A survey of values and trends in the caravan park and leisure markets over the past year

The Sunny Side of Brexit

Despite economic uncertainty caused by the momentous and unprecedented events of 2016, trading conditions in the parks industry and demand for park businesses of all types is more buoyant than at any time since the boom years of 2008. A fall in the value of sterling following the Referendum in June, combined with a fine summer, resulted in a good season for most UK holiday parks. Meanwhile, park home operators have been reporting record profits from strong sales which has encouraged ever increasing demand from expansionist portfolio builders seeking additional parks in all parts of the country.

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What a difference a year makes! Last year’s report was written against a background of gradual economic recovery with an expectation this would feed through into improved conditions in the parks industry. In many ways this is what has happened, but who could have expected that at the end of 2016 we would be talking about Britain’s imminent exit from the EU and Donald Trump as the President-elect in the USA. Apparently, one book-maker was offering accumulator odds on Leicester City winning the League title, followed by Brexit and Donald Trump for president at odds of 3m to 1. With the benefit of hindsight, that would have been a tenner well spent.

Certainly, the result of the Referendum vote in June appeared to take everyone by surprise, not least our own government who had apparently failed to plan for both possible outcomes. This lead to a resignation of the Prime Minister and, in turn, a complete new Cabinet, whilst the Labour party became embroiled in another bitterly fought leadership election.

International traders hate uncertainty, so it was predictable that the markets reacted unfavourably to these unexpected events, resulting in dramatic falls in the value of stocks and shares around the world and a significant fall in the value of sterling against major currencies, particularly the dollar and the euro. Since the summer the value of shares has recovered, but the exchange rate is still running at around 10% to 15% below pre-Brexit rates. This is likely to push up the cost of imported goods, leading to a rise in the rate of inflation in 2017. The rate of inflation according to the Consumer Price Index (CPI) increased slightly in the month of November, mainly as a result of clothing and food prices. The Retail Price Index (RPI), which is the measure generally used in the caravan park industry, including residential pitch fee reviews, increased to 2.2% in November 2016. The Bank of England expects CPI inflation to surpass the 2% target over the next 12 months, reaching 2.7% by the end of 2017, before falling slightly thereafter.

At least we can draw some comfort from the fact that the UK was one of the world’s better performing economies in the months leading up to the referendum. Although the fall out of the result has already had some effect, growth in our Gross Domestic Product (GDP) is expected to be 2.1% by the end of 2016, with the unemployment rate steady at just under 5%. As a benchmark, unemployment rates in Europe are currently 4.1% in Germany, 10% in France and 19% in Spain.

Meanwhile, those in work have been enjoying a welcome increase in real wages with average earnings up around 2.2% over the 12 months to October. The effect has been even greater for those in the bottom 5% of earners with pay increasing 6.2% (largely as a result of the introduction of the National Living Wage). Of course, this is not such welcome news if you are an employer with a large number of low paid workers.

Looking forward, our new Chancellor Philip Hammond used his Autumn Statement to announce a slight loosening of fiscal policy, particularly with regard to eliminating the ongoing deficit in the national budget. This allowed him to announce £23bn of extra spending over the next 5 years, much of it aimed at transport infrastructure. This will be welcome news to any park businesses at the wrong end of traffic bottle-necks. As well as providing a boost to the construction industry, these improvements may go some way to off-setting the inevitable rise in fuel prices caused by the fall in value of sterling.

Despite precautionary measures by the government, including reducing the minimum lending rate from 0.5% to 0.25%, considerable uncertainties remain about how Brexit will be achieved, the time-scale and the terms of the eventual settlement. Nevertheless, it is already apparent that some of the effects are likely to be beneficial for the parks industry, providing the economy in general stays on an even keel.

The impacts and shortcomings of the Autumn Statement

Robert Brown, partner in our business rates team, considers the impact of the Autumn Statement.

Robert said: “Some of the eye-catching announcements in Chancellor of the Exchequer Philip Hammond’s first Autumn Statement were those relating to technology. As well as allocating £1 billion for improvements to the UK’s digital infrastructure, the government will introduce 100 per cent business rates relief for new fibre optic broadband infrastructure. This will allay the fears of those companies who expected to see their business rates increase significantly following the recent rates revaluation, and will certainly give the industry a boost.

“However, aside from confirming the previously-announced £6.7 billion business rates reduction package and increasing rural rate relief from 50 per cent to 100 per cent and thereby correcting a long-standing anomaly, there was no further clarification on business rates.

“With the revaluation of commercial property for business rates due to come into force in April next year, we had hoped Mr Hammond would use this platform to provide details of the system which will be in place after April 2017.

“This is causing uncertainty in the market as businesses cannot confidently predict their occupational costs, so I sincerely hope that the Chancellor will clarify this soon and provide UK businesses with the details they require to plan ahead.

“Also, one of the key measures confirmed by Mr Hammond is that he will fund investments in large infrastructure projects including both road and rail improvements across the UK.

“Several of these projects will require the purchase of large areas of land before any work can be undertaken, so both homeowners and businesses can expect to see more compulsory purchase activity from acquiring authorities such as The Highway Agency, HS2 and TfL.”
As always, the weather plays a large part in determining the outcome of a trading season, irrespective of all other factors. Thankfully, 2016 turned out to be a largely fine summer with an equally warm and dry autumn to round off the end of the season.

Allied to this, the fall in the value of the pound made foreign travel more expensive and UK holidays better value for money in the eyes of foreign tourists. Although by the time the Referendum was held in June many travel plans had already been made, the unexpected result seems to have provided an extra boost to holiday parks during the latter part of the year. The vast majority of park operators we have spoken to during this autumn have reported an increase in earnings during 2016 compared to the previous year (which in itself was not a bad season). This has yet to feed through into published accounts as most parks have a trading year that ends in December or March, but when these figures are published in the summer of 2017 they are likely to show a useful upward trend from 2014 through 2015 and 2016, which will help to underpin values.

We have also seen a considerable improvement in the market for the sale of holiday parks this year, across all price ranges. Although there remain a number of active corporate groups with large portfolios of parks, the industry remains fragmented with a very large pool of owner occupied parks of various sizes. Many of these smaller parks are sold to new entrants to the industry, who in turn rely upon the sale of another small business or a house to fund their purchase. A welcome feature of 2016 has been a resurgence of these buyers and significant improvements in their confidence and buying power. We have also continued to deal with a number of corporate buyers actively seeking multi million pound acquisitions.

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House prices have continued to rise over the past 12 months, albeit the rate of increase slowed during the summer as a result of higher rates of Stamp Duty introduced in April. In their report published at the end of November Halifax suggest the annual rate of increase is 6%, with the Nationwide reporting 4.4%, although it is worth noting the quarterly change was close to zero. On one hand, we know from past experience that house prices cannot continue to rise by 9% or 10% per annum (as they did last year) when wages are only increasing by 2%. On the other hand, the UK has solid labour market conditions, historically low borrowing rates and a severe shortage of housing. Taking into account these circumstances, most experts appear to expect house prices to remain stable and/or increase slightly through 2017.

Providing prices remain stable and confidence remains reasonable, the activity levels that we have seen in the past few years should prevail. Certainly, there is no lack of confidence amongst park home operators, many of whom are actively looking to expand their portfolios. In a market where there are only a few sellers and many buyers it is logical to expect prices to be pushed up due to competition. In addition, with interest rates at 0.25% and pitch fee reviews at 2% (and likely to increase), it is easy to see why residential parks are an attractive business proposition.

As we mentioned last year, competition is particularly fierce for parks in the South and South East of England where house prices are higher and profits from the sale of homes is greatest - see our pitch value analysis section for further details.

In view of the national housing shortage and the demographic increase in our older population, you would expect the development and expansion of park home estates to be supported and promoted as an essential part of housing policy. Unfortunately, this has not historically been the case. However, a recent change in housing policy introduced in July recognises residential caravans as a dedicated form of housing for the first time. This may provide a useful tool to park operators and their planning advisors as and when they apply for permission for additional pitches - please see the article by our planning expert Owen Pike for further information.
As usual we have analysed the sale of all of the touring, static holiday and residential parks that we have dealt with over the past 12 months, both in terms of our own sales and other transactions where we have been valuers or advisors. Our survey covers many thousands of pitches across dozens of parks spread across all parts of the UK.

It is worth repeating that pitch values do not determine the market price of a park, quite the reverse. It is the demand from purchasers, their analysis of the business in question and their appetite for the property on offer that creates the eventual sale price. It is this price that we break down and apportion to the constituent parts of the property in order to produce the pitch values reported below.

It is also important to understand there is a wide range of values within each category, as illustrated by the second graph, Figure 2. The average value drawn from these statistics is just that – the average – and it does not represent the value of any particular park.

Touring Pitches

Although some very large park operators do have touring caravan areas, in our experience, the majority of touring and camping pitches tend to be on smaller privately owned parks, or form only part of a larger mixed holiday park. For this reason, this sector of the market was particularly badly hit by the banking crisis which caused the disappearance of first time buyers. Although the parks themselves continue to trade relatively well through the recession, there was inevitable pressure on prices caused by lack of activity in the market. Thankfully, conditions have improved and we are pleased to report an increase in the average value of touring pitches, regaining the ground lost last year. The range of highest and lowest values achieved during the year has also increased slightly, with a low of £5,000 and a high of £12,500 (see Figure 2). In the light of improved trading figures for this season, alongside general improvements in market conditions, we expect touring pitch values to increase again in 2017.

Static Holiday Pitches

Following the peak of the market in 2008, there was pressure on static caravan pitch values for several years, reaching a low point in 2013 (which followed the dreadful summer of 2012). However, there has been a gradual improvement over the past 3 years, culminating in a 12% rise over the past 12 months, taking the average value from £16,000 to around £18,000 per pitch. Again, we have seen a similar wide range of values from around £10,000 per pitch to as much as £30,000 per pitch at the top end. Prices at this high level are rare, but can be achieved for 5 star parks with a high level of earnings from both pitch fees and sales.

Residential Pitches

Although we have analysed every residential park sale available to us, there has been a predominance of transactions in the South and South East of England over the past 12 months. In fact, just under 40% of the sales analysed were located in the South East of England, with a further 30% in affluent areas of the South West. This means sales from the remainder of the UK accounted for only 30% of the sample. Since park home estate values tend to mirror housing values it is not surprising that parks located in the South East of England achieve the highest prices. Because a high percentage of the transactions over the past 12 months have been located in these higher value areas, the average value has increased significantly from around £26,000 last year to £33,000 per pitch, and this is the figure shown on the first graph (Figure 1).

We have also carried out further analysis to illustrate the differential in this ‘two tier’ market. The average value of parks sold in the South East of England was £36,700 per pitch, whereas the average value of parks sold in the South West and the remainder of the UK was £30,000 per pitch. This suggests that the average value of parks in the South East of England is approximately 25% higher than the rest of the UK.

Caveat

As in previous years, we should stress that pitch values form only one of a wide range of valuation tools and the average pitch values stated above should not be used in relation to the valuation of any particular property.

Pitch values can provide a useful guide, but should be used with care alongside other valuation techniques such as the assessment of profitability. In the current market buyers place considerable reliance on profits based valuations, whilst lenders need to see clear proof of the affordability of any proposed borrowing.

There has been a gradual improvement over the past 3 years on static caravan pitch values, culminating in a 12% rise over the past 12 months. The Values shown are based upon fully developed operational pitches, including facilities necessary to comply with Site Licence requirements, excluding the value of any caravans or additional amenities. No adjustment has been made for the variance of the sample from year to year. These figures are offered only as a market guide and should not be used in relation to the valuation of any particular property.
We have dealt with a number of sales large and small, across all sectors of the market in 2016. Whilst a significant proportion of these transactions were concluded on a confidential basis, a selection of open market park sales are as follows.

The year started with the sale of **Drewery Caravan Park** just outside the popular resort of Great Yarmouth in Norfolk. In a cliff-top setting and with direct access to the beach this 7.5 acre park is a long established development for more than 120 static and touring holiday caravans. This is the first time the park has been offered for sale on the open market in more than 60 years and not surprisingly it created a great deal of interest, subsequently being sold for an undisclosed sum.

Also in January 2016 we concluded the sale of **Olicana Caravan Park** near Ilkley, West Yorkshire. On the edge of the affluent village of Addingham, this attractive riverside holiday park had been in the same ownership since 1990 and was ripe for development. Presently developed for 50 static caravans and with extensive frontage to the River Wharfe, including fishing rights, the park includes a large five bedroomed owner’s house with a self-contained one bedroom studio apartment. Demand for parks in Yorkshire is always strong and this property proved to be no exception, selling to a new entrant to the market for a figure significantly in excess of the guide price of £1m.

During the year we handled a number of sales of residential parks in sought after areas of the South and South East of England. The first of these was **Birwash Park** in East Sussex which has permission for 20 residential park homes. At the time of sale there were 19 privately owned homes sited and 1 vacant pitch. A confidential off-market sale was concluded at an undisclosed price.

Another attractive proposition in Sussex is **North Park**, conveniently located on the outskirts of Littlehampton close to the marina, golf course and beach. The site has consent for 8 park homes and was offered for sale with a guide price of £300,000. Following competitive interest from a number of buyers an early sale was concluded in excess of the asking price.

**Weston Park Homes** comprises a fully developed and easily managed residential park on the Isle of Portland in Dorset. The park accommodates 17 privately owned homes and is located within a residential area within walking distance of local shops. Unusually, the vendor emigrated to Australia during the sale process which created an interesting time delay during negotiations. However, it did not prevent a sale being concluded at close to the guide price of £595,000.

Later in the summer we were pleased to be given the opportunity of offering **Walton Bay Park** for sale near Clevedon, Bristol. This recently redeveloped 5 star park accommodates 31 homes, each with stunning views over the Bristol Channel. Following a brief period of marketing at a guide price of £1m, the park was quickly sold to an existing local operator.

Also on the North Somerset coast is **West Bay Park** on the outskirts of Watchet. The park has 16 pitches with a cliff-top setting, but uncertainties over coastal erosion meant that the guide price was set at a realistic £350,000, which succeeded in attracting a buyer seeking a good return on investment.

**Wanlass Farm incorporating Cottingham Caravan Storage** is a long established and profitable caravan storage business situated just outside Cottingham, venue of the annual Lawns Caravan Show. With three bedroomed owner’s accommodation, this 6 acre property comprises an established business. Having been in the same ownership for 25 years, it was marketed with an asking price of £845,000 and sold to a long standing Showmans Guild family.

Parks with hidden value from unrestricted planning permission are rare these days, but **Little Wood Park** near Chipping Sodbury offered this type of opportunity. Located on the southern edge of the Cotswolds, the park has a long history as a popular touring and camping site. However, the consent does not restrict the type of caravans that may be accommodated, providing they are used for holiday purposes only. The park was therefore marketed and sold as a redevelopment opportunity and the new owner has already started work on siting upmarket holiday lodges.

The Brecon Beacons and the surrounding landscape of Mid Wales has always been popular with holidaymakers and we have dealt with two park sales in this area in recent months. Coincidentally, both parks are called Riverside. The first, **Riverside Caravan and Camping Park** is located in the beautiful Usk Valley between Abergavenny and Brecon. The park is developed for 20 static holiday caravans, 20 touring caravans and 20 tents, with a 2 bedroom chalet bungalow providing owner’s accommodation. It was marketed with a guide price of £950,000 and was sold to a new entrant to the market.

The second, **Riverside Caravan Park**, is located near Llangammarch Wells and has consent for 13 static caravans and 40 touring caravans, with a dedicated winter storage area for touring caravans. Owner’s accommodation is provided by a 3 bedroom bungalow. The park was sold to a local businessman.
2016 has been a busy year for park sales in the South West of England. These included Romansleigh Holiday Park located in Mid Devon, which was marketed at a guide price of £375,000. Although the property has permission for 45 static caravans and 20 touring caravans, these consents had not been fully utilised and the site is ripe for redevelopment. A substantial range of buildings includes an owner’s house, several apartments and a licensed bar.

Towards the end of the spring we concluded the sale of two other South West parks. Firstly, St Day Holiday Park located near Truro. Operated as an ‘adults only’ site, the park has consent for 30 static caravans, 23 touring caravans and 6 holiday chalets. It also includes a modern detached 3 bedroom house with a private garden. The park was marketed at a guide price of £875,000 and sold to first time buyers to the industry.

Also near the City of Truro, is Summer Valley Touring Park, an attractive touring site with consent for 60 units. The property includes a 3 bedroom dormer bungalow with an attached 1 bedroom letting unit. The park was marketed with a guide price of £800,000 and sold during the autumn to a new entrant to the industry.

Wooda Lakes Fishing Centre and Holiday Lodges comprises an established coarse fishery alongside a partly developed holiday lodge complex. The site has consent for 25 holiday lodges, with 13 units constructed and 12 vacant pitches. Offered for sale with a guide price of £950,000, the property also included a building plot for a 2 bedroom bungalow and a static caravan with full residential permission.

September 2016 saw the sale of Whitecote Park, an attractive holiday caravan park located in the Vale of York. Extending to a little over 1 acre and including three bedroom lodge accommodation, consent exists for the siting of up to 27 touring and static holiday caravans. It is not often that properties with an asking price at this level, £395,000, become available and perhaps therefore the high level of interest that we experienced was to be expected!

The autumn of 2016 also saw the sale of Greendales Farm and Bowland View Caravan Park, not far from Morecambe Bay. In a rural setting this established high quality business is developed for 18 static and 24 touring holiday caravans, all with 12 month consent. A detached four bedroomed house with private garden and swimming pool provides owner’s accommodation. Marketed with a guide price of £795,000 the property was sold to an existing local park owner.

One of the last sales of the year was Barataria Park in Surrey. The property comprises a long established residential park for 29 homes, together with an acre of spare land used for car parking and caravan storage. Located near the picturesque village of Ripley and not far from the RHS Gardens at Wisley, this is a valuable and highly sought after area. This resulted in considerable competition between park owners who operate in the London area and a sale was concluded by Informal Tender at a figure considerably in excess of the guide price of £1,100,000.

The most recent sale to complete is Oakwood Lodges in Yorkshire. A high quality letting development of 10 permanent build lodges and marketed through Hoesenesons Autograph collection. A sale was concluded to a new entrant to the market off a guide price of £999,950.

Several properties are currently under offer. One where the sale is due to complete imminently is Watermill Farm Leisure Park.

Watermill Farm is situated near Caistor in Lincolnshire and consists of a 60 acre grassland holding incorporating three fishing lakes and consent for approaching 100 static and touring holiday caravans and log cabins. The park is being offered with a guide price of £900,000 with a sale agreed to a local businessman.

Landmark Cornish development expands to over 120 holiday homes

Our Bristol valuation team provided valuation advice to help facilitate a multi-million pound financing facility for a Cornish holiday resort.

The Una St Ives resort is located on the North of the Cornish coast and currently comprises 29 eco-friendly holiday homes, which each have access to an indoor heated pool, Jacuzzi, restaurant and spa facility on site.

We were tasked with the valuation of the development including the existing 29 units and leisure facilities which formed Phase I of III, as well as providing advice on various exit strategies, to ensure a secure grounding for the developer’s acquisition and the banks lending.

Following our advice, the commercial team at Allied Irish Bank (AIB) granted a multi-million pound facility to Kingfisher Resort St Ives Ltd, who will expand the resort over the coming years. The plan for the future is to add a further 93 holiday homes to the park, as well as developing the onsite facilities available.

Mark Sheridan, partner in our Bristol office said: “We were delighted to assist AIB and Kingfisher in this transaction in what is a specialist sector, one of a number of similar deals we have been involved in during the past 12 months”.

“Working alongside Thrings solicitors we were able to quickly resolve a number of last minute legal and property issues, which were vital to the deal progressing”.

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Here is an extract from our portfolio showing a small selection of parks for sale across England, Scotland and Wales at the present time. Please contact us if you would like any further information, or would like to register on our mailing system.

**Planning Conditions Revised to Enhance Prospects of Site Sale**

Sanderson Weatherall’s Planning Department was approached by a medium-sized holiday and mobile home park operator to provide advice on a planning permission for a holiday lodge development which had been obtained by a third party, on a site that neighboured one of its established parks. The operator was interested in buying the holiday lodge site but was not initially willing to proceed because some of the conditions attached to the permission were onerous.

We met the operator to explain that a new planning application could be made to the Local Planning Authority (LPA) and suggested that they enter into an option agreement to ensure they would be in prime position to purchase the site if the LPA agreed to vary the conditions.

Our knowledge of numerous issues meant we were able to devise a convincing case and consequently the LPA granted a new planning permission with the onerous conditions reworded to reflect our suggestions.

As a result of our work, the prospects that the owner of the holiday lodge site will be able to sell it (most likely to our client) have been increased. This case demonstrates that planning consultant’s knowledge of the planning process as well as project delivery can be vital to ensuring that planning permissions are actually valuable and implementable.

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What changes are under way?

On 1st April 2017, new rateable values for properties around the country will be implemented. This has triggered a lengthy process, including a number of key dates throughout 2016 and 2017 that caravan park operators must be aware of.

Draft rateable values were published online by the VOA (Valuation Office Agency) on 30th September, which help companies to understand their new valuation, whilst providing an opportunity for them to tell the VOA about any errors before the new rates are applied from April. For the first time, this information has only been made available online via the VOA website, and they won’t be sending out printed valuations. To get access, you need to register your details with the VOA.

April 2017 will also see the introduction of a new appeals process called ‘check, challenge, appeal’, which will change the way in which organisations can appeal their rates.

How will it impact caravan parks?

Most caravan parks are likely to experience a change in their business rates as a result of the business rates revaluation. This is because the valuation date is set two years before the last revaluation and since there has not been a revaluation since 1st April 2010, local authorities in England and Wales are still basing their business rates bills on 2008 figures. This will change next year, as all non-domestic properties in England and Wales will be reassessed based on a valuation date of 1st April 2015.

What happens next?

Although the draft rateable values have now been published, businesses will not be able to calculate their new business rates until the Government announces the multiplier in January. New rates bills will be issued on 1st March 2017 and the revaluation comes into effect from 1st April.

The important thing is to seek advice from a qualified rating advisor as soon as possible to make sure you are not paying over the odds. They can assess your draft rateable values and analyse whether you are entitled to a reduction in your business rates.

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Different Name, Same Service

Sanderson Weatherall; industry leaders in the caravan and park home industry

In 2013 Edwards and Partners announced that we had joined forces with Sanderson Weatherall, a leading national firm of chartered surveyors, property consultants and asset advisors. Since then, the Edwards team have operated as a specialist department within Sanderson Weatherall. Now, some four years later, we have decided to simplify our branding and as from 1 January 2017 we will be known as the Sanderson Weatherall caravan park and leisure division.

Customers will continue to receive the same energetic, friendly and knowledgeable service from our qualified valuers and advisors who have over 70 years combined experience in the parks industry. As such we are able to provide advice on acquisitions, sales, proposed developments and valuations for a variety of purposes, including secured lending, probate, capital taxation and expert witness. In addition, our leisure team is able to draw on a wide range of expertise within Sanderson Weatherall, including advice on rating, planning, building consultancy and architecture.

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