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

► Land Lease Communities

► Manufactured Home Parks

► Trailer Parks

► Toby Keith Fan Club

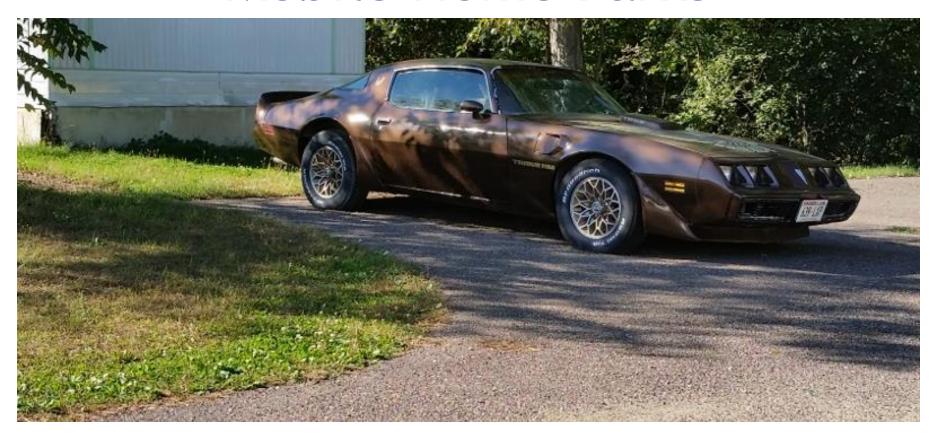














- ► Tenants pay monthly rent for use of a site
- ► Rent may include some or all utilities
- Leases run from month-to-month to annual
- ► Homes owned by tenants, park (POH), or investors (Lonnie)

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 multifamily and retail investors
- Self directed IRA's
- ► Sam Zell Equity Lifestyles
- Warren Buffet Clayton Homes & 21st Century Mortgage
- Well managed parks have greater returns then 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