ISSUES IN PROPERTY MANAGEMENT:
CARAVAN PARKS – HOUSING ON THE FRINGE –
THE FRANKSTON VIEW

Dr Lynne Armitage*  
School of Sustainable Development  
Bond University  
Queensland 4229 Australia  
Lynne_Armitage@bond.edu.au

Victoria Brown  
Faculty of Architecture Building and Planning  
The University of Melbourne  
Parkville  
Victoria

*Corresponding author

Abstract

Whilst investment pressure from excess funds generated by compulsory superannuation contributions is creating opportunity for major international investment in property, at the current extreme of the property investment continuum lies the caravan park. Here, owners and investors also seek a positive return on investment but are stymied by a complex web of concerns which differ in character, though sometimes not in substance, from those of better recognised property investment vehicles.

Across Australia ownership of such parks is widely distributed amongst generally small investors many of whom are owner-operators of the park. This piecemeal pattern of ownership and the very broad range of business operations which are encompassed by the term ‘caravan park’ create a series of challenges from the perspective of the management of the property asset with the interests of park operators, the residents and statutory interests often pulling in different directions.

Caravan park operators face a range of physical, operational and financial property management pressures but frequently lack the resources to employ professionals skilled in the property aspects of the business. Their immediate clients may comprise a hybrid of tourist and residential occupants with somewhat non-compatible expectations. In addition, the contribution of often unclear tenure and, particularly in well-located coastal environments, an inexorable pressure for higher order use through redevelopment also add to the complexity of issues.

After providing some background to the industry, this paper will identify and discuss a number of the pressures which impinge upon the property management aspects of the caravan park asset. It draws upon a comprehensive range of recent literature and is informed by empirical illustration from an established caravan park in Victoria which is identified (fictitiously) as The Frankston Caravan Park.

Keywords: Australia; caravan parks; movable dwellings; property management.
1. Introduction

1.1 Aim
The aim of this report is to illustrate issues in property management with specific regard to a case study of Frankston Caravan Park. It should be noted that the name of the park operator and the real name of ‘Frankston Caravan Park’ have not been used in the interests of confidentiality.

1.2 Scope
This report will initially cover a general overview of the caravan park industry in Victoria in order to provide a contextual background for the property type. This report will then proceed to a thorough discussion of property management issues encountered by Frankston Caravan Park.

1.3 Method
Information used in the development of this report was obtained predominantly from local government reports, publications and surveys conducted by the Victorian Caravan Parks Association (VCPA), state government legislation pertaining to caravan parks and recent decisions from the Victorian Civil and Administrative Tribunal (VCAT). All information regarding Frankston Caravan Park was gained through the one of the author’s experience working in the park from 1999 to 2004 as well as through frequent communication with the park operator from July to October 2006. Since 2005 this author has been employed by the Victorian Caravan Parks Association, of which Frankston Caravan Park is an active member.

1.4 Assumptions
While it is acknowledged that there is no universally accepted definition of ‘property management,’ it will be assumed for the purpose of this report that the definition provided in the reader is accurate. That definition is maximising the initial and long term benefits from the capital invested in property assets (Armitage, 2006:14). While this definition may appear narrow in that its focus is solely financial and it does not directly take into account factors relating to environmental sustainability and people, it will be deemed to be sufficient. A discussion of the applicable definitions of ‘property management’ is beyond the scope of this report.

1.5 Limitations
A limitation of this report is the lack of a substantial body of published academic material on this area of enquiry. Sources used lack credible, quantitative research and, as such, their reliability may be limited from an academic perspective but are representative of the standard which would be anticipated in such an emergent field of study.

1.6 Acknowledgements
The operator of Frankston Caravan Park must be acknowledged for his willingness to volunteer information regarding the business, its procedures, policies, prices and the difficulties the park encounters in a property management context.
2. Industry Background

The primary legislation controlling caravan parks in Victoria is the *Residential Tenancies Act 1997* and its accompanying Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999 (abbreviated in this report to ‘the Regulations’). ‘Caravan Park’ is defined by the *Residential Tenancies Act 1997* as ‘. an area of land on which movable dwellings are situated on payment of consideration, whether or not immovable dwellings are also situated there.’

There are a number of different possible caravan park ownership arrangements in Victoria. These can be categorised in terms of their ownership as follows:

1. Leasehold (private)
2. Leasehold (Crown Land)
3. Freehold

A survey conducted by the Victorian Caravan Parks Association in 2002 (Corish 2002:7) found that:
- 72% of caravan parks in Victoria were privately owned
- 25% were owned by Government (local and state)
- 3% were owned by another authority
- 52% of parks were operated by a freehold owner
- 27% were run by a lessee and
- 21% were run by a manager

As the Frankston Caravan Park is held under freehold tenure, this report will not focus on the property management implications of the various forms of ownership arrangements as it is beyond the intended scope of the report as it does not directly impact on the operation of the park.

For the purpose of this report, it is more appropriate to categorise caravan parks in terms of the occupancy types they cater for. These categories are as follows:

1. Tourist Parks
   These are designated tourist-only parks that provide a variety of accommodation including cabins, powered and unpowered sites for caravans, motorhomes (RVs) and tents (Huth 2006:17).

2. Residential Parks
   a. Retirement Parks
      These are characterised by a prevalence of owner-occupied unregistrable movable dwellings (UMDs, also known as ‘cabins’ and ‘dwellings’) targeted to people in the over 55-year-old age bracket. Owners of these parks often provide facilities including communal function rooms, bowling greens and bus services to and from the local shopping precinct (Huth 2006:20).
b. Generic Residential Parks
These are a form of low-cost housing for occupants who have been described as living ‘at the margin’ of Australian society, at risk of homelessness (Wensing, Wood and Holloway, 2004:i).

3. Annual Parks
These are caravan parks where ‘annual’ occupants have a yearly contract with the park operator to leave their caravan onsite and visit the park during holiday periods. This is usually for an agreed maximum number of days per year (Huth, 2006:21). Annual parks are also known as Long Term Holiday Site Parks.

4. Hybrid Parks
These provide a combination of tourist, annual and residential accommodation. Each segment may have their own area and facilities or they may be mixed up in the park (Huth 2006:21).

According to a 2003 survey conducted by the Victorian Caravan Parks Association, the following figure (Figure 1) identifies the proportion of each type of park from the total number of caravan parks in Victoria.

**Figure 1: Victorian Caravan Parks Association Site Type Survey 2003**

The differences between the above types of caravan parks are illustrated in Figure 2: Caravan Park Industry Positioning Map where the position of the different types of parks in terms of the cost to the occupant (price) is compared to the length of stay.

- *Annual parks* tend to be priced the lowest, ranging from around $365 per annum to $5,130 per annum (Victorian Caravan Parks Association (VCPA) 2004). On the basis of anecdotal evidence, residential parks are known to charge approximately $140 - $250 per week for cabin rental.
Hybrid parks are difficult to place because of the variety of accommodation which they provide ranges from unpowered sites to park cabins. The VCPA Pricing Survey (2004) found that the price of a tourist cabin with ensuite may range from $35 per night to $220 depending on the standard of the park and the AAA Tourism Star Ratings give a reasonable indication of the quality of caravan parks.

Tourist parks tend to be of a higher standard and charge $75 to $230 for a 4.5 star park (VCPA 2004).

 Retirement Residential Parks charge a weekly rent for the site. Brookfield Village, which is a recent upmarket park development, charges up to $126.25 per week for site rental (Brookfield Village 2006a). Brookfield Village sells cabins to the public from $142,000 to $199,000 (Brookfield Village 2006), while there are cabins currently for sale in Penguin Resort which is a similar style established residential park on Phillip Island for $289,000 (Cracker Free Classifieds 2006).

Figure 2: Caravan Park Industry Positioning Map

Location plays a large role in determining a park’s category. If a park is located in a major tourist destination occupants may use the park as a base from which to travel to places of interest in the area (Huth 2006:17). Caravan parks closer to metropolitan Melbourne tend to be residential and hybrid parks, where people live for varying periods of time (Wensing, Wood and Holloway 2004:10). Parks near popular bodies of water (e.g. lakes and rivers) tend to be annual parks; for example, the Great Ocean Road area and Lake Eildon have a large number of annual parks (VCPA 2006).

The following section will discuss the property management aspects of a generic residential park in Victoria within the Melbourne metropolitan area.
3. Case Study

3.1 Profile of Frankston Caravan Park

Frankston Caravan Park is managed as a portfolio. While it is a single property, it contains 126 caravan park sites that are individually and separately rented to tenants. Frankston Caravan Park is a Generic Residential Park with 126 sites on about 4 hectares of land. Frankston is situated approximately 40km southeast of Melbourne (City of Frankston, n.d). The caravan park is situated close to a local shopping centre, medical facilities and a number of primary and secondary schools. The park is in an industrial zone that is close to substantial residential developments (City of Frankston 2006).

3.2 Occupants of Frankston Caravan Park

Frankston Caravan Park caters to a mix of ‘owner-renters’ (see Figure 3) and ‘renter-renters’ (see figure 4)(University of Newcastle 2006). Owner-renters are people who own their own cabin or mobile home. These homes are also known as an Unregistrable Movable Dwelling or UMD in accordance with the legislation pertaining to caravan parks in Victoria. Owner renters rent the land on which their UMD is situated from the park owner. Renter-renters occupy a caravan or UMD that is owned by the park and pay rent for both the UMD and the land on which it is situated. Frankston Caravan Park is home to 39 owner-renters and 87 renter-renters, which represents a ratio of owner-renters to renter-renters of approximately 30:70.

Figure 3: Owner-renter dwelling in Frankston Caravan Park
Owner-renters in Frankston Caravan Park have made a significant investment of capital in purchasing their dwellings either from previous occupants of the park or from an external source and have organised the installation of their dwelling in the park. The purchase price for these UMDs ranges from $30,000 - $60,000, a range which is not reflective of the rest of the residential sector of the caravan park industry.

As stated earlier in this report, recent residential park developments have been selling UMDs built onsite for up to $199,000. This purchase price does not reflect any interest in the land; it refers only to the physical asset that is the dwelling. Rental of the land/site is in addition to the initial purchase price and in Frankston Caravan Park, this charge is $93 per week, not including separately metered electricity. Owner-renters in Frankston Caravan Park are retirees aged between 55 years and 80 years. They are most commonly single women, but the market segment does include some couples as well.

Renter-renters in Frankston Caravan Park are charged between $140 and $200 per week, not including power. Renter-renters are a more diverse market in terms of their demographic characteristics. While most renter-renters in Frankston Caravan Park are single men aged from 18 years to 70 years, there are also couples of all ages, families, while young single women comprise a very small minority of occupants.

3.2 Property Management Issues

Caravan Park operators face a range of physical, operational and financial property management issues. Park operators must focus on all three of these aspects of property management. Caravan parks are, in general, small owner-operated businesses without the
resources to employ professionals to specialise in specific areas of property management (Huth 2006:78).

3.2.1 Physical Issues

Huth (2006, p78) states that, a caravan park operator must be a ‘jack of all trades and a master of none…to understand the full range of business, maintenance and administrative roles, understand when to fix things and when to replace them…’. While there may be a number of physical issues in relation to property management with which caravan park operators have to contend, issues relating to the placement, maintenance and replacement of park cabins have been identified as critical to the delivery of accommodation to customers. Park cabins, or Unregistrable Movable Dwellings, have a relatively limited useful life when compared to that of buildings. They require regular maintenance and repair. Frankston Caravan Park employs a full time maintenance manager, who is a qualified carpenter, to maintain the dwellings, repair any damage and maintain the communal facilities in the park.

The useful physical life of park cabins is also influenced by the dated appearance (functional obsolescence) they develop over time, which will reflect poorly on the overall presentation of the caravan park. In order to maintain or improve the aesthetic quality of the caravan park, park operators have to replace cabins once their appearance has deteriorated to an unacceptable level. This situation can be complicated when an owner-renter occupies the cabin in question, as an operator cannot legally force a resident to upgrade their cabin. To address this issue, Frankston Caravan Park has instituted a policy, or caravan park rule, whereby cabins that are 25 years of age or more cannot be sold onsite. That is, when an owner-renter vacates the park and sells their cabin, the purchaser cannot occupy that cabin in the park. Instead, the cabin must be taken off site. This has created conflict with existing residents who feel that this clause interferes with their right to sell their dwelling as it reduces the price for which they can sell their asset.

The operator of Frankston Caravan Park was taken to VCAT on this issue and the presiding Tribunal Member, Jacquellyn Kefford, stated that the Residential Tenancies Act 1997 is inadequate in this area. She strongly advised the operator and the resident to come to a mutually beneficial arrangement so as not to force the Member to make a decision (Kefford, verbally, 20 June 2006).

3.2.2 Operational Issues

- Professionalism

Caravan park operators are not required by law to undertake any formal property management training, unlike real estate agents and agent’s representatives. This can result in people operating parks with very little knowledge or understanding of their legislative obligations and the rights of residents. Furthermore, caravan parks are required by the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999 to have a manager live onsite or near the park. This can mean that professional boundaries are blurred and conflict can escalate rapidly.

The operator of Frankston Caravan Park addresses issues of professionalism through careful staff selection strategies. Currently, he employs a former residential property manager from a major real estate chain as the Manager of the caravan park. She has brought with her a
superior knowledge of the Residential Tenancies Act and the VCAT system. Consequently, there has been a dramatic improvement in the professionalism of the park’s approach to managing residents, specifically in relation to handling rental arrears, conflicts with residents, tenant screening and digital information systems.

Frankston Caravan Park does not implement 24-hour onsite management. Instead, the park meets its statutory obligations by commissioning nightly security patrols and employing closed circuit television cameras that cover the entrances and exits to the park. In case of emergency, park residents can use the free phone outside the park office which will send a paged message directly to the caravan park manager. Whilst this generates an additional cost, the benefits are commensurate.

- **Limited Access to VCAT**

The Victorian Civil and Administrative Tribunal’s 2005/2006 annual report showed that there were over 60,000 applications in the Residential Tenancies List of VCAT last year (2006:40). In an address by Tony Jacobs, the registrar of the Residential Tenancies List of VCAT, to delegates at the 2006 Victorian Caravan Parks Association Conference it was noted that 129 of those cases involved caravan parks (August 2006).

These figures could lead to the conclusion that conflict does not often occur in caravan parks. However, anecdotal evidence from the Victorian Caravan Parks Association suggests that conflict is frequent. The process of either party proceeding with a claim to VCAT may be considered too daunting, particularly in light of the lack of industry-relevant training and education available to park operators and the socially disadvantaged nature of many caravan park residents. As a consequence, the formal opportunity of resolution of such tenancy issues is not a realistic option.

The Victorian Caravan Parks Association surveyed its members on this issue last year and found that park operators are waiting four weeks or more for a VCAT hearing (Brown 2006:13) whereas the state-wide average was twenty days (VCAT 2005:46).

Limited access for caravan park operators to VCAT services is also evident in their online access. VCAT Online is VCAT’s system for lodging online applications and it also sets hearing dates automatically. The program is much easier to use that the VCAT hardcopy forms, as it takes the user through the whole application process step by step and calculates the correct notice periods for the user (VCAT 2006a). Park operators are disadvantaged in that they are not permitted access to this service. Additional disadvantage may be experienced by many operators and residents as many caravan parks are located in regional areas and entail extensive travel to the nearest relevant court.

Frankston Caravan Park has been involved in a Working Group with the Caravan Parks Association that has been lobbying VCAT to extend VCAT Online for the past 18 months. The Ministerial Adviser to the Minister for Consumer Affairs met with representatives of the Victorian Caravan Parks Association together with the operator of Frankston Caravan Park in September 2006. She made a commitment to the Association to put further pressure on VCAT to expand their system (Victorian Caravan Parks Association, 2006:5).
• Increasingly Ambiguous Legal Environment

The Caravan Park industry is seeing significant changes in its legal environment. The recent increase in the number of residential retirement parks and the sorts of new practices they are implementing raise some questions about the definition of ‘caravan park’ and have drawn the attention of local government in some areas. In the Mornington Peninsula Shire Council, park operators are now required to gain planning approval for the installation of unregistrable movable dwelling on existing sites in caravan parks (Lazarus 2004:48). Previously the process was one of notification only, rather than approval, in accordance with the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999.

The legislation that applies to caravan parks is approaching obsolescence. Lazarus expresses serious concerns about the rights of residents in such an ambiguous legal environment where they are ‘reliant on inadequate legislation based on outdated information and ill-informed concepts regarding the current situation in caravan parks’ (2004:19). The legislation referred to applies both to park operators and park residents and its weaknesses afflict all parties.

The operator of Frankston Caravan Park is attempting to be proactive in this area and has volunteered his time to help the Victorian Caravan Parks Association with its request for the state government to review the relevant legislation.

3.2.4 Financial Issues

• Ensuring Adequate Profitability

Factors such as ongoing costs of cabin maintenance, the low price that residential caravan parks charge occupants, the extensive area of land required to support a caravan park and the potential for resulting undercapitalisation can mean that profitability is an issue of concern for caravan park operators (Huth 2006:403). The lack of professionalism of park operators, as previously discussed, can further exacerbate this issue. The operator of Frankston Caravan Park is aware of this problem and closely monitors the financial performance of the business.

• Managing High Risk Tenants

Wensing, Wood and Holloway (2004:v) assert that many caravan park residents come from disadvantaged socio-economic backgrounds. As such, there is a relatively higher risk involved for the provider of accommodation to such clients, as they are less likely to be able to pay their rent than those with a higher and more stable income. These clients may also experience other problems that are seen as characteristic of people of low socio-economic status, such as drug problems and associated violence.

Since the appointment of the current manager of Frankston Caravan Park, the park has engaged in routine tenant screening processes such as rental history checks and tenancy database checks. The park now charges bonds to residents and lodges these with the bond authority.

Frankston Caravan Park has identified that psychiatric patients of the local hospital, that is, Peninsula Heath Psychiatric Service clients, pose a particular financial risk to the park and as such, the park operator has entered into an agreement with Peninsula Heath Psychiatric
Services whereby the Heath Service provides specific support to the caravan park operator when clients are about to live or are residing in the park. This support includes:

- All clients referred to the caravan park must be assigned a case manager as a contact for the park operator.
- A domestic and community living skills assessment of the client is conducted by an occupational therapist before the client is referred to the park and the outcomes of the assessment are communicated to park management and the client’s case manager so that appropriate support can be instituted to ensure housing security.
- The client’s case manager will support the client to organise CentreLink Centre Pay as a means of ensuring timely rental payments.
- Clients who experience financial difficulties that threaten their housing security will be viewed as a priority by Davey St Community Mental Health Service and will be referred to an in-house financial counsellor.

(Source: Memorandum of Understanding between Peninsula Health Psychiatric Service and ‘Frankston Caravan Park’ Management, 2005)

This section has discussed a range of on-going concerns relating to caravan park management and the next section will focus on emergent issues.

4. Emerging Issues

The following is a brief discussion of issues that will soon, or are already beginning to, cause concern to caravan park operators.

4.1 Regulations to Expire

The Residential Tenancies (Caravan Park and Movable Dwellings Registration and Standards) Regulations 1999 are due to expire in 2009. These regulations govern the registration requirements of caravan parks as well as the standards for installing park cabins and annexes. Changes to these regulations will alter the compliance obligations for caravan park operators. It remains to be seen whether changes to the Regulations will be advantageous or disadvantageous to caravan park operators.

4.2 Local Government Planning

A recent VCAT decision, National Lifestyle Villages Pty Ltd v Wyndham City Council [2006] VCAT 798, refused an application for a caravan park in a green wedge zone in Point Cook. ‘Caravan parks’ are a permitted use in Green Wedge zones (DSE, nd). The Tribunal Member deemed that what was being proposed was not actually a ‘caravan park’ but a ‘residential village’ for a variety of reasons. These related mainly to the fact that occupants of the proposed park would not be temporary occupants but would be living there permanently. This decision may have ramifications for existing retirement residential caravan parks and even for generic residential caravan parks such as Frankston Caravan Park, as these accommodate only permanent residents.
4.3 Country Fire Authority Guidelines

The Country Fire Authority (CFA) has just released a new set of Guidelines (Country Fire Authority, 2006). Caravan parks in Victoria will have to comply with these guidelines if so directed by their local authority and, in some cases, this will represent a significant additional expense to the business.

4.4 Flood Risk Survey

The Department of Sustainability and Environment (DSE) has recently completed a Flood Risk Review of caravan parks in Victoria with a number of recommendations which, like those of the CFA, may entail substantial compliance cost (Bewsher Consulting, 2006).

4.5 Residents’ Rights

Consumer Affairs Victoria recently (July 2006) created the position of Caravan Park Advocacy Officer in the south-eastern suburbs of Melbourne (Peninsula Community Legal Centre, 2006). Park operators in these areas have reported to VCPA that residents are receiving flyers by mail inviting them to contact this Advocacy Officer if they feel they are being treated unfairly. While park operators must, in accordance with the Residential Tenancies Act 1997, provide all residents with a booklet produced by Consumer Affairs Victoria regarding their rights under the Act, there is some fear within the industry that the appointment of this Advocacy Officer may mean an increase in residents taking legal action against park operators, whether legitimately or frivolously.

4.6 Media Coverage

There have been a number of instances of negative hyperbole in the media recently targeting the caravan park industry, specifically the residential park segment of the industry. Summerhill Residential Park in Reservoir has attracted particular attention as residents successfully protested against an ‘excessive rent increase’ through VCAT (Foster v Ellerton Lodge Pty Ltd [2006]). The park operator was been denounced in Parliament by the Member for Preston - using Parliamentary privilege - as a ‘bloated leech sucking dry the residents of Summerhill’ (Parliament of Victoria, Hansard, 2006).

Also during the last twelve months, a caravan park in Chelsea Heights informed its residents of its intention to close for redevelopment and gave them the required six months’ notice to vacate. This generated reports in both local and state newspapers that 100 residents of Chelsea Heights Caravan Park ‘require emergency accommodation because they are at extreme risk of homelessness’ due to the park’s imminent closure (Mordialloc Chelsea Leader, 5 June 2006:1and Herald Sun, Melbourne, 7 August 2006).

5. Conclusion

Caravan parks are diverse both in nature and purpose. They face varying challenges from a property management context. Residential caravan park operators in particular manage considerable hands-on, daily physical facilities management issues as well as broader, more complex financial and operational property management concerns. A changing legal environment is introducing a degree of ambiguity to the process and represents the possibility
of additional expenses in relation to compliance and successful on-going investment will 
require a more sophisticated level of involvement than has been the case to date.

It is recognised that this report has been limited by a lack of credible, quantitative research in 
this field. Further research into the caravan parks industry in Victoria, as in other parts of the 
country, is required in order to inform the policy decisions of state government and an urgent 
review of the Regulations is needed to ensure that the legislation remains relevant to park 
operators and residents.

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