



MOBILE HOME PARK SUCCESS STORIES YOU MAY NOT LIKE:

A state Manufactured Housing Exec reports there is a need for some MHP owners to wake up to the changing realities of owning and operating a mobile home park. What he meant was that some owners simply are out of step with what has become common operational MHP practices, such as:

- Buying new homes for vacant sites
- Selling new homes
- Renting new homes
- Refurbishing used parked owned homes to the tune of \$10,000-\$20,000, or more
- Collecting all of the rent from every tenant every month
- Charging back Water & Sewer and not including them in the lot rent
- Charging Market Lot Rent

There is more but let's think about this short list.

At a time when the need for affordable housing is at an all-time high and mobile home parks are selling for high prices the path forward seems clear. An MHP Owner could: Sell their park and have a nice payday. (And, yes, there will be a Capital Gains tax to pay.

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The Capital Gains tax will be at least partly offset by the high sale price.)

Or:

“Go All In” on operating the park(s). That means buying new homes, selling and renting new homes, refurbishing existing park owned homes, no tolerance practices for rent collections, saying “bye-bye” to residents who won't comply with the rules, raising rents to market value, and sub-metering for Water/Sewer.

Park owners that don't sell and keep on not adapting to the changing MHP world, will NOT have nearly the cash flow they ought to. Even worse, when they eventually do sell, the new owner will quickly make hay from the previous owner's misguided management practices. Some of the misguided theories, go like this:

“I want to have the lowest rent in the market; that way I stay full” (usually the park isn't full)

“The tenants can't afford a rent increase.” (the last rent increase was \$10 in 2014)

“The tenant can pick out their own carpet and paint colors.” (the home has stained carpet, the place smells, the walls are not only dinged up but painted in garish colors that will take at least two coats of paint to cover up. This equals

time, skill, and money-things in short supply for our customers.)

“There are a few homes that I haven’t gotten to yet.” (Oh...do you mean the homes that have sat vacant for the last 2 to 4 years and that may have been salvageable if refurbished when possession was obtained? Or maybe the park just got around to obtaining possession after 3 years of the home just sitting there?)



Get the picture? It’s no sin to be guilty of any of the above. Many of us can relate to these situations. But here’s “the Rest of the Story”, as Paul Harvey used to say.

Someday you WILL choose to sell your park. Even owners with no intention of ever selling, for whatever reason (partnership snafu’s, health, or family disinterest), sell eventually. Would you like to know how the new owner is going to operate the park? Here are a few tales from the mobile home park trenches. *(All names have been changed to protect the innocent...)*

Lady Luck MHP: The new owner made a +20% higher cash on cash return on Day 1 than the Seller. How? By issuing a notice of non-payment of rents. Thereby putting all residents on the alert that non-payers, as well as late payers would not be tolerated.

ABC Mobile Home Court: The new owner negotiated with her local bank and was able to finance the purchase of 8 new homes (as alternative to the CASH program). She rented

them out in 6 months. She now has increased her occupancy by 13% and added \$30,000 to her annual cash flow. She will buy another 6 homes this year, bring her park to zero vacant lots.

Triple R Ranch MHC: Park was 100% occupied at time of sale. Rent was \$150 below market. New owner immediately sent out a rent increase notice with an included rent survey. He

increased rent by \$100 (still below market) and added \$132,000 to his cash flow. He also did some minor street repair. He sold the park two years later for double the price he bought it for.

Yes, these did happen. Don’t let antiquated management practices hold you back. Don’t let it be their success story, make it YOUR success story.



From My Community to Yours:

One of our managers stocked up on LED light bulbs (on sale!) to hand out to residents. The plan is to have all of the yard lights working! Some local Iowa Police Departments (Des Moines and Marion) offer 1-day Landlord Safety Seminars. They cover crime prevention tips (i.e. eliminate shrubs or unlit areas of the property), tenant selection and much more. Why not see if your local PD or association offer these. You will learn lots.

Reflection on “2018 Resolutions” by Jason Zweig from the Wall St. Journal:



“Donate blood. Part of you will help save someone’s life, and you’ll never know who it is.”

Maybe we should start a Mobile Home Park Movement. Blood drives at

all of our companies and communities. Blood drives as a part of association meetings and conventions. More and more consumers buy products and services from companies that have a social conscious, that give back to the community both locally and globally.

Health Benefits from giving blood:

- Free health screening: Blood pressure, Clotting factor, and blood screening
- Decreases chances of numerous health issues including: Cancer, Heart Attack, Stroke, and more
- 1 pint donated burns 650 calories (that’s a steak dinner!)
- “Helper’s High”, that psychological boost from Altruism



Wi-Fi is the New Water Utility for Millennials:

This was reported on CNBC Squawk Box in January. The business anchor went on to say that millennials consider Wi-Fi an essential for living.

It seems like more apartment owners offer free Wi-Fi, at least for a time. And remember when hotels used to charge for Wi-Fi? That’s all gone. Now it is standard that Wi-Fi is free. It could be that hotel and apartment owners have in mind to eventually charge for Wi-Fi; it will depend on market competition. It does seem that the apartment and hotel business have been quick adapters to evolving customer preferences. No offense to MHP owners is intended with what I am about to say next, but we in the mobile home park world are S-L-O-W to change. How is that? Simply, look at how long it has taken the MHP business to climb out of the new mobile home crash that commenced in 1999. In 1996, new mobile homes sales were 396,000! Fast forward to 2017, and new mobile home shipments are still sub 100,000. And, this is during a time when the need for affordable housing is soaring due to immigration, millennial household formation, retiring (down-sizing) Baby Boomers, and stagnant wage growth?

Wi-Fi as a utility can be a disruptor that we can anticipate and harness to make our communities more attractive to current and future tenants. With one to



one schools (computers instead of text books), working remotely/digital commuting, streaming services for entertainment and the “smart home” with its wireless thermostats and Google Home/Amazon Echo devices, Wi-Fi will be a home staple for future generations, necessary for work and play.

This is the Mobile Home Park Moment

There has never been a better time to be in the housing business; any kind of housing is needed. The Urban Land Institute (www.uli.org) predicts that 1,000,000 housing units (Single-Family, Apartments, Condo's, Townhomes and yes, Mobile Homes) will be needed *EACH YEAR* for at least the next 5 years!

The mobile home manufacturers have figured this out. Their balance sheets and/or stock prices have done nothing but grow (think Jack's beanstalk) since the mobile home financing debacle of the 2000s and beyond. They have happy investors and shareholders. Warren Buffett cannot say enough good things about Kevin Clayton and Clayton Homes. Cavco's CEO, Joe Stegmayer is also having a great run.

Not only that but the MHP publicly traded companies, ELS (Equity Lifestyle Properties) and Sun Communities are running and gunning with new homes, expansion of existing parks, and robust home sale and home rental operations. Sun Communities, Inc. is even building new parks! The Sun Communities' Acquisition team shrugs off the difficulty of obtaining mobile home park zoning. They just do it! Sun's stock price and ELS's have done well through the down turn. The future of the MHP Industry is rosy!

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SAVE THE DATE: Links on Our Website

MHI Winter Meeting Feb. 4-6, 2018

**2018 MHI Nat. Congress & Expo in Las Vegas
April 24-26, 2018**

2018 MHI Annual Meeting September 23-25, 2018

Keep current on mobile home industry events. Go to my website and click Save the Date. You will find information on upcoming events.

WHAT IS YOUR PARK WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your park(s). You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at joannestevens@iowarealty.com, or visit <http://joannemstevens.com/>

Joanne Stevens is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can maximize your sale price.