Dear Investor,

Thank you for your request for free report #8006:

"Checklist to Calculate the Value of Your Park or Community"

Please call for a FREE no obligation analysis of what your property is worth.

Sincerely,

Joanne Stevens

For more information about marketing programs to sell Mobile Home Parks

And

Manufactured Home Communities

call the Park Specialist

Joanne Stevens

CCIM, PHC, ACM

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Report #8006

"Checklist to Calculate the Value of Your Park or Community"

Courtesy of

Joanne Stevens
CCIM, PHC, ACM

Mobile Home Park
And
Manufactured Home Community Specialist

Checklist to Calculate the Value of Your Park/Community

Attached is an Annual Property Operating Data form. This is similar to your annual P&L statement. This form will be more precise in determining value for these reasons:

- Depreciation is not included. Your annual depreciation is not a meaningful number to the buyer.
- Interest expense. This figure means nothing to the buyer. Your sale could be all cash or the funding may come from a new financing.
- Ratios. Buyers are interested in the ratio of expenses to income. The national average for expenses for a park/community is 38.5%. This is an average. If you or your city bill direct to residents for sewer and water, your expenses may be less, for example.

In compiling your APOD leave out expenses that are not germane to the actual operations.

Things like cars for the owners and related car expenses and health insurance for owners and officers are examples of things to exclude. This information needs to be as accurate as possible for what it really costs to operate the property.

This is an excellent time to consider your revenue and how you stack up in the marketplace. Being $5 per month under market is OK. Being $30 per month is not. I often counsel owners to announce a rent increase prior to putting the property on the market. The buyer is going to pay a price based on the Net Operating Income Revenue less expenses.

The Net Operating Income is going to be the baseline for arriving at value. The most common method of valuing parks/communities today is the cap rate (capitalization rate) method. The cap rate is a function of the net income and price to investment return. All 3 are linked together.

Let's say your net operating income is $150,000.00. Depending on the location, the condition of the property (i.e. deferred maintenance, private utilities, etc.), the number of sites, market conditions in your area, to name a few criteria, the buyer will apply a cap rate. (Note: rental home income is not included in the income. Buyers place little value on rental homes.) That cap rate will range from about 5 to 15 depending on their motivation and their opinion of the property.. Keep in mind that the lower the cap rate the higher the price.

Price arithmetic:

$150,000 (NOI) ÷ .065 (cap rate) = $2,308,000.00 (Value)

$150,000 (NOI) ÷ .12 (cap rate) = $1,250,000.00 (Value)

Obviously, it's easy to see which buyer you want for your property.

Targeting these "Best Buyers" will be critical for your bottom line if you decide to sell.