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Campgrounds

SIC: 7033**NAICS:** 721211**Number of Businesses / Units:** 14,500

See Also

[▶ RV Parks](#)

This U.S. industry comprises establishments primarily engaged in operating sites to accommodate campers and their equipment, including tents, tent trailers, travel trailers, and RVs (recreational vehicles). These establishments may provide access to facilities, such as washrooms, laundry rooms, recreation halls and playgrounds, stores, and snack bars.

Rules of Thumb

8.5 times EBITDA

3.5 times SDE (after cost of mdse. for store)

7 to 7.5 times SDE; add store inventory.

"The above always includes real estate and, 90 percent of the time, owner financing. Real estate value may be much higher than the value as a campground. Rules of Thumb generally do not apply to the 'low end' or to large RV resorts."

General Information

"Amenities sought after in both RV parks and campgrounds include large sites (nearly 50%), high ratings in a national camping directory, attractive landscaping and cooking areas, and quick check-in."

Source: National Association of RV Parks (ARVC)

"First, campgrounds and RV parks are the same business. Some just prefer to call themselves RV parks if they are looking for the higher end of the business, and they might exclude tent campers from the park. A much more important aspect for valuation purposes would be if they are open all year or seasonal, if they rent sites on an overnight basis or weekly, monthly or for the whole season.

"Campgrounds that have a high percentage of seasonal sites have sometimes become more like a trailer park with lots of junk stored outside and they sometimes do not keep up with modern electrical etc. for the newer RVs. Campers do not want to stay in parks like this.

"The most value tends to be in overnight parks near destination

Benchmarks

"When we look at rules of thumb, the following would apply to the 'typical campground' with a camp store and average amenities:

"Registration income (site rental only) x 4.5

"Gross profit (after cost of goods for the store) x 3.5

"Adjusted net income (SDE) x 7.5

"Multiply each one out and see if they come out reasonably close. If they are within \$50,000 or so, they really mean something. If they are way off, it can mean some of the following: If the GP multiple is much higher than the RI, it is positive because they have strong store sales. If the GP multiple is lower, they are probably doing a bad job in the store or they are eating too much inventory (literally).

"Obviously the net is very important, but I would tend to place a great deal of importance on the GP. This gives credit to strong store sales, good registration fees and the overall ability of the park to produce revenue. It also shows a picture before bad management. We know that a properly run park should net 40 percent to the bottom line, or they are not good managers. (Could be a good opportunity for the new owner.)

"The net income multiple will float with interest rates. Since most are sold on a contract, the multiple goes up when interest rates are down. As in any business, you really need to understand how the adjustments were made. It is very normal for some owners to work very long hours with not enough employees. This is a pace that wore them out, and that is why they are selling.

"When we look at the above multiples, I would qualify it with the

areas like National Parks. They can charge a much higher rate for the site, the people tend to buy more items from the camp store, and there are usually extra people in the family who pay another \$2 to \$5 per night to stay on the site, and all want to go home with T-shirts and souvenirs from the gift shop. Some also do very well with breakfasts, etc. This type does not need to have much of an advertising budget either because they feed from the other activities in the area.

"One perception that is often wrong is that the highest registration fees come from the huge motor homes on a 50-amp site with sewer hookups. They would have two people who brought all of their groceries with them, and they sit inside with the air conditioner running, using up electricity for \$30 per night. On the other hand, you have a family of five who stays in a pop-up trailer on a water and electric site. They paid \$25 for the site, \$3 each for the extra three people and didn't have room to bring groceries. The kids spent \$15 in the game room, Mom spent \$5 in the laundry, they each bought a \$12 T-shirt and bought \$16 worth of soda pop and groceries. And...the owners are only open for six months out of the year and spend their winters in Florida.

"Another type with a high value is the resort park. They need to be looked at very differently because they are much more like a hotel. The income, amenities, land values, etc. are much more and they require more employees. Also, the type of buyer is not the same. The owner is not behind the counter checking in the campers, and their kids are not cleaning the restrooms.

"Another thing that has changed the business is camping cabins. KOA did a great job of developing this into a substantial source of income for many campgrounds. The whole industry copied the concept too. They rent for much more than a campsite and are very popular with people who used to camp in a tent, the baby boomers. I could go on and on about cabins, but that should probably be another discussion.

"You also need to be very careful about zoning and how well accepted the park is with neighbors. If they are operating on agricultural land with a special use permit and the area is surrounded by residences...look out! If they are on leased land, the value would be half of normal. Some who are operating under special permits are prevented from making improvements to the park (can't get a building permit) and are eventually forced out of business.

"Some buyers are looking for a year-round facility so they can make more money. Actually, the value is set by the income produced over a year. I would rather work for six months for the same price! This is another lengthy subject.

"Many campgrounds are sitting on land that is worth much more than the business and it is very difficult to obtain permits to build a new park. These two things will make it more attractive to purchase an outdated park with the right zoning and make it more modern."

Expert Ratings

▶ Competition	2.5	(1=Lot of : 4= Not Much)
▶ Amount of Risk	2	(1=Very : 4= Not Much)
▶ Historical Profit Trend	2	(1=Down : 4= Up)
▶ Location & Facilities	3.5	(1=Poor : 4= Excellent)
▶ Marketability	3.5	(1=Low : 4= High)
▶ Industry Trend	3.5	(1=Declining : 4= Growing)
▶ Ease of Replication	3	(1=Easy : 4= Difficult)

Additional Resources

Associations

- ▶ [National Association of RV Parks and Campgrounds \(ARVC\)](#)

following:

"This is assuming that the park has modern utilities (some 50 amp service, most 30 amp), a good source of water and sewer (city services best). The sites need to be large enough for newer modern RVs with wide roads and level sites, and many pull-thru sites. The buildings need to be in good repair and include a game room, laundry and convenience store."

Expenses as a Percentage of Sales

▶ Cost Of Goods	10%
▶ Payroll/Labor Costs	10%
▶ Occupancy Costs	40%
▶ Profit (pretax)	40%

Advantages

- ▶ "Family owned and operated"

Disadvantages

- ▶ "Long hours when you are open"