

## **6 Reasons to Invest in Mobile Homes**

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### **Affordability = More Customers Article 1 of 6**

You've no doubt heard the complaint: the cost of everything just keeps getting more and more expensive, especially housing! All one need do is review housing costs across the country over the last few years to confirm the validity of that statement. The *only* thing that most people would complain about not going up as quickly is, of course, their wages! As housing continues to become more and more expensive, will investors be able to continue to make money investing in them? Of course!

Smart investors know what their housing markets are asking for, and have many tools at their disposal in order to take advantage of opportunities as they arise. No matter where you live and what your area of investing specialization is, there will usually be more customers looking for an affordable housing option than any other group of potential buyers. One affordable housing option that many investors across the country have found to be especially lucrative is something you may not have ever heard of or even considered as an investment: manufactured homes and manufactured home communities. Yes, some call them mobile homes and even "trailers". Despite what you, your friends, the media, and the public at large may think about this particular housing product, there are 6 excellent reasons as an investor; you should consider getting involved in Manufactured home investing.

### **6 Reasons to Invest in Mobile Homes**

1. Affordable Housing in High Demand
2. Niche Market
3. Lower Entry Cost
4. Excellent Cash Generators
5. Fantastic Returns
6. Grow Your Own

In this article we will take a look at how manufactured housing investing takes advantage of the need for affordable housing.

#### **Affordable Housing in High Demand**

As an investor, we have different ways to make money in the housing markets. In general what do we look for? There are two basic criteria: we look for something we can purchase at a low price and sell for a higher price. We also look for

something to buy and sell for which there is good demand. The same basic criteria also holds true when you buy to rent rather than sell.

In most markets, there may be several different housing options that satisfy these two criteria, and it's the investor's job to determine which will make the better investment. How is that done? There are many things that must be taken into consideration. One of the first things that must be decided by the investor is their business strategy. There are two basic business principles that work in all businesses including the housing markets: A business, (you are treating your investing as a business aren't you?) may choose to deal in items with high profit margins and low volume, or they may choose to deal in items that have low profit margins and high volume.

For example, there is certainly money to be made buying and selling high priced homes. In general, the more expensive the home, the greater the potential profit margin, and the fewer number of possible buyers. On the other hand, dealing with less expensive homes may not offer as great a profit margin, (though not always!) there is however usually a bigger pool of potential buyers.

It doesn't matter where you operate; every market has a need for housing that is affordable! There usually seems to be a disproportionate number of folks clustered around the bottom rungs of the housing ladder, and for them, affordable typically ends up meaning renting an apartment. While many of these people find that purchasing a manufactured home and renting a space in a community is a great intermediate step for them as they wait to buy their dream home, a situation we will discuss in another article, many more find that it's the highest rung of the housing ladder they can climb. How would you like to be in a position to help them both?

Many potential home buyers view paying rent on an apartment as a waste of money and this is something we can take advantage of. Even though owning a manufactured home in a rental community still involves paying rent for the home site, the unique thing is we offer them a way to convert a portion of their monthly housing costs into equity for their future.

It is generally an acceptable business practice that 30% of a person's salary is a safe amount to be spent on housing. By taking 30% of an areas average annual salary and dividing by 12, an investor can calculate what the average customer can afford to pay for housing. As of this writing, the national average salary is about \$40,000 per year. 30% of that is \$12,000 per year or \$1,000 per month. In my crash course on how to complete a market study, I show how to use this number and compare it to the cost of getting into and the monthly costs of the most common forms of housing. This is critical information you must learn if you are serious about investing.

For example, if a buyer has \$1,000 to spend on housing and the median home in their area costs \$250,000, their options are going to be very limited. (Especially as credit tightens up and interest rates rise) In that same area, that \$1,000 dollars per month usually buys a nice manufactured home, pays the community space rent, and leaves money to spare!

When as an investor we can provide a service that many there potential customers for, we can take advantage of the business principle “low margin and high volume”. Affordable housing, Manufactured Homes, works very well for this purpose.

### **Niche Markets = Wealth!** **Article 2 of 6**

In this article, we'll discover why mobile/manufactured home investing is an excellent niche market you should be aware of.

In many areas of the country today, investors are seeing greater competition for fewer deals. Rising interest rates and housing prices make it difficult not only for the investor to find attractive deals, it also shuts many potential home buyers out of the market. What to do about this situation?

Savvy investors have long known that it's to their advantage to operate in a niche business. They also educate themselves to operate in any kind of market and economic condition. As housing costs and interest rates rise, the pool of potential single family home buyers shrinks and the pool of renters rises, thereby creating opportunity for those investors that use this to their advantage.

Over the years many of these savvy investors have been quietly plying their trade in just such a niche business, and have been reaping the rewards for their efforts. Just what is this niche investment of which I speak? Manufactured Homes and Manufactured Home Communities. Yeah, I know, those things they also call mobile homes and that some folks even call trailers! Who in their right mind would invest in those things you ask? Well call me crazy! (Crazy like fox!...)

Smart investors have many tools at their disposal in order to take advantage of opportunities as they arise. No matter where you live, what your area of specialization is, and despite what you, your friends, the media, and the public at large may think about this particular housing product, there are 6 excellent reasons you should consider getting involved in Manufactured home investing. Here is reason number two:

## Niche Markets

Find a need and fill it. There is excellent logic in this old maxim! Why beat your head against a wall creating a market and a need for people to buy your great new product or service when you can give people what they *already want*!

In an article excerpted from “303 Marketing Tips Guaranteed to Boost your Business” entitled “Specialize in a Niche Market”, Entrepreneur.com had this to say about Niche Markets:

*“Specialization in a product area can make you the recognized expert. If you try to compete in an entire category, your message may be so scattered that customers will flock to other companies that specialize in niches within your category. You can't be everything to everybody. Be happy being everything to a few people”.*

By “being everything to a few people”, you can get good at offering solutions that address their concerns. You know the “benefits” your product or service provides to them. Remember, a “feature” is what something is, a benefit is what it does. For example, a feature you may offer when you sell a pre-owned manufactured home is “No Banks - Owner Financing”. The benefit to your customer is they have a chance of qualifying. A feature of owning a manufactured home in a community is paying space rent. A benefit is living in a community that provides them with a lifestyle they can afford. A feature may be lower cost per square foot than other housing options. The benefit that provides is owning a larger home for the same or less money. The more benefits you are able to identify for your customers, the better you will be at helping them get those benefits!

Manufactured Home Investing is a perfect example of the classic “niche” market. Within the broad category of Real Estate Investing is “shelter”, or investing having to do with housing. Within that large category is affordable housing, and within that lies the highly specialized “niche” of manufactured housing. Within that is found our niche, the pre-owned manufactured homes.

There are several factors that make investing in pre-owned manufactured homes a great niche opportunity. The first is the availability of financing for these homes. (or rather the *lack* of it.) Because the homes you will be dealing with are pre-owned, there is very little in the way of institutional financing available for them. (The major source being local banks and credit unions.) The next factor that comes into play is the potential buyer themselves. The great majority of them can not qualify for traditional financing, even if it were available, and they do not have the resources to pay cash for the home.

Because of these two factors, the resale market for pre-owned manufactured homes is hampered, causing sellers to carefully consider offers from the few cash buyers out there. (Us!) Investors can offer a benefit to most sellers of

manufactured homes that other potential buyers can't: quick cash. What does the investor do once they've bought the home?

While some investors like to buy and sell for quick cash profits, the majority of investors in the pre-owned manufactured home business are in it to create one thing: long term cash flow! They do this by getting a reasonable down-payment and financing the sale for their buyers, the very thing these buyers need. It's the definition of a win-win proposition! Once the buyer has bought the home, the investor enjoys a monthly income stream, typically for terms ranging anywhere from one to ten years. And the yield (ROI) beats hands down the anemic returns paid by institutions.

There are many benefits to go around for everyone involved in a niche market, and investing in manufactured housing is no different. In the next article we'll take a look at another benefit this niche offers: lower entry cost.

In future articles 3, 4, 5 and 6 that will appear in the Success Elevator newsletter, I will go over additional reasons why you will want to include manufactured home investing as a part of your investing tool belt.

Doug Ottersberg will be the featured speaker at East Bay Wealth Builders [club meeting on August 17, 2005](#) at the San Ramon Marriott from 6 pm to 9 pm. and will have an all day [workshop on August 20, 2005](#) at the San Ramon Marriott from 9 am to 6 pm.

To learn more about Douglas Ottersberg, The Mobile Home Millionaire, visit his website at [www.dougottersberg.com](http://www.dougottersberg.com)