



It's often said that there are relatively few second holiday homes in the UK and that this has driven prices up and driven purchasers overseas. In fact, the British tradition of the holiday home has been the caravan, with around 330,000 static caravans in the UK (not to mention half a million touring caravans). There is a big opportunity for the static caravan to become the British equivalent of Russian dacha or the Swedish summer house, but this demands a radical update to the product to make it fit for changing consumer needs.

When is a caravan not a caravan?

Transforming British caravan parks into second-home lodge developments

Established by Michael Paul in 1986, Paul & Company provides surveying, valuation and estate agency services to the caravan, chalet and leisure industries, including the promotion of holiday parks for sale to potential purchasers throughout the UK and Ireland. In December 2006, Colliers CRE acquired Paul & Company as a natural extension to its Licensed and Leisure Department.

In this article, Michael Paul outlines the factors that have allowed a market for second-home lodges to emerge in the UK, and offers some tips to would-be developers.

What is a caravan?

The term 'caravan' usually conjures up visions of cream, green and brown aluminium boxes in procession along the nation's highways every weekend from April to October. But a planning consent for the siting of caravans or use of land as a caravan park may present an opportunity for the development of far higher value lodges or static caravans, which may or may not be timber clad. At a time when new planning consents on greenfield sites are extremely rare, it is apparent that in a number of instances these planning consents are under-utilised. Many caravan park operators have not realised the potential to release value from their land that is created by the planning consent and the definition of a caravan.



The traditional models

Broadly speaking, caravans that are used for holiday and recreational purposes fall into two categories: touring caravans and holiday static caravans.

Holiday static caravan park operators retail static caravans to customers, who receive a licence to occupy a pitch for a period of 10 to 15 years. Under the licence, the caravan owner is required to pay a ground rent and service charge, which are often combined and referred to as a pitch fee. The park is eligible for commission of up to 15% if the caravan owner chooses to sell his or her caravan and assign the licence. Once the licence period expires the caravan owner can be required to remove their caravan, freeing the pitch for another caravan sale.

The licence does not grant the caravan purchaser exclusive possession and does allow the operator to relocate the purchaser's caravan to another pitch upon reasonable grounds, such as the redevelopment of a section of the park. Throughout the duration of the pitch licence agreement, the caravan owner can occupy his or her caravan for the maximum season stipulated by the park's planning consent and site licence – normally between 7 and 12 months.

Where a caravan park's planning consent is for touring caravans, the operator will receive income for the short-term use of a pitch for the siting of the caravan, often alongside tents. As with holiday static caravans, season lengths vary between 7 and 12 months although

they tend to be at the shorter end of the scale. It is more likely that consent will require that no caravans remain on the park outside the operating season, making the development of static caravans which are at least 35ft long practically impossible.

The lodge market

Each planning consent for holiday static caravans must be taken on its individual merit, but in the vast majority of cases these consents automatically allow the development of lodges – timber-clad caravans with a much higher value than static caravans. Although all planning consents stipulate an operating season during which the caravans may be occupied by their owners, the caravan itself may remain on the park all year round. This makes the sale of twin units feasible. Twin units offer much more space and can measure up to the statutory limit of 60ft x 20ft. If year-round siting were not allowed, it would be very expensive and potentially risky to relocate such large units, as their fabric can withstand only a limited number of movements.

As well as commanding higher prices, lodges are also regarded favourably by most local authorities, not just because they are environmentally friendly but also because they are visually more appealing than touring caravans, with their bright colours and awnings.

Lodges have become a very attractive proposition to second home buyers. In recent years, there has been a big increase in the number of lodge owners, who have seen the value of their lodges rise substantially. With this growth in consumer demand, lodge design has moved on and new entrants to the lodge manufacturing market have begun to challenge the traditional caravan manufacturers, who had already branched into this sector. Whilst the traditional pine bungalow lodge remains popular, lodge customers now have the choice of more contemporary designs, including glass and aluminium and I, H and J shaped units - all available off the shelf. Manufacturers are also happy to discuss individual designs.

Increasingly, the requirements of local authorities and the often sensitive locations in which these developments take place have pushed the development of sustainable products forward. The traditional profile aluminium sheet roof has been replaced with acrylic tiles in recessive colours that do not reflect light. Similarly, an increasingly wide range of colours that blend to their surroundings have been made available by most manufacturers, in stark contrast to the dull creams, greens and browns that have characterised most static caravans.

The return

At present, new holiday static caravans retail between £16,000 and £70,000, and pitch fees range between £1,500 and £5,000 (excluding VAT) per annum. The income per pitch on a touring park is unlikely to exceed, in the best locations, £2,000 (excluding VAT) per annum. Twin lodges, on the other hand, are currently advertised on the Devon coast for up to £185,000. In the Lake District, reported lodge sales have achieved upwards of £250,000. Annual pitch fees can reach £6,000 (excluding VAT) per annum. Although a twin pitch will require more space and the factory gate price of a lodge can be £60,000 as opposed to between £12,000 and £30,000 for a holiday static caravan, the margins per acre are potentially a great deal higher.

Due to the obvious size of investment, generally lodge purchasers will require a greater security of tenure than a holiday static caravan purchaser. Rather than a licence for 15 years, lodges are selling with licences – and now more often leases – for periods of between 25 and 99 years. Obviously this restricts the potential for re-sales but there is still an opportunity for the operator to collect sales commission on resales, and this will be far higher than on caravan sales because lodges are more likely to retain their value.

What is a caravan?

The definition of a caravan was first formalised under s 29(1) of the Caravan Sites and Control of Development Act 1960 as:

‘any structure designed or adapted for human habitation which is capable of being moved from one place to another (whether by being towed or by being transported on a motor vehicle or trailer) and any motor vehicle so designed or adapted, but does not include:

- a) any railway stock which is for the time being on rails forming part of a railway system; or,
- b) any tent.’

The Caravan Sites Act 1968, Section 13 (1) expands on the 1960 Act definition to define a twin unit as:

1. A structure designed or adapted for human habitation which:
 - a) is composed of not more than two sections separately constructed and designed to be assembled on a site by means of bolts, clamps or other devices, and
 - b) is, when assembled, physically capable of being moved by road from one place to another (whether by being towed, or by being transported on a motor vehicle or trailer), shall not be treated as not being (or as not having been) a caravan within the meaning of the Caravan Sites and Control of Development Act 1960 by reason only that it cannot lawfully be so moved on a highway when assembled.
2. For the purpose of Part 1 of the Caravan Site and Control of Development Act 1960, the expression ‘caravan’ shall not include a structure designed or adapted for human habitation which fails within paragraphs (a) and (b) of the foregoing subsection if its dimensions when assembled exceed any of the following limits, namely:
 - a) Length (exclusive of any drawbar): 60 feet (18.288 metres).
 - b) Width: 20 feet (6.096 metres).
 - c) Overall height of living accommodation (measured internally from the floor at the lowest level to the ceiling at the highest level: 10 feet (3.048 metres).

Requirements for a successful development

Development control is not the only limiting factor when considering a lodge development or redevelopment project. As with almost all types of property, location is paramount. Obvious indicators such as the local housing market should be researched thoroughly; the sale of a three-bedroom timber lodge for £150,000 is unlikely to be successful unless housing prices are considerably higher. The area in which the development is to take place must therefore be carefully selected and it helps if there is also a shortage of alternative second home accommodation. Climate is also a big factor to consider – it will control season length, and where winters are chilly values tend not to be very strong.

The time period that a purchaser is permitted to occupy their lodge has a direct impact on price, and obviously the longer the season, the better. Local authorities are cautious when it comes to extending seasons as the possibility remains that these second homes can become first homes. More stringent conditions are being imposed in recent consents including the requirement to maintain a register of occupancy and evidence that the owner has a primary address. However, obtaining a consent that includes an 11-month operating season is often achievable.

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