

Guide to Investing in Mobile Home Parks

Mobile home parks aren't usually the first asset class that comes to mind when discussing real estate investing. Most potential investors think of commercial real estate buildings, single-family homes, or multi-family properties when discussing the best real estate investments. These investments are safe and tend to generate consistent cash flow for investors.

But have you ever considered mobile home parks as an investment? An increasing number of new and experienced investors are starting to jump on the mobile home park bandwagon. These communities provide investors with plenty of benefits and may offer better returns than most traditional real estate investing strategies.

This article discusses why investing in mobile home parks may be a great option for you and how you can get your real estate investing career started with this alternative real estate investing strategy today.

What are mobile home parks?

There seems to be a lot of confusion about what a mobile home park is and how it differs from similar communities like RV parks. Recreational vehicles (or RVs) and mobile home parks may have the same management company behind the scenes, but these parks have several key differences.

The first difference between RVs and mobile homes is that RVs usually stay in the park for a week or less, while residents in mobile home parks are permanent until they sell their mobile homes or move somewhere else.

Mobile home parks also typically require less management and maintenance than RV parks. Property managers of mobile home parks may only see their tenants once per month when their rent is due or if there are any issues that need to be fixed or complaints to be addressed.

On the flip side, RV parks have new residents coming in and out constantly, and new residents of RV parks may need to be acquainted with the park, its amenities, facilities, and the area as well. They'll likely need information on nearby restaurants, things to do, and other helpful tips for enjoying their time in the park.

Mobile home parks also deal with eviction differently than RV parks. While the laws vary from state to state, most mobile home parks evict their residents if they fail to pay their rent or violate

the rules of the park. However, RV park fees are usually paid in advance for their entire stay in the park, and residents are only removed from the park if they don't pay or otherwise break the rules.

Why invest in mobile home parks?

Now that you understand exactly what a mobile home park is, it's time to dive into why mobile home park investing is becoming more popular and why you should consider it as an investment strategy.

People like Brandon Turner of [BiggerPockets](#) are starting to increase the conversation around investing in mobile home parks. He claims that they are one of the best-kept secrets of the real estate investing world since most people believe they're unattractive and full of low-quality tenants.

However, this couldn't be further than the truth. Mobile home parks offer plenty of benefits, including:

- **Cash flowing properties.** Mobile home parks continue to provide consistent cash flow for investors throughout any real estate cycle. In times of economic uncertainty, most traditional real estate investments don't perform as well compared to mobile home parks.
- **High demand for mobile home parks.** The demand for mobile home parks is always high, as renters today are constantly looking for affordable housing in many areas across the United States. With inflation on the rise, you should expect the demand for affordable housing to continue to increase and mobile home parks to become more valuable.
- **Low supply.** Those that hold mobile home parks as investments benefit from the low supply on the market. Low supply means not many mobile home parks are being built, which means now is the time to capitalize on the opportunity to invest in mobile home parks.
- **Low maintenance:** Purchasing a mobile home park of all tenant-owned homes means that the tenants are responsible for home repairs and maintenance; therefore significantly reducing your maintenance cost. Most fully tenant-owned home parks collect rent checks on a monthly basis and need little management, unlike other real estate investments.

Drawbacks of investing in mobile home parks

While mobile home parks offer some great benefits and are clearly a smart investment decision, as with all investments, there are some downsides that new investors should consider before buying their first mobile home park.

The stigma around mobile home parks

While you can't dispute the benefits of investing in mobile home parks, there is still a big stigma from the general public about the quality of mobile home park tenants and stereotypes about mobile home parks. Although it's true that mobile home parks sometimes attract tenants who are at or below the poverty line, providing affordable housing to those in need is a sound investment strategy that can provide stable returns.

Upfront investment

Recent appraisals have valued mobile home parks between \$25,000 and \$50,000 per pad. These per pad cost would value a 50-pad park between \$1,250,000 and \$2,500,000, which would require a down payment of \$312,500 to \$625,000. Lenders typically require a minimum of 25% down payment. The price of a mobile home park will be highly dependent on the location, the quality, and the ratio of park and tenant-owned homes. Unless you're an experienced investor or have saved up a lot of cash yourself, you'll need to partner with someone else who can provide the upfront capital to purchase the mobile home park. However, utilizing seller financing may make owning a mobile home park possible for many new investors.

Lower appreciation than other traditional investments

Typically, mobile home parks don't significantly appreciate in value unless the owner decides to upgrade the park to take advantage of forced appreciation. Other real estate investments will perform better if your goal is property appreciation.

Financing your mobile home park purchase

The disadvantages of investing in mobile home parks shouldn't deter you from getting started. There are still plenty of opportunities to start your real estate investing career with an alternative strategy like mobile home park investing.

The Madison Group is the number one choice for RV and mobile home park real estate investors. With over 1,000 lending partners across the nation, The Madison Group can help you secure competitive financing. Whether you are looking for a bridge loan, nonrecourse, cash-out, interest only, or a long-term fixed rate, The Madison Group can source you the best loan options available.

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