



MOBILE HOME PARK INVESTMENT

Auctus Properties Group

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EXECUTIVE SUMMARY

- Mobile home parks are still one of the best income producing investment/asset class. Unlike other investment types, generally, it is not impacted by the health of the economy because people will always need AFFORDABLE housing. 51% of the US wage earners make less than \$30K/yr hence there will always be demand for inexpensive housing.

WHY INVEST IN MOBILE HOME PARKS (THE COMPETITIVE ADVANTAGE)

- Fixed competition: Due to law and zoning changes during the last 20 years, no new mobile home parks are being built.
- Market supply & demand: Market is shrinking 1% annually while demand is growing 1% annually
- High operating margin: Unlike apartments, tenants own their own mobile home and they own the maintenance. (above ground vs. below ground – landscape, surface and sewer)
- Investment recapture (depreciation):
 - * Non residential – 39 years
 - * Residential – 27.5 years
 - * Mobile homes – 15 yrs (land value assessment: 15%-20%)
- Attractive CAP rate: Acquire at 9%-10% and increase to 12%-13% with simple tuning, and 20%+ achievement on the right deal.
- Cash on Cash return: 15% - 40%

STRATEGIC POINTS

- Market is not sexy but fundamentally strong ROI
- Capacity target: at least 10 mobile home per acre
- Location target: outside of major metros. Or within 5 mile radius of Super Walmart.
- Buy only tenant owned homes and preferably individually metered lot.

GENERAL MARKET DATA

- Based upon US gov't study, if you make less than \$30K/ yr, typical housing budget is around \$500/mth.
- Manufactured (or mobile) home costs about 20% of avg site built home and w/o the cost of land.
- Currently, there are 50K mobile home parks but demand is 60M people.
- Due to cost of relocation (between \$3K-\$5K), very low tenancy turn in spite of annual 10% rent increase, and tenants are generally unsophisticated to understand financial impact/cost.
- Overwhelming majority of mobile home parks are owned by “mom and pop” non professional operators. Good source for owner carry deals and higher CAP opportunity.

GENERAL MARKET DATA..CONTINUED

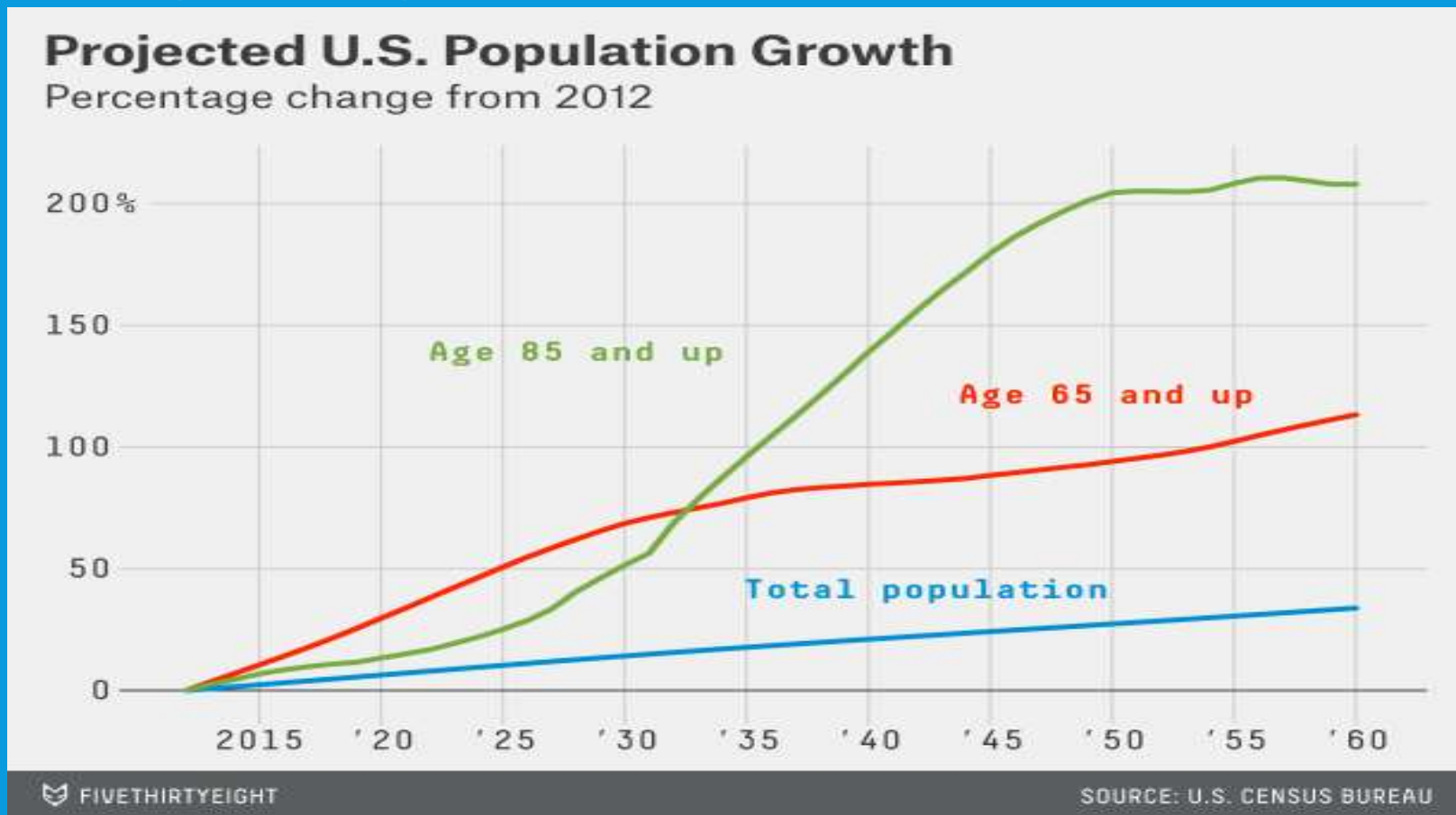
- Highly Fragmented Market: Inefficient industry with largest institutional players owning less than 5% of the market. And 3 REIT companies focused exclusively on mobile home park investment.
- Largest private owner of mobile home parks sold to Brookfield Asset Mgt for \$2.04B (135 communities) in 2016. BAM is \$240B global asset mgt co.
- Warren Buffet owns one of the largest mobile home manufacturing and financing company.
- Large operators are primarily focused on 200+ space park w/ 4/5 star ratings and mostly retirement (55+) communities.
- Vast number of mobile homes are not really mobile as they are attached to permanent foundations and don't move, but over 80% are titled as chattel.

GENERAL MARKET DATA..CONTINUED

- 8% of US population or 20M Americans live in mobile homes.
- South Carolina has the most living in mobile homes with 16% of state population.
- Most mobile home parks are age restricted, most being 55+ neighborhoods. An ideal set up for retirees seeking peaceful & serene environment with people within their own age range.

GENERAL MARKET DATA..CONTINUED

housing for coming decade.



GENERAL MARKET DATA..CONTINUED

- Many mobile homes are in need of replacement and/or rehab.
- Some states, including Maine, NY and CA, are offering low and no costs loans to help mobile home owners replace decrepit mobile houses w/ new energy efficient and well weatherized models.

MORTGAGE LENDERS FOR MOBILE HOME PARKS

- Clayton Bank (originally, manufacturer and financier of mobile homes). #1 lender
- Wells Fargo
- Citi Bank



PROS & CONS OF MOBILE HOME LIVING

- **Pros:**
- Cost. Land rental fees in many places include water, sewer, garbage and recycling pick up.
- No property taxes.
- No overly closed neighbors. (ie: apartment)
- Small, low maintenance yard.
- Location. Many parks conveniently situated around view of lakes and ponds.
- Usually pet friendly.
- Age and population restrictions. Like minded community = happier.
- Some community perks include pool, fitness center and activities.

PROS & CONS OF MOBILE HOME LIVING

- **Cons:**
- Property depreciation. (inverse for mobile home parks)
- Mobile homes are harder to sell than traditional house.
- Park owner changes.
- Difficult to relocate mobile home if necessary to move.
- Stigma with living in a mobile home park.