

Affordability = More Customers
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You've no doubt heard the complaint: 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 costs continue to rise, will investors still be able to make money investing in the housing market? Of course!

Smart investors know what their housing markets are asking for, and have many tools at their disposal with which to take advantage of opportunities as they arise. No matter where you live and what your area of investing specialization is, there will be more customers looking for affordable housing options 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 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 six excellent reasons why you, as an investor, should consider investing in the Manufactured home market.

Six Reasons to Invest in Manufactured Homes

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

Affordable Housing in High Demand

As an investor, we have different ways of making money in the housing market. 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 a business strategy. There are two basic strategic 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 it 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 the number of possible buyers. On the other hand, although dealing with less expensive homes may not offer as great a profit margin, (though not always!) there is a bigger pool of potential buyers.

It doesn't matter where you operate; every market has a need for housing that is affordable! There are a disproportionate number of folks clustered around the bottom rungs of the housing ladder, and for them, "affordable" typically means 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—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 we offer them is a way to convert a portion of their monthly housing costs into equity for their future.

It is a generally accepted financial guideline that 30% of a person's salary is a safe amount to be spent on housing. By taking 30% of a market's 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 overhead and monthly cost of 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 we as investors can provide an affordable a service for a very wide potential customer base, we can take advantage of the business principle: "low margin and high volume". Affordable housing via manufactured homes fits this profile very well.

In future articles, I will discuss additional reasons why you will want to include manufactured home investing as a part of your investing toolkit.

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