



# ARE HOLIDAY HOMES A GOOD INVESTMENT?

**“Our luxury holiday homes are a great investment as, unlike caravans or log cabins, they appreciate with the property market, are NHBC certified and are fully mortgageable.”**

## HIGH RETURNS

Holidaymakers are increasingly choosing to stay in the UK for their holidays and at the moment, demand for luxury holiday homes far outstrips supply. Tourists expect to pay more than £1,000 for a 7 night stay during peak season and one lodge at Willow Pastures grossed £4,650 in August alone. Compared to most buy-to-let returns, plus slow payers and awkward tenants, the returns on holiday lets is much more attractive.

## TAX ADVANTAGES

Buy-to-let has long been one of the most popular and effective routes for investment. However, recent changes in the law have increased the cost of owning a second home and tax changes are hugely eating into profits. Holiday home investments have not been affected by most of these changes, making them the ideal alternative.

## AN APPRECIATING ASSET

Traditional caravans and lodges will depreciate in value from the moment they are purchased. Instead, look for a holiday homes which is built to meet current building regulations and is sold with build-mark, such as NHBC. These holiday homes will meet the same requirements as a traditional brick built building, including everything from insulation and energy efficiency to foundation depths. With such high quality build, these properties are an appreciating asset which will maintain saleable value as a brick building would.

## OWN A PIECE OF THE COUNTRYSIDE

Investing in a holiday let means you own a property which you and your family can also enjoy. Unlike traditional buy-to-let properties, a holiday home, especially with hot tub is somewhere you can escape to and relax when it isn't being let out. Enjoy the countryside and spend your days exploring breath-taking countryside and walking in beautiful scenery.

## HASSLE-FREE INVESTMENT

Holiday parks will often offer a fully-managed letting service meaning they take care of everything, from organising cleaners to managing payments. This takes away all the hassle of maintaining a property and removes the pressure of having to secure your own bookings.



# WHERE TO BUY A HOLIDAY HOME INVESTMENT PROPERTY

## 1. SOMEWHERE WITH LOTS OF VISITORS

To make money, your holiday home needs to be booked up with visitors so choose a location with a proven record of high levels of tourism. In 2018, Yorkshire has welcomed a record-breaking number of international tourists, outperforming any other region in England (data from VisitBritain).

## 2. SOMEWHERE WITH GREAT LOCAL FACILITIES

Self-catering holidays mean families need local shops, a selection of restaurants and plenty of day-trips. Consider what attractions are near your holiday home and how quickly people can drive to them. People love to be able to walk to the pub or cycle to the beach.

## 3. CONSIDER THE ATMOSPHERE OF THE PARK

Everybody's tastes are different, and the same applies when it comes to holiday parks. Some love it loud and busy, some prefer a boutique, luxury escape. Look around the area and see which markets are already catered for, choose a location which is in short supply and high demand. Also remember, this is your holiday home to enjoy too, so if you prefer a tranquil, countryside location, make sure you choose the right park.

## 4. REMEMBER TO LOOK CLOSE TO HOME

We all take our home town for granted and we all think, "Who would come on holiday here?". But people do! Think about the places you go on weekends, the local golf courses, the restaurants you visit on special occasions – there's more attractions nearby than you realise. It gives you the option to make a last minute decision to spend a weekend relaxing in your holiday home with very little traveling. Plus, having an investment close to home makes managing your property even easier.



# HOW TO CALCULATE RETURN ON INVESTMENT FOR YOUR HOLIDAY HOME

The most important factor when choosing an investment, is how much money it will make. Here is an easy guide to calculating the return on investment for a holiday home.

(Calculations based on approximate figures when purchasing a Sycamore holiday property at Willow Pastures Country Park)

## 1. TOTAL PURCHASE PRICE

First, you need to know the total initial cost of your investment.

*Example:*

*Total holiday home purchase cost: £150,000*

## 2. ANNUAL INCOME

Your annual income is the total rent your property has earned that year. Your holiday park should be able to give you reasonably accurate predictions for annual rental income. This is the biggest unknown for holiday let investment which is why guaranteed returns schemes are so appealing.

*Example:*

*Annual rental income: £31,000*

## 3. ANNUAL COSTS

It is important that you include ALL costs associated with your holiday home; it is easy to forget some costs but an unexpected bill could cancel out all your profits. Reputable holiday parks will be able to provide you with a list of all associated costs or visit an impartial website such as BH&HPA.

*Example:*

*Annual Costs*

*Annual site fees: £3,500*

*Utilities: £1,500*

*Hot Tub Maintenance: £1,800*

*Linen, cleaning & consumables: £300*



#### 4. COMMISSION CHARGES

If you are using a managed letting service, it is most likely that they will charge a percentage commission fee. This means that if your home is not being let out, you are not having to pay management charges. Find out what the percentage is and work out your annual rental income, after the commission has been deducted.

*Example:*

*Annual rental income: £31,000*

*Less 30% commission fee: £21,700*

#### 5. ANNUAL PROFIT

Using your total income after the commission has been deducted, work out how much profit you will earn each year by subtracting your annual costs.

*Example:*

*Annual income after commission: £21,700*

*Annual costs: £7,100*

*Annual profit: £14,600*



#### 6. RETURN ON INVESTMENT

To calculate the annual ROI, you need to work out what percentage of the initial investment (the total purchase price) you will earn back each year. Divide the annual profit by the initial investment.

*Example:*

*Initial investment: £150,000*

*Annual profit: £14,600*

*Annual ROI: 0.097 (as a percentage - 9.7%)*

#### OTHER CONSIDERATIONS

- Your property will require some maintenance over the years which isn't included your annual site fees, for example, painting, new kitchen appliances, a new mattress etc.
- The resale value of your investment is an important consideration. Depreciating assets will eat into your profits.
- Managed letting services are well worth paying for if you are looking for a hassle-free investment, however, if you have the time, managing your own holiday let will increase your profits.
- Look out for holiday parks which will guarantee your ROI. Their guaranteed ROI is normally an optimistic figure for what you can expect once the guarantee period has ended, but it will be fairly realistic as the park is unlikely to be able to afford to top up your annual profits by £1,000's.



## WHAT TO LOOK OUT FOR WHEN BUYING A HOLIDAY HOME INVESTMENT

"You want somewhere that will grow in value, generate good returns, be accessible and, last but not least, be the kind of place you and other holidaymakers will enjoy visiting time and again. All of this can be easier said than done." MoneyWise

### A REPUTABLE COMPANY

Before investing your savings, you need to be confident that the company who owns the park is reputable. Check out their financial history online and how long they have been in business. It is worth looking at customer reviews to get a feel their customer care and reputation, after all, not only do you want a good service, you need to be sure that they will protect your reputation when letting out your property on your behalf.

### PROVEN RETURNS

You've done all the calculations and the ROI looks good, but how sure can you be that your chosen property will secure the bookings you have predicted? Buy-to-let investments do always have an element of risk but look to minimise this by choosing a Park which will offer you a guaranteed return, at least for the first two years. It is also worth requesting the rental figures for existing holiday lets on the site, this will give you an idea of what people are willing to pay to stay there.

### SOMEWHERE YOU LOVE

When you are looking for a holiday home investment, the maths is imperative and you need to be making a healthy profit. However, if you are looking for an investment you can also enjoy, then make sure you like the holiday home and the décor, that the park has the right vibe, that you have a good rapport with the staff and that it is not too far for you to travel there.

### UNIQUE SELLING POINT

Your investment will be competing against lots of other holiday parks so needs something to make it stand out. This could be cheap rental charges, onsite facilities, unique location etc. Consider the things which attract holiday-makers, for example, the most searched for term on Hoseason's website is 'hot tub' so you want to make sure your property is appearing in these searches.

### LOOK FOR HIGH QUALITY

Be confident that your investment is high quality. Generally speaking, the better the build quality, the slower it will depreciate. A cheap static caravan may have great interior design and seem fantastic value for money, but find out how much it would sell for in 10 years time – they tend to at least half in value. Instead, look out for a holiday home which meets traditional building regulations or comes with a buildmark certification, such as NHBC. This gives you confidence that your property meets high standards and has longevity.



# HOW TO FIND A HOLIDAY HOME INVESTMENT PROPERTY

## RESEARCH

Searching online is a good place to start. There are a number of websites which list all the holiday parks with holiday homes available for sale. These allow you to filter by location and price which can help streamline your search. Once you've created a shortlist, check out their websites, read their frequently asked questions and see if you can find any online reviews to start building up a picture of the park.

These online directories are a good starting point:

- [justlodges.com](http://justlodges.com)
- [www.ukparks.com](http://www.ukparks.com)
- [www.holidayparkindex.co.uk](http://www.holidayparkindex.co.uk)
- [www.yourholidaypark.co.uk](http://www.yourholidaypark.co.uk)

## VISIT

Contact the parks on your short-list and arrange an appointment to visit. When you are there, do not be afraid to ask questions – it's important that you have all the information you need to make an informed decision. Look at the property, find out about the build, the décor and what it included in the price. Look at the available plots and imagine your property being there.

Take a list of questions with you, these are a few you might want to include:



## THE PROPERTY

1. How much does the property cost and what is included?
2. Are finance options available?
3. Does the property have a build-mark or any warranty?
4. Is it a leasehold and if so, what happens after the leasehold expires?
5. What happens if you want to sell?

## THE PARK

1. Request a copy of the site rules
2. How much are the annual site fees and are they fixed?
3. What is included in the site fees? What additional costs are there?
4. What facilities are there?
5. Are there plans to change or expand the park?

## BUY-TO-LET

1. Do you offer a managed letting service and how much does it cost?
2. What is expected of the owner?
3. Do you offer a guaranteed return? If so, are the earnings capped at this amount?
4. How often are payments made to the owner?
5. How often can the property be used by the owner?





FIND US JUST OFF THE A165 NEAR THE  
GARDENERS ARMS:  
WILLOW PASTURES,  
HULL ROAD,  
SKIRLAUGH,  
HULL,  
HU11 5AH

PHONE: 01964 598 303  
EMAIL: [INFO@WILLOWPASTURES.CO.UK](mailto:INFO@WILLOWPASTURES.CO.UK)