

MANUFACTURED HOME COMMUNITY AND MOBILE HOME PARK NEWSLETTER

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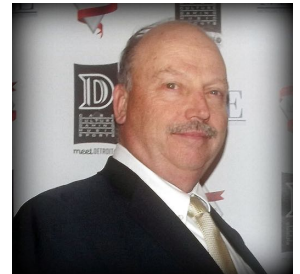
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TIM DEWITT RETIRING!

It's been said of mobile home park owners, retailers, vendors and manufacturers that first one gets into the manufactured housing business, then the manufactured housing business gets in to us.



This sometimes applies to manufactured housing executive directors, and especially applies to industry stalwart and MH Hall of Famer Tim DeWitt, who is retiring this June as Executive Director of the Michigan Manufactured Housing Association.

Known for his "tell it like it is" management style, Tim has been known to tell his members what they need to hear, which isn't always what they want to hear.

When the Dodd Frank Act became the law of the land, and the manufactured housing industry pretty much ignored it, Tim gathered his members at a special meeting. As members arrived, he curtly told them to "get a cup of coffee and a donut, sit down, and shut up". While most industry members buried their heads in the sand about Dodd Frank, with the denial that, surely Congress made a mistake when they passed the law that ensnared mobile homes, Tim took action to inform manufactured housing members that their world had changed with the new finance law. That's one example of how Tim rolls. Some of his other achievements:

- Education. He's an industry leader in offering countless seminars for mobile home park owners, retailers and vendors.
- Re-invented the state manufactured housing association organization. For example, RV and storage unit owners are part of the MHA. This is a good strategy for increasing membership and dues by including businesses that share common interests.

Succession plan. Bill Sheffer will take over for Tim. Bill has been in training to take over as Executive Director for quite awhile, a good thing for a smooth transition, and one that more state executives need to take a leadership role in.

Tim's common sense, straight talk, and camaraderie will be missed.

GOOD LUCK, Tim!

SHOULD I BE SELLING?

If you are a mobile home park owner, sometimes thinking now might be the time to sell, you are not alone. Lots of other successful owners are asking themselves the same question, even though their mobile home park investments are doing very well and their employees take on a lot of responsibility, thereby giving owners some freedom from day to day operations.

Still, thoughts of selling (perhaps not all of their mobile home parks, perhaps keeping the best one) are becoming a theme for mobile home park owners, especially owners in their 50's, 60's, 70's and 80's.

Here is what is driving this important question:

- **Prices.** Prices being paid for mobile home parks are at an all time high. They wonder, can prices go any higher? Who knows? They wonder if we are at the top of the market, and if there will be a price "correction" (prices fall). They don't want to look back and regret not selling when prices were at the top.
- **Other investments.** They wonder if they should get into another real estate investment or venture that they can grow into a successful business and prosper with, as they have in the mobile home park business. Maybe they have another calling in business.
- **Future plans.** They wonder what they would really like to do with their lives now that they have enough money to fund changing their career. These are smart, industrious, high achieving individuals, looking for their next success. They aren't thinking about being on vacation 365 days a year.

It's not a bad dilemma to have. There's nothing wrong with making a well thought out career change. And maybe, after thinking it through with close friends, family and even a career coach – just maybe staying in the mobile home park business will be the right decision.

The number one reason most owners sell mobile home parks is partnership issues. And 'issues' doesn't mean the partners don't get along. It's simply that over time people have different objectives and different interests. Sometimes partners start out with each having an area of responsibility that at the outset seems like an equal sharing of the workload. As the years pass, the skills needed may change and one partner emerges as an essential "cog" in the operation. An example is home sales and home rentals. In the early to mid 2000's as the retailers started disappearing, the mobile home park owners and managers became the retailers. Retailing is hard work, and lots of partners want nothing to do with the homes. These same partners may not realize how time consuming it is to sell or rent homes and generate lot rent. Not all partners understand how essential the partner handling the home sales is.

A common disruption in partnerships is the silent partner who can't or doesn't want to realize that the mobile home park needs to sell or rent homes if the partners expect to get the same monthly check.

A lot of times, mobile home parks lose homes because the partners don't want to buy the tenant owned homes that go up for sale. Eventually, not buying tenant owned homes comes home to roost, as homes move out and park income declines. These same partners don't want to buy any homes to fill sites, because that could cause a short term "haircut" to their monthly check. They don't want to think 1 or 2 or 5 years out and how fewer homes will lower their investment, value and monthly cash flow.

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Different times call for different strategies. The mobile home park business ought to be about maximizing your cash flow and maximizing your investment.

I once heard a mobile home park partner say, "I just can't sell". The context was about selling homes; as if this was an explanation to the partner who was working very hard to sell homes, not to expect any help from the partner who "can't sell".

SITE BUILT RESIDENTIAL REAL ESTATE HAS A BIT OF A PROBLEM....

At least for now. The problem is that residential real estate sales are stalled because inventories of existing homes are low (not enough home sellers) and new home construction isn't keeping pace with consumer demand. According to the National Association of Realtors Chief Economist, Lawrence Yun, in the June issue of Realtor Magazine, homebuilders aren't building enough new homes even though the new homes sell quickly. Mr. Yun thinks the low new home inventory may be attributed to:

- Construction financing being tougher for builders to obtain.
- Local zoning regulations putting the kibosh on land use ("not in my back yard").
- Not enough available skilled construction workers

There is also an affordability issue. This harkens back to the early to mid - 1990's when first time homebuyers were priced out of buying a home. Back then interest rates were 8% - 10%.

What do you suppose that did to consumer ability to qualify to buy a home? This "qualification" gap inspired lots of 1st time homebuyers to move out of apartments and into mobile home parks. The reason: owning a home matters to them. Many said they could save money to buy a "real house" by owning a mobile home. Manufactured housing sales boomed in the 1990's.

What we have in 2016 are 1st time homebuyers that can't qualify to buy a home and low home inventory that is causing home prices to rise. Blue collar Baby Boomer retirees that wish to downsize ought to at least consider mobile home park living.

WEBSITES WORTH CHECKING OUT

www.gamasonic.com

Outdoor lighting for mobile home parks and other commercial (and also residential) uses. It's solar and no digging or wiring required. Call Matthew Cohen at 678-736-8303 x 104 or email him at: matt@gamasonic.com

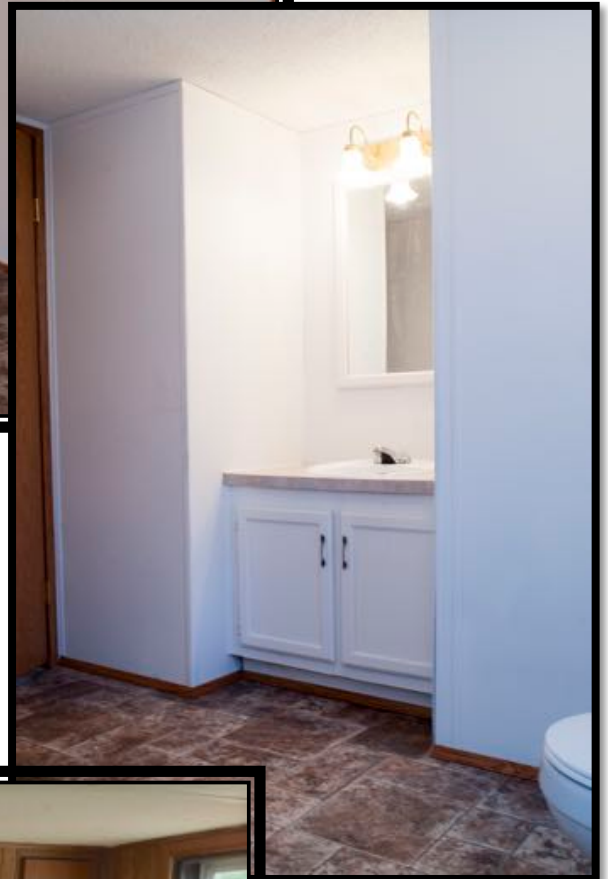
www.iraservices.com

Want to learn how to use your IRA in a self-directed way, to perhaps buy homes or another park? Call Belinda Savage at 780-487-1124 or email her at: belinda@iraservices.com

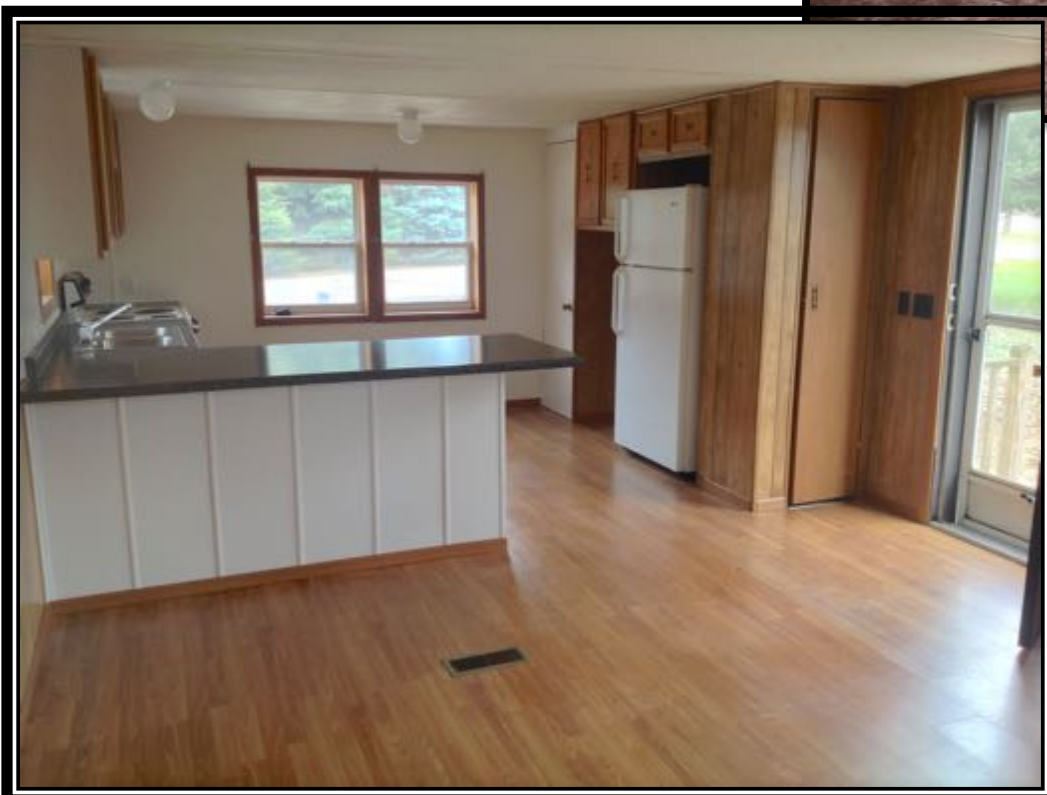
www.realestatetaxlaw.com

The Illinois Manufactured Housing Association featured an Ohio attorney, John Hyre, as their keynote speaker. Mr. Hyre specializes in maximizing real estate assets, including mobile home park tax deductions, depreciation and bonus depreciation on home rentals, self-directed IRA's and how to maximize one's wealth by using same.

Mr. Hyre represents clients in many states. In addition, he owns a small mobile home park in Ohio.



Two abandoned mobile homes that were in terrible condition, as they look after their "Make-overs".



KEY WAYS THE MOBILE HOME PARK BUSINESS IS DIFFERENT THAN IT WAS ONLY 5 YEARS AGO

- Vacant Sites and New Mobile Homes. Buying existing mobile homes and moving them to mobile home parks is over with. There aren't any to buy, for one thing. When there is a repossessed home in a community, there are lots of bidders. This results in someone paying a higher price (usually the mobile home park owner) than one would have paid 5 years ago. In fact, as pre-owned home prices rise and refurbishing costs rise, more mobile home park owners opt to buy new homes and then sell the homes with captive financing or rent to own them, or rent them.

At the MHI Congress & Expo in Las Vegas in May, home manufacturers Joe Stegmayer, CEO of Cavco, Inc., and Kevin Clayton of Clayton Homes addressed the attendees. New home production in their factories is the highest it's been in years. The production is for new homes going into mobile home parks and the orders are for generally single section homes.

- YES! Communities, one of the largest mobile home park owners in the country is building 70 new sites for sectional homes with garages, in Des Moines, IA.

Oakwood Community, a re-development of a newer mobile home park in Grand Rapids, MI, sold 10 new homes in April. This is a Zeman Homes community under the leadership of Brian Fannon.

New home sales in communities are gaining momentum.

- Independence Day. No, not the movie or the 4th of July, guys – but the quintessential characteristic that defines the American psyche more than just about anything. Americans are generous, ambitious, fun loving too, but when it comes to housing, a key driver for Baby Boomer retirees is their independence. They want to live in their own home for as long as possible. Yes, many want less home maintenance and less yard work. They especially want less real estate taxes. Mobile home parks fill this need. As an industry, however, the benefits of mobile homes and mobile home park living is a state secret; mobile homes ought to be on many Baby Boomers radar, as a housing option.

THE SECRET SHAME OF MIDDLE CLASS AMERICANS

More than half of Americans would have a hard time coming up with \$400 to pay for an emergency. This is the subject of a new report that has been in the news.

To read a compelling article on this topic, go to the website and click on 'Articles & Resources'.

This article, by Neal Gabler, appears in the May 2016 issue of "The Atlantic" magazine.

QUALIFYING TENANTS OVER THE PHONE

Ideally, we meet every tenant prior to showing park owned homes. Before we make an appointment to show homes we do the following:

- Mini budget. We go over their income (including how long on the job) and their expenses. They (and we) need to know if they can afford our home.
- Reason for moving. We chat about why they are moving and how soon they need to move. We are looking for signs of an eviction or non-renewal of a current lease.
- Attitude. Someone told me once that the best mobile home park tenants are the ones that feel "tickled pink" to be moving into the mobile home. They feel like it is a move up for them. If the prospect indicates they are lowering their standards by moving into a mobile home park, this won't be a good tenant.

FREE REAL ESTATE REVIEW

I am always happy to do a FREE, no obligation, Real Estate Review for a fellow mobile home park owner. This will tell you today's market value of your mobile home park.

If this is something you would like, simply give me a call at 319-378-6786 or email me at joannestevens@iowarealty.com



MHP Brokers in training chasing a deal!

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.

<http://joannemstevens.com/>

HAVE BUYERS! NEED LISTINGS!

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.