

INTERVIEW WITH PAUL ZLOTOFF

This month's interview is with Paul Zlotoff, Chairman and founder of UNIPROP.

Paul's success, as you will see when you read the interview, is professionalism, training and best practices. This three prong approach has led to resident satisfaction and sales of homes in communities that otherwise may have shown an exodus of residents. UNIPROP owns communities in some difficult markets. In addition to the difficulties that many owners struggle with — too many housing alternatives for the consumer, low interest rates for site built, lack of finance for home sales, the weak image of manufactured homes and communities — some of UNIPROP's communities are located in less than robust markets. Job loss, off shoring of jobs, and auto industry woes have weakened some of his markets. Of course, housing compresses when jobs are lost making sales of homes in communities and retaining residents even tougher.

Despite the challenges of owning and operating communities today, Paul has a no nonsense approach. In a word it's professionalism. Webster defines professionalism as: (1) professional character, spirit, or methods, and (2) the standing, practice, or methods of a professional, as distinguished from those of an amateur. As you read the interview, I think that you will agree Paul Zlotoff is a professional.

Tell us about yourself. How did you get started in this business?

Thirty years ago I went to work for someone who owned manufactured home communities.

What are you most proud of accomplishing as Chairman of UNIPROP?

Professionalism. I am proud of an organization that is extremely professional. By professionalism, I mean in every aspect of our operations. How we relate to our residents, how our team members present themselves. (Uniforms and name tags) our relationships with private financial investors, and institutions.

Where do you see the industry headed in the next two to five years in terms of the industry slump?

In the short term the industry will stay in a slump. In the long term, external factors could affect the business. We need a viable lending model. Secondly, the single family residential market makes it very difficult to compete. This is a threat but also an opportunity.

Our strategies for investing in and operating communities are to be careful and conservative. They have to be more conservative and cautious than five to 10 years ago. We have to be more realistic about sales of manufactured homes and absorption. What used to be conservative needs to be even more so.

MHI has identified, as one of its top three initiatives, to create a vibrant resale market for manufactured homes. What should we be doing as an industry to create a vibrant resale market?

The first effort needs to be the creation and maintenance of quality communities that present attractive neighborhoods. The next thing is to manage to a high standard. After that amortization rates need to be more realistic in order for the resident to build equity faster.

What are you expecting for operating expenses in 2006? Do you think that it will be status quo or are you anticipating increases and if so, in what expenses?

UNIPROP is expecting a slight increase. Energy prices will have an impact. We are working hard at cost containment.

What strategies are you using to fill vacant sites? Do you expect to do anything radically different in 2006?

Nothing radically different. UNIPROP is and will focus intensively on the sales of homes. In our communities we are the retailer. We have our own internal financing and third party financing for the customer. Our team strives to be outstanding so that our homes and communities are the first choice for the consumer in terms of the home and the community. Our model homes and sales office are neat and clean and so are the communities. When a prospective homeowner/resident walks into our sales office, we want them to feel the professionalism. You have to walk the walk and talk the talk.

Our average sales price is \$50,000 with a range of \$15,000 to \$150,000.

As for making a profit on sales of homes, our business model is to first, occupy sites and second make a modest profit. We are not losing money on sales of homes. (UNIPROP doesn't do rentals or lease to own.).

A lot of traffic is generated by resident referrals. Our team works with residents to get referrals. They know that friends of residents are usually good prospects. There are benefits to residents referring prospective residents. At community activities and in the community newsletter, the benefits are articulated.

The bottom line for our communities is constant training of employees, or what we call team members. Our manuals are the finest in the industry. One person at UNIPROP does nothing but train employees. We "differentiate" ourselves from the competition.

What is the one thing that UNIPROP is doing to succeed that is or will have the biggest impact on the bottom line?

Always adapting.

My management style is...

Professionalism. Best practices, best in class.

I knew I'd made it when...

Never! Humility is a great quality. I have a need to stay current and never getting complaisant.

I get my inspiration from...

Being original, being analytical, and implementing strategies outside of the norm.

My greatest extravagance is...

Helicopter skiing. (Paul is also a licensed pilot.)

Who are your heroes?

Abraham Lincoln and Mahatma Gandhi. Lincoln because he made difficult choices, demonstrated leadership and stuck to his principles.

Brookside Communities created a “brand” for their communities. In 2004, it formed HomeFirst Certified Community. The purpose of their brand is to have an identity in their marketplace that meant something to their present residents and especially to prospective residents. Just like Toyota’s brand is customer service, BMW’s is quality, Jaguar’s is luxury, to cite a few examples, the Brookside Communities brand consists of three principles. The three principles are: Home, Price, and Lifestyle.

It’s a simple message. What’s unique about Brookside is that they tie all three things together to create their own identity or brand. It differentiates them from the competition.

As in most markets throughout the country, residential real estate has increased in value tremendously since 2000. Brookside uses this to their advantage by appealing to seniors. Many seniors want to downsize their homes. The problem is that they can’t find the features that they need and want at comparable prices in site built homes. Price has always been a panacea of manufactured housing. They show prospects that they can get the features at a much reduced price. (Editors Note: Now that interest rates for short term CDs and money market accounts are above 3.5%, maybe some seniors will want to sell their site built home, buy a manufactured home and invest the difference.)

Lifestyle. Brookside stresses a controlled environment with 24/7 on site management. Their communities have a neighborhood feel of the 1950’s and 1960’s. The residents know each other because of the numerous activities and amenities their communities offer. Condos don’t compete very well with what Brookside has to offer. With condo’s there is no clubhouse or community building, and little opportunity to meet other condo owners.

An interesting note to this is that Brookside is marketing even through the overall housing market in their market is weak right now. (Editors Note: They are being pro-active and using their marketing resources very well. Most owners use their marketplace, whether it be weak or strong, as a reason not to spend money to advertise, invest in any new model homes, or to train employees).

It's been said that the proof is in the pudding. Here is a great result from Brookside's relentless marketing efforts. In 2003 one of their lender's reported the following:

In 2003, one lender did 125 loans in the various Brookside Communities; out of the 125 there was one bad deal. In the same year, this lenders average interest rate for the Brookside Communities was 8.28% and the average FICO Score was 670. Ken reports that his home lenders feel more secure about making loans in the Brookside Communities.

Driving traffic to the community office/home sales office is critical. Brookside has done successful TV campaigns but gets a lot of prospect traffic from signs and resident referrals. The community newsletters are used to communicate the benefits to the residents of referring new residents.

For more information, go to www.homefirstcertified.com. It's an information rich website for prospective residents.