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Why Austin Exemplifies Mom & Pop "Quantitative Easing" of Rents

MobileHomeUniversity

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Dear LA Tony,

We have for years been writing about the reasons that mobile home park lot rents make no economic sense – they are at least 50% to 100% too low compared to market rents. And the epitome of this bizarre "underpricing" is found in Austin, Texas. Let's just look at the facts.

Austin has a metro population of 916,906 with a median home price of $369,000 and an average three-bedroom apartment rent of $1,897 per month. At the same time, the market lot rent for mobile home parks is an insanely low $650 per month – almost $1,200 per month less than a similarly sized apartment. And that's despite the fact that mobile home parks offer some huge lifestyle advantages over apartment including 1) no neighbors knocking on your walls or ceiling 2) having your own yard 3) parking by your front door and 4) a sense of community. But that's not even the "quantitative easing" we're talking about here. It's the fact that you can still find mobile home park lot rents in this market as low as $250 per month. And that makes no sense at all. How did Austin lot rents get so screwed up?

Several factors are at play in Austin.

The general "mom and pop quantitative easing" that occurs throughout the U.S. and is the result of mom and pop owners failing to adjust their rents in keeping with inflation for decades. This has been properly noted by economist Charles Becker of Duke University who found that U.S. lot rents are roughly 50%+ lower than they should be simply because mom and pops never paid attention to the concept of inflation, which occurred all around them. Case in point, the lot rent in most mobile home parks in the 1960's was $60 per month. If you inflation adjust that rent, it's $500 today, yet the U.S. average is only around $280.

Austin grew rapidly from a population of around 200,000 in 1970, to 350,000 by 1980, to 500,000 in 1990, to 650,000 in 2000, to 800,000 by 2010, and nearly 1 million today. This rapid growth left many property owners unaware of what was happening around them, particularly mom and pop owners that had lost their energy and never really followed any type of economic methodology to set their rent levels. This being "behind the times" is not only found in mobile home parks, as there are many other real estate sectors in Austin that appear to be dinosaurs in a city of constant new construction (such as the old time RV park just off the downtown square).

Austin has a recent surge in “demonizing” capitalism and the entire topic of real estate ownership. Their slogan is “keep Austin weird” and that vibe has brought forward radical thoughts that discourage raising rents to market levels. Despite the fact that Texas has no rent control (and has zero desire to ever do so) many mom and pop owners have succumbed to fear that raising rents even a small amount will trigger a media backlash. So they elect just to keep them low, despite every reason not to do so. And this happens despite entire city blocks being redeveloped and residents displaced on a continual basis in all other asset types.

So what is to be learned from the Austin mobile home park market? Probably simply the fact that Austin, like most every city in the U.S., has unsustainably low mobile home park lot rents. These low rents will lead to the ultimate destruction and re-development of every mobile home park in the city (and why not since you can build an apartment at $1,200 per month more in rent and go up two or three stories to the mobile home park’s single-story). Only Austin is much worse in the gap between current rents and what the true economic rent should be. And that’s a huge factor in buying mobile home parks in Austin and all other markets, as the rents will absolutely re-adjust over the years ahead as professional owners cast aside the “mom and pop quantitative easing” that was built on ignorance and fear and replace it with a business model based on value and realization that only higher lot rents will keep the wrecking ball away from mobile home parks. Affordable housing can still be achieved without insanely low, unsupportable lot rents. And ushering in this era will lead to a one-time rent adjustment that makes mobile home parks the most attractive real estate investment sector in the U.S.

If you would like more information on investing in mobile home parks, consider attending our next Mobile Home Park Investor’s Boot Camp in Austin, Texas on December 6th through 8th. It’s a three-day immersion weekend devoted to teaching you the correct way to identify, evaluate, negotiate, perform due diligence on, re-negotiate, finance, turn-around and operate mobile home parks throughout the United States. The instructor is Frank Rolfe who, with his partner Dave Reynolds, is the 5th largest owner of mobile home parks in America. And you leave the class with a complete list of the 44,000 parks in the U.S., our patented mobile home park evaluation software, and a complete library of contract and lease forms to adapt to your property. You also receive on-going support in the form of private deal reviews on your potential acquisitions, as well as Frank’s phone number for continual post-class questions. For more information on the class, Click Here, call us at 855-879-2738, or reply to this email.

Sincerely,

Frank & Dave

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Part of a report linked on the page below and in [commentary at this link here](#).

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