

Mobile Home Park / Manufactured Home Community Newsletter



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Joanne M. Stevens
Real Estate Broker

For more articles, and
information on
**LISTINGS OF PARKS &
COMMUNITIES**

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NAI Iowa Realty Commercial
**A Berkshire Hathaway
Company**

WHAT IS YOUR MOBILE HOME PARK WORTH? HOW CAN WE MAKE IT WORTH MORE?

Probably the question I am asked most is what a mobile home park or community is worth. Along with that, owners want to know if certain features about their property, such as location or a clean and appealing appearance, add value to their property. The answer to the second question is maybe, if the property is in a metro market and the neat and tidy appearance can be equated with good maintenance and little to no deferred maintenance. The reality is that investors buy mobile home parks not because they love mobile home parks, but to make money. That is why the number one thing the investor is looking at is the Net Operating Income.

There is a relationship between the Net Operating Income and the price, which tells the tale of what a property will sell for. The investor is looking at the actual income and the number of occupied sites paying rent, not the market rent or what the rent could be. So this excludes vacant homes, homes in inventory and vacant sites. Anything that is not producing income isn't counted.

Main factors which affect value:

- ▶ Vacant sites (value reduced due to cost to maintain, insure, mow, etc.)
- ▶ City water and City sewer versus private utilities
- ▶ Park owned homes
- ▶ Contract homes
- ▶ Rental homes
- ▶ Local unemployment
- ▶ Delinquencies

I have included a sample APOD (Annual Property Operating Data) for the income on one typical mobile home park for one year.

This is what will be reviewed by the buyer or an appraiser to arrive at a value for your property. You can get a blank form on my website:

www.JoanneMStevens.com. I am always glad to offer confidential help to a fellow community owner to compile this information, so if you want a hand with this, give me a call at 319-378-6786.

Joanne Stevens is a specialist in consulting and brokering mobile home parks and land lease communities throughout the U.S. With her 20 years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can enhance your decision to sell your property.

For a FREE PROPOSAL on your consulting needs or a FREE MARKET ANALYSIS on the value of your park or community, contact Joanne Stevens at:

319-378-6786 (direct)
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NOTE: If you own multiple properties, have your tax person do a separate schedule for each property on your income tax return. The reason for this is the investor, the bank, and the appraiser will need to see the breakout for each property. It makes your property less sellable if this is not done. It does not help others understand your property if the financials are comingled. Sometimes owners charge items such as health insurance, life insurance and some personal expenses to the mobile home park expenses. You want the property expenses to reflect as accurately as possible what it costs to operate the property. Overstating the expenses will result in a lower value because the Net Operating Income is less. Depreciation and interest expense are not included in the NOI.

Go to www.JoanneMStevens.com for new articles on real estate:

- ▶ Residential Resurgence
- ▶ A recovering housing market may lift all boats – including commercial real estate.
- ▶ Apartment Hunters—Multifamily investors have yield in the crosshairs.
- ▶ Resident manager job description

What do Women Want?

According to Realtor Magazine a growing demographic of women seeking a one bedroom unit or a single family house tend to put safety high on their list. Security is something that is very important for women. Most do not want the last house on a dead end street or one with limited lighting. If their preference is a condo, they want a building with a 24 hour doorman, and to be on an upper floor. Another important factor is being close to family, friends and work. Manufactured homes have appealed to single women for years, not only because of the cost but because many women 'feel safe' living in a mobile home park. In a recent mobile home park sale, the new owner surveyed all the residents on their likes and dislikes about living in the mobile home park. Resoundingly, women responded that they had lived there for years, knew their neighbors and in their words, liked 'feeling safe and secure'. Another housing survey about women's wants and needs identified security and safety as the new curb appeal.

So here's a question: How can mobile home parks get more single women to move in? Do the current women have friends, relatives or co-workers that are moving or may move? What about female mobile home park / manufactured housing community managers? Are they positioned to tell the story of your mobile home park / manufactured housing community and what your women residents have to say about it?

***THERE MAY
NEVER BE A
BETTER TIME
TO MAKE
MONEY IN
REAL ESTATE
BY
REFINANCING
AND PAYING
OFF DEBT!***

There is a free magazine for mobile home park / manufactured housing community owners called "The Journal" that you may subscribe to by calling 706-655-2333 or visiting their website at:

www.journalmfdhousing.com



Deleveraging



If you have debt on your mobile home park or any real estate asset including your home, now is a great time to deleverage. Interest rates are the lowest in over 40 years! You can reduce your loan balance faster by making an additional principal payment from time to time. Even small amounts of money paid on the principal can result in big savings. One mobile home park owner has 20 or 25 year amortizations on his mobile home parks. In his business model, paying the loan off in 15 years is what he strives for. You can imagine the thousands of dollars in savings he earns by paying the loan off in 15 years instead of 20. Eventually, he will own the properties free and clear.

IOWA 65TH ANNIVERSARY

Congratulations to Joe Kelly, and to the Iowa Manufactured Housing Association on its 65th anniversary!

In November, at the annual IMHA meeting, Tony Kvoch did a first class job as Emcee.

Tony is so warm hearted and full of life. We all learned a lot about financing and refinancing mobile home parks and manufactured home communities (www.MHMSM.com).

Kurt Kelley of Mobile Insurance & Purvis Commercial spoke to us about funny and not so funny insurance claims and disasters. With all of the major weather events in the recent years, it might be a good time to buy Business Interruption Insurance. Kurt related an example of a mobile home park owner that had his park virtually wiped out by a tornado. Because this owner had Business Interruption Insurance, his net income was about the same as it was before the tornado.

Contact Kurt Kelly for a quote:

800-458-4320 or www.mobileagency.com

MOBILE HOME PARKS AND LOCAVORES

Who is devoting excess ground in their parks and communities to local food growers? If you are I want to hear from you! Will you give me a call?

In my market, I am seeking local growers for my mobile home parks. If I find local growers to grow food on the excess ground, I plan to write a story for the local press. It will be a better story if it is a trend, and it will be a positive story for mobile home parks / manufactured home communities.



Blast From the Past....

A large mobile home park company that no longer exists (it merged with another company) used to offer these fee based products and services to their residents:

- *Water, Sewer, Telephone, TV
- *MH Property Insurance, Life Insurance and Car Insurance
- *Maintenance Service
- *Auto Supplies
- *Bikes
- *Lawnmowers
- *Home Health Services
- *Newspapers, Convenience Stores and Groceries
- *Loans
- *Storage
- *Pest Control

Are there some products and services that your residents would really appreciate having available to them on site?

Have You Tried....?

.....Getting the town or city to waive the oversized water bill caused by a water line leak or water line break?

Eric H., a multiple mobile home park owner, has had success with asking the local water department to use the average water usage as the water bill at the times when his bill has spiked. He states that if the city won't forgive the extra water usage from the leak, they may reduce the sewer charge, as the sewer charge is based on the water usage. Another tip from Eric: read the main water meter every day as a way of detecting water leaks. Eric reminds his managers that water is expensive, and their bonus is based on the bottom line, so it is in their best interest to keep the expenses in check.

.....Asking your lender to refinance your mobile home park?

Jim Reitzner, one of the largest mobile home park owners in the U.S. was pleasantly surprised when one of his banks called him to ask if he wanted to borrow money. His bank wants to retain his business and rather than sitting back and waiting for the customer to call, took the initiative and called the customer. Not only that, but Jim and other mobile home park owners have reduced loan principal immensely over the last few years of low interest rates. It's not unusual to get a 4 to 5 percent loan with a 20 to 25 year amortization. My most recent mobile home park sale was to a buyer that got a 3.99 percent interest loan from his local bank, even though the mobile home park was in another state. That is a sea change and speaks to today's lending. Let's all ASK!

Joanne Stevens

- ▶ Specializes in listing and selling mobile home parks.
- ▶ Has represented owners of large and small communities.
- ▶ Has owned and operated a retail center.
- ▶ Has a LARGE database of serious, qualified, present time buyers.
- ▶ Has listed and sold mobile home parks and manufactured home communities for over 20 years.
- ▶ Owns mobile home parks.

Annual Property Operating Data



Name ABC MHP Location USA

Date 2012

Type of Property Mobile Home Park

Price \$1,875,000

Size of Property 118 Sq. ft. Units

Existing Loan _____

Purpose:

Equity _____

Owners Statement Broker's Reconstruction Forecast

Down Payment \$468,750 (25%)

Existing Financing Potential Financing

Seller's Position Buyer's Position

Assessed / Appraised Values

Land \$ _____ %

Improvement \$ _____ %

Personal Property \$ _____ %

Total \$ _____ %

Existing Balance Payment #Pymts/Yr. Interest Term

1st \$ _____

2nd \$ _____

3rd \$ _____

Potential:

1st \$ 1,406,250 \$8,864 12 4.5% 20 yr amortization

2nd \$ _____

Adjusted Basis as of _____

	<u>ALL FIGURES ANNUAL</u>	<u>\$/SF or Unit</u>	<u>COMMENTS/FOOTNOTES</u>
1. POTENTIAL RENTAL INCOME		<u>\$350,856</u>	
2. Less: Vacancy & Cr. Losses		<u>\$20,664</u>	<u>7 vacant @ \$246</u>
3. EFFECTIVE RENTAL INCOME		<u>\$330,192</u>	
4. Plus: Other Income		<u>\$22,834</u>	<u>Sewer \$19,654 / late fees \$2,500 / rec room \$680</u>
5. GROSS OPERATING INCOME		<u>\$353,026</u>	
OPERATING EXPENSES:			
6. Real Estate Taxes		<u>\$30,878</u>	
7. Personal Property Taxes		<u>\$266</u>	
8. Property Insurance		<u>\$ 8,127</u>	
9. Off Site Management		<u>\$ 0</u>	
10. Payroll – Onsite Personnel		<u>\$30,522</u>	
11. Expenses / Benefits		<u>\$0</u>	
12. Taxes / Worker's Compensation		<u>\$3,052</u>	
13. Repairs and Maintenance	<u>5%</u>	<u>\$ 17,500</u>	<u>Estimate</u>
Utilities:			
14. <u>Water</u>		<u>\$ 2,370</u>	<u>Office, fire hydrants, shop building, rec room</u>
15. <u>Sewer</u>		<u>\$ 20,476</u>	
16. <u>Gas & Elec.</u>		<u>\$ 11,960</u>	<u>Office, warehouse, community building</u>
17. _____		<u>\$ _____</u>	
18. Accounting and Legal		<u>\$ 0</u>	
19. Real Estate Leasing Commissions		<u>\$0</u>	
20. Advertising / Licenses / Permits		<u>\$ 522</u>	<u>Permit MHP</u>
21. Supplies		<u>\$ 2,336</u>	<u>Office</u>
Contracting Services:			
22. <u>Garbage</u>		<u>\$ 13,320</u>	<u>\$10 x 111 occupied sites per mo. x 12 mo.</u>
23. <u>Lawn & Snow</u>	<u>1.5%</u>	<u>\$5,250</u>	<u>Estimate</u>
24. <u>Phone</u>		<u>\$3,000</u>	<u>Estimate</u>
25. <u>Reserves</u>	<u>2%</u>	<u>\$7,000</u>	
26. TOTAL OPERATING EXPENSES	<u>44%</u>	<u>\$ 156,579</u>	
27. NET OPERATING INCOME		<u>\$ 196,447</u>	
28. Less: Annual Debt Service		<u>\$106,361</u>	
29. CASH FLOW BEFORE TAXES		<u>\$90,086</u>	<u>19% Cash on Cash</u>

SALES OF MOBILE HOME PARKS/MANUFACTURED HOME COMMUNITIES
January 2013

Manufactured Home Name	State	Sale Price	Approximate Sale Date	# of Sites	# of Vacant Sites	Lot Rent	City Water, City Sewer	Terms	Price Per Site	# of Homes Included
Hobart	Wisconsin	\$500,000	12/2012	34	2	\$190	Yes	Cash to Seller, New Loan.	\$14,706	2
Confidential	Illinois	\$1,885,000	11/2012	125	40	\$270	Yes	Cash to Seller, New Loan.	\$15,080	0
Northwood	Illinois	\$1,850,000	7/2012	119	6	\$260	Yes	Cash to Seller, New Loan.	\$15,546	5
Coachlite	Wisconsin	\$600,000	12/2012	31	2	\$255	No	Cash to Seller, New Loan.	\$19,355	0
Town & Country	Wisconsin	\$1,070,000	6/2012	56	2	\$269	Yes	Cash to Seller, New Loan.	\$19,100	0
Evergreen Village	Wisconsin	\$1,000,000	5/2012	72	8	\$230	Yes	Cash to Seller, New Loan.	\$13,889	0
Midway Village	Wisconsin	\$800,000	10/2011	69	10	\$300	No	Cash to Seller, New Loan.	\$11,594	0
Creek Village	Iowa	\$9,600,000	8/2012	483	122	\$290	Yes	Cash to Seller, New Loan.	\$19,876	62
Park View	Iowa	\$7,800,000	6/2012	301	8	\$315	Yes	Loan assumption	\$25,914	12