



# MOBILE HOME PARK MONTHLY

July 2012



The Mobile Home Park Investment Study Course includes 24 hours' worth of material that will teach you how to BUY, SELL, OPERATE, AND TURNAROUND any Mobile Home Park.

## Current REIT Stock Prices as of 06/29/12

### Equity Lifestyle Properties (ELS)

68.97 up 2.17

PE Ratio - 209.00

### UMH Properties Inc. (UMH)

10.73 up 0.22

PE Ratio - 63.12

### Sun Communities Inc. (SUI)

44.24 up 1.55

PE Ratio - 884.80

## MEMO FROM FRANK & DAVE

The first half of the year is nearing completion. If the year is not going as you planned, you need to examine what the problem is and make significant modifications to get back on track. If your problem is not finding enough mobile home parks to buy, then maybe you need to start doing things differently. We've found more deals over the past twelve months from brokers than any other source. You can find a complete list of brokers on [Mobilehomeparkstore.com](http://Mobilehomeparkstore.com) – and then you simply call or email them and find out what they have that might work for you. Another great source, of course, is the internet. You can find around 1,000 parks for sale on [Mobilehomeparkstore.com](http://Mobilehomeparkstore.com) and [Loopnet.com](http://Loopnet.com). After that, your attack plan should include direct mail and cold-calling. Finding mobile home parks is a volume business – the more you evaluate, the better your odds of finding the perfect one. So look at where you are at and, if you are not hitting your goals, then now is the time to do so. There's still ½ of 2012 to go!



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[www.mobilehomeparkstore.com](http://www.mobilehomeparkstore.com)

[www.mhbay.com](http://www.mhbay.com)

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## HOW TO HEDGE THE ECONOMIC DOWNTURN WITH MOBILE HOME PARKS

With the exception of some of our government leaders, most Americans are aware that the economy is going down the tubes. Actual, disposable incomes are decreasing. Around 50% of all home mortgages are under water. Net worths are plunging. We are only growing new jobs at minimum wage – and even then, often only part-time. So how do you take advantage of the worst economic turmoil in U.S. history? The answer is simple: mobile home parks. But the reasons why are even more numerous than you think.

### *Aging Americans are not as prosperous a group as was originally thought*

The Federal Reserve recently released a report showing that the median net worth of the American family dropped 39 percent from about \$126,000 in 2007 to \$77,000 in 2010. O.K., that's a shocker. But let's look at why that is really, really bad. The baby boomers are beginning to retire in droves, and all they have to live on – if they liquidate everything – is around \$77,000 in total assets, plus social security. So essentially, they do not have even a fraction of the income necessary to maintain their current standard of living. Will this put a portion of the boomers into mobile homes? Potentially. It sure is going to increase the demand for affordable housing.

### *Household formation is reaching a crisis point*

Throughout the entire economic downturn, new households have been being formed. Marriages and kids have continued on, as have college students graduating. Where are these folks supposed to live? possible afford traditional housing? Warren Buffet gave a speech on this a while back, which may explain his giant investment in mobile home manufacturer Clayton Homes. Buffet said "every day we are creating more households than housing units. People may postpone hitching up during uncertain times, but eventually hormones take over. And while "doubling up" may be the initial reaction of some during a recession, living with in-laws can quickly lose its allure." Essentially, the demand for affordable housing is growing every day.

### *20% of all American families are living on household incomes of \$20,000 per year or less*

The first time I saw this statistic, I immediately turned to the internet to prove it wrong. But sadly it's true. 20% of all households are earning \$10 per hour or less. If you use the government's own ratio of no more than 33% devoted to housing that gives these families a budget of only \$500 per month. With that kind of budget, you have only two options: 1) horrible apartment complex with drug dealers milling around the entrance or 2) a decent mobile home park. For almost all customers in this price-point, the mobile home park wins.

### *It's unlikely that any of this is going to improve*

That's the real problem in the U.S. right now – none of these trends are improving. In fact, they're all getting worse. Much worse. Regardless of who wins the election in a few months, there's no way that our elected officials can turn back the megatrends that have caused this outcome. It's mostly just damage control and playing defense. So the very forces that have created the demand for mobile home parks are not showing any signs of letting up.

## MOBILE HOME PARK STORY

Over-the-top single family homes are not that common inside mobile home parks. Many a Mom & Pop have built a house and lived inside their park, but those homes are normally not that impressive – maybe a frame bungalow or a small brick ranch house. But there are notable exceptions. One of the most unusual is a tudor-style home we discovered accidentally during a boot camp in Ft. Worth, Texas. While walking through a typical family park north of Ft. Worth, we couldn't help but notice the giant stone and brick structure lurking at the back of the park. We assumed it was a neighbor with bad taste in locations, but it turned out to be the park office. Apparently, this house was the "Graceland" of mobsters from the 1930s to the 1960s, complete with a giant in-ground swimming pool that was used as a constant setting for mob parties. There's probably little doubt that some folks are permanently interred in the basement concrete. The story goes that, as the neighborhood declined, the mob moved to a swankier address and, over time, the grounds of the estate were re-developed in to a mobile home park. You have to imagine the horror that the original builders would have to see their classic mansion now inside a park and used as an office. Interestingly enough, #2 on the list of in-park mansions would be in our own park in Muskogee, Oklahoma. The original owners' home in that park features a 25' long bedroom with a fireplace at the end, a party room with full restaurant-style working bar, and a three-car garage.



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## Why mobile home parks are the ideal hedge

Sure, mobile home parks are right in the sweet-spot of housing going forward. But they have other attributes that also make them a great hedge to a powerful U.S. recession/depression. One is that they have great diversity of tenant base. Unlike retail center which might have five tenants, most mobile home parks have 40 to 400 tenants. That gives you much greater protection if an employer shuts down and a few tenants are left without incomes and have to move. Another factor is the ease of raising rents. In the event of hyper-inflation, you can raise rents as much as you need, since the tenants have to pay around \$5,000 to move their mobile home out. So they stay and adjust. In addition, since they are the lowest paying of all tenants, they can afford – even on minimum wage – to pay more.

## Conclusion

Some people would tell you have gold is the ideal hedge to an economic catastrophe like the U.S. is in right now. We disagree. We think that mobile home parks are a superior investment to gold, and offer a cash-producing hedge to tough times.

## AFFORDABLE HOUSING CONCEPTS AT THE MISSOURI UNIVERSITY OF SCIENCE AND TECHNOLOGY

A recent trip to Rolla, Missouri shocked me with a new form of affordable housing that is being developed by the students of the Missouri University of Science and Technology. These homes are smaller than traditional mobile home products, and are powered by solar energy. What's interesting is how much more attractive these are than the products that U.S. dealers are trying to sell. If the mobile home manufacturers would adopt these types of radical and "hip" designs, maybe a whole new audience of mobile home users could be established. It's kind of sad that a bunch of college students can build small homes that look 100% better than those built by seasoned professionals.



MHBay.com is proud to announce a new partnership with Equity Lifestyle Properties, the largest Manufactured Home community owner in the industry, which will allow us to phase in thousands of ELS Manufactured Homes for Sale into our listings over the next few months.

MHBay.com has also modified our search algorithm to filter out the least reliable listings. This means that home buyers are going to find better listings, in less time, resulting in a more satisfying experience.

We have also launched a brand new page on Facebook.com. Visit [MHBay on Facebook](#), and Like us to keep up with the latest MHBay news and developments.



## MobileHomeParkStore.com

MHPS continued to grow in May, adding **77 New Parks** for sale, bringing us to **871 Parks** available, our highest number ever.

MHPS was also able to deliver **9,915 buyer leads**, resulting in an average of 11.27 leads per park on MHPS.

There are several large events happening this month, including a \$300 MHP auction later this month. MHPS has [partnered with Auction.com](#) to publicize the event.

## DUE DILIGENCE LESSONS LEARNED FROM ROBERT THE BRUCE

Robert the Bruce, the legendary King of Scotland in the 1300's, had a couple traits that all mobile home park buyers can learn from. For eight years, Robert the Bruce bounced around England and Scotland, attacking one castle at a time. Before he would attack a castle, he would do some initial diligence to figure out exactly who was inside it and how many men they had. He would only take on castles that he knew he could defeat. But one of his most unusual strategies – at that time – was his ability to go all the way to the castle, which required lugging a huge amount of materials and weapons, and then immediately abandon the attempt if he felt that everything was not just right for him to win. He would sometimes abort the attack the very morning the assault was planned, and then pack up and go home. This is very similar to what smart mobile home park buyers do -- they only buy parks that they are 100% sure are winners. Smart buyers also are willing to walk from the deal up to the very minute of closing, if something pops up that change the dynamics of the deal.





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## You Get What You Pay For...

It seems all we talk about these days is 'the competition' and how to beat them. From board games to reality TV, the concept has never been more prevalent in modern culture. But when does quality come into play? Sure...we've all seen those 'Coupon Queens' fight it out to the last nickel over the one thousandth roll of bargain brand tissue but really now...who would ever need a 1000 rolls of anything much less cheap toilet paper?? Which brings me to the point...when do quality and experience trump the competition?

I was reminded of quality and its importance on two recent occasions with clients....one a purchase and the other a refinance.

The purchase client had contacted me in January of this year and we sent out a proposal entailing the terms necessary to close the deal. I did not hear back from them and the terms were expiring so I called and was told that another firm had seen my proposal and bested it with a lower rate and lesser cost after seeing our proposal.

Naturally, I inquired as to who it was that could do those stellar terms since I know the market inside and out, especially when it comes to providing the best available terms for my clients. The name they provided was of a company that does not specialize in this property type. I was quick to discover that the company had produced quite the 'dog and pony' show just to sign the client. The client soon told me that the only reason they didn't go with us was the competition's slightly lower fee. I let them know that if it did not work out, please call me back and we'll see what we can do to be of assistance.

Four months later, I receive a call from a real estate broker inquiring about the same transaction. The story goes that my client paid some fees and the glittery promises completely fell through. Now they needed financing yesterday since they were beyond their 'due diligence' period and about to forfeit their earnest money because they had believed the hype sold them by the inexperienced albeit sparkly package the original lender had initially provided. Needless to say...you get what you pay for.

Oftentimes, borrowers will believe everything they read on the Internet, but nothing they hear from the spoken word of a seasoned professional. There is such a landslide of misinformation out there that it often can cost the borrowers an infinite amount of time not to mention money only to find out they could have used a professional to complete the closing on the property.

Just when I think I've heard it all, here comes a seasoned, high net worth client who thinks he can call all of the shots. I get it...he's earned his way in the world and is

used to working directly with his own local bank that takes him out to lunch and hold his hand and sometimes his wallet throughout the transaction. But that same bank, the one he's paid every month to build his 'Trumpesque' empire is now kicking all of his commercial loans to the curb to satisfy the Federal auditors who are telling them they're too rich in real estate and to liquidate their portfolios. So he contacts me and I provide improved terms over what the bank has been collecting on for the past 10 years on several of his holdings. He thinks it over but declines the offer thinking he can do better than what the national lender is offering at really competitive terms. Fine...it happens. But wait...here he comes back again two weeks later...

"Anita, do you remember those terms you sent to me...I'd like to move ahead with them now."

Apparently the market he remembered with an open door five years ago was now closed...

Okay...what to do? Lenders typically provide a 3-7 day window for a proposal of terms otherwise known as an LOI, letter of interest. They will give you time to mull it over if you need to but it's not an infinite invitation to the dance. So while my client was stewing about it, the lender is still sending out proposals to interested borrowers who are delighted to be approved and ready to move forward. It's sort of like being picked last for the baseball team. No one likes to be picked last, especially when they're holding all of the gold. Some lenders allow a resubmission while others frown upon them.

So when I explain all of this to the client, let's just say he's not happy. I told the client I'd gladly submit the loan again at another institution but the first one would not accept it a second time.

Rates and programs change daily much like the stock market...

Offers for financing, especially with great terms are rare and invaluable in today's economic climate...

In short, remember the baseball analogy when you go on your loan shopping expedition and if you get an offer...take it!

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# MOBILE HOME PARK MONTHLY

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## Mobile Home Parks for Sale

- Black River Falls, WI
- 43 Lots
- \$755,000



For more information, contact  
Todd Fletcher of ARA  
MHC Group at  
512-637-1236

- Cedar City, UT
- Cap Rate is 1.2%
- \$1,000,000



For more information, contact  
Christian Child of  
Marcus & Millichap at  
801-205-9748

- Cordell, OK
- 8 Lots
- Cap Rate is 12.0%
- \$69,900



For more information, contact  
Dwayne Pankratz at  
580-660-0156

- Sturgis, MI
- 53 Lots
- Cap Rate is 10.0%
- \$1,075,000



For more information, contact  
Michael Calin of Re/Max  
Signature-Commercial Division  
at 313-469-0951

- Harlingen, TX
- \$1,650,000



For more information, contact  
Todd Fletcher of ARA  
MHC Group at  
512-635-1236

- Seguin, TX
- Size is 7 acre(s)
- \$699,000



For more information, contact  
Debra Lara of Century at  
830-305-3883



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