

2018
Fall

MANUFACTURED HOME COMMUNITY & MOBILE HOME PARK NEWSLETTER



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Rising Trends for Fall 2018...

This month, Chuck Schierbeck, MAI of Colliers International, is the featured interview. Chuck and his team appraise hundreds of mobile home parks every year across the country. Interviewing an MAI appraiser with the breath of Chuck's experience can be insightful to park owners because Chuck sees it all.

When it comes time to refinance or sell, the management and operations bar is rising as more and larger portfolio owners enter and expand their mobile home park holdings. It's not that these owners want to make money investing in parks; They HAVE TO make money. Their funds come from friends, relatives, mostly, and other investors. If they don't pay back the investment and with a yield on the investment their money pipeline will dry up; and they're not into that. These same investors are paying BIG prices for parks, despite the inching up of interest rates. They fully expect to pay their investors very well. They are setting the trends that appraisers are observing.

There are three main trends emerging in the mobile home park world. And all three have to do with making more cash flow and making parks more valuable. The three trends are:

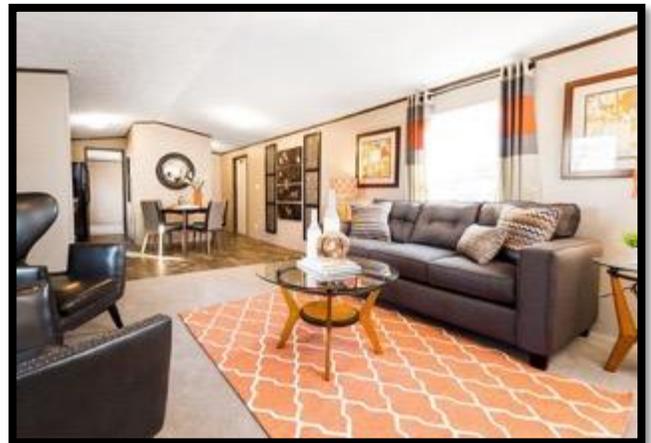
- Vacant sites being filled with new homes,
- Rent increases becoming more attuned with the overall housing market,
- Expansion of parks with new sites when excess, vacant land is available.

This last one is big news. When was the last time you heard of anyone building sites? Or even new parks?

First the homes. Vacant sites are being filled like never before. Some homes are selling for cash, some are financed through the traditional mobile home lenders such as 21st Mortgage and Triad. There are lenders, too. Some homes are rented or rented with an option to purchase. Mobile home parks no longer have the luxury of buying four to six new homes a year. Now, new homes are being ordered in lots of 10, 25, and up. The managers are getting the job done. Technology plays a role. Call centers play a part. For example, a new multiple-parks-in-multiple-states owner has all of the home buyer calls go to a central call center. The call center qualifies the home buyers (how much down, how's the credit, monthly income and expenses). The home buyer prospect is even more enthusiastic about buying the home and moving into the park, once the mystery of whether or not they qualify is out of the way. Pretty much by the time the prospect arrives at the community, they are ready to buy the home. They've already shopped online for the home and the community. This mobile home park owner has a system and a process for helping the home buyer make a decision that is right for the home buyer. This mobile home park owner realizes there is no way the mobile home park manager has the time to qualify a high volume of prospects. The use of the call-center not only save the manager's time, it increases the odds of making the sale.

So many parks are filling vacant sites that there are fewer sites for prospects to choose from. Fewer vacant sites creating urgency in the buyers. "Buy now while there is a lot available" or "only 5 homes left". It's too soon to tell but it is becoming more the norm to see parks that are 90%-plus occupied.

Rent Increases. How should lot rents be set? By what the other parks charge? The scarcity of vacant lots due to local zoning NIMBYs? A CPI? Apartment rents? Median home sale prices for site-built homes? If you answered yes to all





of these, you are correct, sort of. There is no formula. There is little research of housing markets and how mobile home rents fit with the local housing market.

Chuck shared that investors planning a significant rent increase after the closing (\$50+) planned to improve the property. He said the investors found that there was less pushback from residents if they felt like they were getting something. Some things the new owners did to take the sting out of a rent increase included spiffing up the community building, fixing the streets, new landscaping, and playground upgrades. The new mobile home park owner did not give away the farm to sell the rent increase. Tenants are not moving out because of the rent increase.



New sites due to expansion. It's unknown how many potential sites are out there. When the money went away for the consumers to buy homes, mobile home park owners/developers stopped building. What is known, is that SUN Communities, Zeman Homes, RV Horizons and many more mobile home park owners are building sites. Mobile home park owners bought broken mobile home park developments then finished building the streets, underground infrastructure, and sites. Many parks have extra land continuous to their park which either is or could be zoned for more homes.

The decision to build new sites is an easy one and here is why. Mobile home parks are selling for \$30,000- \$50,000 a site (or more) in a lot of markets. If you own the land, the costs to develop one site will be in the \$30,000-\$50,000 range. For the cost of every site built, the value of the park just increased by that amount. Of course, a home has to be bought and installed, too. Mobile home park investors find that this financial model works very well. It adds to the cash flow. It brings in new housing stocks to spruce things up.



RV Horizons bought a 200-site mobile home park in a midwestern metro area. This park had seen better days. The homes were in disrepair, the streets hadn't been maintained. RV Horizons junked nearly all the homes, replaced water lines and sewer lines, and overlaid the streets. They now have (or soon will) a good park that is an asset to the market area.

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Chuck is a wealth of information and thoroughly knows the mobile home park business. If you need an appraisal, I highly recommend Chuck. His contact information is:

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SAVE THE DATE: Links on Our Website

2018 NCC Fall Leadership Forum
Westin Michigan Avenue, Chicago, IL

Nov. 7-9, 2018

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.