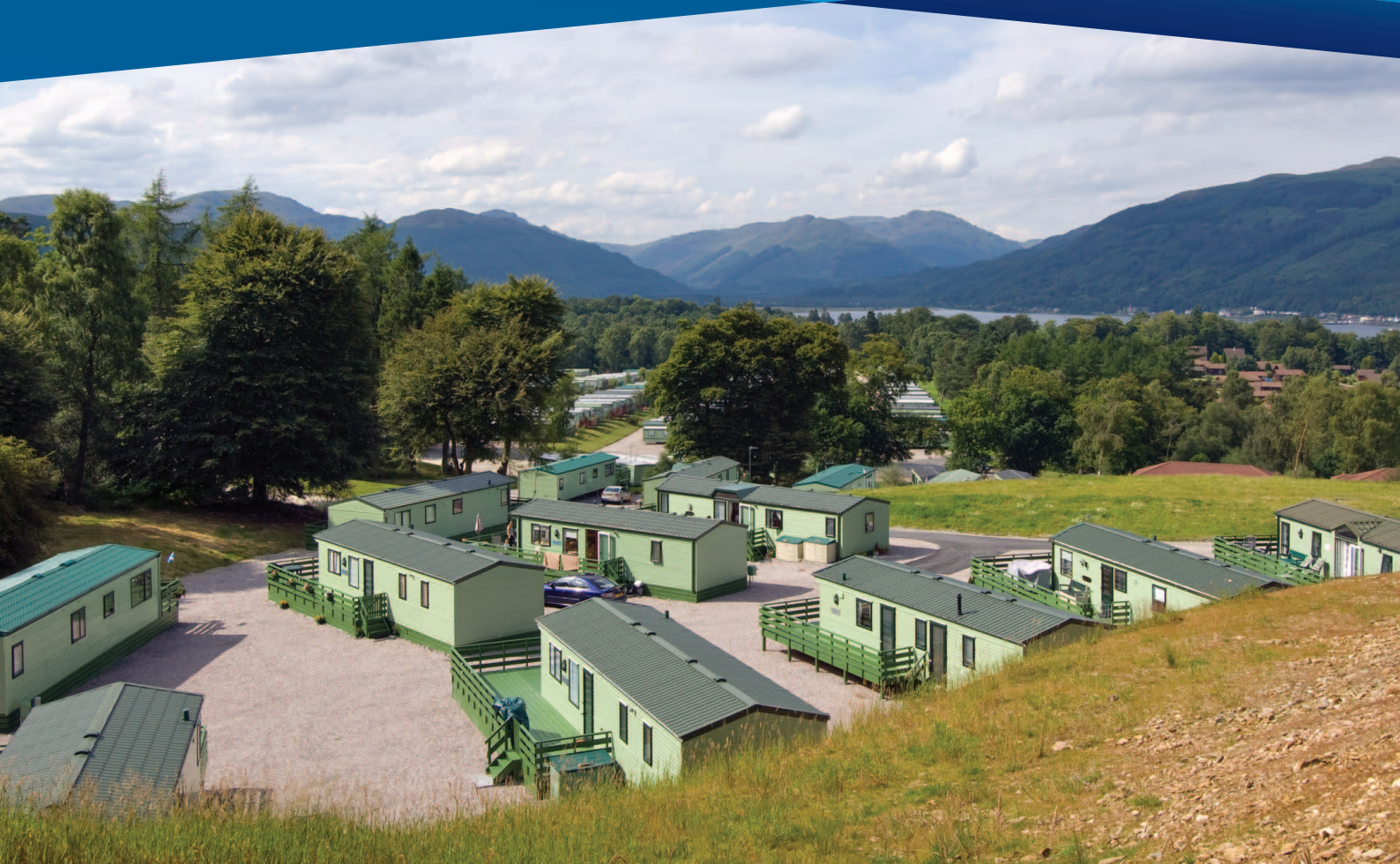


RESEARCH &amp; FORECASTING UK

# CARAVAN PARK SECTOR OVERVIEW



## SUMMARY

The feedback from operators was generally one of slightly improved trading conditions in 2010 with cautious optimism for the coming year. However, it is clear that some businesses are still struggling to recover from the effects of the economic downturn. The industry as a whole is facing a number of specific obstacles to recovery and growth – including the VAT increase in January 2011, rising fuel prices and a challenging residential market. On the other hand, “austerity Britain” could well play into the hands of those well located and better equipped parks in 2011 and lead to strong trading performance.

Colliers International is delighted to present its inaugural Caravan Park Sector Overview. The result of in-depth research, an online and hard copy questionnaire and extensive interviews with key industry operators, it represents the most comprehensive piece of original market research conducted within the industry to date.

Distributed to operators throughout the UK during late summer 2010, the questionnaire compared trading performance for 2010 with the previous year and measured expectations for 2011. It covered all major segments, these being holiday static parks, touring and camping parks, self-catering businesses and park home estates.

We received a high response rate, with operators obviously keen to share their views. The success of this first survey means that it will become a regular feature in the industry calendar as a tool to help gauge performance and sentiment.

# Holiday Static Caravans

The economic downturn has meant that caravan sale results have been volatile over the last few years so we anticipated mixed results from the survey. Overall, it would seem that sales are about on a par with 2009, with the majority (37%) of the sample reporting the same number of sales by volume. Almost as many operators reported a decrease as an increase in sales.

Prior to the onset of the financial downturn, demand for static caravan ownership was stimulated by high consumer confidence, the release of equity from a buoyant housing market and the relatively low cost of finance. Since 2008, declining consumer confidence, falling house prices and more restrictive lending policies have led to much reduced caravan sales.

**Colin Wood – Managing Director, Blairgowrie Holiday Parks Ltd**

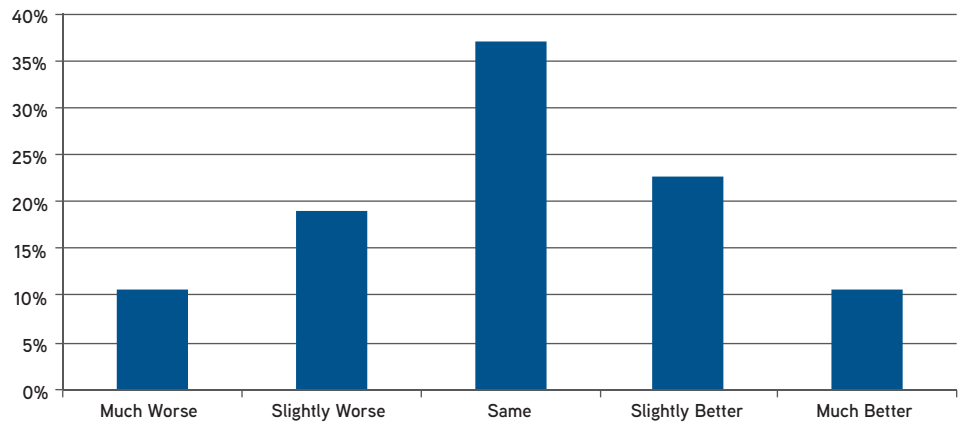
*“This year will be challenging on all fronts as inflation starts to hurt the home finances and with petrol reaching record levels travelling anywhere will be costly. This will impact on all areas of the sector but if the weather improves, which it surely must, then there may be something to look forward to in the spring and beyond.”*

However, one of the strengths of caravan parks is the flexibility of accommodation. Static caravans provide an affordable means to holiday home ownership and operators are able to respond to market forces by offering lower priced new caravan stock and second-hand caravans.

**Michael Jolly CBE – Chairman, Park Holidays UK**

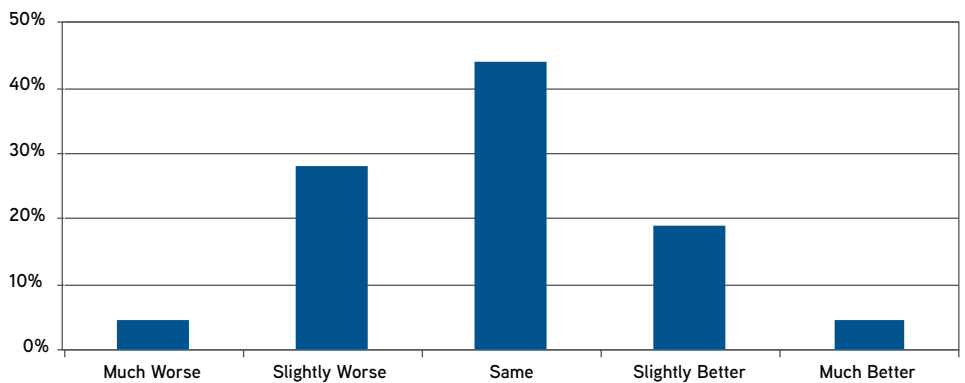
*“Caravan parks are proving to be a sector within the wider leisure industry with considerable resilience in the current economic times. Caravan ownership appeals to today’s lifestyle choices for a growing segment of society, whilst caravan holidays also meet the growing demand for value breaks. Both can sit happily side by side.”*

FIGURE 1: STATIC CARAVAN ANNUAL SALES 2010 VS 2009



Source: Colliers International

FIGURE 2: GROSS MARGIN ON STATIC CARAVAN SALES 2010 VS 2009



Source: Colliers International

Leading operators are embarking on long term estate investment both to maximise current opportunities and to be best prepared for when consumer activity returns.

**Miles Dewhurst – Director, Park Leisure 2000**

*“2010 has seen growth in both pitch fees and holiday home sales. Specialising in high end, mid-size parks is boding well and we have a cautious optimism towards this year’s retention of owners. Keeping a happy owner base gives us confidence to maintain a high volume of investment and development at all our parks. We anticipate 2011 trading levels to be similar to 2010, with a proactive attitude.”*

Gross margin also appears to have remained largely consistent with the majority of operators (39%) reporting the same level of margin in 2010 as 2009; however, slightly more respondents reported a worse rather than better average gross margin on static caravan sales.

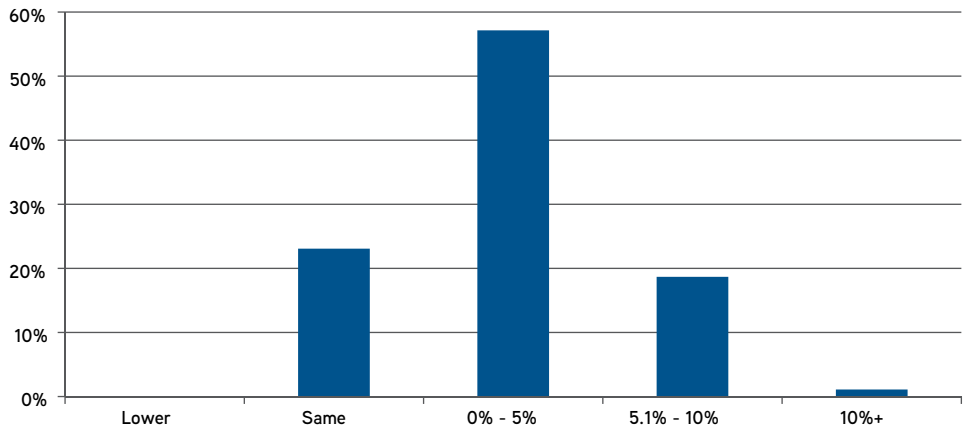


**Keith Campbell – Director, Drimsynie Estates**

*“Although we see caravan sales for 2011 as being limited, we are confident that we will have as good a year as we did last year. Over the past couple of years we have continued to invest in upgrading all of our holiday parks so that we are best placed when the economy recovers.”*

Amidst volatile caravan sales, maintaining pitch occupancy is of critical importance. Operators were quite conservative in setting pitch fees for 2010, 38% choosing not to increase pitch fees and only 6% of respondents increasing beyond 5%. At the time of the survey there appeared to be greater confidence going into 2011 with around half expecting to review at between 0% and 5% and almost 20% of respondents expecting to introduce uplifts of over 5%.

FIGURE 3: EXPECTED CHANGE IN STATIC CARAVAN PITCH FEES 2011 VS 2010



Source: Colliers International

## Touring/Camping

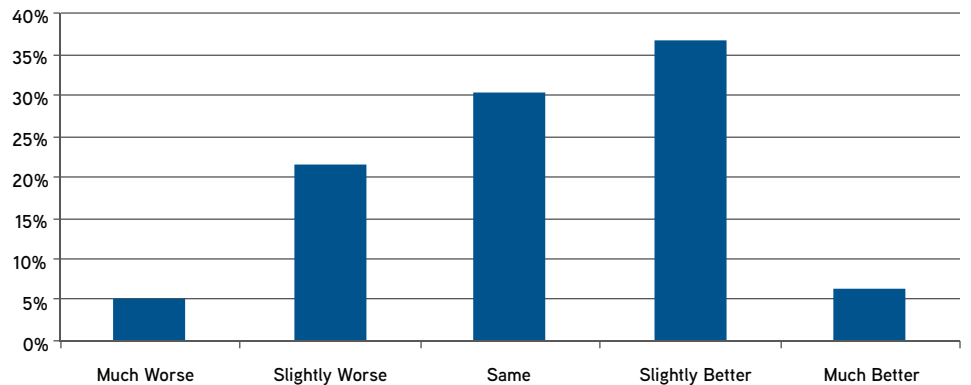
Occupancy for the first half of 2010 was up on the previous year which had already been a strong year and this is a tremendous result. Expectations (including forward bookings) for the second half of 2010 were mostly that occupancy levels would be consistent with 2009.

Overall, operators experienced strong occupancy during 2009, due primarily to the effects of the economic downturn leading to reduced spend on overseas holidays with British consumers choosing to economise by holidaying at home. Figures released by the Office for National Statistics show that 29% more camping trips were taken in Britain during 2009 than in 2008 and it was the first time camping was more popular than B&Bs. The Camping and Caravanning Club reported a 23% rise in bookings during 2009 when compared to 2008.

This strong occupancy continued into 2010 with 33% of respondents expecting bookings for the year to match 2009 and 48% expecting an improvement. An impressive 43% of respondents reported further increases in bookings during the first half of 2010 compared to the previous year.

In addition to the drive for value-for-money, touring and camping holidays are seen as environmentally and ecologically friendly and their increased popularity has coincided with

FIGURE 4: TOURING AND CAMPING OCCUPANCY H1 2010 VS H1 2009



Source: Colliers International

a more widespread appreciation of the natural environment and growing environmental conscience. The ‘feel-good’ nature of touring and camping extends to nostalgia, with consumers recreating childhood memories of touring and camping holidays.

Increased demand has been met with investment by operators in park facilities, alongside significant improvements in the quality of equipment (touring caravans, motorhomes, trailer tents and tents). This has attracted a new type of customer with the development in 2010 of ‘glamping’ (glamorous camping).

**Huw Pendleton – Vice Chairman Elect of the BH&HPA & Managing Director, Celtic Parks Ltd**

*“Both holiday and touring bookings are up on 2010, which is a result of more advance bookings as people wanted to beat the VAT increase. There have also been more forward orders for caravans for 2011 than ever before; however, on the flipside, a higher than usual number of customers have had to give up their caravans due to redundancies and financial pressures.”*

In July 2010, insurer Hiscox conducted a survey of 1,000 people in the AB1 social groups, finding that 55% are planning a camping trip this summer. The survey revealed that the popularity of 'glamping' is due to cost-cutting and, in two-thirds of cases, the desire to reduce carbon footprints.

In general, the sector has shown great robustness in comparison to alternative holiday accommodation providers when it comes to tariff. It seems that the price sensitivity that has led to declining tariffs in provincial hotels, for example, has not been experienced, with touring and camping park operators able to maintain or improve tariffs. Whereas 47% of operators had shown caution in not increasing headline tariffs for 2010, all operators were intending to increase tariffs for 2011.

## Self-Catering

Bookings for the first half of 2010 were much in-line with the previous year. This must be viewed as a positive result as 2009 was already an exceptionally strong trading year.

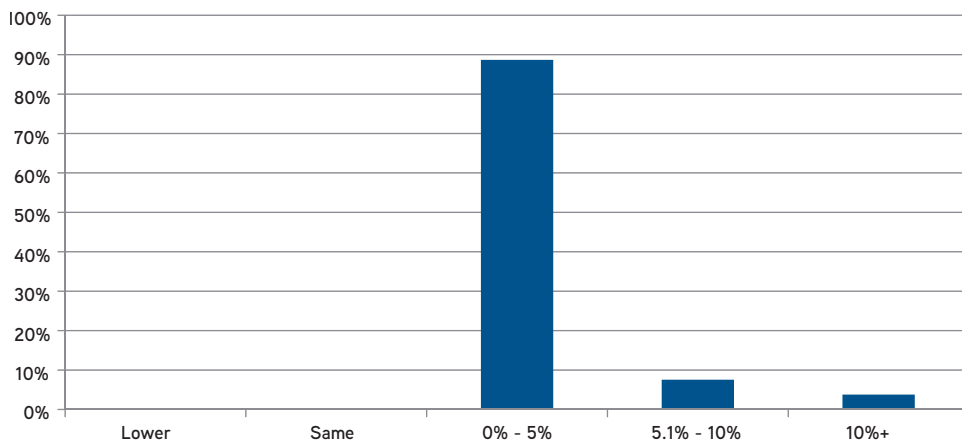
Even more pleasing was the optimism felt by many heading into the second half of 2010 with the majority of respondents forecasting bookings to be slightly or much better than the equivalent period in 2009.

The self-catering sector has received a great deal of press attention in the last few years due to the phenomenon of 'staycationing'. Although the economic downturn has led to an overall contraction of discretionary spend, holidaying remains a priority. Recent research conducted by Visit Britain reported that holidays are viewed as a necessity rather than a luxury and consumers are more likely to make cuts to everyday expenditure such as food, fuel, clothes and entertaining. However, many British consumers are choosing to economise by holidaying in the UK.

Since early 2008, the trend for economising through domestic holidaying has helped drive occupancy, leading to operators reporting excellent trading results.

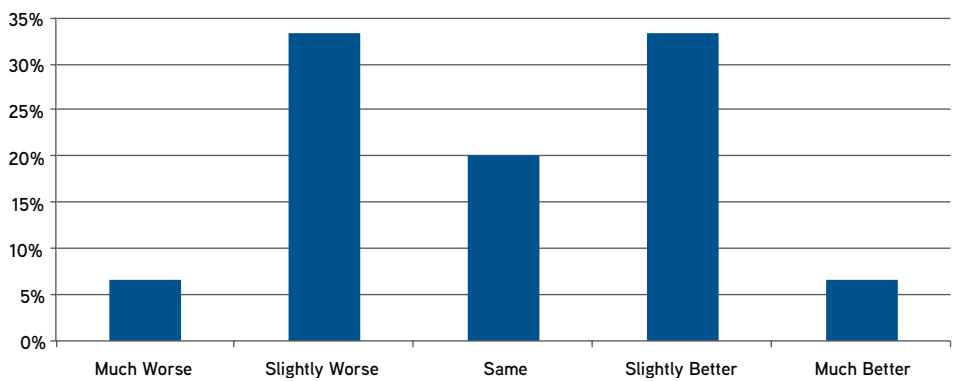
The general optimism felt amongst self-catering operators with regards to occupancy has translated to their intentions for the 2011 season. Whereas 53% of operators increased tariffs for the 2010 season, 63% intend to do so for 2011.

FIGURE 5: EXPECTED CHANGE IN TOURING/CAMPING HEADLINE TARIFF 2011 VS 2010



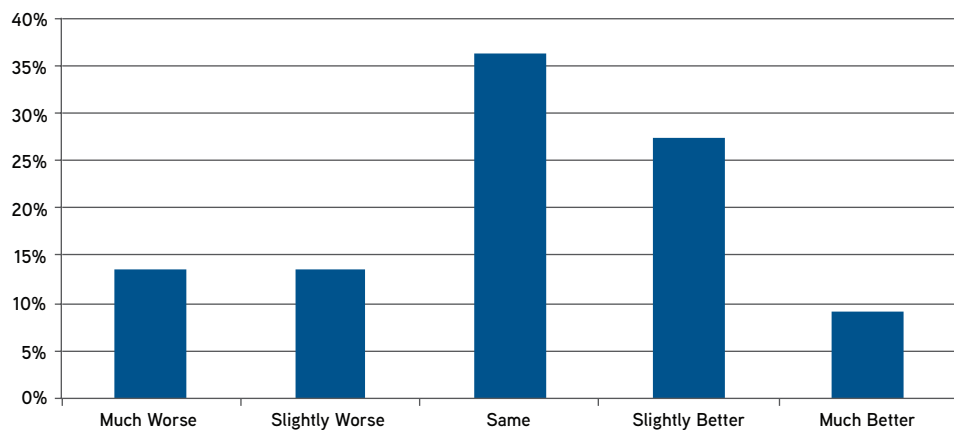
Source: Colliers International

FIGURE 6: SELF-CATERING BOOKINGS H1 2010 VS H1 2009



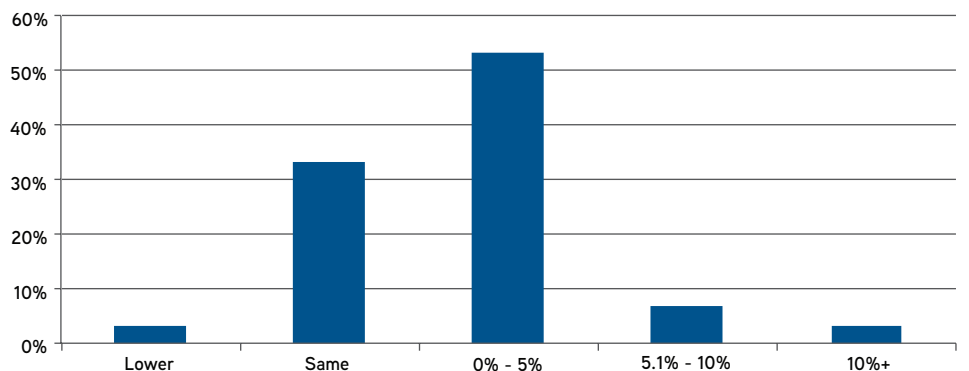
Source: Colliers International

FIGURE 7: SELF-CATERING BOOKINGS H2 2010 VS H2 2009



Source: Colliers International

FIGURE 8: EXPECTED CHANGE IN SELF-CATERING HEADLINE TARIFF 2011 VS 2010



Source: Colliers International

# Park Home Estates

Amidst a difficult housing market, park home sales have struggled since the 2006 peak. Our findings show little to suggest a change in sales numbers with mixed results across the sample.

**Matthew Gibbard – Managing Director, Tingdene Parks Ltd**

*“Park home sales are still taking place albeit at a reduced volume. Customers are less bullish and operators must work harder to meet tougher expectations and deliver an overall experience through providing show homes and choice.”*

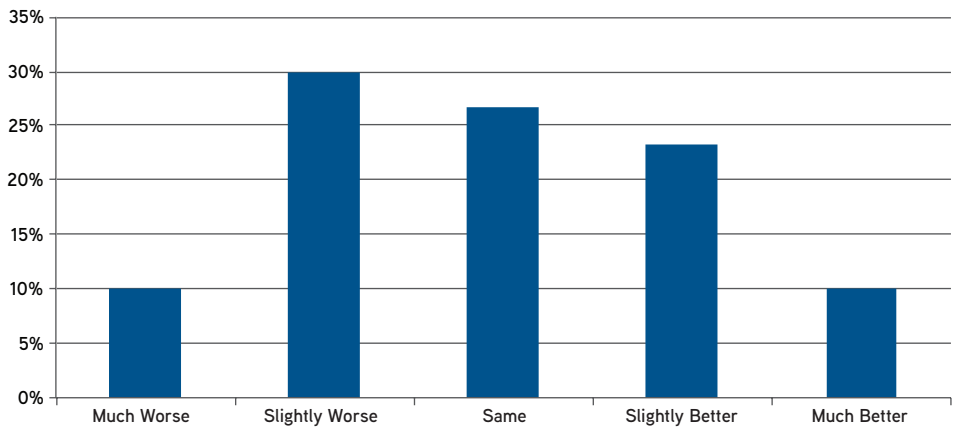
A positive finding is that 41% of the sample reported an improvement in gross margin. We expect this to be the result of more competitive and flexible pricing.

Park home sales tend to shadow the housing market as they typically provide a more affordable approach to home ownership, in relation to local housing stock. Park home sales are often driven by home owners downsizing from bricks and mortar in order to release equity for retirement. Therefore, the downturn within the housing market has been echoed within the park homes market.

In the housing market, prices continue to demonstrate weakness and the December 2010 mortgage approval numbers show limited improvement. According to the British Bankers’ Association, mortgage approvals fell to a 20 month low of 29,991 in November 2010, equating to a year on year decline of 31.7%, while net mortgage lending was just £1.5bn – the lowest level since August 1999. Although house prices have fallen in four of the past six months, Nationwide reported a surprise 0.4% rise in December; however, the Halifax house price index fell by 1.3% over the same period. The market remains fragile, with economic commentators predicting a further gradual slowdown in house prices in 2011 as there remains a mismatch between the number of purchasers and properties on the market.

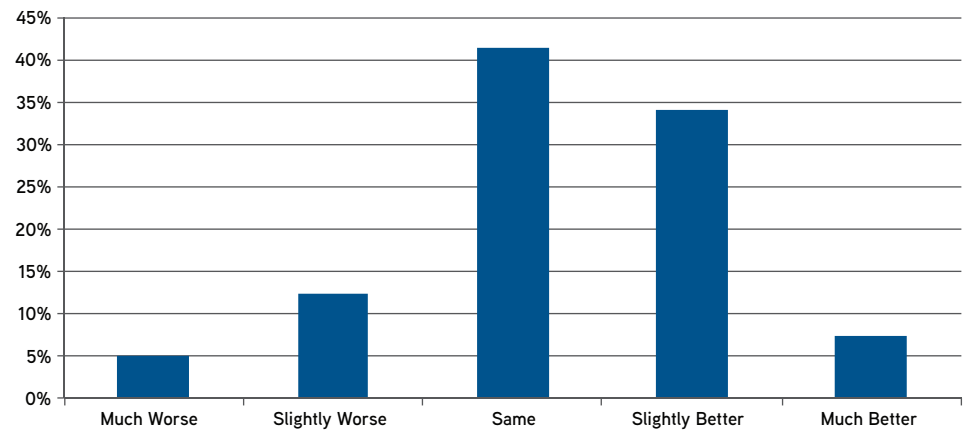
Park home estates remain an attractive investment, despite challenging park home sales. This is due to pitch fee income being inflation proof and relatively secure as it relates to a means of affordable housing.

FIGURE 9: PARK HOME SALES 2010 VS 2009



Source: Colliers International

FIGURE 10: PARK HOMES GROSS MARGIN 2010 VS 2009



Source: Colliers International



## The Winners & Losers

The economic downturn is favouring certain segments within the caravan and holiday park industry whilst challenging others. Certainly, touring and camping parks and those that cater towards the self-catering market are able to capitalise on the trend of holidaying in the UK.

Fragile consumer confidence and the reduced availability of finance means that consumers are less willing or able to purchase big ticket items such as second/holiday homes. One of the great advantages of parks is the flexibility of the accommodation stock so that operators are able to adapt to the trading conditions. It is with relative ease that park operators can choose to sell more affordable caravan stock or fill empty pitches with hire fleet or vice-versa. For those holiday parks that are operated predominantly on a sales model and home parks, the underlying pitch fee income generated from occupied pitches is playing a greater role in a challenging sales market.

The declining housing market has made park home sales much more challenging; however, the strength of this sector is the relatively secure pitch fee income.

## The Outlook for 2011

There are many underlying economic factors that will impact the caravan and holiday park industry in 2011. The challenging economic scenario together with the government announced austerity measures and the recent VAT increase will undoubtedly influence consumer confidence and, as a result, potential trading over the coming 12 months. Consumer spending looks set to be reined in the wake of job insecurity and consumer price inflation running ahead of earnings. Although the probability of an interest rate rise has risen in recent weeks, any increase is likely to be small and rates will remain incredibly low compared to historical levels.

As a result, operators remain generally optimistic that trading levels will not dip any further than in 2010. Self-catering, touring and camping businesses should continue to trade well as discretionary spend is squeezed further, forcing consumers towards low cost holidaying at home. These pressures are likely to restrict spend on big ticket items including caravan/lodge sales and the anecdotal evidence that forward sales were up prior to the VAT increase is not surprising. However, those operators who have reported continued sales throughout the economic downturn are linked by their proactive approach in providing customers with choice (show homes), pricing realistically, park investment and strong marketing.



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