



MOBILE HOME PARK MONTHLY

March 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 2/27/12

Equity Lifestyle Properties (ELS)

67.37 down 0.32

PE Ratio - 105.00

UMH Properties Inc. (UMH)

10.33 down 0.02

PE Ratio - 34.09

Sun Communities Inc. (SUI)

41.42 up 0.85

PE Ratio - 1,088.42

A NOTE FROM FRANK AND DAVE

We have been receiving lots of emails recently from park owners trying to see if they are having a unique problem with demand outstripping their availability of homes to sell or rent. It's a good problem to have. We are seeing this same "rush" of demand in our own parks (we sold around 80 homes just last month). What's going on? We think the reasons are several: 1) it's tax refund season 2) it's been a very mild winter 3) there are still very few high-paying jobs out there and 4) the lending rules are so severe that single-family homes are not an option. But we think there are some possibly bigger trends causing this giant demand right now. One is the supply/demand issue in household formation, which Warren Buffet gave an interview on recently. Basically, there are millions of new households being formed in the U.S. who cannot afford traditional housing options. Buffet bet big on this trend by buying Clayton – and he's not been too bad at spotting trends early on. Another "mega-trend" is the constant deterioration in lower-cost apartment quality and management. As the larger operators sell-off their older apartment holdings, they are being bought by inexperienced, under-capitalized owners who have no intention or ability to keep them remodeled. As a result, it just creates more demand for mobile home parks.

Regardless of the reasons, we're just happy our phone is ringing so much!

Until April,

Frank Rolfe and Dave Reynolds



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COMMUNITY MANAGEMENT: THE \$20,000 DOG

Written by Kurt Kelley, President of Mobile Insurance

It's exciting. You just purchased a manufactured home community. It has fifty (50) sites, forty eight (48) of which are occupied by home owning tenants paying \$300/month in rent. You were pleased to purchase it for \$960,000, or \$20,000 per site. And now that it's time to begin managing the community, you discover three things. First, four of your tenants own large dogs (a German Shepherd, a Pit Bull, a Rottweiler, and a Chow). Second, your insurance agent has advised you that your insurance company strongly discourages allowing tenants to own such dogs and will non-renew or cancel your insurance if you don't force the dogs out of the park. Third, all four dog owning tenants have nice homes, are good neighbors, pay their rent timely, manage their dogs well, and will leave if their dogs have to go. What do you do?

The standard answer is that you demand the dogs be removed, and hope you keep the tenants. Most insurance companies won't underwrite a community owner with coverage that includes animal bites once they are aware vicious dog breeds are in the community. And if you do find an insurance company that will insure your property with these types of dogs in it, your insurance rates will increase dramatically. Historically, dog bites have been a source of a significant amount of the liability insurance losses suffered by community owners. Dog bites were the second largest cause of homeowner's liability insurance losses in 2010. In January of this year, a pit bull attacked and killed a two year old in one of our client's properties. The victim was the grandson of the dog's owners.

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BOOTCAMP ALERT!

THE NEXT MOBILE HOME PARK BOOTCAMP
WILL BE HELD MARCH 9-11 IN SAN
ANTONIO, TX.

FOR MORE INFORMATION VISIT

MOBILEHOMEPAKSTORE

OR

CALL SHARON AT (800) 950-1364.

THIS IS AN OPPORTUNITY YOU DON'T WANT
TO MISS!

Really?!? You did That?!?

Top 10 Dumb Management Ideas for Manufactured Home Retailers

Written by Kurt Kelley

- 1) Decide to save money by reusing old rickety wood steps without hand rails on all your show homes;
- 2) Sign an indemnification and defense agreement in favor of a home manufacturer for their product;
- 3) Overpromise on the characteristics of the home and tell the buyer that it will arrive in perfect condition and require no maintenance, and then ignore all customer service requests;
- 4) Never have transporters, installers, and other subcontractors sign written performance contracts in favor of you as the retailer;
- 5) Do Not verify that your sub-contractors are insured. Just take their word for it;
- 6) Have all your inventory on an unfenced, unlit lot, and not visible from the roadway;
- 7) Hire based on your "gut feeling," forgoing background checks and job suitability tests;
- 8) Close all your sales with sloppy and incomplete business forms;
- 9) Allow sales personnel to close sales without management in attendance; and
- 10) Never, ever, discuss professional driving standards with all employees who drive in the course of their employment and do not have them sign Mobile's Driver Safety Agreement.



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YES, SOME PARK OWNERS ARE CRAZY

We get calls frequently from park buyers who need reassurance that their offers are not ridiculous. They call the seller and offer a 10% cap rate, and the seller is hugely insulted and insists that there is no way they'd sell at less than a 3% cap. Who's crazy here? It's the seller. And there's quite a few of them out there. While there's nothing more frustrating than having a seller tell you that the going rate is several times what it really is, there's not much you can do about it other than to move on the next deal. Sometimes they learn, from repetition, that they are crazy and mend their ways. And other times, they just keep on going for years with a price that nobody will pay. It reminds me of the park resident who once told me that their beat-up 1970's pick-up truck was worth \$50,000 because it had a rebel flag painted on the roof. Apparently, they had seen a Dukes of Hazard car at that price and didn't realize that it was the make and model – and not the rebel flag – that gave it that value. As long as they don't have to sell it, they can go to their grave thinking it's a \$50,000 pick-up truck. But it's only really worth maybe \$2,000. It's the same with some park sellers. But it doesn't mean that you're crazy – *they're crazy*.

WANT A DEAL? HUG A BROKER

We don't mean that you have to physically hug a broker. But give them a lot more attention. Because we're seeing most of the good deals coming in through Quick Deal Reviews to be sourced by brokers. We're seeing the same effect on our deals – there are a lot of good deals originating with real estate brokers right now. Why is that? Probably because a lot of elderly sellers do not know about the internet and other high-tech options, and so they feel they must list their park with an old-fashioned broker. The other reason may be that brokers need money and they are hard-selling the sellers on going with prices that they know will move quickly. Any way you cut it, brokers are well worth giving extra attention to right now.

MY NEW FAVORITE QUOTE

One of my new favorite quotes comes from Benjamin Franklin, of all people. Franklin said:

“Diligence is the mother of good luck”.

This is 100% true. Without due diligence, you are unlikely to have any “luck” in your purchase of a mobile home park (or anything else). And with due diligence, your odds of success are huge.

What many people consider to be “luck” is actually the outcome of a lot of front-end work to make sure that things will work out as planned. While buying a lottery ticket is nothing but luck, buying a mobile home park properly involves anything but luck.

Community Management: The \$20,000 Dog continued

If you only want to risk losing these four quality tenants as a last resort, there are alternative risk control measures you can take that may satisfy both you and your insurance company that this dog risk is manageable. First, check with prior management and other tenants about whether the dog(s) at issue has a history of aggressive behavior toward humans. A large vicious dog that has a history of biting a human, or attempting to bite one, can't be tolerated and must be removed. Second, presuming the dog has no history of aggressive behavior towards humans, require the dog owning tenant to sign a document in which they agree to defend and indemnify the park in the event a liability claim arises due to the dog. Third, require the tenant to purchase liability insurance and name the park as an additional insured. Mobile Home Owners liability insurance is inexpensive, usually about \$100/year for \$300,000 in coverage. However, most mobile home owners insurance companies won't offer this coverage to someone who owns an aggressive dog breed. Thus, the tenant will most likely have to purchase “canine/dog liability insurance.” Such policies typically cost about \$600 per year for \$300,000 of coverage. At that point, the tenant can choose between their heart and their wallet. If you Google “vicious dog liability insurance,” you will find companies that offer this coverage.

Email at Kurt@MobileAgency.com



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MOBILE HOME PARKS FOR SALE

- Poynette, WI
- 24 Lots
- Cap Rate is 10.0%
- \$500,000



For more information, contact
Steve Hasselberger at (920)
296-4150.

- Century, FL
- 64 Lots
- 29.9 Acres
- \$599,000



For more information, contact
Tom Reid at (306) 752-5489.

- Camp Verde, AZ
- 20 Lots
- Cap Rate is 11.7%
- \$415,000



For more information, contact
Bart Hill at (928) 255-4230.

- Willows, CA
- 40 MH Spaces, 46 RV Spaces
- Cap Rate is 9.6%
- \$1,499,00



For more information, contact
Michael Lipscomb at (831) 373-3013.

- Winter Haven, FL
- 28 Lots
- Cap Rate is 6.0%
- \$449,000



For more information, contact
Joe LaFleur at (407) 557-3863.

- Macon, GA
- 124 Lots
- Cap Rate is 12.6%
- \$990,000



For more information, contact
Jenny Wesselmann at (678)
682-3224.



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