

Why I Love Mobile Home Parks

Love is a powerful emotion. My love for mobile home parks was a complete and total surprise, as was my love for my wife. Both were indeed powerful, and unplanned, the results of accidents. I am going to discuss three kinds of love in this article.

1- How I met and fell in love with my first Mobile Home Park.

2- Why I continue to love Mobile Home Parks today

3- How I met and fell in love with my wife

Those of you that like juicy, human details can skip to the end, but you should come back to the beginning, because otherwise you will miss learning about one of the most exciting real estate investments there is.

[1] How I met and fell in love with my first Mobile Home Park

This adventure began in the winter of 2000, during the first morning of a three day training I was conducting on how to become a millionaire by investing in real estate. There was a group of forty people from all around the United States sitting in front of me, listening and taking notes. The first day of class began at 7 AM and went to 7 PM. We allotted two hours for an introduction to the material the course was based upon, and the class's introduction to each other. By 9AM we were ready to get down to business.

I was standing by a desk in the front of the room. On the desk was a phone equipped with a loud speaker so the class could hear both sides of any phone conversations I had. Next to the phone was a copy of the local "Pennysaver" or "Thrifty Nickel" type newspaper, which in Southwest Florida is called "The Shopper." Ads that looked like they might make a good deal were circled. Off to the right of the desk was an easel with a large blank pad on it, and black marking pens sitting on the ledge of the easel.

For the next two hours, I was going to make phone calls to sellers and Realtors whose ads I had circled. The class would listen to me interact and learn how I began a search to purchase investment property. As I spoke on the phone, I wrote on the easel, fitting each property into one of the two basic success formulas I was teaching "flippers and keepers" which you will learn about shortly. When I found a good deal, I made an appointment with the sellers or Realtors to see their property the next afternoon. At that time, the class and I would board a tour bus, go out and view the properties and make offers. We called it "reality training," like the reality TV shows that became popular years later.

I had just finished calling on duplexes listed for sale in the \$50,000 - \$60,000 range, which gave around \$200 per month in positive cash flow, with little or no down payment. The intent was to keep the duplexes and receive cash flow. When an investor owned enough of them, he or she would achieve financial independence and not be dependent on a weekly paycheck. Then the investor could quit his or her job if they wanted, and invest full time in real estate, and become wealthy.

I also called on single family homes listed in the \$40,000 - \$75,000 range. The intent there was to buy houses for big discounts because they were run down and needed sprucing up. We would then fix them and make them look pretty, and then flip them for quick profits, which would be used for additional investing capital, or simply to enjoy life a little more.

While I was scanning the ads in The Shopper, I came across a listing that advertised: "Mobile for sale - \$1,200." After "running numbers" on duplexes in the \$50,000 - \$60,000 range, and homes in the \$40,000 - \$75,000 range, a property priced at \$1,200 was irresistible. I dialed the number in the ad and this is how the conversation went:

"Hi, I'm calling from an ad in The Shopper listing a mobile home for sale. Is it still available?" I asked.

"Yes," the woman answered.

"Can you tell me where it is?"

She gave me directions.

"Do the residents in the park own their own lots, or do they pay lot rent?"

“They have to pay lot rent. It’s \$285 per month.”

“I see,” I said. “And how many bedrooms and baths does your mobile home have?”

“It has one bedroom and one bath.”

“One bedroom and one bath,” I repeated. “Well, I’m an investor and I would be interested in putting a tenant in it and renting it out. What do you think I could rent it out for?” by the way, my name is Zalman. I figured it was time to introduce myself.

“Hi Zalman. I’m Peggy, and I’m not an investor,” she replied, “but I think the investors around here are getting around \$500 per month from tenants.”

I learned not to rely solely on the rental information I received from sellers because many were not experienced landlords. However, from my own experience as a landlord, I knew \$500 per month was a reasonable number for rent, so I wrote \$500 on the top of the easel pad for the monthly income coming in. Then I subtracted \$285 for the monthly lot rent, \$50 for monthly repairs, maintenance, and vacancy (10% of the rent), and \$15 for insurance and yearly tags. There were no real estate taxes because the mobile home was on a rental lot, and the owner of the park paid the taxes. That left \$150 in positive cash flow, like so:

\$500 monthly rental income

- 285 lot rent
- 50 repairs, maintenance, vacancy (10% rent)
- 15 insurance and tags

\$150 positive monthly cash flow

Now it was time to test the seller’s price and flexibility.

“Peggy, I see you have it listed for \$1,200. Is that the best you can do on the price?” I asked, winking at the class. \$1,200 was already ridiculously cheap, and some of the students recognized it and giggled.

“Well, for a quick cash deal, I might be able to let you have it for \$1,000,” she said, after some hesitation.

“Is that the absolute best you can do?” I replied. Once again, some of the students giggled at my audacity to bargain down an already great deal.

“Well,” she said after an even longer pause. “If you buy them all, I could give you a package deal.”

I hesitated here and considered her reply. Then I asked, “All? How many mobile homes do you have for sale in the park?”

“Five.”

“Five? Peggy, why are selling five mobile homes in the same park?”

“The owner just did a clean up in the park. He kicked people out who didn’t pay their lot rent, or didn’t follow the rules. Then he gave the mobile homes they abandoned to me. I fix and clean them, and then sell them.”

“You mean the owner of the park gave you five mobile homes?” I asked.

“Sure. He doesn’t want to get involved in fixing them. He is only concerned with getting the lot rent, and I get them back on the rent roll in a month or two. So Zalman, if you want to buy all five, I’ll give you a really good deal.”

"What's a really good deal?" I asked.

"How about \$800 a piece?" Peggy asked.

The class was on the edge of their seats. I wrote down the following:

5 Mobile Homes X \$800 a piece = \$4,000 total price

\$150/month in positive cash flow X 5 mobiles = \$750/month

Then I showed that if an investor put the five mobile homes on a credit card, thus buying them for no cash money down, the investor could have all five mobile homes paid off in about 6 months, including \$500 interest, like so:

\$750/month in positive cash flow X 6 months = \$4,500 cash flow

\$4,000 purchase price + \$500 credit card interest = \$4,500 total price

After using the 1st six months of cash flow to pay off the credit card for the homes, there was an annuity of \$750 per month coming in.

I put my phone on mute, so Peggy couldn't hear me, and asked the class:

"How many of you have a credit card with them, and would like to have five FREE mobile homes after six months, and earn \$750 per month after that?"

Almost every hand in the room went up. Now I decided to be cute. I un-muted the phone.

"You know, Peggy," I continued, "if I'm going to buy five mobile homes in one park, I might as well own the park." I winked and the class giggled.

"It's funny you should mention that," she said. "I heard the owner of the park just put it up for sale."

The class became dead quiet. I was speechless, my mouth hanging open.

"Hello?" Peggy said.

"Uh... well... I see... so Peggy, how do I get in contact with the owner?"

I didn't call the owner right away. I wanted to visit the park and see what it looked like, and whether I would be interested in owning it or not. When the class and I visited the park the next day, the first mobile home she showed us was small and old, but in decent condition after Peggy got finished cleaning and painting it. When we visited the park, I liked what I saw. It was crowded with older mobile homes, on 4½ acres, on the corner of two busy roads. The land was very valuable, which was a good thing.

I knew nothing about mobile home parks, and that was not a good thing. But I figured, what the heck, now might be a good time to learn, so I called the owner. He explained the basic financials of the park, that it had around 90 lots, but only 66 had homes on them, paying \$285 per month in lot rent. It also had a corner store paying \$450 per month in rent. I discovered in our conversation that the owner was retiring, and he and his investment partners just sold their whole portfolio of mobile home parks for a profit around \$40,000,000. That's right, forty million dollars. This was the last mobile home park they had left to sell, the runt of the litter. This is how the important parts of the conversation went, which was not in front of the class.

"So, Mr. Seller, how much do you want for your mobile home park?"

"We would like to get \$800,000," he answered.

“Yes, that would be nice,” I repeated, not knowing anything on how to price mobile home parks. “But what is the least you would take?”

“Make me an offer,” he replied.

“How about \$650,000?” I said.

“Put it in writing and fax it over to me. I’ll present it to my partners.”

“So would you take \$650,000?” I asked, surprised.

“Put it in writing and fax it over and I’ll present it.”

“But would you take \$650,000?” I repeated.

“Zalman, how many times do I have to say this? Send over your offer.”

The line went dead then. I assumed that when a seasoned investor just made 40 million in profits, he had the right to be impatient with amateur mobile home park investors like me who kept repeating the same foolish question.

I faxed over an offer for \$650,000 to the seller. I brought in a young partner with whom I purchased a nearby motel a year before. His name was Gershon, but I referred to him, affectionately as Crazy Gersh. In our partnership, I find the deals, arrange the financing, and manage the books. Crazy Gersh’s job is to oversee the properties on a day to day basis, and fix any problems that arise with the buildings, infrastructure, tenants, or our property managers.

I call him Crazy Gersh because he has at least one crazy idea every day. The wonderful thing is this: during the period of a year, at least two of his crazy ideas are absolutely brilliant. My job in our partnership is to weed through the 363 crazy ideas and find the two brilliant ones. (Warren Buffett, arguably one of the best investors ever, has said all you need is one or two “big ideas” in your whole business career to become wealthy.)

Don’t think Crazy Gersh believes only two of his ideas are brilliant each year. He won’t give up on an idea just because I say it’s crazy. I have to prove to him that the idea is unworkable with cold hard facts, because he is as persistent, tenacious, and stubborn as he is crazy. (Persistence is a very important attribute when it comes to being successful, too, by the way.) Gersh was solid behind buying the mobile home park. This is how our conversation went:

“Gersh, we don’t know anything about managing mobile home parks!”

“How much did we know about motels before we bought our first one?”

“Nothing,” I reluctantly agreed.

“And we’re averaging \$4,000 per month in positive cash flow with almost no money down. I bet running a mobile home park is easier than a motel.”

I found myself unable to refute Gersh’s logic at this point. “That’s the best idea you’ve had in the last six months,” I replied.

We didn’t know how we were going to fill the empty lots to increase the gross rents, how much our positive cash flow was going to be afterwards, and how much time it was going to take to manage it, all of which are extremely important criteria. The cash flow could have been anywhere from zero to \$8,000 per month, depending on how many vacant lots we could fill up, and how we managed our costs. The management time was supposed to be lower because the park came with a manager who was supposed to take care of everything.

This was one of the most difficult investment decisions I ever made up to this point in my career. \$650,000 was a lot of money to me in 2001, and each

day, I wavered between buying and not buying the park. It was definitely "outside my box" and caused me a great deal of worry. There were no books or seminars on investing in mobile home parks at the time.

But, what the heck, I thought. The terms were good and Gersh was persistent. In June, 2001, with Crazy Gersh pushing me every step along the way, we bought our first mobile home park. It had \$65,000 NOI and a 10% cap rate. We borrowed the whole purchase price of \$650,000 from a local bank and I pledged \$150,000 in additional collateral, which was two duplexes I owned free and clear. I also arranged a provision in the loan so that when the park's net operating income, the NOI, reached \$100,000, the lien on my duplexes would be released.

In keeping with our partnership agreement, Gersh got involved in the day to day "hands on" managing of this park, and I took care of the marketing, accounting and paperwork. Together, we climbed up the learning curve, one step at a time. We created our own management style based upon our experience in running this mobile home park.

The park looked like neat after it was fixed up by us. At the time we purchased it, it was one of the ugliest mobile home parks in three counties, and worse, it had no positive cash flow for the first six months we owned it. Whatever money we took in went out for expenses and the mortgage. It looked like we put a millstone around both of our necks, and I violated my cardinal rule about being a landlord:

If you have to wake up to tenants, you need to be paid for the privilege.

The experience had a very happy ending. By the start of 2003, after a year and a half, we had 90 lots rented out and had \$10,000 per month or more in positive cash flow, after all the bills were paid, including the mortgage payment. The bank released their lien because we exceeded \$100,000 NOI.

After seven years of ownership, the park has made in excess of \$10,000 per month in positive cash flow. As of this writing, it's probably worth in excess of \$2.2 million dollars, which is a profit of \$1.5 million dollars, if we want to sell it, which as of this writing, we don't.

By the way, Crazy Gersh and I went on to buy 2 more mobile home parks together, plus he bought two more parks by himself, and I went on to buy 8 additional mobile home parks by myself, some big and some small. He and I are still on the lookout for more to buy. You may also be lucky enough to find a partner like Crazy Gersh. Gersh thinks "outside the box" more consistently than any ten people I have ever met, put together.

[2] Why I continue to love Mobile Home Parks today

How do I love thee? Let me count the ways:

- 1- You can make a million dollars on one deal, if you know how
- 2- You can create a cash flow you can retire on, and pass on to your family
- 3- You can own and manage a mobile home park into you 70's & 80's
- 4- MHP's are twice as easy to manage as apartments, if you learn how
- 5- You have complete control of a neighborhood
- 6- You can invest in MHP's long distance, across country
- 7- MHP's are safer investments in downturns and recessions

That 7 powerful reasons, and we have experienced each and every one. I will discuss each of these advantages in upcoming articles

[3] How I met and fell in love with my wife

As I mentioned in the beginning of this article, meeting my wife was as totally unplanned as my falling in love with mobile home parks. We were both

wrestling for the WWF. She was coming out of the ring, and I was going in to wrestle. I held the ropes for her, she snarled at me when she walked by, and we fell in love at first sight.

This is a joke, of course. We had this picture made at the Ripley's Believe It or Not Museum in Orlando, when we visited Disney World. It always gets a laugh when I train classes. That is another thing I love, making people laugh, while I teach.

One of the lessons I have learned from watching real estate "gurus" over more than 20 years, is that I want to be an investor, and trainer, who walks the talk. I do not want to hold my whole life up as a perfect example of what a person should aspire to, because I am far, far, far from perfect, and to do so wrecks from arrogance and a lack of humility. As I get older, I find I value humility more and more. It is a way of keeping my mind open to change, letting in fresh ideas by listening and admitting I don't have it all figured out, and the result is I feel younger and more alive.

I have learned, first hand, from examining the lives of real estate "gurus" that if trainers don't practice humility, God acts in ways to make them wish they had.

Before I close, let me repeat once again what my Dad told me about selecting a career. He said, "If you're lucky, you will get to work at something that helps people, because in the end, all we really have is each other."

When you choose a career investing in mobile home parks, which are the most affordable housing we have, you will get that chance. When you buy a mobile home park, you are buying a small town where you are the mayor. The nice part is you don't have to run for office and play politics. You merely have to do a good job and you will be paid handsomely for your efforts, without the threat of being voted out of office. You don't have to go begging in front of a town council for a raise either. You just have to improve the income of your small town and you automatically merit a raise.

If one of your goals is to leave the world a better place than when you found it, you will have the opportunity to do that when you are the mayor of your own small town, and people entrust their dwellings to you.

About the Author

Stu Silver has 28 years of experience as a Realtor, and 17 in manufactured home investment. He has conducted 3-day live trainings and Internet Distance Learning on Mobile Homes and Real Estate Investments to over 5,000 enthusiastic clients. Under the pen-name of Zalman Velvel, he has written two well-received books: [Mobile Home Wealth](#) and [Mobile Home Wealth Part 2: Mobile Home Parks](#)

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