



Commercial and Investment Real Estate Newsletter

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listings of parks and
communities

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NAI Iowa Realty Commercial
A Berkshire Hathaway
Company

OVERPRICING YOUR COMMERCIAL REAL ESTATE

Important Information for Owners of Commercial Real Estate:

Many mobile home park owners own commercial ground and buildings contiguous to their mobile home park. Recently, I presented a real estate tax appeal to a county Board of Appeals and was successful in getting the real estate tax assessment reduced by 50%. In another appeal I worked on, the reduction was 75%! This is not to brag on me. Rather, it is warning to

commercial real estate owners to be very careful about how you list and/or price your commercial real estate. In the instance of the 50% reduction, the owners listed their property with a local real estate agent who never brought any offers, but damaged the owners by blithely taking an overpriced listing. This is a sad commentary on the real estate brokerage business. Unfortunately, you can always find an agent that:

- a) Doesn't know their numbers, facts, comparable sales, or market.
- b) Their marketing plan is the 3 P's of selling real estate—**Put** it in the MLS, **Put** up a sign and **Pray**.

Anyway, in this case, the local county assessor had access to the MLS and when he saw the price the property was listed at, he more than doubled the assessed value. The county assessor said, "the owners and the agent must both think it is worth this much (the astronomical price). FYI—there are not many wealthy AND foolish investors buying commercial real estate.

Another mobile home park owner said, "It's almost like these assessors went to a seminar to learn how to raise assessed valuations, they are checking Craigslist, etc."

So be careful...these things are tough to unwind once the assessor makes their new determination of value.

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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MOBILE HOME PARKS AND CITY / TOWN OWNERSHIP

Recently, I received a request to consult with a consortium of city, county and university officials on mobile home parks/manufactured home communities. The officials have two goals in mind. First, they believe that the need for low cost housing options for retirees and people with disabilities is and will be an ever greater issue for citizens and secondly, they want to explore manufactured housing as one of those options. Site-built housing is expensive in their market, with the average home price being a little under \$200,000.

If any of you are involved in or aware of something like this in your market, please give me a call and let's compare notes.

"THE BEST (MOBILE HOME PARK) INVESTMENT I EVER MADE."

Two mobile home park owners, same mobile home park. The first owner sold to the second owner (buyer) because there were "problems" with the mobile home park. The second owner, after several thousand dollars of improvements and after many years of owning it, said "It's the best investment I ever made."

Two people don't always see things the same way. Owner number one saw nothing but trouble and risk. Owner number two saw possibilities, and those possibilities paid off. It has been a stable property that takes very little of his time.

It's all about how you look at the opportunity and how you size it up. And it's not the same for everybody. The first owner is STILL glad he sold and is very successful with his other manufactured home communities.



CURRENT INTEREST RATES...

*Just closed on a large
mobile home
park sale.*

*Terms were 4.8%,
10 year fixed rate,
30 year amortization.*

If you are thinking that you want to sell your property, whether it is a park or any kind of commercial real estate, 2013 and the first quarter of 2014 may be the best time to maximize your sale price. The reason is because interest rates and lending terms are quite favorable for borrowers. The Federal Government has announced that the Federal Reserve rate will stay at 0% until early 2014. The investors can pay more for your property when there is more cash flow. The less the monthly payments to the bank are, the better the cash flow.

People Are Talking About...

A Wisconsin manufactured home community owner reports that local Realtors are listing and selling homes in their manufactured home community. This is something new for their market. It seems the Realtors are finding it is easier and faster to sell manufactured homes in communities than site-built homes.

Have You Tried... THE LINE UP?

No, not the police line up...lighten up, people.

Seriously, though. The Ritz-Carlton (who's customer service mantra is "It's My Pleasure") is an example of one company that is able to offer consistent, flawless customer service and create loyal, repeat customers. One secret is the daily line up. In each property the hotel General Manager meets daily with each department and there are two questions:

1. What happened yesterday? What problems and what successes occurred? What best ideas does the staff have to design out the problems?
2. What is happening today? Is everyone prepared, do they understand their role and do they have the resources they need?

The meetings are brief and to the point, but the Ritz-Carlton records all problems and suggestions in order to track progress. There is a weekly contest for the best idea to improve operations. Constant improvement is a major theme at the Ritz-Carlton.

Aren't we all in a competitive housing business just like the Ritz-Carlton is in a competitive hotel and residence business? One thing we learned during the last 12 years is that the housing consumer has options. Before that, when it came to mobile home park residents, it was easy to say "where are they going to go?" It was a hard, expensive lesson. The take away: our customers have options.

If you are interested in the course outline, "The Ritz-Carlton Residences—Exceeding Expectations in the Residential Property Management Business" please go to JoanneMStevens.com and click on Newsletters & Articles.

"It's My Pleasure."



THE WORLD TRUSTS THE UNITED STATES

Dr. Lawrence Yu, Chief Economist for the National Association of Realtors stated in a recent presentation that in Brazil, Russia and even Iran, the citizens have faith in the US dollar. He said they stuff \$100 bills in their mattresses!

For the entire presentation go to JoanneMStevens.com and click on Newsletters & Articles

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.

COMMUNITY MANAGER OF THE MONTH

Julia Coons, Manager
Five Seasons Manufactured Home Community
Cedar Rapids, IA

Owner is MHPI, Inc.

Julia does not have a background in property management, nor the manufactured home business, but she definitely takes the job of site filling seriously in the 380 site community she manages. What is her recipe for filling vacant sites? Advertising on Craigslist, but with a different spin. She advertises vacant sites in her community by promoting savings in gas. Move closer to work, save money! For the homes that come in, MHPI, Inc. pays for the move. Since the beginning of the year, Julia has moved eleven homes into her community. Julia is seeing the stress that increased gas and food prices have put on household budgets and residents. The move-ins have been manufactured homes from farms and mobile home parks in small towns in her neck of the woods.

Congratulations, Julia!

DEVELOPER/RETAILER/COMMUNITY OWNER OF THE MONTH

Curt Hames
(Along with wife Norma and children Troy, Barbara and Cynthia)
Hames Homes
Marion, IA

The Hames organization is building new home sites and selling new (mostly sectional) homes with garages. They are doing it in a big way. Many of their new residents/homeowners are Baby Boomers selling their empty nest site-built home and moving into a manufactured home. The Hames organization is poised and ready to build a lot more home sites to meet the growing trend of Baby Boomers looking to move into a nice new home, but at the same time keep their housing costs in check.

Other mobile home park owners are reporting sales of homes in their communities are rising from the Baby Boomer retirees or those soon to retire.

NORTH DAKOTA

We know about the housing boom and the energy jobs in North Dakota. Did you know McDonald's starting wage is \$18 per hour? It goes to \$21 shortly thereafter.

RISING WATER RATES

A Midwestern community owner reports a 300% water/sewer increase in a 12 month period.

**Parks/Communities
for sale can
be found at
JoanneMStevens.com**

Speaking of ‘not everyone looks at things the same way’, how do investors think about mobile home park / manufactured housing investing, and how do owners / sellers view the same facts? It’s not always the same way.

WHAT INVESTORS THINK IS IMPORTANT	WHAT OWNER/SELLERS THINK IS IMPORTANT
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Rent Increases

<p>Investors (and the bank and the appraiser) base their price, (what the property is worth), on current rents. They do not cotton to “the rent could be higher.” They think if the rent could higher, why isn’t it? It makes no sense to them that an owner would knowingly under price their rent.</p> <p>It can make a buyer pause and question the validity of other information about the mobile home park. Some buyers will think there is another reason, something not easily apparent, about the town or the property and that is the real reason why the rents are low.</p>	<p>Often owners say their rent is below market, but that they are full. The inference is that if the rent were at market, people and homes would move out. This is one of the biggest myths in the mobile home park/manufactured home community business.</p> <p>The cost of moving a manufactured home has done nothing but go up. Even if another mobile home park owner is willing to pay for the move and throw in a few months of free lot rent, it’s still a big decision and a hassle to move. Unless the resident can’t stand your property, or has been looking to move anyway, the correlation between below market rent and high occupancy doesn’t work. It’s best for your investment to have the rents at market.</p>
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Improvements: New Signage, Newly Painted Buildings, New Landscaping

<p>Investors don’t care that much. New paint and shrubs may evoke a sense that it is a well maintained property, and if the investor is looking at other mobile home parks, the nicer, fresher appearance may give the property a competitive edge, but ultimately, investors care, but not that much.</p>	<p>If you are going to sell, by all means paint, get rid of junk and plant some colorful low or no- maintenance flowering shrubs. Just don’t spend a lot of money. It will be appreciated by your residents, but the upgrades likely won’t add value to your price.</p>
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Thinking about selling, and wondering what your property is worth? Call me today for a **FREE, CONFIDENTIAL and NO HASSLE** evaluation of what the market would actually pay for your property.



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WHAT INVESTORS THINK IS IMPORTANT	WHAT OWNER/SELLERS THINK IS IMPORTANT
Park Owned Homes	
<p>The conventional wisdom is that home rental, home sale contracts do not add any value to the mobile home park. That is changing.</p> <p>Recently, I sold a mobile home park where the bank included the home rental income on over 50 rental homes. In other words, the bank lent on the rental homes. Not sure if this will gain traction and become the new lending model.</p>	<p><u>Separate Books.</u> It’s best if you separate your home sale, home rental, rent-to-own, contract income and rehab costs from the real estate.</p> <p>More investors are accepting but still not that enthusiastic, about the home sales and home rentals. Filled sites are better than unfilled sites, so given the choice, fill sites even if it means renting homes, marketing homes. At the very least keep your sites filled even if it means buying bank repossessed homes, or buying homes from residents who are moving away.</p>
Market Trade Area	
<p>Investors are paying more attention to local employment, who the large employers are, the average cost of site-built homes, and growth trends for the local market. They don’t want their investment decimated by buying in an overly undiversified local economy.</p> <p>By that I mean areas where there is one major employer with lots of businesses dependent on that employer. If this company sneezes, it affects the local economy. If they lay people off or worse yet makes a decision to relocate, downsize, mothball the business, that could be devastating for employment and occupancy in the area.</p>	<p>There are plenty of mobile home parks that have actually benefited from a declining local economy.</p> <p>Even if someone loses their job, they don’t always move away. Instead they may downsize by moving into a mobile home park. Many are motivated to stay close to their roots—family, friends, school, church, etc.</p>

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