



MOBILE HOME PARK MONTHLY

May 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 04/30/12

Equity Lifestyle Properties (ELS)

69.94 down -0.17

PE Ratio - 211.76

UMH Properties Inc. (UMH)

11.61 down -0.08

PE Ratio - 46.40

Sun Communities Inc. (SUI)

43.75 down -0.03

PE Ratio - 876.90



MEMO FROM FRANK & DAVE

The coming of summer brings many items to the forefront of our thinking: mowing, water usage, moving in homes and rent-to-own sales are at the top of the list. The warming temperatures offer great opportunities as well as disadvantages. But whether you like it or not, it's time to get ready for 100 degree days and 140 degree car interiors. So put that snow plow catalog away and get out the mower catalog. And it may be time to build that swimming pool in the backyard. If global warming advocates are right, this summer is going to be one for the record books. So get ready for it now!

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"You can't buy a mobile home park if you don't start making offers!"

Dave Reynolds



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HOW TO MOW A MOBILE HOME PARK

Unless your park is in a desert, you have to contend with mowing it for at least half the year, until winter comes and takes the responsibility away from you. So how do you successfully mow a mobile home park?

The first question is what you are responsible to mow. In a typical park, you are responsible to mow all of the common areas and vacant lots. That includes the strip of land on both sides of your entry road, the playground, the vacant field out back – anything that the park owns and those tenants don't rent. And that includes all the vacant lots. But you also need a plan on what to do about tenants who don't mow their own yards. Most park owners will additionally mow any tenant yard that is out of control, and bill them back for this service (normally around \$50). Since you really don't want to get into the tenant mowing business, you should push the tenants with reminders and violation notices that get them to mow it themselves.



The next issue is how often you are going to mow. That often depends on how fast the grass grows, as well as how manicured the parks needs to be. In a typical family park, it is not necessary to make the grounds look like Pebble Beach.



At the same time, there are fancy senior parks that would find even Pebble Beach barely acceptable. So understand your client and plan accordingly. Many family parks mow only every 10 days to 2 weeks. Others do it every week. The same is true for gauging what is and is not acceptable concerning your tenants' mowing of their own yards. Don't stress over them being perfect. A quick drive around a neighboring stick-build neighborhood will show that there are plenty of \$200,000 home neighborhoods with tall grass and weeds. But you'll know when a yard gets truly out of control. One rule of thumb is to set a maximum grass height. Some municipalities use 10" as the limit. Whenever the tenant's grass exceeds the maximum, the mower needs to mow that lot and a bill sends to the tenant. It is not fair to the neighbors to let one tenant have a horrible yard when everyone else is mowing and edging. If you allow this to happen, soon nobody will be mowing.

Once you've identified what you're going to mow, and how often you are going to mow it, then it is time to get prices. The options are 1) hire an outside mowing service that is insured 2) hire a non-professional mower (maybe someone who lives in the park) and make sure they are covered under your insurance or 3) have your manager do the mowing. Let cost be your guide. Nobody ever got a higher price on a park due to minor differences in mowing perfection, so the cheapest way is probably the best. That being said never let anyone – EVER – mow your park without making sure with your agent that they are insured. There is a huge amount of liability in mowing, ranging from cutting off your fingers or toes to having the mower toss rocks or debris that break windows or even injure residents. Your cheap alternative to mowing could cost you millions if you fail to make sure that the insurance is in place.

Finally, make sure to monitor that the mowing is getting done. If you have your manager do the mowing, make sure that they aren't telling you one thing and doing another. If a tenant calls to say that the common areas are 2 feet high, take immediate action. Photos speak louder than words – have that same resident send you a photo from their i-phone. Or maybe make a surprise visit to the park. If the grass is not getting mowed, fire whoever's at fault and start over. If you do not have a mowed park, you will not only have unhappy tenants to deal with, but unhappy city inspectors and bankers, too. Remember that grass is one of your biggest responsibilities as a park owner (remember, you're in the land business, right?), so you can't fail to perform on this task.

Sure, mowing is a pain, but so are replacing giant apartment roofs, and grass is a lot cheaper, so quit whining. And don't worry, winter is coming for sure in six months, so you will get a break. Until then, keep the weed eater string and gas coming.



TALE FROM A MOBILE HOME PARK

One of the strange assets that mobile home park residents have are valuable muscle cars from the 1960's and 1970's, that they bought for \$5,000 slightly used 30 years ago and are worth \$50,000 today. Barricudas, Firebirds, Roadrunners – the list reads like a Hot Wheels auction catalog. You would be shocked at how many classic muscle cars the parks you drive through hold. So why don't they sell them? Part of it is lack of knowledge of value. Another is that their muscle car is one of the only assets that they have and take pride in. If you saw the movie "Joe Dirt" you remember how he was obsessed with concept of owning a Hemi – and so was everyone else around him, from women to his parents. I have had car buffs tell me that it would make an interesting television show to troll through trailer parks and find outstanding muscle cars and talk to owners about the history of their car, or maybe offer to buy them. There may be a business opportunity out there for someone – I'd definitely watch the show if you could put it together.

WE NOW HAVE PERSONAL COACHING

By popular demand, we now offer classical Personal Coaching to those who need it. We can custom-tailor it to meet any need and goal.

For more information, contact Sharon at (800) 950-1364 or email her at sharon@mhps.com.



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RVS ARE AN ATTRACTION AT THE FAMOUS PETERSON AUTOMOTIVE MUSEUM



1938 Curtiss Aerocar

The luxurious and expensive Aerocar trailer was built by Curtiss of Coral Gables, Florida, a firm also known for motorcycles and pioneering aircraft. Nicknamed "Vagabond" by Dr. Eaton, it was outfitted for hunting excursions and to transport company executives on trips to inspect various real estate holdings. Special features include a self-contained restroom and kitchen, comfortable seating for eight, cup holders, and an observation deck equipped with a speedometer, compass, and intercom for communication with the driver. Though currently set up for day travel, the interior can be modified to sleep up to six passengers. This dramatically styled rig was in regular use until retired by Forest Lawn Memorial-Parks in 1991.

Collection of the Peterson Automotive Museum
Gift of Forest Lawn Memorial-Park

On the subject of valuable cars in mobile home parks, a recent visit to the world-famous Peterson Automotive Museum in Los Angeles turned up a rather odd entrance attraction – a couple of classic RVs. While most of us only have RVs as a small part of our mobile home park populations, RVs are the mother of all mobile homes, so it's good to see some positive P.R. for the industry there. While the one RV pictured is about as common as weeds in many mobile home parks, the other is so unique that I'd only seen it in RV trivia sites. So the next time an inspector complains about an RV in your park, tell him that the Peterson Museum thinks they're important enough to flank the entrance.

1956 Rainbow Vacationer

Built by Edwards Manufacturing Co. in the Los Angeles suburb of Sunland, this 14-foot Rainbow travel trailer is equipped with twin rear lounge beds, a kitchenette that retains its original stove and ice box, and a forward dinette that can be converted to a bed by lowering the table and rearranging the seat cushions to form a mattress. Following a trend established by Detroit auto manufacturers, the trailer was delivered new with a trendy two-tone color combination. Mid-century travel trailers like Rainbow, Airstream, Serro Scotty, and others are eagerly sought by nostalgic enthusiasts seeking the kind of vintage vacation experience that modern recreational vehicles cannot provide.

Collection of the Peterson Automotive Museum
Gift of the Barberian Family



MHBay Now Lists 16,000 Mobile Homes for Sale

MHBay.com continues to grow, in terms of visits, pageviews, and mobile homes available for sale. Just a year ago, we had slightly over 8,000 mobile homes for sale. But in the last year, we have seen tremendous growth in the number of MH seller accounts who are listing with us, tremendous growth in FSBO listings, and we have also launched data feed deals with several leading sellers in the MH industry. Our listing growth rate of 100% more listings in the past year is the biggest improvement out of any MH listing site. Not only have we been increasing our listings, but we have also been able to filter out old listings, ensuring that our site is improving in both quantity and quality. If it has been a while since you checked out MHBay, we definitely encourage you to take a look - you may be surprised at all of the improvements the team has working on.

<http://www.mhbay.com/mobile-homes-for-sale>



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DON'T MISS THE BOOT CAMP IN SAN DIEGO!

IF YOU ARE A LAST-MINUTE PLANNER, OR LIVE IN THE CALIFORNIA AREA, BE ADVISED THAT THE SAN DIEGO BOOT CAMP IS ONLY DAYS AWAY, ON MAY 4TH, 5TH AND 6TH. THIS IS THE LAST ONE WE'RE DOING IN THE WEST IN 2012, SO YOU WANT TO COME IF YOU LIVE IN THE IMMEDIATE AREA. THE NEXT BOOT CAMP IS GOING TO BE IN DENVER, CO ON JULY 13-15, 2012. FOR MORE INFORMATION ON THE BOOT CAMP, CONTACT SHARON AT (800) 950-1364 OR EMAIL HER AT SHARON@MHPS.COM OR VISIT MOBILEHOMEPARKSTORE

DON'T MISS OUT ON THE WEEKLY MOBILE HOME PARK FUNNY

Dave's son Brandon has put together a clever feature on MobileHomeUniversity.com that is certain to put you in a good mood every week. It's called the Mobile Home Park Funny and it's on the front page of the website on the lower right. It's about a three minute video, and it changes weekly. We will not reveal how he makes them, but they're pretty darned good, and the price is right (free) so if you are not going on there every week to watch them you are really missing out.

'Skin in the Game'

Anita Huedepohl/Blog #1

If you are relatively new to the commercial real estate sector, you may be hearing an unfamiliar term tossed about by realtors and mortgage professionals, 'Skin in the Game'.

I can't count how many times a month I receive calls from potential investors who are looking to get rich quick in real estate. This morning I received a call from a gentleman who was purchasing a mobile home park and asked if we had 'bridge loans' available and I asked why he needed a bridge loan since it is not the first course of action when a client is purchasing a property as it requires a higher rate. He told me that the mobile home community was only 50% occupied but had potential for full occupancy...and so on. I then asked him the purchase price and how much he was investing as a down payment.

He next asked if there was 100% financing available. When I told him that there are no 100% programs in commercial lending...he responded 'I don't believe that'.

It's really simple...if you don't have 'skin in the game', meaning a vested interest in the property via a down-payment, you can't expect a lender to assume all of the risk and they won't. The old saying 'there's no free lunch' is absolutely true. Typically a lender requires a borrower to have a minimum of 20-30% down or more. There are exceptions to the rule but they only apply to a very seasoned operator with an extensive resume in the Mobile Home Community industry.

Then there's the other investor who calls and everything looks great...contract in place, quality property, down-payment (aka 'skin in the game') but then they let it slip that the down payment is a seller carried second mortgage. Whatever you do, folks, don't mislead your lender. We can't help you unless you are forthcoming with all of the information and a seller carried second is simply another word for 'debt'. When the seller offers a second mortgage, it is another obligation and payment that the park must pay unlike a 'cash' down-payment that entails no further stress on the park's cash flow. The 'seller carry' myth was started somewhere by someone who was not a mortgage professional. It's not to say that the park can't have any seller carried second, but the property has to be able to DSCR (service the debt).

In short, be prepared. If you don't have enough cash to put down, form a group of investors from friends, family or trusted industry members and use the group's funds to show up with the required down-payment. You might be surprised to see how many people you already know may be ready to make more than the going 1% savings account bank yield in today's market.

Anita Huedepohl

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Mobile Home Parks for Sale

- Arvada, Co
- 75 Lots
- Cap Rate is 11.1%
- \$1,975,000



For more information,
contact Jason Koch at
303-321-5888

- Kimball, NE
- 76 Lots
- Cap Rate is 10.0%
- \$459,000



For more information, contact
Jim Skovgard at
308-235-4014

- Yankton, SD
- 75 Lots
- Cap Rate is 10.2%
- \$925,000



For more information, contact Jeff
Mueller of Marcus & Millichap
at 303-328-2049

- Pipestone, MN
- 41 Lots
- \$450,000



For more information, contact
Tamra Braun of JIFF Realty, Inc.
at 920-867-3750

- Durango, CO
- 5.6 acre(s)
- Cap Rate is 9.0%
- \$2,630,000



For more information, contact Jeff
Mueller of Marcus & Millichap
at 303-328-2049

- Grove, OK
- \$1,100,000



For more information, contact Janiece
Elder of Elder & Company
at 918-786-3854



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Niche Investment Network



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