



The Valuation of Parks and Communities

How to Determine Value



THE FINALISTS

*"Who would have thought they'd
actually give money to a bank!"*

NAI Iowa Realty
Commercial

Commercial Real Estate Services, Worldwide.

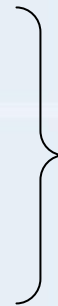
www.JoanneMStevens.com

319-378-6786

1. What do you really have when you own a Mobile Home Park?

Stable

Predictable



Income

Maximizing Value

Maximizing Income



Commercial Real Estate Services, Worldwide.

www.JoanneMStevens.com
319-378-6786

2. Issues that impact stability and predictability:

- Vacancy – especially if trending downward.
- Out of control expenses – utilities, taxes...
- Park owned rental and contract homes.
- Delinquencies.

3. INVESTORS

Every day decide to

➤ Buy

➤ Sell

➤ Do Nothing

4. Net Operating Income

if it increases can

- Help refinance for better terms.
- Increase your cash flow.
- Make your property worth more.

5. Hope is not a strategy.

- Know your numbers.
- It's about maximizing your cash flow and the value of your property.

6. Components of Cash Flow

Gross Potential Rental Income

<i>Minus</i>	Vacancy and Rent Loss
<i>Plus</i>	Miscellaneous Income
<i>Equals</i>	Effective Gross Income
<i>Minus</i>	Operating Expenses
<i>Equals</i>	Net Operating Income (NOI)
<i>Minus</i>	Debt Service (principal and/or interest)
<i>Minus</i>	Capital Expenditures (when applicable)
<i>Equals</i>	Cash Flow

7. Revenue

- Increase Rent. Know your market.

Probably the most common mistake owners make is not knowing their market. A large community owner that just put his community under contract said. “It’s being complacent and not looking ahead. We are our own worst enemy. And we are paying for it now.”

What is the true market rent?



9. Key Numbers

- Break out repair/maintenance/replacement items of \$500 or more.
- If you are a family business with family members receiving dividends and other perks (cars, health insurance, cell phones, etc.) the buyer and appraiser will understand.
- Keep a separate set of books for POHs
- If investors need to make assumptions about the income and expenses because of lack of information, they will err on the side of conservation.

10. Insurance

- Trend – Try to limit exposure. Growing trend of landlords mandating renter insurance. Helps transfer operating risk of resident caused fire, water damage.
- Trend – Health care. Insure employee only, pass through increases above the base insurance.

11. Repairs and Maintenance: What should it cost annually?



Commercial Real Estate Services, Worldwide.

www.JoanneMStevens.com
319-378-6786

12. Items to lower expenses: Bid out annually:

- Insurance
- Snow removal
- Lawn care for common areas

13. Utilities

- Cost analysis on water sub-metering.
- Pass through cost with a surcharge.
- Explore direct billing by City.
- Water and sewer savings could add 20% in value

14. Ideas for Reducing Taxes

- Tax appeal
- Pass through to residents

15. Management

- Know what the market is for a manager, even if you do it yourself. The buyer and appraiser and lender will include management in their analysis.

16. Net Operating Income

“Attaining...the highest possible income and ...the lowest possible expenses without sacrificing the physical requirement of the property”

Successful Residential
Management

17. What are reserves and how do they impact value?

- Capital improvements and how to fund.
- Streets, buildings, common areas.

18. The two most important things you can do to add value to your community:

➤ **Increase Rent**

➤ **Submeter or pass through utility costs.**