

Lower Entry Cost = More Deals
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As we discussed in an earlier article, rising interest rates and housing prices make it difficult not only for the investor to find attractive deals, they also shut many potential home buyers out of the market.

When I began investing in real estate, I studied with some teachers that many consider to be among the most creative minds in the business. (Jimmy Napier and Jack Miller to name a couple) They had to be creative to make investing work under the market and regulatory conditions they found themselves operating in, and they looked for ways to make money no matter what was thrown at them!

One of the things they espoused is that it is possible to get rich doing “little” deals, and investing in manufactured homes is a great example of that. It offers the new investor with little or no investment capital an opportunity to get in the game. It also offers experienced investors with capital a way to spread it out over several deals, lowering their risk and increasing their yield.

Smart investors have many tools at their disposal with which to take advantage of opportunities as they arise. No matter where you live, what your area of specialization, and despite what you, your friends, the media, and the public at large may think about this particular housing product, there are six excellent reasons you should consider getting involved 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

Note: While the lower cost of entry afforded by manufactured homes is a benefit to both the investor and the potential home buyer, for our purposes here we will be discussing this benefit from the investor’s point of view.

Low Entry Cost, High Volume

The basic outline of a typical manufactured housing investment program is to purchase for cash, sell on terms, and then recover the investment capital by borrowing the amount of costs only (no profit) from a private lender. Once the home has been sold, the income stream from the buyer is then used to repay the debt to the private lender. The investor usually profits from the down payment, the monthly spread between what they collect and what they pay out, and the payments remaining after the private lender has been repaid.

In order to complete the first step of the program, purchase for cash, a potential investor must either have cash, credit, or access to someone else's. This is the hurdle that keeps many would-be investors from getting their investment program started. Most beginning investors haven't had the opportunity to build the amount of capital needed to invest in single-family homes and other housing investments, and with rising prices in many areas, this will continue to be true. Lower cost manufactured homes provide a proven investment vehicle that is within their reach!

The last step of the program, borrow from a private lender, is also a stumbling block to the beginning investor. In order to borrow money from a private lender, you need a proven track record. Without one, this could be a challenge. That's when personal reputation, first and foremost, will be used to determine whether or not the private lender will work with the investor. When the borrowed money will be used to invest in a manufactured home, factors that can help swing the deal are: the lower cost of the investment, and the above average return on investment that these deals can bring to the private lender as well as the investor.

Many beginning investors will want to use a private lender's cash to "do the deal", and then pay them back out of cash flow. Once they have proved themselves on that first deal, the next deal will be easier, and so on. Though this may sound like a slow way to get started, there are several "hidden" benefits to this program that should be pointed out. Along with the more "sexy" benefits of great cash flow and high yields, beginning investors that work this program are building two things that are far more important to their future investing careers: discipline and a proven track record.

No matter what level of investment you eventually reach, whether you end up buying entire manufactured home communities, apartment buildings, office buildings, or single-family homes, the only thing you ever really have that others can judge you on is your reputation. Your *word*. Your track record speaks volumes about you! It is critical to build the discipline needed to operate an investment program that relies on using OPM (other peoples money) and practicing using small amounts makes a lot of sense in the beginning.

Eventually, (with a few years of dedicated work) as the investor operates this program, they will not only be in a position to collect more each month in down payments than the average American earns in at their 40-hour-a-week job, they will also make as much or more on the spread between what they collected from their buyers and what is paid out to private lenders.

Many investors that are active in other areas of investment or that prefer to be passive in their investments find that by teaming up with an active manufactured home investor, they can assume the role of a lender. If you are an experienced investor, or someone that has cash available for investment, manufactured home investing is a vehicle that offers a great way to diversify your investment program.

Whether you've made your money in real estate or some other activity, how would you like to invest some of your hard-earned profits into your own "private bank" that offers you incredible returns over longer than normal terms? Not only does investing in manufactured homes provide those benefits, the lower cost of a manufactured home allows investors with cash to spread their cash out over several different deals which in turn spreads their risk as well!

The field of manufactured home investing offers many benefits, and as we've just discussed, their lower cost of entry benefits not only potential home buyers, it benefits investment beginners as well as experienced investors.

In the next article, we'll take a look at one the most exciting benefits of manufactured home investing: their ability to create awesome cash flow!

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