

"I have found the [manufactured home] parks to be the safest version of a retirement savings plan"

Investing in mobile parks

Today's manufactured home parks – known until recently as "mobile home parks" and long ago as "trailer parks" – are far from the trailer-trash image comically portrayed in the *Trailer Park Boys* of TV and movie fame.

Today, manufactured home parks provide affordable housing for seniors, who usually make up about half the owners, young families starting out and people on a fixed income. The new manufactured homes built today are impressive, comfortable and conform to the highest level of construction codes and standards. They are constructed inside a manufacturing plant away from the elements. There are a wide variety of modular sizes and designs to choose from. Established parks may have older units with additions or carports attached, which, as long as they are well maintained and landscaped, can still be appealing.

Cash flow

As an investment, manufactured home parks are a highly sought-after commodity. The reasons are numerous, but the biggest is the steady cash flow they produce. Because of this, lending institutions have changed their tune over the years and now find them a safe and desirable investment to finance. Appraisals and a phase 1 environmental study are usually required, however, as parks are classed as a commercial investment property. I have found the parks to be the safest version of a retirement savings plan, without your income being controlled by outside influences, such as the stock market. The investment is threefold: the tenants pay your mortgage down, while income after

expenses and the value of the property traditionally increase over time.

This investment income is from the rental of a pad space. As the park owner, you supply services to the underside of the mobile home. You have a month-to-month tenancy agreement with the tenants, who are responsible for their own utility costs and connections above the ground. They also maintain their own mobile and pad space, including the taxes on the unit itself. The park owner is responsible for the land taxes and maintaining the common areas, roadways and services on the property, which include hydro, telephone, water, sewer or septic system, snow removal and garbage collection.

Rent controls

Most parks have a set of park rules for the tenants to sign and abide by, which maintains continuity and control in the park. In B.C., rents are controlled by the **Residential Tenancy Branch**, which allows a yearly increase based on a percentage above the present rents (reviewed yearly). For 2011, the allowable rental increase is 2.3 per cent, plus a cost of living allowance, but tenants aged 60 and over may be eligible for rent subsidies under the **BC Housing SAFER** program. Low-income families may also be eligible for rent subsidies through the Rental Assistance Program. Reading through B.C.'s Residential Tenancy

Act (www.rto.gov.bc.ca) will give you information on landlord and tenants rights.

As your park rents increases, so does the value of your park. There is the possibility to pass on large capital cost projects and improvement costs above and beyond the normal operation of a park.

What to look for

What should you be looking for when searching for a park to purchase?

- **Location:** Location will be a prime factor, often depending on if you are a more hands-on

owner who actually works on the park. You may also decide to hire a manager/caretaker to look after most of the operations that you can oversee from a distance. There are parks that may not be as physically appealing as others but may create higher net incomes compared with a premium park with a decent cap rate. Ultimately the nicest and most well maintained have higher values. Some parks have park-owned rental units, but realize that you will then be

in the same position as owning an apartment block or single-family residential units, with vacancies, tenancy changes, tenants skipping out, repairs, appliances and maintenance on the units. Owner-occupiers of mobiles usually take pride in their homes and are the preferred tenants.

• **Check past rent rolls for any vacancies:** You can check the demographics of the town to assure the need for affordable housing in the area. Parks on city services (water and sewer) are less maintenance compared with wells and septic systems that require more maintenance but can sometimes be less expensive to operate than the higher taxes of city services. You want a park that your tenants will be proud to live in.

• **Check services:** The services within the park should be in good condition with no major capital expenditures on the horizon. The local health authority monitors well water and it will have records and logs. The pumps and distri-

bution system should be in good condition. If on a septic system, this will be monitored by the **Ministry of Environment**, which will have records on age and maintenance. It is expensive to replace fields, since this requires qualified contractors and, possibly, engineered plans for ministry approval prior to construction. It is always advisable to have the property's systems inspected by a qualified firm. The electrical system is extremely important as some older parks have overhead wiring, which is unsightly and under-powered (sometimes 60 amps per unit) creating problems with breakers and replacing poles and guy wires, etc. These can all be costly to replace. Today's standards require 100-amp services to each unit and it is preferred to have the lines placed underground out of sight and virtually maintenance free.

• **Check zoning:** You will want to go to the governing authority or city hall and inquire whether proper zoning is in place, obtain a history of the property and find out if the park can be expanded for added value. Finding a park with an upside of increasing revenue is desirable. Having a common area, visitor parking, paved roadways, street lighting and possibly RV parking would be advantageous.

Cost

Prices vary widely depending on location, size and quality of the overall development. The following are some examples of B.C. and Alberta manufactured home parks that were on the market as of press time:

• Fraser Valley: 31-pad park with two homes on five acres priced at \$1,295,000 with a 7.4 per cent cap rate, with potential upside;

• Maple Ridge: 44-pad park with one home on five acres with a cap rate of 5.4 per cent; and

• Alberta (remember, Alberta has no rent controls): 105-pad park plus 21 RV sites priced at \$6,500,000 at a 7.45 per cent cap with a potential upside.♦

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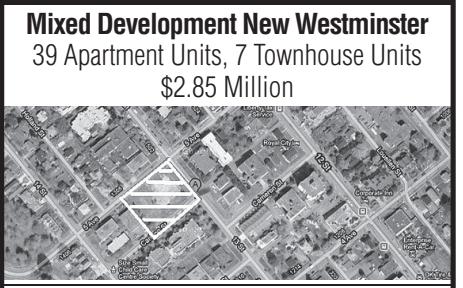
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