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MANUFACTURED HOME COMMUNITY & MOBILE HOME PARK NEWSLETTER



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2019 Trends: Two trends are front & center— Affordable Housing & Asset Management.

Expect to see many MHP sales and for top prices. Along with the top prices being paid, expect to see aggressive rent growth.

Professional managers when setting rent, look at many more factors than the local MHP rents. They analyze apartment and other housing rent, home prices, employment levels, wages, and many more measures. That is why it is not uncommon to see rents rise \$50, \$100 or more per month when a park is sold. Scarcely anyone moves. The rent is at market. The tenants realize this. There are not good alternatives unless they move to a substandard apartment. For MHP developers, there has not been a better time in over 20 years to build more sites depending on the local market.

Affordable Housing Crisis:

Why is the MHP business largely ignoring the national crisis of lack of low-cost housing?

At the George Allen Roundtable in September there was scant attention paid to the looming Affordable Housing Crisis. There was one exception, though. One of the Indiana attendees met with the University of Indiana MBA school for a discussion



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on what role mobile home parks may potentially play to help solve the housing crisis. In particular, the attendees discussed the Baby Boomers lack of preparedness for retirement. The Baby Boomers' lack of retirement savings combined with the fact that people are living longer is cause for grave concern. The question is can mobile home living create cost savings for the Baby Boomers who may very well live into their eighties and nineties? The answer is YES!

Definition of a Housing Crisis:

We have become all too familiar with seeing the homeless and the homeless encampments in NYC, San Francisco, Chicago, and pretty much every city. But it is no longer just the big cities. Cities and states in Colorado, Virginia, even North Dakota, have dedicated programs for homelessness in small towns and rural areas. According to HUD (US Department of Housing & Urban Development), 554,000 people were homeless in 2017. This is a crisis. In addition, many more Americans are at risk of becoming homeless because 12,000,000 Americans pay over 50% of their income for housing (HUD). That's a problem. One unexpected expense such as a car repair or reduced income from unpaid sick days, could push these vulnerable households into homelessness.

As housing providers, mobile homes and mobile home parks have a lot to offer. In the MH history though, addressing homelessness has not been a top of mind source of prospective residents. And the mobile home business has, in a way, profited from the affordable housing crisis. As the affordability index for buying residential real estate has priced home buyers out of buying a house, mobile homes can be a stopgap, given that the only alternatives are an apartment (and not a new luxury one either) or a single-family rental, if one can be found.

The MHP Gold Rush of 2019 and 2020:

One significant reason that mobile home parks are so in demand and selling for great prices is that MHP investors understand the shifting demographics in the US. What that means is that despite a national economy with very low unemployment and a pretty good stock market, millions of Americans are not participating in the good times. Millions of Americans, even if their wages increase, will be no better off financially than they are in 2018, or were in 2008, or in 2001. As food prices, oil, building materials increase, the average American is more or less stuck. They won't be getting a tech job with a big paycheck or even much of a raise. It is a sad commentary on the American Dream that if you work hard, you can get ahead.

Why else are so many new mobile homes are going into parks? As home prices and apartment rents escalate, more Americans seek attainable (meaning it is less than 50% of their monthly income) housing. The MHP investors are well aware of this; it is key to the MHP demand.

Why the years 2019 & 2020? Markets, capital, and real estate are cyclical, if one believes the past is any indication of the future. It is reasonable to expect there will be a market correction, but not likely in the next year or two.



The shortage of affordable housing or to put another way, the supply & demand is so out of whack, that it is creating aggressive rent growth. There is reason to think that rents will continue to escalate as there is less new home construction, interest rates rise (even a ¼% or ½% increase pushes plenty of prospective homebuyers out of the market), jobs expand, the population grows, and existing housing stock is destroyed by natural disasters. This is a complex dilemma.

Asset Management Comes into Its Own:

I recall from few decades ago an MHP seller questioning how the buyer, who lived several states away, could manage his park. Back then, at least for the MHP investors with only a few parks, they didn't manage their

real estate assets all that well. That's why vacant sites, park-owned homes (POHs) and abandoned homes were a deal breaker for a lot of investors; too hard to manage remotely. Fast forward to 2019 and that has changed. MHP investors, after paying big prices for parks, understand that managing the parks and maximizing the monthly income is paramount. That means collecting ALL of the rent every month, buying new homes (and selling or renting them), and making sure abandoned homes are dealt with pronto.*



The role of Asset Manager is crucial. And as investors pay ever higher prices for parks, it will become even more so. If you are a park owner, why not become your own Asset Manager by insisting everyone pay on time and every month. There is no reason, NONE, to carry delinquent rent balances. And just so you know, if you are carrying rent balances, you almost become a "target" for MHP investors. They like sellers with delinquent rent because they reason that this is a mismanaged park and that they, as buyers, can add value to it. (This is code for discount the sale price.)

**Note: Possession of abandoned homes are, of course, subject to state law. However, there are plenty of parks with abandoned homes that the park owners are ignoring. Once I brokered a park with over 20 abandoned homes. It took months and thousands of dollars for the seller to execute on the state law for abandoned homes. But it was the only way he could sell the park. And this was a state with relatively easy MH laws.*

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*Happy New Year from
the Stevens Team to all of You!*

Past Newsletters are on my website.

JoanneMStevens.com

Click newsletters on the left-hand column.

SAVE THE DATE: Links on Our Website

2019 MHI Winter Meeting

The Driskill, 604 Brazos Street, Austin, TX 78701

2/18 - 2/20/2019

2019 MHI Congress & Expo

Hyatt Regency New Orleans, 601 Loyola Ave, New Orleans, LA 70113

5/6 - 5/8/2019

2019 MHI Annual Meeting

The Westin Savannah, 1 Resort Dr, Savannah, GA 31421

9/22 - 9/24/2019

Keep current on mobile home industry events.
Go to my website; you will find information on upcoming events.

WHAT IS YOUR PARK WORTH?

I am always happy to do a FREE, NO OBLIGATION, Real Estate Review for your park(s). You ought to know today's market value of your real estate investments.

If this is something you would like, simply give me a call at 319-378-6786, email me at joannestevens@iowarealty.com, or visit <http://joannemstevens.com/>

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.