

2018
January

MANUFACTURED HOME COMMUNITY & MOBILE HOME PARK NEWSLETTER



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NAI Iowa Realty Commercial

**A Berkshire Hathaway
Company**



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For more information on
LISTINGS OF PARKS &
COMMUNITIES visit us
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LOT RENT PREDICTIONS FOR 2018

Apartment vacancies are rising in many markets, probably due to overbuilding. At the same time rents are rising, just not as robustly as in the past five to six years when many markets experienced a chronic shortage of rental units. More apartments continue to be built, although reports show the number of new apartments is slowing.

If the apartment market becomes overbuilt (some say it already is), will it cause an increase in vacancy and flat, or falling, apartment rents? What will this mean for mobile home park rents? Will parks be forced to follow suit and defer a rent increase in 2018? Or, even worse, defer BOTH a 2018 & 2019 rent increase if the apartment business hits tough times? In the past, when apartments get overbuilt, (which is a normal phenomenon where rents rise and vacancy drops,) apartment owners have lowered rent, lowered security deposits, and incentivized new and existing tenants with appliance upgrades, new carpet, free utilities, and giveaways such as TVs.



Fear Not! The mobile home park is experiencing lower vacancy than it has in years! And this is despite the perennial lack of consumer home financing. Just think what occupancy might be for mobile home parks if there was reasonable consumer home financing! The manufacturers are as busy as they can be with backlogs of six to twelve weeks being common to receive a new home.

More park owners are buying new homes and are having stunning results. They

are finding that their current residents and new residents can get financing through the 21st Mortgage (a Berkshire Hathaway Company) and other lenders; some homeowners pay cash, and some use Captive Financing (talk to Ken Rishel, of www.Rishel.net). Of course, some mobile home owners rent the homes or do rent-to-own, and 'lease with option'. "Lease with Option" was designed by Mr. Spencer Roane, MH Hall of Famer, who's website spells out in depth how to use "lease with option" to fill vacancies (check out www.LeaseOptionMHSales.com for more info).

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.

Getting back to the outlook for rent increases, one can make the case that mobile home park rents may very well increase at a healthy pace in 2018 and 2019 despite a possible apartment downturn.

Here's why:

- Low Unemployment: It seems like "Help Wanted" signs and ads are everywhere, particularly for the retail and hospitality businesses. These workers tend to comprise a lot of mobile home park residents. A good job market is essential for successful mobile home parks.
- Increased New Household Formation: More millennials (those born between 1982-2000) are finishing school and starting their own households, be that buying their first home or renting an apartment. It increases the demand for housing.
- Rising Interest Rates and Home Building Costs: There are two things going on in the market that are making it harder for site built homebuyers to buy a house. One is the dearth of available homes to buy which is causing home prices to rise. The other is the cost of both labor and building materials (driven up by demand because of the rebuilding efforts created by Hurricanes Irma and Maria). This makes new homes more expensive.
- Lonnie Dealers: Lonnie Dealers are pushing up the occupancy in mobile home parks. A Lonnie Dealer buys homes in a park that the park doesn't own; they rent these mobile homes to their tenants. And yes, there are a few Lonnie Dealers that don't work out, but most are a real boon to the mobile home park owner's bottom line. The mobile home park gets a "2-fer" one: the park owner doesn't have to buy the home; two: the park owner gets lot rent from the Lonnie Dealer regardless of the home's occupancy.



So, what does this mean for lot rent? It means the outlook is excellent for rising mobile home park rents.

CAPITAL GAINS TAXES AND RISING PRICES FOR MOBILE HOME PARKS:

The market for mobile home parks and the strong prices being paid continues to heat up. There is an ever-growing number of investors for parks. The economic concept of “Supply & Demand” is at full-throttle with many investors and not enough parks for investors to buy. And yet many mobile home park owners are electing not to sell their parks, even when there is a magnificent offer on the table from a highly qualified buyer. Why is that? Many owners that want to sell their park. The reasons commonly cited are: tired of it, desire to retire, desire to pursue other business interests, and as several park owners have told me “there is more to life than owning (and running) a mobile home park.”

It seems there is life after a mobile home park. The Capital Gains Tax (Federal & State) stops quite a few would be sellers from selling. The Capital Gains Tax can be costly. (And isn't it interesting with the new federal tax cut being voted on by the U.S. Congress, that there is radio silence on the Capital Gains Tax?)

Here's a way to think about Capital Gains for when you decide to

sell:

- **Prices:** Prices for parks have gone up substantially since the 2008 financial crisis. Whatever, the price of your park, the price has probably increased enough in recent years to pay for the Capital Gains Tax.
- **The Capital Gains Tax Rate:** The Capital Gains Tax is the lowest it has been in over 75 years. It's 15% for the Federal plus the state's Capital Gains Tax (about 9.3% on average). Do you want to gamble on it going lower?
- **Net Cash Flow:** In the years of operating your park, have you had a pretty good net cash flow from your park? For most mobile home park owners “over the top” cash flow may be an apt description. Anyway, the Capital Gains Tax has been “baked” into the net cash flow; we just need to understand that and ideally set aside some cash every year to take the sting out of the Capital Gains Tax bill.
- **Not a Surprise:** Capital Gains Taxes have been in the tax code for over a century (1913). It is not as if it is a surprise. When buying a park, you realize that someday you will pay a Capital Gains Tax.



Maybe, as mobile home park owners, we have become a bit loose with our financials. It's all well and good to know the net cash flow and the market value of you park, but savvy investors go a step further and calculate the capital gains tax. If you know the market value of your park and the Capital Gains Tax, it will be easier for you to make a good real estate decision.

Return Service Requested:
100 1st Ave. NE, Ste. 116, Cedar Rapids, IA 52401



Past Newsletters are on my website.

JoanneMStevens.com

Click newsletters on the left-hand column.

**MHP Owner's Call
Call-In Show:
Coming Soon:**

Jan. 4th: What Is a Cap Rate?

Jan. 11th: 2018 MHP Advance
(not a retreat for park owners)

Jan. 18th: Attract Tenants By
Going Green

Jan. 25th: What Is the Value of
My MHP?

Thursday at 1 pm central.

Dial: 1 408 638 0968

ID: 948 357 166



**SAVE THE DATE:
Links on Our Website**

Louisville MH Show Jan. 17-19, 2018
MHI Winter Meeting Feb. 4-6, 2018

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

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

This newsletter and its content are not meant as a solicitation of any property or properties 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.