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How To Take Advantage Of Today's Real Estate Market: Investing In Mobile Home Parks

Prices are finally becoming attractive again

Published on: Wednesday, July 29, 2009

Written by: [David Reynolds](#)



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There are many reasons to buy a mobile home park. For one, there are virtually no new ones that can ever be built, effectively capping supply. Another is that you can raise and raise the rent, and nobody can afford the \$3,000 or so to move out, so they have to put up with it. Or maybe it's the fact that mobile home parks are sold on higher cap rates than any other form of real estate.

Well, I'm going to add one more reason: there are too many on the market right now, and the seller's are getting desperate.

Ten years ago, there were big, well-heeled buyers for almost every park — especially Affordable Residential Communities and Hometown. And the smaller parks that they wouldn't buy had 100 buyers standing in line. As a result, sellers got spoiled and thought that there would always be a huge number of buyers if they ever wanted to sell.

Well, they were wrong. Those days are over, for now. And parks are stacking up like unsold merchandise — stacked to the roof. What happened? Where did all the buyers go?

A lot of the buying fever over the last decade was in the form of lucky California, Florida and Arizona investors who sold a property for a huge windfall, and needed a 1031 exchange. These buyers flooded the market and, for some reason, mobile home parks became one of their targets of choice. They made perfect buyers — they

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had wads of cash and a short fuse on a 1031 time limit. However, with the decline of California, Florida and Arizona real estate values, these buyers have gone the way of the buffalo. Without selling their coastal property, they have no cash for a 1031 replacement. Things were so crazy five years ago that you would have a school teacher sell her house in California for a \$500,000 profit, and immediately plunk that down on a \$2,500,000 1031 replacement, without ever having owned commercial real estate before. Today, that same school teacher would have just a "For Sale" sign in her yard and a stack of flyers on her kitchen counter.

So who's going to fill the gap and start buying all of these parks? Nobody until the prices become attractive. *Really* attractive. And we are already seeing that. Some parks have had their asking prices reduced by 50% or more. And a lot of sellers are offering to carry paper at very attractive terms.

Every day we are seeing more parks stack up. And more desperate sellers. And even lower prices and more attractive terms. This has become one of the best buying opportunities in a decade.

So if you are looking at buying a mobile home park, your timing couldn't be better. Don't get so aggressive that you scrimp on your due diligence, however. There are still a lot of landmines in bad mobile home park deals. But if you put in the time and effort to find a good park to buy, you may be able to steal it. And there is no better way to make money in mobile home parks than buying a park for pennies on the dollar.

Dave Reynolds is an active community investor and also the founder and owner of MHPS.com and MHBay.com. Dave recently teamed up with another industry professional and investor, Frank Rolfe, and together they have created an entire series on How to Buy, Sell, Operate and Turnaround MH Communities. For more information contact us at the websites or at 1-800-950-1364.

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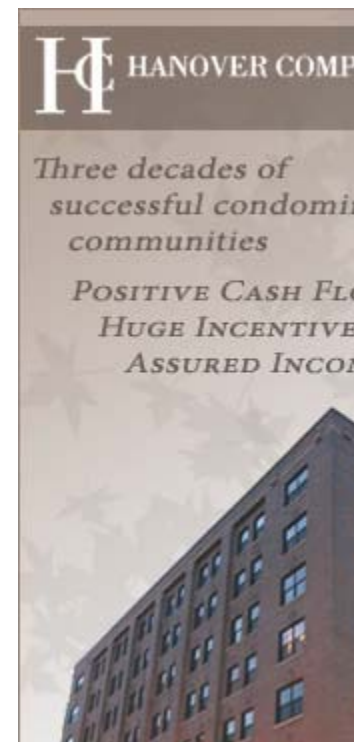
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