

Commercial and Investment Real Estate Newsletter



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**LISTINGS OF PARKS &
COMMUNITIES**

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ANATOMY OF HOW NOT TO SELL YOUR MANUFACTURED HOME COMMUNITY

Dan Rogers, (not his real name), thought he was being smart about selling his manufactured home community. He felt it was time to sell his community after over two decades of ownership. Sure, there were things he wanted to do (the 98% occupancy had dropped to just under 90% occupancy in the last few years). Maybe he should buy some used manufactured homes to fill the vacant sites, like his fellow manufactured home community owners were doing. For years, the rent stayed the same AND there were no late fees. But he reasoned that he didn't "owe anything" on the community. The thought of residents calling to complain about a rent increase seemed like a hassle. Did he really want all of the complaint calls or residents waving him down as he drove through his property. His process for staying on top of the market for manufactured home communities was to call a buddy in the County Assessors office and have the buddy tell him the sales price of communities that sold over the last several years. Dan took the sale prices, divided the price by the approximate number of sites and multiplied the price per site by his number of sites. Yep, that was the price. It never dawned on him that vacancies, below market rent, and delinquencies had anything to do with what his community was worth. The number of delinquent residents was growing by the month, but since it's expensive to serve notices of non-payment of rent he reasoned that he was saving money by not doing all of the serving of notices and court filing. In his mind, the price per site times the number of his sites equaled the value. Period. Both the real estate agents that called him about listing the property and the buyers that talked to him about the "number" (value) were an irritation. None of them understood that he was making a lot of money every month, no matter what anyone said. Then, as it tends to do, life took a serendipitous turn. He fell in love with a home on a beach several states away and quickly snapped up the home. Neighbors were friendly, he liked the get-togethers, the relaxed lifestyle, the water, the big open skies. A recurring thought for him was how "tired" he was of operating his manufactured home community. Yes, he had trustworthy, hardworking employees that could manage in his absence. Still, he wanted to make a clean break. What to do?

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:

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He called a prospective buyer and admitted that he was tired of operating the community and was serious now about selling. Long story short, the sale of the community took place and the seller felt pretty good about it. He told himself he got what he wanted, he pretty much called the shots in the ensuing negotiations, and he didn't pay a real estate commission. Good for the seller. What he didn't know (and will never know) is that:

1. The buyer would have paid a lot more. The buyers perspective was that he bought a manufactured home community in a strong housing market (very little vacancy in manufactured home communities in the area and good job growth) which also had site rents at least \$75 per month under market.
2. The community had bloated expenses. The buyer knew that by bidding out the insurance, cutting down on the number of community owned vehicles and outsourcing services like lawn mowing, he could improve and save money on the capital expenditure budget without diminishing the appearance of the park at all.
3. The buyer knew he could fill the vacant sites by simply marketing to his existing residents. If they buy a new home then the buyer would sell or even buy the residents existing home. He was presently doing this with excellent results in another community. He wasn't carrying any paper, either. The residents were coming up with cash or their own financing.
4. The buyer came out ahead on the financing. The seller wasn't excited about the interest rates on Certificates of Deposit which is where he planned to put the cash from the sale. In his wisdom, he ultimately financed the sale at about what current CD interest rates are, with the term fixed for 20 years. Would you like those terms on your next real estate acquisition? I thought you might.

What should Dan have done? Manufactured home community owners need to keep current on the value of their communities and understand where the community fits into the current landscape for value. Most real estate brokers will do this, no charge. You should talk to real estate brokers. It's not the same to talk to your insurance agent, banker, lawyer or appraiser. Yes, these people have your best interests at heart, but they don't know the market because they aren't in the business of listing and selling manufactured home communities on a daily basis. One goal for your Management Plan for 2013 might be to get clear on the current value of your community and while you're at it, learn if there are some things you can do to increase the value.

Don't be like Dan Rogers in this story, who left \$1 million on the table because he didn't understand the current market.

SUPER MODELS & MOBILE HOME PARKS...



Christy, Naomi, Cindy, Kate, Linda, Claudia...major super models in the 1980's, 1990's and 2000's and all cordial business colleagues of a manufactured home community owner! This owner was an executive for a few decades at a global cosmetic company. That's how he got to know and work with all the super models. Bet he has fond memories of his career before retiring to the family real estate business of owning and operating a manufactured home community.

**EXTRA ACREAGE
AT YOUR
MANUFACTURED
HOME
COMMUNITY?**

Recently Lutheran Services leased four acres of ground in one of my communities. They are going to use it for their immigrants' local food cooperative. Some of the immigrants sell their harvest at local farmer's markets.

In the past this ground wasn't used for anything but still had to be mowed. Now the mowing expense and the time to mow will be saved.

Best of all, locally grown food will be produced.



**CURRENT MANUFACTURED HOME
COMMUNITY BUYERS...**

There are more investors for manufactured home communities than there were a couple of years ago. If you are thinking about selling, here is a sampling of some of my current buyers for manufactured home communities. These are very serious, qualified buyers and present-time buyers. We are getting multiple offers on manufactured home community listings.

1. 100 sites or more in most Midwestern states. This company has financing arranged and is ready to go.
2. 1031 Exchange buyer. Very motivated buyer has financing arranged, some deferred maintenance is OK, vacancy is OK. If you have issues with your manufactured home community that you haven't every gotten around to addressing, now might be the time to call it a day and sell. This buyer is not overly picky.
3. Buyer for 40 to 150 sites. Multiple manufactured home communities is fine. This buyer recently refinanced quite a few properties and has a lot of cash.
4. MICHIGAN Buyer. Michigan is OK for acquiring manufactured home communities. Many investors say that they are no longer worried about buying in Michigan.
5. Buyer for a portfolio of three or more communities. This buyer is getting started in the community business and wants to get as big as possible, as quickly as possible. This investor recently left a big corporate job for the purpose of getting into the manufactured home community business.
6. A former manufactured home community portfolio executive is starting his own portfolio. Prefers Wisconsin, Illinois, Michigan and Indiana.
7. 200 site minimum requirement. Must have city water and city sewer, 90% plus occupied. This company is great to work with and can close quickly, but are patient if the seller needs extra time.

**IT WILL NOT BE A WASTE OF YOUR TIME TO
CALL ME ABOUT YOUR COMMUNITY. YOUR
CALL WILL BE CONFIDENTIAL AND THERE IS NO
OBLIGATION.**

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SAVE MONEY

79% of apartment owners say they have saved money by re-negotiating contracts with vendors (www.reforum.com/propmgtssurvey11), 75% switched vendors, and 63% saved money by looking more closely at whether to repair or replace mechanical systems.



**\$25 RENT
INCREASE**

It sounds like a lot except that the current rent is almost \$100 under market. The new owner of this community attached a rent survey of other local manufactured home communities with the rent increase letter. None of the residents complained and no one moved.

This newsletter and its content are not meant as a solicitation of any property(ies) that may be listed. This is a creation of Joanne M. Stevens with NAI Iowa Realty Commercial as a resource for Mobile Home Park/Manufactured Home Community owners.

SAM ZELL..

In a 2012 issue of National Real Estate Investor, Sam said that “America is all about entrepreneurship.” In Mr. Zell’s case, he became an entrepreneur while a college student by managing student housing. In the early 1970’s he bought distressed apartment buildings in mid to small sized cities with little competition to buy these assets. Thus, the “grave dancer” emerged, eventually becoming a powerhouse in commercial real estate.

One of his successes was manufactured home communities. He was the first to ‘discover’ mobile home parks, as they were called throughout the 1980’s. Not only did Mr. Zell acquire a lot of communities, he was one of the early public companies for manufactured home communities.

The Equity LifeStyle Properties stock has done very, very well. Also, the CEO of ELS is a woman. Marguerite Nadir became CEO in 2012. In a glass ceiling business world for women, it’s gratifying to have a woman CEO of a large, respected manufactured home communities company like ELS.

WHY AREN’T YOU REFINANCING?

The saying “making hay while the sun shines” has perhaps never been more true. Local banks today are very “hepped up” to make commercial real estate loans. It almost seems as if many banks are more enthusiastic about lending on commercial real estate, which encompasses manufactured home communities, than they are on residential loans.

Interest rates are at an all time low, even lower than during the mid-2000’s. Rates now are in the 4% to 5% range with 20, 25, or 30 year amortizations and term between three and seven years. There may never be a better time to refinance.

If you are thinking about selling, your sale price will be better now. Investors want to take advantage of the low interest rates and currently have the mindset of wanting to buy.

Joanne Stevens

- ▶ Is a former chairwoman of the Manufactured Housing Educational Institute, the national trade association.
- ▶ Has owned and operated a retail center.
- ▶ Has re-zoned land in two markets for manufactured home communities.
- ▶ Has listed and sold mobile home parks and manufactured home communities for over 20 years.
- ▶ Owns mobile home parks.