

Commercial and Investment Real Estate Newsletter



INSIDE THIS ISSUE:

Financing for Homes—It's Back	1-2
Overheard in Vegas	2-3
What's Up With Home Ownership?	3
Sales of Parks Heating Up	3
5 Things To Increase Cash Flow and Property Worth	4

Visit my website for more articles!



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For more information on
**LISTINGS OF PARKS &
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NAI Iowa Realty Commercial
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FINANCING FOR HOMES! IT'S BACK

The most innovative, exciting, and risk free financing for the mobile home park/ community owner is back and in a big way!

This is a new pathway to fill vacant home sites, increase cash flow, and get some new manufactured homes into communities. It doesn't involve mobile home park/ community owners financing the homes. It doesn't even involve mobile home park/ community owners buying the new homes! 21st Mortgage, a division of Clayton Homes and a Berkshire Hathaway company (my company Iowa Realty is also a Berkshire Hathaway company), recently launched the new Mobile Home Homebuyer Finance Program. It's the brainchild of Lance Hull and Tim Williams, of 21st Mortgage. Lance is a 20 year veteran of Clayton Homes and saw the need for home financing. Tim Williams was hand picked by Jim Clayton to run the finance company. Over the years, Tim has worked tirelessly with mobile home park owners and homebuyers on their finance needs. It hasn't been easy, with the mobile home "repossessed home epidemic" and the mobile home lenders being awash in abandoned homes.

It's a new day! Over the years, many of my readers have asked, "when will there be good financing for homes in manufactured home communities again"? There hasn't been any home financing on the horizon to suggest help was on the way. Until now!

Here's the blueprint for 21st Mortgage:

1. 21st Mortgage purchases the new home. It must be a Clayton Home or Clayton brand. For a list of Clayton manufacturers go to www.claytonhomes.com, scroll down to the bottom of the page, go to the ABOUT US column, click on OUR BRANDS.
2. 21st Mortgage transports and sets the home. There is no cost or fees to the mobile home park/community owner, nor is there any interest or floor planning (does anyone remember what floor planning is?).
3. If the home doesn't sell in 12 months, the mobile home park must buy the home. There will be a 10% margin in the sale price for all costs. 21st will split the margin with the mobile home park/community owner.

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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Continued on page 2...

4. For the homebuyer/mobile home park resident: 21st Mortgage expects that the homebuyers will be in the FICO credit score range of 550—625. Terms for homebuyer are:

- 10% down • 10% interest • 15 year amortization

What follows is a game change. The mobile home park/community owner will contribute a portion of the lot rent toward the homebuyer’s mortgage. 21st Mortgage wants the home loan amortized and paid off in 9-1/2 years. They recognize that fewer manufactured home buyers will abandon their home if there is equity. The problem in the past was that the homeowner/buyer didn’t have that much to lose by bailing on the mortgage. With this program it is in the homeowner’s best interest to work with the lender, the mobile home park owner, whatever they have to do to keep that home and their equity. Of course, a potential benefit to everyone (mobile home park owner, homeowner, lender, manufacturer) will be if there are LESS repo’s thus dispelling the idea that “mobile homes depreciate...just like a car”.

So, for the mobile home park owners lot rent contribution to the homebuyers mortgage, say the site rent is \$300, the contribution schedule would be something like this:

YEAR	LOT RENT CONTRIBUTION (21ST WANTS THE HOMEBUYER TO GET A “SURGE” OF PRINCIPAL REDUCTION)
1	80%
2	45%
3	25%

The lot rent contribution is invoiced monthly.

This works for TRADE-INS, (when did any of us last do a trade?)

The loans are “assumable”. For example, if the customer defaults, the mobile home park owner may assume the loan. 21st Mortgage will rewrite the loan for the remaining term.

21st Mortgage expects to offer this program to reputable manufactured home park/community owners and with 3 to 5 star communities.

For more information contact Lance Hull at lancehull@21stmortgage.com or 865-405-9121. If you call Lance, congratulate him on his 20th wedding anniversary!

Good job, Lance & Tim!

**OVERHEARD IN
LAS VEGAS at the
MHI Congress**

- ▶ Mobile Home Park owners buying homes out of other mobile home parks has become “a cut-throat business.”
- ▶ Mobile Home Park owners are seeing prices on bank repo homes and resident owner homes for sale going up and for ever higher prices.
- ▶ More second home owners, with the second home being a manufactured home in a ‘warm climate’ mobile home community are selling their second home and at big discounts. They say they can’t afford to maintain two homes.

**OVERHEARD IN
LAS VEGAS
continued:**

- ▶ On rental homes: “there are so many mobile home parks with rental homes... maybe we should just buy apartments.”
- ▶ On financing for parks and communities: “In my lifetime... financing has not been as good with local banks as it is today.”
- ▶ Hangover Quotient: From an attendee 10 days after Las Vegas...”still recovering from one late night.”



WHAT'S UP WITH HOME OWNERSHIP?

It's an up and down housing market and will become more so.

First, what's up? The fastest growing populations in the U.S. are foreign-born households and people of color, according to the Joint Center for Housing Studies at Harvard University. Minority households will constitute two-thirds of the net new households over the next 20 years. These households are more enthusiastic about home ownership.

Second, what is down? In the 1990s and until the mid-2000s we were “obsessed” with creating new homeowners, as per the Joint Center for Housing at Harvard. Now, many current and former homeowners (and potential homeowners) aren't as excited about home ownership. Now more consumers realize that home prices don't always go up. More consumers understand that you can't necessarily move to take advantage of something like a new job, if a house has to be sold first. It's a different mindset.

Warren Buffett in his 2011 shareholder letter wrote “Housing will come back—you can be sure of that. The devastating supply/demand housing equation is now reversed. Every day we are creating more households than housing units. People may postpone hitching up during uncertain times, but eventually hormones take over. And while doubling up may be the initial reaction of some during a recession, living with in-laws can quickly lose its allure.”

He goes on to cite a lot of unemployment being due to the loss of housing sector jobs and housing related jobs as being “hugely important” to job growth. Fortunately, Mr. Buffett says, demographics is on the side of housing as is the market system. He ends the housing section of the letter by stating that what was true in 1776 is true today. That is, “America's best days lie ahead.”

It will be a diverse housing market.

SALES OF MOBILE HOME PARKS... HEATING UP

Once again the commercial real estate market is heating up, especially for apartments and mobile home parks. Investors like real estate because it is hard to find good investments (stocks for example) that have some degree of certainty.

Real estate investment has its trade offs. It's a long term investment and it takes management. It's not liquid. Still the supply and demand quotient works.

Mainly the low interest rates are energizing investor demand. In your lifetime, have interest rates been this low combined with lender enthusiasm? This is an excellent time to be selling commercial real estate...especially apartments and mobile home parks. That is, if you are at all interested in selling for top dollar.

FIVE THINGS YOU CAN DO NOW TO MAKE YOUR CASH FLOW BETTER AND YOUR PROPERTY WORTH MORE

1) VACANT PARK-OWNED HOMES

If you have homes in need of or in some stage of refurbishing, there may never be a better time to sell it "as-is". Today, there is more demand for low cost housing. The prospective pool of buyers for a home needing work is more desirable than in the past. You are likely to have several buyers with tools, fix-up experience and desire to buy such a home, fix it up and live in your community. The economy is helping to heat up the demand for the "sweat equity" homes.

2) RE-FINANCE YOUR PROPERTY

Currently commercial real estate loans are in demand by local banks. Even if you already have a low interest rate, you may be dollars ahead and build equity faster through quicker loan amortization by refinancing.

3) ELIMINATE RENT DISCOUNTS

The lease addresses when rent is due and what the late fees are. There is no need for a discount in order to get the idea across that you want all of the rent paid by the first of the month or whatever is currently being discounted. You have every right to be paid rent on time and in full, without a discount.

4) SELL OFF EXCESS GROUND

Unless you are a developer, that excess ground is not a plus. It is of no benefit to you and is costing you money for real estate taxes, mowing, insurance. If you sell your property, the new owner is not going to place any value on this extra ground.

Call an engineer or licensed land surveyor and find out the cost for platting off the extra ground. They will also be able to tell you what is involved in getting the re-platting accomplished. Once you have the new site plan with the extra ground platting off, interview top commercial and land real estate brokers in your market. Ask these experts what they think the highest and best use is and what price is achievable for the ground.

5) WORK THE TAX ASSESSOR

You may never have a better chance to get your real estate tax assessment lowered. A lot of local tax assessors think that property values have dropped because of the recession. In doing your homework, you could find that there are inequities in how properties are assessed. Recently, one tax assessor lowered the assessment of a property by over 60% - and without a written tax appeal!

HAVE investors,
NEED mobile home parks /
manufactured home
communities!

Thinking About Selling?

Please call for a
Confidential, No-Obligation
assessment of your situation
and your property.

NEW LISTING!

NICE Mobile Home Park for Sale

- Secondary Midwestern market
- Over 100 sites
- City water, city sewer
- No deferred maintenance
- No park owned homes
- CALL me for more information!