

Commercial and Investment Real Estate Newsletter



INSIDE THIS ISSUE:

| | |
|---|-----|
| The Economy On: Housing | 1-2 |
| Have You Tried...? | 2 |
| Housing Trends of the Month | 3 |
| People Are Talking About..... | 3 |
| Selling Commercial and Investment Real Estate | 4 |



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For **more articles**, and
information on
**LISTINGS OF PARKS &
COMMUNITIES**

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NAI Iowa Realty Commercial
A Berkshire Hathaway Company

THE ECONOMY ON:

Housing—Multi-Family—Manufactured Home Communities

Dr. Peter Linneman, Wharton School of Finance professor and economist spoke to the NAI commercial and investment real estate brokers in October during his quarterly webcast.

There are some good economic and demographic trends and some worrisome trends. Overall, apartments and manufactured home parks and communities should do well now and in the future. To download audio presentations of past webcasts, or join upcoming quarterly webcasts by Dr. Linneman, check out my website under 'Resources and Links'.

Trends:

1. Consumer confidence is up but still below historical levels. So confidence is better but not great.
2. US auto sales are up (they only had one way to go), but way off norms. This is because consumers don't feel confident enough yet that they can make car payments.
3. Haven't hit bottom. The US economy is starting to come out of the Great Recession, but the economy still feels awful. (One reason people aren't buying homes in a lot of markets—not sure if values have stabilized).
4. Currently, too little household formation, but we may not have a housing oversupply. There are 1.4 million vacant houses, condos and apartments nationwide. The US adds about 3 million people a year to the population.

Joanne Stevens is a commercial investment/real estate professional consulting people 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. She has been involved in sales of parks, multi-family and investment real estate.

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Continued from Page 1...

There are 2.1 million pent up households (college grads living at home or doubling up with friends because they don't have a job). When the economy improves and people find jobs, they will be forming households. Potentially, there could be a shortage of homes by 600,000—700,000.

- √ New multi-family units are below average in development. Every year about 150,000 apartments are lost through natural disasters or demolished because of age and poor condition. In 2010 only 90,000 apartments will be built, so there could be a demand and not enough apartments.
- √ Unemployment could stay high, say in the 8% to 10% range over the foreseeable future (a theme other economists are predicting as well). The reason is because the population will continue to grow so even though jobs will be added, high unemployment may continue. At a recent CCIM workshop I attended, there was a discussion about multi-family units and colleges and universities. The jobs are going to go to those who have re-invented themselves. Colleges and universities, especially the community colleges are experiencing an influx of adult students...how can we get our MH communities and homes in front of these returning students?
- √ As unemployment benefits run out and reality sets in, people (those who haven't gotten additional training, a new degree, etc.) will adjust to:
 - * Lower salaries
 - * Different job sectors
 - * Move in order to take a job.
 - * Jobs Abroad. Most of the jobs that have moved abroad are because consumers in other countries are now earning enough to afford products made by US companies. It makes for better dollars and cents if the US companies produce those goods within 500 miles of the consumer. (i.e.: it's inefficient and less profit able to produce Coca-Cola in the US and ship it to Asia—better to have a factory abroad.)
 - * Capitalization Rates for multi-family. Pricing is about two points above Treasury bonds for "A" locations. That translates to say, a 4 cap in growing metro markets.

Have you tried...

Buying mobile and manufactured homes by:

- √ **Contacting real estate agents and letting them know that you are a buyer for Manufactured Homes when they have a farm or acreage listing with a mobile home that needs to be sold and moved?**
- √ **Calling the Board of Realtors to see if they will put MH listings on their MLS and website?**
- √ **Having your Realtor do a search of listings using trailer, mobile home, manufactured home, to buy for your community?**

People are Talking About...

Sun Communities, a publicly traded company, reports that in 2010 they received 22,000 calls from prospective residents. Sun owns 36,000 home sites. In 2009, they had 19,000 calls.

VACANCY...

What's It Worth?

In the current environment it's probably worth little to nothing. Possibly, it's a negative value. If the vacancy has an ongoing cost for utilities, or upkeep, it will actually lower the value.

“Commercial Investment Real Estate Magazine”

Housing Trends of the Month

Used FEMA manufactured homes are in high demand by park and community owners. MH community owners are able to quickly sell (with seller financing) or in areas where the sale model doesn't work, rent the homes.

Less is More...

“Thanks to the weakened economy...the trend is towards smaller but better quality homes ...Homeowners are forced to make do with less space and fewer possessions...It's a less is more approach...” (Orange County Register)

A Midwestern homebuilder is starting to use modular homes in his single family and new apartment business. He reasons that customers are sick of how long it takes to build new, there's less interest expense for him, it's really hard to find good labor (even in a so-called “down economy”).

“No matter how successful you've been in the last decade, if you want to be successful in the next, you are going to have to do something better.”
Urban Land Institute Housing Panel Member, Annual Meeting

Clayton Homes & Green Building

Clayton Homes is conserving resources and keeping the building process environment friendly. For each home that Clayton builds, only two trash cans of waste are produced. Measure that against the full dumpsters you see at new construction site-built homes.



The New Normal?

More community and multi-family owners say they are working more than in past years and that they are delegating less to others, in order to keep expenses down.



Do you need to sell your commercial, investment real estate, or multi-family (apartment, park or community) property? Call for a FREE and confidential evaluation.

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Selling Commercial & Investment Real Estate...What Is It Like?

Three words. Price. It. Right. What is the right price? With the diminished number of sales of commercial real estate and therefore a dearth of real estate “comps”, what is the right price?

Well, if your property is on the market and you’re not getting offers or even that many calls, the property is overpriced. That means it IS overpriced, not it may be overpriced. Today, investors don’t want to waste time on trying to acquire property from what they view as an unrealistic seller. They don’t want to risk insulting a seller and burning a bridge by making an offer lower than the asking price. The relationship between buyer and

seller is important to the investor. The serious investor is sensitive to embarrassment if a seller talks about their unacceptable offer.

Here’s the good news for selling commercial real estate. The demand from investors is strong—and not just from “bottom feeders”. Just know that there are plenty of serious, qualified, “present-time” investors for your property.



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

FREE REPORT!

#8004
“Sales Habits of Owners
of MH Communities”

Call:

1-877-360-2730

Instructions are pre-recorded, so no one will talk to you when you call.

The Right Homes for The Right Time, Right Now (or at least soon)

Tiny Houses (author Mimi Zeiger), a book published in 2009, embraces the 'less is more' eco green concept. The book has terrific photos, innovations and floor plans for homes under 1,000 square feet. One of the themes is that Americans need to reduce the size of their homes and reverse the 'super size me' trend. The average US home is now 2,330 square feet, up for 1,400 square feet in 1970.

The homes are so hip that they make living in a Tiny House look cool. Manufactured homes dwarf the Tiny Houses. Apparently there is a Small House Society that promotes healthier and more cost effective living through lower utility bills and having a better outcome for the environment. How many manufacturers, retailers and community owners are promoting sustainability of our homes?

Why Baby Boomers Will Be Attracted to Manufactured Home Communities

According to a recent article in the Wall Street Journal, Baby Boomers aren't saving enough for retirement. The article says that current and prospective retirees have been hit on many fronts at once. They have less money, they earn less on their investments, their houses aren't rising in value, and the prospect of working longer to make up the shortfall has dimmed in a lousy job market.

Thirty six million Americans will turn age 65 between now and 2010, and another 45 million between 2020 and 2030. That's a huge demographic that could be favorable to manufactured home communities and apartments. Experts predict that 3 out of 5 Baby Boomers are at risk of running out of money in retirement. Employees who wish to stay in the workforce after age 65 worry that employers won't want to invest in training them because they might retire. Baby Boomers will have to make choices about their spending for housing and that could be good for manufactured housing. For more information, look at The Center for Retirement Research at Boston College: <http://crr.bc.edu/>

Survey: Economy Driving People Out of (Site Built) Housing Market

Nearly two thirds of Americans say the current economic situation is making them less likely to buy a sit-built home despite record low mortgage rates and an abundance of homes on the market. In particular, people making less than \$50,000 a year in household income are much less inclined to buy a home. Many people now feel that buying a home, selling a home and owning a home are all becoming more complicated and that their capabilities need to increase for the challenge of home ownership. (Editor's note: There is an opportunity for manufactured homes and communities, as well as apartments).

Listings

| Property | Address | Price | Comments |
|------------------------------------|--|------------------------------------|--|
| Westlake Condominiums (Apartments) | 1770 92nd St. West Des Moines, IA 50266 | \$1,250,000 (\$89,285 per unit) | Apartments: 4 - 3BR, 2BA units 8 - 2 BR, 2BA units 2 - 2BR, 1BA units Newer building, 100% occupied, well located. 7.6% cap rate |
| Econo Lodge Inn | 7222 Northwest Blvd. Davenport, IA 52806 | \$1,999,000 (\$22,460 per room) | 89 rooms. 2 story. Off Interstate 80, exit 292. Average daily rate is \$42. Built in 1974 |
| Highland Terrace Apartments | 2101, 2102....Clarkview Dr. and 1000 Terrace Dr. Charles City, IA | \$2,095,000 (\$19,398 per unit) | 108 units. 7 buildings 13 - 1BR 83 - 2BR 12 - 3BR All new roofs in 2005 |



"Of course you feel great. These things are loaded with antidepressants."

continued other side....