

# MANUFACTURED HOME COMMUNITY AND MOBILE HOME PARK NEWSLETTER

HAPPY THANKSGIVING!

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NAI Iowa Realty  
Commercial  
A Berkshire Hathaway  
Company

## WHAT ARE YOU MOST THANKFUL FOR IN THE MANUFACTURED HOUSING BUSINESS?

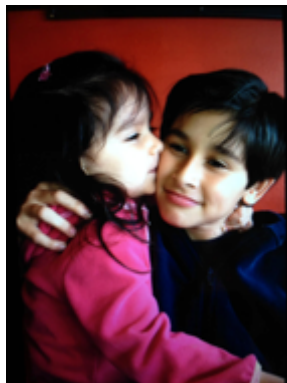
With the holiday season almost upon us, I asked a few manufactured housing industry leaders what they are most thankful for about the MH business. Here is what they said:

**Tim DeWitt**  
Executive Director of the Michigan  
Manufactured Housing Association:

*"I'm thankful that the members (of MMHA) over the many years have trusted and supported the leadership and staff to protect and promote our industry and their business, here in Michigan."*



Tim DeWitt



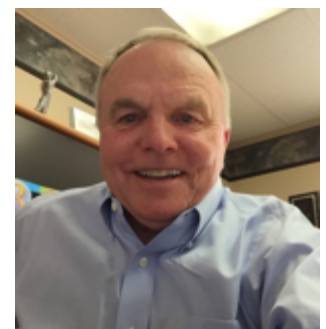
Children of Julio Jaramillo

**Julio Jaramillo**  
Evergreen Communities, LLC

*"I am most grateful for the time and flexibility that the MH business has provided me so that I can spend quality time with my family. "*

**Jim Reitzner**  
President, Asset Development Group

*"I am truly thankful for all of the wonderful people I get to interact with."*



Jim Reitzner

## **Avoiding Common Mistakes That Have a Big Effect On a Mobile Home Park's Cash Flow**

Many owners send me their P&Ls and rent rolls to review. It's a complimentary and confidential service I offer to park owners. Most owners simply want to know the value of their park; some want to sell. Quite a few owners have me do an annual update to see if there is an increase in the value. This is complimentary as well.

Over the years, in selling a lot of parks and reviewing a lot of profit and loss statements, there are several common mistakes owners make that are easy to correct.

### **Mistake #1: Rent increases.**

A lot of times owners act as if below market rent is the same as earning a merit badge. It isn't. Having under market rent loses you money every month. If the property ever goes on the market, it will sell for less and maybe a lot less.

Today a tenant isn't going to move because the rent goes up to market. Most tenants know what the rents are at other mobile home parks (often having better market rent intel than the owner). They won't be surprised when the rent goes up to market. If the owner is doing a good job of operating the mobile home park, higher rent won't be cause to move. When doing a rent increase, include the rent survey for your market, showing the rent charged at other communities. Also, be sure to factor in the water, sewer and garbage, if included in the lot rent. The water and sewer are probably \$30-\$60 per month per household, depending on the city, and the garbage is probably \$9-\$15 per month per occupied site. If you are paying for these, consider how you may pass these utilities through. Be sure to factor in an estimate of water, sewer and garbage for the owners that pay it or the tenants. (For a blank Market Rent Survey form, go to the website and click on Resources & Links – or call 319-378-6786 and I will be happy to send you one).



Check out the community office of  
Glendale Mobile Home Park  
in Bettendorf, IA!

Look at the amazing interior, on Page 3.....



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**Mistake #2: Rent Survey.**

What should the rent be? Not that many owners do annual rent surveys. If you have a manager, that should be their job. If there are owners of multiple mobile home parks in your market, look to their rents as a benchmark of the real rent. After all, these companies have to report earnings to shareholders or investors. They can't succeed by charging above market rents.

What a GREAT office at Glendale Mobile Home Park in Bettendorf, IA!  
Thanks to Brandon Bedford,  
Owner / Manager.

**Mistake #3: Holding On Too Long.**

When you have a park owned home that isn't selling, it's time to let go, and get it sold or rented. Anyone that has been in this industry for awhile and sells homes knows what it feels like to have an unsold mobile home that sits month after month with no offers. You market it, keep utilities on, pay insurance and cleaning, the staff shows it countless times and nothing.

It's time to cut the price (ouch!) or do whatever needs to be done to sell the home. Each month that passes is another month of rent you'll never recover.

The same thing is true for mobile home park ownership. Sometimes the mobile home park property looks great on paper. After you actually own it, you find it's not your cup of tea. Maybe it's too far away from your office, the demand for homes isn't good, or a major employer shuts down, to name a few reasons why investors sell a mobile home park.



In Warren Buffet's 2014 Letter To Investors, he freely writes about big mistakes he made early on with Berkshire Hathaway; mistakes that might have been deadly for the company. In fact, the Berkshire company (a textile company) which became the Berkshire of Berkshire Hathaway, closed 18 years after Mr. Buffet acquired it, and he writes, "During all of those 18 years, we struggled unremittingly, all to no avail. But stubbornness – stupidity – has its limits....I finally threw in the towel and closed the operation." Mr. Buffet goes on to say that he knew the Berkshire company acquisition "...was a mistake. Having committed much of (the company's) resources...I quickly compounded the error by continuing to invest in a business that eventually became the most costly of my career."

If the Sage of Omaha can admit to millions of followers that he blundered, then perhaps business owners and investors should take a page out of Mr. Buffet's playbook and cut the cord when something isn't working, be it a park owned home OR a park.

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**Mistake #4: Financing.**

There is a lot of refinancing and new loan action today. Why? The low interest rates plus the threat of rising interest rates. The Federal Reserve has been making noise for what seems like years, about increasing the interest rates. As the economy improves and the jobless recovery continues to dissipate, the Federal Reserve may actually raise the rates.

Not all lenders are the same though, and finding a lender, whether it be local, regional or national will make a big difference in both the amount financed (dollars to you!) and the ease of the transaction.

For a list of lenders friendly to manufactured housing, go to my website ([www.JoanneMStevens.com](http://www.JoanneMStevens.com)) and click on resources. If you are thinking about refinancing, contact Pierce Redmond, Vice President at Security Mortgage Group: Phone (585) 423-0230 or Email [Pierce@SecurityMortgageGroup.net](mailto:Pierce@SecurityMortgageGroup.net). He will do a fantastic job and is great to work with.

**Mistake #5: Records.**

Today there is truly user friendly and effective software for mobile home parks. I use Rent Manager and so do a lot of other mobile home park owners. For your own peace of mind do yourself, your accountant, your manager and a buyer a big favor, and invest in good software (it's not that much money).

A couple of years ago, I hired a property manager with no accounting background. She took to Rent Manager like a duck to water. My accountant is also a big fan. Don't be intimidated by upping your game with great software.

**Mistake #6: Survey, Phase I and Appraisal.**

Once upon a time, when you acquired your property, you might have had the property surveyed, appraised and a Phase I environmental assessment done. If you didn't order these reports, whoever you bought from may have left them in the office or the survey may have been recorded. Try checking with the county recorder or county engineer.

These reports will save you money and time if you ever need to update them, or your heirs or a buyer require them. It's faster and cheaper, for example, if the land surveyor has an existing survey to start with.

**Mistake #7: Water and Sewer.**

Please do something about this, both for your cash flow and the environment. These pesky leaks can be tough to find. Some of the large owners use American Leak Detection (Google it - they have regional offices). They are not cheap, but they will find your leaks and fix them. Water leaks are expensive; it is money you won't ever recover.

One time I sold a mobile home park where the owner knew he had a water leak to the tune of about an extra \$2,000 per month. This was a small mobile home park. When he sold the park, a condition of the sale was to find the water leak(s) and fix them. By then, he really wanted to sell his park because his company (not the mobile home park business) was growing and the business required his full attention. The upshot was that after losing at least \$40,000 in water costs he hired two companies (the first company didn't find it) about \$3,000 to find the leak and another couple of thousand for the second company to fix the leak.

The moral of the story is that you will never get back the wasted water bills, so it's best to bite the bullet and find and fix the leaks.



### **Cavco Industries, Inc.**

Congratulations to Joe Stegmayer of Cavco for year over year net profits of \$192,000,000 for the 2<sup>nd</sup> quarter ending September 30<sup>th</sup>, 2015.

That's a whopping 38% increase according to the statements made at the quarterly analysts call. The increased revenue is due to more home productions from existing factories plus the acquisition of new factories.



### **Sun Communities, Inc.**

Sun Communities, Inc. reported on their October 2015 quarterly call that average occupancy at their communities stands at 93.7%. Impressive!

### **The First NEW Midwestern Manufactured Home Community In Over A Decade Is Happening In Michigan!**

Ed Zeman of Zeman Homes and Brian Fannon, former CEO of SUN Communities, are the builders / developers. Look for more news in the future newsletters about this new development. Is this the beginning of a trend? In the last 15 years, quite a few mobile home parks have closed for various reasons – so it could be that Ed and Brian are ushering in an era of more community development.

*“If we all did the things we are capable of doing, we would literally astound ourselves.”*

Thomas Edison

## **Your Manufactured Housing Community Through The Tenants' Eyes**

Multi Family Executive Magazine had an editorial in the July 2015 issue about apartment rent increases of 15% to 50%. The gist of it was that owners think of their apartment investors as numbers, numbers, numbers and forget about the human beings on the other side of the leasing desk.

One of their points was that hefty rent increases might drive more tenants to buy homes. That's been the premise of homeownership in this country – that is, for not a lot more money you can own your own home, and get the benefits of the home owner interest deduction (which not many homeowners use), the monthly principal reduction that builds equity, and so on. Some of these apartment rental increases must be from either all of the apartment acquisitions with new financing or apartment owners refinancing to take advantage of low rates. Once new debt is on the property, it becomes harder to produce a profit. That profit has to come from somewhere...thus the stiff rent increases.

Another point in the article was that the company headquarters isn't training the onsite people on how to explain and put a positive story on the rent increase. Imagine a tenant calling in or stopping in to question or complain about the rent increase and the manager doesn't know the reason. Of course, sometimes tenants complain to maintenance employees and if they (employees) don't have information about the reason for the rent increase, it can make the employees feel embarrassed.

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### **Steve Adler Earns National and State Awards**

Steve Adler was awarded the prestigious 2015 MHI Chairman's Award in October at the annual MHI meeting in Boca Raton, for his dedication and leadership of the National Communities Council of MHI.

As further testament to Steven's commitment he was recently awarded the highest honor by the Florida MH Association, The Williams – Olsen Award. It is awarded to FMHA members that demonstrate exceptional time and energy to the FMHA.

Steve Adler founded Murex Properties in 2004 and operates 9 adult communities in 4 states. His business is known for delivering high value to residents by emphasizing unparalleled customer service, doing the right thing, and continuously striving to improve.

For more information call (239) 790-0004 or visit [www.MurexProperties.com](http://www.MurexProperties.com).

Congratulations to Steve for these well deserved honors!

Joanne Stevens is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20 plus years of experience in developing, zoning, owning, retailing, managing, turning around and brokering parks, she can maximize your sale price.

For a **FREE, NO OBLIGATION** REAL ESTATE REVIEW (a Real Estate Review of the current value of your park or community), contact Joanne at:

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319-365-9833 (Fax)

[joannestevens@iowarealty.com](mailto:joannestevens@iowarealty.com)  
[www.JoanneMStevens.com](http://www.JoanneMStevens.com)

**Want samples of mobile home park newsletters for your residents?**

To borrow some ideas go to:  
[www.stevenshomesandcommunities.com](http://www.stevenshomesandcommunities.com)  
Click on Documents & Policies, scroll down to Monthly Newsletters.

## We've Moved!

The offices of NAI Iowa Realty Commercial have moved into the downtown Iowa Realty building at:

100 1<sup>st</sup> Avenue NE  
Cedar Rapids, IA 52401

**HAVE BUYERS!  
NEED LISTINGS!**



Tree of Five Seasons.  
Located beside the Cedar River,  
downtown Cedar Rapids, IA.

This newsletter and its content are not meant as a solicitation of any property or properties that may be listed. This is a creation of Joanne M. Stevens with NAI Iowa Realty Commercial, as a resource for mobile home park / manufactured home community owners.