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MAGAZINE

The Cold, Hard Lessons of Mobile Home U.

By GARY RIVLIN MARCH 13, 2014

“Don’t get too hung up on appearances,” Frank Rolfe reminded us as our tour bus made its way to the first of several trailer parks we would visit on a bright Saturday afternoon in Southern California. “Remember, you don’t have to live in these homes.”

It was Day 2 of Mobile Home University, an intensive, three-day course on how to strike it rich in the trailer-park business. Seventy-five or so students had signed up for the class, which Rolfe offers every other month in different places around the country. Most of the enrollees weren’t real estate speculators; they were jittery members of a hard-pressed middle class. They were nervous about retirement. Or they were worried about their jobs moving overseas. Or they were making $100,000 a year, maybe even $200,000, but felt the need to earn more. All of them, though, had somehow come to see the lowly mobile home as their vehicle to financial freedom. “It’s about self-preservation,” one 42-year-old attendee told me. He had flown down from San Francisco for the seminar because he hated his job selling health care plans.

Our first stop was Green Lantern Village in Westminster, a city of 90,000, landlocked between Santa Ana and Huntington Beach. Green Lantern is a giant patch of asphalt crammed with 130 trailers. We gathered in a circle around Rolfe and the lot’s manager and listened as the manager explained that rents at Green Lantern had been bumped up by more than 30 percent over the past three years. The Mobile Home U. students nodded appreciatively: They learned early in the course that one of the best things about investing in trailer parks is that ambitious landlords can raise the rent year after year without losing tenants. The typical resident is more likely to endure the increase than pay a trucking company the $3,000 it can easily cost to move even a single-wide trailer to another park. As Rolfe put it, an "extra $10 or $20 a month isn't going to bankrupt anyone." He compared the hikes with cable companies' annual bump in fees, which get people into "the habit." Raising rents by 30 percent might sound steep for trailer-park tenants, who at Green Lantern earn $40,000 on average, but the manager explained why that isn't the case, as if he were reading from the 500-page instruction manual Rolfe distributed on the first day. For years, Green Lantern rented only to people 55 or older. But these days, the manager told us, a trailer is just as likely to be filled by a two-income family "making minimum wage at a Taco Bell." There was a murmur of approval: Another early lesson was that whereas seniors tend to live on fixed incomes, greatly limiting their ability to absorb rent increases, working parents "can always pick up extra hours," as Rolfe put it, even if they're struggling.

Rolfe is a tall, slouchy man with sad blue eyes and a mop of dark hair that has gone gray around the temples. He and his business partner, Dave Reynolds, started buying trailer parks together shortly after the subprime meltdown. Using their own money and millions more from outsider investors — including many who have been through Mobile Home University — they have been buying about two dozen parks a year. They now own 100 in 16 states (but none in California). By making what Rolfe calls a "contrarian bet on a poorer America," they have posted an annual return of roughly 25 percent, a rate at which they and their investors are doubling their money about every four years. By catering to those living on the economic margins, their parks generated more than $30 million in revenue last year. More than half of that was profit.

But the most striking aspect of their business is how happy their tenants seem to be. A few months after completing Rolfe's course, I traveled to St. Louis to spend some time in a couple of parks that he and Reynolds own. (They let me choose where I wanted to stay.) To a person, the residents I met declared themselves satisfied with their landlords. A few, like Linda Wright, a former Walmart employee who has lived in the Jeffco Estates trailer park in Arnold, Mo., for the past 47 years, gushed about their ownership. Wright, who was the park manager when Rolfe and Reynolds took over early last spring, said the rutted roads in the park flooded every time it rained. Drug use was rampant, as were fights; the flashing lights from police cars routinely lit up the nights. When Rolfe and Reynolds bought the park, they repaved the streets and fixed the drainage system. They removed the most dilapidated trailers. And despite Wright's being a thorn in the side of the previous owners, the new owners kept her on as a manager, drawn, Rolfe said, by Wright's my-way-or-the-highway aggressiveness. "You get with the program in my park," Wright, a slight, white-haired woman, told me with her arms crossed. "Or you're out."

Can a business that's trying to squeeze every dime out of the working poor still offer them a pretty good deal? "We can't imagine wanting to live anywhere else," said Wright, who scoffed when I pointed out she's on the company payroll. "Trust me," interjected her husband, John Wright, a retired auto porter. "If she was unhappy with something, she'd tell you." To the extent that hers is a genuine and representative sentiment, the people involved with Mobile Home U. — instructors, enrollees, alumni investors — may represent the best thing going in affordable housing at a time when the nation's need for low-cost places to live has never been greater.

The mobile home as we know it appeared at the start of the automobile era as a pricey, wood-paneled plaything of the very wealthy — a way for them to travel in comfort on long trips before motels lined the roads. The trailer's transition to housing was helped by World War II, when the federal government purchased tens of thousands of utilitarian trailers as a quick and easy way to house workers near factories producing war-related goods. After the war, small trailer parks popped up on college campuses to accommodate the influx of former soldiers under the G.I. Bill. It wasn't until the '50s that the mobile home became a low-cost residence that, despite its name, almost never moved once it was delivered to one of the thousands of trailer parks that were sprouting up around the country.

There are 8.6 million mobile homes in the United States, according to a 2013 U.S. Census Bureau report. Some are a lone trailer on an individual's property, while others might be parked on Native American reservations, but an estimated 12 million people, Rolfe says, live in an actual trailer park. That number is not likely to grow, we learned in Southern California, given restrictive zoning laws and the prohibitive cost of building a new park in the boonies, meaning supply is static even as demand for cheap places to live is high. “It’s just an absolutely great time to be in the mobile-home business, with all the people who have been displaced from their homes because of foreclosures or they’ve lost a job or what have you,” says Stu Silver, who runs a rival trailer-park seminar called SAM (“special advanced mentoring”) camp.

In 2003, Warren Buffett paid $1.7 billion to buy Clayton Homes, one of the country’s largest manufacturers of mobile homes. The industry’s other boldfaced name is Sam Zell, the Chicago-based real estate magnate perhaps best known for his disastrous, debt-heavy takeover of The Chicago Tribune, The Los Angeles Times and other dailies owned by the Tribune conglomerate. Zell is chairman of Equity LifeStyle Properties, which he took public in the early 1990s, when the company was called Manufactured Home Communities. With nearly 140,000 lots scattered across more than 370 communities, Equity LifeStyle is the mobile-home industry’s largest landlord. Given that at various times Zell has owned more office space, as well as more apartment buildings, than any other entrepreneur in the United States, it’s indicative of the riches to be made on this down-at-the-heels edge of the housing market that a mogul like Zell is so heavily invested in trailer parks. Not that the marketing departments at either Zell’s or Buffett’s company would describe one of its properties as a “trailer park.” They wouldn’t even use “mobile-home park.” Clayton builds and provides the financing for “manufactured homes” — grand things compared with the typical trailer — that end up in “manufactured-home communities” like the ones owned and operated by Equity LifeStyle. Its website features a montage of sun-splashed photos filled with tennis courts, swimming pools and lakes, and its properties often include clubhouses. “If you’ve never experienced the manufactured-home-community way of life, you don’t know really what a nice lifestyle it can be,” Chrissy Jackson, an industry consultant, told me. If nothing else, the look and feel of the communities she was talking about are several notches above the trailer park most of us imagine.

Frank Rolfe rolls his eyes when he hears this kind of talk. He tells people he's in the "mobile home" or "trailer park" business because that's how customers talk. As for features like swimming pools? When Rolfe and Reynolds buy a park with a pool, they usually shut it down to rid themselves of the operating expense and the liability. Trees? They don't cut them down, but they don't plant many either. In their view, the root systems of trees are a threat to the sewer lines that crisscross any park. "We don't like laundry rooms or vending machines," Rolfe told the class. "We don't like amenities of any kind." They also prefer to buy used trailers to fill empty lots at their parks. That keeps expenses down for those paying both the lot rent, or "dirt rent," which every resident pays each month, and the rent on their trailer — half of which can be applied toward purchasing any available unit. A used three-bedroom trailer can cost between $10,000 and $20,000, depending on its age, and take 10 years or so to pay for. The typical tenant who rents from Rolfe and Reynolds pays $250 or $300 a month in lot rent and another $200 or $300 if also renting a trailer. "The trailer park is people's last choice," Rolfe says, "and we recognize that."

There were 211,000 fewer units of public housing in the United States in 2012 than there were in 1995, according to the Center on Budget and Policy Priorities. Federal spending on rental assistance programs has remained flat in recent years, according to the center, even as the number of households that the Department of Housing and Urban Development classifies as "worst case" rose by 43 percent between 2007 and 2011. A study by the Center for Housing Policy found that among renters who have a job, one in four was spending at least half of his or her income for an apartment. "We're trying to make things as cheap as possible," Rolfe said.

While Rolfe, who is 52 and has a degree in economics from Stanford, can come off at times as a caricature of the coldhearted capitalist, during his Mobile Home University courses, he also gives voice to left-wing critiques about the profound fissures in our economy. One in five households, he told the class, lives on less than $20,000 a year. A significant portion of the 10,000 Americans who turn 65 every day are facing life on a fixed monthly income of $1,200 or less. He is an admitted profiteer thriving on the collateral damage caused by our winner-take-most economy, but he also is a zealous student of the constantly changing landscapes of American poverty. "The bottom line is Americans as a group are getting poorer," he told his students — and while that's bad news for those living on the economic fringes, it also means opportunities for those willing to take advantage of the trend.

Rolfe was still in high school when a teacher helped him get a summer job at a local advertising agency in the Dallas area. "I felt like I found my place in the world," he recalls. It wasn't the creative side of the ad business that moved him but simply the camaraderie he felt working side by side with his fellow employees. "I wasn't into sports," he says. "I didn't have many friends." He was the first one in the office each day and usually didn't leave until ordered to go home. To this day, he confesses, "I get sad on weekends because there aren't other people around working."

Rolfe, who lives in a small town one hour south of St. Louis, has always looked older than his years, he says, so much so that when he was in his 20s, people mistook him for someone twice his age. Back then, he imagined he would earn an M.B.A. and maybe work at an investment bank. But his brother told him business schools wanted their students to have at least a year of practical experience, and so he went into the billboard business, buying first one billboard, and then a few more, until a decade later he was up to 300 when another company bought him out for $5.8 million. At 35, he had to decide what to do with the rest of his life.

Before Rolfe bought a trailer park, he had visited only one, the Glenhaven Mobile Home Park in Dallas, when an out-of-town billboard client asked him to deliver a message to its manager. Rolfe says: "Invariably, the guy would open the door just wearing his underwear, totally hung over — 'What do you want?' " Yet four months after selling his billboard company, Rolfe bought Glenhaven, a grim, junked-up, half-filled park, for $400,000. "The first thing I did was get a concealed-handgun license," Rolfe says. "Because I was afraid I would get assaulted."

This was 1996, near the start of the Internet era. At that point, a great many Stanford grads were lured to technology by the fortunes that could be made investing in dot-com start-ups. Rolfe had a couple of million dollars in the bank and a newborn daughter at home. Someone in those circumstances might be expected to choose a field that doesn't entail carrying a loaded pistol to work each day, but Rolfe couldn't help himself once he calculated the financial potential of Glenhaven. He eventually made more than a million-dollar profit on that one park. And maybe just as important, he discovered that he was drawn to what was to him an exotic, fringe world that he had stumbled into.

"I don't drink, I don't smoke, I don't gamble," he says. "I don't travel, I don't restore cars, I have no hobbies. I don't do anything." Trailer parks are his world, and after nearly two decades in the business, he can entertain his students with a near-endless repertoire of tales. One of the class's favorites was the tenant who tried to drown his girlfriend — and then nearly became a murder victim himself when the same woman tried to saw off his head.

"I love the weirdness," is how Rolfe put it to me, apparently unaware of how it might sound to some that a man who makes his money squeezing a little bit more out of the working poor also finds entertainment value in the pathologies of the more miserable among them.

After owning Glenhaven for a few months, Rolfe realized there was no reason to carry a gun to work. A year later, he also realized that he didn't need to spend his days in the small manager's office there. For a relatively nominal salary — these days, around $12,000 a year for the typical park plus a rent-free trailer — he could hire a manager and the day-to-day problems would be someone else's. That freed Rolfe to roam the country in search of poorly managed parks to be bought on the cheap. His strategy drew the interest of a private equity firm that provided him with the money he needed to expand his empire. Rolfe had acquired two dozen parks when he reversed course, feeling emboldened by a spike in real estate prices that had potential buyers willing to purchase his properties for much more than he thought they were worth. By 2007, he had sold his entire portfolio, earning about as much on his trailer parks, he says, as he did from the sale of his billboard company.

Rolfe was still winding down his business in 2006 when he met Dave Reynolds at an industry conference. The two competitors agreed over lunch that they could do a much better job teaching people the nuts and bolts of the trailer-park business than the pair who had asked them to serve as guest speakers. If anything, Reynolds knew more about trailer parks than even Rolfe. Reynolds had been born into the business; his parents owned a mobile-home court in Colorado. He went to school to study accounting, but doing the books for the family opened his eyes to the profitability of a world he shunned growing up. "I was the middle-class kid suddenly having to live among the poor," he said about the few months he had to live in his parents' park as a kid. "I hated it." But Reynolds realized that he "could make three times what I could have made as a C.P.A." He bought his first park in 1993, when he was 24.

At first, Rolfe and Reynolds both taught the curriculum they created. But then a couple of years ago, Reynolds calculated the hours he was devoting to teaching a three-day course six times a year during boom times for the trailer-park industry. By that point, the two of them were searching the country for parks to buy. "There were better uses of my time," he concluded. That meant more work for Rolfe, who was happy to pick up the slack. "Some people dream of going to the beach," he says. "I dream of going to an office."

Mobile Home University costs $2,000. Somewhere between 30 and 40 people sign up for the course when it's held in Denver, say, or Columbus, Ohio. But larger, more diverse crowds invariably show up in Southern California. At the Orange County sessions I attended, those enrolled included a pastor from a small church outside Portland, Ore.; a 26-year-old who made a small fortune playing online poker; and an Iraq war veteran who had recently completed a five-year stint in the military.

As an instructor, Rolfe has a veritable Ph.D. in the habits and rituals of trailer-park residents. It's as if he carries a map in his head based on trailer parks he has bought or at least contemplated buying and that gives him a fascinating, if perhaps narrow, view of his fellow citizens. Trailer-park residents living in the North, he told everyone, are rock-solid citizens compared with their counterparts in the South. For one thing, they tend to be neater and also more responsible. In Texas, for instance, 5 to 6 percent of their tenants are delinquent each month paying the rent, compared with less than 2 percent of those living in parks in Wisconsin, North Dakota or Minnesota.

Rolfe avoids buying any parks in New York and California; both states are too "tenant friendly," he said — too much in the way of time and money are required to evict someone who is behind on the rent. And forget Las Vegas, Phoenix and other locales hit hard by the subprime meltdown. The glut of cheap homes represents competition. "If we look on Zillow and see houses selling for $30,000 or $50,000, we're walking from that deal," Rolfe said. In most of the country, the key to calibrating the proper rent means knowing the price of a decent two-bedroom in the surrounding area. If the going rate is $700 a month, Rolfe said, then cap your lot rent at half that. And think long and hard, he warned the class, before crossing the $500 threshold. The industry "sweet spot" is a lot rent of $495, he explained, but raising it by another $5 "could mean death." On the other hand, Rolfe said, you can always have your tenants pay for water, which is a trailer-park owner's largest expense.

Rolfe doesn't offer much practical advice about overcoming any embarrassment in associating yourself with the trailer-park business. That, it seems, is something attendees have worked out for themselves before plunking down their tuition. Among those I spent time with in Orange County was Jefferson Lilly, who had made a lot of money working sales jobs at a series of Silicon Valley-based technology start-ups. "At first I was like, 'No way am I buying a freaking trailer park,' " said Lilly, a clean-cut, 46-year-old Ivy Leaguer who lives in San Francisco. But when he discovered the price of apartment buildings and compared them with the cost of trailer parks, he found himself reconsidering. What difference did it make, Lilly asked himself, whether he bought a trailer park or an apartment building when he wasn't going to live in either one?

One of the first parks Rolfe and Reynolds bought together was the Holiday Manufactured Home Community in Pontoon Beach, Ill. It was there at this predominantly white, 217-lot park that I lived as Rolfe and Reynolds's guest for the better part of a week last summer.

A mobile-home park feels more like an army base than a neighborhood. A trailer is still a trailer, even with the vinyl siding and pitched roofs that are now common, and all but the priciest parks include the familiar Truman-era rectangular metal mobile homes and wooden ones that are also decades old. To maximize the number of homes that can fit in a park, trailers are arranged so passers-by generally see the sides of people's rectangular boxes (spaced 15 to 20 feet apart) rather than their front entrances.

Still, people make the effort to personalize their homes at Pontoon Beach. Everywhere I looked, I saw handsome wooden decks thick with potted plants, American flags, chimes and wooden birds whose wings twirl with the wind. The residents had planted shrubs and rose bushes and small flower beds bordered by rocks.

I heard the occasional complaint during my time at Pontoon Beach — kids riding their bikes in the street, potholes patched instead of streets repaved — but they sounded like what you might hear at the monthly meeting of a suburban homeowner's association. More typical was the view of Alisha Stanek, a 22-year-old high-school dropout with an 8-month-old daughter. Including the installment payments on a used, three-bedroom, two-bath trailer, she was spending $550 a month on rent. "I couldn't find a house for even close to that," Stanek said.

Others even expressed feelings of superiority to those burdened with big mortgages or hefty monthly rents, including Barbara Watz. She moved to Pontoon Beach in 1978, a single woman in her 40s working at a blood clinic. She could have bought a tiny house on her salary, but a two-bedroom, one-bath trailer cost less per month than her car payment — and meant she was done with house payments after a few years. Now 76 and retired, Watz pays $285 a month in lot rent and spends her days reading murder mysteries and tending to her plants. Watz drives a 2010 Honda S.U.V. and has the money for small splurges. (One day when we were talking, U.P.S. delivered to her a box of wooden ducks dressed in yellow raincoats.) Her only complaint about living in a mobile-home park? "The trailer trash, redneck jokes I've been hearing since the day I moved in," she said.

There's some nobility in the Rolfe-Reynolds business model. The parks they take over tend to be in lousy shape, and they spend hundreds of thousands of dollars fixing them up. In that way, they're the trailer-park equivalent of the developer who buys abandoned properties in the Bronx and converts them into livable places that are, at least, clean and safe. “There’s more money in decent than slumlording,” Rolfe told the class in Orange County. Run a lousy park, he warned, and you’ll never keep tenants. They’ll skip out owing rent, and it will cost you thousands of dollars to fix up the trailers they trash before leaving. Rolfe says he shudders at the thought of losing money to the multimillion-dollar negligence suits that result from cutting corners.

A Rolfe-Reynolds park is, if nothing else, well run. Based on what I saw, tenants kept their lots junk-free and the grass mowed — or management will take care of things and send you the bill. Rolfe and Reynolds begin eviction proceedings on a tenant as soon as local laws allow, even if a tenant is just two or three weeks late in paying the rent. “Ours is a strict ‘no pay, no stay’ policy,” Rolfe says. The practice helps rid their parks of bad seeds and ne’er-do-wells — though that’s little consolation to the newly laid-off tenant who now has to simultaneously think about finding a new job and a new place to live, while facing the possibility that he’s about to lose whatever equity he has in his home. And most do have considerable equity invested, given that four out of five are paying only a monthly lot rent, which means they own their trailer outright or are making payments to a third party. If their trailer parks can be viewed as part of the new safety net, it’s a fragile one.

The trailer park also seems a bad deal for the manager. After all, it’s the managers who deal with a clogged sewer line or the unstable tenant behind in his rent — in exchange for a low-paying job that doesn’t even offer health insurance. Yet Rolfe has a point when he argues that it’s often better than most of the alternatives. He mentions Linda Wright, who manages his park in Arnold, Mo. “What was she making at Walmart: $13 an hour?” Rolfe asked. “For $25,000 a year, she had to be in that store eight hours a day, driving there, had a boss. Now she’s making close to the same with us, in her own house. She’s her own boss.”

Rolfe confesses to feeling some guilt that he owns the largest house in his hometown while his customers are making do in cramped quarters. It breaks his heart, he confesses, when they evict a family even as he tells himself it’s for the best. He acknowledges he has made millions of dollars warehousing those living on the economic margins. But what if you simply want to keep your monthly living expenses low so you have a nest egg for emergencies — or have the option to take in a movie or buy some wooden ducks every once in a while? Or what if Pontoon Beach is simply your best option? With around 10,000 lots scattered mostly across the Midwest and the Central Plains, Rolfe and Reynolds are about equivalent in size to a public-housing agency in a midsize city — and in an important way, they play the same role. Those living in public housing are generally required to pay up to 30 percent of their household income as their share of the rent. Rolfe and Reynolds's tenants pay on average closer to 20 percent. And unlike the civil servants working for a housing agency, their managers know they must enforce the rules or they're out. "We go through managers like crazy," Rolfe says.

Their tenants, though, tend to stay if for no other reason than a lack of options. The average resident has "such bad credit," Rolfe said, that it would be a deal-killer for most landlords running credit checks on potential tenants. Those who are retired are thankful that they own a place of their own, even if it's only a metal box, because it allows them to live on the little they have. And here Rolfe and Reynolds are providing safe, low-cost housing to those who can't afford to pay more or choose not to.

"We're the Dollar General store of housing," Rolfe said, adding, with an amiable grin, "If you can't afford anything else, then you'll live with us."

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