

EDITORIAL COMMENT

SLOW START TO THE YEAR UNDERMINES PROSPECTS?

Many subscribers have acknowledged that the cold start to this year has left the caravan industry with more work to do and less time in which to do it. However, with all air traffic having recently been grounded across the whole of Europe, competitors in other markets have had an even tougher time of it.

The imminent General Election (6th May) will almost certainly be followed by a revised Budget Statement from the new administration. The threat of more revenue raising measures cannot be ignored and this could affect disposable incomes and further undermine the propensity of the public to invest in big-ticket items.

It is considered vital that the weather is kind over the Whitsun holiday, in order to give the best possible incentive to retail buyers who have not yet made a commitment.

Next comes the Football World Cup, which will cause heightened anticipation and plenty of distraction in England, even though the other home nations will have much less interest or even competing loyalties. One subscriber suggested supplying a couple of crates of famous-brand lager, in addition to a flat-screen TV, in their caravans, as the best way to incentivise sales during the competition.

Lombard Finance

It is understood that Lombard, specialists in asset finance and part of Royal Bank of Scotland Group, have started providing stocking facilities for the caravan market. Contrary to what might be expected, this development is not entirely unwelcome for market leaders Black Horse Finance, since, as a consequence of consolidation in the banking sector, they have found themselves almost the sole provider of finance to the caravan market, both for touring and holiday homes.

Over-production

Concerns are being expressed throughout the whole caravan industry regarding the potential risk of over-production given that new sales have not got fully up to speed. This is most noticeably the case in the holiday

caravan market where many believe that recent, current and planned production could easily overtake the still relatively weak retail demand.

However, the principal manufacturers have been at pains to assure their direct customers, and the market as a whole, that they have no wish to precipitate another period of instability. They have stressed their confidence that the degree of monitoring now focused on retail and trade demand and on balancing this with production throughput should ensure that any corrective action that might become necessary is taken in good time.

On the other hand, there will always be some who are keen to exploit the opportunities that availability of excess stock can open up; they can hardly wait for their chance.

Touring Caravan Widths

The Government recently issued proposals to amend the Road Vehicles (Construction and Use) Regulations 1986, to allow the width of touring caravans – and other trailers – to increase from 2.3 metres to 2.55m.

The National Caravan Council voiced some strong objections in respect of the potential negative impact on UK manufacturers that are not currently in a position to build to this specification. In addition, a number of detailed issues were raised including the safety aspects of towing larger caravans, and also access onto parks and to service bays that were not designed or laid out for such units.

Almost the only positive benefit is the effect this could have on this industry's bete noire, a particular presenter of a BBC motoring programme.

MARKET TREND

TOURING CARAVANS

According to figures released by the National Caravan Council (NCC), production between December 2009 and February 2010 totalled 6,499 touring caravans for the UK market, 57.8% above the total built in the same months one year ago. This brought the moving-annual-total (m-a-t) of production at the end of February to 22,616 tourers, although this was actually 2.9% below the total at the same point in 2009.

Invoiced sales between December 2009 and February 2010 totalled 6,115 tourers, 58.2% above the total seen twelve months earlier. This lifted the m-a-t of sales to 22,793 tourers, 3.9% below the previous total.

The export market for touring caravans remained depressed, with modest volumes over those three months; as a consequence the m-a-t of production was down 47.5% at 196 units and the m-a-t of sales down 61.7% at 189 units.

New Sales

Responses to Glass's most recent trade survey showed increased demand for new 2-berth, 4-berth and 5/6-berth touring caravans. However, feedback from the February show, at the N.E.C., and showground activity thereafter spoke of a somewhat tougher retail environment and it was recognised that a significant amount of business had been pulled forward into the final quarter of 2009, as buyers sought to beat the increase in VAT.

Discounts were reported to have increased by 30% of respondents and held level for another 50%, while customer finance penetration had held level for the overwhelming majority. Indications of stock levels of new tourers were noticeably higher than a year ago.

Although, until recently, dealers were still busy handing over previously-ordered units there are now noticeably fewer entries in the order book. It is to be hoped that a long-awaited improvement in the weather will re-stimulate demand and ensure a good take-up of new tourers through the second half of the 2010 model year.

Used Sales

Demand for used touring caravans was reported to be strongly up, for all layouts except coach-built and continental models. Evidence of an improvement in the number of second-hand tourers available to purchase for cash, coupled with strong prices offered for part-exchanges, particularly at the shows, was seen in the proportion of retailers that reported increased stocks of used. However, many believe that these stocks will soon come under pressure and the principal auctions have continued to attract large numbers of visitors.

Used Values

While a few retailers reported an easing in market values of twin-axle tourers the only significantly negative comment was in relation to coach-built and continental tourers. In all other respects values for UK manufactured tourers were holding up particularly strongly, especially for models seven years old and younger, but also for older, budget priced examples.

In response to this situation, but also mindful that values in the Guide were largely held last year and then subject to two successive increases, only modest upward movements have been applied in this edition. It was

considered appropriate to restrict these increases to models manufactured since 2005 and, where specific feedback has been received, some reductions have also been applied.

HOLIDAY HOMES

Figures released by the NCC, relating to production of caravan holiday homes between January and March totalled 6,119 units, a 112.3% increase on the total of 2,882 completed in the first quarter of 2009. This lifted the m-a-t of production at the end of March to 18,769 holiday homes, 29.8% above the total at the same point last year.

Invoiced sales of UK market holiday homes between January and March totalled 5,691 units, a rise of 49.5% against the first quarter of 2009. This increased the m-a-t of sales at the end of March to 15,939 units, 4.9% above the total at the end of the first quarter of 2009.

Export sales also rose appreciably, up 35.1% in the first quarter to 628 units. Despite that increase the m-a-t of export sales, 1,897 units at the end of March, remained behind the total of the previous twelve months, down 17.1%.

Reviewing these figures, the stock situation over the most recent months gives little cause for concern, since total sales of holiday homes in the first quarter of 2010 exceeded production by 201 units. However, over the last twelve months the m-a-t of production has climbed above total sales by 933 units. That in itself is not an excessive surplus, given the significant extent to which stockholdings within the marketplace had been reduced. Nevertheless, some are expressing the desire that this trend should not be allowed to develop to such an extent that an overhang of new stock once again threatens the stability of the market.

New Sales

An expanded display of holiday caravans, lodges and park homes was seen at the N.E.C. in February and very encouraging levels of interest were reported. However, the hard winter and chilly Easter depressed activity on many parks and at distributors' showgrounds, and 35% of respondents stated that demand for new units had fallen, as had customer finance penetration. This has left sales teams with plenty of work to do if they are to hit all their targets and everyone is hoping for better things to come, especially over the Whitsun break.

Although many operators had increased their ordering for the 2010 season, even if only modestly, there were also some reports of reductions, particularly where availability of stocking finance was an issue. Overall, new stocks were considered to be level with last year.

Used Sales

Demand for used holiday homes during the first quarter of 2010 was reported to be slightly stronger than last year, although here too the market was held back by the weather. Once again the bulk of the retail market is expected to be concentrated in the budget sector and park owners are either tolerating, or even willingly accepting, older holiday homes on their plots, just so long as it keeps park occupancy high. Not only does this protect the ground-rent revenue stream, it also maintains the pool of rental units where letting holidays are marketed. All this is helping to extend the useful life of caravans that would previously have been traded on.

Almost half of all respondents reported that their used stocks were lower than at the start of 2009. This raises the prospect of another year when demand during the peak of the season will outrun supply. Although park groups are not currently quite as keen to buy-in second-hand stock as some were last year, they are still not releasing many of the part-exchanges they generate. As a result, there is and will continue to be a shortage of used holiday caravans, particularly of those with the highest specification.

Used Values

The most recent feedback indicates that transaction prices have not been as high as previously, although over the coming months it is likely that many of the most desirable units will be bought and sold at above Guide figures.

However, it must also be recognised that holiday caravans do not have an indefinite life and it is a function of this book to help manage the reduction in values as they age. In response to the exceptionally strong demand in 2009, Guide values have remained unchanged for a considerable period and recently a number of subscribers have expressed their concern that significant reductions will inevitably become necessary at some point. On the other hand, it must be acknowledged that this view is not currently held by all.

However, should retail demand slow and an excess of new 2010 holiday homes be pushed into the market this is liable to destabilise the situation rapidly. On the balance of information it has been decided to that it would be appropriate to re-introduce the gradual quarterly reductions, in this instance limited to units between six and ten years old.

PARK HOMES

NCC figures showed that 346 park homes were completed between December 2009 and February 2010, an 88% increase on the total for the same period twelve months ago. This brought the m-a-t of production to 1,359 homes, 18.0% below the previous total.

Invoiced sales totalled 334 homes in the three months compared with 208 sold twelve months earlier, a rise of 60.6%. This left the m-a-t of sales at 1,290 homes, a fall of 24.6% against the total at the end of February 2009.

There are signs of a continuing recovery in the bricks-and-mortar market with reports of strong growth in prices earlier this year. However, some observers feel this was partly a function of a shortage of properties on offer and that prices could ease if the number of new instructions was to increase sharply.

Either way, a rise in the number of transactions being completed will certainly help those looking to release equity from a traditional home and move onto a managed park. However, it may still be some time before first-time buyers are seen in greater numbers.

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