change income may be limited. We may experience ownership changes in the future. If an ownership change were to occur, we would be limited in the portion of net operating loss carryforwards that we could use in the future to offset taxable income for U.S. federal income tax purposes.

BUSINESS RISKS

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

Lease of Executive Offices. Gary A. Shiffman, together with certain of his family members, indirectly owns a 16.75% equity interest in American Center LLC, the entity from which we lease office space for our principal executive offices. Each of Brian M. Hermelin, Ronald A. Klein and Arthur A. Weiss indirectly owns a less than one percent interest in American Center LLC. Mr. Shiffman is our Chief Executive Officer and Chairman of the Board. Each of Mr. Hermelin, Mr. Klein and Mr. Weiss is a director of the Company. Under this agreement, we lease approximately 71,513 rentable square feet of permanent space, and 9,140 rentable square feet of temporary space. The initial term of the lease is until October 31, 2026, and the base rent is $17.45 per square foot (gross) until October 31, 2017, for both permanent and temporary space, with graduated rental increases thereafter. Each of Mr. Shiffman, Mr. Hermelin, Mr. Klein and Mr. Weiss may have a conflict of interest with respect to his obligations as our officer and/or director and his ownership interest in American Center LLC.

SUN COMMUNITIES, INC.

Legal Counsel. During 2016, Jaffe, Raitt, Heuer, & Weiss, Professional Corporation acted as our general counsel and represented us in various matters. Arthur A. Weiss, one of our directors, is the Chairman of the Board of Directors and a shareholder of such firm. We incurred legal fees and expenses owed to Jaffe, Raitt, Heuer, & Weiss of approximately $8.0 million, $4.6 million and $7.5 million in the years ended December 31, 2016, 2015 and 2014, respectively.

Tax Consequences Upon Sale of Properties. Gary A. Shiffman holds limited partnership interests in the Operating Partnership which were received in connection with the contribution of properties from partnerships previously affiliated with him. Prior to any redemption of these limited partnership interests for our common stock, Mr. Shiffman will have tax consequences different from those on us and our public stockholders upon the sale of any of these partnerships. Therefore, we and Mr. Shiffman may have different objectives regarding the appropriate pricing and timing of any sale of those properties.

We rely on key management.

We are dependent on the efforts of our executive officers, Gary A. Shiffman, John B. McLaren, Karen J. Dearing, and Jonathan M. Colman. The loss of services of one or more of these executive officers could have a temporary adverse effect on our operations. We do not currently maintain or contemplate obtaining any “key-man” life insurance on the Executive Officers.

Certain provisions in our governing documents may make it difficult for a third-party to acquire us.

9.8% Ownership Limit. In order to qualify and maintain our qualification as a REIT, not more than 50% of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals. Thus, ownership of more than 9.8%, in number of shares or value, of the issued and outstanding shares of our capital stock by any single stockholder has been restricted, with certain exceptions, for the purpose of maintaining our qualification as a REIT under the Code. Such restrictions in our charter do not apply to Milton M. Shiffman, Gary A. Shiffman, and Robert B. Bayer; trustees, personal representatives and agents to the extent acting for them or their respective estates; or certain of their respective relatives.

The 9.8% ownership limit, as well as our ability to issue additional shares of common stock or shares of other stock (which may have rights and preferences over the common stock), may discourage a change of control of the Company and may also: (1) deter tender offers for the common stock, which offers may be advantageous to stockholders; and (2) limit the opportunity for stockholders to receive a premium for their common stock that might otherwise exist if an investor were attempting to assemble a block of common stock in excess of 9.8% of our outstanding shares or otherwise effect a change of control of the Company.

Preferred Stock. Our charter authorizes the Board of Directors to issue up to 20,000,000 shares of preferred stock and to establish the preferences and rights (including the right to vote and the right to convert into shares of common stock) of any shares issued.

Our charter designates 3,450,000 shares of preferred stock as 7.125% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share, and issued 3,400,000 of such shares of stock. Our charter designates 6,364,770 shares of preferred stock as 6.50% Series A-4 Cumulative Convertible Preferred Stock, $0.01 par value per share of which 1,681,849 shares were issued and outstanding as of December 31, 2016. The power to issue preferred stock could have the effect of delaying or preventing a change in control of the Company even if a change in control were in the stockholders' interest.

Upon the occurrence of certain change of control events, the result of which is that shares of our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the New York Stock Exchange (“NYSE”), the NYSE MKT or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ, holders of shares of Series A Preferred Stock will have the right, subject to certain limitations, to convert some or all of their shares of Series A Preferred Stock into shares of our common stock (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem the shares of Series A Preferred Stock. Upon such a conversion, the holders of shares of Series A Preferred Stock will be limited to a maximum number of shares of our common stock. If our common stock price, as determined in accordance with our charter for these purposes, is less than $20.97, subject to adjustment, the holders will receive a maximum of 1.1925 shares of our common stock per shares of Series A Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series A Preferred Stock.

Subject to certain limitations, upon written notice to us, each holder of shares of Series A-4 Preferred Stock at its option may convert each share of Series A-4 Preferred Stock held by it for that number of shares of our common stock equal to the quotient obtained by dividing $25.00 by the then-applicable conversion price. The initial conversion price is $56.25, so initially each share of Series A-4 Preferred Stock is convertible into approximately 0.4444 shares of common stock. The conversion price is subject to adjustment upon various events. At our option, instead of issuing the shares of common stock to the converting holder of Series

SUN COMMUNITIES, INC.

A-4 Preferred Stock as described above, we may make a cash payment to the converting holder with respect to each share of Series A-4 Preferred Stock the holder desires to convert equal to the fair market value of one share of our common stock. If, at any time after November 26, 2019, the volume weighted average of the daily volume weighted average price of a share of our common stock on the NYSE equals or exceeds 115.5% of the then prevailing conversion price for at least 20 trading days in a period of 30 consecutive trading days, then, within 10 days thereafter, upon written notice to the holders thereof, we may convert each outstanding share of Series A-4 Preferred Stock into that number of shares of common stock equal to the quotient obtained by dividing $25.00 by the then prevailing conversion price.

These features of the Series A Preferred Stock and Series A-4 Preferred Stock may have the effect of inhibiting a third-party from making an acquisition proposal for the Company or of delaying, deferring or preventing a change of control of the Company under circumstances that otherwise could provide the holders of our common stock and preferred stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best interests.

Rights Plan. We adopted a stockholders' rights plan in 2008 that provides our stockholders (other than a stockholder attempting to acquire a 15% or greater interest in us) with the right to purchase our stock at a discount in the event any person attempts to acquire a 15% or greater interest in us. Because this plan could make it more expensive for a person to acquire a controlling interest in us, it could have the effect of delaying or preventing a change in control even if a change in control were in the stockholders' interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of the Maryland General Corporation Law, ("MGCL"), may have the effect of inhibiting a third-party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our capital stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority and stockholder voting requirements on these combinations; and

- “control share” provisions that provide that “control shares” of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

The provisions of the MGCL relating to business combinations do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that the interested stockholder becomes an interested stockholder. As permitted by the statute, our Board of Directors has by resolution exempted Milton M. Shiffman, Robert B. Bayer, and Gary A. Shiffman, their affiliates and all persons acting in concert or as a group with the foregoing, from the business combination provisions of the MGCL and, consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and these persons. As a result, these persons may be able to enter into business combinations with us that may not be in the best interests of our stockholders without compliance by our Company with the supermajority vote requirements and the other provisions of the statute.

Also, pursuant to a provision in our bylaws, we have exempted any acquisition of our stock from the control share provisions of the MGCL. However, our Board of Directors may by amendment to our bylaws opt in to the control share provisions of the MGCL at any time in the future.

Additionally, Subtitle 8 of Title 3 of the MGCL permits our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders' best interests. These provisions include a classified board; two-thirds vote to remove a director; that the number of directors may only be fixed by the Board of Directors; that vacancies on the board as a result of an increase in the size of the board or due to death, resignation or removal can only be filled by the board, and the director appointed to fill the vacancy serves for the remainder of the full term of the class of director in which the vacancy occurred; and a majority requirement for the calling by stockholders of special meetings. Other than a classified board, the filling of vacancies as a result of the removal of a director and a majority requirement for the calling by stockholders of special meetings, we are already subject to these provisions, either by provisions of our charter and bylaws unrelated to Subtitle 8 or by reason of an election to be subject to certain provisions of Subtitle 8. In the future, our Board of Directors may elect, without stockholder approval, to make us subject to the provisions of Subtitle 8 to which we are not currently subject.

Changes in our investment and financing policies may be made without stockholder approval.

Our investment and financing policies, and our policies with respect to certain other activities, including our growth, debt, capitalization, distributions, REIT status, and operating policies, are determined by our Board of Directors. Although the Board of Directors has no present intention to do so, these policies may be amended or revised from time to time at the discretion of the Board of Directors without notice to or a vote of our stockholders. Accordingly, stockholders may not have control over changes in our policies and changes in our policies may not fully serve the interests of all stockholders.

Substantial sales of our common stock could cause our stock price to fall.

The sale or issuance of substantial amounts of our common stock or preferred stock, whether directly by us or in the secondary market, the perception that such sales could occur or the availability of future issuances of shares of our common stock, preferred stock, OP units or other securities convertible into or exchangeable or exercisable for our common stock or preferred stock, could materially and adversely affect the market price of our common stock or preferred stock and our ability to raise capital through future offerings of equity or equity-related securities. In addition, we may issue capital stock that is senior to our common stock in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity or for other reasons.

Based on the applicable conversion ratios then in effect, as of February 16, 2017, in the future we may issue to the limited partners of the Operating Partnership, up to approximately 2.8 million shares of our common stock in exchange for their OP units. The limited partners may sell such shares pursuant to registration rights, if available, or an available exemption from registration. As of February 16, 2017, options to purchase 3,000 shares of our common stock were outstanding under our equity incentive plans. We currently have the authority to issue restricted stock awards or options to purchase up to an additional 1,570,934 shares of our common stock pursuant to our equity incentive plans. In addition, we entered into an At-the-Market Offering Sales Agreement in June 2015 to issue and sell shares of common stock. As of February 16, 2017, our Board of Directors had authorized us to sell approximately an additional $144.5 million of common stock under this agreement. No prediction can be made regarding the effect that future sales of shares of our common stock or our other securities will have on the market price of shares.

An increase in interest rates may have an adverse effect on the price of our common stock.

One of the factors that may influence the price of our common stock in the public market will be the annual distributions to stockholders relative to the prevailing market price of the common stock. An increase in market interest rates may tend to make the common stock less attractive relative to other investments, which could adversely affect the market price of our common stock.

We may be adversely impacted by fluctuations in foreign currency exchange rates.
Our investments in and operations of Canadian properties are exposed to the effects of changes in the Canadian dollar against the U.S. dollar. Changes in foreign currency exchange rates cannot always be predicted; as a result, substantial unfavorable changes in exchange rates could have a material adverse effect on our financial condition and results of operations.

The volatility in economic conditions and the financial markets may adversely affect our industry, business and financial performance.

The U.S. interest rate environment, oil price fluctuations, a new U.S. President, uncertain tax and economic plans in Congress, and turmoil in emerging markets have created uncertainty and volatility in the U.S. and global economies. Continued economic uncertainty, both nationally and internationally, causes increased volatility in investor confidence thereby creating similar volatility in the availability of both debt and equity capital in the financial markets. The other risk factors presented in this Annual Report

SUN COMMUNITIES, INC.

on Form 10-K discuss some of the principal risks inherent in our business, including liquidity risks, operational risks, and credit risks, among others. Turbulence in financial markets accentuates each of these risks and magnifies their potential effect on us. If such volatility is experienced in future periods, there could be an adverse impact on our access to capital, stock price and our operating results.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness, and we may adjust our common stock distribution policy.

Our ability to make distributions on our common stock and preferred stock, and payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock or preferred stock, to pay our indebtedness or to fund our other liquidity needs.

The decision to declare and pay distributions on shares of our common stock in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole discretion of our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors. Any change in our distribution policy could have a material adverse effect on the market price of our common stock.

Our ability to pay distributions is limited by the requirements of Maryland law.

Our ability to pay distributions on our common stock and preferred stock is limited by the laws of Maryland. Under Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution, provided, however, that a Maryland corporation may make a distribution from: (i) its net earnings for the fiscal year in which the distribution is made; (ii) its net earnings for the preceding fiscal year; or (iii) the sum of its net earnings for its preceding eight fiscal quarters even if, after such distribution, the corporation's total assets would be less than its total liabilities. Accordingly, we generally may not make a distribution on our common stock or preferred stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or, unless paid from one of the permitted sources of net earnings as described above, our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series of stock provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of stock then outstanding, if any, with preferential rights upon dissolution senior to those of our common stock or currently outstanding preferred stock.

We may not be able to pay distributions upon events of default under our financing documents.

Some of our financing documents contain restrictions on distributions upon the occurrence of events of default thereunder. If such an event of default occurs, such as our failure to pay principal at maturity or interest when due for a specified period of time, we would be prohibited from making payments on our common stock and preferred stock.

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our stockholders' investment.

The stock markets, including the NYSE on which we list our common stock and Series A Preferred Stock, have experienced significant price and volume fluctuations. As a result, the market price of our common stock and preferred stock could be similarly volatile, and investors in our common stock and preferred stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock and preferred stock could be subject to wide fluctuations in response to a number of factors, including:

- issuances of other equity securities in the future, including new series or classes of preferred stock;
- our operating performance and the performance of other similar companies;
- our ability to maintain compliance with covenants contained in our debt facilities;

- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in expectations of future financial performance or changes in our earnings estimates or those of analysts;
- changes in our distribution policy;
- publication of research reports about us or the real estate industry generally;
- increases in market interest rates that lead purchasers of our common stock to demand a higher dividend yield;
- changes in foreign currency exchange rates, specifically between the U.S. dollar and Canadian dollar;
- changes in market valuations of similar companies;
- increases in market interest rates that lend purchases of our common stock and preferred stock to demand a higher dividend yield;
- adverse market reaction to the amount of our debt outstanding at any time, the amount of our debt maturing in the near- and medium-term and our ability to refinance our debt, or our plans to incur additional debt in the future;
- additions or departures of key management personnel;
- speculation in the press or investment community;
- equity issuances by us, or share resales by our stockholders or the perception that such issuances or resales may occur;
- actions by institutional stockholders; and
- general market and economic conditions.

Many of the factors listed above are beyond our control. Those factors may cause the market price of our common stock or preferred stock to decline significantly, regardless of our financial condition, results of operations and prospects. It is impossible to provide any assurance that the market price of our common stock or preferred stock will not fall in the future, and it may be difficult for holders to resell shares of our common stock or preferred stock at prices they find attractive, or at all. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Our Series A Preferred Stock and Series A-4 Preferred Stock has not been rated.

We have not sought to obtain a rating for our Series A Preferred Stock or Series A-4 Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series A Preferred Stock or Series A-4 Preferred Stock. In addition, we may elect in the future to obtain a rating of the Series A Preferred Stock or Series A-4 Preferred Stock, which could adversely affect the market price of such preferred stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward, placed on a watch list or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision, placing on a watch list or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Stock or Series A-4 Preferred Stock.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our tenants and clients and personally identifiable information of our employees, in our facilities and on our network. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our network and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence, which could adversely affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

SUN COMMUNITIES, INC.

ITEM 2. PROPERTIES

As of December 31, 2016, the Properties were located throughout the US and in Ontario, Canada and consisted of 226 MH communities, 87 RV communities, and 28 properties containing both MH and RV sites. As of December 31, 2016, the Properties contained an aggregate of 117,376 developed sites comprised of 80,166 developed manufactured home sites, 20,916 annual RV sites (inclusive of both annual and seasonal usage rights), and 16,294 transient RV sites. There are approximately 10,616 additional MH and RV sites suitable for development. Most of the Properties include amenities oriented toward family and retirement living. Of the 341 Properties, 162 have more than 300 developed sites, with the largest having 2,072 developed MH and RV sites. See "Real Estate and Accumulated Depreciation, Schedule III", included in our Consolidated Financial Statements, for detail on Properties that are encumbered.

As of December 31, 2016, the Properties had an occupancy rate of 96.2% excluding transient RV sites. Since January 1, 2016, the Properties have averaged an aggregate annual turnover of homes (where the home is moved out of the community) of approximately 2.0% and an average annual turnover of residents (where the resident-owned home is sold and remains within the community, typically without interruption of rental income) of approximately 6.1%. The average renewal rate for residents in our Rental Program was 64.2% for the year ended December 31, 2016.

We believe that our Properties' high amenity levels contribute to low turnover and generally high occupancy rates. All of the Properties provide residents with attractive amenities with most offering a clubhouse, a swimming pool, and laundry facilities. Many of the Properties offer additional amenities such as sauna/whirlpool spas, tennis, shuffleboard, basketball courts, and/or exercise rooms. Many RV communities offer incremental amenities including golf, pro shops, restaurants, zip lines, waterparks, watersports, and thematic experiences.

We have concentrated our communities within certain geographic areas in order to achieve economies of scale in management and operation. The Properties are principally concentrated in the Midwestern, Southern, Northeastern, Southeastern U.S. and Ontario, Canada. We believe that geographic diversification helps to insulate the portfolio from regional economic influences.

The following tables set forth certain information relating to the Properties as of December 31, 2016. The occupancy percentage includes MH sites and annual/seasonal RV sites, and excludes transient RV sites.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
UNITED STATES							
Midwest							
Michigan							
Academy/West Pointe	MH	Canton	MI	441	—	98.9 %	97.3 %
Allendale Meadows Mobile Village	MH	Allendale	MI	352	—	98.0 %	98.9 %
Alpine Meadows Mobile Village	MH	Grand Rapids	MI	403	—	96.8 %	99.0 %
Apple Carr Village	MH	Muskegon	MI	529	—	94.0 %	89.6 %
Brentwood Mobile Village	MH	Kentwood	MI	195	—	100.0 %	100.0 %
Brookside Village	MH	Kentwood	MI	196	—	100.0 %	100.0 %
Byron Center Mobile Village	MH	Byron Center	MI	143	—	100.0 %	97.9 %
Camelot Villa	MH	Macomb	MI	712	—	99.3 %	95.2 %
Cider Mill Crossings	MH	Fenton	MI	282	—	91.1 % (1)	97.7 %
Cider Mill Village	MH	Middleville	MI	258	—	96.9 %	96.1 %

Continental North	MH	Davison	MI	474	—	65.6 %	61.6 %
Country Acres Mobile Village	MH	Cadillac	MI	182	—	95.6 %	90.7 %
Country Hills Village	MH	Hudsonville	MI	239	—	99.2 %	99.6 %
Country Meadows Mobile Village	MH	Flat Rock	MI	577	—	95.7 %	96.0 %
Country Meadows Village	MH	Caledonia	MI	312	—	99.7 % (1)	99.0 %

20

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Creekwood Meadows	MH	Burton	MI	336	—	95.8 %	88.1 %
Cutler Estates Mobile Village	MH	Grand Rapids	MI	259	—	98.8 %	98.1 %
Dutton Mill Village	MH	Caledonia	MI	307	—	99.0 %	100.0%
East Village Estates	MH	Washington Township	MI	708	—	98.3 %	99.3 %
Egelcraft	MH	Muskegon	MI	458	—	97.2 %	95.9 %
Fisherman's Cove	MH	Flint	MI	162	—	93.8 %	96.3 %
Frenchtown Villa/Elizabeth Woods	MH	Newport	MI	1,060	—	84.9 %	77.8 %
Grand Mobile Estates	MH	Grand Rapids	MI	219	—	96.8 %	94.5 %
Hamlin	MH	Webberville	MI	230	—	89.1 % (1)	91.4 %
Hickory Hills Village	MH	Battle Creek	MI	283	—	98.6 %	99.6 %
Hidden Ridge RV Resort	RV	Hopkins	MI	163	114	100.0% (2)	100.0% (2)
Holiday West Village	MH	Holland	MI	341	—	99.7 %	99.1 %
Holly Village / Hawaiian Gardens	MH	Holly	MI	425	—	93.6 %	96.7 %
Hunters Crossing	MH	Capac	MI	114	—	97.4 %	100.0%
Hunters Glen	MH	Wayland	MI	280	—	96.1 %	96.8 %
Kensington Meadows	MH	Lansing	MI	290	—	91.0 %	99.0 %
Kimberley Estates	MH	Newport	MI	387	—	80.4 %	N/A
Kings Court Mobile Village	MH	Traverse City	MI	639	—	98.9 %	99.8 %
Knollwood Estates	MH	Allendale	MI	161	—	99.4 %	96.9 %
Lafayette Place	MH	Warren	MI	254	—	88.2 %	79.9 %
Lakeview	MH	Ypsilanti	MI	392	—	98.7 %	98.5 %
Leisure Village	MH	Belmont	MI	238	—	99.6 %	100.0%
Lincoln Estates	MH	Holland	MI	191	—	99.5 %	100.0%
Meadow Lake Estates	MH	White Lake	MI	425	—	94.6 %	96.0 %
Meadowbrook Estates	MH	Monroe	MI	453	—	94.9 %	93.6 %
Meadowlands of Gibraltar	MH	Rockwood	MI	320	—	95.9 %	83.8 %
Northville Crossings	MH	Northville	MI	756	—	99.2 %	99.0 %
Oak Island Village	MH	East Lansing	MI	250	—	97.6 %	98.0 %
Petoskey RV Resort	RV	Petoskey	MI	—	78	N/A (2)	N/A
Pinebrook Village	MH	Grand Rapids	MI	185	—	98.4 %	98.9 %
Presidential Estates Mobile Village	MH	Hudsonville	MI	364	—	98.4 %	98.6 %
Richmond Place	MH	Richmond	MI	117	—	88.9 %	85.5 %
River Haven Village	MH	Grand Haven	MI	721	—	72.3 %	70.3 %
Rudgate Clinton	MH	Clinton Township	MI	667	—	95.7 %	97.6 %
Rudgate Manor	MH	Sterling Heights	MI	931	—	98.3 %	98.8 %
Scio Farms Estates	MH	Ann Arbor	MI	913	—	97.9 %	99.1 %
Sheffield Estates	MH	Auburn Hills	MI	228	—	96.9 %	96.5 %
Silver Springs	MH	Clinton Township	MI	547	—	98.2 %	98.2 %
Southwood Village	MH	Grand Rapids	MI	394	—	98.7 %	99.5 %
St. Clair Place	MH	St. Clair	MI	100	—	93.0 %	78.0 %
Sunset Ridge	MH	Portland	MI	249	—	76.7 % (1)	97.9 %

21

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Sycamore Village	MH	Mason	MI	396	—	99.2 %	99.7 %
Tamarac Village	MH	Ludington	MI	298	—	99.3 %	99.0 %
Tamarac Village RV Resort	RV	Ludington	MI	105	12	100.0 % (2)	100.0 % (2)
Timberline Estates	MH	Coopersville	MI	296	—	99.3 %	99.3 %
Town & Country Mobile Village	MH	Traverse City	MI	192	—	97.4 %	99.0 %
Warren Dunes Village	MH	Bridgman	MI	188	—	98.4 %	99.5 %
Waverly Shores Village	MH	Holland	MI	326	—	100.0 %	100.0 %
West Village Estates	MH	Romulus	MI	628	—	98.1 %	98.4 %
White Lake Mobile Home Village	MH	White Lake	MI	315	—	98.1 %	96.8 %
Windham Hills Estates	MH	Jackson	MI	422	—	91.2 % (1)	95.0 %
Windsor Woods Village	MH	Wayland	MI	314	—	96.5 %	97.8 %
Woodhaven Place	MH	Woodhaven	MI	220	—	97.7 %	92.7 %
Michigan Total				24,512	204	94.8 %	95.3 %
Indiana							
Brookside Mobile Home Village	MH	Goshen	IN	570	—	83.0 %	77.0 %
Carrington Pointe	MH	Ft. Wayne	IN	320	—	98.1 %	93.4 %
Clear Water Mobile Village	MH	South Bend	IN	227	—	94.7 %	93.8 %
Cobus Green Mobile Home Park	MH	Osceola	IN	386	—	96.4 %	89.1 %
Deerfield Run	MH	Anderson	IN	175	—	90.3 %	86.9 %
Four Seasons	MH	Elkhart	IN	218	—	95.0 %	91.7 %
Lake Rudolph RV Campground & RV Resort	RV	Santa Claus	IN	—	502	N/A (2)	N/A (2)
Liberty Farms	MH	Valparaiso	IN	220	—	99.1 %	95.9 %
Pebble Creek	MH	Greenwood	IN	257	—	96.9 %	97.3 %
Pine Hills	MH	Middlebury	IN	129	—	96.1 %	99.2 %
Roxbury Park	MH	Goshen	IN	398	—	99.0 %	98.5 %
Indiana Total				2,900	502	93.9 %	92.3 %
Ohio							
Apple Creek	MH	Amelia	OH	176	—	97.7 %	95.5 %
East Fork	MH	Batavia	OH	350	—	88.9 % (1)	84.6 % (1)
Indian Creek RV & Camping Resort	RV	Geneva on the Lake	OH	370	198	100.0 % (2)	100.0 % (2)
Oakwood Village	MH	Miamisburg	OH	511	—	99.2 %	98.0 %
Orchard Lake	MH	Milford	OH	147	—	95.2 %	98.0 %
Westbrook Senior Village	MH	Toledo	OH	112	—	98.2 %	99.1 %
Westbrook Village	MH	Toledo	OH	344	—	96.2 %	94.5 %
Willowbrook Place	MH	Toledo	OH	266	—	96.2 %	97.0 %
Woodside Terrace	MH	Holland	OH	439	—	90.7 %	90.3 %
Ohio Total				2,715	198	95.6 %	95.2 %

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
SOUTH							
Texas							
Austin Lone Star RV Resort	RV	Austin	TX	12	143	100.0% (2)	N/A
Blazing Star	RV	San Antonio	TX	112	150	100.0% (2)	100.0% (2)
Boulder Ridge	MH	Pflugerville	TX	526	—	97.0 %	99.0 %
Branch Creek Estates	MH	Austin	TX	392	—	99.5 %	100.0%
Chisholm Point Estates	MH	Pflugerville	TX	417	—	100.0%	98.1 %
Comal Farms	MH	New Braunfels	TX	355	—	99.7 % (1)	97.7 % (1)
Hill Country Cottage and RV Resort	RV	New Braunfels	TX	—	356	N/A (2)	N/A
La Hacienda RV Resort	RV	Austin	TX	—	243	N/A (2)	N/A (2)
Oak Crest	MH	Austin	TX	433	—	97.7 %	98.8 %
Pecan Branch	MH	Georgetown	TX	69	—	91.3 %	94.2 %
Pine Trace	MH	Houston	TX	680	—	94.4 % (1)	91.9 % (1)
River Ranch	MH	Austin	TX	848	—	96.2 % (1)	90.4 % (1)
River Ridge	MH	Austin	TX	515	—	98.8 %	99.0 %
Saddlebrook	MH	San Marcos	TX	562	—	68.5 % (1)	60.5 % (1)
Sandy Lake	MH	Carrolton	TX	54	—	100.0%	N/A
Sandy Lake RV Resort	RV	Carrolton	TX	—	218	N/A (2)	N/A
Stonebridge	MH	San Antonio	TX	335	—	96.1 %	97.3 %
Summit Ridge	MH	Converse	TX	446	—	98.2 %	92.8 %
Sunset Ridge	MH	Kyle	TX	171	—	99.4 %	98.8 %
Traveler's World RV Resort	RV	San Antonio	TX	22	144	100.0% (2)	N/A
Treetops RV Resort	RV	Arlington	TX	11	153	100.0% (2)	N/A
Woodlake Trails	MH	San Antonio	TX	226	—	93.8 %	90.7 % (1)
Texas Total				6,186	1,407	94.8 %	93.9 %
SOUTHEAST							
Florida							
Arbor Terrace RV Park	RV	Bradenton	FL	157	204	100.0% (2)	100.0% (2)
Ariana Village	MH	Lakeland	FL	207	—	96.6 %	96.1 %
Bahia Vista Estates	MH	Sarasota	FL	250	—	100.0%	N/A
Baker Acres RV Resort	RV	Zephyrhills	FL	281	71	100.0% (2)	N/A
Big Tree RV Resort	RV	Arcadia	FL	326	84	100.0% (2)	N/A
Blue Heron Pines	MH	Punta Gorda	FL	387	—	98.2 %	96.1 %
Blue Jay	MH	Dade City	FL	206	—	98.5 %	N/A
Blue Jay RV Resort	RV	Dade City	FL	37	18	100.0% (2)	N/A
Blueberry Hill	RV	Bushnell	FL	240	165	100.0% (2)	100.0% (2)
Brentwood Estates	MH	Hudson	FL	190	—	92.6 %	85.3 %
Buttonwood Bay	MH	Sebring	FL	407	—	99.8 %	99.8 %
Buttonwood Bay RV Resort	RV	Sebring	FL	364	168	100.0% (2)	100.0% (2)
Candlelight Manor	MH	South Daytona	FL	128	—	90.6 %	N/A
Carriage Cove	MH	Sanford	FL	464	—	99.4 %	97.2 %

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Central Park	MH	Haines City	FL	110	—	90.9 %	N/A
Central Park RV Resort	RV	Haines City	FL	198	169	100.0% (2)	N/A
Citrus Hill RV Resort	RV	Dade City	FL	134	49	100.0% (2)	N/A
Club Naples	RV	Naples	FL	184	120	100.0% (2)	100.0% (2)
Club Wildwood	MH	Hudson	FL	478	—	99.0 %	N/A
Country Squire	MH	Paisley	FL	96	—	78.1 %	N/A
Country Squire RV Resort	RV	Paisley	FL	6	19	100.0% (2)	N/A
Cypress Greens	MH	Lake Alfred	FL	259	—	95.8 %	95.8 %
Daytona Beach RV Resort	RV	Port Orange	FL	105	125	100.0% (2)	N/A
Deerwood	MH	Orlando	FL	569	—	94.6 %	92.4 %
Dunedin RV Resort	RV	Dunedin	FL	172	69	100.0% (2)	N/A
Ellenton Gardens RV Resort	RV	Ellenton	FL	146	48	100.0% (2)	N/A
Fairfield Village	MH	Ocala	FL	293	—	97.6 %	97.3 %
Forest View	MH	Homosassa	FL	300	—	94.3 %	92.4 %
Glen Haven	MH	Zephyrhills	FL	52	—	100.0%	N/A
Glen Haven RV Resort	RV	Zephyrhills	FL	153	65	100.0% (2)	N/A
Gold Coaster	MH	Homestead	FL	493	—	100.0%	100.0%
Gold Coaster RV Resort	RV	Homestead	FL	7	45	100.0% (2)	100.0%
Grand Bay	MH	Dunedin	FL	137	—	94.2 %	N/A
Grand Lakes	RV	Citra	FL	262	142	100.0% (2)	100.0% (2)
Grove Ridge RV Resort	RV	Dade City	FL	143	103	100.0% (2)	N/A
Groves RV Resort	RV	Ft. Myers	FL	195	74	100.0% (2)	100.0% (2)
Gulfstream Harbor	MH	Orlando	FL	974	—	91.9 %	90.0 %
The Hamptons	MH	Auburndale	FL	829	—	99.2 %	98.6 %
The Hideaway	MH	Key West	FL	13	—	100.0%	N/A
The Hills	MH	Apopka	FL	100	—	94.0 %	N/A
Hidden River RV Resort	RV	Riverview	FL	226	87	100.0% (2)	N/A
Holly Forest Estates	MH	Holly Hill	FL	402	—	99.5 %	98.8 %
Homosassa River RV Resort	RV	Homosassa Springs	FL	92	131	100.0% (2)	N/A
Horseshoe Cove RV Resort	RV	Bradenton	FL	325	152	100.0% (2)	N/A
Indian Creek Park	MH	Ft. Myers Beach	FL	353	—	100.0%	100.0%
Indian Creek RV Park	RV	Ft. Myers Beach	FL	970	107	100.0% (2)	100.0% (2)
Island Lakes	MH	Merritt Island	FL	301	—	100.0%	100.0%
Kings Lake	MH	DeBary	FL	245	—	100.0%	100.0%
Kings Manor	MH	Lakeland	FL	239	—	74.9 %	N/A
King's Pointe	MH	Lake Alfred	FL	226	—	98.2 %	98.2 %
Kissimmee Gardens	MH	Kissimmee	FL	239	—	95.4 %	N/A
Kissimmee South	MH	Davenport	FL	143	—	90.9 %	N/A

Kissimmee South RV Resort	RV	Davenport	FL	70	130	100.0 %(2)	N/A
La Costa Village	MH	Port Orange	FL	658	—	99.5 %	99.8 %
Lake Josephine	RV	Sebring	FL	101	77	100.0 %(2)	N/A
Lake Juliana Landings	MH	Auburndale	FL	274	—	97.4 %	97.4 %

24

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Lakeland RV Resort	RV	Lakeland	FL	163	67	100.0% (2)	N/A
Lake Pointe Village	MH	Mulberry	FL	362	—	99.2 %	98.9 %
Lake San Marino RV Park	RV	Naples	FL	222	185	100.0% (2)	100.0% (2)
Lakeshore Landings	MH	Orlando	FL	306	—	98.4 %	96.7 %
Lakeshore Villas	MH	Tampa	FL	280	—	97.1 %	96.1 %
Lamplighter	MH	Port Orange	FL	260	—	96.9 %	96.5 %
Majestic Oaks RV Resort	RV	Zephyrhills	FL	196	56	100.0% (2)	N/A
Marco Naples RV Resort	RV	Naples	FL	217	74	100.0% (2)	N/A
Meadowbrook Village	MH	Tampa	FL	257	—	99.6 %	99.2 %
Mill Creek	MH	Kissimmee	FL	31	—	100.0%	N/A
Mill Creek RV Resort	RV	Kissimmee	FL	70	87	100.0% (2)	N/A
Naples RV Resort	RV	Naples	FL	108	59	100.0% (2)	100.0% (2)
New Ranch	MH	Clearwater	FL	94	—	97.9 %	N/A
North Lake	RV	Moore Haven	FL	205	67	100.0% (2)	100.0% (2)
Oakview Estates	MH	Arcadia	FL	119	—	95.8 %	N/A
Ocean Breeze	MH	Marathon	FL	46	—	82.6 %	N/A
Ocean Breeze Jenson Beach	MH	Jensen Beach	FL	151	—	76.2 %	N/A
Ocean Breeze Jenson Beach RV Resort	RV	Jensen Beach	FL	12	87	100.0% (2)	N/A
Orange City	MH	Orange City	FL	4	—	100.0%	100.0%
Orange City RV Resort	RV	Orange City	FL	263	258	100.0% (2)	100.0% (2)
Orange Tree Village	MH	Orange City	FL	246	—	100.0%	100.0%
Paddock Park South	MH	Ocala	FL	188	—	72.9 %	N/A
Palm Key Village	MH	Davenport	FL	204	—	99.0 %	96.1 %
Palm Village	MH	Bradenton	FL	146	—	98.6 %	N/A
Park Place	MH	Sebastian	FL	474	—	89.0 %	87.4 %
Park Royale	MH	Pinellas Park	FL	309	—	97.7 %	96.4 %
Pecan Park RV Resort	RV	Jacksonville	FL	—	183	N/A (2)	N/A
Pelican Bay	MH	Micco	FL	216	—	88.9 %	84.3 %
Pelican RV Resort & Marina	RV	Marathon	FL	73	12	100.0% (2)	N/A
Plantation Landings	MH	Haines City	FL	394	—	99.5 %	98.7 %
Pleasant Lake RV Resort	RV	Bradenton	FL	249	92	100.0% (2)	N/A
Rainbow	MH	Frostproof	FL	37	—	100.0%	100.0%
Rainbow RV Resort	RV	Frostproof	FL	385	77	100.0% (2)	100.0% (2)
Rainbow Village of Largo	RV	Largo	FL	200	108	100.0% (2)	N/A
Rainbow Village of Zephyrhills	RV	Zephyrhills	FL	323	59	100.0% (2)	N/A
Red Oaks	MH	Bushnell	FL	103	—	92.2 %	N/A
Red Oaks RV Resort	RV	Bushnell	FL	439	478	100.0% (2)	N/A
Regency Heights	MH	Clearwater	FL	390	—	93.8 %	N/A
The Ridge	MH	Davenport	FL	481	—	94.2 %	92.7 %
Riptide RV Resort & Marina	RV	Key Largo	FL	16	24	100.0% (2)	N/A
Riverside Club	MH	Ruskin	FL	728	—	76.4 %	75.8 %
Rock Crusher Canyon RV Park	RV	Crystal River	FL	95	297	100.0% (2)	100.0% (2)

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Royal Country	MH	Miami	FL	864	—	99.9 %	99.8 %
Royal Palm Village	MH	Haines City	FL	395	—	77.7 %	74.2 %
Saddle Oak Club	MH	Ocala	FL	376	—	99.7 %	99.7 %
San Pedro	MH	Islamorada	FL	18	—	94.4 %	N/A
San Pedro RV Resort & Marina	RV	Islamorada	FL	20	6	100.0% (2)	N/A
Saralake Estates	MH	Sarasota	FL	202	—	100.0%	N/A
Savanna Club	MH	Port St. Lucie	FL	1,068	—	97.2 %	97.1 %
Sea Breeze Resort	MH	Islamorada	FL	31	—	93.5 %	N/A
Sea Breeze RV Resort	RV	Islamorada	FL	62	8	100.0% (2)	N/A
Serendipity	MH	North Fort Myers	FL	338	—	99.1 %	92.0 %
Settler's Rest RV Resort	RV	Zephyrhills	FL	299	78	100.0% (2)	N/A
Shadow Wood Village	MH	Hudson	FL	157	—	98.7 %	N/A
Shady Road Villas	MH	Ocala	FL	130	—	58.5 %	N/A
Shell Creek	MH	Punta Gorda	FL	54	—	100.0%	N/A
Shell Creek RV Resort & Marina	RV	Punta Gorda	FL	147	38	100.0% (2)	N/A
Siesta Bay RV Park	RV	Ft. Myers	FL	729	68	100.0% (2)	100.0% (2)
Southern Charm RV Resort	RV	Zephyrhills	FL	397	99	100.0% (2)	N/A
Southern Pines	MH	Bradenton	FL	107	—	91.6 %	N/A
Southport Springs	MH	Zephyrhills	FL	544	—	98.5 %	98.2 %
Spanish Main	MH	Thonotasassa	FL	56	—	92.9 %	N/A
Spanish Main RV Resort	RV	Thonotasassa	FL	140	137	100.0% (2)	N/A
Stonebrook	MH	Homosassa	FL	215	—	89.3 %	89.4 %
Suncoast Gateway	MH	Port Richey	FL	173	—	83.8 %	N/A
Sundance	MH	Zephyrhills	FL	332	—	100.0%	99.7 %
Sunlake Estates	MH	Grand Island	FL	407	—	93.1 %	91.3 %
Sun-N-Fun RV Resort	RV	Sarasota	FL	881	638	100.0% (2)	N/A
Sunset Harbor at Cow Key Marina	MH	Key West	FL	77	—	98.7 %	N/A
Sweetwater RV Resort	RV	Zephyrhills	FL	212	77	100.0% (2)	N/A
Tallowwood Isle	MH	Coconut Creek	FL	273	—	96.3 %	N/A
Tampa East	MH	Dover	FL	31	—	100.0%	100.0%
Tampa East RV Resort	RV	Dover	FL	222	447	100.0% (2)	100.0% (2)
Three Lakes	RV	Hudson	FL	202	105	100.0% (2)	100.0% (2)
The Valley	MH	Apopka	FL	148	—	96.6 %	N/A
Vista del Lago	MH	Bradenton	FL	136	—	94.9 %	N/A
Vista del Lago RV Resort	RV	Bradenton	FL	21	18	100.0% (2)	N/A
Vizcaya Lakes	MH	Port Charlotte	FL	113	—	78.8 %	71.7 %
Walden Woods I	MH	Homosassa	FL	213	—	100.0%	100.0%
Walden Woods II	MH	Homosassa	FL	213	—	98.1 %	99.1 %
Water Oak Country Club Estates	MH	Lady Lake	FL	1,195	—	94.5 % (1)	100.0%
Waters Edge RV Resort	RV	Zephyrhills	FL	131	86	100.0% (2)	N/A
Westside Ridge	MH	Auburndale	FL	219	—	98.6 %	100.0%
Windmill Village	MH	Davenport	FL	509	—	98.0 %	98.0 %

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16		Occupancy as of 12/31/15	
Woodlands at Church Lake	MH	Groveland	FL	291	—	67.4	%	66.6	%
Florida Total				36,326	6,497	96.4	%	96.0	%
SOUTHWEST									
California									
Alta Laguna	MH	Rancho Cucamonga	CA	295	—	99.7	%	N/A	
The Colony	MH	Oxnard	CA	150	—	100.0	%	N/A	
Friendly Village of La Habra	MH	La Habra	CA	329	—	99.4	%	N/A	
Friendly Village of Modesto	MH	Modesto	CA	289	—	90.7	%	N/A	
Friendly Village of Simi	MH	Simi Valley	CA	222	—	100.0	%	N/A	
Friendly Village of West Covina	MH	West Covina	CA	157	—	100.0	%	N/A	
Heritage	MH	Temecula	CA	196	—	99.5	%	N/A	
Indian Wells RV Resort	RV	Indio	CA	136	178	100.0	% (2)	N/A	
Lakefront	MH	Lakeside	CA	295	—	100.0	%	N/A	
Lemon Wood	MH	Ventura	CA	231	—	100.0	%	N/A	
Napa Valley	MH	Napa	CA	257	—	100.0	%	N/A	
Oak Creek	MH	Coarsegold	CA	198	—	96.0	%	97.0	%
Palos Verdes Shores MH & Golf Community	MH	San Pedro	CA	242	—	99.6	%	N/A	
Pembroke Downs	MH	Chino	CA	163	—	100.0	%	N/A	
Rancho Alipaz	MH	San Juan Capistrano	CA	132	—	100.0	%	N/A	
Rancho Cabellero	MH	Riverside	CA	303	—	99.7	%	N/A	
Royal Palms	MH	Cathedral City	CA	439	—	96.8	%	N/A	
Royal Palms RV Resort	RV	Cathedral City	CA	36	2	100.0	% (2)	N/A	
Vallecito	MH	Newbury Park	CA	303	—	99.7	%	N/A	
Victor Villa	MH	Victorville	CA	287	—	95.5	%	N/A	
Vines RV Resort	RV	Paso Robles	CA	—	130	N/A	(2)	N/A	
Vista del Lago	MH	Scotts Valley	CA	202	—	100.0	%	N/A	
Wine Country RV Resort	RV	Paso Robles	CA	—	203	N/A	(2)	N/A	
California Total				4,862	513	98.6	%	97.0	%
Arizona									
Blue Star/Lost Dutchman	MH	Apache Junction	AZ	169	—	94.1	%	80.8	%
Blue Star/Lost Dutchman RV Resort	RV	Apache Junction	AZ	37	169	100.0	% (2)	100.0	% (2)
Brentwood West	MH	Mesa	AZ	350	—	97.7	%	96.6	%
Desert Harbor	MH	Apache Junction	AZ	205	—	100.0	%	100.0	%
Fiesta Village	MH	Mesa	AZ	154	—	81.2	%	77.8	%
Fiesta Village RV Resort	RV	Mesa	AZ	3	7	100.0	% (2)	100.0	% (2)
La Casa Blanca	MH	Apache Junction	AZ	198	—	100.0	%	98.0	%
Mountain View	MH	Mesa	AZ	170	—	100.0	%	98.2	%
Palm Creek Golf	MH	Casa Grande	AZ	333	—	70.0	% (1)	72.6	% (1)
Palm Creek Golf & RV Resort	RV	Casa Grande	AZ	866	873	100.0	% (2)	100.0	% (2)

27

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Rancho Mirage	MH	Apache Junction	AZ	312	—	100.0%	99.4 %
Reserve at Fox Creek	MH	Bullhead City	AZ	311	—	93.2 %	91.0 %
Sun Valley	MH	Apache Junction	AZ	268	—	91.0 %	88.1 %
Verde Plaza	MH	Tucson	AZ	189	—	81.5 %	N/A
Arizona Total				3,565	1,049	93.6 %	92.5 %
Colorado							
Cave Creek	MH	Evans	CO	447	—	99.1 % (1)	98.0 %
Eagle Crest	MH	Firestone	CO	441	—	100.0%	98.9 %
The Grove at Alta Ridge	MH	Thornton	CO	409	—	99.8 %	100.0%
Jellystone Park at Larkspur	RV	Larkspur	CO	—	148	N/A (2)	N/A
North Point Estates	MH	Pueblo	CO	108	—	97.2 %	99.1 %
Skyline	MH	Fort Collins	CO	170	—	100.0%	99.4 %
Swan Meadow Village	MH	Dillon	CO	175	—	100.0%	99.4 %
Timber Ridge	MH	Fort Collins	CO	585	—	99.7 %	99.5 %
Colorado Total				2,335	148	99.6 %	99.2 %
OTHER							
Seaport RV Resort	RV	Old Mystic	CT	51	98	100.0% (2)	100.0% (2)
High Pointe	MH	Frederica	DE	409	—	97.1 %	97.3 %
Sea Air Village	MH	Rehoboth Beach	DE	373	—	98.4 %	97.8 %
Sea Air Village RV Resort	RV	Rehoboth Beach	DE	123	11	100.0% (2)	100.0% (2)
Countryside Atlanta (3)	MH	Lawrenceville	GA	170	—	100.0%	100.0%
Countryside Gwinnett	MH	Buford	GA	331	—	99.7 %	99.1 %
Countryside Lake Lanier	MH	Buford	GA	548	—	98.7 %	98.7 %
Autumn Ridge	MH	Ankeny	IA	413	—	98.8 %	99.0 %
Candlelight Village	MH	Sauk Village	IL	309	—	95.5 %	94.8 %
Maple Brook	MH	Matteson	IL	441	—	99.3 %	99.8 %
Oak Ridge	MH	Manteno	IL	426	—	90.1 %	87.1 %
Wildwood Community	MH	Sandwich	IL	476	—	99.8 %	99.8 %
Campers Haven RV Resort	RV	Dennisport	MA	236	38	100.0% (2)	N/A
Peter's Pond RV Resort	RV	Sandwich	MA	321	85	100.0% (2)	100.0% (2)
Castaways RV Resort & Campground	RV	Berlin	MD	5	388	100.0% (2)	100.0% (2)
Fort Whaley	RV	Whaleyville	MD	—	238	N/A (2)	N/A
Frontier Town	RV	Ocean City	MD	—	584	N/A (2)	N/A
Maplewood Manor	MH	Brunswick	ME	296	—	99.7 %	98.0 %
Merrymeeting	MH	Brunswick	ME	43	—	97.7 %	81.4 %
Saco/Old Orchard Beach KOA	RV	Saco	ME	—	127	N/A (2)	N/A
Town & Country Village	MH	Lisbon	ME	144	—	99.3 %	91.7 %
Wagon Wheel RV Resort & Campground	RV	Old Orchard Beach	ME	208	73	100.0% (2)	100.0% (2)
Wild Acres RV Resort & Campground	RV	Old Orchard Beach	ME	275	355	100.0% (2)	100.0% (2)
Southern Hills/Northridge Place	MH	Stewartville	MN	426	—	94.1 % (1)	92.6 %

28

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
Pin Oak Parc	MH	O'Fallon	MO	502	—	93.6 %	91.8 %
Southfork	MH	Belton	MO	474	—	66.2 %	65.2 %
Countryside Village	MH	Great Falls	MT	226	—	99.1 %	96.9 %
Fort Tatham RV Resort & Campground	RV	Sylva	NC	54	37	100.0 % (2)	N/A
Glen Laurel	MH	Concord	NC	260	—	99.2 %	98.5 %
Meadowbrook	MH	Charlotte	NC	321	—	99.7 % (1)	99.1 %
Big Timber Lake RV Resort	RV	Cape May	NJ	293	235	100.0 % (2)	100.0 % (2)
Cape May Crossing	MH	Cape May	NJ	28	—	100.0 %	N/A
Cape May KOA	RV	Cape May	NJ	340	379	100.0 % (2)	100.0 % (2)
Driftwood Camping Resort (3)	RV	Clermont	NJ	611	96	100.0 % (2)	100.0 % (2)
Long Beach RV Resort & Campground	RV	Barnegat	NJ	155	53	100.0 % (2)	N/A
Seashore Campsites RV Park and Campground	RV	Cape May	NJ	434	242	100.0 % (2)	100.0 % (2)
Shady Pines	MH	Galloway Township	NJ	40	—	97.5 %	N/A
Shady Pines RV Resort	RV	Galloway Township	NJ	59	37	100.0 % (2)	N/A
Sun Villa Estates	MH	Reno	NV	324	—	100.0 %	99.1 %
Adirondack Gateway RV Resort & Campground	RV	Gansevoort	NY	—	347	N/A (2)	N/A
Jellystone Park(TM) at Birchwood Acres	MH	Greenfield Park	NY	1	—	100.0 % (2)	100.0 % (2)
Jellystone Park(TM) at Birchwood Acres	RV	Greenfield Park	NY	86	188	100.0 % (2)	100.0 % (2)
Jellystone Park(TM) of Western New York	RV	North Java	NY	6	295	100.0 % (2)	100.0 % (2)
Parkside Village	MH	Cheektowaga	NY	156	—	100.0 %	100.0 %
Sky Harbor	MH	Cheektowaga	NY	522	—	92.7 %	90.6 %
The Villas at Calla Pointe	MH	Cheektowaga	NY	116	—	100.0 %	99.1 %
Forest Meadows	MH	Philomath	OR	75	—	100.0 %	100.0 %
Woodland Park Estates	MH	Eugene	OR	398	—	100.0 %	100.0 %
Countryside Estates	MH	Mckean	PA	304	—	99.0 %	97.7 %
Lake In Wood	RV	Narvon	PA	278	142	100.0 % (2)	100.0 % (2)
Pheasant Ridge	MH	Lancaster	PA	553	—	99.5 %	99.8 %
Lakeside Crossing	MH	Conway	SC	418	—	96.2 %	89.0 %
Bell Crossing	MH	Clarksville	TN	237	—	98.3 %	98.3 %
Gwynn's Island RV Resort & Campground	RV	Gwynn	VA	101	28	100.0 % (2)	100.0 % (2)
New Point RV Resort	RV	New Point	VA	225	99	100.0 % (2)	100.0 % (2)
Sunset Beach RV Resort (4)	RV	Cape Charles	VA	N/A	N/A	N/A	N/A
Pine Ridge	MH	Prince George	VA	245	—	95.9 %	97.1 %
Thunderhill Estates	MH	Sturgeon Bay	WI	226	—	98.7 %	93.4 %
	RV	Glenbeulah	WI	221	101	100.0 % (2)	100.0 % (2)

Westward Ho RV Resort & Campground				
Other Total	14,313	4,276	97.2 %	96.9 %
US TOTAL / AVERAGE	97,714	14,794	96.0 %	95.0 %

29

SUN COMMUNITIES, INC.

Property	MH/RV	City	State	MH and Annual/Seasonal RV Sites as of 12/31/16	Transient RV Sites as of 12/31/16	Occupancy as of 12/31/16	Occupancy as of 12/31/15
CANADA							
Arran Lake RV Resort & Campground	RV	Allenford	ON	128	59	100.0% (2)	N/A
Craigleith RV Resort & Campground	RV	Clarksburg	ON	55	55	100.0% (2)	N/A
Deer Lake RV Resort & Campground	RV	Huntsville	ON	143	97	100.0% (2)	N/A
Grand Oaks RV Resort & Campground	RV	Cayuga	ON	211	45	100.0% (2)	N/A
Gulliver's Lake RV Resort & Campground	RV	Millgrove	ON	191	9	100.0% (2)	N/A
Hidden Valley RV Resort & Campground	RV	Normandale	ON	189	56	100.0% (2)	N/A
Lafontaine RV Resort & Campground	RV	Penetanguishene	ON	167	95	100.0% (2)	N/A
Lake Avenue RV Resort & Campground	RV	Cherry Valley	ON	112	13	100.0% (2)	N/A
Pickerel Park RV Resort & Campground	RV	Napanee	ON	111	98	100.0% (2)	N/A
Sherkston Shores Beach Resort & Campground	RV	Sherkston	ON	1,284	435	100.0% (2)	N/A
Silver Birches RV Resort & Campground	RV	Lambton Shores	ON	113	49	100.0% (2)	N/A
Trailside RV Resort & Campground	RV	Seguin	ON	171	63	100.0% (2)	N/A
Willow Lake RV Resort & Campground	RV	Scotland	ON	272	98	100.0% (2)	N/A
Willowood RV Resort & Campground	RV	Amherstburg	ON	74	252	100.0% (2)	N/A
Woodland Lake RV Resort & Campground	RV	Bornholm	ON	147	76	100.0% (2)	N/A
CANADA TOTAL / AVERAGE				3,368	1,500	100.0%	N/A
COMPANY TOTAL / AVERAGE				101,082	16,294	96.2 %	95.0 %

(1) Occupancy in these Properties reflects the fact that these communities are in a lease-up phase following an expansion.
(2) Occupancy percentage excludes transient RV sites. Percentage calculated by dividing revenue producing sites by developed sites. A revenue producing site is defined as a site that is occupied by a paying resident or reserved by a customer with annual or seasonal usage rights. A developed site is defined as an adequate sized parcel of land that has road and utility access which is zoned and licensed (if required) for use as a home site.
(3) The number of developed sites and occupancy percentage at this property includes sites that have been covered under our comprehensive insurance coverage (subject to deductibles and certain limitations) for both property damage and business interruption from a flood that caused substantial damage to this property.
(4) We have an ownership interest in Sunset Beach but do not maintain and operate the property. Refer to Note 2, "Real Estate Acquisitions and Dispositions" in our accompanying Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on our results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

None.

SUN COMMUNITIES, INC.

EXECUTIVE OFFICERS OF THE REGISTRANT

The persons listed below are our executive officers.

Name	Age	Title
Gary A. Shiffman	62	Chairman and Chief Executive Officer
John B. McLaren	46	President and Chief Operating Officer
Karen J. Dearing	52	Executive Vice President, Treasurer, Chief Financial Officer and Secretary
Jonathan M. Colman	61	Executive Vice President

Gary A. Shiffman is our Chairman and Chief Executive Officer and has been a director and an executive officer since our inception in 1993. He is a member of the Executive Committee of our board of directors. He has been actively involved in the management, acquisition, construction and development of MH communities and has developed an extensive network of industry relationships over the past thirty years. He has overseen the acquisition, rezoning, development, expansion and marketing of numerous manufactured home communities, as well as RV communities. Additionally, Mr. Shiffman, through his family-related interests, has had significant direct holdings in various real estate asset classes, which include office, multi-family, industrial, residential and retail. Mr. Shiffman is an executive officer and a director of SHS and all of our other corporate subsidiaries.

John B. McLaren has been in the manufactured housing industry since 1995. He has served as our President since 2014 and as our Chief Operating Officer since 2008. From 2008 to 2014, he served as an Executive Vice President of the Company. From 2005 to 2008, he was Senior Vice President of SHS with overall responsibility for home sales and leasing. Mr. McLaren spent approximately three years as Vice President of Leasing & Service for SHS with responsibility for developing and leading our Rental Program and also has experience in the multi-family REIT segment and the chattel lending industry.

Karen J. Dearing has served as our Chief Financial Officer and Executive Vice President since 2008. She joined us in 1998 as the Director of Finance where she worked extensively with accounting and finance matters related to our ground-up developments and expansions. Ms. Dearing became our Corporate Controller in 2002 and Senior Vice President in 2006. She is responsible for the overall management of our information technology, accounting, tax and finance departments, and all internal and external financial reporting. Prior to working for us, Ms. Dearing had eight years of experience as the Financial Controller of a privately-owned automotive supplier and five years' experience as a certified public accountant with Deloitte & Touche LLP.

Jonathan M. Colman has served as an Executive Vice President since 2003. He joined us in 1994 as Vice President-Acquisitions and became a Senior Vice President in 1995. A certified public accountant, Mr. Colman has over thirty years of experience in the MH community industry. He has been involved in the acquisition, financing and management of over 75 MH communities for two of the 10 largest MH community owners, including Uniprop, Inc. during its syndication of over $90.0 million in public limited partnerships in the late 1980s. Mr. Colman is also a Vice President of all of our corporate subsidiaries.

SUN COMMUNITIES, INC.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the NYSE since December 8, 1993, and traded under the symbol "SUI". The following table sets forth the high and low sales prices per share for the common stock for the periods indicated as reported by the NYSE and the distributions per share paid by us with respect to each period:

Year Ended December 31, 2016	High	Low	Distributions
1st Quarter	$71.76	$62.58	$ 0.65
2nd Quarter	$76.69	$66.73	$ 0.65
3rd Quarter	$85.98	$74.23	$ 0.65
4th Quarter	$79.32	$69.90	$ 0.65 (1)

Year Ended December 31, 2015	High	Low	Distributions
1st Quarter	$71.40	$60.74	$ 0.65
2nd Quarter	$67.35	$60.29	$ 0.65
3rd Quarter	$70.56	$61.61	$ 0.65
4th Quarter	$72.92	$61.65	$ 0.65 (2)

(1) Paid on January 20, 2017, to stockholders of record on December 31, 2016.
(2) Paid on January 15, 2016, to stockholders of record on December 31, 2015.

On February 16, 2017, the closing share price of our common stock was $80.99 per share on the NYSE, and there were 201 holders of record for the 73,507,706 million outstanding shares of common stock. On February 16, 2017, the Operating Partnership had (i) 2,754,371 common OP units issued and outstanding, not held by us, which were convertible into an equal number of shares of our common stock, (ii) 1,283,819 Aspen preferred OP units issued and outstanding which were exchangeable for 481,798 shares of our common stock, (iii) 366,290 Series A-1 preferred OP units issued and outstanding which were exchangeable for 893,390 shares of our common stock, (iv) 40,268 Series A-3 preferred OP units issued and outstanding which were exchangeable for 74,917 shares of our common stock, (v) 633,129 Series A-4 preferred OP units issued and outstanding, not held by us, which were exchangeable for 281,391 shares of our common stock, and (vi) 329,990 Series C preferred OP units issued and outstanding which were exchangeable for 366,289 shares of our common stock.

We have historically paid regular quarterly distributions to holders of our common stock and common OP units. In addition, we are obligated to make distributions to holders of shares of Series A Preferred Stock, Series A-4 Preferred Stock, Aspen preferred OP units, Series A-1 preferred OP units, Series A-3 preferred OP units, Series A-4 preferred OP units, Series B-3 preferred OP units and Series C preferred OP units. See "Structure of the Company" under Part I, Item 1 of this Annual Report on Form 10-K. Our ability to make distributions on our common and preferred stock and OP units, payments on our indebtedness, and to fund planned capital expenditures will depend on our ability to generate cash in the future. The decision to declare and pay distributions on shares of our common stock and common OP units in the future, as well as the timing, amount, and composition of any such future distributions, will be at the sole discretion of our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions, general overall economic conditions, and other factors.

32

SUN COMMUNITIES, INC.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table reflects information about the securities authorized for issuance under our equity compensation plans as of December 31, 2016.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares of common stock remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by stockholders	4,500	$ 32.27	1,585,974
Equity compensation plans not approved by stockholders	—	—	—
Total	4,500	$ 32.27	1,585,974

Issuer Purchases of Equity Securities

In November 2004, our Board of Directors authorized us to repurchase up to 1,000,000 shares of our common stock. We have 400,000 common shares remaining in the repurchase program. No common shares were repurchased under this program during 2016 or 2015. There is no expiration date specified for the repurchase program.

Recent Sales of Unregistered Securities

From time to time, we may issue shares of common stock in exchange for OP units that may be tendered to the Operating Partnership for redemption in accordance with the terms and provisions of the limited partnership agreement of the Operating Partnership. Such shares are issued based on the exchange ratios and formulas described in “Structure of the Company” under Part I, Item 1 of this Annual Report on Form 10-K.

Holders of common OP units converted 104,106 units, 99,851 units, and 9,110 units to common stock for the years ended December 31, 2016, 2015, and 2014, respectively.

Holders of Series A-1 preferred OP units converted 20,691 units into 50,458 shares of common stock during the year ended December 31, 2016, 41,116 units into 100,277 shares of common stock during the year ended December 31, 2015, and 26,379 units into 64,335 shares of common stock during the year end December 31, 2014.

Holders of Series A-4 preferred OP units converted 120,906 units into 53,733 shares of common stock during the year ended December 31, 2016, and 114,414 units into 50,848 shares of common stock during the year ended December 31, 2015. No Series A-4 preferred OP units were converted into common stock during 2014.

Holders of Series A-4 preferred stock converted 385,242 shares into 171,218 shares of common stock during the year ended December 31, 2016. During the year ended December 31, 2015, holders of Series A-4 preferred stock converted

231,093 shares into 102,708 shares of common stock. No Series A-4 preferred stock was converted into common stock during 2014.

Holders of Series C preferred OP unit holders converted 7,043 units into 7,815 shares of common stock during the year ended December 31, 2016. There were no conversions of Series C preferred OP units during the year ended December 31, 2015.

All of the securities described above were issued in private placements in reliance on Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder, based on certain investment representations made by the parties to whom the securities were issued. No underwriters were used in connection with any of such issuances.

SUN COMMUNITIES, INC.

Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of a broad market index composed of all issuers listed on the NYSE and an industry index comprised of thirteen publicly traded residential real estate investment trusts, for the five year period ending on December 31, 2016. This line graph assumes a $100 investment on December 31, 2011, a reinvestment of distributions and actual increase of the market value of our common stock relative to an initial investment of $100. The comparisons in this table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

	Period Ending					
Index	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Sun Communities, Inc.	$100.00	$115.87	$130.87	$195.21	$230.05	$266.22
SNL US REIT Residential	$100.00	$106.40	$103.40	$141.51	$164.64	$172.85
NYSE Market Index	$100.00	$116.15	$146.80	$156.87	$150.64	$168.63
SUI Peer Group [1]	$100.00	$108.31	$99.94	$138.33	$157.12	$165.79

[1] Includes American Campus Communities, Inc., American Capital Agency Corp., Apartment Investment and Management Company, AvalonBay Communities, Inc., Camden Property Trust, Education Realty Trust, Inc., Equity Lifestyles Properties, Inc., Equity Residential, Essex Property Trust, Inc., MAA, Senior Housing Properties Trust and UDR, Inc.

The information included under the heading “Performance Graph” is not to be treated as “soliciting material” or as “filed” with the SEC, and is not incorporated by reference into any filing by the Company under the Securities Act or the Exchange Act that is made on, before or after the date of filing of this Annual Report on Form 10-K.

SUN COMMUNITIES, INC.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis. The historical financial data has been derived from our historical financial statements. The following information should be read in conjunction with the information included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Consolidated Financial Statements and the Notes thereto. In addition to the results presented in accordance with GAAP below, we have provided net operating income ("NOI") and funds from operations ("FFO") as supplemental performance measures. Refer to Non-GAAP Financial Measures in Item 7 below for additional information.

	Year Ended December 31,				
	2016	2015 [1]	2014 [1]	2013 [1]	2012 [1]
	(In thousands, except for share related data)				
OPERATING DATA:					
Revenues	$833,778	$674,731	$484,259	$422,713	$341,400
Net income attributable to Sun Communities, Inc. common stockholders	$17,369	$137,325	$22,376	$10,610	$4,958
Earnings per share - basic	$0.27	$2.53	$0.54	$0.31	$0.19
Earnings per share - diluted	$0.26	$2.52	$0.54	$0.31	$0.18
Cash distributions declared per common share	$2.60	$2.60	$2.60	$2.52	$2.52
BALANCE SHEET DATA:					
Investment property before accumulated depreciation	$6,496,339	$4,573,522	$3,363,917	$2,489,119	$2,177,305
Total assets	$5,870,776	$4,181,799	$2,925,546	$1,987,742	$1,749,396
Total debt and lines of credit	$3,110,042	$2,336,297	$1,819,941	$1,485,658	$1,448,268
Total stockholders’ equity	$2,362,227	$1,536,581	$907,820	$383,541	$199,457
NON-GAAP FINANCIAL MEASURES:					
NOI from:					
Real property operations	$403,337	$335,567	$232,478	$203,176	$167,715
Home sales and home rentals	$53,573	$42,067	$29,341	$26,620	$18,677
FFO	$225,653	$192,128	$134,549	$117,583	$92,409
Adjustments to FFO	40,478	18,431	13,807	3,928	4,296
FFO excluding certain items	$266,131	$210,559	$148,356	$121,511	$96,705
FFO per share excluding certain items - fully diluted	$3.79	$3.63	$3.37	$3.22	$3.19

[1] Financial information has been revised to reflect certain reclassifications in prior periods to conform to current period presentation.

SUN COMMUNITIES, INC.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and accompanying footnotes thereto included in this Annual Report on Form 10-K. In addition to the results presented in accordance with GAAP below, we have provided net operating income ("NOI") and funds from operations ("FFO") as supplemental performance measures. Refer to Non-GAAP Financial Measures in this Item for additional information.

OVERVIEW

We are a fully integrated, self-administered and self-managed REIT. As of December 31, 2016, we owned and operated or had an interest in a portfolio of properties located throughout the United States and Ontario, Canada, including 226 MH communities, 87 RV communities, and 28 properties containing both MH and RV sites. We have been in the business of acquiring, operating, developing, and expanding MH and RV communities since 1975. We lease individual sites with utility access for placement of manufactured homes and RVs to our customers. We are also engaged through SHS in the marketing, selling, and leasing of new and pre-owned homes to current and future residents in our communities. The operations of SHS support and enhance our occupancy levels, property performance, and cash flows.

EXECUTIVE SUMMARY

2016 Accomplishments:

- Total revenues for 2016 increased 23.6% to $833.8 million.
- In June 2016, we acquired all of the issued and outstanding shares of common stock of Carefree Communities Inc. ("Carefree") for $1.684 billion, our largest acquisition to date. The Carefree portfolio was comprised of 103 communities, located in prime coastal markets with over 27,000 total sites.
- In addition to Carefree, we acquired seven RV communities and one MH community during 2016 for total consideration of $89.7 million.
- Achieved Same Community NOI growth of 7.1%.
- FFO excluding certain items for the year ended December 31, 2016, was $3.79 per diluted share and OP unit as compared to $3.63 in the prior year, an increase of 4.4%.
- Sold 3,172 homes, a new single year record, and an increase of 27.8% over 2015.
- Gained 1,686 revenue producing sites.
- Achieved Same Community occupancy of 96.6%, an increase of 1.9%.
- Expanded 663 MH sites at eight communities.
- Closed two underwritten registered public offerings for proceeds net of offering related expenses totaling approximately $670 million.

Property Operations:

Occupancy in our Properties as well as our ability to increase rental rates directly affects revenues. Our revenue streams are predominantly derived from customers renting our sites on a long-term basis. Our Same Community properties continue to achieve revenue and occupancy increases which drive continued NOI growth. Home sales are at their historical high, and we expect to continue to increase the number of homes sold in our communities.

Portfolio Information:	Year Ended December 31,		
	2016	2015	2014
Occupancy % - Total Portfolio - MH and annual RV[1]	96.2 %	95.0 %	92.6 %

Occupancy % - Same Community - MH and annual RV[1][2]	96.6 %	94.7 %	93.2 %
FFO excluding certain items	$3.79	$3.63	$3.37
NOI - Total Portfolio (in thousands)	$403,337	$335,567	$232,478
NOI - Same Community (in thousands)	$332,919	$310,890	$202,069
Homes Sold	3,172	2,483	1,966
Number of Occupied Rental Homes	10,733	10,685	10,973

(1) Occupancy % includes MH and annual RV sites, and excludes transient RV sites.

36

SUN COMMUNITIES, INC.

(2) Occupancy % excludes recently completed but vacant expansion sites.

Acquisition Activity:

During the past three years, we have completed acquisitions of over 180 properties with over 55,000 sites located in high growth areas and retirement and vacation destinations such as Florida, California, and Eastern coastal areas such as Old Orchard Beach, Maine; Cape May, New Jersey; Chesapeake Bay, Virginia; and Cape Cod, Massachusetts. We have also expanded into Ontario, Canada, with the Carefree acquisition.

The following table depicts our acquired sites during 2016 and 2015:

	For the Year Ended December 31, 2016	December 31, 2015
Major Market	Total Sites	Total Sites
Florida	15,713	13,642
Ontario, Canada	4,868	—
California	4,844	—
Texas	1,113	243
Michigan	465	320
New Jersey	372	—
New York	347	—
Massachusetts	274	—
Arizona	189	—
Colorado	148	—
North Carolina	91	—
Maryland	—	822
South Carolina	—	418

SUN COMMUNITIES, INC.

During 2016, we completed nine acquisitions, as detailed in the table below:

Property/Portfolio	Location	Type	Total Consideration (in thousands)	Number of sites - MH/Annual/Seasonal	Number of sites - Transient	Expansion Sites
Carefree	Various [1]	MH & RV	$ 1,684,140	20,595	6,152	2,446
Hill Country	New Braunfels, TX	RV	$ 30,000	—	356	—
Sunset Beach [2]	Cape Charles, VA	RV	$ 28,283	N/A	N/A	N/A
Kimberly Estates	Frenchtown Township, MI	MH	$ 7,750	387	—	—
Jellystone Larkspur	Larkspur, CO	RV	$ 7,516	—	148	352
Pecan Park	Jacksonville, FL	RV	$ 7,000	—	183	—
Petoskey	Petoskey, MI	RV	$ 3,500	—	78	65
Lake Josephine	Sebring, FL	RV	$ 3,400	101	77	—
Adirondack Gateway [3]	Gansevoort, NY	RV	$ 2,250	—	347	—

(1) The Carefree acquisition was comprised of 103 MH and RV communities, concentrated in California, Florida and Ontario, Canada. We terminated the ground lease arrangement for one community included in the Carefree Communities during the fourth quarter of 2016.

(2) We have engaged the sellers of Sunset Beach to continue to operate and maintain the property. Beginning January 1, 2022, we have the option to remove the sellers as operators via a payment based on certain operating performance metrics. Accordingly, total consideration of $28.3 million includes a contingent consideration liability of $9.8 million as of the acquisition date. The contingent liability was $10.0 million as of December 31, 2016.

(3) We recorded a $0.5 million bargain purchase gain within Other expense, net in the Consolidated Statements of Operations in the accompanying Consolidated Financial Statements for the year ended December 31, 2016, in connection with the Adirondack Gateway acquisition.

Expansion Activity:

We have been focused on expansion opportunities adjacent to our existing communities, and we have developed nearly 1,200 sites over the past three years. We expanded 663 MH sites at eight properties in 2016. The total cost to construct the sites was approximately $13.5 million. We continue to expand our properties utilizing our inventory of owned and entitled land (approximately 10,600 to be developed sites) and expect to construct over 2,200 additional sites in 2017.

Capital Activity:

During 2016, we closed two underwritten registered public offering totaling 9.8 million shares of common stock with proceeds of approximately $670 million net of offering related expenses. The proceeds of these offerings were used to fund acquisitions and pay down our revolving lines of credit. Additionally, in June 2016, we issued 3.3 million shares of common stock for $225.0 million to the seller in the Carefree acquisition.

During 2015, we closed an underwritten registered public offering totaling 3.7 million shares of common stock with proceeds of $233.1 million net of offering related expenses. Proceeds from the capital were used to pay down our revolving lines of credit, which provided liquidity for future acquisitions and allowed us to reduce our leverage.

Refer to Note 9, "Equity and Mezzanine Securities," of our accompanying Consolidated Financial Statements for further information regarding capital activity.

SUN COMMUNITIES, INC.

Markets

The following table identifies the Company's largest markets by number of sites:

Major Market	December 31, 2016 Number of Properties	Total Sites	% of Total Sites	December 31, 2015 Number of Properties	Total Sites	% of Total Sites
Florida	121	42,823	36.5 %	61	27,039	30.5 %
Michigan	67	24,716	21.1 %	65	24,126	27.2 %
Texas	21	7,593	6.5 %	16	6,379	7.2 %
California	22	5,375	4.6 %	3	494	0.6 %
Ontario, Canada	15	4,868	4.2 %	—	—	— %
Arizona	11	4,614	3.9 %	10	4,388	5.0 %
Indiana	11	3,402	2.9 %	11	3,401	3.8 %
New Jersey	7	3,002	2.6 %	4	2,630	3.0 %
Ohio	9	2,913	2.5 %	9	2,913	3.3 %
Colorado	8	2,483	2.1 %	7	2,335	2.6 %
New York	6	1,717	1.5 %	5	1,370	1.6 %
Illinois	4	1,652	1.4 %	4	1,652	1.9 %
Maine	6	1,521	1.3 %	6	1,521	1.7 %
Pennsylvania	3	1,277	1.1 %	3	1,277	1.4 %
Maryland	3	1,215	1.0 %	3	1,187	1.3 %
Georgia	3	1,049	0.9 %	3	1,150	1.3 %
Missouri	2	976	0.8 %	2	976	1.1 %
Delaware	2	916	0.8 %	2	916	1.0 %
Virginia	4	698	0.6 %	3	685	0.8 %
Massachusetts	2	680	0.6 %	1	406	0.5 %
North Carolina	3	672	0.6 %	2	581	0.7 %
Wisconsin	2	548	0.5 %	2	549	0.6 %
Oregon	2	473	0.4 %	2	473	0.5 %
Minnesota	1	426	0.4 %	1	404	0.5 %
South Carolina	1	418	0.4 %	1	419	0.5 %
Iowa	1	413	0.4 %	1	413	0.5 %
Nevada	1	324	0.3 %	1	324	0.4 %
Tennessee	1	237	0.2 %	1	237	0.3 %
Montana	1	226	0.2 %	1	226	0.3 %
Connecticut	1	149	0.1 %	1	141	0.2 %
	341	117,376		231	88,612	

A large geographic concentration of our properties are in Florida, Michigan, Texas and California. As a result of our recent acquisitions, we have expanded into Ontario, Canada, and increased the concentration of our properties located in other areas of the U.S., predominantly in high growth areas and retirement and vacation destinations. Several of our acquisitions in these areas have been RV communities. Through our expansion into RV communities, we have experienced strong revenue growth. The age demographic of RV communities is attractive, as the population of retirement age baby boomers in the U.S. is growing. RV communities have become a trending vacation opportunity not only for the retiree population, but as an affordable vacation alternative for families.

39

SUN COMMUNITIES, INC.

NON-GAAP FINANCIAL MEASURES

In addition to the results reported in accordance with GAAP in our "Results of Operations" below, we have provided information regarding net operating income NOI and FFO as supplemental performance measures. We believe NOI and FFO are appropriate measures given their wide use by and relevance to investors and analysts following the real estate industry. NOI provides a measure of rental operations and does not factor in depreciation, amortization and non-property specific expenses such as general and administrative expenses. FFO, reflecting the assumption that real estate values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation/amortization of real estate assets. In addition, NOI and FFO are commonly used in various ratios, pricing multiples/yields and returns and valuation calculations used to measure financial position, performance, and value.

NOI is derived from revenues minus property operating expenses and real estate taxes. NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (loss) (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income (loss) is the most directly comparable GAAP measurement to NOI. Because of the inclusion of items such as interest, depreciation, and amortization, the use of net income (loss) as a performance measure is limited as these items may not accurately reflect the actual change in market value of a property, in the case of depreciation and in the case of interest, may not necessarily be linked to the operating performance of a real estate asset, as it is often incurred at a parent company level and not at a property level. The Company believes that NOI is helpful to investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. The Company uses NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization interest expense, and non-property specific expenses such as general and administrative expenses, all of which are significant costs. Therefore, NOI is a measure of the operating performance of the properties of the Company rather than of the Company overall.

FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (loss) computed in accordance with GAAP, excluding gains or losses from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. The Company considers FFO to be a useful measure for reviewing comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates).

FFO provides a performance measure that, when compared period over period, reflects the impact to operations from trends in occupancy rates, rental rates, and operating costs, providing perspective not readily apparent from net income (loss). Management believes that the use of FFO has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. FFO is computed in accordance with the Company's interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that to not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. The Company also uses FFO excluding certain items, which excludes certain gain and loss items that management considers unrelated to the operational and financial performance of our core business. We believe that this provides investors with another financial measure of our operating performance that is more comparable when evaluating period over period results.

Because FFO excludes significant economic components of net income (loss) including depreciation and amortization, FFO should be used as an adjunct to net income (loss) and not as an alternative to net income (loss). The principal limitation of FFO is that it does not represent cash flow from operations as defined by GAAP and is a supplemental measure of performance that does not replace net income (loss) as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. FFO only provides investors with an additional performance measure that, when combined with measures computed in accordance with GAAP such as net income (loss), cash flow from operating activities, investing activities, and financing activities, provide investors with an indication of our ability to service debt and to fund acquisitions and other expenditures. Other REITs may use difference methods for calculating FFO, accordingly, our FFO may not be comparable to other REITs.

SUN COMMUNITIES, INC.

RESULTS OF OPERATIONS

We report operating results under two segments: Real Property Operations and Home Sales and Rentals. The Real Property Operations segment owns, operates, or has an interest in a portfolio, and develops MH communities and RV communities throughout the U.S. and is in the business of acquiring, operating, and expanding MH and RV communities. The Home Sales and Rentals segment offers MH and RV park model sales and leasing services to tenants and prospective tenants of our communities. We evaluate segment operating performance based on NOI and gross profit. Refer to Note 11, "Segment Reporting," in our accompanying Consolidated Financial Statements for additional information.

SUMMARY STATEMENTS OF OPERATIONS

The following table summarizes our consolidated financial results and reconciles NOI to net income for the years ended December 31, 2016, 2015, and 2014 (in thousands):

	Year Ended		
	2016	2015	2014
Real Property NOI	$403,337	$335,567	$232,478
Rental Program NOI	85,086	83,232	70,232
Home Sales NOI/Gross profit	30,087	20,787	13,398
Ancillary NOI/Gross profit	9,999	7,013	5,217
Site rent from Rental Program (included in Real Property NOI) [1]	(61,600)	(61,952)	(54,289)
NOI/Gross profit	466,909	384,647	267,036
Adjustments to arrive at net income:			
Other revenues	21,150	18,157	15,498
Home selling expenses	(9,744)	(7,476)	(5,235)
General and administrative	(64,087)	(47,455)	(37,387)
Transaction costs	(31,914)	(17,803)	(18,259)
Depreciation and amortization	(221,770)	(177,637)	(133,726)
Asset impairment charge	—	—	(837)
Extinguishment of debt	(1,127)	(2,800)	—
Interest expense	(122,315)	(110,878)	(76,981)
Other expenses, net	(5,848)	—	—
Gain on disposition of properties, net	—	125,376	17,654
Gain on settlement	—	—	4,452
Current tax expense	(683)	(158)	(219)
Deferred tax benefit (expense)	400	(1,000)	—
Income from affiliate transactions	500	7,500	1,200
Net income	31,471	170,473	33,196
Less: Preferred return to preferred OP units	5,006	4,973	2,935
Less: Amounts attributable to noncontrolling interests	150	10,054	1,752
Net income attributable to Sun Communities, Inc.	26,315	155,446	28,509
Less: Preferred stock distributions	8,946	13,793	6,133
Less: Preferred stock redemption costs	—	4,328	—
Net income attributable to Sun Communities, Inc. common stockholders	$17,369	$137,325	$22,376

[1] The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the incremental revenue gains associated with implementation of the Rental Program, and to assess the overall growth and performance of Rental Program and financial impact on our

operations.

SUN COMMUNITIES, INC.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2016 AND 2015

REAL PROPERTY OPERATIONS – TOTAL PORTFOLIO

The following tables reflect certain financial and other information for our Total Portfolio as of and for the years ended December 31, 2016 and 2015:

Financial Information (in thousands)	Year Ended December 31, 2016	2015	Change	% Change
Income from Real Property	$620,917	$506,078	$114,839	22.7 %
Property operating expenses:				
Payroll and benefits	56,744	40,207	16,537	41.1 %
Legal, taxes, and insurance	5,941	7,263	(1,322)	(18.2)%
Utilities	67,495	53,112	14,383	27.1 %
Supplies and repair	20,732	19,075	1,657	8.7 %
Other	22,362	16,140	6,222	38.6 %
Real estate taxes	44,306	34,714	9,592	27.6 %
Property operating expenses	217,580	170,511	47,069	27.6 %
Real Property NOI	$403,337	$335,567	$67,770	20.2 %

Other Information	As of December 31, 2016	2015	Change	% Change
Number of properties	341	231	110	47.6 %
Overall occupancy [1]	96.2 %	95.0 %	1.2 %	
Sites available for development	10,616	7,181	3,435	47.8 %
Monthly base rent per site - MH	$515	$484	$ 31	6.4 %
Monthly base rent per site - RV [2]	$416	$423	$ (7)	(1.7)%
Monthly base rent per site - Total	$495	$477	$ 18	3.8 %

(1) Overall occupancy (%) includes MH and annual RV sites, and excludes transient RV sites.

(2) Monthly base rent pertains to annual RV sites and excludes transient RV sites.

The 20.2% growth in Real Property NOI consists of $45.7 million from newly acquired properties and $22.0 million from our Same Community properties as detailed below.

SUN COMMUNITIES, INC.

REAL PROPERTY OPERATIONS – SAME COMMUNITY

A key management tool used when evaluating performance and growth of our properties is a comparison of Same Communities. Same Communities consist of properties owned and operated throughout 2016 and 2015. The Same Community data may change from time-to-time depending on acquisitions, dispositions, management discretion, significant transactions, or unique situations. The Same Community data in this Form 10-K includes all properties which we have owned and operated continuously since January 1, 2015.

In order to evaluate the growth of the Same Communities, management has classified certain items differently than our GAAP statements. The reclassification difference between our GAAP statements and our Same Community portfolio is the reclassification of water and sewer revenues from income from real property to utilities. A significant portion of our utility charges are re-billed to our residents. We reclassify these amounts to reflect the utility expenses associated with our Same Community portfolio net of recovery.

The following tables reflect certain financial and other information for our Same Communities as of and for the years ended December 31, 2016 and 2015:

	Year Ended December 31,			
Financial Information (in thousands)	2016	2015	Change	% Change
Income from Real Property	$466,967	$440,202	$26,765	6.1 %
Property operating expenses:				
Payroll and benefits	38,688	36,465	2,223	6.1 %
Legal, taxes, and insurance	5,398	6,633	(1,235)	(18.6)%
Utilities	26,161	25,674	487	1.9 %
Supplies and repair	16,617	17,154 [1]	(537)	(3.1)%
Other	12,945	11,823	1,122	9.5 %
Real estate taxes	34,239	31,563	2,676	8.5 %
Property operating expenses	134,048	129,312	4,736	3.7 %
Real Property NOI	$332,919	$310,890	$22,029	7.1 %

	As of December 31,			
Other Information	2016	2015	Change	% Change
Number of properties	219	219	—	— %
Overall occupancy [2] [3]	96.6 %	94.7 %	1.9 %	
Sites available for development	6,542	5,906	636	10.8 %
Monthly base rent per site - MH	$498	$482	$ 16	3.3 %
Monthly base rent per site - RV [4]	$436	$423	$ 13	3.1 %
Monthly base rent per site - Total	$489	$474	$ 15	3.2 %

(1) Year ended December 31, 2015 excludes $2.8 million of first year expenses for properties acquired in late 2014 and 2015 incurred to bring the properties up to Sun's operating standards. These costs did not meet our capitalization policy.

(2)

Overall occupancy (%) includes MH and annual/seasonal RV sites, and excludes recently completed but vacant expansion sites and transient RV sites.

(3) Overall occupancy (%) for 2015 has been adjusted to reflect incremental growth year over year from filled expansion sites and the conversion of transient RV sites to annual / seasonal RV sites.

(4) Monthly base rent pertains to annual and seasonal RV sites and excludes transient RV sites.

The 7.1% growth in NOI is primarily due to increased revenues of $26.8 million partially offset by additional expenses of $4.7 million.

Income from real property revenue consists of MH and RV site rent, and miscellaneous other property revenues. The 6.1% growth in income from real property was due to a combination of factors. Revenue from our MH and RV portfolio increased $24.9 million due to monthly base rent per site increases of 3.2%, a 1.9% increase in occupancy, and the increased number of occupied vacation rental sites. Additionally, other revenues increased $1.8 million primarily due to increases in property tax revenues, trash income, cable television royalties, and month-to-month fees.

SUN COMMUNITIES, INC.

Property operating expenses increased approximately $4.7 million, or 3.7%, compared to 2015. The increase is primarily due to increased real estate taxes of $2.7 million and increased payroll and benefits of $2.2 million, partially offset by reduced legal, tax, and insurance expenses.

RENTALS AND HOME SALES

The following table reflects certain financial and other information for our Rental Program as of and for the years ended December 31, 2016 and 2015 (in thousands, except for statistical information):

	Year Ended December 31,			
Financial Information	2016	2015	Change	% Change
Rental home revenue	$47,780	$46,236	$1,544	3.3 %
Site rent from Rental Program [1]	61,600	61,952	(352)	(0.6)%
Rental Program revenue	109,380	108,188	1,192	1.1 %
Expenses				
Commissions	2,242	3,216	(974)	(30.3)%
Repairs and refurbishment	12,825	12,326	499	4.1 %
Taxes and insurance	5,734	5,638	96	1.7 %
Marketing and other	3,493	3,776	(283)	(7.5)%
Rental Program operating and maintenance	24,294	24,956	(662)	(2.7)%
Rental Program NOI	$85,086	$83,232	$1,854	2.2 %
Other Information				
Number of occupied rentals, end of period	10,733	10,685	48	0.5 %
Investment in occupied rental homes, end of period	$457,691	$448,837	$8,854	2.0 %
Number of sold rental homes	1,089	908	181	19.9 %
Weighted average monthly rental rate, end of period	$882	$858	$24	2.8 %

[1] The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

The 2.2% growth in Rental Program NOI is primarily due to a 2.8% increase in weighted average monthly rental rates. Additionally, operating and maintenance expenses decreased by $0.7 million, primarily as a result of a decline in commissions of $1.0 million that was partially offset by an increase in repairs and refurbishment.

We purchase new homes and acquire pre-owned and repossessed manufactured homes, generally located within our communities, from lenders, dealers, and former residents to lease or sell to current and prospective residents.

The following table reflects certain financial and statistical information for our Home Sales Program for the years ended December 31, 2016 and 2015 (in thousands, except for average selling prices and statistical information):

	Year Ended December 31,			
Financial Information	2016	2015	Change	% Change
New home sales	$30,977	$22,208	$8,769	39.5 %
Pre-owned home sales	79,530	57,520	22,010	38.3 %
Revenue from homes sales	110,507	79,728	30,779	38.6 %
New home cost of sales	26,802	18,620	8,182	43.9 %
Pre-owned home cost of sales	53,618	40,321	13,297	33.0 %
Cost of home sales	80,420	58,941	21,479	36.4 %
NOI / Gross profit	$30,087	$20,787	$9,300	44.7 %
Gross profit – new homes	$4,175	$3,588	$587	16.4 %
Gross margin % – new homes	13.5 %	16.2 %	(2.7)%	
Average selling price – new homes	$94,156	$81,346	$12,810	15.8 %
Gross profit – pre-owned homes	$25,912	$17,199	$8,713	50.7 %
Gross margin % – pre-owned homes	32.6 %	29.9 %	2.7 %	
Average selling price – pre-owned homes	$27,974	$26,027	$1,947	7.5 %
Statistical Information				
Home sales volume:				
New home sales	329	273	56	20.5 %
Pre-owned home sales	2,843	2,210	633	28.6 %
Total homes sold	3,172	2,483	689	27.8 %

Gross profit for new home sales increased $0.6 million, or 16.4%, primarily in connection with an increase in new home sales volumes of 20.5%, that was partially offset by higher cost of sales for new homes.

Total gross profit for pre-owned home sales increased $8.7 million, primarily due to increased sales volumes of 28.6% and a 17.1% increase in average gross profit per home sale.

SUN COMMUNITIES, INC.

OTHER INCOME STATEMENT ITEMS

The following table summarizes other income and expenses for the years ended December 31, 2016 and 2015 (amounts in thousands):

	Year Ended December 31,			
	2016	2015	Change	% Change
Ancillary revenues, net	$9,999	$7,013	$2,986	42.6 %
Interest income	$18,113	$15,938	$2,175	13.7 %
Brokerage commissions and other revenues, net	$3,037	$2,219	$818	36.9 %
Home selling expenses	$9,744	$7,476	$2,268	30.3 %
General and administrative expenses	$64,087	$47,455	$16,632	35.1 %
Transaction costs	$31,914	$17,803	$14,111	79.3 %
Depreciation and amortization	$221,770	$177,637	$44,133	24.8 %
Extinguishment of debt	$1,127	$2,800	$(1,673)	(59.8)%
Interest expense	$122,315	$110,878	$11,437	10.3 %
Other expenses, net	$(5,848)	$—	$(5,848)	N/A
Gain on disposition of properties, net	$—	$125,376	$(125,376)	(100.0)%
Deferred tax benefit (expense)	$400	$(1,000)	$1,400	140.0 %
Income from affiliate transactions	$500	$7,500	$(7,000)	(93.3)%
Preferred stock redemption costs	$—	$4,328	$(4,328)	(100.0)%

Ancillary revenues, net increased primarily due to an increase of $3.0 million in vacation rental income at RV resorts.

Interest income increased primarily due to an increase in interest income on notes and collateralized receivables totaling $2.1 million.

Brokerage commissions and other revenues, net increased primarily due to a higher number of brokered homes sold in 2016 as compared to 2015.

Home selling expenses increased $2.3 million primarily due to an increase in commissions consistent with an increase in the number of homes sold in 2016 as compared to 2015.

General and administrative expenses increased $16.6 million primarily due to additional employee related costs as headcount increased in connection with the Company's growth through significant acquisitions and increased consulting and implementation costs for technology and efficiency related initiatives.

Transaction costs increased primarily due to due diligence and other transaction costs in relation to our acquisitions. Refer to Note 2, "Real Estate Acquisitions and Dispositions," in our accompanying Consolidated Financial Statements for additional information.

Depreciation and amortization expenses increased $44.1 million primarily as a result of additional depreciation and amortization related to our newly acquired properties. Refer to Note 2, "Real Estate Acquisitions and Dispositions," in our accompanying Consolidated Financial Statements for additional information.

Extinguishment of debt decreased $1.7 million as compared to 2015. During 2016, we repaid collateralized term loans that were due to mature during 2017. Refer to Note 8, "Debt and Lines of Credit," in our accompanying Consolidated Financial Statements for additional information.

Interest expense increased $11.4 million primarily due to our borrowing $338.0 million under a senior secured credit facility and entering into three mortgage loans totaling $405.0 million, both in June 2016. Refer to Note 8, "Debt and Lines of Credit," in our accompanying Consolidated Financial Statements for additional information.

Other expenses, net in 2016 includes the impact of foreign currency exchange losses of $5.0 million, hurricane related costs of $1.2 million and contingent liability revaluation expense of $0.2 million, partially offset by a $0.5 million gain related to the acquisition of Adirondack Gateway.

Gain on disposition of properties, net decreased $125.4 million as we recorded no gains or losses during 2016, whereas we disposed of 20 communities in 2015.

Deferred tax benefit (expense) was favorable by $1.4 million in 2016 as compared to 2015. During 2016, we recognized a deferred tax benefit in connection with the Carefree acquisition. In 2015, we increased the valuation allowance on SHS loss carryforwards by $1.0 million.

Income from affiliate transactions was $7.5 million in 2015 due to a distribution to us from Origen Financial, Inc. ("Origen.") In 2016, we sold our entire interest in Origen consisting of 5,000,000 shares for proceeds of $0.5 million. The carrying value of our investment in Origen prior to the sale was zero.

Preferred stock redemption costs were $4.3 million in 2015 as a result of a repurchase agreement with certain holders of the Company's Series A-4 Preferred Stock. There were no such redemptions in 2016.

SUN COMMUNITIES, INC.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2015 AND 2014

REAL PROPERTY OPERATIONS – TOTAL PORTFOLIO

The following tables reflect certain financial and other information for our Total Portfolio as of and for the years ended December 31, 2015 and 2014:

	Year Ended December 31,			
Financial Information (in thousands)	2015	2014	Change	% Change
Income from Real Property	$506,078	$357,793	$148,285	41.4 %
Property operating expenses:				
Payroll and benefits	40,207	30,107	10,100	33.5 %
Legal, taxes, and insurance	7,263	5,089	2,174	42.7 %
Utilities	53,112	41,275	11,837	28.7 %
Supplies and repair	19,075	13,535	5,540	40.9 %
Other	16,140	11,128	5,012	45.0 %
Real estate taxes	34,714	24,181	10,533	43.6 %
Property operating expenses	170,511	125,315	45,196	36.1 %
Real Property NOI	$335,567	$232,478	$103,089	44.3 %

	As of December 31,			
Other Information	2015	2014	Change	% Change
Number of properties	231	217	14	6.5 %
Overall occupancy [(1)]	95.0 %	92.6 %	2.4 %	
Sites available for development	7,181	6,987	194	2.8 %
Monthly base rent per site - MH	$484	$464	$ 20	4.3 %
Monthly base rent per site - RV [(2)]	$423	$409	$ 14	3.4 %
Monthly base rent per site - Total	$477	$456	$ 21	4.6 %

(1) Overall occupancy (%) includes MH and annual RV sites, and excludes transient RV sites.

(2) Monthly base rent pertains to annual and seasonal RV sites and excludes transient RV sites.

The 44.3% growth in Real Property NOI was primarily due to $87.8 million from newly acquired properties and $18.4 million from Same Community properties as detailed below, which is offset by a $3.1 million reduction for disposed properties.

SUN COMMUNITIES, INC.

REAL PROPERTY OPERATIONS – SAME COMMUNITY

The following tables reflect certain financial and other information for our Same Communities, which includes all properties we have owned and operated continuously since January 1, 2014 as of and for the years ended December 31, 2015 and 2014:

	Year Ended December 31,			
Financial Information (in thousands)	2015	2014	Change	% Change
Income from Real Property	$312,117	$290,012	$22,105	7.6 %
Property operating expenses:				
Payroll and benefits	26,108	24,609	1,499	6.1 %
Legal, taxes, and insurance	5,090	4,461	629	14.1 %
Utilities	18,349	17,513	836	4.8 %
Supplies and repair [1]	11,986	11,433	553	4.8 %
Other	8,789	8,951	(162)	(1.8)%
Real estate taxes	21,325	20,976	349	1.7 %
Property operating expenses	91,647	87,943	3,704	4.2 %
Real Property NOI	$220,470	$202,069	$18,401	9.1 %

	As of December 31,			
Other Information	2015	2014	Change	% Change
Number of properties	157	157	—	— %
Overall occupancy [2] [3]	95.9 %	93.2 %	2.7 %	
Sites available for development	5,229	6,003	(774)	(12.9)%
Monthly base rent per site - MH	$481	$465	$ 16	3.4 %
Monthly base rent per site - RV [4]	$421	$409	$ 12	2.9 %
Monthly base rent per site - Total	$472	$457	$ 15	3.3 %

(1) Year ended December 31, 2015 excludes $2.8 million of first year expenses for properties acquired in late 2014 and 2015 incurred to bring the properties up to Sun's operating standards. These costs did not meet the Company's capitalization policy.

(2) Overall occupancy (%) includes MH and annual/seasonal RV sites, and excludes recently completed but vacant expansion sites and transient RV sites.

(3) Overall occupancy (%) for 2015 has been adjusted to reflect incremental growth year over year from filled expansion sites and the conversion of transient RV sites to annual / seasonal RV sites.

(4) Monthly base rent pertains to annual and seasonal RV sites and excludes transient RV sites.

The 9.1% growth in NOI is primarily due to increased revenues of $22.1 million partially offset by a $3.7 million increase in expenses.

Income from real property revenue consists of MH and RV site rent, and miscellaneous other property revenues. The 7.6% growth in income from real property was due to a combination of factors. Revenue from our MH and RV portfolio increased $18.3 million due to monthly base rent per site increases of 3.3%, a 2.7% increase in occupancy, and the increased number of occupied home sites. Additionally, other revenues increased $1.8 million primarily due to increases in month to month fees, utilities income, trash income, and cable television royalties.

Property operating expenses increased approximately $3.7 million, or 4.2%, compared to 2014. Of that increase, supplies and repair expense increased $0.6 million primarily related to higher landscaping and tree trimming. Utilities increased $0.8 million primarily as a result of increased electric and trash removal costs. Legal, taxes, and insurance expenses increased $0.6 million primarily related to an increased property and casualty insurance.

SUN COMMUNITIES, INC.

RENTALS AND HOME SALES

The following table reflects certain financial and other information for our Rental Program as of and for the years ended December 31, 2015 and 2014 (in thousands, except for statistical information):

	Year Ended December 31,			
Financial Information	2015	2014	Change	% Change
Rental home revenue	$46,236	$39,213	$7,023	17.9 %
Site rent from Rental Program [1]	61,952	54,289	7,663	14.1 %
Rental Program revenue	108,188	93,502	14,686	15.7 %
Expenses				
Commissions	3,216	2,607	609	23.4 %
Repairs and refurbishment	12,326	11,068	1,258	11.4 %
Taxes and insurance	5,638	5,286	352	6.7 %
Marketing and other	3,776	4,309	(533)	(12.4)%
Rental Program operating and maintenance	24,956	23,270	1,686	7.2 %
Rental Program NOI	$83,232	$70,232	$13,000	18.5 %
Other Information				
Number of occupied rentals, end of period	10,685	10,973	(288)	(2.6)%
Investment in occupied rental homes, end of period	$448,837	$429,605	$19,232	4.5 %
Number of sold rental homes	908	799	109	13.6 %
Weighted average monthly rental rate, end of period	$858	$822	$36	4.4 %

(1) The renter’s monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

The 18.5% growth in NOI is primarily a result of increased rental income throughout the year. While the number of occupied rentals as of December 31, 2015, reflects a decline due to disposition of 20 communities during 2015, the rental income associated with the majority of those communities was earned through November. We renew approximately 60% of our rental home leases primarily at current market rates or above existing rates.

The $1.7 million increase in operating and maintenance expenses was primarily a result of a $1.3 million increase in repair and refurbishment expenses, of which $0.7 million was due to increased refurbishment costs related to occupant turnover and $0.5 million was due to increased repair costs on occupied home rentals. In addition, insurance and personal property and use taxes increased by $0.4 million.

SUN COMMUNITIES, INC.

The following table reflects certain financial and statistical information for our Home Sales Program for the years ended December 31, 2015 and 2014 (in thousands, except for average selling prices and statistical information):

	Year Ended December 31,			
Financial Information	2015	2014	Change	% Change
New home sales	$22,208	$9,464	$12,744	134.7 %
Pre-owned home sales	57,520	44,490	13,030	29.3 %
Revenue from homes sales	79,728	53,954	25,774	47.8 %
New home cost of sales	18,620	7,977	10,643	133.4 %
Pre-owned home cost of sales	40,321	32,579	7,742	23.8 %
Cost of home sales	58,941	40,556	18,385	45.3 %
NOI / Gross profit	$20,787	$13,398	$7,389	55.2 %
Gross profit – new homes	$3,588	$1,487	$2,101	141.3 %
Gross margin % – new homes	16.2 %	15.7 %	0.5 %	
Average selling price – new homes	$81,346	$83,750	$(2,404)	(2.9)%
Gross profit – pre-owned homes	$17,199	$11,911	$5,288	44.4 %
Gross margin % – pre-owned homes	29.9 %	26.8 %	3.1 %	
Average selling price – pre-owned homes	$26,027	$24,010	$2,017	8.4 %
Statistical Information				
Home sales volume:				
New home sales	273	113	160	141.6 %
Pre-owned home sales	2,210	1,853	357	19.3 %
Total homes sold	2,483	1,966	517	26.3 %

Home Sales gross profit increased $2.1 million on new home sales and increased $5.3 million on pre-owned home sales. The increased profit on new and pre-owned home sales is primarily due to increases in volume of both new and pre-owned home sales during the year.

SUN COMMUNITIES, INC.

OTHER INCOME STATEMENT ITEMS

The following table summarizes other income and expenses for the years ended December 31, 2015 and 2014 (amounts in thousands):

	Year Ended December 31,			
	2015	2014	Change	% Change
Ancillary revenues, net	$7,013	$5,217	$1,796	34.4 %
Interest income	$15,938	$14,462	$1,476	10.2 %
Brokerage commissions and other revenues, net	$2,219	$1,036	$1,183	