

10 August 2023

Hon Meaghan Scanlon MP  
Minister for Housing  
GPO Box 5078  
Brisbane QLD 4001 Minister Scanlon

By email: [housing@ministerial.qld.gov.au](mailto:housing@ministerial.qld.gov.au)

Dear Minister,

### **Working together to support residential park communities**

Thank you for the opportunity to provide further feedback in response to the state government's review of site rent increases and sale of homes in residential parks.

As outlined in our initial submission to the proposed reforms on 26 June 2023, responding to the ongoing housing crisis will require a collaborative response across government and industry to increase investment in Queensland's housing sector, while supporting the needs of the tenants who rely on the homes provided by the property sector. To this end, the Property Council is pleased to have the opportunity to work with our members and government to propose alternative measures aimed at maintaining investor confidence while supporting the owners of manufactured homes.

### **The important role of manufactured homes in the housing continuum**

Residential parks are a unique form of housing that provide an affordable housing product that sits between social housing and freehold property ownership. It is especially appealing for those on fixed incomes and our ageing community.

Home to more than 25,000 Queenslanders, residential parks are an affordable opportunity for those nearing retirement, with some residents divesting larger freehold properties to move to these communities. In this regard residential parks play an important role in housing older Queenslanders 'rightsizing', while also allowing larger family homes to be released to market.

The benefits of retirement communities are undeniable, with the data showing that residents are healthier, happier and on average have a three-year delay in interacting with government funded aged care. In addition to supporting the individual residents themselves, this also provide significant economic and social benefits nationally.

According to the recently published 2022 PWC/Property Council Retirement Census, retirement village occupancy across Australia is effectively at capacity at around 90 per cent, reflecting an increasing need for more housing for older Australians. With a further 2.2 million people aged over 65 expected by 2041, the need for affordable and appropriate housing options for older Australians is set to increase, highlighting the importance of products like residential parks.

The need for more fit for purpose accommodation to support Queensland's ageing population is reflected in the recently released Draft South East Queensland Regional Plan, which forecasts Queensland's population to increase by approximately 445,000 people until 2026, with the most significant growth projected to occur across the 60 plus age group.

Despite this expected increase in demand, the 2022 PWC/Property Council Retirement Census shows the three-year development supply pipeline of traditional retirement communities fell by more than 5,100 dwellings, compared to the previous Census forecast of 10,500 dwellings.

### **Differences between residential parks and retirement villages**

Australia's ageing population is predominantly supported by residential parks and retirement villages. Residential parks are typically large land holdings where individual freehold homes are located on leased land. In contrast, retirement villages are typically individual units located in a central location that usually include centralised facilities such as libraries, pools, and community centres. Residents typically pay an entrance and exit fee along with rent.

It appears some of the proposals included in the Consultation Regulation Impact Statement (C-RIS) are modelled on retirement villages. While both residential parks and retirement villages support our ageing populations, there are some important and fundamental differences between the two products that deliver significant benefits to owners of manufactured homes and warrant careful consideration.

Manufactured homes are a financially attractive option due to owners not having to pay stamp duty, and additionally manufactured homes are classed as a 'chattel' and are an appreciating asset, which means owners receive the entirety of the capital gains earned on the sale of their homes.

Under the residential park business model, operators rely on the rental stream paid by park residents and not the capital gain from home sales to remain viable. It should be noted that residents are the sole decision-maker for the presentation of the home and the price they are prepared to sell the home for. In comparison retirement village operators can require residents to maintain the standard of their residence.

Additionally, owners of manufactured homes on a full or part pension may be able to access Federal Government rent assistance (which may not be available to retirement village residents), assisting in the affordability of residential parks.

It is important any reforms do not have the unintended consequence of reducing these benefits for owners of manufactured homes and in turn risking investment.

### **Maintaining investor confidence in Queensland**

It is noted the proposals outlined in the C-RIS are specifically designed to respond to unsustainable and unpredictable site rent increases and delays in selling manufactured homes.

As with the broader housing market, affordability is predominantly determined by supply and demand, with a lack of supply reducing affordability. In response to the supply and demand

mismatch, the Property Council believes the most effective way to safeguard residents from the challenges identified in the C-RIS is through the delivery of more residential parks, which would provide residents more choice, create market competition and ultimately put downward pressure on site rents. Additionally, delivering more land-lease communities would increase demand for manufactured homes and alleviate any potential delays in the resale process.

Delivering more residential parks requires strong investor confidence in Queensland and the Property Council is concerned several proposed changes included in the C-RIS would reduce investor confidence, restrict the potential expansion of the market and make the identified issues worse.

### **The importance of market rent reviews**

Securing the necessary investment in residential parks requires a sustainable financial model that allows operators to fund the operation and maintenance of the community, while responding to unpredictable market conditions and cost increases outside the control of the operator.

Market rent reviews are an established and widely used part of all markets. No other private markets are restricted from undertaking market rent reviews and so opposing such a restriction on residential parks risks disincentivising it as a sector. Market rent reviews are a detailed process that considers many and varied inputs. As a result of these external factors, the cost of operating residential parks continues to increase, including capital investment and financing costs, regulation, council rates and utility charges. It is important to note that these cost increases are outside the control of park operators and subject to regular and uncapped increases. The ability and flexibility for park operators to respond to these increases through market rent reviews, protects the commercial viability of, and continued investment in residential parks.

Market reviews also allow park operators to protect the interests and investment of homeowners through continued reinvestment in the community, maintaining the resale value of the home, along with the homeowner's potential capital gains. These considerations show the importance of market rent reviews and as such the Property Council is opposed to any proposal to remove market rent reviews.

It should also be noted that feedback from our members indicates the challenges of selling manufactured homes outlined in the C-RIS do not accord with their experience. Largely members' experience with the resale of homes indicates a shorter timeframe than reported in the C-RIS and such the Property Council does not believe the proposed buyback scheme is necessary. Further, there is concern regarding the potential impacts such a buyback scheme would have on smaller independent operators that do not have the necessary capital to service such a scheme.

### **Proposals that warrant further discussion**

Subject to maintaining market rent reviews and not imposing buybacks on operators, the Property Council believes there are some recommendations in the C-RIS that provide an opportunity for industry and government to work together to support homeowners and greater investment in residential parks. These opportunities are outlined below:

PROPOSAL	QUALIFYING INFORMATION
Increased information and education for residents.	<p>As an overarching principle, the Property Council agrees that greater education and clearer information would benefit both residents and park operators.</p> <p>Options we believe would assist include:</p> <ul style="list-style-type: none"> <li>- Amending the disclosure process and document to make it easier to understand.</li> <li>- Providing some comparison information to support prospective residents. Such information would need to be consistent between communities, and the process to update and publish the necessary information would need to be easy to avoid it adding complexities, and hence costs to residents.</li> </ul>
Simplifying the sales and assignment process.	<p>We agree in principle with simplifying the sales and assignment process to make it easier for homeowners and park operators. This includes the potential of requiring all incoming homeowners to enter into a new site agreement or assigning an existing agreement in its entirety.</p> <p>As evidence of the need to simplify the assignment process, some members have indicated a reluctance to use the reassignment process due to the presence of older special terms that are out of step with current legislation and are not as favourable for incoming homeowners. Some members have also indicated that using different legacy agreements can result in disharmony in the community.</p> <p>While we acknowledge the need to simplify the assignment process, we do not support the option of the homeowner adopting certain prescribed terms of a seller's site agreement to replace the park operator's current new site agreement. This would require individual bespoke site agreements or special conditions, increasing complexity, and with it, cost.</p>
Improve market rent review process.	<p>As stated above, the Property Council firmly believes the market rent review process should remain to protect the viability of residential parks and the investment of homeowners.</p> <p>Subject to market rent reviews remaining, we believe there is an opportunity to improve the process to provide homeowners and operators with greater confidence. This could include:</p>

	<ul style="list-style-type: none"> <li>- The introduction of a pre-agreed panel of valuers, selected with input from residents and operators.</li> <li>- The introduction of a minimum market rent review period, whereby market rent reviews could only be undertaken on a pre-agreed timeframe. This option would provide residents with a degree of certainty, while also allowing operators to gather annual data to inform the market rent review at the appropriate time.</li> </ul>
<p>The development of maintenance and capital replacement plans.</p>	<p>Many of our members already keep maintenance and capital plans. These plans are intentionally high level to remain flexible and responsive to the needs of the community, helping to ensure residents have access to safe, affordable, and fit for purpose communities.</p> <p>Requiring these plans would improve the condition of residential parks, providing investors and residents with confidence and increasing industry standards.</p> <p>While these plans are important and are already maintained by many of our members, the Property Council does not support the proposal to require this information to be made public or disclosed to residents. Nor do we support the requirement to quarantine funds to finance the plans.</p> <p>Requiring operators to disclose their capital plans would potentially create an expectation where residents, neighboring properties and potentially even local Councils may want to be involved in the creation and approval of the plan.</p> <p>Further, any asset requires some maintenance flexibility to adequately respond to unforeseen repairs and capital upgrades. Requiring park-operators to publish capital maintenance plans and set aside a portion of site rent to meet these obligations would create an expectation and limit the ability for park operators to then change the plan to respond to unforeseen circumstances.</p> <p>The Property Council believes this proposal is designed to bring in similar requirements to those imposed on retirement villages. As outlined previously in this submission, there are significant differences between retirement villages and residential parks, including the ability for retirement village operators to require residents to maintain their residence and share in any capital gains. Given these differences, the Property Council does not believe it is appropriate to impose the same conditions on residential park operators who do not have these same opportunities.</p>

During our engagement with members, the Property Council has discussed other opportunities to respond to the issues identified in the C-RIS, and these are outlined below:

PROPOSAL	QUALIFYING INFORMATION
<p>The introduction of a consistent, government-endorsed hardship policy to support residents who are struggling to sell their manufactured home.</p>	<p>While the Property Council does not believe the introduction of a buyback scheme is warranted, many of our members have indicated they have hardship policies to assist where homeowners are unable to sell their homes.</p> <p>The introduction of hardship policies provides financial support as well as a level of confidence for homeowners while their home is being sold.</p> <p>To access the policy, the Property Council believes there would need to be certain conditions, including:</p> <ul style="list-style-type: none"> <li>- A condition report on the home.</li> <li>- The completion of a valuation to ensure the sales price matches market value.</li> <li>- The homeowner is making a genuine effort to sell the home.</li> <li>- The home would need to be on the market for a minimum period before the hardship policy can be accessed.</li> </ul>

**Conclusion**

The Property Council believes that in general the current framework is fit for purpose and works to address the needs of residents and park owners. In saying that we believe there is scope for improved transparency and education to support residents in making an informed decision and to also increase overall acceptance and investor confidence in the sector.

The Property Council prides itself in working with government to deliver solutions focussed outcomes and to this end we appreciate the opportunity to propose these solutions. While these proposals have been suggested to support the need for more residential parks, there is important detail requiring further input and discussion prior to a final position being decided. The Property Council would welcome the opportunity to discuss these proposals with government so we can collectively agree to the detail prior to them being finalised.

To arrange a time for this discussion to occur please don't hesitate to contact me on 0448 432 936 or [jwilliams@propertycouncil.com.au](mailto:jwilliams@propertycouncil.com.au).

Yours sincerely,



**Jen Williams**  
Queensland Executive Director