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MANUFACTURED HOME COMMUNITY & MOBILE HOME PARK NEWSLETTER



The Starbucks Effect: Raising Prices in a Competitive Market



It seems that all the news about Starbucks lately has been centered on a Philadelphia Starbucks, and the arrest of two young African-American men. Starbucks handled that unfortunate incident by a vigorous review of its practices, policies, and philosophy. The unfortunate incident, a public-relation “60-*Minutes*” moment, evolved rather elegantly with Starbucks announcing an inclusive policy of everyone is welcome at Starbucks, even those who don’t purchase anything.

But the news of Starbucks raising their coffee drink prices may be relevant

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to the
mobile
home park
business.

Coffee is an enormously competitive business. Of late, Starbucks has missed its quarterly profit targets. This is quite serious for a public company because the sales affect the stock price. The investors are nervous about this and also worried that the country is becoming “over coffee’d”, meaning there may be too many coffee houses, kiosks, and stores. After all, how much coffee can Americans drink?

Raising prices is risky, perhaps. And the higher prices aren’t because of the higher labor or the coffee bean prices. They just want and need to make more profit. Do they have a captive-enough audience that will stay with Starbucks even though the consumer can buy pretty much the same product elsewhere and for less? Time will tell but the smart money says Starbucks knows their customers exceedingly well,

and the price increase will work for hitting Starbucks sales targets.

Which brings us to the mobile home park business. New park investors are raising rent like never before. It's common to see \$50 to \$100 rent increase plus passing through water and sewer in the first year of ownership. In fact, under market rents have become a criterion of many park investors. And even though below market rents are common in many parks, the new investors are raising rents much more significantly than in the past. Tenants aren't moving out, either.

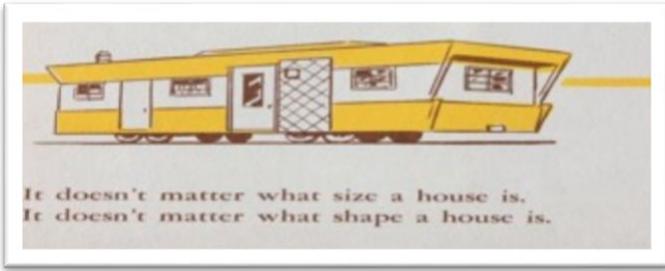
So, what should you do as a park owner? For starters, it's not a sin to have your rent at market. It's fine to have park rent a little under the market, but not \$75 or \$100 or more under the market. Another thing is the cost for water and sewer charges and who pays them - landlord or tenant. I just brokered the sale of a park (park A) and here's the blueprint of the rent....

I rest my case. And this is one example of one park with under market rent. It happens all the time! If you are a park owner, the most common refrain from your residents is that they "can't afford" higher lot rent. That may be true and if so, they need to go to one of the non-profits and obtain assistance.

In the example of park owner 'A', the new owner immediately raised rent \$25 and added water meters. That's a \$65 rent increase. No one moved out. There are a number of fixed-income seniors in this park, too.

A very successful park owner once said that we have to charge enough to pay for good managers, maintain the property very well and fund capital expenditures such as street repair. Our rents need to be fair to the park owners, too.

<u>Rent Blueprints</u>		
Park	A (Sold)	B (Rent Comparable)
Lot Rent	\$210	\$305
City Water/City Sewer	Yes	Yes
Water/Sewer Sub-metered and charged to Tenants	No	Yes
Est. Average Water/Sewer Cost/Household	\$40	\$40
Net Rent to Park Owner after accounting for Water/Sewer	\$170	\$345



Why Dr. Ben Carson, HUD Secretary, Loves the Mobile Home Park Industry and Why Local Government Ought to Listen Up...

At the April Manufactured Housing Institute meeting, Mr. Ben Carson, the keynote speaker address to jam-packed audience. And Mr. Secretary Carson did not disappoint. It turned out that mobile homes and mobile home parks #1-fan just might be Ben Carson!

In his speech, he praised the manufactured home business as well as housing that doesn't need a government subsidy. And government (Federal, State, County, City) is looking for ways to cut their housing subsidiaries like never before. The MHI audience loved the speech and felt like FINALLY(!) someone at the federal level gets the enormous importance of mobile homes and mobile home parks; and recognizes what unsung heroes you the mobile home park owner and mobile home manufacturers are to this country.



Sales of Mobile Home Parks are UP! More MMHP Owners Wish to Sell!

Everyone likes to know the scoop on what parks are selling and for how much. It's a robust market with most parks selling at full price. And more parks are selling as owners age and realize there may be more to life than owning a mobile home park. Also, more owners have made their peace with paying the capital gains tax, reasoning that between the years of cash flow and the high sales price, they can justify paying capital gains tax.



Go to my website for the new 2018 Mobile Home Park Financing Handbook from Wells Fargo.



Return Service Requested:

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Past Newsletters are on my website.

JoanneMStevens.com

Click newsletters on the left-hand column.

SAVE THE DATE: Links on Our Website

2018 Intl. Networking Roundtable

The Alexander A Dolce Hotel, Indianapolis, IN

Joanne and Tammy Fonk will host the Broker Panel Event on the 5th.

Sept. 5-7, 2018

MHI Annual Meeting

Paséa Hotel & Spa, Huntington Beach, CA

Sept. 23-25, 2018

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.