

# Economics of the Park Home Industry: An Emerging Findings Report

SOCIAL RESEARCH NUMBER:

25/2016

PUBLICATION DATE:

17/03/2016

## Key Points:

### Park Home Operators

The scale and nature of park home operators within the sector is diverse. The majority of parks in Wales (c70 out of c90 parks) can be classified as 'micro' or 'small', with less than 50 pitches. There are only c6 parks in the sector which have 100+ pitches.

To date, financial data provided via the operator survey is limited. However, the information provided thus far highlights:

- The main sources of income tend to be sales of new units, commission on sale of residents units and pitch fees;
- Operators interviewed at site visits emphasised the commission on the private sales of park homes was a significant source of income and was relied upon to make the most significant investments in the park.
- The greatest financial impact of the Mobile Homes Act (2013) on operators was the fact that pitch fees can now only be increased in line with CPI. This was confirmed by those operators interviewed on-site and all interviewees were unanimous in their call for the pitch fee to be reviewed (to be in line with the RPI).

### Park Homes Residents

Based on the 522 responses received to the survey and the focus groups undertaken so far:

- Park homes residents tend to be retirees with modest levels of income and savings. Only 15% of respondents reported to be adding to their savings each year.
- Over three quarters (78%) of respondents reported they spend less than one quarter of their monthly income on pitch fees.
- The largest annual outgoings for residents are on energy costs (gas and electricity). Focus group attendees indicated there was complete transparency in relation to utility costs on the park.
- Nearly all of the residents attending the focus groups understood they would have to pay the commission rate of 10% if they decided to sell their home. However, there was a lack of awareness regarding the reasons for the 10% commission and a degree of hostility in relation to it.
- Survey respondents were asked about their awareness of their contractual obligations in respect to pitch fees and the charging of commission on the sale of their home. The majority of respondents reported they were aware of and clear about both (65% and 64%, respectively).

**People living in mobile (park) homes rent the land on which it is stationed from the site owner paying a "pitch" fee. In addition to the pitch fees, site owners are allowed to charge a fee of up to 10% on any resale of the home and on the purchase of a new/replacement home.**

**A study by the then Office of the Deputy Prime Minister (ODPM) in 2002 into the Economics of the UK Park Home Industry, did not make a case for changing or removing the Commission Rate but, since then, many have argued the rate is unfair and should be ended.**

**Given interest in updating the study and the implementation of the Mobile Homes (Wales) Act 2013, the Welsh Government commissioned a piece of research in late 2015 with the aim of undertaking a comprehensive, independent assessment of the economics of the park home industry in Wales, including consideration of whether a Commission Rate remains**

## Background

1. The Welsh Government appointed Public and Corporate Economic Consultants Limited (PACEC) in October 2015 to undertake 'a study of the Economics of the Park Home Industry'.
2. The aim of the research project is to undertake a comprehensive independent assessment of the economics of the park home industry in Wales, including consideration of the fees which park operators are permitted to charge.

## Methods

3. The research was commissioned in November 2015 and fieldwork began in January 2016 and is due to finish by early March 2016. The final report is expected to be published in the summer of 2016. Although fieldwork is still underway, the current status of the project is as follows:

- Desk based research has been completed;
- Stakeholder consultation has been completed (8 interviews were carried out with officials from selected local councils, resident representative bodies and operator representatives bodies);
- Park operator survey – 18 responses have been received, reflecting a response rate of 30%;
- Park home resident postal survey – 522 responses have been received, reflecting a response rate of 24%, based on the estimated total park home population in Wales (to note a further 11 parks are to be contacted); and
- Park home site visits – 17 out of 20 site visits have been completed. This includes interviews with 17 park operators and focus groups with residents (to date 122 residents have attended the focus groups).

4. Therefore, this report presents emerging findings based on research carried out to date and consequently, the findings presented here are provisional and subject to change.

## Caveats

5. At this stage the operator findings are based on a relatively small number of responses (18 of the 61 operators contacted), covering seven of 19 local authority areas. As such these findings should be treated with caution as they cannot be considered representative of the park home sector.
6. A number of respondents to the resident's survey 'skipped' questions, particularly those of a financial nature or those considered to be personal, so this should be taken into consideration when interpreting these results.
7. It was recognised from the outset that gathering the data required for the study would be challenging. The ODPM study undertaken in 2002 encountered similar access and engagement issues<sup>1</sup> At this point, the response rates are as follows:

	Residents	Operators
<b>Surveys sent</b>	2,200 approx	61
<b>Useable Responses received</b>	522	18
<b>Response rate</b>	24%	30%
<b>Comparison to 2002 ODPM Research covering both England and Wales</b>	634 responses received from 4,997 sent (12.7%)	157 received from 1,439 sent (11%)

8. As the table above outlines, our response rates are already higher than those achieved for the ODPM 2002 study.

<sup>1</sup> The 2002 study relied on the Postcode Address File and as some park sites share their postcodes with those living outside park homes, not all those receiving the survey lived in park homes.

## Emerging Findings: Park Operators

9. This section provides an overview of findings so far as drawn from the survey of park operators (18 responses) and those park operators interviewed (17) during site visits.
10. An analysis of responses received so far illustrates the survey sample is representative of the total population for small and medium parks, but micro parks are underrepresented and large parks are overrepresented.
11. However, at the time of writing survey data had been received from 18 operators of a possible 61 and so given the relatively small number of park operators who have so far responded **the findings here should be considered indicative only and may be subject to change.**

### Park age and ownership

12. Fifteen of the 18 responding park operators report they have been in operation for more than 30 years. Most (13) of the park operators also reported the current owner has been in place for at least 10 years.

### Park tenure

13. The research so far indicates the majority of both single and twin sites are occupied and the vast majority of both pitch sizes are owner-occupied. The overall average length of tenure was 24 years. In interviews, many independent parks reported an average length of stay in excess of 25 years.

### Age restrictions

14. Fifteen of the parks responding to the survey have an age restriction in place for residents, with most (9) requiring residents to be aged 50 or over. This was supported by those park operators who were interviewed, with the majority (15 of 17) reporting they required residents to be aged 50 and over.

## Park Revenue and Operating Costs

15. Based on the survey responses received so far: in 2013-14, respondent gross revenue (based on survey responses from 16 parks) ranged from £13,200 to £502,700, with an average of £134,692. In 2014-15, park's gross revenue (based on responses from 17 parks) ranged from £6,000 to £443,000, with an average of £143,816. It should be noted the survey sample achieved to date includes an overrepresentation of larger parks, therefore, these findings should be treated with caution as the larger parks report higher rates of revenues.

### Park costs

16. Based on the survey responses received so far: In 2013-14, operating costs (based on responses from 14 parks) ranged from £1,900 to £691,800, with an average of £142,867. In 2014-15, park's operating costs (based on responses from 15 parks) ranged from £3,400 to £740,700, with an average of £180,964.
17. The costs associated with running a park were varied and were largely dependent on the size of the park, however, the main costs reported by operators included: maintenance/repairs and employment costs.
18. Four of 17 parks had direct employment costs through a Park Manager who was on-site at all times. Those who did not have a park manager were often living on site.
19. Operators also identified additional costs which impacted on parks (e.g. five of the parks had incurred significant legal costs due to disputes with residents).

### Sources of Income

20. Park operators interviewed as part of this research identified three main sources of income: sales of new units, commission on sale of residents units and pitch fees. Nine operators who responded via the survey also identified the recharge of utilities as a source of income.
21. Commission on the sale of residents units accounted for 10% of total revenue in 2013-

14 (based on information provided by 12 parks) and 19% of total revenue in 2014-15 (based on information provided by 11 parks).

22. Most of the park operators interviewed so far, (12 of the 17 interviewed) report the sales of new units had slowed as a result of the economic downturn. They also reported a decrease in prices since the economic downturn. In addition to this, seven of the 17 parks visited were already at capacity in terms of units and therefore there was a limit to the revenue which could be generated from this source.

*“Since the economic downturn, sales of the homes has significantly decreased. Many homes in the areas close to the park have decreased in value to 60-90K and therefore park homes are no longer seen as an investment”* (Park Operator)

23. Commission on the private sales of park homes was identified as a key source of income for those operators interviewed, which was relied upon to make the most significant investments in the park.

*“Without the commission payments, which have been significantly lower in recent years, the parks would cease to operate. There would be no funds for the improvement works to the parks e.g. road repairs and major maintenance and therefore the parks would fall into a state of disrepair”* (Park Operator)

24. Operators identified in many cases pitch fees failed to cover the basic costs for the operators.

*“My pitch fees are so low that we make a loss every month, however we are too nervous about reprisals from residents to increase these”* (Park Operator)

### **Pitch Fees & Commission on the sale of new homes**

25. All 18 parks responding to the survey reported they reviewed pitch fees on an annual basis. Following the last review, 9 increased pitch fees while 5 decreased their fees and 4 left theirs unchanged.

26. All 18 responding parks reported they charge 10% commission on the sale of a home.

### **Financial impact of the Mobile Homes (Wales) Act 2013**

27. Respondents identified the fact that pitch fees can now only be increased in line with the Consumer Price Index (CPI) has had the most significant financial impact, with 11 operators stating it has had a ‘large impact’ on them financially and 6 reported ‘some impact’. Similarly, of the 17 park operators interviewed, 15 reported the impact of the Mobile Home Act was largely negative, with the main concern being the linking of pitch fees to CPI (and a call to revert this to RPI as in England).

28. The ‘No requirement to approve the purchaser’ was also considered to have an impact, with 7 operators stating it has had a ‘large impact’ on them financially and 8 reported ‘some impact’.

29. Twelve park operators reported having to pay to be licensed has an impact (six reporting a ‘large’ and ‘some impact’ respectively). Whilst many of those interviewed welcomed licensing as a way to combat rogue park operators, they highlighted the 5 year limit to the licence made it difficult to sell the park.

30. Increase Cost in Resident and Operator Administration – the 2013 Act means the operators are no longer permitted to be involved in the sale of 2nd hand park homes. Given this, park operators stated the costs involved for residents have increased in estate agent and solicitors fees. In addition to this, operators reported the paperwork required in relation to simple park issues such as pitch fees has increased significantly

### **Emerging Findings: Park Residents**

#### **Resident Profile**

31. The majority of respondents (61%) are a couple with no children under the age of 16,

followed by 31% who are living alone as a one adult household with no children.

32. Respondents' ages range from 34 to 93, with a mean age of 71. Their partners' ages (where applicable) range from 21 to 88, with a mean age of 66.
33. 92% of respondents stated the oldest member of their household was aged 50 or over when first moving to their current park.
34. Most respondents (84%) are fully retired. Small proportions are in work (7% full-time, 5% part-time, 1% Casual or irregular work e.g. freelance work or zero hours contract), 3% cannot work due to illness/disability and 1% are unemployed and looking for work. The economic status of residents' partners (where applicable) is very similar with 79% fully retired.
35. A third of respondents (33%) had lived in their current home for five years or less, with 30% having lived there between six and 10 years, and 29% for between 11 and 20 years. The remaining 8% had lived in their current home for more than 20 years.

### **Resident Income and Savings**

36. The most frequently total household income bracket reported by 39% residents is between £1,000 and £2,000 per month. Slightly fewer than this (29%) report incomes of between £600 and £1,000 per month, with 16% reporting less than £600 per month (Base: 462 respondents).
37. Just over a quarter of respondents (27%) report they have **no** household savings. Although a similar amount (25%) report savings of more than £10,000. Most respondents (41%) fell in-between these categories. (To note: 14% reported they were unsure of the level of their household savings.)
38. The majority of residents reported no increase to their savings with 29% of respondents stating they are drawing on their savings (and savings are therefore declining), while 24% reported their savings are not increasing. Just 15% of respondents reported adding to their savings each year.

### **Satisfaction with Park Home Site**

39. The majority (76%) of respondents were satisfied with the Park's location and its amenities (42% 'very satisfied' and 34% 'somewhat satisfied'); 56% were satisfied with the maintenance and upkeep of the park (27% 'very satisfied' and 30% 'somewhat satisfied'); and 54% were satisfied with the Park operator / owner/ manager (30% 'very satisfied' and 24% 'somewhat satisfied').
40. This was supported by the findings of the focus groups undertaken during the site visits, where most of the 122 residents who attended expressed satisfaction with their site's amenities and facilities.
41. More than half of those responding to the survey (65%) reported they do not intend to move away from their current park in their lifetime.
42. The vast majority of park home residents who took part in the focus groups corroborated this, stating they intended to remain on the park and would not consider moving.
43. Some residents reported they could not afford to sell and move on, due to the costs involved and a lack of buyer demand.

### **Pitch Fees**

44. Respondents reported paying between £85 to £500 per month for pitch fees, with an average of £139 per month. Of those residents who responded to the survey, 78% spend less than one quarter of their monthly income on pitch fees.
45. The majority of respondents (88%) have their pitch fees reviewed once per year. More than half (62%) of respondents believed the last rise in pitch fees was reasonable, 19% thought the rise was unreasonable and 18% were not sure.
46. Of those who attended the focus groups, a large proportion indicated their pitch fees had not changed within the past year. However, other residents reported their pitch fees had increased (from 7p to £1.68 per month depending on the park). A small

number of residents (circa 12 residents) indicated there was not sufficient clarity about why the raise in fees in their park was needed.

47. Residents were also asked if it was made clear to them that pitch fees could be reviewed and increased on an annual basis when they moved onto the park. Nearly two thirds (65%) stated they were made aware of this and it was clear to them, while 12% stated they were made aware of it but it was not very clear to them. A further 14% stated they were not made aware of this and 9% could not remember.

48. The focus group findings so far corroborate these findings, with the majority of residents indicating they had been advised of the pitch fee review process when they moved in.

### Commission Rates

49. The vast majority of respondents (83%) of respondents stated their park operator takes 10% commission on the sale of a home, with 2% reporting their operator took between 1% and 5%. Fourteen per cent of respondents were not sure how much commission was charged.

50. Residents were also asked if it was made clear to them when they first moved onto the park that commission could be charged if they sold their park home. Nearly two-thirds, (64%) stated they were made aware of this and it was clear to them. A smaller amount (14%) stated they were made aware of it but it was not very clear to them. A further 16% stated they were not made aware this, and 6% could not remember.

51. Nearly all of the residents who took part in the focus groups understood they would have to pay a commission rate of 10% if they decided to sell their home. However, the rationale for the commission rate was not felt to be clear and there was a degree of hostility towards it:

*“The commission is not fair. The operator charges a monthly fee for the site and then when we decide to sell they hit us again. I am a pensioner*

*and need this money rather than giving it away to the operator”*  
(Resident, Pembrokeshire)

*“Commission needs to be better explained to residents as many of the residents don’t understand what it is used for. Perhaps if the operators were more transparent there would be less animosity towards them regarding the paying of the commission.”* (Resident, Vale of Glamorgan)

52. If they were selling their home, 86% of respondents reported they would prefer to sell directly to a new a resident and 7% would sell to the park operator. 96% of respondents thought they would get a better price if they sold to a new resident and 64% thought it would sell quicker this way.

### Next Steps / Future Publications

53. This bulletin presents emerging findings from the research so far. As fieldwork is still underway the findings here can only be considered to be indicative and may change as more data is gathered.

54. The full report is expected to be published in the Summer of 2016 and will include the conclusions of the research and recommendations around any changes to the 10% commission rate.

### Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

#### Contact:

Lucie Griffiths  
Knowledge and Analytical Services  
Welsh Government  
Cardiff  
CF10 3NQ

Email: [lucie.griffiths@wales.gsi.gov.uk](mailto:lucie.griffiths@wales.gsi.gov.uk)

Mae'r ddogfen yma hefyd ar gael yn Gymraeg. This document is also available in Welsh.  
**OGI** © Crown Copyright 2016  
Digital ISBN 978-1-4734-6079-9