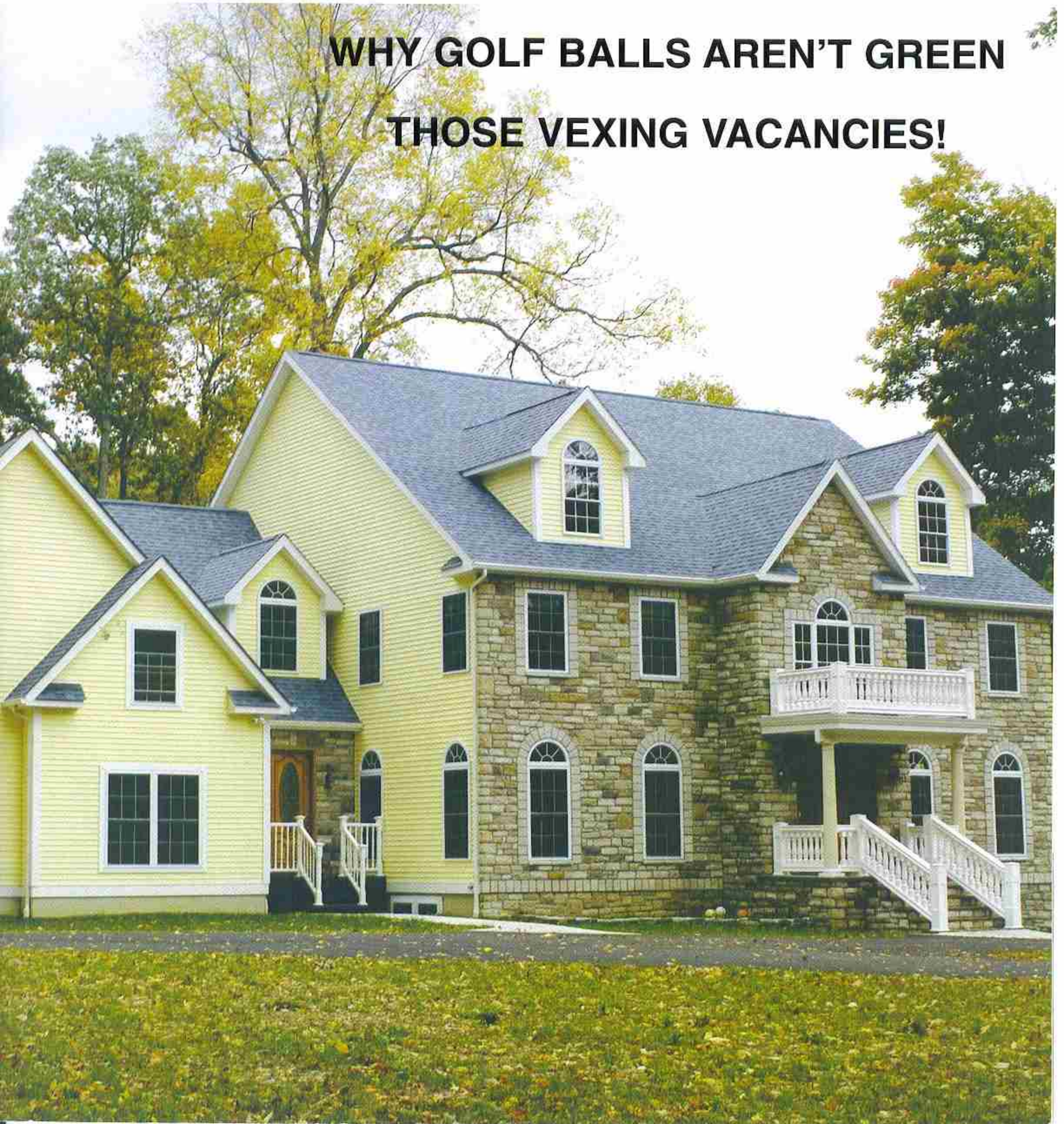


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**WHY GOLF BALLS AREN'T GREEN
THOSE VEXING VACANCIES!**



THOSE VEXING VACANCIES!

By L. A. "Tony" Kovach

I confess. It can be irritating for me to hear about problems over and over without a clear effort to provide solutions. So, the facts herein related will not be for "cry in our beer" purposes, but rather to identify the realities so we can move on to answers that address real issues and make sense.

While some housing markets are so robust that land-lease or manufactured home communities (MHC) in them can command high site fees and stay full, many communities across the country are struggling with declining occupancy. Even a brief look at national industry facts tell us why this is so:

- A 65 percent HUD Code sales decline
- Less than 19 percent of all new home sales are moving into MHCs
- Chattel lending by industry lenders is becoming more rare and more costly
- Some 10 percent (or more) of residents are leaving MHCs annually

A Wisconsin Housing Alliance survey revealed that MHC vacancy rates in the state went from a mere 1.42 percent in 2002 to 9.13 percent vacancies in 2005. This increase in vacancies over three years is troubling, especially since many MHC owner/operators worked so hard to fill sites through sales/rental/incentive efforts. Factor in escalating maintenance costs and "concerned" becomes a mild description for the mood of many MHC owner/operators.

Believe it or not, there are real life examples of solutions that are filling sites in communities. These success stories are not getting enough play or the stories aren't being shared, as if hoarding the secret will somehow help a particular operation vs. another.

Thanks to the generosity of the good folks at *Manufactured Home Merchandiser*, this periodic series of articles will address, in practical terms, the issues facing MHCs noted

above. We will share positive stories, challenge readers and industry pros to tell your success stories, and also to admit what hasn't worked. To encourage involvement in this effort, you can get as much credit or have as much anonymity as you feel your situation and the insights you share warrants.

Everyone needs motivation! Let's start with a rationale and then hone in on our first example of a successful program that filled dozens of homesites for a location that was previously struggling.

Ready? Let's go!

The rationale

For those who've enjoyed some success, there may be a tendency to hoard their solution... it is a weaker part of our human nature. But stop and think of a parallel story! The RV industry, by pulling together about a decade ago with their first industry-wide promotion, helped virtually every RV retailer sell more units—from pop-up campers to high-end motor homes. By sharing information and promoting a national campaign, RV retailers increased sales, profits and made their product more "acceptable" and desired in American society.

By telling real success stories, pooling ideas and formulating solid game plans, individual MHCs and the industry as a whole improves. If we enhance our appeal as an industry, as a **quality housing option**, then we all move ahead. Realtors have done this. Apartment owners have too. Why not MHC owner/operators? Yes, many fine efforts at doing just this are ongoing in our industry—but there is room to do more.

For those who've been around the industry before the roarin' '90s and the subsequent downturn, we know our industry has long centered on affordability. Affordable is good. But affordable also suffers from a lack of appeal—who secretly dreams of a budget diamond ring? Our message needs to be *more* than mere afford-

ability. For those who remember my column "Putting the Bloom Back in the Industry" in April 2004, you already know my passionate conviction that we could lead in housing, instead of being the also ran to "conventional" home building.

Think about how you started in this industry. Was there an initial *thrill*? Was there a strong, compelling *belief*? If you have it, if our industry has it and by learning to frame a powerful message and share it compellingly with others, then certainly our businesses—our MHCs—will improve and grow anew. If *we* don't believe, why should others?

So, beginning with affordability, but *building* from there, we should seek to frame and communicate our message in a fashion that brings in our traditional customers and also the new, fresh blood every business needs to survive and then *thrive*.

A successful MHC marketing campaign

Here is the info we'll seek from industry contributors and will share in this article and others that follow. We'll break down success stories like this:

The Scenario—The background to a given manufactured home community's challenges.

The Plan—The program for how those challenges would be addressed.

The Good—What worked for filling homes and sites.

The Bad—What was a poor or less successful result of the effort.

The Ugly—An unintended or distasteful result of the turn-around plan.

With this format in mind, let's get started!

The following is a real life example where we will change the names to protect proprietary information. While you are welcome and invited to name names, this may be one way (hint, hint) that some of you may want to share your stories, so we can generate more great ideas and there-

by support the MHC rebirth effort.

The Scenario

Picture a South Central U.S. suburban location. Not an easy drive to the city, passed that city's suburbs and not far from a lake. Local population under 3,000 and a new MHC goes in that has some 250 home sites in Phase One. New home construction was booming just a short drive away. The developer/owners had no previous experience in the manufactured housing industry, but had a successful background in residential and commercial real estate. Site fees there hovered around \$300 monthly, at the higher end of their market, but not unreasonable based on their features and the rates at other MHCs around the city.

In starting this new venture, the owners were in for surprises; many were unpleasant.

So, picture this new community opening as HUD Code home sales began its nose-dive (circa 1999) and as the shift to land/home sales gained momentum. For the next four years, a series of management and salespeople from in and out of the industry are brought in (more than 40) and march out. While there were some nice spikes in their sales and infill history, the overall average, even with significant marketing efforts and investments, was a net two fills a month. Among the efforts they tried to fill this MHC:

- Incentives to retailers—up to \$2,500 per move in
- Starting internal new and pre-owned home sales
- Teaming up with lenders on their repossessions
- Rentals, rent-to-own and owner financing programs
- TV, print, flyers and personal marketing

Get the picture? As 2004 was winding down, a fairly new multi-million dollar property with "master planned" concepts had more than two dozen homes vacant in their inventory. After more than four years of efforts, the first phase was some 100 sites short of being filled. Sound familiar?

All of us have strengths, weaknesses and challenges. It should be mentioned that the ownership at this property was lead by an individual who was creative, successful and at times quite brilliant. This person was not about to accept anything other than success at this MHC venture. There was a core belief in the property and product.

The Plan

Here is the plan that was devised and how it was executed.

- A cleanup of the community. While this was a new and in many ways a well conceived community, standards had not been kept up as much as they could have. So, a general cleanup was planned and carried out to bring back the curb appeal of the MHC, their vacant homes and sites.

- An outreach to traditional and less traditional sources of business. Besides re-contacting area retailers, a plan was made to engage local real estate agencies to "team up" with ownership to provide prospects/leads for vacant homes. More on this later.

- A marketing hook. A series of pro-

fessionally designed banners was planned and created that marketed the lifestyle available and featured the many appealing amenities available—playground, wooded park, walking paths, fitness room, swimming pool and clubhouse. A contest/drawing was created to gather leads in the public locations where these banners were displayed.

- Contest entry boxes and local businesses. Next, the plan included a teaming up with local businesses that were provided with signs to attract people for the drawing and had contest entry boxes to collect drawing entries. The idea of the aforementioned

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COMMUNITY CLEANUP

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tioned points was to create a stream of leads for salespeople to follow up on.

- Newsletter and resident appeal. Frankly, this location suffered from a problem of resident dissatisfaction. A new, professional looking newsletter was begun, with the idea of healing wounds, sharing anew the benefits of living there and encouraging residents to invite their friends and associates to move in—all for a \$500 referral fee to residents that brought in buyers, of course.

Before beginning this new marketing effort, a preparation period was needed. The cleanup and repair effort for renewing curb appeal, new photos, designing of the marketing campaign and meetings with local realtors began the process. A pair of real estate agencies was identified from these meetings and became the focus for this "synergistic" effort.

Part of the courting of Realtors relied on a point made above, namely, that a positive message had to be framed that dealt with public and Realtor's often negative perceptions of "trailer parks" and "mobile homes" in general. During lunch and learn or breakfast meeting sessions, a PowerPoint presentation shown to Realtors directly dealt with old myths and spelled out the appeal. This was followed by a walking tour of model homes and a tour of this MHC's features and amenities. This process helped win over Realtors and agents who prior to this had previously looked askance at our industry.

The various elements of this process started October 2004. Sales were weak and then began slipping, even from the modest two infills per month average previously noted. At first blush, it didn't look good, as the holidays were coming...

Starting December 26, and during the next nine days, a total of 16 sales were closed. An absolute record for this location! During the worst time for sales in the year! Here is the breakdown:

Nine closings that resulted from Realtor referrals (a new source of business), five from resident referrals (a dramatic turn around—essentially a new source of business), one from leads from the related contest/marketing effort/lead sheets and one from a lead that came in from updated signage (the MHC's property was not visible from any of the nearby thoroughfares).

It should be noted that all print and other ads were halted during Decem-

ber. This was to ensure that there was no possibility that the source of the sales/leads was anything other than the new marketing efforts, which were carefully tracked.

In the days that followed this 16 sales blitz, the balance of the eight homes in inventory was rapidly sold off. A scramble began, because new inventory had to be purchased! As the MHC filled, plans to purchase adjoining land for expansion of their Phase Two was begun.

The Good

The business that came in was from leads that were paid for only when an actual sale was made. One might say that there was no waste in ad/marketing dollars, as OPM (other people's money) was used, in part, in the form of the marketing dollars of others; namely, Realtors. Referrals were similarly rewarded only when sales were made. The dollars that paid for the marketing banners and displays were a fraction of the normal ad budget for this property. Bottom line, while there was a front end cost to start this new marketing, a creative approach was established that overall **cut their marketing costs and increased sales results dramatically.**

The Bad

While sales did result from the contest/lead sheets, they learned the hard way that not everyone was willing (or able) to properly follow-up on the literally hundreds of leads that were generated. This part of the marketing plan worked (one sale), but could and should have performed better.

The Ugly

The system worked to the point that the sales/marketing people on-site were, uh, rapidly dispensed with. This certainly wasn't part of the vision, but it did in fact happen.

Some additional points on how their marketing message was framed would include:

- "Selling the Vision" to Realtors, residents and others of an appealing lifestyle that manufactured housing can provide in a good MHC.

- An honest acknowledgement of the past problems of the industry and this location to these new strategic allies.

- The ability by a committed individual to focus on pure marketing, while others had clearly established roles that were tied into the overall effort. It takes time to develop a plan, create a PowerPoint presentation, set up meetings and appointments,

make the presentation, allow the players to "buy in" conceptually and then keep the contacts going to make this all come successfully to fruition. The owners invested in the time, effort and energy to make this possible, and it paid off nicely.

As with many MHCs today, owner financing was a part of the success mix. At the same time, it should be noted that this financing option had been in place at this location for more than two years and the previous results were modest at best. In short, the sales breakthrough was clearly a result of the new synergies that were put into play at this previously challenged location.

Looking ahead...

Before some reader objects, "Well this was a newer community! I've got one that is 40 years old!" In an upcoming installment on this topic, we will look at a current effort that focuses on turning around older MHC locations that were bleeding occupancy.

Before closing, let me give you a very specific invitation for you and/or your associates to jump into this solution sharing discussion. There are many MHCs out there from single location operators to the large REITs with multiple locations and thousands of sites who are working on/through the vexing vacancy issue. You can e-mail your input at one of the e-mail addresses below or contact me at the phone numbers below.

We've heard the John F. Kennedy quotation that the Chinese character for crisis means both danger and opportunity. We are in a period of crisis, but doesn't it really spell opportunity given the right attitude, effort and vision? Let's look with new eyes at the tremendous opportunity that the factory-built housing industry offers Americans! Those who focus and work towards solutions should be richly blessed. □

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