

# The True Story of How to Fill Lots in Today's Manufactured Home Community



**Frank Rolfe**

If I read one more article on how to attract customers with new homes coming in from the local retail dealer, I think I'll throw up. That might have made sense a decade ago, back when we were selling around 400,000 units in the U. S. But now that we're selling only 10% of that, it isn't worth

the energy to even read such nonsense. So if you own a manufactured home community and you want to wait by the telephone that will never ring from that retail dealer down the street that is now an abandoned field with a "for rent" sign on the front, then just keep on doing what you're doing. Otherwise, here are some real-world ideas of how to fill your vacant lots.

## "Lonnie Dealers"

Named for the author of *Deals on Wheels*, Lonnie Scruggs, these are folks that create notes by buying and selling used manufactured homes. Whether or not you believe this business model works, it fills lots and that's the important thing. You can find these private investors by watching for identical phone numbers in the newspaper under "manufactured homes for sale", or identical phone numbers in more than one "for sale" signs in windows of homes. Home movers are also an excellent source.

When you find one of these individuals, you have to latch onto them and do whatever it takes to have them bring used homes into your community. Often, all they want is some respect and free lot rent.

I had just one such investor bring in over 40 homes into parks I owned.

## Forsaken "Back Lot" Inventory

Those few, remaining retail dealers often have a pile of "junk" homes at the back of their lot. These are homes that they took as trade-ins back in the go-go days. They've left them to rot – the tree growing through the roof on one of them is probably a hint – but there is a plan to convert these piles of junk into money. Ask the owner of the sales lot to take the usable homes to your community and cosmetically revitalize and skirt them. You will be amazed at what people will buy if it looks decent and is cheap.

I had just one dealer bring in 7 homes in this manner. He got cash, I got occupied lots – a true win/win result.

## RV's

Sure, you're in the manufactured home business – but RV's move frequently and they fit on your lots. Many community owners don't even bother to market to this segment. How do you get RV's? Well, you won't get any if you don't ask. Step one is signage. Hanging a banner on your fence that says "RV's Welcome" is a good start, if you are on a busy street. "Bandit" signs (illegal but inexpensive that you can replace when they get confiscated) are another option. And, of course, there's the traditional marketing channels of distributing flyers to areas where RV customers go, like rest stops and welcome centers and propane re-fill joints. Getting a little visibility on Google doesn't hurt, either.

If you can attract just a few RVs from this effort, then that's a true success story.

## Bringing In Homes Yourself

I've left this one for last, as it's my least favorite. Why? Because it requires you to spend capital – a lot of capital – to capture the lot rent. I'd much rather let someone else spend the money and just give me the lot rent. But if you want to fill lots today, you better understand the process as a back-up.

The first step is to identify your budget for filling lots. Basically, calculate the value of an occupied lot at a 10% cap rate. Let's say, for example, that a lot nets \$200 per month after expenses. Then the value of that lot, when occupied, is  $\$200 \times 12 \times 10 = \$24,000$ . So your budget in that park is \$24,000 per home. That's the most you can spend and make adequate money from your efforts – and not lose money if you don't collect a penny on the home itself. If you don't follow that formula, you can really get yourself into trouble. I know many folks who spent \$30,000 to fill a lot that nets only \$100 per month = \$12,000 of value.

I've owned over 200 homes, so believe me, I know the importance of this step.

One note on this step is the dreaded SAFE Act implications. It may be that selling homes is no longer a viable option for most of us. Contact your local association and learn the process to be SAFE compliant. Remember that SAFE does not affect rentals, so you always have that as a fall-back.

## Conclusion

If you want to fill lots in 2010 (or any year going forward) you better give up on the local retail dealer. That guy's only selling homes that go on land (and even then, not many of them). You need to explore new paths if you want to make occupancy advances. I've laid out the four best ones here, but if you can think of others, throw them on the list.

Remember that if you can get just two homes from each of these categories, that's eight new homes in your community. At an average of \$20,000 in value for each occupied lot, that's a \$160,000 return on reading this article. Aren't you glad you opened the Journal today?



Frank Rolfe is the CEO of American Home Communities, LP, which has ranked as high as the 63<sup>rd</sup> largest owner of manufactured home communities in the U.S. Frank has been a featured speaker at numerous industry conventions, and has appeared in industry publications including the Crittenden Report. Frank has published several books and recorded cd's on the management and turnaround of manufactured home communities with his partner Dave Reynolds. To contact Frank, visit [www.mobilehomeparkstore.com](http://www.mobilehomeparkstore.com) or email [frank.rolfe@gmail.com](mailto:frank.rolfe@gmail.com).