

December Newsletter Is Now a Good Time to Sell My Mobile Home Park?

Written by Mark E. Timmins, J.D.



BROUGHT TO YOU BY



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When you turn on the news at night, all you hear is that interest rates are up, wages are flat and inflation is rampant. The cost of everything from food to cars to houses is through the roof! There is war in the middle east, war in Europe. That hasn't happened in Europe for over 50 years and hasn't happened in the Middle East for 15 minutes. You think to yourself, "retirement in Florida would be great right about now, but is it really a good time to sell my park?" **Shockingly, the answer is YES.**

We have several economic indicators that will leave most people scratching their heads when it comes to the idea of why park investments or really any real estate investment would make any sense in our current environment. I am going to discuss the current state of several of these indicators and talk about why the trends are still working in park owners' favor. I will discuss prevailing interest rates, inflation, housing inventory, unemployment and "shrink-flation".

For most investments, interest rates are the biggest killer. Eighteen months ago, in the heyday of bad investments, commercial loans were as low as 3%. People were buying everything left and right. It was a great time to be a real estate broker. Now, even after a recent 70 basis point drop in the 5-year treasury since mid-October, prevailing rates are in the low to mid 7% range. These higher rates have reduced interest in smaller stand-alone parks and parks with significant vacancy problems, however stabilized parks are still hot commodities.

As we all know, most of the problems in our economy and real estate market are directly tied to inflation. While we all know that with inflation comes higher costs and stock market uncertainty. This leads to a lot of investors trying find an investment alternative that appreciates near the rate of inflation or that can at least hedge some of those potential losses. Gold is a go-to for a lot of people, farmland is another. Prices of both have shot up over the last year. In my opinion, housing is a sure thing.

Housing inventory is near all-time low and prices have yet to see any reduction. In fact, according to MarketWatch, prices have risen for seven months straight and are

at all-time highs nationwide. Home prices in the 20 largest metro areas nationally saw a 3.9% rise in value. Good news for house sellers, but how does that translate to MHP sales? The supply-demand curve isn't showing many signs of changing which makes housing alternatives such as MHP much more desirable, and actually affordable. According to Real Clear Policy, one in five Americans who don't own a home say home ownership is out of reach. On top of that, the United States is short an estimated 3.8 million housing units. Home builders are mostly "hammers-down" unless it is a custom build, so supply is going to remain relatively flat while demand will only continue to rise.

What disruption is there that can change the supply-demand curve? In my opinion, it is unemployment. While we are all feeling the pain of this economy, a lot of the high values in housing are still driven by the fact that the unemployment rate in the US is 3.9%. Unemployment is a huge driver of property values. As unemployment goes up, property values will fall. According to a study published in the Journal of Monetary Economics in October of 2018, an increase of 3% in unemployment will lower the price of housing by approximately 10.74%. Without this phantom recession that we have all been expecting, and short of a black swan event, costs for new housing will remain elevated.

This brings me to my last point..."shrink-flation". We have seen it in a lot of places in the economy. "Shrink-flation" is when you pay the same price or an increased price and the amount of a good or service is less than before. For instance, you bought a box of cereal and it is \$5.00 for the 1.4lb box, but when the cereal a year ago it was 1.7lb for \$5.00. We see this with housing. New homes compared to 1.5 years ago are more expensive, smaller and no longer have finished basements. That doesn't even take into account that increased interest payments from 3% interest to 7% interest have risen the cost of ownership over \$730 a month for a \$300,000 home. "Shrink-flation" in traditional homes is going to force potential homeowners to remain renters even longer or push them to invest in alternative housing options like manufactured housing.



As I have discussed, some economic indicators are blinking red which would make us think it is a bad time to sell. Interest rates and inflation have wreaked havoc on the commercial real estate markets. Most of the impact on those have been off-set by the drastic shortage in housing inventory, the high price of traditional housing and the strong job market. These factors, along with "shrink-flation", will continue to push new tenants to manufactured housing, which in turn, will continue to make mobile home parks a strong investment for potential buyers.

2023 UPDATED MHP RENT SURVEYS:

Want access to up-to-date rent information for mobile home parks in your area? Contact me to see the 2023 rent surveys for Cedar Rapids, Des Moines, Iowa City, and Davenport.

Email: joannestevens@iowarealty.com

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SAVE THE DATE:

MHI Winter Meeting

Date and Location TBA

More information: <https://www.manufacturedhousing.org/events-landing/winter-meeting/>

MHI Congress and Expo

4/3-5/2024

MCM Grand Las Vegas

More information: <https://www.congressandexpo.com/>

WHAT IS YOUR PARK WORTH?

You ought to know the market value of your real estate investments today! We are always happy to do a **FREE, NO OBLIGATION**, Real Estate Review for your park(s). If this is something you would like to set up, reach out to one of us today!

YOUR TEAM

Joanne is a specialist in listing and selling mobile home parks and manufactured housing communities throughout the U.S. With her 20-plus years of experience in developing, zoning, owning, retailing, managing, turning around, and brokering parks, she can maximize your sale price.

Jordan Bouslog is a Manufactured Housing and Investment Specialist at Cushman & Wakefield Iowa Commercial Advisors. He has over 10 years of real estate experience and has completed over \$120,000,000 in sales.

Mark E. Timmins, J.D. is a Manufactured Housing and Investment Specialist at Cushman & Wakefield Iowa Commercial Advisors. As a former practicing attorney, Mark brings 7 years of education and experience to benefit his clients over his eight years of real estate brokerage.

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