

The Future Of Mobile Homes/Parks?

Hi Folks,

In checking through my files, I came across this article from several years back. I think this would be a good time to run it again, since nothing has really changed. And while it was directed toward the Manufactured Housing business (Mobile Homes) it applies equally to the current housing industry, as well.

This article originated on one of the web-sites when someone asked what the future held for the Manufactured Housing Business and Mobile Home Parks. This was at a time when financing for new mobile homes had dried up and almost impossible to get. So the Manufactured Housing business was faced then, with the same problems as the housing industry is today...no financing This was my response, and my opinions to the questions and comments from that article.

“What Is The Future Of Mobile Homes/Parks”?

In my opinion, the mobile home lenders got what they deserved. They allowed greed and stupidity to replace common sense. Now they're paying the price. Common sense will tell you (if you listen) that if greed is the influencing factor in your decisions, you have a recipe for disaster. Any loan officer what a pea sized brain should have known that making a 95%-98% loans, to bad-risk, non-qualified applicants, on a product that depreciates faster than the payments can keep up, (new mobile homes) is a recipe for disaster.

I think it was more the lenders fault, than the buyers, for loans going bad. If the lenders had shown more responsibility in their screening, and not have put the wrong buyer in the wrong home, with financing they couldn't afford, things would have been a lot different. If you make mobile home loans, one of the key elements should be to match the right home, with the right buyer, with affordable payments. Otherwise, you have created a problem for both you, and your buyer.

So what does all of this mean for the private Lender/Investor/Lonnie dealers? The lenders have provided you with a very good lesson in what Not to do. Now, should you just let their valuable (and expensive) lesson go to waste? No! Use that lesson to your advantage and turn it into some money making opportunities. Just think of all the good prospective buyers out there who need affordable housing, but can't get financing. Folks, the lenders have used their “creativity” and created a golden opportunity for you. Take advantage of it.

“The Days Of The Millionaire Park Owners Are Numbered”
(By Phil)

I disagree with Phil'. In fact, I feel just the opposite. If I were starting all over, knowing what I know now, I would be buying every mobile home park I could get my hands on. And I'll bet I could keep it 95%-100% occupied, with very little time and management problems.

There still is, and always will be, a big demand for affordable housing with affordable financing. And I'm convinced that manufactured housing, especially used housing, will

continue to play a big role in filling that demand. And regardless what others may think, I still believe that a mobile home park is the nearness thing to a gold mine. Let's see if I can make my point.

In most parts of the country it's next to impossible to develop a new park. But even if you could, it would take a ton of money, lot's of your time, energy, aggravation, dealing with all the zoning and environmental issues, inspectors, etc. Then once you finally get the park ready, you start out with a 100% vacancy. Does this sound exciting to you? If so, go for it.

So what does this do for the existing parks? It makes them that much more valuable. Look at it this way. If you had the chance to buy a good income producing park that's already existing, knowing that the local bureaucrats will prevent any other competitors from developing another park near you, wouldn't you want to jump on it? The government is keeping all your competition out of the game, so it's like having the only well in the desert. What other type business do you know of where the government will run interference for you and keep competitors out?

"The Cat's Out Of The Bag"
(Comment from Phil)

Phil says that with the Internet, the "cats out of the bag" with the ease of gathering information on buying a mobile home and placing it on private land, rather than in a park. Well, I don't think the cats ever been in the bag. It's common knowledge that given a choice, most mobile home owners would prefer to have their own land, rather than be in a park. And I'll bet that every one of my tenants would prefer their own land, rather than paying me lot rent. The Internet isn't offering anything they don't already know. So why don't they buy their own land? For the same reason they don't buy that \$200,000 stick built house they want. Lack of money and the inability to get financing.

So they keep paying me lot rent, and keep on wishing for that 5 acres in the country. I have one tenant that's been wishing for that 5 acres for 13 years. When I first bought that lot, her rent was \$180. It's now \$315. And guess what? She's still wishing for that 5 acres, and still sending me \$315 every month. And I don't see any change in the future. Why doesn't she buy her 5 acres? Who knows? Probably because it would be more painful for her to do what it takes, to buy what she wants, than to keep paying me \$315 every month. She's in her comfort zone, and hopefully will remain for another 13 years.

With no foreseeable shortage of tenants like her, could I buy a park today and still become financially independent? You bet I could. So why aren't more of you folks doing it? Why aren't you taking advantages of all the opportunities staring you in the face every day?

Based on what I've seen in my lifetime, I believe the majority of the population will always have a champagne taste, and a beer wallet. If they could afford to buy their own piece of land, they would. But since they can't, what are their choices? They can rent a house, apartment, or buy/rent a mobile home on YOUR lot. So yes, I think the future of manufactured housing, and parks, will not only be excellent investments for many years to come, but will offer even more opportunities to the person who is willing to learn the business and take action!

"I Defy Anyone To Show How The Mobile Home Park
Will Make A Comeback In Our Lifetime"
(Words of a poster)

Come-back? They never went anywhere. The parks I'm familiar with are not only producing excellent cash flow, but rents are increasing every year with very little, if any, occupancy change.

Interest rates are lower today than they have been in years, yet most people who want to buy a house can't get a loan. Bingo! Enter the used mobile home (Lonnie dealer) with affordable financing on a used mobile home and you have the recipe for financial success. So I'll place my bet on parks and used mobile homes being an excellent money making investment for years to come. (But I do vote against trying to develop a new park, for the reasons mentioned).

"How Long Will Manufactured Housing Be Around, And How Long Will It Be Profitable?"
(Question from a poster, and my answer)

- For as long as there's a demand for affordable housing.
- For as long as people find it easier to stay in their comfort zone, than to make the effort and sacrifice to do better. (My tenants)
- For as long as the vast majority of the population refuse to develop and practice financial discipline and self-responsibility? (About 90%)
- For as long as our elected officials continue to send well-fare checks (oops, it's now a stimulus check) to able bodied people who can, and should work, but won't.
- For as long as people keep buying new cars, with payments they can't afford, but won't buy a house to live in.
- For as long as people keep buying "stuff" they don't need, with money they don't have, and charging it on high interest credit cards? (And making minimum payments every month)
- For as long as people choose to hock their future to pay for their present.

These are just a few of the reasons why I feel that manufactured housing and mobile home parks will be alive and well for a very long time. After 19 years in the business, I'm still convinced that it will continue to be one of the most unrecognized, yet one of the best and most profitable businesses in the country. And also, since many investors, or would-be investors, feel this business isn't glamorous or sophisticated enough for them, it will continue to be an un-crowded field with many opportunities for the few of us who do understand the business.

After all, how could that "Wall Street Investor", "Banker", "Certified Financial Consultant" or "Stock Broker" belly up to the bar in their country club and brag about making 87% selling an old, ugly mobile home? Or heavens forbid, (after a few drinks), slip up and admit they own a mobile home park. What would their peers think? Why that would be grounds for revoking their country club membership. But In the meantime, we mobile home/park players wait for the mail carrier and take our checks to the bank.

Happy investing,

Lonnie Scruggs