



# RV PARK MONTHLY

August 2012



The RV Park Home Study Course includes a manual, due diligence manual and 24 hours' worth of material that will teach you how to BUY, SELL, OPERATE, AND TURNAROUND any RV Park.

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## *Memo from Frank & Dave*

Gas prices are coming down and RVers are getting back on the road. There are no official stats yet, but there's no question that RV occupancy is increasing at RV parks across the U.S. We hear it from other owners, and we see it when we drive on the road. It's not a giant surge, but it's a healthy improvement from last year. There are roughly 10,000 people per day reaching retirement age – as the baby boom hits 65 – and a good number of these folks are going to buy an RV – or grab their existing RV -- and start travelling. Has the RV park industry hit bottom and started to recover? It's too early to tell, but the trends are in place for that to happen.





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## HOW TO BUY A POORLY MANAGED RV PARK

There is no shortage of mom & pop RV parks that are horribly mismanaged. While these can be the most profitable RV parks to purchase, they also offer significant challenges and carry far more risk than buying well-managed operations with a good track record, years of financial data, and no capital expenditures required. So how do you buy these poorly managed parks?

### Rebuild the expenses from the ground up

When budgeting for an RV park, it is possible to obtain the actual water/sewer, electric and gas bills for the last several years, and you can average them to get a very accurate prediction of what the costs should be. On all other items, you can get three bids, and average those to get the best bet of what the real costs are. Never rely on the numbers given to you by the seller. They will either leave things off, or misguide you on the actual costs. For example, they manage and mow themselves, so they'll leave those two line items off completely. Start from scratch – with no intervention from the owners – and you can easily get a reasonable handle on the costs.

### Revenues are much harder

Although you can nail the expenses very accurately, it's much harder to get a handle on revenues. The initial starting spot is to get the seller's proposed revenues for the last three years, and average those. However, there's no guarantee that their numbers are in any way accurate. Another piece of information you should require is their tax returns for the last three years. This is where it often gets interesting. Many sellers will claim revenues that are twice what's shown on their tax returns. You should also look at what's going on right now. If there's 40 RVs in there at \$20 per night, then annualize that out and see what you come up with. If the seller is claiming twice that revenue, then how is that possible? You should also demand the bank deposit information for the past several years. Once you have rounded up all this information, you will have to make a determination as to what the real revenues are and are not. Normally, you will see a trend between all of these bits of data of whether the revenues are increasing or decreasing. And you may see what you think is a "safe" revenue level to base your price on.



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## *The best insurance is seller carry*

The best way to make sure that you don't get burned is to make the seller carry the financing on the RV park. That way, if the projections were incorrect, you are not stuck with a personal guarantee on a bank loan. And if the revenues are too sketchy, you should try to put down as little money as you can. Beware of sellers who are adamant that they won't carry paper. In many cases, that's because they want to be a thousand miles away with a new phone number by the time you figure out the revenues are a fraction of what they claimed. Remember that warranties are great, but extremely hard to enforce and collect on. Once your money's in the seller's hands, it's nearly impossible to get it back.

## *Seller carry is normally the reality anyway*

Most banks are never going to make a loan in the absence of quality financials prepared using sophisticated accounting, so seller carry is the norm in these cases rather than the exception. It will be very hard to convince the banker that the mom & pop's handwritten ledger and acceptance of cash rents means that the loan is a winner. When the tax returns don't match the P&L, then the case becomes impossible.

## *Other options: master lease*

One great way to buy an RV park that has low or inconsistent revenue, is to do a "master lease with option to purchase". This agreement allows you to take over the operation of the RV park at a set monthly rent (typically, less than the normal net income, to allow for a management fee), and then also provides the ability to buy the RV park at a specific price over a specific period of time (maybe 3 years). This is a terrific structure, because it allows you to get in the driver's seat and make sure that the RV park produces the type of net income you expect for you close on it. In some cases, this is the only safe way to buy an RV park that mom & pop have failed to prove a track-record of performance on.

## *Conclusion*

Buying a poorly managed RV park can be one of the most successful strategies out there, as you can always buy damaged goods cheap and then fix them up to create value. But if you are looking at buying a "turnaround" RV park, you have got to take steps to ensure that it can be turned around. Don't get stuck with a loser – proactively take the path to success by checking every number, and putting together a winning structure with the seller.



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## RV Parks for Sale

- Lincoln, WA
- 6 Lots
- 22 Acre(s)
- \$300,000



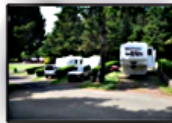
For more information, contact  
Jack Morse of Windermere  
Real Estate at 509-994-0030

- Somewhere in Texas
- 103 Lots
- 14 Acre(s)
- \$1,600,000



For more information, contact  
Marilyn Deward of The  
Campground Connection at  
616-532-4835

- Pacific Northwest US
- 81 Lots
- 7.8 Acre(s)
- \$1,900,000



For more information, contact  
Marilyn Deward of The  
Campground Connection at  
616-532-4835

- Boulevard, CA
- 146 Lots
- Cap Rate is 10.5%
- \$2,940,000



For more information, contact  
Jim Miller of Award  
Commercial at 619-273-9798

- Sunbury, PA
- 100 Lots
- Cap Rate is 13.0%
- \$925,000



For more information, contact  
M Way of Fantasy Island  
Campground at 386-316-5263

- North East US
- 49 Lots
- 49 Acre(s)
- \$989,000



For more information, contact  
Marilyn Deward of The  
Campground Connection at  
616-532-4835