By
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This 10.9-acre, 42-pad manufactured home park in Oliver in B.C.'s southern Okanagan sold in mid-2018 for $2.95 million. It delivers a 5.25 per cent capitalization rate and an annual net income of $155,000. | Vadim Kobasew, Re/Max Commercial

Perry Peace, a multi-family apartment landlord in Regina, placed a simple ad in *Western Investor* last month: "Private investor wanting to purchase mobile home park in B.C. or Alberta," the ad read.

Percy is representative of what has always been a major profile in the manufactured home park buyer base.

"I want to retire and I don't want to be too far north," Peace said, noting that it was minus 35 degrees in Regina as he spoke in early February.

The fact he is advertising to find listings reveals another trend: a shortage of manufactured home parks in B.C. after many have been sold as redevelopment plays.

Peace has about $2 million to invest in a park, and a scout through the *Western Investor* found a number of listings that would likely fit the bill.

These include a 12-site park near Salmon Arm in the Okanagan, fully occupied and priced at $549,000 and returning 6.5 per cent annually, representing an annual net income of about $36,000; and a 12-unit mobile home park with six rental cottages in the South Okanagan, priced at $1.62 million, both listed by veteran park dealer **Vadim Kobasew** of **Re/Max Commercial** in Penticton.

Kobasew noted the Salmon Arm property has recently sold “for very close to the asking price.”

Eugen Klein of the **Klein Group** has a 15-pad park in Rock Creek in the South Okanagan listed at $549,000, with a 9.1 per cent capitalization rate. “An ideal retirement home,” Klein suggested.

Kobasew said demographics are coming into play on both sides of transactions.

On one hand, longtime owners are selling parks and retiring with their capital, while buyers are often mature investors who see the manufactured home parks as a future retirement investment. For instance, it is possible for a rental investor to buy a 12- to-15-pad manufactured home park in rural B.C. for around $600,000, which is the average cost of a Vancouver condominium apartment.

Manufactured home pads rent to tenants for between $350 to $500 per month in B.C.’s Interior and northern Vancouver Island. Rents are allowed to increase 2.5 per cent this year under B.C.’s Residential Tenancy Act.

Many manufactured park owners are remote investors who hire a manager and might visit the site only once or twice a year, Kobasew said.

Like B.C.’s overall residential market, action in manufactured parks has “adjusted” recently, he added.

Klein noted that B.C. park sales in 2018 reached 22, down

from 27 a year earlier, but the sales volume dropped from $90.6 million in 2017 to $32.7 million last year. This reflects more sales of lower-priced properties.

“Demand for cash flow propertied outside of the Lower Mainland continues to increase since the implementation of speculative and foreign [home buyer] taxes in B.C.,” Klein noted.

“Buyers are taking longer to make decisions; it is not like it was two or three years ago when we had competing offers and sales over list price,” Kobasew said. Financing can be a challenge for nascent investors, he added.

“The minimum down payment is 25 per cent,” Kobasew said, and ideally should be higher if the buyer does not have a track record in the industry. He recommends dealing with local credit unions, which are more tuned into the real estate market in their community, he said.

Deep-pocket investors, including pension funds and real estate investment trusts, are also in the market, but are looking for large parks close to major centres, or multi-park portfolios.

An example is Canadian Apartment Properties Real Estate Investment Trust, which now owns a manufactured home park on B.C.'s Sunshine Coast and seven other parks across Western Canada.

Investor advice

For those considering a first investment in a manufactured home park, this is what you should consider, according to Kobasew, who has sold nearly 50 parks in Western Canada.

- Location: Parks close to urban centres cost more but may have redevelopment potential, while lower-priced rural parks will deliver a higher capitalization rate.
- Local market stability: Look for centres that have a diversified economy.
- Tenant mix: Ideal tenants are mature workers or retirees; not seasonal or project workers who often are more transitory.
- Infrastructure: Check the type and age of infrastructure, especially sewer and water services, if the park is not tied to municipal services.

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