



Investing in

MOBILE HOME PARKS

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TABLE OF CONTENTS

- 1 **Why Invest in Mobile Home Parks**
- 2 **Types of mobile home parks & ideal buyers**
- 3 **How Mobile Home Parks Generate Returns**
- 5 **Risks**
- 6 **Underwriting and Valuation**
- 8 **Legal and Regulatory Environment**
- 11 **Management and Operations**
- 13 **Financing**
- 14 **What to Look For in Due Diligence**
- 15 **The Buying Process**

WHY INVEST IN MOBILE HOME PARKS (MHP)



I feel majority of real estate investors in BC forget the purpose of investing in real estate. Cash flow. Majority seem to target appreciation but that adds risk and is intended to be a cherry on top.

Over my career in commercial real estate, parks have consistently stood out. They tend to trade at higher cap rates than most CRE, turnover is low, and the cash flow is strong. They're also not a sexy asset, which usually means less competition and less 'popularity premium'.

High Level Summary

- Cover large tracts of land
- Reduced responsibility as tenants own their own homes (most of the time)
- Average tenant tenure 10+ years
- Last stop for market level affordable housing (demand during all market cycles)
- Trade at higher cap rates than multi-family and most other commercial assets
- Management is straight forward with limited owner involvement

Type	Characteristics	Ideal Buyers
Full City Services + Tenant-Owned Home	Most desirable parks & most attractive to lenders. Owner scope is primarily land, underground infrastructure and common areas.	Best suited for first-time buyers or passive investors seeking the lowest operational complexity and easiest financing.
Full City Services + Mix Home Ownership	Municipal services with a mix of tenant-owned and park-owned homes. More income upside, but more repairs, capex, and day-to-day management.	Investors comfortable with more management but seeking higher returns or value-add potential (e.g., selling park-owned homes).
Private Services (Well/Septic or Hybrid) + Tenant-Owned Homes	Private water and/or sewer (or hybrid). Tenant-owned homes paying pad rent. Requires strong diligence on system condition, compliance, and reserves.	Investors experienced with private services and strong due diligence practices. Can offer long-term upside if municipal connection becomes feasible.
Private Services (Well/Septic or Hybrid) + Mixed Home Ownership	Private utilities plus a mix of tenant-owned and park-owned homes. Highest operational complexity and capex risk. Can perform well, but it's management intensive.	Best suited for hands-on operators or value-add investors who are comfortable with both infrastructure and rental-home management.

Overlays

Land Tenure: Fee simple or leasehold

Age Restrictions: Parks are generally 55+ or for all ages

Stabilized vs Infill/Expansion: full vs vacancy and/or expansion potential

Park Size: Larger parks ideal for investors looking for professional management

Zoning and legal status: legal conforming vs legal non-conforming

Utility billing model: utilities included vs direct-metered vs billed back

HOW **MOBILE HOME PARKS** GENERATE RETURNS

1 The Core Three Return Levers

- a Cash flow
- b Debt paydown
- c Appreciation

2 Unique to MHPs

- a Proportional rent increases
- b Cost recovery for major work
- c Infill & expansion



1 The Core Three Return Levers

a Cash flow

Income after vacancy, expenses, debt service, reserves for cap ex, tax, etc. This is cash in your jeans.

b Debt paydown

Majority of parks have a mortgage. Income from pad rents goes towards paying this off with the principal pay down increasing your equity over time.

c Appreciation

- **Market-Driven:** land value growth and cap rate compression.
- **NOI-Driven:** increasing revenue or reducing expenses raises NOI, which raises property value.

1 Unique to MHPs

a Proportional rent increases (BC)

Unlike in multifamily, the MHPTA permits the annual change in local government levies + change in utility fees to be passed on to tenants.

b Cost recovery for major work

If you complete significant park-wide repairs/renovations (roads, water/sewer, electrical distribution, etc.), the landlord can apply to the RTB for an additional rent increase above the annual limit to recover some or all of the cost, subject to approval.

c Infill & expansion

Filling vacant pads or adding pads on excess land increases NOI thus increasing property value.

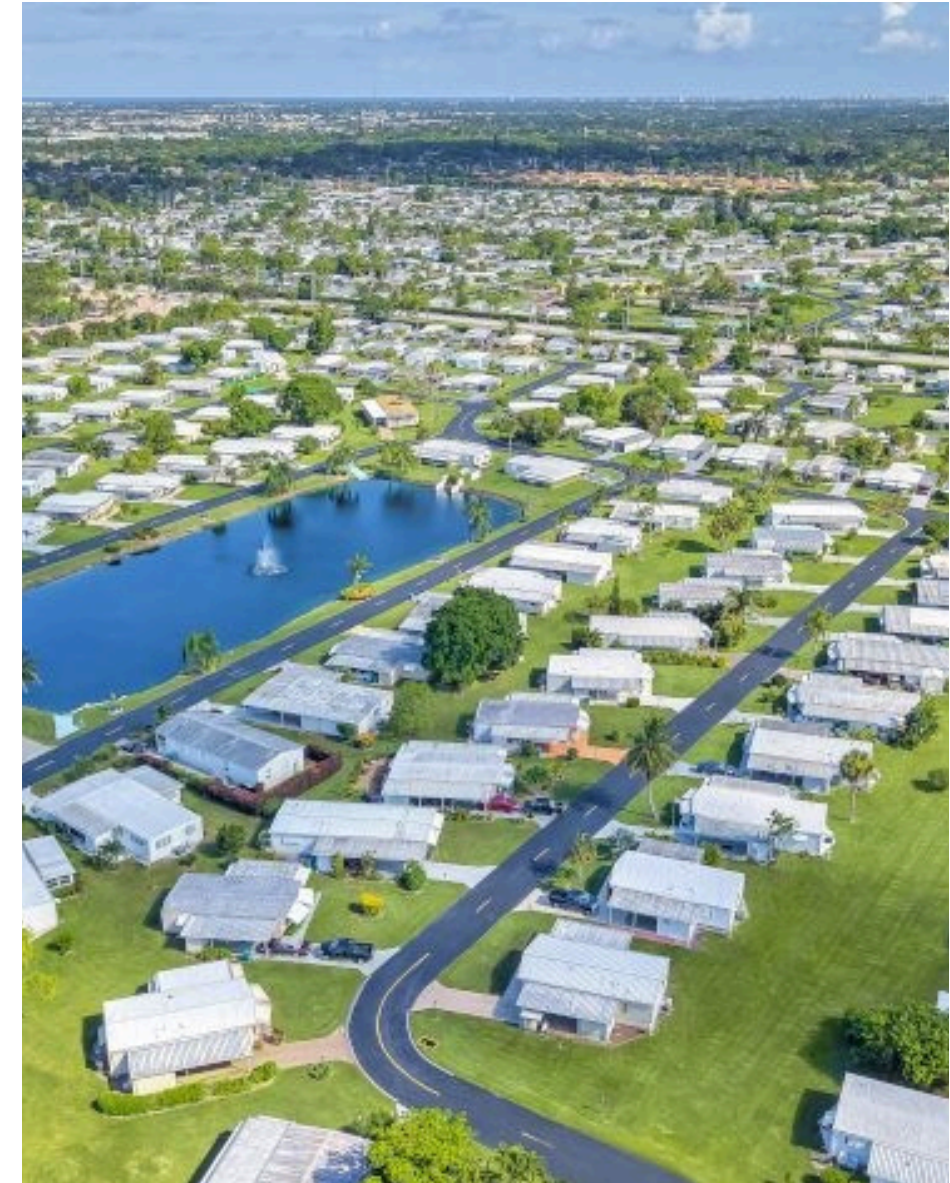
RISKS

Acquisition Risks (verify during due diligence)

- Unknown infrastructure capex (water/sewer/septic, well, electrical distribution, roads/drainage)
- Zoning and legal status (conforming vs non-conforming, permits, expansion/replacement rights)
- Environmental and flood risk
- Income quality and documentation (arrear, cash deals, utility recovery support)
- Market concentration (single-employer towns)

Ownership Risks

- Electrical capacity upgrades (60A → 100A), transformer and distribution costs
- Private services compliance and maintenance (well/septic)
- Park-owned homes: repairs, tenant management, capex
- Collections, rules enforcement, and resident relations
- Insurance and claims exposure (common areas, trees, roads)



UNDERWRITING & VALUATION



Underwriting a mobile home park is similar to other commercial real estate. The difference is what drives risk and value: servicing and infrastructure, regulatory constraints, quality of the rent roll and financials. Most parks are priced off in-place NOI using a market cap rate, with price per pad as a sanity check. For value-add deals or parks with major upcoming capital work, we also run a discounted cash flow (DCF) to reflect uneven cash flows.

Underwriting

Ultimately, underwriting is about estimating sustainable cash flow and investment performance. We also run sensitivity analysis to see how returns change in best and worst-case scenarios.

Underwriting Continued

Primary inputs to underwrite:

- Rent roll (pads, rents, occupancy, arrears)
- Utility bills + recovery method
- Property tax
- Insurance
- Service contracts (garbage, snow, landscaping, private system operators)
- Upcoming cap ex

Primary metrics buyers care about:

- Cash-on-cash
- Cap rate (unlevered yield snapshot)
- IRR (if they hold long-term)
- Equity multiple
- Yield on cost (if value add)
- Debt yield

Valuation

There are two primary metrics to assess when valuing a mobile home park:

1. Cap rate (primary valuation method)
2. Price per pad (sanity check)

Value = NOI ÷ Cap rate

Cap rate is the unlevered yield on NOI. Market cap rates move based on risk, income durability, realistic growth runway, interest rates and alternative yields (bonds/GICs).

For MHPs, the primary cap rate movers are:

- Services (city vs private)
- Home ownership mix
- Market size and liquidity
- Documentation quality
- Infrastructure condition
- Utility billing model

LEGAL AND REGULATORY REALITY

- 1 Which tenancy law applies and when
- 2 Cost recovery mechanisms for major work
- 3 Landlord obligations. What you are responsible for
- 4 Rent increases and what is actually permitted
- 5 Zoning and legal status
- 6 Land tenure and jurisdiction overlays
- 7 Assignment on sales and why “resetting to market” is limited
- 8 Park rules and enforcement



1 Which tenancy law applies and when

In BC, the MHPTA applies when the tenant owns the home and rents the site (pad). If the landlord rents the home and the site (park-owned rental), the RTA applies.

3 Landlord obligations. What you are responsible for

Under the MHPTA, the landlord must maintain the park and park-owned infrastructure (including underground services within the park), while tenants are responsible for the manufactured home and tenant-side items on the site unless the agreement says otherwise.

2 Cost recovery mechanisms for major work

If the landlord completes significant park-wide repairs/renovations (e.g., water/sewer systems, electrical distribution, roads), they can apply to the RTB for an additional rent increase above the annual limit; if approved, it must be applied as an equal percentage across all sites and can be granted in full or in part and phased in over time.

4 Rent increases and what is actually permitted

Both MHPTA pad-site rents and RTA rental-home rents use the same base annual rent increase limit (and both require 3 full months' notice and can only increase once every 12 months). The MHPTA is unique because pad-site rent can also include a proportional amount to pass through changes in local government levies and regulated utility fees, which does not apply to RTA rental homes

5 Zoning and Legal Status

Zoning regulates how land can be used and built, including permitted uses, density, and key development standards (setbacks, height, parking). For mobile home parks, zoning status is typically either legal conforming (permitted today) or legal non-conforming (grandfathered because it was lawful when the bylaw changed), and legal non-conforming uses generally cannot be expanded and can lose protection if discontinued for 6 continuous months. If the use was never lawfully established, it is simply unlawful under zoning and can be subject to bylaw enforcement.

7 Assignment on sales and why “resetting to market” is limited

When a manufactured home is sold and stays in the park, the site tenancy can be assigned, and an assigned tenancy continues on the same terms, including pad rent and the schedule for future increases, so the sale itself does not reset rent to market. Pad rent only “resets to market” when there is a new site tenancy (the prior tenancy ends and the site is re-rented, rather than assigned), because rent is set by agreement at the start of a new tenancy.

6 Land Tenure and Jurisdiction Overlays

Land tenure affects both financing and which rules apply. Fee simple parks are typically the cleanest from a lender and legal standpoint, while leasehold parks require careful review of the ground lease, especially term remaining, renewal and rent reset clauses, and whether the leasehold interest is mortgageable. In BC, provincial tenancy laws do not generally apply on First Nations reserve land, and jurisdiction can depend on the applicable First Nation laws or treaty agreement terms, so dispute resolution and rent rules may differ from the RTB framework.

8 Park rules and enforcement

Park rules are the operating system of a mobile home park. They set expectations for use of the site and common areas (pets, vehicles, noise, storage, maintenance standards), and consistent enforcement protects resident quality of life, reduces disputes, and maintains the long-term “feel” of the park.

MANAGEMENT AND OPERATIONS



Management is oversight, compliance, accounting, and approvals. Operations is on-the-ground execution.

Management (owner or property manager)

For parks around ~60 pads and under, management often falls on the owner (with support from an on-site caretaker). If the owner wants it more hands-off, a management company can handle the “business side” of the park, including:

- Day-to-day oversight of the caretaker and escalation support for tenant issues
- Rent roll oversight, arrears tracking, and collections enforcement support
- Vendor and contract management (garbage, landscaping, snow, private system operators)
- Monthly bookkeeping, owner reporting, and year-end coordination
- Preparation of rent increase notices and compliance documentation
- Budgeting, reserve planning, and capex planning for infrastructure and major work (depending on company this can still fall on owner)
- Compliance and dispute handling (notices, escalation, RTB process if it gets there)
- Utility billing and recovery administration (where applicable, plus invoice tracking)

MANAGEMENT AND OPERATIONS

Operations (on-site caretaker)

For parks around ~60 pads and under, day-to-day operations are typically handled by one or two residents living in the park. Compensation is usually reduced or free pad rent. Once parks get larger, operations and management are more commonly handled by a professional management company.

Typical on-site caretaker tasks include:

- Grounds and common-area upkeep (mowing, trimming, general appearance)
- Coordinate seasonal services (snow removal timing, safety checks, pressure washing as needed)
- Minor repairs and maintenance, plus triage issues and call trades when needed
- Obtain quotes and owner approval before any non-routine work or extra spend
- Tenant relations and rule enforcement (warnings, documentation, escalation to ownership)
- Collect and deposit cash rent (where applicable) and handle NSF follow-up
- Support new tenant intake (applications, interviews/reference checks, onboarding paperwork)
- Basic admin and record keeping (receipts, photos, tenant files, maintenance notes)
- Regular updates to ownership on issues, costs, and tenant matters
- Deliver rent increase notices prepared by management



FINANCING

Financing for mobile home parks is similar to other commercial assets. Lenders size loans to the lesser of loan-to-value (LTV) or debt service coverage ratio (DSCR). DSCR is a coverage test that compares NOI to annual debt service, and for many BC parks it is often the binding constraint.

A 1.20 DSCR means the property must produce \$1.20 of NOI for every \$1.00 of annual debt service. For example, if annual debt service is \$100,000, the lender needs NOI of at least \$120,000.

The table below shows an illustrative DSCR-based loan for a park generating \$150,000 NOI, assuming 1.20 DSCR, 5.00% interest, and a 25-year amortization, with property value shown at different cap rates.

	Property Value	Potential Mortgage Amount	Downpayment Requirement	Loan-to-Value
5.00% cap rate	\$3,000,000	\$1,791,000	\$1,209,000	60%
5.25% cap rate	\$2,857,000	\$1,791,000	\$1,066,000	63%
5.50% cap rate	\$2,727,000	\$1,791,000	\$936,000	66%
5.75% cap rate	\$2,609,000	\$1,791,000	\$818,000	69%

What reduces loan proceeds

- Private services (well/septic) and infrastructure condition
- Weak financial statements or heavy cash collections (income quality)
- High park-owned home exposure (management intensity)
- Leasehold/First Nations land (lender appetite varies)
- Legal non-conforming or permitting uncertainty
- Environmental or flood risk

WHAT TO LOOK FOR IN **DUE DILIGENCE**

Overall, the goal of due diligence is to verify income, expenses, and key risks. Due diligence is negotiated as part of the offer and timelines vary by deal, ranging from 1–2 weeks to as long as 60 days. When representing buyers, I often aim for a staggered condition period like the below.

Tier 1 Conditions - 30 days

- Tenancy files and rent roll audit (agreements, park rules, rent schedule, arrears)
- Municipal and servicing verification (zoning/legal status, permits, water/sewer capacity, bylaws)
- Title review
- Infrastructure inspection (water/sewer, roads/drainage, electrical distribution, private systems if applicable)
- Insurance review (coverage, exclusions, claims history if available)
- Review of assets

Tier 2 Conditions - 45 days

- Financing approval
- Phase 1 environmental approval

Other important items during due diligence

- Full underwriting review (pro forma and sensitivity analysis)
- Calls with local civil contractors and/or the city re: underground infrastructure materials and history
- Electrical review to understand service capacity and upgrade requirements
- Speak with on-site caretaker to understand responsibilities and get a sense for how the park runs
- Utility billing/recovery support (invoices, allocations, collections history)

THE BUYING PROCESS

Define criteria and budget

Target geography, cash available for down payment and closing costs, home ownership & services mix, condition profile, and investment goals.

Assess deals

Work with a realtor or on your own find deals and do high level pro formas to find the right one

Write offers

Submit an offer with conditions. If the park is out of area, it's common to write a conditional offer before an in-person tour

Subject period

Complete due diligence to verify income, expenses, and key risks (rent roll and tenancy files, utilities, infrastructure condition, legal status, inspections, and third-party reports as needed).

Financing and environmental

Confirm lender terms and approvals, get phase 1 environmental and appraisal

Remove subjects or renegotiate

Proceed, adjust price/terms based on findings, or walk away

Legal conveyancing to completion

Lawyer handles title review, adjustments, assignments, and closing documents.

Transition and first 90 days

Notify tenants of new ownership and payment process, confirm caretaker/management handoff, and address immediate priority repairs



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