What You Need to Know About RV Park Loans

One asset class that is emerging in popularity is RV park investing. This term is often mixed with mobile home park investing, but they are very different. Mobile home parks deal with free-standing structures used as dwellings, while an RV park is meant for recreational vehicles (RVs) to take a break and enjoy the amenities inside the park for a short amount of time.

RV parks have been around for many decades, but investors are just starting to catch on and are realizing how great an investment they can be. However, finding RV park financing information on the internet is difficult to do and there aren’t many reputable sources of information on applying for RV park loans.

This article discusses the basics of RV park financing and how to get involved in this lucrative asset class today.

Why invest in RV parks?

In the past, RV parks have reported returns of 10-20 percent for investors, but still, so much is misunderstood about this commercial real estate investment.

Aside from the consistent and stable returns, RV park investing also has the following benefits:

- **Favorable financing terms for commercial real estate investors**. The Madison Group can arrange favorable financing terms to investors looking to get involved in RV park investing. Many potential investors spend weeks searching for an alternative loan program for their commercial real estate purchase, but we quickly connect you with the nation's top lenders so you can be confident that you're getting the best financing terms.
- **High demand for RV parks**. RV parks have historically been in very high demand. Recreational vehicles are getting less expensive to manufacture, and more people are purchasing RVs now more than ever.
- **Stable investments through different economic cycles**. Regardless of the macroeconomic environment, RV park investing remains one of the most stable real estate investing strategies available to investors today. With the world starting to open up again, more people want to experience the outdoors with their friends and family and will be visiting RV parks more often. According to the RV Industry Association, RV shipments for 2021 ended with a record 600,240 wholesale shipments.
- **Fewer headaches than similar investments**. RV parks are ideal for investors that don't want to find and screen long-term tenants. Most RV park guests stay less than 14 days, so all the RV park owner needs to do is advertise and attract people to the park instead of worrying about maintaining guests for several years.

Contact us now to discuss your financing options:
(435)-785-8350 | Info@madisongroupfunding.com | Schedule Appointment

Transient vs. seasonal RV parks

Potential RV park investors should have a basic understanding of how RV parks operate and the ins and outs of the business. One of the first parts to understand the difference between transient and seasonal RV parks.

Transient RV parks appeal to RVers who plan on passing through and staying at the park for a short period of time. These guests often consist of people on road trips or full-time RVers who travel across the country. Transient RV parks are also ideal for guests that want to spend a week or two in one spot and then travel to another spot nearby.

On the flip side, seasonal RV parks appeal to those who plan to stay long-term instead of just passing through. Long-term stays are defined by the Small Business Administration as one month or more. These RVers can be some of the best customers to maintain since they often stay for several weeks at a time.

SBA financing

There are certain federal loan programs that consider transient RV park financing. The Small Business Administration will finance RV parks if the park's income is over 50 percent from transient guests. The SBA will consider the following loan requests: refinance, business acquisition, new construction, start-up, and business expansion. The SBA can provide up to 90% financing and up to a 25-year amortization. This high leverage loan and long-term amortization can significantly increase your cash-on-cash return as an investor.

Additionally, there are tax incentives offered by certain states that investors should research. States like Florida have a required annual review of which RV parks qualify for a tax exemption for transient parks. Parks that qualify can get an exemption that applies to state and local taxes, saving investors thousands on their annual tax bills.

Conventional lenders and RV parks

Believe it or not, certain conventional lenders tend to like RV parks more than other alternative investments because of the consistent cash flow and stability these investments provide. Conventional lenders focus on the historical cash flow of the park, historical occupancy, location, attractions around the park, and the park's amenities. Conventional lenders like to maintain a loan-to-value between 65%-75% with a 25-to-30-year amortization.

When working with conventional lenders, receiving a loan for other types of real estate investments isn't always easy. The Madison Group can help connect you with reputable commercial lenders to finance your RV park or other commercial investment.

Contact us now to discuss your financing options:
(435)-785-8350 | Info@madisongroupfunding.com | Schedule Appointment

CMBS lenders and RV parks

Some CMBS lenders will consider financing RV parks. These lenders tend to focus on larger four- and five-star parks with great amenities that attract guests. CMBS lenders also like RV parks with long-term renters due to the more consistent cash flow that long-term renters offer versus transient renters. CMBS lenders offer RV park investors nonrecourse loan options with a 10-year fixed rate and a 30-year amortization. Often, the loan-to-value is 65% or less on RV parks and they hold a per paid replacement reserve of around $250/pad. CMBS lenders can also offer an interest only period of up to 10 years, which often depends on the loan-to-value. If you are looking for long-term financing on a loan of $3 million or more, a CMBS loan may be a good option for you to consider.

Securing RV park financing

Lenders look at many different factors when deciding to finance an RV park. First, the park's location is a major factor. RV parks located by top MSAs are deemed desirable because of all the ancillary attractions near the park as well as the overall population surrounding the park. RV parks close to other landmarks like major cities and tourist destinations may get favorable financing terms.

Lenders also look at the amenities in the park and the different activities the park has to offer. More activities mean RV parks can charge more and generate more revenue than other parks without as many amenities and activities for guests.

The lender also looks at the current and potential cash flow when issuing RV park financing. High cash flow means the lender has a better chance of recouping their investment without the borrower defaulting on the loan.

Lastly, lenders look at the investors themselves. They want to see if these investors have previous experience operating RV parks or other commercial investments. Having experience with investments like mobile home parks and RV parks is a good sign to, and often required by, lenders.

Why use The Madison Group?

The Madison Group has been helping commercial real estate investors find the funding they need to add to their existing portfolios for over 20 years.

We have direct access to a variety of lenders, including SBA lenders, banks, credit unions, life insurance companies, bridge lenders and private debt funds. We have specialized in arranging mobile home park and RV park financing and have numerous lenders across the nation that finance both transient and long-term RV parks.

For more information on The Madison Group, visit our website and check out our helpful resources on other commercial lending topics.

Contact us now to discuss your financing options:
(435)-785-8350 | Info@madisongroupfunding.com | Schedule Appointment