

PRESS RELEASE

FRESNO, CALIFORNIA
LANCASTER, CALIFORNIA

AUGUST 29, 1997
SEPTEMBER 25, 1997

OLD TRAILER PARKS NEED HIGH CASH FLOW AND SELLER FINANCING

The sale of the Fresno Mobile Home Park located at 1362 N. Hughes Lane in Fresno, California was completed on August 29, 1997, for \$655,000, and the sale of the El Rancho Mobile Home Park located at 44122 N. 20th Street East in Lancaster, California was completed on September 25, 1997 for \$808,000. John Grant and Vince Reynolds of Business Real Estate Brokerage Company represented the sellers in both transactions.

Both parks are older, all age parks with permanent travel trailers and single wide mobile homes. The parks had mostly low income, blue collar tenancy, and are located in secondary markets. In the Fresno park many of the spaces could only accommodate permanent travel trailers or mobile homes to a maximum of 35-40 feet. Many potential buyers feel these parks are obsolete because of the small spaces prohibiting doublewide and/or 60 foot long manufactured homes. In the Lancaster park most of the spaces could accommodate at least a singlewide mobile home, but the park was on a well water system, and subject to a onerous rent control ordinance.

The space rents in the Fresno park were \$185-\$225 and included the sewer, water, and trash utilities. The space rents in the Lancaster park were at \$180 and also included the sewer, water, and trash charges. Both parks had small pools as the only amenity, and the Lancaster park had an additional vacant 3 acres to potentially add spaces.

The buyer on Fresno put a \$125,000 down payment, and the seller carried a \$530,000 1st trust deed at 8% fixed for 15 years. The buyer on Lancaster made a \$208,000 down payment, and the Seller carried a \$600,000 1st trust deed at 7% years 1-5, 8% years 6-10, and 9% years 11-15. Both parks sold for an approximate 10% capitalization rate, and with the leverage and lower interest financing, the cash on cash return to the buyers were 15%+.

Vince Reynolds commented, "The older trailer parks are more difficult to sell because of investors' perception that the small spaces are obsolete because they can not accommodate the newer manufactured homes. Most investors believe that with the small functionally obsolescent spaces there is no way to increase the quality of the tenancy or the quality of the park.

John Grant added, "Older trailer parks can sell, but need cash on cash returns on the buyer's down payment of at least 15%+. Older parks typically have higher vacancy, tougher tenancy, and more management challenges. Since financing for the older trailer parks is more difficult/expensive to obtain, almost all older parks sell with the owner providing fixed rate, long term financing. Most seller financing is at 8% and has a term of at least 15 years".

John Grant and Vince Reynolds of Business Real Estate sell and finance mobile home and RV parks exclusively throughout the states of California, Arizona, and Nevada. They have sold 45 parks in the last nine years with dozens financed. For further information contact John or Vince at (800) 794-1660.