

Manufactured Home Community and Mobile Home Park Newsletter

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For more information on
**LISTINGS OF PARKS &
COMMUNITIES**

Visit us at
www.JoanneMStevens.com

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TOP TEN REASONS TO LOVE THE MOBILE HOME PARK BUSINESS

Often mobile home park owners ask, "What is the future of the mobile home park business"? Some state they no longer "believe" in the mobile home park business, as if the mobile home park business is Santa Claus and the mobile home park owner the disillusioned child upon learning the truth about Santa. There are plenty of reasons to love the mobile home park business and here are ten of the top ones.

1. **Rents rising faster than expenses.** In many markets there aren't enough houses, especially single-family rental house and apartments. There aren't enough rental mobile homes either, which is where the action is. New apartments cost over \$100,000 per unit to build and rents are expensive! Lots of older apartments haven't been maintained, and the tenant screening is atrocious, making mobile homes look like a great value.

It's time to do a rent survey of local market mobile home parks, single family rental homes and apartments. Are you below the market, or about right?

2. **Return on Investment.** The cash on cash return on your invested dollars is pretty unbeatable. It's not unusual for investors to earn 15% to 20% or more.

3. **\$\$ Financing \$\$.** It's easy to take cash out of your mobile home park by re-financing. Interest rates are very low, so if you hanker for that Lamborghini or a Harvard education for your youngster, call your local banks. Better yet, if the value is \$1,000,000 or more call a mortgage broker such as Security Mortgage (www.securitymortgagegroup.net—phone 585-423-0230. Ask for Pierce). Principal reduction is swift with the low interest rates.

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4. **Mobile home parks are easy to sell right now.** That could change (i.e., look at farmland prices which rose 10% to 20% per year in my state. Prices have flattened and are dropping 8% to 10%), but currently there are lots of buyers, some with all cash and not overly picky about the mobile home parks they buy. That's the kind of buyer you want.

5. **Water conservation.** Lots of owners have installed water meters; this drops water consumption by 25% to 30% or more, making it better for the planet, better for the owner, and ultimately more fair to the residents, especially the ones who are judicious with water usage.

6. **More people are employed and more people are working longer.** Mobile home park residents are usually priced out of single family homes, but should have an easier time buying mobile homes and paying lot rent, or alternatively, renting homes.

7. **U.S. citizens are living longer!**

Life Expectancy: Women: 83 Men: 78

Demand for mobile home parks and mobile homes will stay strong for the next 20 years at least, mostly because the 78 million Baby Boomers are living longer, but also because U.S. population is growing. And as the economy improves and there is job growth, this country will probably figure out an immigration policy. A strong economy will need more workers, so immigration will heighten the housing demand.

8. **A great value proposition to our customers.**

- Low Cost
- Energy Efficient
- Convenient Location

Mobile Home Park owners ought to feel great about the affordable housing they provide.

9. **New home shipments are up.** New manufactured homes are moving into communities and manufacturers are financing homes for mobile home park owners with as little as 25% down. Check out Champion Homes:

7% Interest
Homes may be rented
60 month loan term – means fast debt reduction
Call Brad Harper, Zone Manager (260-593-4125)
bharper@championhomes.com
www.Championhomes.com

10. **Simplicity!** The mobile home park business takes more time and effort than in the past, to be sure. Still, it is relatively easy compared to most businesses. Technology for tenant background checks, accounting, and tenant recordkeeping continue to evolve and improve at reasonable prices.



Mark Flood Retires From the Wisconsin Housing Alliance Board after 40 Years!

Congratulations Mark, on your contribution to the manufactured home industry.

Mark and the Flood enterprise have some of the nicest communities in the U.S

Welcome!

Rex Summerall Stevens!
Born October 24, 2014 in Berkely, CA. He was welcomed by parents Aaron and Melissa Stevens, and big brother William.

Mortgage Brokers

Go to the website for an updated list of Mortgage Brokers!



Predictions for 2015

Demand for renting mobile homes will continue to rise and not just because prospects don't have any cash. It's also because as the economy grows, people want the flexibility they get from renting. For now the pride a consumer feels in owning as opposed to renting is trumped by renting. It's true for site built housing, too.

Go to the website for the Wall Street Journal article on "Renting Prosperity".

Consumer: Why buy when you can rent?



UBER and Housing

Uber (the app based transportation network and taxi company) went from \$0 value to \$40 billion in 5 years. They did it by being better, faster, and cheaper than their taxi cab competitors. Last weekend in Chicago, maybe it was just my imagination, but the taxicabs seemed cleaner, shinier and the drivers more courteous than in the past. It seems like the taxicabs have woken up to the new reality of a new business model that is making huge inroads in their business, and it came out of the blue. Uber isn't perfect, but it has oodles of uber exuberant fans and says it wants to take over not just taxi business, but the car business, by making it cheaper to use Uber than to own a car.

Here's a question to my esteemed readers: What start up, what technology, what is next for the housing business that will be better, cheaper, and faster than the current business model of single family homes, apartments, and mobile home parks?

While we commiserate about Dodd Frank legislation, what technology could come out of the blue and change our business?



SOLD IN 2014

Park	City / State	Sites	Park Owned Homes	City Water / City Sewer?	Sales Price	Cap Rate
Rolling Meadows	Abingdon, IL	76	30	Yes	\$135,000	8
Fairmont Estates	Fairmont, MN	125	0	Yes	\$1,500,000	9.5
Deer Run Estates	Merrill, WI	50	7	No	\$575,000	10
Valli Village	Grimes, IA	65	0	Yes	\$1,500,000	10

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

For a **FREE, NO OBLIGATION MARKET ANALYSIS** on the value of your park or community, contact Joanne at:

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I have lots of Buyers!!

If you are thinking about selling, call and ask for a free list of Buyers in today's market, or go to the website:

www.JoanneMStevens.com

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.

Sales of Mobile Home Parks and Communities

2014 was a strong year for sales of mobile home parks. In fact, it was the strongest year since 2006. You may recall that in 2007 the capital markets began their “capital freeze” so that by 2008 it was nearly impossible to finance mobile home parks, commercial real estate, and single family homes. Today that’s changed in a big way! Today, lots of mobile home parks are selling, banks are cheerfully funding 75% loans to value loans (the buyer’s down payment is

25%), and it’s rare for a park to not appraise. Prices are good, but the buyers are “capitalization” buyers, meaning the main thing the buyer looks for is a “cap rate” on net operating income.

Here’s the math:

\$75,000	Net Operating Income (before debt)
÷	
10	Capitalization Rate
<hr/>	
\$750,000	Value of the MHP

I am always happy to do a **FREE MARKET EVALUATION** of your mobile home park. There is no obligation; it is confidential. You ought to know the current value of your mobile home park. Favorable interest rates are driving the large number of sales. Let’s hope the Fed keeps the interest rates low for at least another 12 months.

Definition of Capitalization Rate:

Divide the property’s net operating income by the selling price. Wait! How do you know what the selling price is; you haven’t even listed your mobile home park. Relax, and take the current annual (12 month) of net operating income and divide it by your best guess of the sale price. That number is the capitalization rate. The lower the capitalization rate, the higher the price, so if you come up with a capitalization rate of 5, your mobile home park should be an oceanfront mobile home park in Miami Beach, or near the slopes in Aspen, Colorado. Also, the bank and appraiser will decide on how much to loan on the property based on the cap rate:

$$\frac{\text{Net Operating Income}}{\text{Price}} = \text{Cap Rate}$$

Congratulations to Amy Bliss!

for being named the new Executive Director of the Wisconsin Housing Alliance. She earned this position from years of thoroughly learning the Mobile Home community, retailing and manufacturing business. That plus Amy's vibrant personality, executive skills and work ethic made her the obvious choice for Executive Director. And as good as Amy is, it will be challenging to follow Ross Kinzler, the retiring Executive Director for Wisconsin. Ross is one of **THE BEST EXECUTIVE DIRECTORS** of any state. Wisconsin has some pretty favorable landlord laws because of Ross's "never quit, never give up" ethos. Over many years of seeing Ross in action, I always felt like he thought like a mobile home community owner. He understood so well the practicalities of operating communities and selling homes that he was able to lobby for common sense landlord/tenant laws, licensing and title laws that have made life fairer for community owners and retailers. Best wishes to a great industry friend and leader, Ross Kinzler!