

# RV Industry Grows as Boomers Hit Highways

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By Susan Kelly, Reuters

ELKHART, Ind. (Reuters) - The recreational vehicle capital of the world is in the midst of a hiring boom.

In the sprawling manufacturing plants south of Interstate 80-90 in Elkhart County, the scene resembles a bustling construction site, the sound of drills buzzing in the air, as plumbers, electricians and carpenters work at outfitting the giant rigs with all the comforts of home.

Despite record-high prices at the gas pump, the Recreational Vehicle Industry Association expects sales of RVs to reach their highest level in 25 years, fueled by middle-aged Americans' increasing affinity for the big fuel-thirsty rigs.

"It's a challenge for us to get good employees right now," said Jim Mac, marketing director for RV maker Monaco Coach Corp. (MNC.N: Quote, Profile, Research), which operates four plants in the Elkhart area.

Although Wall Street has worried that high fuel costs could curb consumers' enthusiasm for RVs, the industry so far shows no sign of slowing. The improving economy and Americans' desire to spend more time with their families are helping to set the pace.

The jobless rate for Elkhart County, where one in four workers is employed in the RV industry, is an enviable 4 percent, a full point below the average for the state as a whole.

"This is the baby-boom generation that has fueled remarkable increases in demand the past several years and will continue to do so in the next decade," said Richard Curtin, director of consumer surveys at the University of Michigan.

As more families with children join the traditional RV market of active retirees, the age of the average buyer has fallen to 49 from 51 three years ago. More and more enthusiasts have college educations and white-collar jobs, mirroring changes in the U.S. population overall.

"There is substantial demand for the RV lifestyle," Curtin said. "People find it a very satisfying and fulfilling way to travel and participate in outdoor recreation."

## Gas-price worries

Nowadays, higher-end vehicles come with such conveniences as entertainment systems, washer/dryers and walls that slide out to expand

rooms. But smaller and more affordable towable models, pulled by a sport utility vehicle or pickup, are also selling well.

RV shipments began to accelerate at the start of this year, as the economy improved, and jumped nearly 22 percent in April from a year earlier, when the Iraq war slowed orders. With demand strong, manufacturers have been able to pass increases in raw material costs on to customers.

Still, worries about the potential impact of high gas prices on sales have weighed on shares of RV makers like Winnebago Industries Inc. (WGO.N: Quote, Profile, Research), Fleetwood Enterprises Inc. (FLE.N: Quote, Profile, Research) and Coachmen Industries Inc. (COA.N: Quote, Profile, Research) in recent weeks. Motor homes get about seven to 10 miles to the gallon.

The Arab oil embargo and fuel shortages of the early 1970s dealt a blow to the industry, but high fuel costs alone failed to make a lasting dent in RV sales in the past.

"This time could be different," BB&T Capital Markets analyst Kathryn Thompson cautioned. "There was such a dramatic increase in fuel prices that it may delay consumers from buying the product."

For now, some RV owners plan to scale back their summer travel itineraries to offset the higher fuel costs.

Retired computer industry professionals Alan and Barbara Lidstone, who own a 33-foot Winnebago Chieftain, lopped a leg off a planned trip to New England from their home in Venice, Florida.

"We were going to go out to Kentucky and Hot Springs and decided not to because it would have added 1,000 miles to the trip," said Alan Lidstone, who with his wife has written a guidebook on RV travel.

More double-income families whose leisure time is limited are using RVs for long weekend trips, according to Coachmen Chief Executive Claire Skinner.

"It is literally a home on wheels," she said from Coachmen's headquarters in Elkhart County. "And in your home you get to do your own thing at your own time."

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## Not Your Dad's RV



*Seeking togetherness and wary of flying, active families find that today's slick recreational vehicles are just the ticket. Their sales are surging*

By JULIE RAWE

Clarence Thomas — yes, that Clarence Thomas — loves to hit the road in what he calls his "condo on wheels." Shaquille O'Neal bought his own mobile McMansion last summer, a 37-ft. Fleetwood Discovery, and he didn't even need to supersize it. And in January, after finishing his second term as Governor of Maine, Angus King set out with his family on a five-month cross-country odyssey in his big Newmar Dutch Star, which in place of a rearview mirror has a dashboard video screen hooked up to an aft-mounted camera.

Recreational-vehicle sales are booming, and the appeal of RVs is much broader than in their previous heyday, the free-wheelin' early '70s, when they earned a reputation as gas-gulping retirement homes. Today RVs are being bought — and rented — by a younger and more affluent crowd. At the same time, more and more baby boomers are reaching the age at which Americans traditionally buy RVs. Some owners see their RVs as escape vehicles in case of terrorism. Other, stressed-out families just want to vacation without the hassles and worries of air travel — and bring a little bit of home along with them.

Or a lot of home. To attract upscale, first-time buyers, RV makers are offering new levels of luxury and size (think of a 225-sq.-ft. hotel suite with a kitchen and a surround-sound theater). "The average RV owner isn't Joe Six-Pack anymore. It's Joe Charonnay," says Mike Duncan, investor-relations chief for high-end-RV maker Monaco Coach. The industry has also been winning over the sporty set with vehicles that include not only living quarters but also loading ramps and cargo space for Jet Skis, kayaks, ATVs and dune buggies. As for gas mileage, some new motor homes — the industry term for self-propelled RVs, as opposed to ones that must be towed — are surprisingly efficient. Winnebago CEO Bruce Hertzke notes that his company's sleek mini — motor home, the 22-ft., \$62,000 Rialta, comes with a kitchen, double bed and bathroom and gets better gas mileage than the SUV he drives to work.

It's no coincidence that RVs are getting spruced up just as image-conscious boomers, now 39 to 57, head into their prime buying years. (Boomers are turning 50, the typical age of motor-home buyers, at a rate of 350,000 each month.) Today's low interest

rates not only make RV loans more attractive but also leave buyers feeling wealthier after refinancing their home mortgages. While most of the economy sputtered last year, the RV industry was catapulted out of a downturn and into its second best year since the Iran oil crisis pummeled the business in 1979. The industry tends to be one of the first to recover from a recession; after a gut-punching 2001, factory-to-dealer deliveries jumped 21% last year to 311,000 units, and sales approached \$11 billion. Rentals were up by a third. "The demographics are pretty locked in for the next 25 to 30 years," says Hertzke. "Our whole industry is going to do extremely well."

The fastest growing segment of the RV market has been buyers ages 35 to 54. Dave Davidson, 40, a father of three who owns an electrical-contracting company near Los Angeles, is one of thousands of recent first-time buyers who had not seen themselves as RV types until after the terrorist attacks of 2001. "You started thinking about things that are near and dear to you," Davidson says, "and how quickly it could all be taken away." A year ago, he bought a 40-ft. National RV Islander motor home for \$190,000, complete with a queen-size bed and a skylight in the shower. He and his family have already logged 16,000 miles to such destinations as Aspen, Colo., and Graceland.

Guy Russo, 36, a kitchen and bathroom renovator in Chester, N.J., looked to an RV when his daughter, then 12, became afraid of flying after 9/11. Like many other recent buyers, he has been surprised by how many young families he meets at RV parks. "When we bought our RV, we thought, 'O.K., we're going to have to deal with a lot of older people,' but it's not always like that," he says.

"Getting into a motor home is so much easier than messing around with airports," says Jeff Barr, 41, a homebuilder in St. Louis, Mo. His family should know. His wife was a flight attendant for 17 years, and until she got laid off in January, the family could fly free. But that didn't keep the Barrs from buying a secondhand, 38-ft. motor home last September for \$137,000. They keep their 2001 Holiday Rambler Endeavor stocked with food, clothing and toys so they can just hop in and go, which they do at least twice a month, often to NASCAR races (where they

park on the infield and then climb on top of their rig for a good view).

The RV's reputation isn't completely rehabilitated; you can see that in the Oscar-nominated movie *About Schmidt*, in which Jack Nicholson's recently widowed character turns to his Winnebago Adventurer for solace after his depressing retirement party. Offscreen, however, some RV technology rivals that of luxury cars (and boats), including infrared thermal imaging for better night vision, automatic leveling systems for a smoother ride, GPS navigation and broadband Internet access via satellite. RVs range in size and shape from Spartan tents on wheels (starting at \$3,500) that can be towed by the family car to cushy bus-size motor homes (typical cost: \$130,000). Custom-built RVs from Marathon Coach of Coburg, Ore., and Featherlite Inc. of Cresco, Iowa, can carry \$1 million price tags. The industry's strategy is to hook young buyers with a cheap towable and keep them upgrading every few years as long as their budgets allow.

Just six weeks after the 9/11 attacks, the RV division of Coachmen Industries, based in Elkhart, Ind., started selling a Spirit of America line of travel trailers with decals of Old Glory and red-white-and-blue pillows. The company expected to sell 400 of these \$9,000 towable units — really just redecorated versions of existing models — but has sold more than 5,000. Nearly 90% of these entry-level RVs went to first-time buyers, half of them Gen Xers (ages 30 to 40).

The bold graphics and aggressive moniker of National's Rage'N RVT ramp trailer are a direct play for young buyers. The fold-up ramp on the back of this toy hauler is used for loading motorcycles and other large recreational gear. KIT RVs, a 58-year-old brand out of Caldwell, Idaho, changed its name in January to Extreme RVs and has outfitted its \$30,000, 26-ft. toy hauler with a chrome and red-vinyl interior. Travel Supreme's new Me2, a \$325,000, 41-ft. luxury motor home, includes a built-in garage with enough room to stash a stylish BMW Mini Cooper car to be used for local jaunts. (The \$17,000 Mini is not included.)

Frequent upgrading by RV owners has been fueled not only by a strong trade-in market — RVs depreciate more slowly than cars — but also by the emergence of a new must-have feature called a slide-out. These expanding walls dramatically increase an RV's living space. Newmar of Nappanee, Ind., introduced the first motorized zoom room in 1990, and since then the industry has raced to offer RVs with

two, three or even four slides. Carriage Inc. of Millersburg, Ind., just introduced the first five-slide, a 37-ft. trailer aptly named XTRM5, for \$67,000.

Jim Emett, 42, a 911 call-center manager in Monrovia, Calif., bought a 22-ft. slideless motor home in 2000 and a year later upgraded to a 31-footer with one slide. Then last fall he went to his dealer to buy some supplies and left with a 38-footer with two slides. "We're not trying to keep up with the Joneses," Emett says, noting that he still drives a 1989 Mercedes. "We just needed more space."

Real estate broker Pat Miller, 47, lives in California wine country and is on her fourth RV in five years. "I tell my husband, 'This is the last one,' and then we see something nicer," she says. The Millers aren't crazy about their \$190 fuel fill-ups — after the first, the credit-card company called to see whether their card had been stolen — but they like their RV's cruising range of 700 miles.

Towed trailers make up 80% of RVs sold, but the big money is still in motor homes, which account for roughly two-thirds of industry revenue. RVs are made with components from many companies — say, a chassis from Workhorse Custom Chassis, slide-out gear from Actuant and a generator from Onan, a division of Cummins. Back in 2001, RV demand fell so low that some assembly lines and entire plants had to be idled. Industry leader Winnebago of Forest City, Iowa, avoided layoffs with four-day workweeks and a short production halt late in the year. But as demand shot up in the wake of 9/11, the company was buried in orders and spent nine months running overtime. Indiana's Elkhart-Goshen area, home to more than a dozen RV makers, reported the country's highest job growth last year (up 4.6%). Thor Industries of Jackson Center, Ohio, which owns the well-known trailer brands Airstream and Keystone, has logged record sales of \$736 million in the past six months and is building five additional plants in Indiana. Winnebago earned record profits last year and recently completed a plant in Charles City, Iowa, that will increase the company's production capacity 30%.

Demand this year has leveled off, and retail RV prices are softer. Many dealers offer low-rate financing, and there's even a tax break: most RV loans can be considered second-home mortgages, with deductible interest. Now that will make you feel at home.

*With reporting by Matt Baron/Chicago, Elizabeth Coady/Fort Wayne and Laura Randall/Cincinnati*

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Want to rent an RV? Check out <http://cruiseamerica.com>

# The Market for Recreational Vehicles

International Market Insight [IMI]

Regions: EUR;Europe;Southern Europe;Mediterranean;European Union

Country: Italy

Industry: Automotive & Ground Transportation

Sector: Automobiles/Light Trucks/Vans

by: Barbara Lapini

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The market for recreational vehicles is growing fast, offering opportunities for producers of vehicles as well as specialized parts and accessories in this field.

## RV sector

Camping in style, in campers, caravans and other recreational vehicles (RV's), has long been a passion of European vacationers. Italy is a prime destination for RV enthusiasts due to the variety of its offerings: art/cultural capitals, extensive mountain ranges, and 7,600 kilometers of seacoast. The mobility of a RV enables travelers to take in many of this country's wonders in one trip. 2,355 campgrounds dot the peninsula, almost all well equipped to handle RVs.

Italians purchased 6,749 new RV's in 2001 up from 6,569 the previous year. 5,727 of these were Italian made and 1,022 were imports. Italy is a leading producer of RV's and holds one-third of the European market for these vehicles. Tuscany's Elsa valley has specialized in RV production, hosting the factories of leading brands such as Rimor and Laika.

The popularity of these vehicles has increased considerably over the last decade. In 1993, registrations of new autocaravans, or RV's, numbered 4,393 compared to 2001's almost 7,000.