



# MOBILE HOME PARK MONTHLY

August 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 07/31/12

### Equity Lifestyle Properties (ELS)

71.92 down 0.32

PE Ratio - 399.56

### UMH Properties Inc. (UMH)

11.18 up 0.02

PE Ratio - 65.76

### Sun Communities Inc. (SUI)

46.59 up 0.31

PE Ratio - 310.60

## MEMO FROM FRANK & DAVE

People ask us all the time "what type of park should I buy"? The easy answer is this: a park that is stabilized at around a 10% cap rate, and has upside to increase it with rent raises and filling vacant lots. The formula is not difficult, yet many people are convinced that the concept is too easy to be true, and that they must instead buy parks that need massive turnarounds or have giant risks like private utilities. Over the course of our mobile home park careers, we have bought many types of parks. But even we are passing on the hardest turnarounds these days. Why? Because the risk/reward is not there. If you can buy a park that has already been groomed and cleaned up at a 10% cap rate, then why risk a giant sum of money and time in search of an 11% cap rate? Back when the cap rates on stabilized parks were 5%, it was worthwhile to do hardcore turnarounds that required remodeling seventy homes and replacing nearly the entire infrastructure of the park, to get a double-digit cap rate. But right now, with good parks priced at 10% cap rates, those type of deals are no longer attractive. If you want to do those types of turnarounds (and to get deals with extremely low down payments you may need to) then you won't find us competing with you for them.



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## HOW TO EVICT TENANTS AND FEEL GOOD ABOUT IT...

It's a common myth that landlords are evil and heartless to throw tenants out on the street because they won't pay the rent. This piece of urban legend is as off base as the tenants who use it as a constant dodge of the truth. The truth is that it is the tenant's fault – and theirs alone – when they get evicted, and the park owner is 100% correct in removing them. Let's analyze why this is true.

### *The tenant's job is to pay the rent - period.*

The landlord provides their product in the form of a piece of land, utilities, roads, common areas, and general management and maintenance. To provide this product they invest money in buying the park, and the time, effort and risk in managing it. All the tenant has to provide, in return, is a small amount of rent. The tenant provides no other form of payment. They do nothing to keep the park clean or attractive; they pay no property tax, no insurance premiums. All they are requested to provide is a monthly check or money order. If they fail this simple step, then they have completely failed in their agreement.

### *Landlords are not a non-profit agency.*

Many tenants think that the landlord's job is to look out for their welfare. They are wrong. That's what the Red Cross, FEMA, the U.S. government, and church groups are for. Landlords are in the profit business. Their world is based on dollars and cents – not smiles and hugs. The mortgage is payable in U.S. dollars, not crayon pictures. Tenants who need assistance should seek it through those non-profit agencies – but not the park owner.

### *Landlords are also not banks.*

Landlords do not make loans, nor are they supposed to. If a tenant can't pay the rent, the tenant needs to seek lending from people who are in that business, such as credit cards, banks, credit unions, pay-day lenders, pawn shops and such. Landlords are not required by law to make payment plans.

### *No other business is considered "cold and heartless" to demand money.*

Why is it that landlords are criticized for attempting to collect money? Even utility companies – which share the burden of providing a service to tenants – are not pressed to extend credit to customers or keep from turning off unpaid water, electricity and gas services. Why the hypocrisy? Maybe it's the product of the media, which has long portrayed landlords as the benevolent watchdog over their tenant/friends (think of Fred and Ethel in "I Love Lucy" and Mr. Roper in "Three's Company"). Even the U.S. government can throw people out on the streets for unpaid federal taxes, and nobody says a word about it.



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## Forcing tenants to pay keeps their priorities straight.

If you make the tenant choose between paying rent and being homeless, they will normally choose to keep a roof over their heads as opposed to buying a flat-screen TV. And that's a good thing. Landlords who are adamant about rent collections end up with tenants who do better at paying their bills on time and keeping their life in order. When we buy a park with lax collection efforts, you can see a shift in the behavior of tenants, as they let everything go – home upkeep, mowing, finding work. A little discipline from the landlord is often the best thing that can happen to them.

## One tenant's loss is another's gain.

The demand for affordable housing is huge right now. Our parks get 30 to 100 calls per week from people looking for mobile homes for rent or sale. When a tenant gets kicked out, it opens the door for another customer to upgrade their lifestyle. Even though you make one tenant mad, you make another extremely happy. It's not fair for the tenant who won't pay the rent to take that opportunity away from the tenant who will work two jobs to live there.

## Conclusion

Don't listen to those who whine that collecting money is bad thing. The truth is that you should hold your head high for being a good landlord that collects the rent. It is perfectly natural, and is best for both you and the tenant. Wear your slogan of "no pay/no stay" with pride.

### A TRAILER PARK STORY

I once looked at a mobile home park in which the owner lived in a small singlewide with his invalid wife. She had a hospital bed set up in the living room of this 14' x 48' flat-roof trailer. And the park was worth \$1 million. How could the park owners live under those conditions, considering the value of their asset? It's the simple fact that people get into a certain rut and stick with it, even as times change. When the owners first moved into that trailer, he and his wife were in great shape, and looking forward to building a nest egg. They probably had park debt up to their ears. And, as they gradually paid it off, they grew progressively older and their health failed. And they ended up living their final years in that little singlewide -- where they probably began 40 years earlier. Some people may find this story depressing, but I find it kind of neat that the owners would happily live their entire life together in that little trailer when they could have afforded a McMansion. How many baby boomers do you know who would follow their example?





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## AND PEOPLE ARE SKEPTICAL OF THE MOBILE HOME PARK BUSINESS?



I was walking by a stock brokerage a couple days ago, and saw this advertisement in the window, promoting the yields on their bond options. Let's compare this type of investment to a mobile home park. The bonds in the window offer 0.4% to 4.16% on corporate bonds - they're highest yielding option. We buy parks at 10% cap rates, and cash-on-cash returns in the high teens. That's about 4 to 40 times higher than these corporate bonds. And the bond is worth the face value you paid, while the mobile home park gains in value as the net income gains - so you get paid a second time when you sell or refinance it. So I guess the only thing the corporate bond has over mobile home parks is security, right? Wrong. The corporate bond is only a piece a paper backed by a corporation that you have no control over, and fail constantly. One bankruptcy petition and your paper is worthless. The park,

however, is tangible and you control it. And mobile home parks have the lowest failure rate of any type of commercial real estate.

So if you are interested in 0.4% corporate bonds instead of mobile home parks, then let me know and I'll give you that stock brokerage's phone number.



### MobileHomeParkStore.com

The big story for MHPS in June was Leads. We generated **10,566** leads in June, delivering an average of **12.53** leads per property on our website. Both of these numbers are our highest ever!

In June, we also added **48** new Mobile Home Parks for Sale, with a total of **843** currently listed on our site. Come take a look to see the Mobile Home Parks on the market right now.



MHBay.com is proud to announce a new partnership with [Cal-Am Homes](#), one of the largest Mobile Home community management companies. Mobile Homes for Sale in Cal-AM communities will be coming soon.

We are also getting very close to launching the [MHBay Blog](#). We are currently publishing an article series titled, How to Move your Mobile Home. Please feel free to take a look and let us know what you think!

Our new Facebook Page also continues to grow. Visit [MHBay on Facebook](#), and Like us to keep up with the latest MHBay news and developments.



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## Mobile Home Parks for Sale

- Doniphan, NE
- 41 Spaces
- Cap Rate is 10.08%
- \$420,000



For more information, contact  
Daniel Goaley at 402-697-8899  
or Jeff Mueller at 303-328-2000

- Ogallala, NE
- 59 Spaces
- Cap Rate is 10.24%
- \$400,000



For more information, contact  
Daniel Goaley at 402-697-8899  
or Jeff Mueller at 303-328-2000

- New Meadows, ID
- Size is 0.8 Acre(s)
- \$199,000



For more information,  
contact Ray Horton at  
360-239-5959

- Orlando, FL
- 25 Lots
- \$920,000



For more information, contact  
Xochilt Bermudez of Victory  
Properties at 305-804-2506

- Bridge City, TX
- 83 Lots
- Cap Rate is 9.8%
- \$1,650,000



For more information, contact  
Michael McFarland of RE/MAX  
FIRST at 409-790-3606

- Phenix City, AL
- 113 Lots
- Cap Rate is 10.0%
- \$2,800,000



For more information, contact  
Pat McKee of Park Systems  
at 706-464-8686



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