

Cash flow appeals to manufactured home park investors

Peter Mitham, Western Investor
a day ago



Port McNeill's Alder Bay RV Park and Marina offers pads for long-term stays as well as vacation-style rentals and RVs alongside a marina. | Klein Group

The housing crunch has bumped up the appeal of modular housing in many quarters, with the rapid pace of delivery making it ideal for temporary worker housing, urban centres grappling with homelessness, and – in an upscale version – hotels.

Some of the same factors are driving the appeal of manufactured housing parks, a low-cost housing option for close to 60,000 households in B.C. and the asset of choice for many new investors.

A case in point is Lakeview Terrace, a 22-pad manufactured home park overlooking Okanagan Lake in Summerland, which sold in May for just over \$2 million. Geared to seniors, the park has changed

hands on a regular basis as owners have stepped in, enjoyed the cash flow and traded up.

"Lakeview sold two years ago for \$1.6 million, now it's \$2,050,000," said Bill Summers of Lighthouse Realty Ltd. in Abbotsford. "It's making \$100,000 a year, so [the owners] were doing really well but now they figure all their relatives have huge parks so they're going to go big, too."

The gain in value is attributable to the steady revenue the parks generate and the upside in rents through turnover, especially in those geared to residents 55 years and older.

Lakeview's lowest rent is \$456 a month for a pad, but incoming tenants face rents of \$650, an indication of how the market is changing.

The parks usually pay for themselves in 10 to 15 years but with rent increases, Summers says anyone who holds onto them will see "pure cash flow."

Yet the affordable price versus multifamily units in town makes them an appealing housing option.

"The way housing is right now, parks are just a really good opportunity," said Alan Johnson, vice-president with the Unique Properties Group at Colliers. "That's why guys buy them; they're just good long-term investments."

But investors don't have to buy the whole property. Some simply buy a unit, rent the pad, and lease them.

The park in Fernie had a model that sold for \$290,000 and rents for \$2,500 a month, including the \$400 pad rental.

"[You're] getting \$2,100 a month less tax for a \$290,000 investment. That's pretty good, and you have really good security in parks," he said.

Parks are governed by the Manufactured Home Park Tenancy Act and face similar controls on rents as other rental properties. But unlike multifamily rentals, landlords can chargeback the cost of city services, such as sewer, water and garbage collection.

"All that can be passed along to the tenants, which makes it nice," Summers explained. "[And] increases can go in above the Residential Tenancy Branch increases, so you're inflation-proof that way. You're always going to stay ahead of the game."

Eugen Klein of the Klein Group at Royal LePage Westside describes manufactured home parks as "recession-proof."

“Most of them are excellent cash-flow properties, very good communities. They offer the best affordable type of housing,” he said. “I’ve never had a mobile home park that’s a bad investment or didn’t cash flow. Even ones that needed a full redo of their services for a million-plus dollars, people have spent the money.”

Klein typically handles three to four listings at any given time, primarily the result of long-time owners retiring.

Since park residents typically own the homes that sit on the rented pads, units are updated regularly and residents take pride in what they own.

“They’re built to better standards than detached homes are today. They’re not Trailer Park Boys anymore. No pressed board,” he said. “You have a different feel to the community because of that. From an investment perspective, that’s good.”

Klein, together with his parents, owns a manufactured home park in Merritt that’s been home to workers on the TransMountain pipeline as well as retirees and local families.

“We see a lot more people from the Lower Mainland and somewhat younger people,” he said.

There’s also been an influx of new residents to a park he’s listing in Nelson, while the Alder Bay RV Park and Marina in Port McNeill, another listing, has units geared to vacationers. Northern BC is starting to see parks with duplexes thanks to the modular nature of the units.

This creates new and alternative options for investors.
