

Mobile Home Park Industry: Trends & Analysis



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- ▶ Appraised/Consulted parks in WI, MN, IA, IL
- ▶ Purchase, Refinance, Estate Settlement
- ▶ Single parks to portfolio of 11 parks
- ▶ Parks range in size from 20_± sites to 300_± sites

Data Sources

- ▶ Midwest Appraisal Group, Inc.
- ▶ mobilehomeuniversity.com
- ▶ Confidential park owners, buyers, sellers

Mobile Home Parks

- ▶ Land Lease Communities
- ▶ Manufactured Home Parks
- ▶ Trailer Parks
- ▶ Toby Keith Fan Club

Mobile Home Parks



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Mobile Home Parks

- ▶ Tenants pay monthly rent for use of a site
- ▶ Rent may include some or all utilities
- ▶ Leases run from month-to-month to annual
- ▶ Homes owned by tenants, park (POH), or investors (Lonnie)

History of Mobile Home Parks

- ▶ Parks began to be established post WWII
- ▶ Began as RV parks and eventually converted to year round residences
- ▶ Work camps that needed to be mobile
- ▶ Owners were “mom and pops” who lived onsite and managed/maintained parks

History of Mobile Home Parks

- ▶ Over the past 10+ years the industry is being converted from mom and pop to corporate investor
- ▶ Baby boomers at or near retirement
- ▶ Great recession and Dodd/Frank forced owners out of business

Corporate Investors

- ▶ Investors who converted from single and multi-family and retail investors
- ▶ Self directed IRA's
- ▶ Sam Zell - Equity Lifestyles
- ▶ Warren Buffet - Clayton Homes & 21st Century Mortgage
- ▶ Well managed parks have greater returns than typical real estate

MHP Market

- ▶ Popular Markets: Upper Midwest - WI, MN, OH, IL, IA
- ▶ Emerging Markets: Michigan and NW States
- ▶ Less Popular Markets: Deep South and rural areas, some areas of Dakotas
- ▶ Toss Up Markets: California and Florida

MHP Market

- ▶ Supply is Low, Demand is High
- ▶ Many sales never hit open market
- ▶ Pocket Listings, Cold Calling, Bulk Mailings
- ▶ Assignment or Finder Fees: 2% to 5% of selling price

Ideal Locations

- ▶ Near larger MSA's
- ▶ Wal-Mart, County Seat, Colleges, Prisons
- ▶ Diversified Economies
- ▶ Low Unemployment
- ▶ High Incomes & Property Values - lack of affordable housing

Investor Preferences

- ▶ 80% Occupancy
- ▶ Below Market Rents
- ▶ Poorly Managed Parks
- ▶ City Sewer/Water
- ▶ Small Number of POH's

Park Turn Around

- ▶ Convert POH's to tenant owned
- ▶ Repave roads, trim trees, add playground
- ▶ Evict violent felons, add security cameras
- ▶ Infill vacant lots with new homes
- ▶ Sell new homes on rent credit or 21st Century “Cash” program

Challenges to Industry

- ▶ Dodd-Frank and selling homes to tenants
- ▶ Zoning Issues
- ▶ Recognition as an affordable housing sector

Financial Trends

- ▶ Lot Rents Increasing
 - ▶ Des Moines: \$290 to \$350 (2014 to 2015)
 - ▶ Minneapolis: \$400 to \$475
- ▶ Cap Rates: 7% to 15%+
- ▶ Price/Occupied Site: \$10,000 to \$40,000+
- ▶ Expenses to EGI trending down

Improved Sale Example

- ▶ Location: Upper Midwest
- ▶ Selling Price: \$1,200,000 in September 2015
- ▶ Sites: 59 (57 Occupied)
- ▶ Price/Occupied Site: \$21,053
- ▶ Cap Rate: 8.29%
- ▶ Buyer planned to bill back water/sewer and increase lot rent from \$247 to \$272