



PARK HOME RESIDENTS ACTION ALLIANCE (PHRAA) Est. 2002



OPEN LETTERS

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Tony Turner
3 hrs ·

CLUTCHING AT STRAWS

(BBC TV INSIDE-OUT – BROADCAST MONDAY 9TH OCTOBER)
THE IMPACT OF THE 10% SALES COMMISSION

The snapshot of park home living and the negative impact of the 10% sale commission as portayed by the BBC Inside-Out programme again exposed the latest questionable position of the BH & HPA , which is that it represents a deferred payment intended to recover the costs of the land and infrastucture, where the sold prices of homes create a shortfall against that investment and that upfront losses have been subsidised by the site owner.

Although a creative platform, the rhetoric of the BH & HPA does not bear scrutiny, suggesting either the naturally philanthropic nature of all site owners, or that their bankers are content to finance business plans that expose the uncertainties of a revenue stream largely dependent upon the actuarial forecasts of an occupiers life-span. This might have been relevant long ago but I suspect that the banking industry nowadays applies different formulas.

That aside, there are two scenarios. There is that of the acquisition of an existing site and that of a new development on newly purchased land. The current market value of a pitch is c £30k and with (say) 80 homes installed, the purchase price of the site may be up to £2.4 million. If the average pitch fee is £140 pcm this will generate a gross 5.6% return on expended capital less operating costs, which is clearly a poor return and much below the 7-10% that an investor might expect. So where do the real profits emerge, why the increases in developments and why are the bankers so keen to lend. ?

There are other formulas that can be applied. The first is that a fully developed site may well not sell at full pitch fee values but there is money to be made from vacant pitches. If 10% of the pitch stock is available for new homes, a bulk discounted order of ex-factory homes including delivery, commissioning and any new infrastructure will produce a very tidy profit, not least where homes are increasingly being sold for the same price as those of bricks and mortar. Where a development is new, the profit opportunities very substantially increase, added to which can be the forecasted c 30 years home replacement cycle and the savings in operating costs frequently made by the subsequent near abandonment of site maintenance`s once the development is complete. It is also interesting that site owners are unwilling to volunteer audited financial transparency and that manufacturers do not nowadays usually publicly reveal their ex-factory prices that would otherwise clarify the extent of the profits to be made and potentially demolish the industry`s promoted myth that the adopted maximum 10% commission is in place to recover previous upfront losses.

I have little doubt that many site owners will be feeling some pinch as a consequence of the curtailing of overt sales blocking and the increasing exposures of the many highly profitable scams, factors that may well have relied upon in the gearing of their businesses. However, a 10% levy on the sales of homes to cover shortfalls arising from the losses of revenue often secured by exploitation and fraud should not be subsidised by their victims, very many of whom have become cash cows, entrapped in a mucky field for the rest of their lives.

The BH & HPA (funded by the industry to protect their interests) may well do a reasonable job for their members – but I do not for one second believe the stale story that the 10% adopted commission is a subsidy to support site owners incurred losses, nor, unless they borrowed up to the hilt upon the assumption of illicit revenue streams ad infinitum, that the industry will collapse if it is reduced or abolished. Retention of the commission is also short-sighted. If it were not for this levy, there would be increased sales of new homes to those who are currently unwilling to enter the market and see what is likely to be their largest asset diminished overnight, where they may later wish or need to move on. The difficulty is that those who consist of the expanding rogue element are not businessmen, but unsavory chancers who are trained to exploit the vulnerable without conscience - and the 10% commission a historical and out-dated bonus that does not have to be earned by compliance`s with law and regulation - and where in any other market world-wide, sales commisions represent a reward for performance.

I have to say that in the recent re-registering of the All Party Parliamentary Group for Park Homes, this has now seen Sir Peter Bottomley (a strong advocate for leasehold reform) added to the team already able and enthusiastically chaired by Christopher Chope QC MP . Hopefully, the debate will now focus upon getting to the core of the polite but opposing dispute between the BH & HPA and Park Home representatives and advocate that site owners stand upon their own feet, rather than rely upon the thick slices of cake that come from the tables of those who believe they are not only entitled to milk during their lifetimes but akin to grave robbing,

I say to the BH & HPA that if some perish as a consequence of the reduction or abolition of sales commissions, it is likely to be those who relied upon bullying to sustain much of their incomes and where so, both the ethical site owners and those who have fallen under the regimes of those unfit to trade in the sector, the message will be goodbye and good riddance - and hopefully hello to a new era that supports a sustainable market that profits from improved reputation and transparency and properly serves a niche but important part of the housing sector. In the meantime, the BH & HPA may do well to modify their evolving pleadings and recognise if not already known, that what is collectively advocated by their members may well be nowhere near the full stor

THANKS TONY. WELL WORTH THE READ. Ron. PHRAA October 2017