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From: Bonnie Petty

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Five Reasons Why Mobile Home Park Investing Is Recession And Inflation Resistant

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Concerns of an upcoming recession have sparked a renewed interest in commercial real estate investing as a [viable alternative](#) to the uncertainties of the stock market and other traditional investment vehicles. However, all real estate investments are not created equal. In fact, mobile home parks have historically delivered outsized returns, even in the worst of economic times. Here are five reasons why investing in mobile home parks is recession and inflation resistant.

1. Mobile home parks generally perform well in both strong and weak economic environments.

According to [Green Street Advisors](#), a global real estate research firm, between 2004 and 2018, operating income from mobile home parks rose by 87%. This income never declined, even during the Great Recession of 2008.

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According to [Apartment Guide's annual rent report](#), rent prices for a one-bedroom apartment now top \$1,600 per month. Contrast that with mobile home park lot rents, that average near \$300 per month, and mobile home living becomes a uniquely affordable housing option.

In a strong economy, increases in housing prices, like those we've seen over the past two years, make it even harder for low-wage workers to afford housing. In a weak economy, job loss and wage reduction mean that more people need access to affordable housing. Thus, mobile home parks can do well no matter which way the economic wind is blowing.

2. The demand for affordable housing is unprecedented.

Think about the watchwords we've seen in the real estate press over the last several years and how mobile home parks can help to eliminate their effects.

- **Affordability:** Affordable housing has become a [primary concern](#) for municipal, state and national governments. Mobile homes can be built for [less than half the price](#) of site-built housing.
- **Low inventory:** Unlike single-family homes and apartment complexes, mobile homes can be manufactured in a fraction of the time of fixed construction, allowing them to keep better pace with demand.
- **Construction and material shortages:** While low home inventory is driven in part by overwhelming demand, it is also affected by a shortage of skilled workers and supply chain interruptions that keep building projects from being completed. These can be circumvented through the faster, more efficient processes associated with mobile home manufacturing. When building a manufactured home, the [waste created is typically small enough to fit into one trash can](#).

3. Mobile home park residents tend to stay put longer.

When mobile home park residents own their own homes, they tend to stay put longer. [Over 90% of mobile homes](#) are never moved after they are first installed. This is primarily due to the costs associated with moving the home (approximately \$6,000). Also, around one-third of mobile home park residents are retired and not inclined to move as frequently as younger residents. These retired residents add to the economic stability of mobile home park investments with their fixed incomes (Social Security, pensions or SSI), and they typically do not experience disruptions in their income that could cause them to vacate their home.

4. Mobile home parks can operate with higher profit margins.

Because mobile home parks typically operate on high margins ([expense ratios around 30%-40%](#)), there is more room to recover in the event of an economic downturn.

As rents rise to keep up with inflation, the principal balance on loans stay the same or are reduced. This means that the lower-valued dollar makes the debt less valuable, at the same time the mobile home park asset itself increases in value.

5. Mobile home parks can be acquired for higher capitalization rates.

Given the highly fragmented nature of the asset class (less competition) and the stigma associated, mobile home parks can generally be acquired for higher capitalization rates (net income/purchase price) on the income they produce. Higher cap rates mean better returns for investors.

Is mobile home park investing right for you?

Investing in mobile home parks can be naturally illiquid, so pulling out cash after making an investment is not easy like selling a stock. Also, mobile home parks can be management-intensive; it is important to ensure that you have the right operator behind the scenes with experience managing this type of commercial real estate.

Conclusion

These are the five reasons why I believe mobile home park investing is recession and inflation resistant. Top these with the fact that strict zoning laws make [mobile home parks nearly impossible to build today](#) and the asset class starts to shine in comparison to other investment options. Mobile home parks can offer more consistent upside, better long-term profit potential and most importantly: good downside protection. With greater stability, higher margins and lower expenses, mobile home parks offer a uniquely recession- and inflation-resistant investment alternative.

From: [Tom LaPenna](#)
To: [CityCouncilListPublic](#)
Subject: [EXTERNAL] Thank You All
Date: Thursday, June 22, 2023 10:53:50 AM

Dear Council Members,

Thank You all so much for correcting the exception to the Rent Control Ordinance that affected five rent controlled parks housing Seniors in our city. I appreciate your continued willingness to listen to the SRMOA members who spoke at Council Chamber Tuesday evening; their stories are more important than my words. Thanks again for listening and caring. I also have a meeting set with Director Basinger next week to discuss protecting the Senior Park designations and reviewing the in place transfer (rent increase) provision of the ordinance.

Again, please know that you have really, “done the right thing” helping Seniors in Santa Rosa.

Best Regards,
Tom LaPenna